

CHAIRMAN'S REVIEW



Committed to nurture creativity and empower talent

Dear Shareholders,

Based on a very successful previous year, your company had set very ambitious targets for 2020, and in the first two months we were well on target. However, towards the end of the first quarter your company like the rest of the world was faced with an unprecedented challenge presented by the Covid-19 pandemic. By late March 2020, the pandemic had hit all businesses, both in Pakistan and in our target markets, were shut down. The impact of this was both external on our clients and internal as our facilities were closed down.

I am proud of the way the Management and the entire team reacted to this challenge, particularly the work from home transition. Our customers were impressed that we did not miss any delivery or deadline and continued to provide quality work despite the challenge. As a result, our clients moved more work to our offshore centers and despite the fear of losing business due to the economic downturn caused by the pandemic, your company not only met the very aggressive target for 2020 but exceeded it.

The revenue of the company grew by 31% and its profit after tax by 38%. This growth was led by our traditional North American market and our new venture into the European market, and was supported by equally strong growth in our Domestic and Middle East markets.

We continue to invest in innovative solutions and services for our target markets. More importantly we invest in attracting, training, and retaining the most talented human resource in this field.

I would also like to thank the members of our board for their valuable insight and guidance to the management team. In particular the two retiring members Ayaz Dawood and Tahir Masuad who served two terms on the board, our continuing members Asif Joona and Romana Abdullah, and I also welcome two new members Omar Saeed, who had served on the board earlier and Shabbar Zaidi. We look forward to continuing support and guidance of these directors to the management.

I am proud of the great work done by all members of the Systems family, would congratulate them on the excellent results and wish them and their families a safe and healthy 2021.

As always, we thank all our customers worldwide who have given us the opportunity to service their IT needs and continue to do so.

A handwritten signature in black ink, appearing to read 'Aezaz Hussain'.

Aezaz Hussain
Chairman

CEO'S REVIEW



An exceptional year of transformation, achievements and exciting new opportunities

Dear Esteemed Shareholders, Investors, Partners, Clients and all Colleagues,

Systems has witnessed a remarkable year with noteworthy achievements in terms of global recognition, business, market positioning, growth, and technology while creating new values for its shareholders, investors, clients, the community, and the nation.

As a leading global Information Technology (IT) services firm, we transform, design, and build end-to-end digital systems and applications that help many of the largest and most advanced companies in the world to move faster, operate more efficiently and serve their customers in ways that are optimized for today's digital economy. Following the onset of an unprecedented global pandemic that has accelerated the need for digital adoption, the relevance of our business is greater than ever.

While neither we nor our customers were immune to the pandemic and its consequences; but it has motivated the industries to accelerate digital transformation to maintain business activities and survive this challenging time. This opened tremendous opportunities for us and we took advantage of this opportunity to expand our capacity in digital innovation and engineering. We aligned our offerings around three key pillars Digital, Data and Cloud. We gained progress in each of these areas, a trend that we believe will continue over the course of 2021 and beyond.

Concurrently, we worked to ensure the health and safety of our associates and focused on work-from-home measures, including remote workforce enablement. While our business continuity protocols enabled nearly uninterrupted service to our clients. Our governments recognition and declaring BPO/Contact center as essential business has enabled us to open and operate our BPO/Contact Center throughout the pandemic, this offered us the unique opportunity to acquire new clients and increase volumes from existing customers.

Our COVID-19 Task Force continues to monitor developments and respond in accordance with the guidance provided by governments and public health organizations around the world. As the world faces this unprecedented challenge, Systems is committed to doing everything possible to help our team members, clients and stakeholders through these turbulent times. Building on the accomplishments of 2020, our executives, leadership, and team will continue to solve customer business and technology problems by creating innovative solutions, and offerings. We will continue to expand /strengthen our markets, alliances and partnerships.

Our subsidiary, EP Systems is strengthening market position and expanding its network in the major cities, with Central Bank and Government focus on digitizing the Economy, we are well positioned to capitalize on the digitalization of mass market shopkeepers and retailers. With the EMI License, EP Systems has an opportunity to bring more innovative use cases and bring banking access to its retailers who have previously used the app for mobile top-ups.

System Ventures, our recently formed investment subsidiary, is gearing up to take an advantage of emerging startup eco systems and aggressively looking to invest and incubate innovative solutions. As I look back at 2020, I can see that it was the year to go beyond superficial transformations and truly reinvent ourselves. Let me do a brief recap of what happened last year:

- Our revenue grew by 31% from Rs. 7,535.6 million to Rs. 9,876.8 million. Gross profit and operating profit increased by 37% and 59% respectively.
- More than 1000 new Systemers joined the company, growing our headcount more than 30% year-over-year.
- We inaugurated our center in Islamabad and are in the process of expanding our footprint to other cities in 2021.

We have launched a multi-year strategy to drive shareholders' value focused on three fundamental pillars:

- Increasing our profitable revenue growth by targeting the accelerated global demand for digital and cloud transformation engagements and offshore outsourcing created by the pandemic.
- Achieving greater revenue diversification across geographies, Industry Verticals, Technology Horizontals (Digital, Data, Cloud), both through new client acquisitions and farming existing clients.
- Increasing gross and operating margins Our strong focus on Export business growth is going to yield better margins, in addition our overheads are not increasing as we are scaling our capacity. This will help us in improving our margins.

I would like to express my profound gratitude to our clients across the globe, since our engagement with them enhances our experience and capability. I Thank our valuable Shareholders, who have always supportively put their trust in us. And special thanks to all System's Executives and Colleagues around the world for their tireless efforts, creativity, and wholehearted engagement to serve our customers. It's time to go for more!

Asif Peer
Chief Executive Officer

DIRECTOR'S REPORT

to the shareholders

On behalf of the Board of Directors we are pleased to present the 44th Annual Report to the members together with Audited Group Financial Statements and Auditors Report for the year ended December 31, 2020.

DIVIDEND & APPROPRIATIONS

Directors recommended a payment of final cash dividend @ Rs. 3.50 per share (2019: 2.25 per share) and 10% Bonus Issue (2019: Nil).

The following appropriation on account of dividend was made during the year:

	Un-appropriated profit (PKR)
Balance as at 31 December 2019	3,390,143,582
Total comprehensive income for the year	2,193,914,942
Less:	
Final dividend for the year ended 31 December 2019 at the rate of PKR 2.25 per share	277,920,824
Add:	
Affect of share options	1,833,713
Balance as at 31 December 2020	5,307,971,413

EARNING PER SHARE

Basic and diluted earnings per share for the year ended 31 December 2020 for the Company are PKR 17.66 and PKR 17.31 (31 December 2019: PKR 11.05 and PKR 10.95) per share. Similarly, the basic and diluted earnings per share for the Group are PKR 17.78 and PKR 17.43 (31 December 2019: PKR 12.86 and PKR 12.75) per share.

FINANCIAL PERFORMANCE OF THE COMPANY AND THE GROUP DURING 2020

Activities:

The Company is a public limited company incorporated in Pakistan under the Companies Act, 2017, and listed on the Pakistan Stock Exchange. The Company is principally engaged in the business of software development, trading of software and business process outsourcing services.

The Group comprises of Systems Limited (Holding Company) and its subsidiaries – TechVista Systems FZ LLC, E-Processing Systems (Private) Limited, SUS (Private) Limited and Systems Venture (Private) Ltd.

TechVista Systems FZ LLC (TVS), a limited liability Company incorporated in Dubai Technology and Media Free Zone Authority, is a 100% owned subsidiary of Systems Limited. TVS is engaged in the business of developing software and providing ancillary services. TVS has also invested in TechVista Systems LLC of which currently owns 49%. This company is also registered as a software house but does not have any independent operations and was created to support the projects of TechVista Systems FZ LLC. TVS has also invested in Techvista Systems Pty Ltd, a company incorporated in Australia to manage projects.



E-Processing Systems (Private) Limited (EPS), a private limited Company registered under Companies Act 2017, is a 44.60% owned subsidiary of Systems Limited. EPS is currently engaged in the business of purchase and sale of teleco's airtime and related services. The product of the Company is called OneLoad.

Systems Venture (Private) Limited, a private limited company registered under Companies Act 2017, is a 99.98% owned subsidiary of Systems Limited. Systems Ventures is established in Pakistan to invest in new ventures, start ups and incubate new ideas.

SUS JV (Private) Limited, a private limited company registered under the Companies Act, 2017 is a 94.99% owned subsidiary of Systems Limited. The Company is set up for the Balochistan Land Revenue Management Information Systems project. The project is related to digitization of land records and development of a web-based management information system.

The financial statements of the Company and the Group truly reflect the state of Company's affairs and fair review of their business.

Performance:

Standalone:

The Company's revenue comes primarily from Software Development, Managed Services, Consulting Services and Business Process Outsourcing/Contact Center. Dominant portion of the Company's revenue ie 80% is derived from exports of services to various geographies such as North America, Europe and Middle East and about 20% from domestic market. The Company is well diversified into various business verticals such as Telco, Retail, CPG, Pharma and the financial sector. Moreover, the service offerings are also well diversified in the form of Data Integrations, Modern Dev App, Cloud and Digital Services, as well as Business Process Outsourcing (BPO) and Omni Channel Contact Center.

During the year ended 31 December 2020, standalone revenues of the company grew by 40% over the corresponding period last year, from Rs. 5,348.6 million to Rs. 7,513.8 million. Gross profit and operating profit increased by 58% and 88% respectively. Profit for the year increased by 61% from 1,364.1 million to Rs. 2,193.9 million, which translated into an 85% growth in net profit without accounting for exchange gain in both years. Basic and diluted earnings per share increased by 60% and 58% respectively as a consequence of higher operating profit and profit for the period.

The increase in profits for the year is primarily driven by topline growth, led by the North American and Europe Segment which can be seen in the segment performance as well. This growth has been achieved without significant addition to headcount by optimization and efficient utilization of existing resource. Currency devaluation impact for the year is at Rs. 81.8 million which is significantly lower than last year.

Moreover, the Company was quick to adapt to the changing world post-pandemic and as a consequence was able to minimize the impact on the business by focusing on the CORE. Three technologies are in high demand; Digital; Data and Cloud. The Company got positive traction from its overseas markets in these areas and signed up new opportunities whilst developing a healthy pipeline for future growth.

Standalone				
Particulars	FY 2020		FY 2019	Y/Y
Revenue	7,513,766,845		5,348,568,742	40%
Gross profit	2,797,980,818		1,776,380,215	58%
Operating Profit	2,044,597,986		1,089,190,751	88%
Profit before taxation	2,267,329,045		1,392,672,376	63%
Profit after taxation	2,193,914,942		1,364,131,709	61%
Earnings per share (basic)	17.66		11.05	60%
Earnings per share (diluted)	17.31		10.95	58%

Other Income - Standalone			
Particulars	FY 2020		FY 2019
Other Income	190,803,294		119,473,774
Exchange Gain	81,841,960		223,172,268
	272,645,254		342,646,042

Consolidated

During year ended 31 December 2020, consolidated revenue grew by 31% from Rs. 7,535.6 million to Rs. 9,876.8 million. Gross profit and operating profit increased by 37% and 59% respectively. Exchange gain for the year amounted to Rs. 81.8 million as compared to Rs. 223.1 million for last year on consolidated basis. Net profit for the period increased by 38% from 1,567.9 million to Rs. 2,164.3 million. Basic and diluted earnings per share increased by 38% and 37% respectively over the same period last year.

Growth in revenue is contributed by both the Company and its subsidiaries and rigorous controls on costs helped it flow through to the bottom line.

Consolidated				
Particulars	FY 2020		FY 2019	Y/Y
Revenue	9,876,827,710		7,535,648,069	31%
Gross profit	3,257,187,507		2,369,346,463	37%
Operating profit	2,113,716,697		1,329,745,065	59%
Profit before taxation	2,282,258,059		1,601,214,519	43%
Profit after taxation	2,164,297,683		1,567,932,821	38%
Earnings per share (basic)	17.78		12.86	38%
Earnings per share (diluted)	17.43		12.75	37%

Other Income - Consolidated			
Particulars	FY 2020		FY 2019
Other Income	153,359,078		95,319,307
Exchange Gain	81,841,960		223,172,268
	235,201,038		318,491,575

Performance by Segment – (Standalone)

The segment analysis shows a robust growth across all four segments, with the North American and European Regions leading. Export sales of the Company (excluding E-Processing Systems) are approximately 80% of total sales, in line with the Company's target of further increasing the export component in its portfolio going forward. Diversification into new regions and new markets will support this objective as the company is actively looking to expand in newer areas.

	North America		Europe		Middle East		Pakistan		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue from contracts with customers	4,367,846,372	2,956,900,042	825,305,235	475,048,351	725,170,596	548,460,272	1,595,444,642	1,368,160,077	7,513,766,845	5,348,568,742
Cost of revenue	(2,392,470,816)	(1,664,852,689)	(498,779,658)	(295,198,103)	(572,919,574)	(473,009,587)	(1,251,615,979)	(1,139,128,148)	(4,715,786,027)	(3,572,188,527)
Gross profit	1,975,375,556	1,292,047,353	326,525,577	179,850,248	152,251,022	75,450,685	343,828,663	229,031,929	2,797,980,818	1,776,380,215
Selling and distribution expenses	(17,406,721)	(12,037,257)	(4,024,698)	(1,933,876)	(7,462,548)	(4,315,287)	(89,900,101)	(81,406,735)	(118,794,068)	(99,693,155)
Administrative expenses	(324,640,784)	(301,387,312)	(66,340,926)	(48,420,151)	(59,381,802)	(53,816,533)	(49,484,834)	(44,847,110)	(499,848,346)	(448,471,106)
Profit / (loss) before taxation and unallocated income and expenses	(342,047,505)	(313,424,569)	(70,365,624)	(50,354,027)	(66,844,350)	(58,131,820)	(139,384,935)	(126,253,845)	(618,642,414)	(548,164,261)
Unallocated income and expenses:										
Other operating expenses									(134,740,418)	(139,025,203)
Other income									272,645,254	342,646,042
Finance costs									(49,914,195)	(39,164,417)
									87,990,641	164,456,422
Profit before taxation									2,267,329,045	1,392,672,376
Taxation									(73,414,103)	(28,540,667)
Profit for the year									2,193,914,942	1,364,131,709

For the year ended 31 December 2020, TVS registered a revenue of AED 57.8 million (2019: 62.9 million) and earning a profit of AED 1.9 million (2019: AED 4.8 million). Slight reduction in the revenue is the result of more offshoring in 2020 to improve margins for the business. However, lower profits in TVS this year are due to an overlapping period during this transition where there was a bench of onsite resources. The offshoring has resulted in a higher contribution from the subsidiary to the company's standalone revenue and profits.

The subsidiary EP Systems, being a retail centric business, despite the pandemic situation, has shown growth over the past year and has increased its sales volume, GP margin as compared with last year. OneLoad business picked momentum this year with total throughput of Rs 12.5 billion in transaction value for the year. The Company has achieved revenue growth of 13% from PKR 316.1 million in 2019 to PKR 357.5 million in 2020. This revenue growth and optimization of commissions and other costs has enabled the Company to achieve a Gross Profit in 2020 of PKR 139.9 million which is 50% higher as compared to PKR 93.2 million in 2019.

FUTURE OUTLOOK AND PROSPECTS OF PROFIT

2021 Plans

The Company has seen a robust demand in the digital space globally which is aligned with the company's strategy which includes Digital and Business transformation (largely Digital Commerce, Enterprise Resource Planning (ERP), Customer Relationship Management (CRM)) along with strategic alignment on Cloud and Data. The Company is actively pursuing these areas and working to develop its core competence in these segments so as to meet global demand and growth opportunities in these sectors. It is widely believed amongst the digital ecosystem that capturing tomorrow's market will require organizations to define it. The era of the fast follower is effectively now over!

Since the company is well diversified in terms of service offerings and locations, the company is seeing growth in all the three international regions where it is present and similar trends are visible in the domestic market. In the post-covid world, with the acceptability of remote working, offshoring has become more acceptable and the customers are now open to consider Pakistan as an outsourcing destination. This has increased an overall demand in the IT industry and IT exports from Pakistan have grown by over 30% in last 7 months. The company's growth is aligned with the industry growth and international demand for IT Services.

Additionally, the company is well aligned with the Telco sector in the domestic market. Revenue per user (RPU) has been challenged in the Telco space because of high competition so customers in this sector are looking for touch free operations and hyper automation as they look to optimize and reduce their Opex. In response, the company is addressing this challenge through offshoring and managed services contracts. With the 5G rollout, there are a lot of new business cases coming up and latency and speed will no longer be a challenge after 5G. The company is expanding its team for the research of 5G and in the IOT space so the company can take advantage of this technology advancement.

During covid, the transformation and transition from onsite business concentration to offshore resources for the Middle East Region is a strategic move for the company and creates stickiness with the customer, gives scale and results in robust cashflows for the company as well as higher profitability for the group. TVS is expected to show sustainable growth with better margins. Moreover, TVS is entering into alliances with digital transformation consulting firms as they also need scale in the backend execution space and TVS is poised to take advantage as the company has an offshore back office and onsite resources.

Qatar market was lagging for 2 to 3 years due to the embargos and travel restrictions between UAE and Qatar which restricted business opportunities. Following the lifting of embargoes and restrictions, the company sees possibilities of growth in that market as well.

In the North American market, the company's investment in business solutions and products has resulted in increased footprint in the form of new logos. With the company's service offerings for defined industry verticals, the company sees lifetime value from the customers and the new customer acquisitions are expected to result in growth and expansion in this region. The company is continuously investing to find growth avenues by investing in R&D and setting up of research labs to work on new use cases/technologies.

In the European market, the company's investment is paying off, with the company expanding its customer base. As there is a scarcity of skilled resources in this market, the company has possibilities of offering offshore work.

The company is also looking to invest in mature start-ups and new ideas through its subsidiary Systems Ventures. This will give additional inorganic revenue growth in the relevant business verticals and relevant technology areas. Focus is on organisations with a unique skillset or a specialized product or service offering.

On the Call center/BPO front, the company is positive and optimistic that export BPO revenue will increase as the economy is in the recovery phase. The company is focusing on growing the omni channel contact center business with investments to acquire business in this space.

During the year, the International Finance Corporation (IFC), a member of the World Bank Group, has acquired a 20 percent equity stake in EP Systems. This infusion of funds and expertise will prove to be beneficial for EP Systems and Pakistan's Fintech market as a whole. EP Systems is striving to enable retailers, particularly small retailers, to effectively serve mass market, low income consumers and satisfy their demand for a number of services.

PRINCIPAL RISK AND UNERTAINTIES FACING THE COMPANY

RISK FACTORS

Following are some of the risk factors that may impact our business and financial results:

- Economic Depression - Globally, North American and European countries can go through real depression and slow recovery. If Companies file for bankruptcy and seek Government support, recoverability of current receivables can be a challenge.
- Income Inequality - Risk of severe income inequality in Pakistan which can cause social unrest and will affect interest of foreign customers and investors
- Risk of Travel advisory - Investors and buyers will not be able to travel to the country in case of any travel advisory. Since the Company is in services business and though a lot of work is happening offshore, however travel restrictions will impact business since resources will not be able to visit foreign clients.
- Pricing Pressures – In case of demand compression, there will be a large supply of talent pool but less demand. This will result in a price war and that, potentially effects profit margins
- Currency risk – Currency is expecting to be stable this year and the company doesn't see a high currency risk in this region
- Country risk – The Company is well poised for digital Pakistan but with recent forecast, the country is going into a negative GDP situation, there will be unemployment, and less demand in public sector spending.
- Other income – Other income is tied with interest rates. If interest rates fall further or in case of significant dollar devaluation, it will adversely impact Company's returns on investments.

CHANGES DURING FINANCIAL YEAR CONCERNING THE NATURE OF THE BUSINESS OF THE COMPANY OR OF ITS SUBSIDIARIES AND JOINT OPERATION

There has been no change in the nature of business of the company or its subsidiaries. For the subsidiary EP System, the Company has received an investment from IFC to secure 20% stake in the business.

MAIN TRENDS AND FACTORS LIKELY TO AFFECT THE FUTURE DEVELOPMENT, PERFORMANCE AND POSITION OF THE COMPANY BUSINESS

Technology is rapidly changing and demands are on the higher side for the disruptive technologies. In order to grow at a faster pace, the Company has to scale up and nurture talent. Scaling into relevant technologies will have a significant impact on future performance and position of the Company's business.

IMPACT OF COMPANY BUSINESS ON THE ENVIRONMENT

Since the Company is in the software business, the Company does not have any adverse impact on the environment.

CORPORATE SOCIAL RESPONSIBILITY

The Company acknowledges its responsibility towards society and performs its duty by providing financial assistance to projects for society development by various charitable institutions on consistent basis.

ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The management of Systems Limited as a Group is responsible for the establishment and maintenance of the Company's and the Group's system of internal control in order to identify and manage risks faced by the Group. The system provides reasonable, though not absolute, assurance that:

- Assets are safeguarded against unauthorized use or disposition;
- Proper and reliable accounting records are available for use within the business;
- Adequate control mechanisms have been established within the operational businesses, and
- Internal financial controls deployed within the Company have been satisfactory throughout the year.

CORPORATE GOVERNANCE AND FINANCIAL REPORTING FRAMEWORK

As required by the Code of Corporate Governance, the directors are pleased to confirm that:

- The financial statements prepared by the management of the Company and the Group, present its state of affairs fairly, the result of its operations, cash flows and changes in equity
- Proper books of accounts of the Company and each of its subsidiaries have been maintained
- Appropriately accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and there have been no departures therefrom
- The system of internal control is sound in design and has been effectively implemented and monitored
- There are no significant doubts about the Company's ability along with the subsidiaries to continue as a going concern
- There has been no material departure from the best practices of corporate governance as detailed in listing regulations

BOARD OF DIRECTORS

The board comprises of seven (7) directors with one (1) female director. During the year, five (5) board meetings were held.

The names of directors and number of meetings attended by each director is as follows:

Board of Directors		
Name of Director	Category	Meetings Attended
Mr. Aezaz Hussain	Non Executive	5
Mr. Asif Peer	Executive	5
Mr. Arshad Masood	Non Executive	3
Ms. Romana Abdullah	Independent	3
Mr. Ayaz Dawood	Independent	4
Mr. Asif Jooma	Independent	4
Mr. Tahir Masaud	Independent	4
Mr. Syed Mohammad Shabbar Zaidi	Independent	1
Mr. Omar Saeed	Independent	1

For TechVista Systems FZ LLC, Mr. Asif Peer is the Managing director of the company.

For E-Processing Systems (Private) Limited, the directors of the company are – Mr. Aezaz Hussain, Chairman, Mr. Asif Peer and Mr. Muhammad Yar Hiraj.

BOARD COMMITTEES

The Board of Directors has constituted Audit Committee and Human Resource & Compensation Committee.

The names of members of Board Committees and number of meetings attended by each member is as follows:

Audit Committee:

Existing Committee	
Name of Member	Meetings Attended
Mr. Ayaz Dawood	5
Ms. Romana Abdullah	4
Mr. Tahir Masaud	5

Human Resource & Compensation Committee:

Existing Committee	
Name of Member	Meetings Attended
Mr. Asif Jooma	1
Mr. Tahir Masaud	1
Ms. Romana Abdullah	1

CHANGES TO THE BOARD

The current terms of the directors was completed on December 1, 2020 and fresh elections were conducted for the appointment of directors through extra ordinary general meeting held on 3rd December 2020. The Board would like to record its appreciation for the invaluable contributions rendered by the outgoing directors Mr. Ayaz Dawood and Mr. Tahir Masaud.

The Board also extends warm welcome to Mr. Syed Mohammad Shabbar Zaidi and Mr. Omar Saeed as new fellow members. The Board is confident that the team would operate cohesively for the benefit of the Company and that the new members shall lend a fresh perspective and spirit towards the progress of the Company.

The term of the new board will stand completed on 3rd December 2023.

COMPOSITION OF THE NEW BOARD & COMMITTEES AFTER ELECTIONS

Board of Directors			Human Resource & Compensation Committee	
Name of Director	Category	Status	Audit Committee	Compensation Committee
Mr. Aezaz Hussain	Non Executive	Re-elected	X	X
Mr. Asif Peer	Executive	Re-elected	X	X
Mr. Arshad Masood	Non Executive	Re-elected	X	✓
Ms. Romana Abdullah	Independent	Re-elected	✓	✓
Mr. Asif Jooma	Independent	Re-elected	X	✓
Mr. Syed Mohammad Shabbar Zaidi	Independent	Newly elected	✓	X
Mr. Omar Saeed	Independent	Newly elected	✓	✓

FORMAL ORIENTATION AT INDUCTION

Detailed orientation is conducted upon induction of each new Board member, apprising them on business operations, environment and long term strategy of the Company. Extensive training programs are offered to the directors for enhancement of managerial and governance skills.

POLICY ON NON EXECUTIVE AND INDEPENDENT DIRECTORS' REMUNERATION

All non-executive and independent directors of the Company are entitled to remuneration for attending Board and Committee meetings along with reimbursement of expenses incurred in connection with these meetings.

A director may be paid such extra remuneration as the Board may determine, for serving on any Committee or devoting special attention to the business of the Company or performance of services which, in the opinion of the Board, are outside the scope of statutory duties of a director.

Detail of the remuneration paid to executive and non-executive directors during the year is given in Note 34 of the attached financial statements.

KEY OPERATING AND FINANCIAL DATA

Key operating and financial data for the last six years is annexed with the Annual Report.

INVESTMENTS OF PROVIDENT FUND

The value of provident fund operated by the Company, based on the un-audited accounts of the fund as on 31 December 2020 amounts to PKR 693.6 million (31 December 2019: PKR 446.8 million)

PATTERN OF SHAREHOLDING

The Pattern of Shareholding as at 31 December 2020 is annexed with the annual report. The shareholding pattern of TechVista Systems FZ LLC and E-Processing Systems (Private) Limited as at 31 December 2020 is enclosed.

TRADING BY DIRECTORS, EXECUTIVES AND THEIR SPOUSES AND MINOR CHILDREN

The Company's Directors, executives and their spouses and minor children did not trade in the Company's shares during the year ended 31 December 2020 other than those disclosed on Pakistan Stock Exchange.

REVIEW OF RELATED PARTIES TRANSACTIONS

In compliance with the Code of Corporate Governance and applicable laws and regulations, details of all related party transactions are placed before the Audit Committee and upon recommendation of the Audit Committee, the same are placed before the Board for review and approval.

QUARTERLY AND ANNUAL FINANCIAL STATEMENTS

The financial statements were duly endorsed by CEO and CFO before approval of the Board. Quarterly financial statements of the Company, along with consolidated financial statements of the Group, were approved, published and circulated to shareholders within one month of the closing date, while Half yearly financial statements of the Company and consolidated financial statements of the Group were reviewed by the external auditors, approved by the Board, published and circulated to shareholders within two months of the closing date.

AUDITORS

EY Ford Rhodes has completed its tenure for the year 2020 and retire at the conclusion of the 44th Annual General Meeting. Being eligible, they have offered themselves for re-appointment.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements of the Company together with its subsidiary companies E-Processing Systems (Private) Limited and TechVista Systems FZ-LLC are also included.

SUBSEQUENT EVENTS

No material changes or commitments affecting the financial position of the Company and the Group have occurred between the end of the financial year and the date of this report except as disclosed in this report, if any.

ACKNOWLEDGEMENT

The Board takes this opportunity to thank the Company's and its subsidiaries' valued customers, bankers and other stakeholders for their cooperation and support. The Board greatly appreciates hard work and dedication of the management and all employees of the Group.

On behalf of the Board



Asif Peer
Chief Executive Officer



Aezaz Hussain
Chairman

Date: 3rd March 2021
Lahore

بورڈ آف ڈائریکٹرز	ڈائریکٹر کا نام	کننگری	مینگنڈ میں شمولیت
جناب اعزاز حسین	جناب اعزاز حسین	نان ایگزیکٹو	5
جناب آصف پیر	جناب آصف پیر	ایگزیکٹو	5
جناب ارشد مسعود	جناب ارشد مسعود	نان ایگزیکٹو	3
محترمہ رومانہ عبداللہ	محترمہ رومانہ عبداللہ	آزاد	3
جناب یازداؤد	جناب یازداؤد	آزاد	4
جناب آصف جوہا	جناب آصف جوہا	آزاد	4
جناب طاہر مسعود	جناب طاہر مسعود	آزاد	4
جناب سید محمد شہزیدی	جناب سید محمد شہزیدی	آزاد	1
جناب عمر سعید	جناب عمر سعید	آزاد	1

ٹیک و سٹراسٹریٹیز، ایبل ایل سی کیلئے، جناب آصف پیر کینی کے ڈائریکٹر ہیں۔
ای پروسیڈنگ سسٹمز (پرائیویٹ) لمیٹڈ کیلئے، کینی کے ڈائریکٹر ہیں۔ جناب اعزاز حسین، جناب آصف پیر اور جناب محمد یار ہراج

بورڈ کمیٹیاں

بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی اور انسانی وسائل اور معاوضہ کمیٹی تشکیل دی ہے۔
بورڈ کمیٹیوں کے ممبرز کے نام اور ہر ممبر کی مینگنڈ میں شرکت کی تعداد حسب ذیل ہے:

آڈٹ کمیٹی

موجودہ کمیٹی	ممبر کا نام	مینگنڈ میں شمولیت
جناب یازداؤد	جناب یازداؤد	5
محترمہ رومانہ عبداللہ	محترمہ رومانہ عبداللہ	4
جناب طاہر مسعود	جناب طاہر مسعود	5

انسانی وسائل اور معاوضہ کمیٹی

موجودہ کمیٹی	ممبر کا نام	مینگنڈ میں شمولیت
جناب آصف جوہا	جناب آصف جوہا	1
جناب طاہر مسعود	جناب طاہر مسعود	1
محترمہ رومانہ عبداللہ	محترمہ رومانہ عبداللہ	1

بورڈ میں تبدیلیاں

ڈائریکٹرز کی موجودہ مدت دسمبر 2020 کو مکمل ہوگی اور 3 دسمبر 2020 کو منعقدہ غیر معمولی عمومی اجلاس کے ذریعے ڈائریکٹرز کی تقرری کیلئے تازہ انتخابات کروائے گئے۔ بورڈ سکدش ہونے والے ڈائریکٹرز جناب یازداؤد اور جناب طاہر مسعود کو ان کی بے مثال خدمات کیلئے خراج تحسین پیش کرتا ہے۔

بورڈ نے سابق ممبرز جناب سید محمد شہزیدی اور جناب عمر سعید کو رگرجوشی سے خوش آمدید کہتا ہے۔ بورڈ کو یقین ہے کہ ٹیم کینی سے فائدے کیلئے مستقل طور پر کام کرے گی اور نئے ممبرز کینی کی ترقی کیلئے ایک نیا تناظر اور جد بلائیں گے۔
نئے بورڈ کی مدت 3 دسمبر 2023 کو مکمل ہوگی۔

انتخابات کے بعد نئے بورڈ اور کمیٹیوں کی ترکیب

بورڈ آف ڈائریکٹرز	ڈائریکٹر کا نام	کننگری	کیفیت	آڈٹ کمیٹی	انسانی وسائل اور معاوضہ کمیٹی
جناب اعزاز حسین	جناب اعزاز حسین	نان ایگزیکٹو	دو بارہ منتخب	X	X
جناب آصف پیر	جناب آصف پیر	ایگزیکٹو	دو بارہ منتخب	X	X
جناب ارشد مسعود	جناب ارشد مسعود	نان ایگزیکٹو	دو بارہ منتخب	X	✓
محترمہ رومانہ عبداللہ	محترمہ رومانہ عبداللہ	آزاد	دو بارہ منتخب	✓	✓
جناب آصف جوہا	جناب آصف جوہا	آزاد	دو بارہ منتخب	X	✓
جناب سید محمد شہزیدی	جناب سید محمد شہزیدی	آزاد	نومنتخب	✓	X
جناب عمر سعید	جناب عمر سعید	آزاد	نومنتخب	✓	✓

شمولیت پرستی واقفیت

ہر نئے ممبر کی شمولیت پرستی و واقفیت کا اہتمام کیا جاتا ہے، انہیں کاروباری اعمال، ماحول اور کینی کی طویل مدتی حکمت عملی سے آگاہ کیا جاتا ہے۔ ڈائریکٹرز کو انتظامی اور عملی مہارت میں اضافہ کیلئے وسیع تربیتی پروگرام پیش کیے جاتے ہیں۔

نان ایگزیکٹو اور آزاد ڈائریکٹرز کی معاوضہ پالیسی

کینی کے تمام نان ایگزیکٹو اور آزاد ڈائریکٹرز ان مینگنڈز کے سلسلے میں ہونے والے اخراجات کی وصولی کے ساتھ ساتھ بورڈ اور کینی کے اجلاسوں میں شرکت کیلئے معاوضہ کے حقدار ہیں۔

کسی ڈائریکٹر کو کسی کمیٹی میں خدمات انجام دینے یا کینی کے کاروبار پر خصوصی توجہ دینے یا خدمات کی کارکردگی، جو کہ بورڈ کی رائے میں، ڈائریکٹر کے قانونی فرائض کے دائرے سے باہر ہے، کیلئے اتنا اضافی معاوضہ ادا کیا جاسکتا ہے جتنا کہ بورڈ اس کیلئے تعین کرتا ہے۔

ایگزیکٹو اور نان ایگزیکٹو ڈائریکٹرز کو سال کے دوران ادا کئے جانے والے معاوضے کی تفصیل منسلک مالی بیانات کے نوٹ 34 میں دی گئی ہے۔

یورپی مارکیٹ میں کمپنی کی بڑھتی ہوئی کسٹمرز ہیں کے ساتھ کمپنی کی سرمایہ کاری معاوضہ ادا کر رہی ہے۔ چونکہ اس مارکیٹ میں ہنرمند وسائل کمی کی ہے، اس لئے کمپنی کے پاس آف شور کام کی پیشکش کے امکانات موجود ہیں۔

کمپنی اپنے ذیلی ادارے سسٹمز اور پتھر کے توسط سے پینڈ سٹارٹ اپس اور نئے آئیڈیاز میں بھی سرمایہ کاری کرنا چاہ رہی ہے۔ اس سے متعلقہ بزنس ورٹیکلز میں اور متعلقہ ٹیکنالوجی کے شعبوں میں اضافی غیر نامیاتی آمدنی بڑھے گی۔ کمپنی کی توجہ ان تنظیموں پر مرکوز ہے جن کے پاس مندرجہ ہمارے ہے یا خصوصی پروڈکٹ یا سروس کی پیشکش ہے۔

کال سنٹر اپنی اپنی اوجھڑا کر کمپنی مثبت اور برآمدی ہے کہ ایک سپورٹ بی بی پی اولی آمدنی میں اضافہ ہوگا کیونکہ معیشت بحالی کے مرحلے میں ہے۔ کمپنی اس سبب میں کاروبار کے حصول کیلئے سرمایہ کاری کے ساتھ اٹمی چینل کو نکلتے سٹارٹ کے کاروبار کو بڑھانے پر توجہ دے رہی ہے۔

