Systems Limited

Financial Statements for the year ended

31 December 2013

KPMG Taseer Hadi & Co.
Chartered Accountants
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Lahore Pakistan

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Auditors' Report to the Members

We have audited the annexed balance sheet of **Systems Limited** ("the Company") as at 31 December 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income,

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cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion 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 financial statements of Systems Limited for the year ended 31 December 2012 were audited by another auditor who expressed an unmodified opinion on those statements on 26 March 2013.

KPMG Taseer Hadi & Co.

Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Date: 08 April 2014

Systems Limited

Balance Sheet

As at 31 December 2013

	Note	2013 Rupees	2012 Rupees
SHARE CAPITAL AND RESERVES			
Authorized			
50,000,000 (2012: 50,000,000) ordinary shares of Rs.10 each		500,000,000	500,000,000
Issued, subscribed and paid-up capital	5	429,375,070	422,762,880
Reserves	6	31,492,097	26,149,448
Unappropriated Profit		822,700,174	492,111,461
		1,283,567,341	941,023,789
Non current liabilities			
Long term advances	7	8,611,771	5,946,225
Deferred taxation	8	1,133,334	331,233
		9,745,105	6,277,458
Current liabilities			
Trade and other payables	9	56,819,033	38,163,187
Unearned revenue		1,378,346	-
Short term borrowings - secured	10	-	62,375,000
Current portion of long term advances	7	1,219,000	984,797
Markup accrued		-	1,489,501
Provision for taxation		-	2,771,289
		59,416,379	105,783,774
Contingencies and commitments	11		
		1,352,728,825	1,053,085,021

	Note	2013 Rupees	2012 Rupees
ASSETS			
Non current assets			
Property, plant and equipment	12	181,569,648	132,850,503
Intangible assets	13	8,807,171	8,526,571
Long term investments	14	2,077,980	-
Long term deposits	15	6,108,433	6,108,433
		198,563,232	147,485,507
Current assets			
Work in progress	16	694,757	-
Trade debts-unsecured, considered good	17	689,506,040	538,562,290
Advances, deposits, prepayments and other receivables	18	48,013,819	24,771,204
Receivable from related parties -unsecured, considered good	19	32,435,383	750,764
Short term investments	20	241,650,496	105,510,815
Cash and bank balances	21	141,865,098	236,004,441
		1,154,165,593	905,599,514
		1,352,728,825	1,053,085,021

The annexed notes 1 to 37 form an integral part of these financial statements.

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Lahore

Chief Executive

Director

Systems Limited

Profit and Loss Account

For the year ended 31 December 2013

	Note	2013 Rupees	2012 Rupees
Revenue	22	**1,420,562,189**	1,080,598,569
Direct cost	23	**(859,467,123