سال کے دوران، ورلڈ بینک گروپ کی ایک رکن، انٹرنیشنل فنانس کارپوریشن (آئی ایف سی) نے ای پی سٹارٹ میں 20 فیصد ایکویٹی حاصل کر لی ہے۔ سرمائے اور مہارتوں کا یہ پلاپ ای پی سٹم اور مجموعی طور پر پاکستان کی فنٹیک مارکیٹ کیلئے فائدہ مند ثابت ہوگا۔ ای پی سٹارٹ ریٹیلرز، خاص طور پر چھوٹے ریٹیلرز کو موثر انداز میں بڑی مارکیٹ، کم آمدنی والے صارفین کی خدمت کرنے اور متعدد خدمات کیلئے ان کی طلب کو پورا کرنے کے قابل بنانے کیلئے کوشاں ہے۔

کمپنی کو درپیش بنیادی خطرات اور غیر یقینی صورتحال

خطرے کے عوامل

درج ذیل خطرے کے عوامل ہمارے کاروبار اور مالی نتائج کو متاثر کر سکتے ہیں:

- معاشی دباؤ - عالمی سطح پر شمالی امریکہ اور یورپی ممالک کو حقیقی دباؤ اور سست بحالی سے گزرنا پڑ سکتا ہے۔ اگر کمپنیاں دیوالیہ پن کیلئے فائل کرتی ہیں اور حکومت سے مدد لیتی ہیں، موجودہ وصولیوں کی بازیابی ایک چیلنج بن سکتی ہے۔
- آمدنی کی عدم مساوات - پاکستان میں آمدنی کی شدید عدم مساوات کا خطرہ ہماری بے سکونی کا باعث بن سکتا ہے اور یہ غیر ملکی سٹارٹ اپس اور سرمایہ کاروں کے مفاد کو متاثر کرے گا۔
- ٹریول ایڈوائزری کا خطرہ - کسی ٹریول ایڈوائزری کی صورت میں سرمایہ کار اور خریدار اس ملک کا سفر نہیں کر سکیں گے۔ چونکہ کمپنی خدمات کا کاروبار کرتی ہے اور بہت سا کام آف شور ہو رہا ہے، تاہم پھر بھی سفری پابندیوں سے کاروبار متاثر ہوگا کیونکہ لوگ غیر ملکی کلائنٹس سے ملاقات نہیں کر سکیں گے۔
- قیمتوں کا دباؤ - طلب میں غیر متوقع کمی کی صورت میں، باصلاحیت لوگوں کی فراوانی ہوگی لیکن طلب کم ہوگی۔ اس کے نتیجے میں قیمتوں کی جنگ شروع ہو جائے گی، اور اس سے منافع کے مارجن پر برا اثر پڑے گا۔
- کرنسی کا خطرہ - اس سال کرنسی کے مستحکم ہونے کی توقع ہے اور کمپنی کو اس خطے میں کرنسی کا زیادہ خطرہ نظر نہیں آ رہا۔
- ملکی خطہ - کمپنی ڈیجیٹل پاکستان کیلئے پوری طرح تیار ہے لیکن حالیہ پیش گوئیوں کے ساتھ ملکی منحنی جی ڈی پی کی صورتحال کی طرف جارہا ہے، بے روزگاری بڑھے گی، اور سرکاری شعبے کے اخراجات میں مانگ کم ہوگی۔
- دیگر آمدنی - دیگر آمدنی شرح سود کے ساتھ منسلک ہے۔ اگر شرح سود مزید کم ہوتی ہے یا ڈالر کی قدر میں نمایاں کمی کی صورت میں، کمپنی کو سرمایہ کاری سے ملنے والے منافع پر منفی اثر پڑے گا۔

مالی سال کے دوران کمپنی یا اس کے ذیلی اداروں اور جوائنٹ آپریشن کے کاروبار کی نوعیت سے متعلق تبدیلیاں

کمپنی یا اس کے ذیلی اداروں کے کاروبار کی نوعیت میں کوئی تبدیلی نہیں آئی ہے۔ ذیلی ادارہ ای پی سٹارٹ کیلئے کمپنی کو کاروبار میں 20% حصہ پانے کیلئے آئی ایف سی سے سرمایہ کاری حاصل ہوئی ہے۔

کمپنی کے کاروبار کی پوزیشن، کارکردگی اور مستقبل کی ترقی پر اثر انداز ہونے والے بنیادی رجحانات اور عوامل

ٹیکنالوجی تیزی سے بدل رہی ہے اور ضل ڈالنے والی ٹیکنالوجی کی طلب بلندی کی طرف گامزن ہے۔ تیز رفتاری سے ترقی کرنے کیلئے کمپنی کو اپنی صلاحیت بڑھانی ہوگی اور اس کی نگہداشت کرنی ہوگی۔ متعلقہ ٹیکنالوجیز میں پیشرفت سے کمپنی کے کاروبار کی پوزیشن اور مستقبل کی کارکردگی پر نمایاں اثر پڑے گا۔

کمپنی کے کاروبار کا ماحول پر اثر

چونکہ کمپنی سوئفٹ ویئر کا کاروبار کرتی ہے، اس لئے کمپنی کا ماحول پر کوئی منفی اثر نہیں پڑتا ہے۔

کارپوریٹ سماجی ذمہ داری

کمپنی معاشرے کے حق میں اپنی ذمہ داریوں کو تسلیم کرتی ہے اور مختلف رفاهی اداروں کے ذریعے معاشرے کی ترقی کے منصوبوں کو مالی معاونت فراہم کر کے اپنا فرض ادا کرتی ہے۔

اندرونی مالیاتی کنٹرول کی قابلیت

ایک گروپ کی حیثیت سے گروپ کو درپیش خطرات کی نشاندہی اور انتظام کیلئے سسٹمز لیمیٹڈ کی انتظامیہ کمپنی اور گروپ کے اندرونی کنٹرول کے سسٹم کے قیام اور دیکھ بھال کیلئے ذمہ دار ہے۔ یہ سسٹم اگرچہ مطلق نہیں، لیکن معقول یقین دہانی کراتا ہے کہ:

- ✓ غیر مجاز استعمال یا برتاؤ کے خلاف اثاثوں کی حفاظت کی جاتی ہے؛
- ✓ کاروبار کے اندر استعمال کیلئے درست اور قابل اعتماد اکاؤنٹنگ ریکارڈز دستیاب ہیں؛
- ✓ آپریٹنگ بزنسز کے اندر مناسب کنٹرول میکانزم قائم کیا گیا ہے اور
- ✓ کمپنی کے اندر گئے گئے انٹرنل فنانس کنٹرولز پورے سال کے دوران تسلی بخش رہے ہیں۔

کارپوریٹ گورننس اور مالی رپورٹنگ کا ڈھانچہ

جیسا کہ کوڈ آف کارپوریٹ گورننس کی ضرورت ہے، ڈائریکٹرز کو اس بات کی تصدیق کرتے ہوئے خوشی ہے کہ:

- ✓ کمپنی اور گروپ کی انتظامیہ کے تیار کردہ مالیاتی گوشوارے اس کی صورتحال، اس کی کارروائیوں کے نتائج، نقد بہاؤ اور ایکویٹی میں بدلاؤ کو منصفانہ طور پر پیش کرتے ہیں
- ✓ کمپنی اور اس کے ہر ایک ذیلی ادارے کے اکاؤنٹس کی درست کٹاوتیں برقرار رکھی گئی ہیں
- ✓ مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیاں مستقل طور پر لاگو کی گئی ہیں اور اکاؤنٹس کے تخمینے معقول اور حتمی فیصلے پر مبنی ہیں
- ✓ مالیاتی گوشواروں کی تیاری میں انٹرنیشنل فنانس رپورٹنگ سٹینڈرڈز پر، جیسا کہ پاکستان میں قابل اطلاق ہیں، عمل کیا گیا ہے اور ان سے کوئی انحراف نہیں کیا گیا
- ✓ اندرونی کنٹرول کا نظام بناوٹ میں محفوظ ہے اور اس کو موثر انداز میں نافذ اور نگرانی کی جارہی ہے
- ✓ کمپنی کے ساتھ ساتھ اس کے ماتحت اداروں کی کاروبار کو جاری رکھنے کی صلاحیت کے بارے میں کوئی نمایاں مشکوک ہشہبات نہیں ہیں
- ✓ کارپوریٹ گورننس کے بہترین طریقوں سے کوئی انحراف نہیں ہے جیسا کہ اسٹاک ریگولیٹیشن میں تفصیل درج ہے

بورڈ آف ڈائریکٹرز

بورڈ ایک خاتون ڈائریکٹر سمیت سات (7) ڈائریکٹرز پر مشتمل ہے، سال کے دوران، پانچ (5) بورڈ میٹنگز منعقد ہوئیں۔

ڈائریکٹرز کے نام اور ہر ڈائریکٹر کی میٹنگز میں شرکت کی تعداد حسب ذیل ہے:

دیگر آمدنی - آزادانہ		
تفصیل	مالی سال 2020	مالی سال 2019
دیگر آمدنی	190,803,294	119,473,774
زرمبادلہ سے حصول	81,841,960	223,172,268
	272,645,254	342,646,042

گروپ:

31 دسمبر 2020 کو ختم ہونے والے سال کے دوران منظم آمدنی 31% اضافہ کے ساتھ 7,535.6 ملین روپے سے بڑھ کر 9,876.8 ملین روپے ہو گئی۔ مجموعی منافع اور آپریٹنگ منافع دونوں میں بالترتیب 37% اور 59% اضافہ ہوا۔ سال کے دوران زرمبادلہ کا حصول 81.8 ملین روپے رہا جو کہ گزشتہ سال منظم بنیادوں پر 223.1 ملین روپے تھا۔ اس عرصہ کیلئے خالص منافع 38% اضافے کے ساتھ گزشتہ سال کے 1,567.9 ملین روپے کے مقابلے میں بڑھ کر 2,164.3 ملین روپے ہو گیا۔ پچھلے سال کے اسی عرصہ کے مقابلے میں فی شیئر بنیادی اور ترقی آمدنی میں بالترتیب 38% اور 37% کا اضافہ ہوا۔

آمدنی میں اضافہ کمپنی اور اس کے ذیلی اداروں نے نل کر کیا اور اخراجات پر سخت کنٹرول نے اس کے چلنی سطح تک بہاؤ میں معاونت کی۔

منظم		
تفصیلات	مالی سال 2020	مالی سال 2019
آمدنی	9,876,827,710	7,535,648,069
مجموعی منافع	3,257,187,507	2,369,346,463
آپریٹنگ منافع	2,113,716,697	1,329,745,065
ٹیکس سے پہلے منافع	2,282,258,059	1,601,214,519
ٹیکس کے بعد منافع	2,164,297,683	1,567,932,821
کمائی فی شیئر (بنیادی)	17.78	12.86
کمائی فی شیئر (رقیق)	17.43	12.75

دیگر آمدنی - آزادانہ		
تفصیلات	مالی سال 2020	مالی سال 2019
دیگر آمدنی	153,359,078	95,319,307
زرمبادلہ سے حصول	81,841,960	223,172,268
	235,201,038	318,491,575

سیگمنٹ کی کارکردگی - (آزادانہ)

سیگمنٹ کا تجزیہ چاروں سیکٹرز میں زبردست نمو کو ظاہر کرتا ہے، جس میں شمالی امریکہ اور یورپی علاقے سب سے آگے رہے۔ کمپنی کی برآمدی فروخت (ماسوائے ای پروسیڈنگ سسٹمز) کل فروخت کا تقریباً 80% ہے، جو کہ کمپنی کے اپنے پورٹ فولیو میں برآمد کے جزو کو مزید بڑھانے کے ہدف کے مطابق ہے۔ نئے علاقوں اور نئی مارکیٹوں میں تنوع اس مقصد کے حصول میں معاون ہوگا کیونکہ کمپنی فعال انداز میں نئے علاقوں میں وسعت لانا چاہ رہی ہے۔

31 دسمبر 2020 کو ختم ہونے والے سال کیلئے ڈی وی ایس نے 57.8 ملین ڈالر کی آمدنی درج کی (2019: 62.9 ملین ڈالر) اور 1.9 ملین ڈالر منافع کمایا (2019: 4.8 ملین ڈالر)۔ کاروبار میں مارجن کو بہتر بنانے کیلئے 2020 میں مزید آف شورنگ کے نتیجے میں آمدنی میں تخفیف کی ہوئی، تاہم، اس سال ڈی وی ایس میں کم منافع اس منظم کی دوران اور لوپنگ میعاد کی وجہ سے ہوا جہاں آئن سائٹ وسائل کا بیج موجود تھا۔ آف شورنگ کے نتیجے میں کمپنی کی آزادانہ آمدنی اور منافع میں تاحث ادارے نے زیادہ حصہ ڈالا۔

ذیلی ادارہ ای بی سسٹمز نے، ریشیل پر مرکوز کاروبار ہونے کی وجہ سے، وبائی صورتحال کے باوجود پچھلے سال کے دوران نمو ظاہر کی ہے اور پچھلے سال کے مقابلے میں اس کے فروخت کے حجم، جی پی مارجن میں اضافہ ہوا ہے۔ اس سال کیلئے لین دین میں مجموعی طور پر 12.5 بلین روپے کے ساتھ ٹولڈ کے کاروبار میں تیزی آئی۔ سال 2019 کے 316.1 ملین روپے کے مقابلے میں 2020 میں 357.5 ملین روپے سے کمپنی کی آمدنی میں 13% اضافہ ہوا۔ آمدنی میں اضافے اور کمیشنوں اور دیگر اخراجات کی اصلاح کے ذریعے کمپنی 2020 میں 139.9 ملین روپے کا مجموعی منافع حاصل کرنے میں کامیاب ہو گئی جو کہ 2019 کے 93.2 ملین روپے کے مقابلے میں 50% زیادہ ہے۔

مستقبل کا خاکہ اور منافع کے امکانات

2021ء کے منصوبے

کمپنی نے عالمی سطح پر ڈیجیٹل سہولتوں میں زبردست طلب کا مشاہدہ کیا ہے جو کمپنی کی حکمت عملی کے مطابق ہے جس میں ڈیجیٹل اور برنس ٹرانسفو رمیشن (بڑے پیمانے پر ڈیجیٹل کامرس، انٹر پرائز ریورس پلائنگ (ای آر پی)، کسٹمر پلینٹین شپ مینجمنٹ (سی آر ایم)) کے علاوہ ہارڈ ویئر اور ڈیٹا پراجیکٹس شامل ہیں۔

کمپنی بڑے فعال انداز میں ان شعبوں کی پیروی کر رہی ہے اور ان سیکٹرز میں اپنی بنیادی قابلیت کو فروغ دینے کیلئے کام کر رہی ہے تاکہ ان شعبوں میں ترقی کے مواقع اور عالمی ماگ کو پورا کیا جاسکے۔ ڈیجیٹل ایکسٹرنسٹی میں عام ماننا ہے کہ آئیو ایس کے لکھنؤ کی مارکیٹوں کے حصول کیلئے اداروں کو ان کی وضاحت کرنے کی ضرورت ہوگی۔ نیز پیروکار کا زمانہ اب موثر طریقے سے ختم ہو چکا ہے!

چونکہ کمپنی خدمات پیش کرنے اور مقامات کے حوالے سے پوری طرح متنوع ہے، اس لئے کمپنی ان تینوں بین الاقوامی خطوں میں ترقی دیکھ رہی ہے جہاں وہ موجود ہے اور اسی طرح کے رجحانات مقامی مارکیٹ میں بھی دکھائی دے رہے ہیں۔ کوویڈ کے بعد کی دنیا میں جہاں دور دراز سے کام کرنے کو قبولیت مل رہی ہے، آف شورنگ بھی زیادہ قابل قبول ہو گئی ہے اور کسٹمرز اب پاکستان کو آؤٹ سورسنگ منزل تصور کرنے میں آزاد ہیں۔ اس سے آئی ٹی انڈسٹری میں مجموعی ماگ میں اضافہ ہوا ہے اور پچھلے 7 ماہ کے دوران پاکستان کی آئی ٹی برآمدات میں 30% سے زائد اضافہ ہوا ہے۔ کمپنی کی نمونہ صنعت کی بڑھتی اور آئی ٹی خدمات کی بین الاقوامی طلب کے مطابق ہے۔

اس کے علاوہ، کمپنی مقامی مارکیٹ میں ٹیلو سیکٹرز کے ساتھ اچھی طرح سے منسلک ہے۔ ٹیلو سیکٹرز میں بہت زیادہ کمپنیشن کی وجہ سے فی صارف آمدنی (آر پی یو) کو پہنچانے کا ہنر ابھی پیدا نہیں کیا گیا ہے لہذا اس سیکٹرز کے صارفین کو فری آپریشن اور باہر آؤٹسٹین کی تلاش میں ہیں کیونکہ وہ اپنے آپٹیکس کو بہتر بنانے اور ان میں سے کرنے کے خواہاں ہیں۔ کمپنی اس چیلنج کو آف شورنگ اور منظم خدمات کے معاہدوں کے ذریعے حل کر رہی ہے۔ 5G کی آمد کے ساتھ بہت سارے کاروباری معاملات سامنے آ رہے ہیں اور 5G کے بعد تھرڈ اور ہیڈیٹو کی مسئلہ نہیں ہوگی۔ کمپنی 5G اور آئی ٹی سہولتوں کی تحقیق کیلئے اپنی ٹیم بڑھا رہی ہے تاکہ کمپنی اس ٹیکنالوجی کی ترقی کا فائدہ اٹھا سکے۔

کوویڈ کے دوران، مشرق وسطیٰ کے خطے کیلئے آئن سائٹ کاروبار سے آف شور مسائل میں بدلاؤ اور منتقلی کیلئے ایک حکمت عملی کا اقدام ہے اور کسٹمر کے ساتھ وابستگی پیدا کرتا ہے، کمپنی کو زبردست نقد بہاؤ میں نتائج اور سکیل دینے کے ساتھ ساتھ گروپ کو زیادہ منافع دیتا ہے۔ ڈی وی ایس سے بہتر مارجن کے ساتھ پائیدار نمو کی توقع کی جا رہی ہے۔ مزید یہ کہ ڈی وی ایس ڈیجیٹل ٹرانسفو رمیشن کنسلٹنگ کمپنیوں کے ساتھ الحاق کر رہی ہے کیونکہ انہیں بھی ایک اینڈ ایگزیکٹو سہولتوں میں سکیل کی ضرورت ہے اور ڈی وی ایس فائدہ اٹھانے کیلئے تیار ہے کیونکہ کمپنی کے پاس آف شور سیکٹرز آئن سائٹ وسائل موجود ہیں۔

قطری مارکیٹ متحدہ عرب امارات اور قطر کے مابین پائیدار یوں اور سفری رکاوٹوں کی وجہ سے 2022 سے 3 سال پہنچے تھے جس نے کاروباری مواقع کو محدود کر دیا۔ پائیدار یوں اور رکاوٹوں کے خاتمے کے بعد کمپنی اس مارکیٹ میں بھی ترقی کے امکانات دیکھ رہی ہے۔

شمالی امریکہ کی مارکیٹ میں کاروباری حل اور مصنوعات میں کمپنی کی سرمایہ کاری کے نتیجے میں نئے لوگوں کی صورت میں پیش قدمی بڑھی ہے۔ واضح انڈسٹری ورڈیکٹز کیلئے کمپنی کی طرف سے خدمات کی پیشکشوں کے ساتھ کمپنی کسٹمرز سے لائف ٹائم ویلیو دیکھ رہی ہے اور نئے صارفین کے حصول سے اس علاقے میں بڑھتی اور توسیع کی توقع ہے۔ کمپنی تحقیق و ترقی میں سرمایہ کاری کر کے ترقی کی راہیں تلاش کرنے کیلئے مسلسل سرمایہ کاری کر رہی ہے اور نئے پورٹ فولیو سہولتوں کو تیار کرنے کیلئے ریسرچ لیبارٹریز قائم کر رہی ہے۔

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز 2020ء - کمپنی اور گروپ

بورڈ آف ڈائریکٹرز کے ایما پر پانچویں ممبرز 44 ویں سالانہ رپورٹ کے ساتھ 31 دسمبر 2020ء کو ختم ہونے والے سال کیلئے گروپ کے آڈٹ شدہ مالیاتی گوشوارے پیش کرنے پر خوشی ہے۔

منافع اور تخصیص

ڈائریکٹرز نے حتمی نقد منافع بحساب 3.5 روپے فی شیئر اور 10% بونس ادا کرنے کی سفارش کی ہے (2019: 2.25 فی شیئر)۔

سال کے دوران منافع کی مد میں درج ذیل تخصیص کی گئی۔

تخصیص شدہ منافع (پاکستانی روپے)	31 دسمبر 2019ء کو بقایا
3,390,143,582	سال کیلئے کل مجموعی آمدنی
2,193,914,942	کی:
277,920,824	31 دسمبر 2019ء کو ختم ہونے والے سال کیلئے حتمی نقد منافع بحساب 2.25 روپے فی شیئر
1,833,713	اضافہ:
5,307,971,413	31 دسمبر 2020ء کو بقایا

فی شیئر آمدنی

کمپنی کیلئے 31 دسمبر 2020ء کو ختم ہونے والے سال کیلئے فی شیئر بنیادی اور ترقی آمدنی بالترتیب 17.66 روپے اور 17.31 روپے ہے (31 دسمبر 2019ء: 11.05 روپے اور 10.95 روپے)۔ اسی طرح گروپ کیلئے فی شیئر بنیادی اور ترقی آمدنی 17.78 روپے اور 17.43 روپے ہے (31 دسمبر 2019ء: 12.86 روپے اور 12.75 روپے)۔

2020ء کے دوران کمپنی اور گروپ کی مالی کارکردگی

سرگرمیاں:

کمپنی ایکٹ 2017 کے تحت یہ کمپنی پاکستان کی ایک پبلک لمیٹڈ کمپنی ہے، اور پاکستان سٹاک ایکسچینج میں درج ہے۔ کمپنی بنیادی طور پر سوئفٹ ویئر ڈیولپمنٹ، سوئفٹ ویئر کی ٹریڈنگ اور بزنس پروسس آؤٹ سورسنگ کا کاروبار کرتی ہے۔

یہ گروپ سسٹمز لمیٹڈ (ہولڈنگ کمپنی) اور اس کی ماتحت کمپنیاں - ٹیک و سٹرائٹف زیڈ، ایل ایل سی اور ای پروسینگ سسٹمز (پرائیویٹ) لمیٹڈ، ایس یو ایس (پرائیویٹ) لمیٹڈ، اور سسٹمز ونچر (پرائیویٹ) لمیٹڈ پر مشتمل ہے۔

ٹیک و سٹرائٹف زیڈ، ایل ایل سی (ٹی وی ایس)، وی ڈی ٹیکنالوجی اینڈ میڈیا فری زون اتھارٹی میں ایک لمیٹڈ پبلسٹی کمپنی، سسٹمز لمیٹڈ کی 100% ملکیتی ماتحت کمپنی ہے۔ ٹی وی ایس سوئفٹ ویئر ڈیولپمنٹ اور ذیلی خدمات فراہم کرنے کا کاروبار کرتی ہے۔ ٹی وی ایس نے ٹیک و سٹرائٹف ایل ایل سی میں بھی سرمایہ کاری کر رکھی ہے اور اس وقت %49 کی مالک ہے۔ یہ کمپنی ایک سوئفٹ ویئر ہاؤس کے طور پر بھی رجسٹرڈ ہے لیکن اس کے کوئی آزادانہ پریشنریزیشن نہیں ہیں اور اسے ٹیک و سٹرائٹف زیڈ، ایل ایل سی کے منضوبوں میں معاونت کیلئے تشکیل دیا گیا تھا۔ ٹی وی ایس نے منضوبوں کو سنبھالنے کیلئے آسٹریلیا میں ایک کمپنی ٹیک و سٹرائٹف کی وائی لمیٹڈ میں بھی سرمایہ کاری کی ہے۔

ای پروسینگ سسٹمز (پرائیویٹ) لمیٹڈ (ای پی ایس)، کمپنی ایکٹ 2017 کے تحت رجسٹرڈ ایک پرائیویٹ لمیٹڈ کمپنی ہے، یہ سسٹمز لمیٹڈ کی %44.60 ملکیتی ماتحت کمپنی ہے۔ ای پی ایس فی الحال ہیکلو کے ایئر ٹائم اور متعلقہ خدمات کی خرید و فروخت کا کاروبار کرتی ہے۔ کمپنی کی پروڈکٹ ون (OneLoad) کہلاتی ہے۔

سسٹمز ونچر (پرائیویٹ) لمیٹڈ، کمپنی ایکٹ 2017 کے تحت رجسٹرڈ ایک پرائیویٹ لمیٹڈ، اور سسٹمز لمیٹڈ کی %99.98 ملکیتی ماتحت کمپنی ہے۔ سسٹمز ونچر پاکستان میں نئے منضوبوں میں سرمایہ کاری کرنے، اشارت ایس اور نئے آئیڈیاز کو فروغ دینے کیلئے قائم کی گئی ہے۔

ایس یو ایس جے وی (پرائیویٹ) لمیٹڈ، کمپنی ایکٹ 2017 کے تحت رجسٹرڈ ایک پرائیویٹ لمیٹڈ، اور سسٹمز لمیٹڈ کی %94.99 ملکیتی ماتحت کمپنی ہے۔ یہ کمپنی بلوچستان لینڈ ریوینو ڈیپارٹمنٹ انفرمیٹیشن سسٹمز کی ڈیولپمنٹ سے متعلق ہے۔

کمپنی اور گروپ کے مالیاتی گوشوارے کمپنی کے معاملات کی حتمی عکاسی اور اس کے کاروبار کا منصفانہ جائزہ پیش کرتے ہیں۔

کارکردگی:

کمپنی:

کمپنی کی آمدنی بنیادی طور پر سوئفٹ ویئر ڈیولپمنٹ، کنسلٹنگ سروسز، بزنس پروسس آؤٹ سورسنگ / کوئکٹ سنٹرز سے حاصل ہوتی ہے۔ کمپنی کو سب سے زیادہ %80 آمدنی مختلف جغرافیائی خطوں جیسے شمالی امریکہ، یورپ اور مشرق وسطیٰ میں خدمات کی برآمد اور تقریباً %20 مقامی مارکیٹ سے ہوتی ہے۔ کمپنی کی طرح کے کاروباری شعبوں جیسے ہیکلو، ریٹیل، سی بی جی، فارما اور فنانس سیکٹرز میں مصروف عمل ہے۔ اسی طرح کمپنی ڈیٹا انگریجمنٹ، ماڈرن ڈیولپمنٹ، ہیکلو اور ڈیجیٹل سروسز جیسے متنوع خدمات پیش کرنے کے ساتھ ساتھ بزنس پروسس آؤٹ سورسنگ (بی پی او) اور وائی پی سی کے ساتھ ساتھ کاروبار کرتی ہے۔

31 دسمبر 2020ء کو ختم ہونے والے سال کے دوران کمپنی کی ذاتی آمدنی میں گزشتہ سال اسی عرصہ کے مقابلے میں %40 اضافہ ہوا، اور یہ 5,348,613,348.6 ملین روپے سے بڑھ کر 7,513,871,513.8 ملین روپے ہو گئی۔ مجموعی منافع اور آریٹنگ منافع دونوں میں بالترتیب %58 اور %88 اضافہ ہوا۔ سال کا منافع %16 اضافے کے ساتھ 1,364.1 ملین سے 2,193.9 ملین روپے ہو گیا، جس سے دونوں برسوں میں زرمبادلہ کے حصول کے بغیر خالص منافع میں %85 اضافہ دیکھنے میں آیا۔ بلند تر آریٹنگ منافع اور اس سال کیلئے منافع کے نتیجے میں فی شیئر بنیادی اور ترقی آمدنی میں بالترتیب %60 اور %58 اضافہ ہوا۔

سال کے منافع میں اضافہ بنیادی طور پر اعلیٰ سطح کی برصورتی سے ہوا جس کی سربراہی شمالی امریکہ اور یورپ سیکٹرز نے کی جسے سیکٹرز کی کارکردگی میں بھی دیکھا جا سکتا ہے۔ یہ ترقی ہیکلو کاؤنٹس میں نمایاں اضافہ کے بغیر موجودہ وسائل کی اصلاح اور ان کے موثر استعمال سے حاصل کی گئی۔ سال کے دوران کرنسی کی قدر میں کمی کا اثر %81.8 ملین روپے ہے جو کہ پچھلے سال میں مقابلے میں نمایاں طور پر کم ہے۔

مزید برآں، کمپنی نے وبا کی مرض کے بعد ہونے والی بڑی تیزی سے مطالبت پیدا کر لی اور CORE پر توجہ مرکوز کر کے کاروبار پر اس کے اثرات کو کم سے کم کرنے میں کامیاب رہی۔ تین ٹیکنالوجیز کی اس وقت سب سے زیادہ مانگ ہے؛ ڈیجیٹل، ڈیٹا اور ہیکلو۔ کمپنی کو ان شعبوں میں اپنی برونی مارکیٹس سے مثبت کامیابی ملی اور مستقبل میں ترقی کیلئے ایک مضبوط پائپ لائن ڈیولپ کرنے کے دوران نئے مواقع بھی حاصل ہوئے۔

فیصلہ منظم	مالی سال 2020	مالی سال 2019	سال پے سال
آمدنی	7,513,766,845	5,348,568,742	40%
مجموعی منافع	2,797,980,818	1,776,380,215	58%
آریٹنگ منافع	2,044,597,986	1,089,190,751	88%
ٹیکس سے پہلے منافع	2,267,329,045	1,392,672,376	63%
ٹیکس کے بعد منافع	2,193,914,942	1,364,131,709	61%
کمانی فی شیئر (بنیادی)	17.66	11.05	60%
کمانی فی شیئر (ترقی)	17.31	10.95	58%

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to all the members of Systems Limited (the "Company") that 44th Annual General Meeting of the Company is scheduled to be held on 31 March 2021 at 11:00 A.M. through video-link (provided below) to transact the business mentioned hereinafter.

Please note that due to the surge in Covid-19 cases and in order to control the spread of the virus, the Company shall hold its meeting only through video-link by registrations on the details provided at the end of this Notice.

Please note that registration for the meeting shall close at 10.50am on 31 March 2021 after which participants / shareholders shall be unable to register for the meeting. Any and all participants / shareholders who would have registered within the prescribed timeline shall receive a meeting link and shall be able to access the meeting therefore, the Company emphasizes on timely registrations in a manner provided below.

Ordinary Business:

1. To confirm the minutes of the last Extra Ordinary General Meeting held on 03 December 2020 (provided in the Annual Report).
2. To, receive, consider and adopt the Audited Accounts of the Company for the year ended 31 December 2020 together with the Board of Directors' and Auditors' report thereon.
3. To approve and declare cash dividend @ 35 % i.e. PKR 3.5/ per share, for the year ended 31 December 2020 and issuance of bonus shares at 10% i.e. 1 share for every 10 shares, as recommended by the Board of Directors.
4. To appoint Auditors and fix their remuneration for the year ending 31 December 2021. The Board of Directors upon recommendation of audit committee has recommended M/s EY Ford Rhodes, Chartered Accountants, being eligible for re-appointment as auditors of the company for the year ending 31 December 2021.

Special Business

5. To consider and, if thought fit, pass, with or without modification, the following special resolution in terms of Section 199 of Companies Act, 2017, for renewal of (a) investment in the form of loan to SUS Joint Venture (Private) Limited, a subsidiary company of the Company, of Rs. 50 million; (b) investment in the form of loan and guarantee in UUS Joint Venture (Private) Limited, an associated company of the Company, of Rs. 200 million; and (c) investment in the form of loan in E-Processing Systems (Private) Limited, a subsidiary company of the Company, of Rs. 340 million;

"Resolved that the Company shall renew investment in the above mentioned companies in the given amounts on the terms and conditions to be contained in the agreement to be executed between the Company and the subsidiary in terms of Section 199 of Companies Act, 2017.

"Resolved further that Mr. Muhammad Asif Peer, the Chief Executive of the Company (the "Authorized Officer") and / or Ms. Roohi Khan, Chief Financial Officer, be and is hereby empowered and authorized to undertake, execute and implement all the decisions in respect of the Investment and to take and do and/or cause to be taken or done any/all necessary acts, deeds and things, and to take any or all necessary actions which are or may be necessary, incidental and/or consequential to give effect to the aforesaid resolution, including signing and execution of documents and agreements and to complete all necessary legal formalities and to file all necessary documents as may be necessary or incidental for the purposes of implementing the aforesaid resolution".

6. To consider and, if thought fit, pass, with or without modification, the following special resolution in accordance with Section 83 (1)(b) of the Companies Act, 2017 for issuance of shares other than right to an individual as required by SECP, in line with the shareholders' approval already obtained in the Annual General Meeting dated 26 April 2019 to issue shares other than rights to employees of Visionet Systems.

"Resolved that the issuance of 400,000 shares through other than rights issue for cash consideration to Mr. Jawad Khan at the price already approved by shareholders, as token of appreciation for his dedicated contributions towards North American and European offshore businesses, be and is hereby approved."

“Resolved further that Mr. Muhammad Asif Peer, the Chief Executive of the Company (the “Authorized Officer”) or such other person delegated by him and / or Ms. Roohi Khan, Chief Financial Officer, be and is hereby empowered and authorized to undertake, execute and implement all the decisions in respect of the said issuance and to take and do and/or cause to be taken or done any/all necessary acts, deeds and things, and to take any or all necessary actions which are or may be necessary, incidental and/or consequential to give effect to the aforesaid resolution, including signing and execution of documents and agreements and to complete all necessary legal formalities and to file all necessary documents as may be necessary or incidental for the purposes of implementing the aforesaid resolution.”

7. To approve material changes to the Company’s Employee Stock Option Scheme, 2009, which inter alia include the following:
- a. To amend clause 3.2. to remove the names of the members and to include the phrase “members of the Human Resource and Compensation Committee of the Company”;
 - b. To delete the definition of “Lock-in Period” and insert a Special Lock-in Period for the CEO/ Senior Executives of the Company for sale of shares.
 - c. To insert definition of “vesting period” which shall mean a period of two (2) years from the Date of Grant
 - d. To amend and approve minor linguistic changes in clauses 3.7, 6.1, 7.1 and 12.2.
 - e. To amend clause 11.7 to state: “In case of a rights or bonus issue by the Company, the Compensation Committee shall make fair/reasonable adjustments to the number of Options granted or to the Exercise Price in respect thereof for unvested Options.”

“Resolved that the changes to the Company’s Employee Stock Option Scheme be and is hereby approved.”

“Resolved further that Mr. Muhammad Asif Peer, the Chief Executive of the Company (the “Authorized Officer”) or such other person delegated by him and / or Ms. Roohi Khan, Chief Financial Officer, be and is hereby empowered and authorized to undertake, execute and implement all the decisions in respect of the said issuance and to take and do and/or cause to be taken or done any/all necessary acts, deeds and things, and to take any or all necessary actions which are or may be necessary, incidental and/or consequential to give effect to the aforesaid resolution, including signing and execution of documents and agreements and to complete all necessary legal formalities and to file all necessary documents as may be necessary or incidental for the purposes of implementing the aforesaid resolution.”

Other Business:

8. Any other Business with the permission of the Chair.

By Order of the Board

Saad Hasan Aslam
Company Secretary

10 March, 2021
Lahore

NOTES:

1. The Share Transfer books of the Company will be closed from 25 March 2021 to 31 March 2021 (both days inclusive). Transfer received at the address of M/s THK Associates (Pvt.) Limited, Plot No. 32-C, Jami Commercial Street 2,D.H.A., Phase VII, Karachi-75500. Pakistan at the close of business on 24 March 2021 will be treated in time for the purpose of above entitlement to the transferees.
2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote in his/her place. Proxies completed in all respect, in order to be effective, must be received at the Registered Office of the Company not less than forty eight (48) hours before the time of meeting.

3. Pursuant to the directive of the Securities & Exchange Commission of Pakistan, CNIC numbers of shareholders are mandatorily required to be mentioned on Dividend Warrants. Shareholders are, therefore, requested to submit a copy of their CNIC (if not already provided) to the Company Share Registrar, M/s THK Associates (Pvt.) Limited, Plot No. 32-C, Jami Commercial Street 2,D.H.A., Phase VII, Karachi-75500. Pakistan.
4. The Government of Pakistan through Finance Act, 2019 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding Tax on the amount of dividend paid by the companies/banks. These tax rates are as follows:
 - (a) For filers of income tax returns 15%
 - (b) For non-filers of income tax returns 30%

To enable the Company to make tax deduction on the amount of cash dividend @15% instead of 30% all shareholders whose names are not entered into the Active Tax- payers list (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of the cash dividend, otherwise tax on their cash dividend will be deducted @30% instead of 15%.

The joint shareholders are requested to provide shareholding proportions of principal shareholders & joint shareholders as withholding tax will be determined separately on Filer/Non-filer status based on their shareholding proportions otherwise it will be assumed that shares are equally held.

The Corporate shareholders having CDC account are required to have their National Tax Number (NTN) updated with their respective participants, whereas physical shareholders should send a copy of their NTN Certificate to the Company or Company's Share Registrar, M/s. THK Associates (Pvt.) Limited. The shareholders while sending NTN or NTN Certificate, as the case may be, must quote Company name and their respective folio numbers.

5. SECP through its notification SRO 787(1) /2014 dated September 8, 2014 has allowed the circulations of Audited Financial Statement along with Notice of Annual General Meeting to the Members through e-mail. Therefore, all members of the Company who wish to receive soft copy of Annual Report are requested to send their e-mail addresses. The consent form for electronic transmission could be downloaded from the Company Website: www.systemsltd.com. Audited financial statements & reports are being placed on the aforesaid website.
6. All the account holders whose registration details are uploaded as per CDC Regulations shall authenticate their identity by showing original CNIC at the time of attending the meeting. In case of corporate entity, a certified copy of resolution of the Board of Directors / valid Power of Attorney having the name and specimen signature of the nominee should be produced at the time of meeting.
7. In order to make process of payment of cash dividend more efficient, e-dividend mechanism has been envisaged where shareholders can get amount of dividend credited into their respective bank accounts electronically without any delay. In this way, dividends may be instantly credited to respective bank accounts and there are no chances of dividend warrants getting lost in the post, undelivered or delivered to the wrong address, etc. The Securities and Exchange Commission of Pakistan (SECP) through Notice No. 8(4) SM/CDC 2008 dated 5 April 2013 has advised all Listed Companies to adopt e-dividend mechanism due to the benefits it entails for shareholders. In view of the above, you are hereby encouraged to provide a dividend mandate in favour of e-dividend by providing dividend mandate form duly filled in and signed.
8. In order to facilitate voting and passing of resolution during the online webinar (accessible through the link provided below), the participants shall be given the option to "raise hand" in the webinar – which shall be considered the participant's approval of the resolution. Once the resolution is passed, participants shall be required to "lower hand" in order for the next resolution to be processed. The same process shall be repeated for each resolution.

Statement under Section 134 (3) of the Companies Act, 2017

This statement set out the material facts concerning the special business to be transacted at the annual general meeting of the Company to be held on 31 March 2021.

Agenda Item No. 5

Nature of information required to be disclosed pursuant to The Companies (Investment in Associated Companies or Undertakings) Regulations, 2017, for renewal of investment in:

SUS Joint Venture (Pvt.) Limited :

Ref. No.	Requirement	Relevant Information	
(a)	Disclosures for all types of investments:-		
(A)	Regarding associated company or associated undertaking:-		
i	name of the associated company	SUS Joint Venture (Private) Limited	
ii	basis of relationship	94.99% shareholding / Common directorship	
iii	earnings per share for the last three years	N/A	
iv	break-up value per share, based on latest audited financial statements;	Rs.50.58	
V	financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements; and	Statement of Financial Position – 31 December 2020	
		Non-current assets	-
		Current assets	28,649,008
		Shareholders' equity	505,763
		Non-current liabilities	-
		Current liabilities	28,143,245
		Profit & Loss A/C – 31 December 2020	
		Revenue	30,849,865
		Cost of revenue	41,378,175
		Gross profit	(10,528,310)
Loss for the year	(17,982,598)		
vi	in case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely, -	N/A	
	(I) description of the project and its history since conceptualization;		
	(II) starting date and expected date of completion of work;		
	(III) time by which such project shall become commercially operational;		
	(IV) expected time by which the project shall start paying return on investment; and		
(V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;			
(B) General Disclosures			
(i)	maximum amount of investment to be made;	Investment in the form of loan of Rs. 50 million	
(ii)	purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment;	<p>Purpose: To meet working capital requirements of SUS Joint Venture (Private) Limited.</p> <p>Benefit: The completion of project will results in distribution of profits by SUS Joint Venture (Pvt.) Limited to Systems Limited.</p> <p>Period of Investment: The period of investment shall be one (1) year.</p>	
(iii)	sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds, -	Loan shall be granted by Systems Limited.	
	(I) justification for investment through borrowings;	SUS Joint Venture (Private) Limited is only a special purpose vehicle for executing LRMIS project awarded to SUS Joint Venture (Private) Limited	
	(II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and	N/A	
	(III) cost benefit analysis;	N/A	

Ref. No.	Requirement	Relevant Information
(iv)	salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment;	None. Agreement shall be executed in line with section 199 of Companies Act, 2017 and resolution of shareholders to be passed in annual general meeting.
(v)	direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	Mr. Asif Peer, CEO of Systems Limited is also member and director in SUS Joint Venture (Pvt.) Limited.
(vi)	in case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs; and	There is no impairment or write -off.
(vii)	any other important details necessary for the members to understand the transaction;	N/A
In case of investments in the form of loans, advances and guarantees, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made, -		
(i)	category-wise amount of investment;	N/A
(ii)	average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period	ERF loan: Average borrowing cost of investing company is SBP rate plus 0.78%.
(iii)	rate of interest, mark-up, profit, fees or commission etc to be charged by investing company	Higher of KIBOR or borrowing cost of investing company in line with section 199 of Companies Act 2017.
(iv)	particulars of collateral or security to be obtained in relation to the proposed investment;	N/A
(v)	If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable; and	N/A
(vi)	repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking;	Principal: One (1) year from disbursement. Mark-up: Quarterly basis.

UUS Joint Venture (Private) Limited:

Ref. No.	Requirement	Relevant Information																						
(b)	Disclosures for all types of investments:-																							
(B)	Regarding associated company or associated undertaking:-																							
i	name of the associated company	UUS Joint Venture (Private) Limited																						
ii	basis of relationship	49.99 % shareholding / Common directorship																						
iii	earnings per share for the last three years	N/A																						
iv	break-up value per share, based on latest audited financial statements;	Rs. (39,768)																						
V	financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements; and	<table border="1"> <thead> <tr> <th colspan="2">Statement of Financial Position – 31 December 2020</th> </tr> </thead> <tbody> <tr> <td>Non-current assets</td> <td>-</td> </tr> <tr> <td>Current assets</td> <td>484,301,365</td> </tr> <tr> <td>Shareholders' equity</td> <td>(397,676,358)</td> </tr> <tr> <td>Non-current liabilities</td> <td>-</td> </tr> <tr> <td>Current liabilities</td> <td>881,977,723</td> </tr> <tr> <th colspan="2">Profit & Loss A/C – 31 December 2020</th> </tr> <tr> <td>Revenue</td> <td>60,204,224</td> </tr> <tr> <td>Cost of revenue</td> <td>121,365,486</td> </tr> <tr> <td>Gross profit</td> <td>(61,161,262)</td> </tr> <tr> <td>Loss for the year</td> <td>(117,471,469)</td> </tr> </tbody> </table>	Statement of Financial Position – 31 December 2020		Non-current assets	-	Current assets	484,301,365	Shareholders' equity	(397,676,358)	Non-current liabilities	-	Current liabilities	881,977,723	Profit & Loss A/C – 31 December 2020		Revenue	60,204,224	Cost of revenue	121,365,486	Gross profit	(61,161,262)	Loss for the year	(117,471,469)
Statement of Financial Position – 31 December 2020																								
Non-current assets	-																							
Current assets	484,301,365																							
Shareholders' equity	(397,676,358)																							
Non-current liabilities	-																							
Current liabilities	881,977,723																							
Profit & Loss A/C – 31 December 2020																								
Revenue	60,204,224																							
Cost of revenue	121,365,486																							
Gross profit	(61,161,262)																							
Loss for the year	(117,471,469)																							

Ref. No.	Requirement	Relevant Information
vi	in case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely, -	N/A
	(I) description of the project and its history since conceptualization;	
	(II) starting date and expected date of completion of work;	
	(III) time by which such project shall become commercially operational;	
	(IV) expected time by which the project shall start paying return on investment; and	
	(V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;	
(B) General Disclosures		
(i)	maximum amount of investment to be made;	Rs. 200 million
(ii)	purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment;	<p>Purpose: To meet working capital requirements of UUS Joint Venture (Private) Limited and to give guarantee to Pakistan Civil Aviation Authority.</p> <p>Benefit: The completion of project will result in distribution of profits by UUS Joint Venture (Pvt.) Limited to Systems Limited.</p> <p>Period of Investment: The period of investment shall be one (1) year.</p>
(iii)	sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds, -	Loan shall be from own funds while guarantee shall be issued by the banker of Systems Limited.
	(I) justification for investment through borrowings;	UUS Joint Venture (Private) Limited is only a special purpose vehicle for executing Pakistan Civil Aviation Authority (PCAA) project awarded to consortium of Systems Limited and Beijing UniStrong Science & Technology Co. It is Systems Limited liability to issue guarantee to (PCAA).
	(II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and	Building
	(III) cost benefit analysis;	N/A
(iv)	salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment;	None. Agreement shall be executed in line with section 199 of Companies Act, 2017 and resolution of shareholders to be passed in annual general meeting.
(v)	direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	Mr. Asif Peer, CEO of Systems Limited is also member and director in UUS Joint Venture (Pvt.) Limited.
(vi)	in case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs; and	There is no impairment or write-off.
(vii)	any other important details necessary for the members to understand the transaction;	N/A
In case of investments in the form of loans, advances and guarantees, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made, -		
(i)	category-wise amount of investment;	N/A
(ii)	average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as	ERF loan: Average borrowing cost of investing company is SBP rate plus 0.78%.

Ref. No.	Requirement	Relevant Information
	the case may be, for the relevant period	
(iii)	rate of interest, mark-up, profit, fees or commission etc to be charged by investing company	Higher of KIBOR or borrowing cost of investing company in line with section 199 of companies act 2017.
(iv)	particulars of collateral or security to be obtained in relation to the proposed investment;	Unsecured
(v)	If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable; and	N/A
(vi)	repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking;	Principal: One (1) year from disbursement. Mark-up: Quarterly basis.

E-Processing Systems (Pvt.) Limited :

(a) Disclosures for all types of investments:					
(A) Regarding associated company or associated undertaking: -					
i	name of the associated company		E-Processing Systems (Private) Limited		
ii	basis of relationship		4460% shareholding/Subsidiary/ Common directorship		
iii	earnings per share for the last three years		31 Dec 2020 (Rs.)	31 Dec 2019 (Rs.)	31 Dec 2018 (Rs.)
			(170.14)	(88.38)	(106.46)
iv	break-up value per share, based on latest audited financial statements;		Rs. 1203.68		
V	financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements; and		Statement of Financial Position – 31 December 2020		
			Non-current assets	189,400,450	
			Current assets	633,464,501	
			Shareholders' equity	484,426,080	
			Non-current liabilities	-	
			Current liabilities	338,438,871	
			Profit & Loss A/C – 31 December 2020		
			Revenue	357,570,526	
	Cost of revenue	217,643,145			
	Gross profit	(139,927,381)			
	Loss for the year	(85,070,123)			
Vi	in case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely, -		N/A		
	(i)	description of the project and its history since conceptualization;			
	(ii)	starting date and expected date of completion of work;			
	(iii)	time by which such project shall become commercially operational;			
	(iv)	expected time by which the project shall start paying return on investment; and			
	(v)	funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;			

Ref. No.	Requirement	Relevant Information
(iii)	rate of interest, mark-up, profit, fees or commission etc to be charged by investing company	KIBOR or borrowing cost of company whichever is higher
(iv)	particulars of collateral or security to be obtained in relation to the proposed investment;	Unsecured
(v)	if the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable; and	N/A
(vi)	repayment schedule and terms and conditions of loan or advances to be given to the associated company or associated undertaking.	Principal: One (1) year from disbursement. Mark-up: Quarterly basis.

Agenda Item No. 6

The Board of the Company hereby proposes to issue 400,000 shares of Systems Limited to Mr. Jawad Khan in line with approval of shareholders already obtained on 26th April 2019 to issue shares to employees of Visionet Systems, as per the details provided hereunder:

Name and Profile of the Allottee: Mr. Jawad Khan

Share Value: Rs. 75.34/-

Purpose of Issuance: The Company wishes to issue 400,000 (four hundred thousand) shares against **cash consideration** to Mr. Jawad Khan as a token of appreciation for his dedicated contribution, in accordance with

section 83(1)(b) of the Companies Act, 2017 (the "2017 Act") read along with the applicable Companies (Further Issue of Shares) Regulations, 2020 (the "2018 Regulations") thereof.

Justification: As per the new Companies (Further Issue of Shares) Regulations, 2020, employee stock options can only be issued to the employees of the Company and / or its subsidiary. Therefore, the Company already obtained approval of shareholders in the Annual General Meeting held on 26th April 2019 to issue 400,000 shares to employees of Visionet Systems/Visionet Deutschland. As per the requirement of SECP, the company is seeking specific approval to issue these shares to Mr. Jawad Khan for his dedicated performance.

Details of the average market price of the Company shares during last three months: Rs. 437.84/-

Details of the average market price of the Company during six months: Rs. 396.58/-

Latest Available Market Price: Rs. 480.99/-

Shareholding after proposed issue: 400,000 shares i.e. 0.32% of the paid up capital of the Company

The shares so offered shall rank parri passu in all respects with the existing shareholding of the Company. The said issuance shall be subject to the approval of the Commission.

Video-link Details

Please note that registration for the meeting shall close at 10.50am on 31 March 2021 after which participants / shareholders shall be unable to register for the meeting. Any and all participants / shareholders who would have registered within the prescribed timeline shall receive the link to join the meeting and shall be able to access the meeting through the link, therefore, the Company emphasizes on timely registrations following the link below:

https://systemsltd.zoom.us/webinar/register/WN__TRj5N52Sw0lcBnF1sdspg

In case of any queries, please feel free to email at: corporate@systemsltd.com

**MINUTES OF THE
EXTRAORDINARY GENERAL MEETING
OF
SYSTEMS LIMITED
HELD THROUGH VIDEO LINK ON DECEMBER 3, 2020 AT 02:00 P.M.**

Present:

- Mr. Aezaz Hussain
- Muhammad Asif Peer
- Ms. Roohi Khan

Chief Financial Officer

Attendance:

- 76 Shareholders representing a total of 58.78% shareholding were present in the meeting in person and through proxy.

Minute No.	Subject Description
1	<p>To confirm the minutes of last Annual General Meeting held on 29 May 2020</p> <p>The members confirmed the minutes of last Annual General Meeting held on 29 May 2020 and be taken as approved.</p> <p>Accordingly the following resolution was passed:</p> <p>RESOLVED that the minutes of last Annual General Meeting held on 29 May, 2020 be and hereby approved.</p>
2	<p>To elect seven (7) Directors as fixed by the Board of Directors in accordance with the provisions of section 159 of the Companies Act, 2017 for the period of three (3) years.</p> <p>Chairman informed the members that the number of Directors as fixed by the Board of Directors in accordance with section 159 of the Companies Act, 2017 are seven (7).</p> <p>Chairman further informed that the company invited nominations for election of Directors from the members of the Company and received following eight (8) nominations against seven positions of the directorship:</p> <ol style="list-style-type: none">1. Mr. Aezaz Hussain2. Mr. Arshad Masood3. Mr. Muhammad Asif Peer4. Mr. Asif Jooma5. Mr. Omar Saeed

Minute No.	Subject Description
	<p data-bbox="418 306 704 338">6. Mr. Shabbar Zaidi</p> <p data-bbox="418 354 758 386">7. Ms. Romana Abdullah</p> <p data-bbox="418 403 699 434">8. Mr. Zubair Anjum</p> <p data-bbox="440 489 1503 552">Based on the votes received from the shareholders of the meeting, seven (7) directors were elected on the Board of the Company.</p> <p data-bbox="440 583 1503 678">Resolved that the following seven (7) Directors who have offered themselves and consented to act as Directors shall be elected Directors of the Company for the period of next three year commencing from December 3, 2020.</p> <p data-bbox="418 716 711 747">1. Mr. Aezaz Hussain</p> <p data-bbox="418 764 724 795">2. Mr. Arshad Masood</p> <p data-bbox="418 812 802 844">3. Mr. Muhammad Asif Peer</p> <p data-bbox="418 861 667 892">4. Mr. Asif Jooma</p> <p data-bbox="418 909 683 940">5. Mr. Omar Saeed</p> <p data-bbox="418 957 704 989">6. Mr. Shabbar Zaidi</p> <p data-bbox="418 1005 758 1037">7. Ms. Romana Abdullah</p>
4	<p data-bbox="386 1123 1395 1186">As there was no further business to be transacted, the Chair thanked all the members for attending and declared that meeting is closed.</p>

DECEMBER 3, 2020

CHAIRMAN OF THE MEETING



CORPORATE GOVERNANCE



REVIEW REPORT TO THE MEMBERS

on the Statement of Compliance with best Practices of the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Systems Limited (the Company) for the year ended 31 December 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2020.

A handwritten signature in black ink, appearing to be 'EY' followed by a stylized flourish.

Chartered Accountants
Lahore

STATEMENT OF COMPLIANCE

with the Code of Corporate Governance

The company has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors are seven (7) as per the following:
 - a. Male: **six (6)**
 - b. Female: **one (1)**
2. The composition of the Board is as follows:
 - i. Independent Directors: **four (4)**
 - ii. Other Non-executive Director: **two (2)**
 - iii. Executive Directors: **one (1)**
 - iv. Female directors: **one (1)**
3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. The Board has arranged Directors' Training program for the following:
 - i. Mr. Ayaz Dawood (Retired)
 - ii. Mr. Tahir Masaud (Retired)
 - iii. Mr. Asif Jooma
 - iv. Mr. Arshad Masood
 - v. Mr. Muhammad Asif Peer
 - vi. Mr. Aezaz Hussain
 - vii. Ms. Romana Abdullah
 - viii. Mr. Omar Saeed (New Appointment)
 - ix. Mr. Shabbar Zaidi (New Appointment)
10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below.-

a. Audit Committee:

i.	Mr. Shabbar Zaidi	Chairman
ii.	Mr. Omar Saeed	Member
iii.	Ms. Romana Abdullah	Member

b. HR and Remuneration Committee:

i.	Mr. Asif Jooma	Chairman
ii.	Mr. Arshad Masood	Member
iii.	Mr. Omar Saeed	Member
iv.	Ms. Romana Abdullah	Member

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

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

a.	Audit Committee:	Quarterly Meetings
b.	HR and Remuneration Committee:	Half Yearly Meetings

15. The Board has set up an effective internal audit function/ or has outsourced the internal audit function to who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with; and

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below (if applicable):



MR. AEZAZ HUSSAIN

Chairman

March 3, 2021



SYSTEMS LIMITED
**STANDALONE
FINANCIAL
STATEMENTS**



INDEPENDENT AUDITOR'S REPORT

To the members of Systems Limited

Report on the audit of the unconsolidated financial statements

Opinion

We have audited the annexed unconsolidated financial statements of **Systems Limited** (the Company), which comprise the unconsolidated statement of financial position as at 31 December 2020, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

Key Audit Matters	How the matter was addressed in our audit
<p>1. Revenue recognition</p> <p>The Company's revenue is derived from a number of revenue streams, as referred to in Note 24 to the accompanying unconsolidated financial statements, including outsourcing services and software sale in the form of short term and long term projects, sometimes leading to revenue being recognized over multiple accounting periods. These often include sale of software bundled with related customization / development and support services leading to multiple performance obligations in individual transactions.</p> <p>Further, as referred to in Note 33 to the accompanying unconsolidated financial statements, a significant portion of the Company's revenue transactions is with related parties.</p> <p>Revenue is recognized based on performance obligations</p>	<p>Our audit procedures, amongst others, included:</p> <ul style="list-style-type: none"> ● Obtaining an understanding and evaluating the appropriateness of the Company's revenue recognition policies including those relating to assessment of performance obligations and compliance of those policies with applicable accounting standards; ● Selecting a sample of revenue transactions recognized during the year and recalculating the revenue recognized along with evaluation of the management basis used in determining the performance obligations in accordance with accounting policy; ● Performing substantive procedures on related party revenue transactions including review of contractual terms, underlying invoices, and analytical procedures;

Key Audit Matters	How the matter was addressed in our audit
<p>as mentioned in Note 3.15 to the accompanying unconsolidated financial statements, which requires significant management judgement and estimates in relation to assessment of distinct performance obligations along with respective standalone selling prices and budgeting the cost to be incurred.</p> <p>Due to complexity of accounting for multiple revenue streams, significant judgement and estimation involved in the revenue recognition process and the significance of related party transactions to the Company's revenue, we have identified revenue recognition as a key audit matter.</p>	<ul style="list-style-type: none"> ● Performing substantive analytical procedures including monthly trend analysis of revenue by comparing the trends with our understanding of the business and external economic environment; ● Comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period; and ● Assessing the adequacy of disclosures made in respect of accounting policy, revenue recognized, and related party revenue transactions entered into during the year.

Information Other than the unconsolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the unconsolidated financial statements and our auditor's report thereon. Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Sajjad Hussain Gill.



Chartered Accountants
Lahore
10 March 2021

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	2020 Rupees	2019 Rupees
ASSETS			
Non-current assets			
Property and equipment	4	1,507,959,243	1,416,645,016
Intangibles	5	21,345,888	38,657,318
Long term investments	6	272,073,147	271,973,167
Advance against purchase of land		-	28,750,000
Right-of-use assets	7	204,396,352	145,860,345
Long term deposits		36,127,162	51,939,797
		2,041,901,792	1,953,825,643
Current assets			
Contract assets	8	533,940,810	434,270,823
Trade debts	9	2,438,437,498	1,799,468,312
Loans, advances and other receivable	10	205,366,771	328,160,020
Trade deposits and short term prepayments	11	187,928,945	130,644,102
Interest accrued		38,450,000	2,491,952
Short term investments	12	2,644,845,556	780,000,000
Tax refunds due from the Government	13	166,007,954	192,799,516
Cash and bank balances	14	1,577,759,692	1,095,555,314
		7,792,737,226	4,763,390,039
TOTAL ASSETS		9,834,639,018	6,717,215,682
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 200,000,000 (2019: 200,000,000) ordinary shares of Rs. 10/- each		2,000,000,000	2,000,000,000
Issued, subscribed and paid-up share capital	15	1,246,060,140	1,235,202,990
Capital reserves	16	699,654,498	591,119,759
Revenue reserve: Un-appropriated profit		5,307,971,413	3,390,143,582
		7,253,686,051	5,216,466,331
Non-current liabilities			
Long term advances	17	53,857,626	26,868,774
Long term loan	18	98,013,227	-
Deferred grant		8,338,896	-
Lease liabilities	19	189,409,537	129,188,921
		349,619,286	156,057,695
Current liabilities			
Trade and other payables	20	722,653,295	534,812,425
Unclaimed dividend		7,617,635	8,345,525
Contract liabilities	21	88,669,355	104,154,979
Short term borrowings	22	1,250,000,000	650,000,000
Accrued mark-up on borrowings		9,804,346	4,873,969
Current portion of long term loan	18	100,754,617	-
Current portion of deferred grant		3,095,996	-
Current portion of lease liabilities	19	37,983,731	29,284,595
Current portion of long term advances		10,754,706	13,220,163
		2,231,333,681	1,344,691,656
TOTAL EQUITY AND LIABILITIES		9,834,639,018	6,717,215,682
CONTINGENCIES AND COMMITMENTS	23		

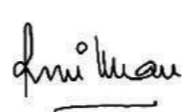
The annexed notes, from 1 to 43, form an integral part of these unconsolidated financial statements.



(CHAIRMAN)



(CHIEF EXECUTIVE OFFICER)



(CHIEF FINANCIAL OFFICER)

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 Rupees	2019 Rupees
Revenue from contracts with customers - net	24	7,513,766,845	5,348,568,742
Cost of revenue	25	(4,715,786,027)	(3,572,188,527)
Gross profit		2,797,980,818	1,776,380,215
Selling and distribution expenses	26	(118,794,068)	(99,693,155)
Administrative expenses	27	(499,848,346)	(448,471,106)
Other operating expenses	28	(134,740,418)	(139,025,203)
		(753,382,832)	(687,189,464)
Operating profit		2,044,597,986	1,089,190,751
Other income	29	272,645,254	342,646,042
Finance costs	30	(49,914,195)	(39,164,417)
Profit before taxation		2,267,329,045	1,392,672,376
Taxation	31	(73,414,103)	(28,540,667)
Profit for the year		2,193,914,942	1,364,131,709
Earnings per share			
Basic earnings per share	35	17.66	11.05
Diluted earnings per share	35	17.31	10.95

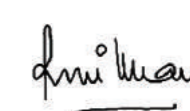
The annexed notes, from 1 to 43, form an integral part of these unconsolidated financial statements.



(CHAIRMAN)



(CHIEF EXECUTIVE OFFICER)



(CHIEF FINANCIAL OFFICER)

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 Rupees	2019 Rupees
Profit for the year	2,193,914,942	1,364,131,709
Other comprehensive income	-	-
Total comprehensive income for the year	2,193,914,942	1,364,131,709

The annexed notes, from 1 to 43, form an integral part of these unconsolidated financial statements.

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Issued, subscribed and paid-up share capital	Capital reserves		Revenue reserve	Total equity
		Share premium	Employee compensation reserve	Un-appropriated profit	
-Rupees-					
Balance as on 01 January 2019	1,122,135,480	505,511,843	27,568,374	2,423,653,841	4,078,869,538
Profit for the period	-	-	-	1,364,131,709	1,364,131,709
Other comprehensive income	-	-	-	-	-
Impact of adoption of IFRS-15	-	-	-	(63,086,929)	(63,086,929)
Transactions with owners					
Exercise of share options	853,970	6,637,891	(2,422,708)	-	5,069,153
Share based payments	-	-	55,909,956	-	55,909,956
Forfeited share options	-	-	(2,085,597)	2,085,597	-
10% Bonus shares issued	112,213,540	-	-	(112,213,540)	-
Final dividend for the year ended 31 December 2018 at the rate of Rs. 2 per share	-	-	-	(224,427,096)	(224,427,096)
	113,067,510	6,637,891	51,401,651	(334,555,039)	(163,447,987)
Balance as on 31 December 2019	1,235,202,990	512,149,734	78,970,025	3,390,143,582	5,216,466,331
Profit for the period	-	-	-	2,193,914,942	2,193,914,942
Other comprehensive income	-	-	-	-	-
Transactions with owners					
Exercise of share options	10,857,150	102,757,736	(38,330,430)	-	75,284,456
Share based payments	-	-	47,125,289	-	47,125,289
Forfeited share options	-	-	(3,017,856)	1,833,713	(1,184,143)
Final dividend for the year ended 31 December 2019 at the rate of Rs. 2.25 per share	-	-	-	(277,920,824)	(277,920,824)
	10,857,150	102,757,736	5,777,003	(276,087,111)	(156,695,222)
Balance as at 31 December 2020	1,246,060,140	614,907,470	84,747,028	5,307,971,413	7,253,686,051

The annexed notes, from 1 to 43, form an integral part of these unconsolidated financial statements.



(CHAIRMAN)



(CHIEF EXECUTIVE OFFICER)




(CHIEF FINANCIAL OFFICER)



(CHAIRMAN)



(CHIEF EXECUTIVE OFFICER)



(CHIEF FINANCIAL OFFICER)

UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	(36)	1,936,417,462	1,894,746,855
Finance costs paid		(24,732,884)	(37,979,453)
Taxes paid		(38,336,368)	(52,030,550)
		(63,069,252)	(90,010,003)
Net cash generated from operating activities		1,873,348,210	1,804,736,852
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(290,033,960)	(552,780,904)
Development expenditures		(3,677,392)	(5,940,743)
Sale proceeds from disposal of property and equipment		17,305,636	47,652,982
Short term investments - net		(1,857,502,251)	(485,000,000)
Increase in long term investment		(99,980)	(220,895,188)
Profit received on deposit accounts		25,119,146	18,464,427
Profit received on short term investments		94,201,454	81,863,191
Decrease / (increase) in long term deposits		15,812,635	(33,903,044)
Net cash used in investing activities		(1,998,874,712)	(1,150,539,279)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short term borrowings		600,000,000	200,000,000
Increase in long term loan		210,000,000	-
Proceeds from exercise of share options		75,284,456	5,069,153
Payment of principal portion of lease liabilities		(50,135,594)	(23,851,915)
Dividend paid		(278,648,714)	(218,057,391)
Increase in long term advances		24,523,395	11,863,138
Net cash generated from / (used in) financing activities		581,023,543	(24,977,015)
Increase in cash and cash equivalents		455,497,041	629,220,558
Net foreign exchange difference		26,707,337	65,574,126
Cash and cash equivalents at the beginning of the year		1,095,555,314	400,760,630
Cash and cash equivalents at the end of year	(14)	1,577,759,692	1,095,555,314

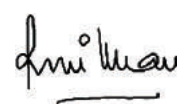
The annexed notes, from 1 to 43, form an integral part of these unconsolidated financial statements.



(CHAIRMAN)



(CHIEF EXECUTIVE OFFICER)



(CHIEF FINANCIAL OFFICER)

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. CORPORATE INFORMATION

Systems Limited ("the Company") is a public limited company incorporated in Pakistan under the Companies Act, 2017 and is listed on the Pakistan Stock Exchange. The Company is principally engaged in the business of software development, trading of software and business process outsourcing services. The registered office of the Company is situated at E-1, Sehjpal Road, Near DHA Phase-VIII (Ex-Air Avenue), Lahore Cantt.

These financial statements are the separate financial statements of the Company, in which investments in the subsidiary companies namely E-Processing Systems (Private) Limited, TechVista Systems FZ- LLC, SUS JV (Private) Limited and Systems Ventures (Private) Limited have been accounted for at cost less accumulated

1.1 Geographical location and addresses of major business units of the Company are as under:

Business Units	Geographical Location	Address
Head Office	Lahore	E-1, Sehjpal, Near DHA Phase-VIII (Ex-Air Avenue), Lahore Cantt.
Regional Office	Karachi	E-5, Central Commercial Area, Shaheed-e-Millat Road, Karachi
Regional Office	Islamabad	Plot No. 21, 1st Floor Fazeelat Arcade, Sector G-11 Markaz, Islamabad

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

2.1 Statement of compliance

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

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

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

2.2 Basis of preparation

These unconsolidated financial statements have been prepared under the historical cost convention except, as otherwise stated in these unconsolidated financial statements.

2.3 Functional and presentation currency

Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Company operates. These unconsolidated financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

2.4 Use of estimates and judgments

The Company's significant accounting policies are stated in Note 3. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these unconsolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the unconsolidated financial statements are as follows:

2.4.1 Provision for taxation (Note 3.3)

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its views on items of material nature are in accordance with law, the amounts are shown as contingent liabilities.

2.4.2 Useful lives and residual values of property and equipment and intangibles (Note 3.4)

The Company reviews the useful lives of property and equipment and intangibles at each reporting date. Any change in estimates in future years might affect the carrying amounts of respective items of property and equipment with a corresponding effect on the depreciation / amortization charge and impairment.

2.4.3 Expected credit losses (Note 3.10.1)

The Company uses a provision matrix to calculate Expected Credit Losses (ECLs) for trade debts and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, and customer type).

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information which includes forecast economic conditions. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

2.4.4 Revenue recognition (Note 3.15)

2.4.4.1 Identification of distinct performance obligations

For contracts with multiple components to be delivered, the Company applies judgement to determine performance obligations which are distinct; or not distinct, which are aggregated with other performance obligations until a bundle is identified that is distinct.

2.4.4.2 Estimating stand-alone selling prices of performance obligations

The Company determines stand-alone selling prices of all performance obligations in a bundled contract, which include sale of license, implementation, support, warranty and training. The total transaction price is allocated to all distinct performance obligations based on estimated cost of completion, plus target margin on each of the performance obligations.

2.4.4.3 Stage of completion

The Company determines stage of completion on the basis of cost incurred to date as a percentage of total estimated cost to deliver the performance obligations.

2.4.5 Determining the lease term of contracts with renewal options (Note 3.19)

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for an additional term. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew i.e. it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

2.4.6 Provisions (Note 3.13)

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. The amount recognized as a provision reflects the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of unconsolidated financial statements of the Company are consistent with previous year except as described in Note 3.1, below:

3.1 New standards, amendments, interpretations and improvements which became effective

The Company has adopted the following accounting standards, amendments and interpretations of IFRS which became effective for the current year but did not have any material effect on the accounting policies and unconsolidated financial statements:

IAS 1 and IAS 8 Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments)
IFRS 3 Business Combinations - Definition of business (amendments)
IFRS 9, IAS 39 & IFRS 7 - Interest Rate Benchmark Reform (amendments)
Amendments to the Conceptual Framework for Financial Reporting
IFRS 16 - Covid-19- Related Rent Concessions (amendments)

3.2 Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When the Company undertakes its activities under joint operations, the Company as a joint operator recognizes in relation to its interest in a joint operation:

Its assets, including its share of any assets held jointly;

Its liabilities, including its share of any liabilities incurred jointly;

Its revenue from the sale of its share of the output arising from the joint operation;

Its share of the revenue from the sale of the output by the joint operation; and

Its expenses, including its share of any expenses incurred jointly

The Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses. When Company transacts with a joint operation in which a Company is a joint operator, the Company is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Company's standalone financial statements only to the extent of other parties' interests in the joint operation. When Company transacts with a joint operation in which Company is a joint operator, the Company does not recognize its share of the gains and losses until it resells those assets to a third party.

The Company has interest in joint operation UUS Joint Venture (Private) Limited, a Company set up specifically for executing multi-year contract "Package 04A – Airport Information Management System (AIMS)", a turnkey project for New Islamabad International Airport by Pakistan Civil Aviation Authority.

3.3 Taxation

3.3.1 Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

3.3.2 Deferred

Deferred tax is accounted for using the statement of financial position method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the unconsolidated statement of profit or loss, except in the case of items credited or charged to other comprehensive income in which case it is included in other comprehensive income.

3.4 Property and equipment

3.4.1 Operating fixed assets

Property and equipment are stated at cost less accumulated depreciation and any identified impairment loss except for freehold land which is stated at historic cost. Cost of operating fixed assets consist of purchase cost, borrowing cost pertaining to construction period and directly attributable cost of bringing the asset to working condition. Subsequent costs are included in the assets carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to unconsolidated statement of profit or loss during the period in which they are incurred.

Depreciation on property and equipment is charged to income by applying straightline method on pro rata basis so as to write off the historical cost of the assets over their estimated useful lives at the rates given in Note 4.1. Depreciation charge commences from the month in which the asset is available for use and continues until the month of disposal.

The assets residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Profit or loss on disposal of operating fixed assets represented by the difference between the sale proceeds and the carrying amount of the asset is included in income.

3.4.2 Capital work-in-progress

Capital work in progress represents expenditure on property and equipment which are in the course of construction and installation. Transfers are made to relevant property and equipment category as and when assets are available for use.

Capital work-in-progress is stated at cost less identified impairment loss, if any.

3.5 Intangibles

Intangible assets acquired from the market are carried at cost less accumulated amortization and any impairment losses.

Expenditure on research (or the research phase of an internal project) is recognized as an expense in the period in which it is incurred;

Development costs incurred on specific projects are capitalized when all the following conditions are satisfied:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale.
- The Company intends to complete the intangible asset and use or sell it.
- The Company has the ability to use or sell the intangible asset.
- Intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- The Company's ability to measure reliably the expenditure attributable to the intangible asset during its development.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by the management. Development costs not meeting the criteria for capitalization are expensed as incurred.

After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and impairment losses, if any. These are amortized using straight line method at the rate given in Note 5. Full month amortization on additions is charged in the month of acquisition and no amortization is charged in month of disposal.

The Company assesses at each reporting date whether there is any indication that intangible 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 amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in unconsolidated statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

3.6 Impairment of non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in unconsolidated statement of profit or loss.

Impairment loss recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.7 Staff benefits

The Company has the following plans for its employees:

3.7.1 Provident fund

The Company operates a funded recognized provident fund contribution plan which covers all permanent employees. Equal contributions are made on monthly basis both by the Company and the employees at 10% of basic pay.

3.7.2 Employees' share option scheme

The Company operates an equity settled share based Employees Stock Option Scheme. The compensation committee of the Board of Directors of the Company evaluates the performance and other criteria of employees and approves the grant of options. These options vest with employees over a specified period subject to fulfillment of certain conditions. Upon vesting, employees are eligible to apply and secure allotment of Company's shares at a price determined on the date of grant of options.

At the grant date of share options to the employees, the Company initially recognizes employee compensation expense with corresponding credit to equity as employee compensation reserve at the fair value of option at the grant date. The fair value of options determined at the grant date is recognized as an employee compensation expense on a straightline basis over the vesting period. Fair value of options is arrived at using Black Scholes pricing model

When share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (nominal value) and share premium.

3.8 Investments

The management determines the classification of its investments at the time of purchase depending on the Company's business model for managing the financial assets and their contractual cash flow characteristics. Investments intended to be held for less than twelve months from the statement of financial position date or to be sold to raise operating capital are included in current assets, all other investments are classified as non-current assets. (Refer to Note 3.16 for detailed policy of classification, initial and subsequent measurement.)

3.8.1 Investments in equity instruments of subsidiaries and associates

Investments in subsidiaries and associates where the Company has significant influence are measured at cost in the Company's separate financial statements in accordance with IAS-27 'Consolidated and separate financial statements'.

The Company is required to publish consolidated financial statements along with its separate financial statements, in accordance with the requirements of IFRS 10 Consolidated Financial Statements and IAS 27 'Consolidated and separate financial statements'. Investments in associates, in the consolidated financial statements, are being accounted for using the equity method.

3.9 Foreign currency transactions

Assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange prevailing at the reporting date. Transactions during the year are converted into Pak Rupees at the exchange rate prevailing at the date of such transaction. All exchange differences are charged to unconsolidated statement of profit or loss.

3.10 Trade debts

Trade debts from local customers are stated at amortized cost less expected credit losses while foreign debtors are stated at translated amount by applying exchange rate applicable on the reporting date.

3.10.1 Expected credit losses

Expected credit losses are calculated as a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the Company in accordance with the contract and cash flows that the Company expects to receive). (Refer to note 3.16.4 for detailed policy for impairment of financial assets)

3.11 Advances and deposits

These are recognized at nominal amount which is fair value of considerations to be received in future.

3.12 Trade and other payables

Liabilities for trade and other payable are carried at cost which is the fair value of the consideration to be paid future for goods and services.

3.13 Provisions and contingencies

Provisions are recognized in the unconsolidated statement of financial position when the Company has a legal or constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate. Where outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

3.14 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to unconsolidated statement of profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

3.15 Revenue recognition

Revenue recognized in any period is based on the delivery of performance obligations and an assessment of when control is transferred to the customer. For contracts with multiple components to be delivered, management applies judgement to consider whether those promised goods and services are: (i) distinct – to be accounted for as separate performance obligations; (ii) not distinct – to be combined with other promised goods or services until a bundle is identified that is distinct; or (iii) part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

At contract inception the total transaction price is estimated, which is allocated to the identified performance obligations in proportion to their relative standalone selling prices and revenue is recognized when (or as) those performance obligations are satisfied.

For each performance obligation, the Company determines if revenue will be recognized over time or at a point in time. Where the Company recognizes revenue over time this is due to any of the following reasons: (i) the Company performing and the customer simultaneously receiving and consuming the benefits provided over the life of the contract, (ii) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (iii) the Company's performance creates an asset with no alternative use, and the Company has an enforceable right to payment for performance completed to date.

For each performance obligation to be recognized over time, the Company applies a revenue recognition method that faithfully depicts the Company's performance in transferring control of the goods or services to the customer. The Company applies the relevant input method consistently to similar performance obligations in other contracts. If performance obligations in a contract do not meet the over time criteria, the Company recognizes revenue at a point in time.

Changes in estimates of measures of progress of performance obligations satisfied over time are recognized on a cumulative catch-up basis, which recognizes in the current period the cumulative effect of any changes on current and prior periods based on a performance obligation's percentage of completion.

The Company disaggregates revenue from contracts with customers by contract type, geographical markets and timing of revenue recognition, as management believes this best depicts how the nature, amount, timing and uncertainty of the Company's revenue and cash flows are affected by economic factors. The revenue recognition policy relevant to each contract type is as below:

3.15.1 Professional services

The nature of contracts or performance obligations categorized within this revenue type is diverse and includes: (i) software license from third party; (ii) software implementation; and (iii) software maintenance / support contracts.

The Company makes judgments in determining whether the software implementation and software license are distinct and thus separate performance obligations or part of the bundle and thus a single performance obligation depending upon the level of customization involved and other key factors surrounding each contract. Revenue is recognized at a point in time or over time as appropriate.

The Company has assessed that maintenance and support is a performance obligation that can be considered capable of being distinct and separately identifiable in a contract. These recurring services are substantially the same as the nature of the promise is for the Company to 'stand ready' to perform maintenance and support when required by the customer. Time-based measure of progress is used for such services since it best reflects the Company's efforts in satisfying the performance obligation. Time-based measure of progress is ascertained using the Percentage of Completion (PoC) method. To measure the PoC, input method is used by the management. PoC is measured by taking into account the cost incurred to date as a percentage of total budgeted cost.

3.15.2 Outsourcing services

The Company considers that the business processing outsourcing and other services provided meet the definition of a series of distinct goods and services as they are: (i) substantially the same; and (ii) have the same pattern of transfer (as the series constitutes services provided in distinct time increments (e.g. daily, monthly, quarterly or annual services)) and therefore treats the series as one performance obligation. For the majority of outsourcing services, the Company recognizes revenue based on provision of services over time as it best reflects the nature in which the Company is transferring control of the goods or services to the customer.

Revenue from business process outsourcing services is recognized on completion of processing. Revenue from other outsourcing services is recognized as services are provided.

3.15.3 Sale of third party software

Revenue is recognized at the point in time when obligations under the terms of the contract with the customer are satisfied; generally this occurs when control of the software has transferred and there is no unfulfilled obligation that could affect the customer's acceptance of the software usually on delivery of the software.

3.15.4 Licenses and license support services

Software licenses delivered by the Company can either be 'right to access' or 'right to use' licenses. Software licenses meeting the criteria for right to access are recognized over the period of time. Software licenses not meeting the criteria of 'right to access' are accounted for as right to use and the revenue is recognized at a point in time.

The Company considers for each contract that includes a separate license performance obligation all the facts and circumstances in determining whether the license revenue is recognized over time or at a point in time from the go live date of the license.

3.15.5 Contract Assets

A contract asset is initially recognized for revenue earned because the receipt of consideration is conditional on successful completion of the milestones as per contract. Upon completion of the milestone and acceptance by the customer, the amount recognized as contract assets is reclassified to trade debts.

3.15.6 Contract Liabilities

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the related goods or services are transferred. Contract liabilities are recognized as revenue as and when performance obligations are delivered under the contract.

3.16 Other income

Profit on deposit account and gain on short term investments and other income is recognized using effective interest rate.

Unrealized gains / (losses) arising on revaluation of securities classified as "fair value through profit or loss" are included in unconsolidated statement of profit or loss in the period in which they arise.

3.17 Financial instruments - Initial recognition and subsequent measurement

3.17.1 Initial Recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value, amortized cost or cost as the case may be.

3.17.2 Classification

3.17.2.1 Classification of financial assets

The Company classifies its financial instruments in the following categories:

- at fair value through profit or loss ("FVTPL"),
- at fair value through other comprehensive income ("FVTOCI"), or
- at amortized cost.

The Company determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

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

By default, all other financial assets are subsequently measured at FVTPL.

3.17.2.2 Classification of financial liabilities

The Company classifies its financial liabilities in the following categories:

- at fair value through profit and loss ("FVTPL"), or
- at amortized cost.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

3.17.3 Subsequent measurement

i) Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognized in other comprehensive income/(loss).

ii) Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus transaction costs, and subsequently carried at amortized cost, and in the case of financial assets, less any impairment.

iii) Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the unconsolidated statement of profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the unconsolidated statement of profit or loss in the period in which they arise.

Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income/(loss). Currently, there are no financial liabilities designated at FVTPL.

3.17.4 Impairment of financial assets

The Company recognizes loss allowance for Expected Credit Loss (ECL) on financial assets measured at amortized cost at an amount equal to life time ECLs except for the following, which are measured at 12 month ECLs:

- bank balances for which credit risk (the risk of default occurring over the expected life of the financial instrument) has not increased since inception.
- other short term loans and receivables that have not demonstrated any increase in credit risk since inception.

Loss allowance for trade debts are always measured at an amount equal to life time ECLs. Life time ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12 month ECLs are portion of ECLs that result from default events that are possible within 12 months after the reporting date.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the Company in accordance with the contract and cash flows that the Company expects to receive).

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

3.17.5 Derecognition

i) Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognized in unconsolidated statement of profit or loss. In addition, on derecognition of an investment in a debt instrument classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to unconsolidated statement of profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to equity.

ii) Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the unconsolidated statement of profit or loss and other comprehensive income.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the unconsolidated statement of profit or loss and other comprehensive income.

3.17.6 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to offset the recognized amounts and the Company intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

3.18 Finance costs

Finance cost is charged to unconsolidated statement of profit or loss in the year in which it is incurred.

3.19 Cash and cash equivalents

Cash and cash equivalents are stated in the statement of financial position at amortized cost. For the purpose of the statement of cash flows, cash and cash equivalents comprise of cash in hand, cheques / demand draft in hand and deposits in the bank.

3.2 Leases

3.2.1 Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

3.2.2 Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

3.20 Dividends and appropriation reserves

Dividends and other appropriation to reserves are recognized in the financial statements in the period in which these are approved. However, if they are approved after the reporting period but before the unconsolidated financial statements are authorized for issue, they are disclosed in the notes to the unconsolidated financial statements.

3.21 Earnings per share

The Company presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjustment) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

3.22 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer (the CEO) to assess segment's performance, and for which discrete financial information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other operating expenditures, other income, finance cost, corporate assets, income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the year to acquire property and equipment.

3.23 Standards, Interpretations and Amendments to Approved Accounting (Standards that are not yet effective)

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
The changes in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	01 January 2021
Annual Improvements make minor amendments to IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases	01 January 2022
IAS 16 amendment regarding proceeds before intended use	01 January 2022
IAS 37 amendment regarding onerous contract	01 January 2022
Amendments to IFRS 3 Business Combinations update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	01 January 2022
IAS 1 amendment regarding the classification of Liabilities as Current or Non Current	01 January 2023
IFRS 10 & IAS 28 - Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment)	Not yet finalized

The Company expects that the adoption of the above standards, amendments and interpretations will have no material effect in the period of initial application.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard	IASB effective date (Annual periods beginning on or after)
IFRS 1- First-time Adoption of International Financial Reporting Standards	01 July 2009
IFRS 17 - Insurance Contracts	01 January 2023

4. PROPERTY AND EQUIPMENT	Note	2019 Rupees	2018 Rupees
Operating fixed assets	(4.1)	1,507,212,971	1,392,619,772
Capital work in progress	(4.2)	746,272	24,025,244
		1,507,959,243	1,416,645,016

4.1 Operating fixed assets

DESCRIPTION	2020 Cost			Accumulated Depreciation			Net book value as at 31 December	Rate (%)	
	As at 01 January	Additions / Transfers	Disposals	As at 31 December	As at 01 January	Depreciation charge for the year			Disposals
	Rupees								
Land - free hold	345,277,701	48,760,578	-	394,038,279	-	-	-	394,038,279	-
Building on freehold land	535,883,365	6,841,345	-	542,724,710	28,052,455	13,520,924	-	41,573,379	2.5
Computer equipment and installations	458,284,843	107,336,746	(13,745,539)	551,876,050	286,167,379	104,131,849	(12,996,155)	377,303,073	33
Other equipment and installations	116,382,926	16,360,054	(44,300)	132,698,680	39,820,228	22,520,462	(44,300)	62,296,390	20
Generators and transformer	49,814,973	44,113,920	-	93,928,893	16,667,174	6,739,201	-	23,406,375	10
Furniture and fittings	107,095,328	18,802,046	(57,675)	125,839,699	53,769,222	8,110,355	(18,845)	61,860,732	10
Vehicles	216,248,739	72,958,264	(22,846,025)	266,360,978	57,615,853	46,951,051	(9,641,338)	94,925,566	20
Office equipment	43,339,502	1,660,795	-	45,000,297	14,541,931	4,105,643	-	18,647,574	10
Leasehold Building - Improvements	20,119,599	24,571,156	-	44,690,755	3,192,962	6,739,319	-	9,932,281	24.5
	1,892,446,976	341,404,904	(36,693,539)	2,197,158,341	499,827,204	212,818,804	(22,700,638)	689,945,370	1,507,212,971

DESCRIPTION	2019 Cost			Accumulated Depreciation			Net book value as at 31 December	Rate (%)	
	As at 01 January	Additions / Transfers	Disposals	As at 31 December	As at 01 January	Depreciation charge for the year			Disposal
	Rupees								
Land - free hold	53,030,412	292,247,289	-	345,277,701	-	-	-	345,277,701	-
Building on freehold land	491,815,528	44,067,837	-	535,883,365	14,208,756	13,843,698	-	28,052,454	2.5
Computers equipment and installations	335,126,679	130,864,899	(7,706,735)	458,284,843	231,047,727	61,250,209	(6,130,557)	286,167,379	33
Other equipment and installations	79,120,035	37,594,061	(331,170)	116,382,926	24,071,679	15,988,732	(240,182)	39,820,229	20
Generators	47,406,753	2,408,220	-	49,814,973	12,447,458	4,219,716	-	16,667,174	10
Furniture and fittings	90,172,405	18,201,240	(1,278,317)	107,095,328	48,753,293	5,755,141	(739,212)	53,769,222	10
Vehicles	159,939,602	105,737,074	(49,427,937)	216,248,739	39,039,868	39,320,732	(20,744,747)	57,615,853	20
Office equipment	40,844,236	2,580,266	(85,000)	43,339,502	10,864,247	3,743,069	(65,385)	14,541,931	10
Leasehold Building - Improvements	8,783,220	11,336,379	-	20,119,599	235,507	2,957,455	-	3,192,962	24.5
	1,306,238,870	645,037,265	(58,829,159)	1,892,446,976	380,668,535	147,078,752	(27,920,082)	499,827,204	1,392,619,772

4.1.1 The cost of owned assets include assets amounting to Rs. 319.5 (2019: Rs. 237.3) million with nil book value.

4.1.2 Immovable fixed assets include freehold Land and Building situated at E-1, Sehjpal, Near DHA Phase-VIII (Ex-Air Avenue), Lahore Cantt. Total area of land is 18.17 kanals.

4.2 Capital work in progress	Note	2020 Rupees	2019 Rupees
Advance against purchase of computers		746,272	-
Transformer		-	24,025,244
	(4.2.1)	746,272	24,025,244

4.2.1 The following is the movement in capital work-in-progress during the year:

Balance at the beginning of the year		24,025,244	22,471,605
Additions during the year		13,251,015	14,044,235
Transfer to operating fixed assets	(4.2.2)	(36,529,987)	(12,490,596)
Balance at the end of the year		746,272	24,025,244

4.2.2 Transfers to operating fixed assets relate to generators and transformer.

4.3 Depreciation charge for the year has been allocated as follows:

Cost of revenue	(25)	182,934,914	127,479,111
Selling and distribution expenses	(26)	2,285,163	1,882,142
Administrative expenses	(27)	27,598,727	17,717,500
		212,818,804	147,078,753

4.4 Disposal of property and equipment

Details of disposed assets which had a net book value of Rs. 500,000 or more, are as follows:

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyer
Vehicles							
Rupees							
Honda City	1,641,600	(684,000)	957,600	1,553,000	595,400	Company policy	Ahmed Azmat
Honda City	2,315,000	(347,247)	1,967,753	1,563,821	(403,932)	Company policy	Syed Saud Akhter
Honda City	1,924,000	(513,071)	1,410,929	1,923,996	513,067	Company policy	Samar Abbas
Toyota Altis 1.8	2,420,250	(369,673)	2,050,577	2,315,000	264,423	Company policy	Syed Afzal Nizam
Honda Civic 1.8	2,467,230	(249,202)	2,218,028	2,157,166	(60,862)	Company policy	Muhammad Wajhe Ullah
Toyota Corolla GLI	2,558,000	(85,266)	2,472,734	2,565,000	92,266	Negotiation	Pak Auto Workshop
Aggregate of items of property and equipment with individual book value below Rs. 500,000							
	23,367,459	(20,452,179)	2,915,280	5,227,653	2,312,373		
2020	36,693,539	(22,700,638)	13,992,901	17,305,636	3,312,735		
Vehicles							
Rupees							
Honda Civic	2,522,710	(1,680,320)	842,390	2,014,998	1,172,608	Company Policy	Zahid Janjua
Honda Civic VTi	2,503,000	(782,188)	1,720,812	2,511,000	790,188	Company Policy	Imran Hussain
Corolla GLI	2,372,000	(553,467)	1,818,533	1,778,985	(39,548)	Company Policy	Abid Hanif
Toyota Altis 1.6	2,279,000	(417,817)	1,861,183	2,279,000	417,817	Company Policy	Naureen Anwar
Honda Civic 1.8	2,032,600	(101,630)	1,930,970	1,930,970	-	Company Policy	Ahmed Saeed
Toyota Corolla 1.6 A/T	2,019,060	(1,486,253)	532,807	1,900,000	1,367,193	Company Policy	Salman Wajid
Honda City	1,903,500	(190,350)	1,713,150	1,868,386	155,236	Company Policy	Wasif Mazhar
Honda City 1.3	1,873,000	(437,033)	1,435,967	1,729,350	293,383	Company Policy	Zohaib Hassan
Honda BRV	1,815,785	(423,683)	1,392,102	1,733,000	340,898	Company Policy	Imran Javed Zia
Corolla Altis 1.6	1,810,500	(331,925)	1,478,575	1,810,500	331,925	Company Policy	Baidar Bakht
Toyota Corolla 1.3 GLI	2,259,600	(143,660)	2,115,940	2,074,620	(41,320)	Company Policy	Faisal Khan
Toyota Corolla Altis	1,563,840	(521,280)	1,042,560	1,351,439	308,879	Company Policy	Mian Habib
Honda City Inspire	1,553,000	(659,003)	893,997	1,280,436	386,439	Company Policy	Faisal Noor
Toyota Corolla XLI	1,550,340	(387,585)	1,162,755	1,567,980	405,225	Company Policy	Shoaib Ali
Honda Civic 1.8	1,537,000	(719,562)	817,438	1,537,000	719,562	Company Policy	Wajhe Ullah
Toyota Corolla GLI 1.3	1,537,000	(744,333)	792,667	1,537,305	744,638	Company Policy	Muhammad Aijaz
Toyota Altis 1.8	1,537,000	(875,864)	661,136	1,553,000	891,864	Company Policy	Aurangzeb
Honda Civic 1.8	2,353,000	(980,417)	1,372,583	1,427,147	54,564	Company Policy	Waseem Jaffer
Suzuki Cultus	1,137,110	(246,374)	890,736	1,537,000	646,264	Company Policy	Farhan Umair
Honda Civic	2,337,268	(1,573,266)	764,002	1,950,000	1,185,998	Negotiation	Regal Motors
Honda City Inspire	1,873,000	(696,993)	1,176,007	1,900,000	723,993	Negotiation	Regal Motors
Toyota Corolla	1,791,950	(1,125,302)	666,648	1,775,000	1,108,352	Negotiation	Regal Motors
Honda City 1.3	1,662,226	(304,741)	1,357,485	1,804,162	446,677	Negotiation	Regal Motors
Aggregate of items of property and equipment with individual book value below Rs. 500,000							
	15,005,670	(12,537,037)	2,468,633	6,801,704	4,333,071		
2019	58,829,159	(27,920,083)	30,909,076	47,652,982	16,743,906		

5. INTANGIBLES

	Note	2020 Rupees	2019 Rupees
Computer software and licenses	(5.1)	10,119,856	31,108,678
Software under development		11,226,032	7,548,640
		21,345,888	38,657,318

5.1 Computer software and licenses

Particulars	2020									
	Cost as at 01 January	Additions	Disposals	Cost as at 31 December	Accumulated amortization as at 01 January	Amortization charge for the year	Disposals	Accumulated amortization as at 31 December	Book value as at 31 December	Rate
Computer software and licenses	163,008,023	-	-	163,008,023	131,899,345	20,988,822	-	152,888,167	10,119,856	33%

Particulars	2019									
	Cost as at 01 January	Additions	Disposals	Cost as at 31 December	Accumulated amortization as at 01 January	Amortization charge for the year	Disposals	Accumulated amortization as at 31 December	Book value as at 31 December	Rate
Computer software and licenses	163,008,023	-	-	163,008,023	101,987,800	29,911,545	-	131,899,345	31,108,678	33%

5.2 The cost of the intangibles include assets amounting to Rs. 130 million (2019: Rs. 81.7 million) with nil book value.

5.3 Amortization charge for the year has been allocated as follows:	Note	2020 Rupees	2019 Rupees
Cost of revenue	(25)	17,672,598	25,690,716
Distribution expenses	(26)	255,061	398,665
Administrative expenses	(27)	3,061,163	3,822,164
		20,988,822	29,911,545

6. LONG TERM INVESTMENTS	Note	2020 Rupees	2019 Rupees
Investment in subsidiaries - at amortized cost - unquoted			
E-Processing Systems (Private) Limited 179,507 (2019: 179,507) fully paid ordinary shares of Rs. 10/- each	(6.1)	270,500,227	270,500,227
TechVista Systems FZ- LLC 50 (2019: 50) fully paid ordinary shares of AED 1,000/- each	(6.2)	1,377,950	1,377,950
SUS-JV (Private) Limited 9,499 (2019: 9,499) fully paid ordinary shares of Rs. 10/- each	(6.3)	94,990	94,990
Systems Ventures Private Limited 9,998 (2019: Nil) fully paid ordinary shares of Rs. 10/- each	(6.4)	99,980	-
		272,073,147	271,973,167

- 6.1 This represents 44.60% (2019: 55.75%) shares in the Company's subsidiary, E-Processing Systems (Private) Limited, a company engaged in the business of purchase and sale of airtime and related services in Pakistan. As per the management assessment, the control over the entity lies with the Company.
- 6.2 This represents 100% shares in the Company's subsidiary, TechVista Systems FZ- LLC, a company set up in Dubai Technology and Media Free Zone Authority engaged in providing a host of services including enterprise application integration and software development.
- 6.3 This represents 94.99% (2019: 94.99%) shares in Company's subsidiary, SUS JV (Private) Limited, a company set up in Pakistan for the Balochistan Land Revenue Management Information System project. The project is related to digitization of land records and development of a web-based management information system.
- 6.4 This represents 99.98% (2019: Nil) share in Company's subsidiary, Systems Ventures (Private) Limited, a company set up in Pakistan to invest in new ventures, start ups and incubate new ideas.

7. RIGHT-OF-USE ASSETS

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year:

	Note	2020 Rupees	2019 Rupees
As at 01 January		145,860,345	-
Additions		99,007,148	182,325,431
Depreciation expense	(7.1)	(40,471,141)	(36,465,086)
As at 31 December		204,396,352	145,860,345

7.1 The depreciation charge for the year on right-of-use assets has been allocated as follows:

	Note	2020 Rupees	2019 Rupees
Cost of revenue	(25)	15,379,034	13,919,406
Selling and distribution expenses	(26)	2,832,980	2,410,143
Administrative expenses	(27)	22,259,128	20,135,537
		40,471,142	36,465,086

8. CONTRACT ASSETS - unsecured

	Note	2020 Rupees	2019 Rupees
Unbilled revenue	(8.1)	481,344,379	374,709,876
Retention money		52,596,431	59,560,947
		533,940,810	434,270,823
8.1 Unbilled revenue			
Export	(8.1.1)	374,294,987	197,880,698
Local		192,062,180	252,029,682
		566,357,167	449,910,380
Less: Allowance for ECLs / Provision for doubtful debts	(8.1.3)	(85,012,788)	(75,200,504)
	(8.1.4)	481,344,379	374,709,876

8.1.1 This includes amount not yet billed to related parties, Visionet Deutschland GMBH and TechVista Systems FZ - LLC amounting to Rs. 187.61 million (2019: Nil) and Rs. 177.72 (2019: Rs. 193.30) million, respectively. Aging analysis of these balance is as follows:

	2020		2019	
	Visionet Deutschland GMBH	Tech Vista Systems FZ-LLC - UAE	Visionet Deutschland GMBH	Tech Vista Systems FZ-LLC - UAE
	Rupees			
- Not more than three months	135,801,761	171,932,162	-	193,300,187
- More than three months but not more than six months	47,873,522	5,788,798	-	-
- More than six months but not more than twelve months	3,932,960	-	-	-
- More than twelve months	-	-	-	-
	187,608,243	177,720,960	-	193,300,187

8.1.2	The maximum aggregate amount outstanding by reference to month-end balances was as follows:	2020 Rupees	2019 Rupees
	Visionet Deutschland GMBH	275,359,167	-
	Tech Vista Systems FZ-LLC - UAE	332,591,864	538,450,000

8.1.3 Allowance for ECLs / Provision for doubtful debts

As at 01 January	75,200,504	90,817,128
Expense / (recovery) for the year - net	9,812,284	(11,760,292)
Balances written off during the year	-	(3,856,332)
As at 31 December	85,012,788	75,200,504

8.1.4 These represent unbilled debtors arising due to recognition of revenue upon delivery of performance obligations as per contract on the basis of percentage of completion as per IFRS 15 - Revenue from Contracts with Customers.

	Note	2020 Rupees	2019 Rupees
9. TRADE DEBTS			
Export	(9.1)	2,080,448,006	1,461,328,976
Local		589,763,256	473,246,032
		2,670,211,262	1,934,575,008
Less: Allowance for ECLs / Provision for doubtful debts	(9.3)	(231,773,764)	(135,106,696)
		2,438,437,498	1,799,468,312

9.1 These include receivable against sale of services from related parties, Visionet Systems Incorporation (USA), Visionet Deutschland GMBH, TechVista Systems FZ - LLC (Dubai), TechVista Pty Limited (Australia) and TechVista Information Technology (Qatar) amounting to Rs. 1,100.98 (2019: Rs. 582.2) million, Rs. 18.54 (2019: Nil), Rs. 762.50 (2019: Rs. 800.78) million, Rs. 8.43 (2019: Rs. 4.18) million and Rs. 116.80 (2019: Rs. 8.88) million respectively. Aging analysis the amounts is as follows:

	2020				
	Visionet Systems Incorporation - USA	Systems FZ-LLC - UAE	Visionet Deutschland GMBH	Limited - Australia	TechVista Information Technology - Qatar
	-----Rupees-----				
- Within 30 days	491,534,869	29,400,937	18,539,554	981,040	12,267,153
- 31- 90 days	609,446,087	136,200,281	-	490,520	23,001,230
- 91- 270 days	-	173,150,257	-	2,943,120	49,359,049
- 271- 365 days	-	387,726,671	-	1,962,079	23,106,667
- Above 365 days	-	36,024,248	-	2,057,681	9,070,210
	1,100,980,956	762,502,394	18,539,554	8,434,440	116,804,309

2019					
Visionet Systems Incorporation - USA	TechVista Systems FZ-LLC - UAE	Visionet Deutschland GMBH	TechVista Pty Limited - Australia	TechVista Information Technology - Qatar	
-----Rupees-----					
- Within 30 days	290,213,756	386,343,354	-	1,778,674	4,308,393
- 31- 90 days	292,029,762	-	-	-	1,777,747
- 91- 270 days	-	357,133,374	-	2,388,960	2,793,931
- 271- 365 days	-	56,671,284	-	11,425	-
- Above 365 days	-	627,469	-	-	-
	582,243,518	800,775,481	-	4,179,059	8,880,071

	Note	2020 Rupees	2019 Rupees
9.2	The maximum aggregate amount outstanding by reference to month-end balances was as follows:		
	Visionet Systems Incorporation - USA	1,354,441,348	1,039,540,709
	Visionet Deutschland GMBH	18,539,554	-
	TechVista Systems FZ-LLC - UAE	979,278,668	1,004,354,481
	TechVista Pty Limited - Australia	8,434,440	5,191,234
	TechVista Information Technology - Qatar	113,964,932	9,379,647
9.3	Allowance for ECLs / Provision for doubtful debts		
	As at 01 January	135,106,696	37,408,044
	Addition during the year	119,039,124	141,688,348
	Reversal during the year	-	(41,604,914)
	Expense for the year	119,039,124	100,083,434
	Balances written off during the year	(22,372,056)	(2,384,782)
	As at 31 December	(9.3.1) 231,773,764	135,106,696

9.3.1 These include allowance for ECLs against receivables from related party, TechVista Systems FZ - LLC (Dubai) and TechVista Information Technology (Qatar) amounting to Rs. 26.65 (2019: Rs. 32.67) million and Rs. 54.20 million (2019: Nil) respectively.

	Note	2020 Rupees	2019 Rupees
10.	LOANS, ADVANCES AND OTHER RECEIVABLE		
	Advances to staff against:		
	salary	11,473,122	6,264,346
	expenses	3,061,469	28,273,442
		14,534,591	34,537,788
	Advances to suppliers - against goods	49,224,901	96,724,366
		63,759,492	131,262,154
	Loans to related parties	441,909,846	392,839,270
	Elimination on account of Joint Operation	(10.1) (300,431,067)	(195,941,404)
		(10.2) 141,478,779	196,897,866
	Other receivable	(10.3) 128,500	-
		205,366,771	328,160,020

10.1 This represents loan provided to UUS Joint Venture (Private) Limited for meeting working capital requirements. This amount is unsecured and carries interest at one-year KIBOR on the outstanding loan balance at the end of each month.

	Note	2020 Rupees	2019 Rupees
10.2	This includes loans provided to the following related parties:		
	E-Processing Systems (Private) Limited	(10.2.1) 118,158,259	170,626,354
	SUS JV (Private) Limited	(10.2.2) 23,320,520	26,271,512

10.2.1 This carries mark-up at one-month KIBOR on the outstanding loan balance at the end of each month.

10.2.2 This carries mark-up at one-year KIBOR on the outstanding loan balance at the end of each month.

	2020 Rupees	2019 Rupees	
10.2.3	The maximum aggregate amount outstanding by reference to month-end balances was as follows:		
	E-Processing Systems (Private) Limited	212,510,336	368,088,610
	SUS JV (Private) Limited	48,291,083	50,684,876
		260,801,419	418,773,486

10.3 This represents receivable from related party, Systems Ventures (Private) Limited, on account of incorporation expenses paid by the Company on its behalf.

	Note	2020 Rupees	2019 Rupees
11.	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
	Security deposits	132,575,274	104,471,284
	Prepayments	55,353,671	26,172,818
		187,928,945	130,644,102

	Note	2020 Rupees	2019 Rupees
12.	SHORT TERM INVESTMENTS		
	Fair value through profit or loss		
	- Mutual fund units	(12.1) 559,845,556	-
	Amortized cost		
	- Term deposit receipts (TDRs)	(12.2) 2,085,000,000	780,000,000
		2,644,845,556	780,000,000

	Note	2020 Rupees	2019 Rupees
12.1	The details of investments in mutual funds are as follows:		
	UBL Al-Ameen Asset Islamic Allocation Fund	51,952,710	-
	Number of units : 409,056 (2019: Nil)		
	Alfalah GHP Islamic Income Fund	51,291,201	-
	Number of units : 502,485 (2019: Nil)		
	HBL Asset Islamic Allocation Fund	51,444,992	-
	Number of units : 460,820 (2019: Nil)		
	Lakson Islamic Tactical Fund	52,449,350	-
	Number of units : 534,122 (2019: Nil)		
	Meezan Balanced Fund	100,590,950	-
	Number of units : 6,450,950 (2019: Nil)		
	Meezan Islamic Income Fund	50,337,808	-
	Number of units : 944,653 (2019: Nil)		
	NBP Islamic Sarmaya Izafa Fund	201,778,545	-
	Number of units : 12,352,453 (2019: Nil)		
		559,845,556	-

	Note	2020 Rupees	2019 Rupees
12.2	The details of investments in TDRs are as follows:		
	Faysal Bank Limited	400,000,000	-
	Habib Metropolitan Bank Limited	1,660,000,000	555,000,000
	Habib Bank Limited	25,000,000	25,000,000
	Meezan Bank Limited	-	200,000,000
		(12.2.1) 2,085,000,000	780,000,000

12.2.1 These carry markup at rates ranging from 6% to 12.75% (2019: 12.25% to 12.65%) per annum.

	Note	2020 Rupees	2019 Rupees
13.	TAX REFUNDS DUE FROM THE GOVERNMENT		
	Income tax - net	166,007,954	181,828,160
	Sales tax	-	10,971,356
		166,007,954	192,799,516

	Note	2020 Rupees	2019 Rupees
17.	LONG TERM ADVANCES		
17.1	(17.1)	53,857,626	26,868,774

17.1 These represent advances received from staff and will be adjusted as per Company's car policy against sale of vehicles. The fair value adjustment in accordance with the requirements of IFRS 9 - Financial Instruments arising in respect of long term loans is not considered insignificant by the management.

	Note	2020 Rupees	2019 Rupees
18.	LONG TERM LOAN		
		190,641,884	-
		8,125,960	-
	(18.1)	198,767,844	-
		(100,754,617)	-
		98,013,227	-

MCB Bank Limited
Add: Unwinding of interest
Less: Current portion

18.1 This represents loan of Rs. 210 million obtained under Refinance Scheme for Payment of Wages and Salaries to Workers and Employees of Business Concerns (the Scheme) offered by State Bank of Pakistan to mitigate the effect of COVID-19 on employment in Pakistan. The facility has an aggregate sanctioned limit of Rs. 315 million. It carries mark-up at SBP rate plus 1% per annum and is secured against a pari passu charge of Rs. 1,326.7 million over the present and future current assets of the Company and 1st exclusive equitable mortgage and hypothecation charge of Rs. 1,066.7 million over the non current assets of the Company. The loan is repayable in equal quarterly installments commencing September 26, 2020 and ending December 26, 2022. The two tranches of loan were initially recognized at amortized cost using effective interest rate of 7.94% and 7.25% (3-month KIBOR) respectively. The difference between cash received and present value of cash outflows upon initial recognition has been recognized as deferred grant.

	Note	2020 Rupees	2019 Rupees
19.	LEASE LIABILITIES		
		227,393,268	158,473,516
		(37,983,731)	(29,284,595)
		189,409,537	129,188,921

Present value of lease rentals
Less: Current portion shown under current liabilities

Lease Rentals	Finance cost for future periods	Principal outstanding
2020		
----- Rupees -----		

Not later than one year	58,298,375	20,314,644	37,983,731
Later than one year but not later than five years	169,649,601	41,165,952	128,483,649
Later than five years	69,530,724	8,604,836	60,925,888
	297,478,700	70,085,432	227,393,268

Lease Rentals	Finance cost for future periods	Principal outstanding
2019		
----- Rupees -----		

Not later than one year	46,497,938	17,213,342	29,284,596
Later than one year but not later than five years	153,913,985	24,725,065	129,188,920
	200,411,923	41,938,407	158,473,516

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2020 Rupees	2019 Rupees
As at 01 January	158,473,516	-
Additions	99,007,148	182,325,431
Accretion of interest	20,048,198	20,431,835
Payments	(50,135,594)	(44,283,750)
As at 31 December	227,393,268	158,473,516

Salient features of the leases are as follows:

	2020	2019
Discounting rate	7.32% - 12.16%	12.16%
Period of lease	60-120 months	60 months

20. TRADE AND OTHER PAYABLES

	2020 Rupees	2019 Rupees
Creditors	46,025,945	57,118,426
Accrued liabilities	614,762,540	440,558,136
Provident fund contribution payable	32,276,041	21,722,279
Withholding income tax payable	27,454,129	15,413,584
Sales tax payable	2,134,640	-
	722,653,295	534,812,425

21. CONTRACT LIABILITIES

21.1 These represent mobilization advances received from the customers against professional / software development services, licenses, license support services and other fees.

	Note	2020 Rupees	2019 Rupees
22.	SHORT TERM BORROWINGS		
		550,000,000	450,000,000
		700,000,000	200,000,000
		1,250,000,000	650,000,000

MCB Bank Limited
Habib Metropolitan Bank Limited

22.1 This represents export re-finance (ERF) availed against aggregate sanctioned limit of Rs. 800 (2019: Rs. 800) million. The rate of mark up is SBP rate plus 0.5% (2019: SBP rate plus 0.5%) per annum. These borrowings are secured against Rs. 97.5 million cash margin, 1st pari passu of Rs. 1,327.66 million over the current assets and Rs. 1,066.67 million hypothecation and equitable mortgage charge over plant and machinery and 203 marla of land at Sehjpal near DHA Phase VIII (ex-Air Avenue Eden City), respectively.

22.2 This represents export re-finance (ERF) availed against aggregate sanctioned limit of Rs. 700 (2019: Rs. 200) million. The rate of mark up is SBP rate plus 1% (2019: SBP rate plus 1%). These borrowings are secured against Rs. 950 million pari passu hypothecation charge over current assets and Rs. 232.48 million equitable mortgage over 153.5 marla of land at Sehjpal near DHA Phase VIII (ex-Air Avenue Eden City).

23. CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

Income tax

23.1.1 Tax Year 2017 – under section 161

The Deputy Commissioner Inland Revenue (the "DCIR") issued order under section 161(1A) of the Income Tax Ordinance, 2001 (the "Ordinance") for the tax year 2017 whereby tax amounting to Rs. 6.53 million for non-deduction of withholding tax was levied. The Company preferred an appeal before Commissioner Inland Revenue (Appeals) [the "CIR(A)"], which is decided against the Company. Being aggrieved, the Company filed an appeal before the Appellate Tribunal Inland Revenue (the "ATIR"), which is pending adjudication. The management expects a favorable outcome in this regard.

23.1.2 Tax Year 2016 - Clause 94 part IV of Second Schedule

The Company filed an undertaking pursuant clause 94 part IV of Second Schedule to the Ordinance, thereby opting out of minimum tax on services under section 153(1)(b) of the Ordinance in respect of Tax Year 2016. The Additional Commissioner Inland Revenue ("Addl. CIR") declined to accept the undertaking against which the Company preferred an appeal before CIR(A), which has been upheld by the CIR(A). The appeal effect / reassessment may result in tax liability of Rs. 30.25 million. Being aggrieved, the Company has filed an appeal before the ATIR, which is pending adjudication. The management expects a favorable outcome in this regard.

23.1.3 Tax Year 2014 - under section 122(5A)

The Addl. CIR issued order under section 122(5A) of the Ordinance for tax year 2014, on the basis of wrong proration of expenses, capital gain etc. and created demand of Rs. 48.59 million. The company preferred an appeal against the order, before the CIR(A) who decided the case in favor of the company. However, the tax department has filed second appeal before the ATIR, which is pending adjudication. The management expects a favorable outcome in this regard.

23.1.4 Tax Year 2012 – under section 122(5A)

The Assistant Commissioner Inland Revenue ("ACIR") issued an order under section 122(5A) of the Ordinance for tax year 2012, on the basis of wrong proration of expenses, others etc. and created demand of Rs. 18.46 million. The company preferred an appeal before the CIR(A) against the impugned order which is partially decided in favor of the Company. Being aggrieved, the Company filed an appeal before the learned ATIR, which is pending adjudication. The management expects a favorable outcome in this regard.

Sales tax

23.1.5 Tax Period from January 2016 to December 2016

The Company was selected for Sales Tax Audit through computer ballot for the tax period January 2016 to December 2016 and on the basis of audit proceedings, the DCIR passed order No. 3 dated 30 July 2020 under section 11(2) of the Sales Tax Act, 1990 on various issues including suppression of sales, non-chargeability of sales tax on advance from customers, other income, late filing of sales tax returns etc. and created impugned sales tax demand amounting to Rs. 655.84 million. Being aggrieved, the Company preferred an appeal before the CIR(A), which is pending adjudication.

Commitments

23.2 Guarantees issued by the financial institutions on behalf of the Company amount to Rs. 201.90 (2019: Rs. 370.39) million. This includes guarantees of Rs. 2.72 (2019: Rs. 77.38) million given on behalf of Joint Operation.

23.2.1 The outstanding purchase commitments are nil (2019: Rs. 1 million).

24. REVENUE FROM CONTRACTS WITH CUSTOMERS - NET

24.1 Disaggregated Revenue Information

Set out below is the disaggregation of the Company's revenue from contracts with customers:

Type of goods or services	Note	2020		
		Export	Local	Total
		----- Rupees -----		
Outsourcing services		1,373,041,004	175,484,529	1,548,525,533
Software trading		40,822,932	452,389,126	493,212,058
Software implementation		4,515,336,879	1,093,870,509	5,609,207,388
Less: Sales tax	(24.1.1)	-	(137,178,134)	(137,178,134)
Total revenue from contracts with customers		5,929,200,815	1,584,566,030	7,513,766,845
Timing of revenue recognition - net				
Goods and services transferred at a point in time		40,822,932	416,345,504	457,168,436
Goods and services transferred over time		5,888,377,883	1,168,220,526	7,056,598,409
Total revenue from contracts with customers		5,929,200,815	1,584,566,030	7,513,766,845

Type of goods or services	2019		
	Export	Local	Total
	----- Rupees -----		
Outsourcing services	804,592,410	175,169,753	979,762,163
Software trading	-	471,372,110	471,372,110
Software implementation	3,175,816,255	854,094,649	4,029,910,904
Less: Sales tax	(24.1.1)	(132,476,435)	(132,476,435)
Total revenue from contracts with customers	3,980,408,665	1,368,160,077	5,348,568,742
Timing of revenue recognition - net			
Goods and services transferred at a point in time	-	455,038,847	455,038,847
Goods and services transferred over time	3,980,408,665	913,121,230	4,893,529,895
Total revenue from contracts with customers	3,980,408,665	1,368,160,077	5,348,568,742

24.1.1 This represents sales tax chargeable under Provincial and Federal Sales tax laws on revenue as defined under relevant laws.

24.1.2 The disaggregated revenue information based on the geographical location has been presented in note 32 to these unconsolidated financial statements.

	Note	2020	2019
		Rupees	
24.2 Contract balances	(24.2.1)	69,232,960	12,918,978

24.2.1 These represent the amount of revenue recognized from amounts included in contract liabilities at the beginning of the year.

24.3 Transaction prices of remaining performance obligations

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December is as follows:

	Note	2020	2019
		Rupees	
Within one year		244,931,576	261,837,585
More than one year		-	430,747,008
		244,931,576	692,584,593

The Company makes sales against credit terms. In case of credit sales, payment is generally due within 30 days from the date of billing to the customer.

	Note	2020	2019
		Rupees	
25. COST OF REVENUE			
Salaries, allowances and amenities	(25.1)	3,624,911,038	2,495,496,558
Purchase of software		416,643,420	437,116,550
Technical consultancy		97,711,401	65,428,750
Printing and stationery		1,265,643	1,158,627
Computer supplies		20,773,210	31,925,954
Rent, rates and taxes		6,973,665	6,848,439
Electricity, gas and water		46,485,491	49,862,464
Traveling and conveyance		98,828,578	172,369,730
Repair and maintenance		11,411,745	11,726,780
Postage, telephone and telegrams		71,239,278	61,864,726
Vehicle running and maintenance		23,679,765	20,648,733
Entertainment		26,417,190	27,814,262
Fee and subscriptions		48,262,588	15,838,737
Insurance		5,196,469	6,998,984
Depreciation	(4.3)	182,934,914	127,479,111
Amortization	(5.3)	17,672,598	25,690,716
Depreciation of right-of-use asset	(7.1)	15,379,034	13,919,406
		4,715,786,027	3,572,188,527

25.1 This includes employees retirement benefit expense amounting to Rs. 158.39 (2019: Rs. 104.79) million.

26. SELLING AND DISTRIBUTION EXPENSES

	Note	2020 Rupees	2019 Rupees
Salaries, allowances and amenities	(26.1)	97,871,121	78,684,571
Printing and stationery		370,579	437,593
Computer supplies		100,314	185,832
Rent, rates and taxes		139,473	154,619
Electricity, gas and water		1,107,445	694,845
Traveling and conveyance		3,869,378	8,373,017
Repair and maintenance		950,833	229,210
Postage, telephone and telegrams		754,222	1,023,230
Vehicle running and maintenance		1,355,995	1,384,000
Entertainment		489,967	1,308,090
Insurance		524,075	69,613
Fee and subscriptions		2,896,029	502,996
Shows, seminars and advertising		2,991,433	1,954,589
Depreciation	(4.3)	2,285,163	1,882,142
Amortization	(5.3)	255,061	398,665
Depreciation of right-of-use asset	(7.1)	2,832,980	2,410,143
		118,794,068	99,693,155

26.1 This includes employees retirement benefit expense amounting to Rs. 3.37 (2019: Rs. 2.86) million.

27. ADMINISTRATIVE EXPENSES

	Note	2020 Rupees	2019 Rupees
Salaries, allowances and amenities	(27.1)	294,014,822	277,704,266
Printing and stationery		4,644,150	3,368,725
Computer supplies		17,497,725	18,388,818
Rent, rates and taxes		6,834,192	6,608,052
Electricity, gas and water		7,941,458	7,167,562
Traveling and conveyance		9,107,370	14,957,202
Repair and maintenance		30,730,868	20,778,428
Postage, telephone and telegrams		14,525,877	10,765,186
Vehicle running and maintenance		7,246,096	7,642,091
Legal and professional		21,819,112	11,492,836
Auditors' remuneration	(27.2)	4,553,038	5,028,107
Entertainment		3,740,825	4,389,554
Donations		2,203,600	3,825,105
Fee and subscriptions		17,489,241	10,911,232
Insurance		3,594,708	1,899,820
Hiring cost		432,830	884,516
Newspapers, books and periodicals		137,713	116,918
Depreciation	(4.3)	27,598,727	17,717,500
Amortization	(5.3)	3,061,163	3,822,164
Others		415,703	867,487
Depreciation of right-of-use asset	(7.1)	22,259,128	20,135,537
		499,848,346	448,471,106

27.1 This includes employees retirement benefit expense amounting to Rs. 15.27 (2019: Rs. 10.71) million.

27.2 Auditors' remuneration

	Note	2020 Rupees	2019 Rupees
Statutory audit fee		1,907,747	1,734,315
Half yearly review and other certifications		1,478,906	1,503,805
Sales tax advisory		942,500	1,669,987
Out-of-pocket		223,885	120,000
		4,553,038	5,028,107

28. OTHER OPERATING EXPENSES

	Note	2020 Rupees	2019 Rupees
Allowance for ECLs / provision for doubtful debts			
- Contract assets	(8.1.3)	9,812,284	(11,760,292)
- Trade debts	(9.3)	119,039,124	100,083,434
Contract assets and bad debts written off		-	24,652,515
Provision against doubtful refundables		-	24,508,582
Tax receivables written off		5,889,010	-
Advances written off		-	1,540,964
		134,740,418	139,025,203

29. OTHER INCOME

Income from financial assets:

	Note	2020 Rupees	2019 Rupees
Profit on deposit accounts		25,119,146	18,464,427
Profit on term deposit receipts		130,159,502	57,843,863
Dividend income		2,502,253	-
Unrealized gain on investments classified as fair value through profit or loss		7,343,304	-
Exchange gain		81,841,960	223,172,268
Interest on loan to subsidiaries		21,501,786	25,053,472
		268,467,951	324,534,030

Income from non-financial assets:

	Note	2020 Rupees	2019 Rupees
Gain on disposal of property and equipment	(4.4)	3,312,735	16,743,906
Others		864,568	1,368,106
		4,177,303	18,112,012
		272,645,254	342,646,042

30. FINANCE COSTS

	Note	2020 Rupees	2019 Rupees
Markup on guarantee commission		1,257,218	1,135,974
Markup on borrowings		25,781,337	14,605,600
Bank charges		2,827,442	2,991,008
Lease interest		20,048,198	20,431,835
		49,914,195	39,164,417

31. TAXATION

	Note	2020 Rupees	2019 Rupees
Income tax:			
- current year	(31.1)&(31.2)	61,886,727	32,250,920
- prior year		11,527,376	(3,710,253)
		73,414,103	28,540,667
Deferred tax	(31.3)	-	-
		73,414,103	28,540,667

31.1 This represents tax chargeable under Normal Tax Regime on local sale of software and services. The income of the Company from export of software is exempt under clause 133 Part 1 of Second Schedule to the Income Tax Ordinance, 2001.

31.2 Reconciliation of tax charge for the year:

	2020 Rupees	2019 Rupees
Profit before taxation	2,267,329,045	-
Tax on profit	657,525,423	-
Tax effect of exempt income	(589,840,311)	-
Tax effect of prior year adjustment	11,527,376	-
Tax effect of adjustment of carried forward business losses	(18,650,702)	-
Tax effect of business loss of Joint Operation	17,023,597	-
Others	(4,429,995)	-
	73,155,388	-

Reconciliation between accounting profit and tax expense for the prior year is meaningless in view of the minimum tax under section 153 of Income Tax Ordinance, 2001.

31.3 Deferred tax

	2020 Rupees	2019 Rupees
Taxable temporary differences		
Depreciation on property and equipment	(22,361,343)	(21,032,610)
Employee compensation reserve	-	(5,647,463)
Right-of-use asset	(12,387,186)	(10,431,057)
	(34,748,529)	(37,111,130)
Deductible temporary differences		
Lease liabilities	13,780,885	9,099,311
Provision for doubtful debts	13,874,283	4,506,167
Provision for contract assets	5,152,094	-
Employee compensation reserve	1,941,267	-
Minimum tax	-	23,505,652
	34,748,529	37,111,130

The Company has recognized deferred tax asset on its deductible temporary differences and tax losses to the extent of available taxable temporary differences. Owing to uncertainty relating to future taxable profits, against which the Company can utilize its tax losses and tax credits, the Company has not recognized any deferred tax asset for minimum tax of Rs. 35.99 million (2019: Rs. 29.66 million) and unabsorbed depreciation loss of Rs. 36.48 million (2019: 68.14 million). Expiry of minimum tax and excess of corporate alternative tax carried forward is as follows:

Expiry Tax Year	Nature	2020	2019
		Rupees	Rupees
2022	Business loss - 2016	-	49,719,944
2023	Business loss - 2017	-	31,277,012
		-	80,996,956
2022	Minimum tax - 2017	15,307,401	15,307,401
2023	Minimum tax - 2018	10,903,102	10,903,102
2024	Minimum tax - 2019	3,452,899	3,452,899
2025	Minimum tax - 2020	6,324,278	-
		35,987,680	29,663,402
No Expiry	Depreciation loss	36,477,150	68,135,769
		72,464,830	178,796,127

32. OPERATING SEGMENT INFORMATION

Geographical segments

For management purposes, the Systems Limited is organized into business units based on their geographical areas and has four reportable operating segments as follows:

- North America
- Europe
- Middle East
- Pakistan

No other operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its operating segments separately for the purpose of performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the unconsolidated financial statements.

	North America		Europe		Middle East		Pakistan		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue from contracts with customers	4,367,846,372	2,956,900,042	825,305,235	475,048,351	725,170,596	548,460,272	1,595,444,642	1,368,160,077	7,513,766,845	5,348,568,742
Cost of revenue	(2,392,470,816)	(1,664,852,689)	(498,779,658)	(295,198,103)	(572,919,574)	(473,009,587)	(1,251,615,979)	(1,139,128,148)	(4,715,786,027)	(3,572,188,527)
Gross profit	1,975,375,556	1,292,047,353	326,525,577	179,850,248	152,251,022	75,450,685	343,828,663	229,031,929	2,797,980,818	1,776,380,215
Selling and distribution expenses	(17,406,721)	(12,037,257)	(4,024,698)	(1,933,876)	(7,462,548)	(4,315,287)	(89,900,101)	(81,406,735)	(118,794,068)	(99,693,155)
Administrative expenses	(324,640,784)	(301,387,312)	(66,340,926)	(48,420,151)	(59,381,802)	(53,816,533)	(49,484,834)	(44,847,110)	(499,848,346)	(448,417,106)
Profit / (loss) before taxation and unallocated income and expenses	1,633,328,051	978,622,784	256,159,953	129,496,221	85,406,672	17,318,865	204,443,728	102,778,084	2,179,338,404	1,228,215,954
Unallocated income and expenses:										
Other operating expenses									(134,740,418)	(139,025,203)
Other income									272,645,254	342,646,042
Finance costs									(49,914,195)	(39,164,417)
Profit before taxation									87,990,641	164,456,422
Taxation									2,267,329,045	1,392,672,376
Profit for the year									(73,414,103)	(28,540,667)
									2,193,914,942	1,364,131,709

32.1 Allocation of assets and liabilities

	North America		Europe		Middle East		Pakistan		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Segment operating assets										
Property and equipment	-	-	-	-	-	-	1,507,959,243	1,416,645,016	1,507,959,243	1,416,645,016
Intangibles	-	-	-	-	-	-	21,345,888	38,657,318	21,345,888	38,657,318
Right-of-use assets	-	-	-	-	-	-	204,396,352	145,860,345	204,396,352	145,860,345
Long term investments	-	-	-	-	-	-	272,073,147	271,973,167	272,073,147	271,973,167
Long term deposits	-	-	-	-	-	-	36,127,162	51,939,797	36,127,162	51,939,797
Advance against purchase of land	-	-	-	-	-	-	-	28,750,000	-	28,750,000
Contract assets	-	-	192,018,321	422,820	177,720,960	193,300,187	164,201,529	240,547,816	533,940,810	434,270,823
Trade debts	1,100,980,956	615,799,194	20,255,836	30,755,597	875,614,023	770,019,884	441,586,683	382,893,637	2,438,437,498	1,799,468,312
Loans, advances and other receivable	-	-	-	-	-	-	205,366,771	328,160,020	205,366,771	328,160,020
Trade deposits and short term prepayments	-	-	-	-	-	-	187,928,945	130,644,102	187,928,945	130,644,102
Interest accrued	-	-	-	-	-	-	38,450,000	2,491,952	38,450,000	2,491,952
Short term investments	-	-	-	-	-	-	2,644,845,556	780,000,000	2,644,845,556	780,000,000
Tax refunds due from government	-	-	-	-	-	-	165,007,954	192,799,516	165,007,954	192,799,516
Cash and bank balances	-	-	-	-	-	-	1,577,759,692	1,095,555,314	1,577,759,692	1,095,555,314
Total operating assets	1,100,980,956	615,799,194	212,274,157	311,741,417	1,053,334,983	963,320,071	7,468,048,922	5,106,918,000	9,834,639,018	6,717,215,682
Segment operating liabilities										
Long term advances	-	-	-	-	-	-	53,857,626	26,868,774	53,857,626	26,868,774
Lease liabilities	-	-	-	-	-	-	189,409,537	129,188,921	189,409,537	129,188,921
Long term loan	-	-	-	-	-	-	98,013,227	-	98,013,227	-
Deferred grant	-	-	-	-	-	-	8,338,896	-	8,338,896	-
Trade and other payables	-	-	-	-	-	-	730,270,930	543,157,950	730,270,930	543,157,950
Contract liabilities	-	-	-	-	-	-	88,669,355	104,154,979	88,669,355	104,154,979
Mark-up accrued on short term borrowings	-	-	-	-	-	-	9,804,346	4,873,969	9,804,346	4,873,969
Short term borrowings	-	-	-	-	-	-	1,250,000,000	650,000,000	1,250,000,000	650,000,000
Current portion of lease liabilities	-	-	-	-	-	-	37,983,731	29,284,595	37,983,731	29,284,595
Current portion of long term loan	-	-	-	-	-	-	100,754,617	-	100,754,617	-
Current portion of deferred grant	-	-	-	-	-	-	3,095,996	-	3,095,996	-
Current portion of long term advances	-	-	-	-	-	-	10,754,706	13,220,163	10,754,706	13,220,163
Total operating liabilities	-	-	-	-	-	-	2,580,952,967	1,500,749,351	2,580,952,967	1,500,749,351

33. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise subsidiaries, associated companies, companies in which directors are interested, staff retirement funds and directors and key management personnel (Note 34). The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under respective notes to the financial statements. Other significant transactions with related parties are as follows:

Undertaking	Relation	Nature of transaction	2020	2019
			Rupees	Rupees
TechVista Systems FZ- LLC - UAE	Subsidiary	Sales	571,955,582	731,876,415
		Out of pocket expenses	108,692,945	207,346,832
		Loan - net advanced / (settled)	(52,468,094)	(47,562,904)
		Interest income	19,036,663	25,155,530
E Processing Systems (Private) Limited.	Subsidiary	Loan - net advanced / (settled)	(2,950,992)	26,271,512
		Interest income	2,419,253	1,866,386
SUS-JV (Private) Limited.	Subsidiary	Sales	4,270,475,128	2,957,631,422
		Out of pocket expenses	27,419,070	78,774,869
Visionet Systems Incorporation - USA	Associate	Sales	650,852,370	-
		Out of pocket expenses	5,391,955	5,020,382
Visionet Deutschland GMBH	Associate	Sales	9,414,589	15,551,674
TechVista Pty Limited - Australia	Associate	Sales	35,220,903	25,964,649
IGI Insurance Limited	Associate	Purchase of insurance policies	5,293,286	3,980,759
Dawood Family Takaful Limited	Associate	Purchase of insurance policies	177,022,960	118,363,070
Staff retirement fund		Contribution	95,176,466	26,228,121
TechVista Information Technology - Qatar	Associate	Sales	-	-

33.1 Details of the Company's subsidiaries and associated companies incorporated outside Pakistan are as follows:

Name of Company	Details			
	Country of incorporation	Registered Address	Basis of Association	Percentage of shareholding
TechVista Systems FZ LLC	UAE	TechVista Systems LLC, Office 603, 6th Floor, Exchange Tower, Business Bay, Dubai, UAE	Subsidiary	100%
TechVista Systems LLC	UAE	TechVista Systems LLC, Office 603, 6th Floor, Exchange Tower, Business Bay, Dubai, UAE	Sub-Subsidiary	-
TechVista Pty Limited	Australia	G Seat 3', 30 Cowper Street, Parramatta NSW 2150	Sub-Subsidiary	-
Visionet Systems Inc.	USA	Visionet Systems Inc. Cedarbrook Corporate Center, 4 Cedarbrook Drive, Bldg. B Cranbury, NJ 08512- 3641	Associate	-
Visionet Deutschland GMBH	Germany	Maximilian street 13, 80539, Munchen, Germany	Associate	-
TechVista Information Technology	Qatar	TechVista IT WILL, Head Office Palm Towers B, Floor 41, Westbay, Doha, Qatar	Associate	-

34. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for the year for remuneration including certain benefits to the Chief Executive Officer, Directors and Executives of the Company are as follows :

Note	Chief Executive Officer		Non Executive Directors		Other Executives	
	2020	2019	2020	2019	2020	2019
	(Nos)					
Number of persons	1	1	6	6	510	339
	(Rupees)					
Managerial remuneration	36,960,000	33,600,000	-	-	1,561,614,937	959,059,848
Retirement benefits	2,464,000	2,240,000	-	-	97,024,229	59,096,019
Bonus	-	-	-	-	49,680,471	31,280,931
Fees (34.2)	-	-	2,850,000	1,354,000	-	-
	39,424,000	35,840,000	2,850,000	1,354,000	1,708,319,637	1,049,436,798

34.1 In addition to the above remuneration, the Chief Executive Officer and certain executives are also provided with company maintained cars, free medical and mobile phone facilities in accordance with their entitlement.

34.2 Fees represent the amounts paid to Non Executive Directors for attending meetings of the Board and its sub-committees.

34.3 During the year, the Chief Executive Officer and Other Executives were granted 570,034 (2019: 525,412) and 1,159,000 (2019: 406,500) share options respectively, which have a vesting period of two years. Further, the impact of benefits available to the Chief Executive Officer and other executives recognized by the Company on account of share-based payment plans aggregated to Rs. 25.37 (2019: Rs. 26.44) million and Rs. 21.76 (2019: 29.46) million, respectively.

34.4 During the current year, certain executives of the Company exercised stock option under employee stock option scheme according to which 1,085,715 (2019: 85,397) shares were issued to them.

35. EARNINGS PER SHARE - BASIC AND DILUTED

Earnings per share are calculated by dividing the net profit for the year by weighted average number of shares outstanding during the year as follows:

	2020	2019
	Rupees	Rupees
35.1 Basic earnings per share		
Profit for the year	2,193,914,942	1,364,131,709
	(Number of shares)	
Weighted average number of ordinary shares outstanding during the year	124,261,404	123,473,974
Basic earnings per share (Rupees)	17.66	11.05
35.2 Diluted earnings per share		
Profit for the year	2,193,914,942	1,364,131,709
	(Number of shares)	
Weighted average number of ordinary shares (basic)	124,261,404	123,473,974
Effect of share options	2,498,226	1,055,607
Weighted average number of ordinary shares - diluted	126,759,630	124,529,581
Diluted earnings per share (Rupees)	17.31	10.95

36. CASH GENERATED FROM OPERATIONS

Note	2020	2019
	Rupees	Rupees
Profit before taxation	2,267,329,045	1,392,672,376
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation on property and equipment (4.3)	212,818,804	147,078,753
Depreciation on right-of-use asset (7)	40,471,141	36,465,086
Amortization of intangibles (5)	20,988,822	29,911,545
Exchange gain on translation of export debts	(55,134,623)	(157,598,142)
Profit on deposit accounts (29)	(25,119,146)	(18,464,427)
Profit on term deposit receipts (29)	(130,159,502)	(57,843,863)
Unrealized gain on investments classified as fair value through profit or loss (29)	(7,343,304)	-
Share based payment expense	45,941,146	55,909,956
Gain on disposal of property and equipment (29)	(3,312,735)	(16,743,906)
Allowance for ECLs / provision for doubtful debts:		
- contract assets (28)	9,812,284	(11,760,292)
- trade debts (28)	119,039,124	100,083,434
Tax receivables written off (28)	5,889,010	-
Bad debts - written off (28)	-	24,652,515
Interest on loan to subsidiary (29)	(21,501,786)	(25,053,472)
Finance costs (30)	49,914,195	39,164,417
	2,529,632,475	1,538,473,980
Working capital changes		
(Increase) / decrease in current assets		
Contract Assets	(127,624,174)	(60,698,694)
Trade debts	(711,439,121)	84,720,341
Loans, advances and other receivable	143,663,332	141,460,855
Trade deposits and short term prepayments	(55,995,111)	(9,471,255)
Increase / (decrease) in current liabilities		
Trade and other payables	173,665,685	121,256,530
Contract Liabilities	(15,485,624)	79,005,098
	(593,215,013)	356,272,875
Cash generated from operations	1,936,417,462	1,894,746,855

37. FINANCIAL RISK MANAGEMENT

Financial instruments comprise deposits, contract assets, interest accrued, trade debts, advances to employees against salaries, cash and bank balances and short term investments, trade and other payables, lease liabilities, long term loan, short term borrowing and mark up accrued on short term borrowings.

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

This note represents information about the Company's exposure to each of the above risks, it's objectives, policies and processes for measuring and managing risk, and it's management of capital.

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

37.1 Market risk

(a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

Monetary items, including financial assets and financial liabilities, denominated in currency other than functional currency of the Company are periodically restated to Pak rupee equivalent and the associated gain or loss is taken to the profit and loss account.

The following analysis demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, of the Company's profit before tax.

	Changes in Rate	Effect on profit before tax	Effect on profit before tax
		2020 Rupees	2019 Rupees
Receivables - USD	+1	7,039,373	3,763,694
	-1	(7,039,373)	(3,763,694)
Receivables - AUD	+1	68,406	-
	-1	(68,406)	-
Receivables - AED	+1	16,866,738	20,148,584
	-1	(16,866,738)	(20,148,584)
Bank balance - USD	+1	4,213,054	115,734
	-1	(4,213,054)	(115,734)
Reporting date rate:			
USD		159.8	154.7
AUD		123.3	108.5
AED		43.5	42.1

(b) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company mitigates its risk against the exposure by focusing on short-term investment and maintaining adequate bank balances.

At the statement of financial position, the interest rate profile of the Company's interest-bearing financial instruments was:

	2020 Rupees	2019 Rupees
Fixed rate instruments		
Financial assets		
Short term investments	2,085,000,000	780,000,000
Bank balances - deposit accounts	395,180,848	862,698,678
	2,480,180,848	1,642,698,678
Financial liabilities		
Long term loan	198,767,844	-
Lease liabilities	227,393,268	158,473,516
Short term borrowings	1,250,000,000	650,000,000
	4,156,341,960	2,451,172,194

Fair value sensitivity analysis for fixed rate instruments

As at 31 December 2020, had there been increase / decrease in fixed interest rates by 100 basis points, with all other variables held constant, profit before tax for the year would have been higher / lower by Rs. 7.91 million (2019: Rs.8.34 million).

Cash flow sensitivity analysis for variable rate instruments

The Company is not exposed to future cash flow risk.

(c) Other price risk

Other price risk is the risk of changes in the fair value of investment in mutual funds as a result of changes in the levels of net asset value of units held by the Company. As at 31 December 2020, had there been increase / decrease in net asset value by 1%, with all other variables held constant, the profit before tax for the year would have been higher / lower by Rs. 5.09 million (2019: Nil).

37.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. The Company does not have significant exposure to any individual third party. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. Outstanding customer receivables are regularly monitored.

The credit risk on liquid funds is limited because the counter parties are banks and mutual funds with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and subscribers in case of trade debts.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2020 Rupees	2019 Rupees
Contract Assets	533,940,810	434,270,823
Trade debts	2,438,437,498	1,799,468,312
Trade deposits	168,702,436	140,598,446
Advances to employees against salaries	11,473,122	6,264,346
Loans to related party	141,478,779	196,897,866
Interest accrued	38,450,000	2,491,952
Short term investment	2,644,845,556	780,000,000
Bank balances	1,576,841,709	1,095,555,314
	7,554,169,910	4,455,547,059
The aging of trade debts at the reporting date is:		
0 - 120 days	1,777,945,119	1,321,399,384
121 - 365 days	819,766,010	551,611,073
Above one year	68,807,452	61,564,551
	2,670,211,262	1,934,575,008
Expected credit losses	(231,773,764)	(135,106,696)
	2,438,437,498	1,799,468,312

As at year end, 75% of trade debts (2019: 76%) were represented by five customers amounting to Rs. 2,003.57 (2019: Rs. 1,396.08) million. The management believes that the Company is not exposed to customer concentration risk as these customers are related parties of the Company.

The Company has applied the IFRS's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate. The table below shows the bank balances and investments held with some major counterparties at the reporting date:

	Rating			2020	2019
	Short term	Long term	Agency	----- Rupees -----	
Banks					
Habib Metropolitan Bank	A1+	AA+	PACRA	863,170,613	275,740,889
Bank Islami Pak	A1	A+	PACRA	7,694,420	7,694,101
United Bank Limited	A1+	AAA	JCR-VIS	24,677,388	103,185,630
Faysal Bank	A1+	AA	PACRA	21,549,769	63,875,350
Standard Chartered Bank	A1+	AAA	PACRA	42,394,856	17,953,790
Finca Microfinance Bank	A1	A	PACRA	-	362,203
Meezan Bank	A1+	AA+	JCR-VIS	2,998,384	7,752,821
Bank Alfalah Limited	A1+	AA+	PACRA	22,018,363	17,341,735
Habib Bank Limited	A1+	AAA	JCR-VIS	4,598,296	15,559,729
MCB Bank Limited	A1+	AAA	PACRA	587,739,620	584,438,017
				1,576,841,709	1,093,904,265
Mutual Funds					
Al-Ameen Asset Islamic Allocation Fund	Not Available	Not Available	Not Available	51,952,710	-
Alfalah GHP Islamic Income Fund	Not Available	AA-(f)	PACRA	51,291,201	-
HBL Islamic Asset Allocation Fund	Not Available	Not Available	Not Available	51,444,992	-
Lakson Islamic Tactical Fund	Not Available	Not Available	Not Available	52,449,350	-
Meezan Balanced Fund	Not Available	Not Available	Not Available	100,590,950	-
Meezan Islamic Income Fund	Not Available	A+(f)	JCR-VIS	50,337,808	-
NBP Islamic Sarmaya Izaafa Fund	Not Available	Not Available	Not Available	201,778,545	-
				559,845,556	-

37.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The following are the contractual maturities of financial liabilities:

The following are the contractual maturities of financial liabilities as at 31 December 2020:

	Carrying amount	Contractual cash flows	Less than one year	One to five years	More than five years
Long term loan	198,767,844	198,767,844	100,754,617	98,013,227	-
Lease Liabilities	227,393,268	227,393,268	37,983,731	128,483,649	60,925,888
Trade and other payable:	720,518,655	720,518,655	720,518,655	-	-
Short term borrowings	1,250,000,000	1,250,000,000	1,250,000,000	-	-
Mark-up accrued on short term borrowings	9,804,346	9,804,346	9,804,346	-	-
	2,406,484,113	2,406,484,113	2,119,061,349	226,496,876	60,925,888

The following are the contractual maturities of financial liabilities as at 31 December 2019:

Lease Liabilities	158,473,516	158,473,516	29,284,596	129,188,920	-
Trade and other payable:	534,812,425	534,812,425	534,812,425	-	-
Short term borrowings	650,000,000	650,000,000	650,000,000	-	-
Mark-up accrued on short term borrowings	4,873,969	4,873,969	4,873,969	-	-
	1,348,159,910	1,348,159,910	1,218,970,990	129,188,920	-

37.4 Fair values of financial assets and liabilities

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available.

The carrying values of other financial assets and financial liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

37.5 Financial instruments by categories

	2020		
	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
	Rupees		Rupees
Assets as per statement of financial position			
Long term deposits	-	36,127,162	36,127,162
Contract assets	-	533,940,810	533,940,810
Trade debts	-	2,438,437,498	2,438,437,498
Loans, advances and other receivable	-	205,366,771	205,366,771
Security deposits	-	132,575,274	132,575,274
Interest accrued	-	38,450,000	38,450,000
Short term investments	559,845,556	2,085,000,000	2,644,845,556
Cash and bank balances	-	1,577,759,692	1,577,759,692
	559,845,556	7,047,657,207	7,607,502,763

	2019		
	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
	Rupees		Rupees
Long term deposits	-	51,939,797	51,939,797
Contract assets	-	434,270,823	434,270,823
Trade debts	-	1,799,468,312	1,799,468,312
Loans, advances and other receivable	-	328,160,020	328,160,020
Security deposits	-	104,471,284	104,471,284
Interest accrued	-	2,491,952	2,491,952
Short term investments	-	780,000,000	780,000,000
Cash and bank balances	-	1,095,555,314	1,095,555,314
	-	4,596,357,502	4,596,357,502

	2020	2019
	Financial liabilities at amortized cost	Financial liabilities at amortized cost
	Rupees	Rupees
Liabilities as per statement of financial position		
Long term loan	198,767,844	-
Lease liabilities	227,393,268	158,473,516
Mark-up accrued on short term borrowings	9,804,346	4,873,969
Short term borrowings	1,250,000,000	650,000,000
Unclaimed dividend	7,617,635	8,345,525
Trade and other payables	722,653,295	534,812,425
	1,990,075,276	1,198,031,919

37.6 Fair value hierarchy

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. The table below analyses financial instruments carried at fair value by valuation method. The different level have been defined as follows:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Level 1	Level 2	Level 3	Total
Rupees			

As at 31 December 2020

Fair value through profit and loss - Mutual Fund units	559,845,556	-	-	559,845,556
--------------------------------------------------------	-------------	---	---	-------------

As at 31 December 2019
Fair value through profit and loss - Mutual Fund units

	-	-	-	-
--	---	---	---	---

37.7 Capital risk management

The Company's policy is to safeguard the Company's ability to remain as a going concern and ensure a strong capital base in order to maintain investors', creditors' and market's confidence and to sustain future development of the business. The Board of Directors monitors the returns on capital, which the Company defines as net operating income divided by total shareholders' equity. The Company's objectives when managing:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products.

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

Consistent with the industry norms, the Company monitors its capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital plus net debt. Net debt is calculated as total borrowings as shown in the statement of financial position less cash and cash equivalent. Total capital is calculated as 'equity' as shown in the statement of financial position.

The debt-to-equity ratio as of 31 December is as follows:

	2020 Rupees	2019 Rupees
Long term loan - Note 18	198,767,844	-
Lease Liabilities - Note 19	227,393,268	158,473,516
Trade and other payables - Note 20	722,653,295	534,812,425
Short term borrowing - Note 22	1,250,000,000	650,000,000
Mark up accrued on borrowings	9,804,346	4,873,969
	2,408,618,753	1,348,159,910
Less: Cash and cash equivalents	(1,577,759,692)	(1,095,555,314)
Net debt	830,859,061	252,604,596
Total capital	7,253,686,051	5,216,466,331
Capital and net debt	8,084,545,112	5,469,070,927
Capital gearing ratio	10%	5%

38. PROVIDENT FUND TRUST

38.1 The Company has maintained an employee provident fund trust and investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act 2017, and the rules formulated for this purpose. The salient information of the fund is as follows:

	Note	2020 Rupees Un-audited	2019 Rupees Audited
Size of the fund (net assets)		690,232,668	464,023,268
Cost of investment made (actual investments made)	(38.2)	126,955,075	124,601,173
Percentage of investment made (cost of investments)		18.4%	26.9%
Fair value of investments		504,062,481	446,877,691

38.2 Break-up of investments of provident fund

Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

Description	2020		2019	
	Investments Rupees	% of investment as size of the fund	Investments Rupees	% of investment as size of the fund
Mutual funds	122,000,000	17.7%	121,601,173	26.2%
Defense saving certificates	-	0.0%	3,000,000	0.6%
Equity	4,955,075	0.7%	-	0.0%
	126,955,075	18.4%	124,601,173	26.8%

39. NUMBER OF EMPLOYEES

Total number of employees at the end of the year are as follows:

	2020	2019
Regular	2,102	1,647
Contractual	1,259	1,527
	3,361	3,174

Average number of employees during the year are as follows:

	2020	2019
Regular	1,837	1,449
Contractual	1,308	1,381
	3,145	2,830

40. SUBSEQUENT EVENTS

40.1 The Board of Directors in their meeting held on 3 March 2021 have proposed a final cash dividend for the year ended 31 December 2020 of Rs. 3.5 (2019: Rs. 2.25) per share and 10% bonus issue for approval of the members at the Annual General Meeting to be held on 31 March 2021. These financial statements for the year ended 31 December 2020 do not include the effect of these appropriations.

41. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorized for issue on 3 March 2021 by the Board of Directors of the Company.

42. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for better and fair presentation. However, no significant re-arrangement / reclassifications have been made in these unconsolidated financial statements.

43. GENERAL

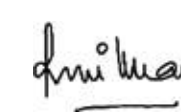
Figures have been rounded off to the nearest of rupees, unless otherwise stated.



(CHAIRMAN)



(CHIEF EXECUTIVE OFFICER)



(CHIEF FINANCIAL OFFICER)



SYSTEMS LIMITED
**CONSOLIDATED
FINANCIAL
STATEMENTS**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYSTEMS LIMITED

Report on the audit of the consolidated financial statements

Opinion

We have audited the annexed consolidated financial statements of Systems Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

Key Audit Matters	How the matter was addressed in our audit
<p>1. Revenue recognition</p> <p>The Group's revenue is derived from a number of revenue streams, as referred to in Note 24 to the accompanying consolidated financial statements, including outsourcing services and software sale in the form of short term and long term projects, sometimes leading to revenue being recognized over multiple accounting periods. These often include sale of software bundled with related customization / development and support services leading to multiple performance obligations in individual transactions.</p>	<p>Our audit procedures, amongst others, included:</p> <ul style="list-style-type: none"> ➤ Obtaining an understanding and evaluating the appropriateness of the Group's revenue recognition policies including those relating to assessment of performance obligations and compliance of those policies with applicable accounting standards; ➤ Selecting a sample of revenue transactions recognized during the year and recalculating the revenue recognized along with evaluation of the management basis used in determining

Key Audit Matters	How the matter was addressed in our audit
<p>Further, as referred to in Note 33 to the accompanying consolidated financial statements, a significant portion of the Group's revenue transactions is with related parties.</p> <p>Revenue is recognized based on performance obligations as mentioned in Note 3.13 to the accompanying consolidated financial statements, which requires significant management judgement and estimates in relation to assessment of distinct performance obligations along with respective standalone selling prices and budgeting the cost to be incurred.</p> <p>Due to complexity of accounting for multiple revenue streams, significant judgement and estimation involved in the revenue recognition process and the significance of related party transactions to the Group's revenue, we have identified revenue recognition as a key audit matter.</p>	<p>the performance obligations in accordance with accounting policy;</p> <ul style="list-style-type: none"> ➤ Performing substantive procedures on related party revenue transactions including review of contractual terms, underlying invoices, and analytical procedures; ➤ Performing substantive analytical procedures including monthly trend analysis of revenue by comparing the trends with our understanding of the business and external economic environment; ➤ Comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period; and ➤ Assessing the adequacy of disclosures made in respect of accounting policy, revenue recognized, and related party revenue transactions entered into during the year.
<p>2. Preparation of consolidated financial statements</p>	
<p>The Group's consolidated financial statements comprise of transactions and balances of the parent company and its subsidiaries and sub-subsidiaries in foreign countries. Consolidating these financial statements involves translation of foreign entities' financial statements, elimination of intercompany transactions and balances, and consolidation of the amounts and disclosures of each entity's financial statements.</p> <p>Significant auditor attention is required in review of the consolidation schedules as the foreign exchange differences and intercompany transactions are material to the consolidated financial statements as a whole, hence these are considered a Key Audit Matter.</p>	<p>Our audit procedures, amongst others, included:</p> <ul style="list-style-type: none"> ➤ Reviewing the consolidation schedules in relation to translation of foreign currency transactions and balances at appropriate foreign exchange rates and the computation of resultant exchange differences. ➤ Cross-matching the intercompany transactions and balances with the respective financial statements of the entities for elimination of the same. ➤ Reviewing the arithmetic accuracy of the consolidation schedules. ➤ Reviewing the completeness of disclosures in the consolidated financial statements by comparing with the relevant disclosures in each entity's individual financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

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



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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Sajjad Hussain Gill.



Chartered Accountants
Lahore: 10 March 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2020

ASSETS	Note	2020 Rupees	2019 Rupees
Non-current assets			
Property and equipment	4	1,518,666,515	1,432,463,695
Intangibles	5	204,249,277	186,746,196
Long term deposits		40,133,162	54,945,797
Advance against purchase of land		-	28,750,000
Right-of-use asset	6	204,396,352	145,860,345
		1,967,445,306	1,848,766,033
Current assets			
Contract assets	7		
Trade debts	8	642,780,081	577,444,198
Loans and advances	9	2,372,716,741	1,749,074,142
Trade deposits and short term prepayments	10	95,913,324	145,239,392
Interest accrued		438,473,348	368,768,673
Other receivables	11	38,450,000	2,491,952
Short term investments	12	118,222,637	180,821,432
Tax refunds due from the government	13	2,644,845,556	780,000,000
Cash and bank balances	14	171,975,691	209,458,326
		2,985,104,566	1,516,152,353
		9,508,481,944	5,529,450,468
TOTAL ASSETS		11,475,927,250	7,378,216,501
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
200,000,000 (2019: 200,000,000) ordinary shares of Rs. 10/- each		2,000,000,000	2,000,000,000
Issued, subscribed and paid up capital	15	1,246,060,140	1,235,202,990
Capital reserves	16	956,611,816	640,362,515
Revenue reserve - unappropriated profit		5,626,952,295	3,674,024,548
		7,829,624,251	5,549,590,053
Non-controlling interest		146,389,075	(20,655,613)
		7,976,013,326	5,528,934,440
Non-current liabilities			
Long term advances	17	53,857,626	28,652,726
Long Term loan	18	98,013,227	-
Lease liabilities	19	189,409,537	129,188,921
Provision for gratuity		47,599,384	27,360,907
Deferred grant		8,338,896	-
		397,218,670	185,202,554
Current liabilities			
Trade and other payables	20	1,186,129,984	771,932,212
Unclaimed dividend	21	7,617,635	8,345,525
Contract liabilities	22	297,554,223	164,423,043
Short term borrowings		1,449,000,000	672,000,000
Mark-up accrued on short term borrowings		9,804,362	4,873,969
Current portion of lease liabilities		37,983,731	29,284,595
Current portion of long term advances		10,754,706	13,220,163
Current portion of long term loan		100,754,617	-
Current portion of deferred grant		3,095,996	-
		3,102,695,254	1,664,079,507
TOTAL EQUITY AND LIABILITIES		11,475,927,250	7,378,216,501

CONTINGENCIES AND COMMITMENTS

23

The annexed notes, from 1 to 43, form an integral part of these consolidated financial statements.



(CHAIRMAN)



(CHIEF EXECUTIVE OFFICER)



(CHIEF FINANCIAL OFFICER)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 Rupees	2019 Rupees
Revenue from contracts with customers	24	9,876,827,710	7,535,648,069
Cost of revenue	25	(6,619,640,203)	(5,166,301,606)
Gross profit		3,257,187,507	2,369,346,463
Selling and distribution expenses	26	(201,024,729)	(178,002,387)
Administrative expenses	27	(722,310,556)	(698,066,995)
Other operating expenses	28	(220,135,525)	(163,532,016)
		(1,143,470,810)	(1,039,601,398)
Operating profit		2,113,716,697	1,329,745,065
Other income	29	235,201,038	318,491,575
Finance costs	30	(66,659,676)	(47,022,121)
Profit before taxation		2,282,258,059	1,601,214,519
Taxation	31	(117,960,376)	(33,281,698)
Profit for the year		2,164,297,683	1,567,932,821
Attributable to:			
Equity holders of the parent		2,209,645,930	1,587,316,864
Non-controlling interest		(45,348,247)	(19,384,043)
		2,164,297,683	1,567,932,821
Earnings per share			
Basic earnings per share	35	17.78	12.86
Diluted earnings per share	35	17.43	12.75

The annexed notes, from 1 to 43, form an integral part of these consolidated financial statements.


(CHAIRMAN)


(CHIEF EXECUTIVE OFFICER)


(CHIEF FINANCIAL OFFICER)

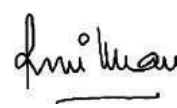
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 Rupees	2019 Rupees
Profit for the year	2,164,297,683	1,567,932,821
Other comprehensive income not to be reclassified to profit or loss in subsequent periods	-	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operation	10,104,923	22,434,746
Total comprehensive income for the year	2,174,402,606	1,590,367,567
Attributable to:		
Equity holders of the parent	2,219,750,853	1,609,751,610
Non-controlling interest	(45,348,247)	(19,384,043)
	2,174,402,606	1,590,367,567

The annexed notes, from 1 to 43, form an integral part of these consolidated financial statements.


(CHAIRMAN)


(CHIEF EXECUTIVE OFFICER)


(CHIEF FINANCIAL OFFICER)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Capital reserves					Revenue reserve	Total equity attributable to shareholders of Holding Company	Non controlling interest	Total equity
	Issued, subscribed and paid up capital	Share premium	Employee compensation reserve	Gain on dilution of interest	Foreign currency translation reserve	Un-appropriated profit			
	Rupees								
Balance as on 01 January 2019	1,122,135,480	505,511,843	27,568,374	-	26,808,010	2,488,343,457	4,170,367,164	(1,276,580)	4,169,090,584
Total comprehensive income for the year	-	-	-	-	22,434,746	1,587,316,864	1,609,751,610	(19,384,043)	1,590,367,567
Impact of adoption of IFRS-15	-	-	-	-	-	(67,080,734)	(67,080,734)	-	(67,080,734)
Transactions with owners									
Issue of share capital	-	-	-	-	-	-	-	5,010	5,010
Exercise of share options	853,970	6,637,891	(2,422,708)	-	-	-	5,069,153	-	5,069,153
Forfeited share options	-	-	(2,085,597)	-	-	2,085,597	-	-	-
Share based payments	-	-	55,909,956	-	-	-	55,909,956	-	55,909,956
Bonus issue	112,213,540	-	-	-	-	(112,213,540)	-	-	-
Final dividend for the year ended 31 December 2018 at the rate of Rs. 2 per share	-	-	-	-	-	(224,427,096)	(224,427,096)	-	(224,427,096)
	113,067,510	6,637,891	51,401,651	-	-	(334,555,039)	(163,447,987)	5,010	(163,442,977)
Balance as on 31 December 2019	1,235,202,990	512,149,734	78,970,025	-	49,242,756	3,674,024,548	5,549,590,053	(20,655,613)	5,528,934,440
Total comprehensive income for the year	-	-	-	-	10,104,923	2,209,645,930	2,219,750,853	(45,348,247)	2,174,402,606
Revenue reserve of subsidiary (Note 12.7)	-	-	-	-	-	19,368,928	19,368,928	-	19,368,928
Transactions with owners									
Exercise of share options	10,857,150	102,757,669	(38,330,430)	-	-	-	75,284,389	-	75,284,389
Issuance of shares at premium	-	-	-	-	-	-	212,392,935	-	212,392,935
Gain on dilution of interest (Note 12.5)	-	-	-	197,609,706	-	-	197,609,706	-	197,609,706
Forfeited share options	-	-	(3,017,856)	-	-	1,833,713	(1,184,143)	-	(1,184,143)
Share based payments	-	-	47,125,289	-	-	-	47,125,289	-	47,125,289
Final dividend for the year ended 31 December 2019 at the rate of Rs. 2.25 per share	-	-	-	-	-	(277,920,824)	(277,920,824)	-	(277,920,824)
	10,857,150	102,757,669	5,777,003	197,609,706	-	(276,087,111)	40,914,417	212,392,935	253,307,352
Balance as at 31 December 2020	1,246,060,140	614,907,403	84,747,028	197,609,706	59,347,679	5,626,952,295	7,810,255,323	146,389,075	7,976,013,326

The annexed notes, from 1 to 43, form an integral part of these consolidated financial statements.



(CHAIRMAN)



(CHIEF EXECUTIVE OFFICER)



(CHIEF FINANCIAL OFFICER)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	(36)	2,466,896,526	1,895,128,152
Finance costs paid		(41,681,085)	(45,837,157)
Gratuity paid		(6,323,733)	(6,297,671)
Taxes paid		(74,261,306)	(73,466,595)
		(122,266,124)	(125,601,423)
Cash flows from operating activities		2,344,630,402	1,769,526,729
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(323,406,939)	(657,856,842)
Decrease / (increase) in advance against payment of land		28,750,000	93,810,000
Development expenditures		(46,632,375)	(50,218,616)
Sale proceeds from disposal of property and equipment		18,180,536	48,005,073
Short term investments - net		(1,864,845,556)	(485,000,000)
Profit received on short term investments		101,544,758	57,391,884
Revenue reserve of subsidiary		19,368,928	-
Increase in long term deposits		14,812,635	(31,975,244)
Cash used in investing activities		(2,052,228,013)	(1,025,843,745)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		75,284,389	5,069,153
Proceeds from issuance of shares		410,002,641	-
Dividend paid		(278,648,714)	(218,057,391)
Long Term Loan		210,202,736	-
Short term borrowing		777,000,000	211,576,086
Payment of principal portion of lease liabilities		(50,135,594)	(23,851,915)
Increase in long term advances		22,739,443	13,647,089
Cash flows from financing activities		1,166,444,901	(11,616,978)
Increase in cash and cash equivalents		1,458,847,290	732,066,006
Net foreign exchange difference		10,104,923	22,434,746
Cash and cash equivalents at the beginning of the year		1,516,152,353	761,651,601
Cash and cash equivalents at the end of year	(14)	2,985,104,566	1,516,152,353

The annexed notes, from 1 to 43, form an integral part of these consolidated financial statements.



(CHAIRMAN)



(CHIEF EXECUTIVE OFFICER)



(CHIEF FINANCIAL OFFICER)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. CORPORATE INFORMATION

1.1 Holding Company

Systems Limited ("the Company") is a public limited Company incorporated in Pakistan under the Companies Act, 2017 and is listed on the Pakistan Stock Exchange. The Company is principally engaged in the business of software development, trading of software and business process outsourcing services. The registered office of the Company is situated at E-1, Sehjpal Road, Near DHA Phase-VIII (Ex-Air Avenue), Lahore Cantt.

1.2 Subsidiary Companies

1.2.1 TechVista Systems FZ - LLC, a limited liability Company incorporated in Dubai Technology and Media Free Zone Authority, is a 100% owned subsidiary of Systems Limited, Pakistan. The Company is engaged in the business of developing software and providing ancillary services.

1.2.2 TechVista Systems LLC is a Limited Liability Company registered in the Emirate of Dubai under Federal Law No. 2 of 2015, is 100% controlled by TechVista Systems FZ-LLC. The Company is licensed as a software house.

1.2.3 TechVista Manpower LLC (TechVista MP LLC), a Sole Establishment, duly licensed by Dubai Economic Department, under License No. 800123, is 100% controlled by TechVista Systems FZ-LLC.

1.2.4 SUS JV Private Limited, a private limited company registered under the Companies Act, 2017 is a 95% owned subsidiary of Systems Limited. The Company is set up for the Balochistan Land Revenue Management Information Systems project. The project is related to digitization of land records and development of a web-based management information system.

1.2.5 E-Processing Systems (Private) Limited, a private limited Company registered under the Companies Act, 2017 incorporated on 06 February 2013, is a 44.60% (2019: 55%) owned subsidiary of Systems Limited. The Company is principally engaged in the business of purchase and sale of airtime and related services. During the year, the subsidiary has issued 80,491 shares at a premium of Rs. 5,084 per share to the International Finance Corporation which has resulted into dilution of interest of the Holding Company. However, the management has assessed that the Holding Company maintains the control of the entity. The gain on dilution of interest has been recognized in the statement of changes in equity.

1.2.6 Systems Venture (Private) Limited, a private limited Company registered under the Companies Act, 2017 incorporated on 11 November 2019, is a 99.98% (2019: nil) owned subsidiary of Systems Limited. The Company is aimed to invest in new ventures, start-ups and incubate new ideas.

1.2.7 TechVista Systems Pty Ltd, is a fully owned subsidiary of TechVista Systems FZ LLC and was incorporated in December 2014 in Australia with the paid up share capital of AUD 1. This subsidiary has been identified by the management of the Holding Company during the year as a result of review of the related party relationships. The management considers that the subsidiary is an insignificant component of the group and its net assets are also immaterial, therefore it has been incorporated prospectively in these consolidated financial statements.

1.3 Geographical location and addresses of major business units of the Group are as under:

Business Units	Geographical Location	Address
Head Office - Systems Limited	Lahore	E-1, Sehjpal, Near DHA Phase-VIII (Ex-Air Avenue), Lahore Cantt.
Dubai Office - TechVista Systems FZ LLC	Dubai	TechVista Systems FZ LLC, Unit 105, Building 11, Dubai Internet City, Dubai Creative Clusters Authority, Dubai, United Arab Emirates.
Dubai Office - TechVista Systems LLC	Dubai	TechVista Systems LLC, Office 1905, Regal Tower Business Bay, Dubai, UAE

Business Units	Geographical Location	Address
Dubai Office - TechVista MP LLC	Dubai	TechVista Systems MP LLC, Office 603, 6th Floor, Exchange Tower, Business Bay, Dubai, UAE
Systems Venture (Pvt) Ltd.	Lahore	E-1, Sehjpal, Near DHA Phase-VIII (Ex-Air Avenue), Lahore Cantt.
TechVista Pty Limited	Australia	G Seat 3', 30 Cowper Street, Parramatta NSW 2150

Geographical Location and address of the E-processing Systems (private) Limited and SUS (private) Limited is same as of the Holding Company.

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

2.1 Statement of compliance

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

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

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

2.2 Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention.

2.3 Principles of consolidation

The consolidated financial statements include the financial statements of Systems Limited and its subsidiary companies, here-in-after referred to as "the Group".

2.3.1 Subsidiaries

A Company is a subsidiary, if an entity (the Holding Company) directly or indirectly controls, beneficially owns or holds more than fifty percent of its voting securities or otherwise has power to elect and appoint more than fifty percent of its directors.

Subsidiaries are consolidated from the date on which the Holding Company obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Holding Company, using consistent accounting policies.

All inter-Company balances, transactions and unrealized gains and losses resulting from inter-Company transactions and dividends are eliminated in full.

The assets, liabilities, income and expenses of subsidiary companies are consolidated on a line by line basis and carrying value of investments held by the Holding Company is eliminated against the subsidiary companies' shareholders' equity in the consolidated financial statements.

2.3.2 Non-controlling interest

Non-controlling interest is that part of net results of operations and of net assets of the subsidiaries which are not owned by the Group either directly or indirectly. Non-controlling interest is presented as a separate item in the consolidated financial statements. The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interest result in gains and losses for the Group and are recorded in the consolidated statement of changes in equity.

2.4 Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.

2.5 Use of estimates and judgments

The Group's significant accounting policies are stated in Note 3. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are as follows:

2.5.1 Provision for taxation (Note 3.3)

The Group takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Group's view differs from the view taken by the income tax department at the assessment stage and where the Group considers that its views on items of material nature are in accordance with law, the amounts are shown as contingent liabilities.

2.5.2 Useful life and residual values of property and equipment (Note 3.4)

The Group reviews the useful lives of property and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of respective items of property and equipment with a corresponding effect on the depreciation charge and impairment.

2.5.3 Expected credit losses (Note 3.9.1)

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, and customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information which includes forecast economic conditions. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

2.5.4 Revenue recognition (Note 3.12)

2.5.4.1 Identification of distinct performance obligations

For contracts with multiple components to be delivered, the Group applies judgement to determine performance obligations which are distinct; or not distinct, which are aggregated with other performance obligations until a bundle is identified that is distinct.

2.5.4.2 Estimating stand-alone selling prices of performance obligations

The Group determines stand-alone selling prices of all performance obligations in a bundled contract, which include sale of license, implementation, support, warranty and training. The total transaction price is allocated to all distinct performance obligations based on estimated cost of completion, plus target margin on each of the performance obligations.

2.5.4.3 Stage of completion

The Group determines stage of completion on the basis of cost incurred to date as a percentage of total estimated cost to deliver the performance obligations.

2.5.5 Determining the lease term of contracts with renewal options (Note 3.17)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for an additional term. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew i.e. it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

2.5.6 Provisions (Note 3.11)

A provision is recognized in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. The amount recognized as a provision reflects the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of consolidated financial statements of the Group are consistent with previous year except as described in Note 3.1, below:

3.1 New, amended standards and interpretations which became effective

The Group has adopted the following accounting standards, amendments and interpretations of IFRSs which became effective for the current year and had material impact on the accounting policies and financial statements:

IAS 1 and IAS 8 Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments)

IFRS 3 Business Combinations - Definition of business (amendments)

IFRS 9, IAS 39 & IFRS 7 - Interest Rate Benchmark Reform (amendments)

Amendments to the Conceptual Framework for Financial Reporting

IFRS 16 - Covid-19- Related Rent Concessions (amendments)

3.2 Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When the Group undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

Its assets, including its share of any assets held jointly;

Its liabilities, including its share of any liabilities incurred jointly;

Its revenue from the sale of its share of the output arising from the joint operation;

Its share of the revenue from the sale of the output by the joint operation; and

Its expenses, including its share of any expenses incurred jointly

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When Group transacts with a joint operation in which a Group is a joint operator, the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's financial statements only to the extent of other parties' interests in the joint operation.

When Group transacts with a joint operation in which Group is a joint operator, the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

The Group has interest in joint operation UUS Joint Venture (Private) Limited, a Group set up specifically for executing multi-year contract "Package 04A – Airport Information Management System (AIMS)", a turnkey project for New Islamabad International Airport by Pakistan Civil Aviation Authority.

3.3 Taxation

3.3.1 Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to be applied to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

3.3.2 Deferred

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the Statement of profit or loss, except in the case of items credited or charged to other comprehensive income in which case it is included in other comprehensive income.

3.4 Property and equipment

3.4.1 Operating fixed assets

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at historic cost. Cost of operating fixed assets consists of purchase cost, borrowing cost pertaining to construction period and directly attributable cost of bringing the asset to working condition. Subsequent costs are included in the assets' carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to consolidated Statement of profit or loss during the period in which they are incurred.

Depreciation on property and equipment is charged to income by applying straight line method on pro-rata basis so as to write off the historical cost of the assets over their estimated useful lives at the rates given in Note 4. Depreciation charge commences from the month in which the asset is available for use and continues until the month of disposal.

The assets residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Profit or loss on disposal of operating fixed assets represented by the difference between the sale proceeds and the carrying amount of the asset is included in income.

3.4.2 Capital work-in-progress

Capital work in progress represents expenditure on property and equipment which are in the course of construction and installation. Transfers are made to relevant property and equipment category as and when assets are available for use.

Capital work-in-progress is stated at cost less identified impairment loss, if any.

3.5 Intangibles

Intangible assets acquired from the market are carried at cost less accumulated amortization and any impairment losses.

Expenditure on research (or the research phase of an internal project) is recognized as an expense in the period in which it is incurred;

Development costs incurred on specific projects are capitalized when all the following conditions are satisfied:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale.
- The Group intends to complete the intangible asset and use or sell it.
- The Group has the ability to use or sell the intangible asset.
- Intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- The Group's ability to measure reliably the expenditure attributable to the intangible asset during its development.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by the management. Development costs not meeting the criteria for capitalization are expensed as incurred.

After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and impairment losses, if any. These are amortized using straight line method at the rate given in note 5. Full month amortization on additions is charged in the month of acquisition and no amortization is charged in month of disposal.

The Group assesses at each reporting date whether there is any indication that intangible 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 amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in consolidated Statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

3.6 Impairment of non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash generating unit, or CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in consolidated Statement of profit or loss.

Impairment loss recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.7 Staff benefits

The Group has the following plans for its employees:

3.7.1 Provident fund

The Holding Company operates a funded recognized provident fund contribution plan which covers all its permanent employees. Equal contributions are made on monthly basis both by the Holding Group and the employees at 10% of basic pay.

3.7.2 Employees' share option scheme

The Holding Company operates an equity settled share based Employees Stock Option Scheme. The compensation committee of the Board of Directors of the Company evaluates the performance and other criteria of employees and approves the grant of options. These options vest with employees over a specified period subject to fulfillment of certain conditions. Upon vesting, employees are eligible to apply and secure allotment of Company's shares at a price determined on the date of grant of options.

At the grant date of share options to the employees, the Holding Company initially recognizes employee compensation expense with corresponding credit to equity as employee compensation reserve at the fair value of option at the grant date. The fair value of options determined at the grant date is recognized as an employee compensation expense on a straight line basis over the vesting period. Fair value of options is arrived at using Black Scholes pricing model.

When share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (nominal value) and share premium.

3.7.3 Gratuity

Provision is made for TechVista (the "Subsidiary") employees' end of service benefits in accordance with the UAE Federal labor laws.

3.8 Foreign currency transactions

Assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange prevailing at the reporting date. Transactions during the year are converted into Rupees at the exchange rate prevailing at the date of such transaction. All exchange differences are charged to consolidated Statement of profit or loss.

On consolidation, the assets and liabilities of foreign operations are translated into Pak Rupees at the rate of exchange prevailing at the reporting date and their Statement of profit or loss are translated at average rates prevailing during the year. The exchange differences arising on translation for consolidation are recognized in consolidated other comprehensive income. On disposal of a foreign operation, the component of consolidated other comprehensive income relating to that particular foreign operation is recognized in consolidated Statement of profit or loss.

3.9 Trade debts

Trade debts from local customers are stated at amortized cost less expected credit losses while foreign debtors are stated at translated amount by applying exchange rate applicable on the reporting date.

3.9.1 Expected credit losses

Expected credit losses are calculated as a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the Group in accordance with the contract and cash flows that the Group expects to receive). (Refer to note 3.14.4 for detailed policy for impairment of financial assets).

3.10 Advances, deposits and other receivables

These are recognized at nominal amount which is fair value, if considerations to be received in future.

3.11 Trade and other payables

Liabilities for trade and other payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

3.12 Provisions and contingencies

Provisions are recognized in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each reporting date and adjusted to reflect current best estimate. Where outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

3.13 Revenue recognition

3.13.1 Professional services

Revenue from professional / software services includes fixed price contracts and time and material contracts. Revenue from services performed under fixed price contracts is recognized in accordance with the percentage of completion method. Revenue from services performed under time and material contracts is recognized as services are provided.

3.13.2 License and license support services

Revenue from license contracts without major customization is recognized when the license agreement is signed, delivery of software has occurred, fee is fixed or determinable and collectability is probable. Revenue from license contracts with major modification, customization and development is recognized on percentage of completion method. Revenue from support services is recognized on time proportion basis.

3.13.3 Outsourcing services

Revenue from business process outsourcing services is recognized on completion of processing. Revenue from other outsourcing services is recognized as services are provided.

3.13.4 Sale of third party software

Revenue is recognized at the point in time when obligations under the terms of the contract with the customer are satisfied; generally this occurs when control of the software has transferred and there is no unfulfilled obligation that could affect the customer's acceptance of the software usually on delivery of the software.

3.13.5 Sale and purchase of air time and related services

Revenue is measured at fair value of the consideration received or receivable and represents amount received and receivable from the sale of air time and related services in normal course of business, net of discounts, if any. Revenue from sale of air time is recognized when air time is transferred to customers.

receivable from the sale of air time and related services in normal course of business, net of discounts, if any. Revenue from sale of air time is recognized when air time is transferred to customers.

3.13.6 Contract Assets

A contract asset is initially recognized for revenue earned because the receipt of consideration is conditional on successful completion of the milestones as per contract. Upon completion of the milestone and acceptance by the customer, the amount recognized as contract assets is reclassified to trade debts.

3.13.7 Contract Liabilities

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the related goods or services are transferred. Contract liabilities are recognized as revenue as and when performance obligations are delivered under the contract.

3.14 Other income

Profit on deposit account and gain on short term investments and other income is recognized using effective interest rate method.

Unrealized gains / (losses) arising on revaluation of securities classified as "fair value through profit or loss" are included in consolidated statement of profit or loss in the period in which they arise.

3.15 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to consolidated statement of profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

3.16 Financial instruments - Initial recognition and subsequent measurement

3.16.1 Initial Recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value, amortized cost or cost as the case may be.

3.16.2 Classification

3.16.2.1 Classification of financial assets

The Group classifies its financial instruments in the following categories:

- at fair value through profit or loss ("FVTPL"),
- at fair value through other comprehensive income ("FVTOCI"), or
- at amortized cost.

The Group determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Group's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

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

the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

3.16.2.2 Classification of financial liabilities

The Group classifies its financial liabilities in the following categories:

- at fair value through profit and loss ("FVTPL"), or
- at amortized cost.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Group has opted to measure them at FVTPL.

3.16.3 Subsequent measurement

i) Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognized in other comprehensive income / (loss).

ii) Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost, and in the case of financial assets, less any impairment.

iii) Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss and other comprehensive income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Group's own credit risk will be recognized in other comprehensive income/(loss). Currently, there are no financial liabilities designated at FVTPL.

3.16.4 Impairment of financial assets

The Group recognizes loss allowance for Expected Credit Loss (ECL) on financial assets measured at amortized cost at an amount equal to life time ECLs except for the following, which are measured at 12 month ECLs:

- bank balances for whom credit risk (the risk of default occurring over the expected life of the financial instrument has not increased since the inception.)
- other short term loans and receivables that have not demonstrated any increase in credit risk since inception.

Loss allowance for trade receivables are always measured at an amount equal to life time ECLs. Life time ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12 month ECLs are portion of ECLs that result from default events that are possible within 12 months after the reporting date.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the Group in accordance with the contract and cash flows that the Group expects to receive).

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

3.16.5 Derecognition

i) Financial assets

The Group derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve.

ii) Financial liabilities

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

3.16.6 Offsetting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Group has legal enforceable right to set off the recognized amount and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

3.17 Finance costs

Finance cost is charged to consolidated statement of profit or loss in the year in which it is incurred.

3.18 Cash and cash equivalents

Cash and cash equivalents are stated in the consolidated statement of financial position at cost. For the purpose of the consolidated cash flow statement, cash and cash equivalents are comprised of cash in hand, cheques/demand drafts in hand and deposits in the bank.

3.19 Leases

3.19.1 Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

3.19.2 Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

3.20 Dividends and appropriation reserves

Dividends and other appropriation to reserves are recognized in the financial statements in the period in which these are approved. However, if they are approved after the reporting period but before the financial statements are authorized for issue, they are disclosed in the notes to the financial statements.

3.21 Earnings per share

The Group presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjustment) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

3.22 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer (the CEO) to assess segment's performance, and for which discrete financial information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other operating expenditures, other income, finance cost, corporate assets, income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the year to acquire property and equipment.

3.23 Standards, Interpretations and Amendments to Published Approved Accounting Standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
The changes in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	01 January 2021
Annual Improvements make minor amendments to IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases	01 January 2022
IAS 16 amendment regarding proceeds before intended use	01 January 2022
IAS 37 amendment regarding onerous contract	01 January 2022
Amendments to IFRS 3 Business Combinations update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	01 January 2022
IAS 1 amendment regarding the classification of Liabilities as Current or Non Current	01 January 2023
IFRS 10 & IAS 28 - Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment)	Not yet finalized

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard	IASB effective date (Annual periods beginning on or after)
IFRS 1 - First-time Adoption of International Financial Reporting Standards	01 July 2009
IFRS 17 - Insurance Contracts	01 January 2023

4. PROPERTY AND EQUIPMENT	Note	2019 Rupees	2018 Rupees
Operating fixed assets	(4.1)	1,517,920,243	1,408,438,451
Capital work in progress	(4.2)	746,272	24,025,244
		1,518,666,515	1,432,463,695

DESCRIPTION	2020										Net book value as at 31 December	Rate %
	Cost					Accumulated Depreciation						
	As at 01 January	Additions	Disposals	Exchange difference	As at 31 December	As at 01 January	Depreciation charge for the year	Disposals	Exchange difference	As at 31 December		
	Rupees											
Land - free hold	345,277,701	48,760,578	-	-	394,038,279	-	-	-	-	-	394,038,279	-
Building	535,883,365	6,841,345	-	-	542,724,710	28,052,455	13,520,924	-	-	41,573,379	501,151,331	2.5
Computers and mobile sets	-	-	-	-	-	-	-	-	-	-	-	33
Computer equipment and installations	480,033,505	111,626,559	(15,752,413)	432,892	576,340,543	298,915,616	109,724,623	(14,149,993)	198,139	394,688,385	181,652,158	33
Other equipment and installations	116,382,926	16,360,054	(44,300)	-	132,698,680	39,820,228	22,520,462	(44,300)	-	62,296,390	70,402,290	20
Generators	49,814,973	44,113,920	-	-	93,928,893	16,667,174	6,740,821	-	(1,620)	23,406,375	70,522,518	10
Furniture and fittings	112,647,514	19,261,360	(57,675)	153,173	132,004,372	55,369,867	9,324,098	(18,845)	26,251	64,701,371	67,303,001	10
Vehicles	231,304,821	72,958,264	(22,846,025)	435,994	281,853,054	70,242,930	49,492,483	(9,641,338)	323,567	110,417,642	171,435,412	20
Office equipment	44,205,779	1,700,467	(24,244)	24,830	45,906,832	14,969,213	4,273,588	(2,380)	9,631	19,250,052	26,656,780	10
Leasehold Improvements	20,119,599	24,571,156	-	-	44,690,755	3,192,962	6,739,319	-	-	9,932,281	34,758,474	24.5
	1,935,670,183	346,193,703	(38,724,657)	1,046,889	2,244,186,118	527,230,445	222,336,318	(23,856,856)	555,968	726,265,875	1,517,920,243	

DESCRIPTION	2019										Net book value as at 31 December	Rate %
	Cost					Accumulated Depreciation						
	As at 01 January	Additions	Disposals	Exchange difference	As at 31 December	As at 01 January	Depreciation charge for the year	Disposal	Exchange difference	As at 31 December		
	Rupees											
Land - free hold	53,030,412	292,247,289	-	-	345,277,701	-	-	-	-	-	345,277,701	-
Building	491,815,528	44,067,837	-	-	535,883,365	14,208,756	13,843,699	-	-	28,052,455	507,830,910	2.5
Computers and mobile sets	-	-	-	-	-	-	-	-	-	-	-	
Computer equipment and installations	349,232,002	136,412,806	(7,706,735)	2,032,416	479,970,489	238,165,342	65,215,751	(6,130,557)	1,639,870	298,890,406	181,080,083	33
Other equipment and installations	79,120,035	37,594,061	(331,170)	-	116,382,926	24,071,679	15,988,732	(240,183)	-	39,820,228	76,562,698	20
Generators	47,406,753	2,408,220	-	-	49,814,973	12,447,458	4,219,716	-	-	16,667,174	33,147,799	10
Furniture and fittings	92,151,884	22,468,654	(2,586,755)	613,204	112,647,987	49,826,026	6,811,541	(1,695,558)	416,805	55,358,814	57,288,173	10
Vehicles	171,949,668	105,737,074	(49,427,937)	3,044,587	231,303,392	45,493,069	42,980,165	(20,744,747)	2,518,639	70,247,126	160,850,264	20
Office equipment	41,344,026	2,881,205	(155,115)	135,581	44,205,697	11,119,610	3,882,112	(135,500)	100,796	14,967,018	29,238,679	10
Leasehold Improvements	8,783,220	11,336,379	-	-	20,119,599	-	2,957,455	-	-	2,957,455	17,162,144	24.5
	1,334,833,528	655,153,525	(60,207,712)	5,825,788	1,935,605,129	395,331,940	155,899,171	(28,946,545)	4,676,110	526,960,676	1,408,438,451	

4.1.1 The cost of owned assets include assets amounting to Rs. 319.5 (2019: Rs. 237.3) million with nil book value.

4.1.2 Immovable fixed assets include freehold Land and Building situated at E-1, Sehjpala, Near DHA Phase-VIII (Ex-Air Avenue), Lahore Cantt. Total area of land is 18.17 kanals.

4.2 Capital Work In Progress	Note	2020 Rupees	2019 Rupees
Building on freehold land		-	-
Transformer		746,272	24,025,244
	(4.2.1)	746,272	24,025,244
4.2.1 The following is the movement in capital work-in-progress during the year:			
Balance at the beginning of the year		24,025,244	22,471,605
Additions during the year		13,251,015	14,044,235
Transfer to operating fixed assets	(4.2.2)	(36,529,987)	(12,490,596)
Balance at the end of the year		746,272	24,025,244
4.2.2 Transfers to operating fixed assets relate to generators and transformer.			
4.3 Depreciation charge for the year has been allocated as follows:			
Cost of revenue	(25)	183,243,480	127,712,309
Distribution expenses	(26)	2,383,210	1,955,004
Administrative expenses	(27)	36,709,628	26,231,858
		222,336,318	155,899,171

4.4 Disposal of property and equipment

Details of disposed assets which had a net book value of Rs. 500,000 or more, are as follows:

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyer
<u>Vehicles</u>							
-----Rupees-----							
Honda City	1,641,600	684,000	957,600	2,014,998	1,057,398	Group Policy	<u>Employees</u> Ahmed Azmat
Honda City	2,315,000	347,247	1,967,753	2,511,000	543,247	Group Policy	Syed Saud Akhter
Honda City	1,924,000	513,071	1,410,929	1,778,985	368,056	Group Policy	Samar Abbas
Toyota Altis 18	2,420,250	369,673	2,050,577	2,279,000	228,423	Group Policy	Syed Afzal Nizam
Honda Civic 18	2,467,230	249,202	2,218,028	1,930,970	(287,058)	Group Policy	Muhammad Wajhe Ullah
Toyota Corolla GLI	2,558,000	85,266	2,472,734	1,868,386	(604,348)	Group Policy	<u>Third party</u> Pak Auto Workshop
Aggregate of items of property and equipment with individual book value below Rs. 500,000	25,398,577	21,608,397	3,790,180	5,797,197	2,007,017		
2020	38,724,657	23,856,856	14,867,801	18,180,536	3,312,735		
Honda Civic	2,522,710	1,680,320	842,390	2,014,998	1,172,608	Group Policy	<u>Employees</u> Zahid Janjua
Honda Civic VT1	2,503,000	782,188	1,720,812	2,511,000	790,188	Group Policy	Imran Hussain
Corolla GLI	2,372,000	553,467	1,818,533	1,778,985	(39,548)	Group Policy	Abid Hanif
Toyota Altis 16	2,279,000	417,817	1,861,183	2,279,000	417,817	Group Policy	Naureen Anwar
Honda Civic 18	2,032,600	101,630	1,930,970	1,930,970	-	Group Policy	Ahmed Saeed
Toyota Corolla 16 A/T	2,019,060	1,486,253	532,808	1,900,000	1,367,192	Group Policy	Salman Wajid
Honda City	1,903,500	190,350	1,713,150	1,868,386	155,236	Group Policy	Wasif Mazhar
Honda City 1.3	1,873,000	437,033	1,435,967	1,729,350	293,383	Group Policy	Zohaib Hassan
Honda BRV	1,815,785	423,683	1,392,102	1,733,000	340,898	Group Policy	Imran Javed Zia
Corolla Altis 16	1,810,500	331,925	1,478,575	1,810,500	331,925	Group Policy	Baidar Bakht
Toyota Corolla 1.3 GLI	2,259,600	143,660	2,115,940	2,074,620	(41,320)	Group Policy	Faisal Khan
Toyota Corolla Altis	1,563,840	521,280	1,042,560	1,351,439	308,879	Group Policy	Mian Habib
Honda City Aspire	1,553,000	659,003	893,997	1,280,436	386,439	Group Policy	Faisal Noor
Toyota Corolla XLI	1,550,340	387,585	1,162,755	1,567,980	405,225	Group Policy	Shoab Ali
Honda Civic 18	1,537,000	719,562	817,438	1,537,000	719,562	Group Policy	Wajhe Ullah
Toyota Corolla GLI 1.3	1,537,000	744,333	792,667	1,537,305	744,638	Group Policy	Muhammad Aijaz
Toyota Altis 18	1,537,000	875,864	661,136	1,553,000	891,864	Group Policy	Aurangzeb
Honda Civic 18	2,353,000	980,417	1,372,583	1,427,147	54,564	Group Policy	Waseem Jaffer
Suzuki Cultus	1,137,110	246,374	890,736	1,537,000	646,264	Group Policy	Farhan Umair
Honda Civic	2,337,268	1,573,266	764,002	1,950,000	1,185,998	Negotiation	<u>Third party</u> Regal Motors
Honda City Aspire	1,873,000	696,993	1,176,005	1,899,998	723,993	Negotiation	Regal Motors
Toyota Corolla	1,791,950	1,125,302	666,648	1,775,000	1,108,352	Negotiation	Regal Motors
Honda City 1.3	1,662,226	304,741	1,357,485	1,804,162	446,677	Negotiation	Regal Motors
Aggregate of items of property and equipment with individual book value below Rs. 500,000	16,384,223	13,563,498	2,820,725	7,153,797	4,333,072		
2019	60,207,712	28,946,545	31,261,167	48,005,073	16,743,906		

5. INTANGIBLES

	Note	2020 Rupees	2019 Rupees
Computer software and licenses	(5.1)	148,588,633	61,020,223
Software under development		55,660,644	1,607,897
		204,249,277	186,746,196

5.1 Computer software and licenses

Particulars	2020									Rate
	Cost as at 01 January	Additions	Disposals	Cost as at 31 December	Accumulated amortization as at 1 January	Amortization charge for the year	Disposals	Accumulated amortization as at 31 December	Book value as at 31 December	
	Rupees									

Computer software and licenses	325,817,444	-	-	325,817,444	148,099,517	29,129,294	-	177,228,811	148,588,633	33%
--------------------------------	-------------	---	---	-------------	-------------	------------	---	-------------	-------------	-----

Particulars	2019									Rate
	Cost as at 01 January	Additions	Disposals	Cost as at 31 December	Accumulated amortization as at 1 January	Amortization charge for the year	Disposals	Accumulated amortization as at 31 December	Book value as at 31 December	
	Rupees									

Computer software and licenses	282,553,678	43,263,766	-	325,817,444	111,566,160	36,533,357	-	148,099,517	177,717,927	33%
--------------------------------	-------------	------------	---	-------------	-------------	------------	---	-------------	-------------	-----

5.2 The cost of the intangibles include assets amounting to Rs. 130 million (2019: Rs. 81.7 million) with nil book value.

5.3 Amortization charge for the year has been allocated as follows:

	Note	2020 Rupees	2019 Rupees
Cost of revenue	(25)	24,917,618	31,584,129
Distribution expenses	(26)	255,061	398,665
Administrative expenses	(27)	3,956,615	4,550,563
		29,129,294	36,533,357

6. RIGHT-OF-USE ASSETS

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year:

	Note	2020 Rupees	2019 Rupees
As at 1 January		145,860,345	-
Additions		99,007,148	182,325,431
Depreciation expense	(6.1)	(40,471,141)	(36,465,086)
Balance as at 31 December		204,396,352	145,860,345

6.1 The depreciation charge for the year on right-of-use assets has been allocated as follows:

		2020 Rupees	2019 Rupees
Cost of revenue	(25)	15,379,034	13,919,406
Distribution expenses	(26)	2,832,980	2,410,143
Administrative expenses	(27)	22,259,128	20,135,537
		40,471,142	36,465,086

7. CONTRACT ASSETS

		2020 Rupees	2019 Rupees
Unbilled revenue	(7.1)	590,183,650	517,883,251
Retention money		52,596,431	59,560,947
		642,780,081	577,444,198

7.1 Unbilled revenue

		2020 Rupees	2019 Rupees
Export		468,989,680	143,177,956
Local		210,464,898	451,842,921
		679,454,578	595,020,877
Less: Allowance for ECLs	(7.1.1)	(89,270,928)	(77,137,626)
		590,183,650	517,883,251

	2020 Visionet Deutschland GMBH	2019 Visionet Deutschland GMBH
- Not more than three months	135,801,761	171,932,162
- More than three months but not more than six months	47,873,522	5,788,798
- More than six months but not more than twelve months	3,932,960	806,961
- More than twelve months	-	46,343

	2020 Rupees	2019 Rupees
The maximum aggregate amount outstanding by reference to month-end balances was as follows:		
Visionet Deutschland GMBH	275,359,167	
7.1.1 Balance as at 01 January	77,137,626	90,817,128
(Recovery) / Expense for the year - net	9,812,284	(11,033,046)
Balances written off during the year	-	(3,856,332)
Foreign exchange movement	2,321,018	1,209,876
Balance as at 31 December	89,270,928	77,137,626

7.1.2 These represent unbilled debtors arising due to recognition of revenue upon delivery of performance obligations as per contract on the basis of percentage of completion as per IFRS 15 - Revenue from contracts with customers.

8. TRADE DEBTS		2020 Rupees	2019 Rupees
Considered good - unsecured:			
Export	(8.1)	1,979,840,352	1,378,233,113
Local		677,703,491	539,050,836
		2,657,543,843	1,917,283,949
Less: Allowance for ECLs / Provision for doubtful debts	(8.2)	(284,827,102)	(168,209,807)
		2,372,716,741	1,749,074,142

8.1 Aging analysis of the amounts due from related parties is as follows:

	2020		2019	
	Visionet Systems Incorporation - USA	Visionet Deutschland GMBH	Visionet Systems Incorporation - USA	Visionet Deutschland GMBH
	-----Rupees-----			
- Not more than one month	500,276,276	18,539,554	322,603,932	-
- More than one month but not more than three months	609,446,087	-	371,854,773	-
- More than three months but not more than nine months	-	-	8,876,800	-
	1,109,722,363	18,539,554	703,335,505	-

8.1.1 The maximum aggregate amount outstanding by reference to month-end balances was as follows:		2020 Rupees	2019 Rupees
	Note		
Visionet Systems Incorporation - USA		1,354,441,348	1,190,043,500
Visionet Deutschland GMBH		18,539,554	-
TechVista Information Technology - Qatar		113,964,932	9,379,647
		2020 Rupees	2019 Rupees

8.2 Allowance for ECLs / Provision of doubtful debts		2020 Rupees	2019 Rupees
Balance as at 01 January		168,209,807	51,263,930
Addition during the year		199,362,254	211,486,773
Reversal during the year		-	(86,831,507)
Expense for the year		199,362,254	124,655,266
Balances written off during the year		(22,372,056)	(2,384,782)
Foreign exchange movement		(60,372,903)	(5,324,607)
Balance as at 31 December	(8.2.2)	284,827,102	168,209,807

8.2.2 These include allowance for ECLs against receivables from related party, TechVista Information Technology (Qatar) amounting to Rs. 97.17 million (2019: 48.87 million).

9. LOANS AND ADVANCES - considered good		2020 Rupees	2019 Rupees
	Note		
Advances to staff:			
against salary		11,529,183	6,768,889
against expenses		3,061,469	28,273,442
		14,590,652	35,042,331
Advances to suppliers - against goods		81,322,672	110,197,061
		95,913,324	145,239,392
Loans to related parties	(9.1)	300,431,066	195,941,404
Elimination on account of Joint Operation		(300,431,066)	(195,941,404)
		-	-
		95,913,324	145,239,392

9.1 This represents loan provided to UUS Joint Venture (Private) Limited for meeting working capital requirements. This amount is unsecured and carries interest at one-year KIBOR on the outstanding loan balance at the end of each month.

10. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		2020 Rupees	2019 Rupees
	Note		
Security deposits		347,689,182	169,824,046
Prepayments		90,784,166	198,944,627
		438,473,348	368,768,673

11. OTHER RECEIVABLES

Receivables from related parties	(11.1)	115,151,066	180,821,432
Others		3,071,571	-
		118,222,637	180,821,432
11.1 These include balances due from the following related parties:			
TechVista Information Technology Qatar - related party		106,415,131	180,821,432
Visionet Deutschland GMBH		993,495	-
Visionet Systems Incorporation - USA		7,742,440	-
		115,151,066	180,821,432

12. SHORT TERM INVESTMENTS		2020 Rupees	2019 Rupees
Fair value through profit and loss			
- Mutual fund units	(12.1)	559,845,556	-
Amortized cost			
- Term deposit receipts (TDRs)	(12.2)	2,085,000,000	780,000,000
		2,644,845,556	780,000,000

12.1 The details of investment in mutual funds are as follows:

UBL Al-Ameen Asset Islamic Allocation Fund		51,952,710	-
Number of units : 409,056 (2019: Nil)			
Alfalah GHP Islamic Income Fund		51,291,201	-
Number of units : 502,485 (2019: Nil)			
HBL Asset Islamic Allocation Fund		51,444,992	-
Number of units : 460,820 (2019: Nil)			
Lakson Islamic Tactical Fund		52,449,350	-
Number of units : 534,122 (2019: Nil)			
Meezan Balanced Fund		100,590,950	-
Number of units : 6,450,950 (2019: Nil)			
Meezan Islamic Income Fund		50,337,808	-
Number of units : 944,653 (2019: Nil)			
NBP Islamic Sarmaya Izafa Fund		201,778,545	-
Number of units : 12,352,453 (2019: Nil)			
		559,845,556	-

12.2 The details of investments in TDRs are as follows:

Faysal Bank Limited		400,000,000	-
Habib Metropolitan Bank Limited		1,660,000,000	555,000,000
Habib Bank Limited		25,000,000	25,000,000
Meezan Bank limited		-	200,000,000
	(12.2.1)	2,085,000,000	780,000,000

12.2.1 These carry markup at rates ranging from 6% to 12.75% (2019: 12.25% to 12.65%) per annum.

13. TAX REFUNDS DUE FROM THE GOVERNMENT - net	Note	2020 Rupees	2019 Rupees
Income Tax		171,975,691	198,486,970
Sales Tax		-	10,971,356
		171,975,691	209,458,326

14. CASH AND BANK BALANCES

Cash in hand		917,983	1,651,049
Balances with banks:			
Local currency:			
Current accounts		1,211,562,880	388,309,463
Saving accounts	(14.1)&(14.2)	766,496,179	1,108,287,817
		1,978,059,059	1,496,597,280
Foreign currency - current accounts		1,006,127,524	17,904,024
		2,985,104,566	1,516,152,353

14.1 These carry markup at the rate of 3.10% to 11.50% (2019: 9% to 11.25%) per annum.

14.2 These include margin amount of Rs. 364.63 (2019: Rs. 239.69) million held under lien by the banks against guarantees issued by them on behalf of the Group.

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2020 (Number of shares)	2019	2020 Rupees	2019 Rupees
24,533,095	23,447,380	245,330,950	234,473,800
100,072,919	100,072,919	1,000,729,190	1,000,729,190
124,606,014	123,520,299	1,246,060,140	1,235,202,990

15.1 Reconciliation of ordinary shares

2020 (Number of shares)	2019	2020 Rupees	2019 Rupees
123,520,299	112,213,548	1,235,202,990	1,122,135,480
-	11,221,354	-	112,213,540
1,085,715	85,397	10,857,150	853,970
124,606,014	123,520,299	1,246,060,140	1,235,202,990

16. CAPITAL RESERVES

Share premium reserve	(16.1)	614,907,403	512,149,734
Employee compensation reserve	(16.2)	84,747,028	78,970,025
Gain on dilution of interest	(1.2.5)	197,609,706	-
Translation reserve on foreign operations		59,347,679	49,242,756
		956,611,816	640,362,515

16.1 This reserve shall be utilized only for the purpose as specified in section 81(2) of the Companies Act 2017.

16.2 This represents balance amount after exercise of share options by the employees under the Employee Stock Option Scheme approved by the SECP. According to the scheme, 100% options become exercisable after completion of vesting period from the date of grant. The options have a vesting period of 2 years and an exercise period of 3 years from the date the option is vested.

16.3 The following table illustrates the number and weighted average exercise prices of, and movements in, share options during the year:

	2020		2019	
	Weighted average exercise price Rupees	Number of options	Weighted average exercise price Rupees	Number of options
Outstanding at 01 January	77.46	2,479,946	80.73	1,374,396
Granted during the year				
- stock options awarded in January	75.34	1,529,034	-	-
- stock options awarded in April	-	-	73.34	1,331,912
- stock options awarded in July	122.23	200,000	-	-
Forfeited share options	72.34	(469,643)	80.73	(140,965)
Exercised during the year:				
- stock options awarded in 2016*	-	-	45.98	(11,050)
- stock options awarded in 2017*	62.58	(316,831)	62.58	(74,347)
- stock options awarded in 2018**	72.13	(768,884)	-	-
Outstanding at 31 December	83.84	2,653,622	77.46	2,479,946
Vested and exercisable at 31 December	72.13	17,676	62.12	344,004

* The weighted average share price at the date of the exercise of these options was Rs. 96.32 (2019: Rs. 96.02)

** The weighted average share price at the date of the exercise of these options was Rs. 143.84.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2020 is 3.80 years (2019: 3.61 years)

The weighted average fair value of options granted during the year was Rs. 67.72 (2019: Rs. 39.3)

The range of exercise prices for options outstanding at the end of the year is Rs.72.13 to Rs.122.23 (2019: Rs. 45.98 to Rs. 73.38)

The following table lists the inputs to the model used for the plan for the years ended 31 December 2020 and 2019, respectively:

	2020	2019
Dividend yield	2%	2%
Expected volatility	32% - 40%	36%
Risk-free interest rate	7.30% & 7.80%	11.85%
Expected life of share options (years)	2.1	2.2
Weighted average share price	Rs. 132.47	Rs. 96
Model used	Black Scholes	Black Scholes

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

	Note	2020 Rupees	2019 Rupees
17. LONG TERM ADVANCES	(17.1)	53,857,626	28,652,726

17.1 These represent advances received from staff and will be adjusted as per Group's car policy against sale of vehicles. The fair value adjustment in accordance with the requirements of IFRS 9 'Financial Instruments' arising in respect of long term loans is considered insignificant by the management.

	Note	2020 Rupees	2019 Rupees
LONG TERM LOAN			
MCB Bank Limited		190,641,884	-
Add: Unwinding of interest		8,125,960	-
	(18.1)	198,767,844	-
Less: Current portion		(100,754,617)	-
		98,013,227	

18.1 This represents loan of Rs. 210 million obtained under Refinance Scheme for Payment of Wages and Salaries to Workers and Employees of Business Concerns (the Scheme) offered by State Bank of Pakistan to mitigate the effect of COVID-19 on employment in Pakistan. The facility has an aggregate sanctioned limit of Rs. 315 million. It carries mark-up at SBP rate plus 1% per annum and is secured against a pari passu charge of Rs. 1,326.7 million over the present and future current assets of the Group and 1st exclusive equitable mortgage and hypothecation charge of Rs. 1,066.7 million over the non current assets of the Group. The loan is repayable in equal quarterly installments commencing September 26, 2020 and ending December 26, 2022. The two tranches of loan were initially recognized at amortized cost using effective interest rate of 7.94% and 7.25% (3-month KIBOR) respectively. The difference between cash received and present value of cash outflows upon initial recognition has been recognized as deferred grant.

		2020 Rupees	2019 Rupees
19. LEASE LIABILITIES			
Present value of lease rentals		227,393,268	158,473,516
Less: Current portion shown under current liabilities		(37,983,731)	(29,284,595)
		189,409,537	129,188,921

	Lease Rentals	Finance cost for future periods	Principal outstanding
	2020 -----Rupees-----		
Not later than one year	58,298,375	20,314,644	37,983,731
Later than one year but not later than five years	169,649,601	41,165,952	128,483,649
Later than five years	69,530,724	8,604,836	60,925,888
	297,478,700	70,085,432	227,393,268

	Lease Rentals	Finance cost for future periods	Principal outstanding
	2019 -----Rupees-----		
Not later than one year	46,497,938	17,213,342	29,284,596
Later than one year but not later than five years	153,913,985	24,725,065	
	200,411,923	41,938,407	158,473,516

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Note	2020 Rupees	2019 Rupees
As at 1 January		158,473,516	-
Additions		99,007,148	182,325,431
Accretion of interest		20,048,198	20,431,835
Payments		(50,135,594)	(44,283,750)
As at 31 December		227,393,268	158,473,516

Salient features of the leases are as follows:

	2020	2019
Discounting factor	7.32% - 12.16%	12.16%
Period of lease	60-120 months	60 months

	Note	2020 Rupees	2019 Rupees
20. TRADE AND OTHER PAYABLES			
Creditors		496,582,818	49,438,600
Bills discounted		2,063,910	-
Accrued liabilities		621,170,242	681,282,705
Provident fund contribution payable		32,276,041	21,722,279
Withholding income tax payable		30,774,556	18,669,110
Sales tax payables		2,134,640	-
Other Payables		1,127,777	819,518
		1,186,129,984	771,932,212

	Note	2020 Rupees	2019 Rupees
21. Contract Liabilities	(21.1)	297,554,223	164,423,043

21.1 These represent mobilization advances received from the customers against professional / software development services, licenses, license support services and other fees.

	Note	2020 Rupees	2019 Rupees
22. SHORT TERM BORROWINGS			
MCB Bank Limited	(22.1)	550,000,000	450,000,000
Habib Metropolitan Bank Limited	(22.2)	700,000,000	200,000,000
Running finance facility - National Bank of Pakistan	(22.3)	39,000,000	22,000,000
Running finance facility - Meezan Bank Limited	(22.4)	160,000,000	-
		1,449,000,000	672,000,000

22.1 This represents export re-finance (ERF) availed against aggregate sanctioned limit of Rs. 800 (2019: Rs. 800) million. The rate of mark up is SBP rate plus 0.5% (2019: SBP rate plus 0.5%) per annum. These borrowings are secured against Rs. 97.5 million cash margin, 1st pari passu of Rs. 1,327.66 million over the current assets and Rs. 1,066.67 million hypothecation and equitable mortgage charge over property and equipment and 203 marla of land at Sehjpal near DHA Phase VIII (ex-Air Avenue Eden City), respectively.

22.2 This represents export re-finance (ERF) availed against aggregate sanctioned limit of Rs. 700 (2019: Rs. 200) million. The rate of mark up is SBP rate plus 1% (2019: SBP rate plus 1%). These borrowings are secured against Rs. 950 million pari passu hypothecation charge over current assets and Rs. 232.48 million equitable mortgage over 153.5 marla of land at Sehjpal near DHA Phase VIII (ex-Air Avenue Eden City).

22.3 This represents running finance (RF) facility availed from National Bank of Pakistan (NBP) against aggregate sanctioned limit of Rs. 40 million. This carries mark up i-e 3-month KIBOR plus 2.5%. These borrowings are secured against exclusive first charge of Rs. 134 million over current assets (including receivables) and fixed assets of the Group, cross-corporate guarantee of the Group.

22.4 This represents mubaraha facility availed from Meezan Bank Limited (MBL) against aggregate sanctioned limit of Rs. 200 million. This carries mark up i-e respective 1-month KIBOR. These borrowings are secured against 110% cash collateral in shape of lien over foreign currency account of Group.

23. CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

Income tax

23.1.1 Tax Year 2017 – under section 161

The Deputy Commissioner Inland Revenue (the "DCIR") issued order under section 161(1A) of the Income Tax Ordinance, 2001 (the "Ordinance") for the tax year 2017 whereby tax amounting to Rs. 6.53 million for non-deduction of withholding tax was levied. The Group preferred an appeal before Commissioner Inland Revenue (Appeals) [the "CIR(A)"], which is decided against the Group. Being aggrieved, the Group filed an appeal before the Appellate Tribunal Inland Revenue (the "ATIR"), which is pending adjudication. The management expects a favorable outcome in this regard.

23.1.2 Tax Year 2016 - Clause 94 part IV of Second Schedule

The Group filed an undertaking pursuant clause 94 part IV of Second Schedule to the Ordinance, thereby opting out of minimum tax on services under section 153(1)(b) of the Ordinance in respect of Tax Year 2016. The Additional Commissioner Inland Revenue ("Addl. CIR") declined to accept the undertaking against which the Group preferred an appeal before CIR(A), which has been upheld by the CIR(A). The appeal effect / reassessment may result in tax liability of Rs. 30.25 million. Being aggrieved, the Group has filed an appeal before the ATIR, which is pending adjudication. The management expects a favorable outcome in this regard.

23.1.3 Tax Year 2014 - under section 122(5A)

The Addl. CIR issued order under section 122(5A) of the Ordinance for tax year 2014, on the basis of wrong proration of expenses, capital gain etc. and created demand of Rs. 48.59 million. The Group preferred an appeal against the order, before the CIR(A) who decided the case in favor of the Group. However, the tax department has filed second appeal before the ATIR, which is pending adjudication. The management expects a favorable outcome in this regard.

23.1.4 Tax Year 2012 – under section 122(5A)

The Assistant Commissioner Inland Revenue ("ACIR") issued an order under section 122(5A) of the Ordinance for tax year 2012, on the basis of wrong proration of expenses, others etc. and created demand of Rs. 18.46 million. The Group preferred an appeal before the CIR(A) against the impugned order which is partially decided in favor of the Group. Being aggrieved, the Group filed an appeal before the learned ATIR, which is pending adjudication. The management expects a favorable outcome in this regard.

Sales tax

23.1.5 Tax Period from January 2016 to December 2016

The Group was selected for Sales Tax Audit through computer ballot for the tax period January 2016 to December 2016 and on the basis of audit proceedings, the DCIR passed order No. 3 dated 30 July 2020 under section 11(2) of the Sales Tax Act, 1990 on various issues including suppression of sales, non-chargeability of sales tax on advance from customers, other income, late filing of sales tax returns etc. and created impugned sales tax demand amounting to Rs. 655.84 million. Being aggrieved, the Group preferred an appeal before the CIR(A), which is pending adjudication.

23.2 Commitments

Guarantees issued by the financial institutions on behalf of the Group amount to Rs. 251.90 (2019: Rs. 420.39) million. This includes guarantees of Rs. 2.72 (2019: Rs. 77.38) million given on behalf of Joint Operation.

The outstanding purchase commitments are nil (2019: Rs. 1 million).

24. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2020		
	Export	Local	Total
	-----Rupees-----		
Types of goods or services			
Outsourcing services	1,373,041,004	175,484,529	1,548,525,533
Software trading	40,822,932	452,389,126	493,212,058
Software implementation	6,489,977,353	1,124,720,374	7,614,697,727
Sale of air-time and related services	-	357,570,526	357,570,526
Less: Sales tax	-	(137,178,134)	(137,178,134)
Total revenue from contracts with customers	7,903,841,289	1,972,986,421	9,876,827,710
Timing of revenue recognition - net			
Goods and services transferred at a point in time	-	773,916,030	773,916,030
Goods and services transferred over time	7,903,841,289	1,199,070,391	9,102,911,680
Total revenue from contracts with customers	7,903,841,289	1,972,986,421	9,876,827,710

	2019		
	Export	Local	Total
	-----Rupees-----		
Types of goods or services			
Outsourcing services	804,592,410	175,169,753	979,762,163
Software trading	-	471,372,110	471,372,110
Software implementation	5,065,302,154	937,048,339	6,002,350,493
Sale of air-time and related services	-	316,068,732	316,068,732
Less: Sales tax	(101,428,994)	(132,476,435)	(233,905,429)
Total revenue from contracts with customers	5,768,465,570	1,767,182,499	7,535,648,069
Timing of revenue recognition - net			
Goods and services transferred at a point in time	-	771,107,579	771,107,579
Goods and services transferred over time	5,768,465,570	996,074,920	6,764,540,490
Total revenue from contracts with customers	5,768,465,570	1,767,182,499	7,535,648,069

24.1 This represents sales tax chargeable under Provincial and Federal Sales tax laws on revenue as defined under relevant laws.

24.1.1 The disaggregated revenue information based on the geographical location has been presented in Note 32 to these consolidated financial statements.

	Note	2020 Rupees	2019 Rupees
24.2 Contract balances	(24.2.1)	53,828,061	53,828,061

24.2.1 These represent the amount of revenue recognized from amounts included in contract liabilities at the beginning of the year.

24.3 Transaction prices of remaining performance obligations

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	Note	2020 Rupees	2019 Rupees
Within one year		234,262,085	298,911,169
More than one year		702,786,254	491,736,477
		937,048,339	790,647,646

The Group makes sales against credit terms. In case of credit sales, payment is generally due within 30 days from the date of billing to the customer.

25. COST OF REVENUE

	(25.1)	2020	2019
Commission paid		5,251,513,969	3,859,160,870
E-link connectivity charges		202,988,942	208,929,953
Printing and stationery		7,100,617	7,632,166
Computer supplies		1,732,581	1,239,613
Rent, rates and taxes		20,886,069	32,271,290
Electricity, gas and water		8,389,411	6,848,439
Traveling and conveyance		47,409,042	50,564,690
Repair and maintenance		100,839,087	176,629,357
Postage, telephone and telegrams		12,405,269	15,741,434
Vehicle running and maintenance		72,107,402	62,863,507
Entertainment		25,303,832	21,990,257
Fee and subscriptions		26,756,350	28,451,139
Insurance		59,044,261	16,385,313
Depreciation	(4.3)	5,201,344	7,065,035
Amortization	(5.3)	183,243,480	127,712,309
Depreciation of right-of-use	(6.1)	24,917,618	31,584,129
Other		15,379,034	13,919,406
		13,647,344	22,092,982
Purchase of software for trading		6,078,865,652	4,691,081,889
		540,774,551	475,219,717
		6,619,640,203	5,166,301,606

25.1 This includes employees retirement benefit expense amounting to Rs. 158.39 (2019: Rs. 104.79) million.

26. DISTRIBUTION EXPENSES	Note	2020	2019
		Rupees	Rupees
Salaries, allowances and amenities	(26.1)	122,004,346	105,210,374
Collection charges		57,999,389	51,690,085
Printing and stationery		370,579	378,483
Computer supplies		100,314	185,832
Rent, rates and taxes		139,473	154,619
Electricity, gas and water		1,107,445	694,845
Traveling and conveyance		3,869,378	8,373,017
Repair and maintenance		950,833	229,210
Postage, telephone and telegrams		754,222	1,023,230
Vehicle running and maintenance		1,355,995	1,384,000
Entertainment		489,967	1,308,090
Insurance		524,075	69,613
Fee and subscriptions		2,896,029	502,996
Shows, seminars and advertising		2,991,433	1,975,071
Depreciation	(4.3)	2,383,210	1,955,004
Amortization	(5.3)	255,061	398,665
Tender documents		-	59,110
Depreciation of right-of-use	(6.1)	2,832,980	2,410,143
Miscellaneous		-	-
		201,024,729	178,002,387

26.1 This includes employees retirement benefit expense amounting to Rs. 3.37 (2019: Rs. 2.86) million.

27. ADMINISTRATIVE EXPENSES	Note	2020	2019
		Rupees	Rupees
Salaries, allowances and amenities	(27.1)	427,741,501	461,283,670
Printing and stationery		4,910,958	13,803,773
Computer supplies		17,702,919	18,650,466
Rent, rates and taxes		13,002,908	11,234,900
Electricity, gas and water		15,670,825	10,167,488
Traveling and conveyance		17,862,611	30,063,730
Repair and maintenance		30,813,270	21,721,174
Postage, telephone and telegrams		23,650,878	16,174,228
Vehicle running and maintenance		7,246,096	7,642,091
Legal and professional		57,331,448	18,419,280
Auditors' remuneration	(27.2)	7,048,819	7,322,162
Entertainment		3,863,323	4,780,856
Donations		2,203,600	3,825,105
Fee, subscriptions and training		19,952,059	11,565,900
Insurance		4,441,431	2,918,153
Hiring cost		432,830	884,516
Newspapers, books and periodicals		137,713	116,918
Depreciation	(4.3)	36,709,628	26,231,858
Amortization	(5.3)	3,956,615	4,550,563
Depreciation of right-of-use	(6.1)	22,259,128	20,135,537
Others		5,371,996	6,574,627
		722,310,556	698,066,995

27.1 This includes employees retirement benefit expense amounting to Rs. 42.83 (2019: Rs. 37.52) million.

27.2 Auditors' remuneration	Note	2020	2019
		Rupees	Rupees
Annual audit fee:			
- Holding Company		1,907,747	1,734,315
- Subsidiary Companies		2,445,781	2,294,055
Half yearly review & other certifications		1,478,906	1,503,805
Sales tax advisory		942,500	1,669,987
Out-of-pocket		273,885	120,000
		7,048,819	7,322,162

28. OTHER OPERATING EXPENSES

Allowance for ECLs / provision for doubtful debts			
- Contract assets		9,812,284	(9,823,170)
- Trade debts		199,362,254	119,330,659
Unbilled revenue and bad debts written off		5,071,977	27,974,981
Tax receivables written off		5,889,010	24,508,582
Advances written off		-	1,540,964
		220,135,525	163,532,016

29. OTHER INCOME

Income from financial assets:			
Profit on deposit accounts		9,176,716	18,781,267
Profit on term deposit receipts		130,159,502	58,426,028
Dividend income		2,502,253	-
Unrealized gain on investments classified as fair value through profit or loss		7,343,304	-
Exchange gain		81,841,960	223,172,268
		231,023,735	300,379,563
Income from non-financial assets:			
Gain on disposal of property and equipment		3,312,735	16,743,906
Others		864,568	1,368,106
		4,177,303	18,112,012
		235,201,038	318,491,575

30. FINANCE COSTS

	Note	2020	2019
		Rupees	Rupees
Markup on guarantee commission		2,383,653	1,301,502
Markup on short term borrowing		39,661,983	16,483,100
Bank charges		4,565,842	8,805,684
Lease Interest		20,048,198	20,431,835
		66,659,676	47,022,121

31. TAXATION

Income tax:			
- current year	(31.1)&(31.2)	90,648,215	36,991,951
- prior year		27,312,161	(3,710,253)
		117,960,376	33,281,698
Deferred tax		-	-
		117,960,376	33,281,698

31.1 This represents tax chargeable under Minimum Tax Regime on local sale of software and air-time. The income of the Holding Company from export of software is exempt under clause 133 Part 1 of Second Schedule to the Income Tax Ordinance, 2001.

31.2 Reconciliation of tax charge for the year	2020 Rupees	2019 Rupees
Profit before taxation	2,282,258,059	-
Tax on profit	661,854,837	-
Tax effect of exempt income	(589,840,311)	-
Tax effect on income of foreign subsidiaries	(23,124,067)	-
Tax effect on loss of subsidiary	24,670,336	-
Tax effect of prior year adjustment	27,312,161	-
Tax effect of adjustment of carried forward business losses	(18,650,702)	-
Tax effect of business loss of Joint Operation	17,023,597	-
Tax effect of minimum tax regime	28,761,488	-
Others	(10,046,963)	-
	117,960,376	-

Reconciliation between accounting profit and tax expense for the prior year is meaningless in view of the minimum tax under section 153 of Income Tax Ordinance, 2001.

31.3 Deferred tax	2020 Rupees	2019 Rupees
Taxable temporary differences		
Depreciation on property and equipment	(22,361,343)	(21,032,610)
Employee compensation reserve	-	(5,647,463)
Right-of-use asset	(12,387,186)	(10,431,057)
	(34,748,529)	(37,111,130)
Deductible temporary differences		
Lease liabilities	13,780,885	9,099,311
Provision for doubtful debts	13,874,283	4,506,167
Provision for contract assets	5,152,094	-
Employee compensation reserve	1,941,267	-
Minimum tax	-	23,505,652
	34,748,529	37,111,130

The Group has recognized deferred tax asset on its deductible temporary differences and tax losses to the extent of available taxable temporary differences. Owing to uncertainty relating to future taxable profits, against which "the Group can utilize its tax losses and tax credits, the Group has not recognized any deferred tax asset for "the minimum tax of Rs. 35.99 million (2019: Rs. 29.66 million) and unabsorbed depreciation loss of Rs. 36.48 million (2019: Rs. 68.14 million). Expiry of minimum tax and excess of corporate alternative tax carried forward is as follows

Expiry Tax Year	Nature	2020 Rupees	2019 Rupees
2022	Business loss FY - 2016	-	49,719,944
2023	Business loss FY - 2017	-	31,277,012
		-	80,996,956
2022	Minimum tax - 2017	15,307,401	15,307,401
2023	Minimum tax - 2018	10,903,102	10,903,102
2024	Minimum tax - 2019	3,452,899	3,452,899
2025	Minimum tax - 2020	6,324,278	-
		35,987,680	29,663,402
No Expiry	Depreciation loss	36,477,150	68,135,769
		72,464,830	178,796,127

32. OPERATING SEGMENT INFORMATION

Geographical segments

For management purposes, the Group is organized into business units based on their geographical areas and has four reportable operating segments as follows:

- North America
- Middle East
- Europe
- Pakistan

No other operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its operating segments separately for the purpose of performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

	North America		Europe		Middle East		Pakistan		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue from contracts with customers	4,367,846,372	2,956,900,042	825,305,235	475,048,351	2,699,811,070	2,336,517,177	1,983,865,033	1,767,182,499	9,876,827,710	7,535,648,069
Cost of revenue	(2,392,470,816)	(1,664,852,689)	(498,779,658)	(295,198,103)	(2,218,084,612)	(1,781,950,614)	(1,510,305,117)	(1,424,300,200)	(6,619,640,203)	(5,166,301,606)
Gross profit	1,975,375,556	1,292,047,353	326,525,577	179,850,248	481,726,458	554,566,563	473,559,916	342,882,299	3,257,187,507	2,369,346,463
Distribution expenses	(17,406,721)	(12,037,257)	(4,024,698)	(1,933,876)	(7,462,548)	(4,315,287)	(172,130,762)	(159,715,967)	(201,024,729)	(178,002,387)
Administrative expenses	(324,640,784)	(301,387,312)	(66,340,926)	(48,420,151)	(218,841,511)	(276,250,721)	(112,487,335)	(72,008,812)	(722,310,556)	(698,066,996)
	(342,047,505)	(313,424,569)	(70,365,624)	(50,354,027)	(226,304,059)	(280,566,008)	(284,618,097)	(231,724,779)	(923,335,285)	(876,069,383)
Profit / (loss) before taxation and unallocated income and expenses	1,633,328,051	978,622,784	256,159,953	129,496,221	255,422,399	274,000,555	188,941,819	111,157,520	2,333,852,222	1,493,277,080
Unallocated income and expenses:										
Other operating expenses									(220,135,525)	(163,532,015)
Other income									235,201,038	318,491,575
Finance cost									(66,659,676)	(47,022,121)
									(51,594,163)	(107,937,439)
Profit before taxation									2,282,258,059	1,601,214,519
Taxation									(117,960,376)	(33,281,698)
Profit for the year									2,164,297,683	1,567,932,821

32.1 Allocation of assets and liabilities

	North America		Europe		Middle East		Pakistan		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Segment operating assets										
Property and equipment	-	-	-	-	8,216,212	13,559,391	1,510,450,304	1,418,904,304	1,518,666,516	1,432,463,695
Intangibles	-	-	-	-	-	-	204,249,277	186,746,196	204,249,277	186,746,196
Right-of-use assets	-	-	-	-	-	-	204,396,352	145,860,345	204,396,352	145,860,345
Long term investments	-	-	-	-	-	-	-	-	-	-
Long term deposits	-	-	-	-	-	-	39,496,070	54,945,797	39,496,070	54,945,797
Advance against purchase of land	-	-	-	-	-	-	-	28,750,000	-	28,750,000
Contract assets	-	-	192,018,321	422,820	253,079,192	286,823,338	197,682,568	230,637,093	642,780,081	517,883,251
Trade debts	1,100,980,956	615,799,194	20,255,836	30,755,597	590,695,553	621,296,791	660,784,396	481,222,560	2,372,716,741	1,749,074,142
Loans, advances and other receivable	-	-	-	-	32,126,945	13,977,238	63,292,237	131,262,154	95,419,182	145,239,392
Trade deposits and short term prepayments	-	-	-	-	97,647,869	127,808,641	340,825,478	300,520,979	438,473,347	428,329,620
Interest accrued	-	-	-	-	-	-	38,450,000	2,491,952	38,450,000	2,491,952
Other receivables	-	-	-	-	116,282,300	180,821,432	3,071,571	-	119,353,871	180,821,432
Short term investments	-	-	-	-	-	-	2,644,845,556	780,000,000	2,644,845,556	780,000,000
Tax refunds due from government	-	-	-	-	-	-	171,975,691	209,458,326	171,975,691	209,458,326
Cash and bank balances	-	-	-	-	1,013,436,517	386,734,372	1,971,668,049	1,129,417,981	2,985,104,566	1,516,152,353
Total operating assets	1,100,980,956	615,799,194	212,274,157	31,178,417	2,111,484,588	1,631,021,203	8,051,187,549	5,100,217,687	11,475,927,250	7,378,216,501
Segment operating liabilities										
Long term advances	-	-	-	-	-	1,783,952	53,857,626	26,868,774	53,857,626	28,652,726
Lease liabilities	-	-	-	-	-	-	189,409,537	129,188,921	189,409,537	129,188,921
Long term loan	-	-	-	-	-	-	98,013,227	-	98,013,227	-
Deferred grant	-	-	-	-	-	-	8,338,896	-	8,338,896	-
Trade and other payables	-	-	-	-	441,404,612	232,647,365	744,725,372	557,774,440	1,186,129,984	790,421,805
Contract liabilities	-	-	-	-	204,626,045	50,728,171	92,928,178	113,694,872	297,554,223	164,423,043
Mark-up accrued on short term borrowings	-	-	-	-	-	-	9,804,362	4,873,969	9,804,362	4,873,969
Short term borrowings	-	-	-	-	-	-	1,449,000,000	672,000,000	1,449,000,000	672,000,000
Unclaimed dividend	-	-	-	-	-	-	7,617,635	8,345,525	7,617,635	8,345,525
Provision for gratuity	-	-	-	-	47,599,384	8,871,314	-	-	47,599,384	8,871,314
Current portion of lease liabilities	-	-	-	-	-	-	37,983,731	29,284,595	37,983,731	29,284,595
Current portion of long term loan	-	-	-	-	-	-	100,754,617	-	100,754,617	-
Current portion of deferred grant	-	-	-	-	-	-	3,095,996	-	3,095,996	-
Current portion of long term advances	-	-	-	-	-	-	10,754,706	13,220,163	10,754,706	13,220,163
Total operating liabilities	-	-	-	-	693,630,041	294,030,802	2,806,283,883	1,555,251,259	3,499,913,924	1,849,282,061

33. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise subsidiary, associated companies, companies in which directors are interested, staff retirement funds and directors and key management personnel (Note 33). The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under respective notes to the consolidated financial statements. Other significant transactions with related parties are as follows:

Undertaking	Relation	Nature of transaction	Note	2020 Rupees	2019 Rupees
Visionet Systems Incorporation - USA	Associate	Sales	(33.1)	4,270,475,128	3,400,580,878
		Reimbursement of expenses		65,702,534	78,774,869
TechVista Information Technology Qatar	Associate	Sales	(33.2)	95,176,466	26,228,121
		Reimbursement of expenses		-	47,118,891
IGI Insurance Limited	Associate	Sales		9,414,589	15,551,674
		Purchase of insurance policies		35,220,309	25,964,649
Dawood Family Takaful Limited	Associate	Purchase of insurance policies		5,293,286	3,980,759
Visionet Deutschland GMBH	Associate	Sales	(33.3)	664,579,940	-
Staff retirement funds		Contribution		177,022,960	118,363,070

33.1 Visionet Systems Incorporation- USA (VSI) is associated company of the Group on the basis of common directorship and incorporated in United States of America (USA). The registered address of VSI is Cedarbrook Corporate Center, 4 Cedarbrook Drive, Bldg. B Cranbury, NJ 08512-3641.

33.2 TechVista Information Technology Qatar is associated company of the Group on the basis of common directorship and incorporated in Qatar. The registered address is Palm Towers, floor 41 Westbay, Doha, Qatar.

33.3 Visionet Duetschland GMBH is associated company of the Group on the basis of common directorship and incorporated in Qatar. The registered address is Maximilian Street 13, 80539, Munchen, Germany.

34. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts for the year for remuneration including certain benefits to the Chief Executive Officer, Directors and Executives of the Group are as follows :

	Chief Executive Officer		Non Executive Directors		Other Executives	
	2020	2019	2020	2019	2020	2019
	----- (Nos) -----					
Number of persons	1	1	6	6	525	259
	----- (Rupees) -----					
Managerial remuneration	36,960,000	33,600,000	-	-	1,613,369,420	1,059,452,693
Retirement benefits	2,464,000	2,240,000	-	-	97,181,202	59,096,019
Bonus	27,946,387	29,724,106	-	-	50,131,001	31,280,931
Fees	-	-	2,850,000	1,354,000	-	-
	67,370,387	65,564,106	2,850,000	1,354,000	1,760,681,623	1,149,829,643

34.1 In addition to the above remuneration, the Chief Executive Officer and certain executives are also provided with company maintained cars, free medical and mobile phone facilities in accordance with their entitlement.

34.2 Fees represent the amounts paid to Non Executive Directors for attending meetings of the Board and its sub-committees.

34.3 During the year, the Chief Executive Officer and Other Executives were granted 570,034 (2019: 525,412) and 1,159,000 (2019: 406,500) share options respectively, which have a vesting period of two years. Further, the impact of benefits available to the Chief Executive Officer and other executives recognized by the Company on account of share-based payment plans aggregated to Rs. 25.37 (2019: Rs. 26.44) million and Rs. 21.76 (2019: 29.46) million, respectively.

34.4 During the current year, certain executives of the Company exercised stock option under employee stock option scheme according to which 1,085,715 (2019: 85,397) shares were issued to them.

35. EARNINGS PER SHARE- BASIC AND DILUTED

Earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders of the Group by weighted average number of shares outstanding during the year as follows:

35.1 Basic earnings per share	2020 Rupees	2019 Rupees
Profit for the year	2,209,645,930	1,587,316,864
	(Number of shares)	
Weighted-average number of ordinary shares outstanding during the year	124,261,404	123,473,974
Basic earnings per share (Rupees)	17.78	12.86
35.2 Diluted earnings per share	2020 Rupees	2019 Rupees
Profit for the year	2,209,645,930	1,587,316,864
	(Number of shares)	
Weighted-average number of ordinary shares (basic)	124,261,404	123,473,974
Effect of share options	2,498,226	1,055,607
Weighted average number of ordinary shares - diluted	126,759,630	124,529,581
Diluted earnings per share (Rupees)	17.43	12.75
36. CASH GENERATED FROM OPERATIONS	2020 Rupees	2019 Rupees
Profit before taxation	2,282,258,059	1,601,214,519
Adjustment for:		
Depreciation on property and equipment	(4.3) 222,336,318	155,899,171
Depreciation on right-of-use asset	40,471,141	36,465,086
Amortization of intangibles	(5.3) 29,129,294	36,533,357
Allowance for ECLs / provision for doubtful debts - contract assets	(28) 9,812,284	(9,823,170)
Allowance for ECLs / provision for doubtful debts - trade debts	(28) 199,362,254	119,330,659
Bad debts - written off	(28) 5,071,977	27,974,981
Tax receivables written off	5,889,010	-
Gain on disposal of share in subsidiary	-	-
Provision for gratuity	26,562,211	26,808,037
Finance costs	(30) 66,659,676	47,022,121
Exchange gain on translation of export debts	(29) (81,841,960)	(223,172,268)
Gain on short term investments	(29) (130,159,502)	(58,426,028)
Unrealised gain on investments classified as fair value through profit or loss	(7,343,304)	-
Share based payment expense	45,941,146	55,909,956
Reversal of Worker's Welfare Fund	-	-
Gain on disposal of property and equipment	(3,312,735)	(16,743,906)
	2,710,835,869	1,798,992,515
Working capital changes (Increase) / Decrease in current assets		
Contract assets - net	52,911,036	107,268,572
Trade debts	(741,162,893)	18,590,969
Loans and advances	49,326,068	(75,543,641)
Trade deposits and short term prepayments	(69,704,675)	(105,610,670)
Other receivables	62,598,795	26,959,498
	(646,031,669)	(28,335,272)
Increase in trade and other payables	402,092,326	124,470,909
	(243,939,343)	96,135,637
Cash generated from operations	2,466,896,526	1,895,128,152

37. FINANCIAL RISK MANAGEMENT

Financial instruments comprise deposits, unbilled revenue, interest accrued, trade debts, advances to employees against salaries, loans, other receivables, cash and bank balances and short term investments, trade and other payables and mark up accrued on short term borrowings.

The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

The Board of Directors has the overall responsibility for the establishment and oversight of Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

This note represents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and its management of capital.

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

37.1 Market risk

(a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

Monetary items, including financial assets and financial liabilities, denominated in currency other than functional currency of the Group are periodically restated to Pak rupee equivalent and the associated gain or loss is taken to the statement of profit or loss.

The following analysis demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, of the Group's profit before tax.

	Changes in Rate	Effect on profit before tax	Effect on profit before tax
		2020 Rupees	2019 Rupees
Receivables - USD	+1	7,039,373	18,581
	-1	(7,039,373)	(18,581)
Receivables - AED	+1	13,016,877	16,632,636
	-1	(13,016,877)	(16,632,636)
Bank balance - USD	+1	4,213,054	115,734
	-1	(4,213,054)	(115,734)
Bank balance - AED	+1	23,139,976	9,180,420
	-1	(23,139,976)	(9,180,420)
Reporting date rate:			
USD		159.8	154.7
AED		43.5	42.1

(b) Other price risk

Other price risk is the risk of changes in the fair value of investment in mutual funds as a result of changes in the levels of net asset value of units held by the Company. As at 31 December 2020, had there been increase / decrease in net asset value by 1%, with all other variables held constant, the profit before tax for the year would have been higher / lower by Rs. 5.09 million (2019: Nil).

The Group is not exposed to other price risk as its investments are fixed with respect to price and maturity.

(c) Interest rate risk

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

The Group has no significant long-term interest-bearing assets. The Group's interest rate risk arises from short term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2020 Rupees	2019 Rupees
Fixed Rate instruments		
Financial assets		
Short term investments	2,644,845,556	780,000,000
Bank balances - deposit accounts	766,496,179	1,108,287,817
	3,411,341,735	1,888,287,817
Financial liabilities		
Long term loan	198,767,844	-
Lease Liabilities	227,393,268	-
Short term borrowings	1,250,000,000	650,000,000
	1,676,161,112	650,000,000
Floating Rate instruments		
Financial liabilities		
Short term borrowings	199,000,000	22,000,000

Fair value sensitivity analysis for fixed rate instruments

As at 31 December 2020, had there been increase / decrease in fixed interest rates by 100 basis points, with all other variables held constant, profit before tax for the year would have been higher / lower by Rs. 17.35 million (2019: Rs.12.38 million).

Cash flow sensitivity analysis for variable rate instruments

As at 31 December 2020, had there been increase / decrease in KIBOR by 100 basis points, with all other variables held constant, profit before tax for the year would have been higher / lower by Rs. 1.99 million (2019: Rs.0.22 million).

37.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. The Group does not have significant exposure to any individual third party. To reduce exposure to credit risk the Group has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. Outstanding customer receivables are regularly monitored.

The credit risk on liquid funds is limited because the counter parties are banks and mutual funds with reasonably high credit ratings. The Group believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and subscribers in case of trade debts.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2020 Rupees	2019 Rupees
Contract assets	642,780,081	577,444,198
Trade debts	2,372,716,741	1,749,074,142
Trade deposits	387,822,344	224,769,843
Advances to employees against salaries	11,529,183	6,768,889
Other receivables	118,222,637	180,821,432
Interest accrued	38,450,000	2,491,952
Short term investment	2,085,000,000	780,000,000
Bank balances	2,984,186,583	1,514,501,304
	8,640,707,569	5,035,871,760
The aging of trade debts at the reporting date is:		
0 - 120 days	2,373,293,997	1,012,093,672
121 - 365 days	107,033,549	697,740,057
Above one year	177,216,297	207,450,220
	2,657,543,843	1,917,283,949
Allowance for ECLs	(284,827,102)	(168,209,807)
	2,372,716,741	1,749,074,142

As at year end, 27% of trade debts (2019: 29%) was represented by two customer amounting to Rs. 730.31 (2019: Rs. 492.9) million. The management believes that the Group is not exposed to customer concentration risk as this customer is related party of the Group.

Based on past experience and policy of the Group, the management believes that an impairment allowance is necessary in respect of trade receivables past due by one year except if those receivables are recovered subsequent to year end and if management has sufficient grounds to believe that the amounts will be recovered.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate. The table below shows the bank balances and investments held with some major counterparties at the reporting date:

	Short term	Rating Long term	Agency	2020 ----- Rupees -----	2019
Banks					
Habib Metropolitan Bank	A1+	AA+	PACRA	2,528,702,856	831,599,449
Bank Islami Pak	A1	A+	PACRA	7,694,420	7,694,101
United Bank Limited	A1+	AAA	JCR-VIS	39,952,998	117,069,179
Faysal Bank	A1+	AA	PACRA	425,165,055	63,875,350
Standard Chartered Bank	A1+	AAA	PACRA	42,394,856	17,953,790
Finca Microfinance Bank	A1	A	PACRA	-	362,203
Meezan Bank	A1+	AA+	JCR-VIS	337,436,430	215,331,640
Bank Alfalah Limited	A1+	AA+	PACRA	35,705,625	17,711,735
Habib Bank Limited	A1+	AAA	JCR-VIS	43,746,646	46,750,198
MCB Bank Limited	A1+	AAA	PACRA	588,681,423	584,439,517
NRSP Microfinance Bank	A1	A	PACRA	5,552	496,684
National Bank of Pakistan	A1+	AAA	PACRA	115,418	183
MCB Bank Dubai	N/A	N/A	N/A	291,289,285	153,363,663
Mobilink Microfinance Bank	A1	A	PACRA	8,649	2,886,408
Habib Bank AG Zurich	N/A	N/A	N/A	646,068,677	233,370,710
Habib Bank Limited - UAE	N/A	N/A	N/A	75,201,889	-
Telenor Microfinance Bank	A1	A+	PACRA	7,016,804	1,596,494
				5,069,186,583	2,294,501,304

	Short term	Rating Long term	Agency	2020 ----- Rupees -----	2019
Mutual funds					
AL-Ameen Asset Islamic Allocation Fund	Not Available	Not Available	Not Available	51,952,710	-
Alfalah GHP Islamic Income Fund	Not Available	AA-(f)	PACRA	51,291,201	-
HBL Islamic Asset Allocation Fund	Not Available	Not Available	Not Available	51,444,992	-
Lakson Islamic Tactical Fund	Not Available	Not Available	Not Available	52,449,350	-
Meezan Balanced Fund	Not Available	Not Available	Not Available	100,590,950	-
Meezan Islamic Income Fund	Not Available	A+(f)	JCR-VIS	50,337,808	-
NBP Islamic Sarmaya Izafa Fund	Not Available	Not Available	Not Available	201,778,545	-
				559,845,556	-

37.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The following are the contractual maturities of financial liabilities:

The following are the contractual maturities of financial liabilities as at 31 December 2020:

	Carrying amount	Contractual cash flows	Less than one year	One to five years	More than five years
	----- Rupees -----				
Long term loan	198,767,844	198,767,844	-	98,013,227	-
Lease Liabilities	227,393,268	227,393,268	-	128,483,649	-
Short term borrowings	1,449,000,000	1,449,000,000	-	-	60,925,888
Mark-up accrued on short term borrowings	9,804,362	9,804,362	9,804,362	-	9,804,362
Trade and other payables	1,186,129,984	1,186,129,984	1,186,129,984	-	-
	3,071,095,458	3,071,095,458	1,195,934,346	226,496,876	70,730,250

The following are the contractual maturities of financial liabilities as at 31 December 2019:

	Carrying amount	Contractual cash flows	Less than one year	One to five years	More than five years
	----- Rupees -----				
Long term loan	-	-	-	-	-
Lease Liabilities	158,473,516	158,473,516	29,284,596	129,188,920	-
Trade and other payables	771,932,212	-	770,933,177	-	-
Short term borrowings	672,000,000	-	672,000,000	-	-
Mark-up accrued on short term borrowings	4,873,969	-	4,873,969	-	-
	1,607,279,697	158,473,516	1,477,091,742	129,188,920	-

37.4 Fair values of financial assets and liabilities

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available.

The carrying values of other financial assets and financial liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

37.5 Financial instruments by categories

	Financial assets at fair value through profit or loss	2020 Financial assets at amortized cost	Total
	-----Rupees-----		
Assets as per statement of financial position			
Long term deposits	-	40,133,162	40,133,162
Unbilled revenue	-	642,780,081	642,780,081
Trade debts	-	2,372,716,741	2,372,716,741
Loans and advances	-	95,913,324	95,913,324
Security deposits	-	347,689,182	347,689,182
Interest accrued	-	38,450,000	38,450,000
Other receivables	-	118,222,637	118,222,637
Short term investments	559,845,556	2,085,000,000	2,644,845,556
Cash and bank balances	-	2,985,104,566	2,985,104,566
	559,845,556	8,726,009,693	9,285,855,249

	Financial assets at fair value through profit or loss	2019 Financial assets at amortized cost	Total
	-----Rupees-----		
Assets as per statement of financial position			
Long term deposits	-	118,222,637	118,222,637
Unbilled revenue	-	-	-
Trade debts	-	-	-
Loans and advances	-	-	-
Security deposits	-	347,689,182	347,689,182
Interest accrued	-	2,000,000,000	2,000,000,000
Other receivables	-	-	-
Short term investments	-	1,246,060,140	1,246,060,140
Cash and bank balances	-	5,626,952,295	5,626,952,295
	-	9,338,924,254	9,338,924,254

	2020 Financial liabilities at amortized cost	2019 Financial liabilities at amortized cost
	-----Rupees-----	
Liabilities as per statement of financial position		
Long term loan	198,767,844	-
Lease liabilities	227,393,268	158,473,516
Mark-up accrued on short term borrowings	9,804,362	4,873,969
Short term borrowings	1,449,000,000	672,000,000
Trade and other payables	1,186,129,984	771,932,212
	3,071,095,458	1,607,279,697

37.6 Fair value hierarchy

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. The table below analyses financial instruments carried at fair value by valuation method. The different level have been defined as follows:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
As at 31 December 2020				
Fair value through profit and loss - Mutual Fund units	559,845,556	-	-	559,845,556
As at 31 December 2019				
Fair value through profit and loss - Mutual Fund units	-	-	-	-

37.7 Capital risk management

The Group's policy is to safeguard the Group's ability to remain as a going concern and ensure a strong capital base in order to maintain investors', creditors' and market's confidence and to sustain future development of the business. The Board of Directors monitors the returns on capital, which the group defines as net operating income divided by total shareholders' equity. The Group's objectives when managing is:

a) to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

b) to provide an adequate return to shareholders by pricing products.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares.

Consistent with the industry norms, the Group monitors its capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the balance sheet less cash and cash equivalent. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt (as defined above).

The debt - to- equity ratio as to 31 December is as follows	Note	2020 Rupees	2019 Rupees
Long term loan - Note 18		198,767,844	-
Lease Liabilities - Note 19		227,393,268	158,473,516
Trade and other payables - Note 20		1,186,129,984	771,932,212
Short term borrowing - Note 22		1,449,000,000	672,000,000
Mark up accrued on borrowings		9,804,362	4,873,969
Less: Cash and cash equivalents		(2,985,104,566)	(1,516,152,353)
Net debt		85,990,892	91,127,344
Total capital		7,976,013,326	5,528,934,440
Capital and net debt		8,062,004,218	5,620,061,784
Capital gearing ratio		1.07%	1.62%

38. PROVIDENT FUND TRUST

38.1 The Group has maintained an employee provident fund trust and investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act 2017, and the rules formulated for this purpose. The salient information of the fund is as follows:

	Note	2020 Rupees	2019 Rupees
Size of the fund (net assets)		Un-audited 690,232,668	Audited 459,671,598
Cost of investment made (actual investments made)	(38.2)	126,955,075	124,601,173
Percentage of investment made (cost of investments)		18.4%	27.11%
Fair value of investments		504,062,481	446,877,691

38.2 Break-up of investments of provident fund

Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

Description	2020		2019	
	Investments	% of investment as size of the fund	Investments	% of investment as size of the fund
	Rupees		Rupees	
Mutual Funds	122,000,000	17.7%	121,601,173	26.5%
Defense saving certificates	-	0.0%	3,000,000	0.7%
Term Deposit Receipts	4,955,075	0.7%	-	0.0%
	126,955,075	18.4%	124,601,173	27.2%

39. NUMBER OF EMPLOYEES

Total number of employees at the end of the year were as follows:

	2020	2019
Regular	2,289	1,833
Contractual	1,259	1,527
	3,548	3,360

Average number of employees during the year were as follows:

	2020	2019
Regular	1,817	1,608
Contractual	1,308	919
	3,125	2,527

40. SUBSEQUENT EVENTS

40.1 The Board of Directors in their meeting held on 3 March 2021 have proposed a final cash dividend for the year ended 31 December 2020 of Rs. 3.5 (2019: Rs. 2.25) per share and 10% bonus issuance for approval of the members at the Annual General Meeting to be held on 31 March 2021. These financial statements for the year ended 31 December 2020 do not include the effect of these appropriations.

41. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on 3 March 2021 by the Board of Directors of the Company.

42. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for better and fair presentation. However, no significant re-arrangement / reclassifications have been made in these consolidated financial statements.

43. GENERAL

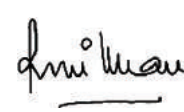
Figures have been rounded off to the nearest of rupees, unless otherwise stated.



(CHAIRMAN)



(CHIEF EXECUTIVE OFFICER)



(CHIEF FINANCIAL OFFICER)

Head Office

Systems Campus
Software Technology Park
E-1, Sehjpal Near DHA Phase-VIII,
(Ex-Air Avenue), Lahore Cantt.
UAN: +92 42 111-797-836
T: +92 42 37319401

Karachi

E-5, Central Commercial Area,
Shaheed-e-Millat Road,
Karachi, Pakistan
T: +92 21 34549385-87
F: +92 21 34549389

Islamabad

Plot No. 21, 1st Floor Fazeelat
Arcade, Sector G-11 Markaz,
Islamabad, Pakistan

Dubai

TechVista Systems FZ LLC
Unit 105, Building 11,
Dubai International City,
Dubai Creative Cluster Authority,
Dubai, United Arab Emirates.
Tel: + 9714 369 3525
Fax: + 9714 456 3761

 www.systemsltd.com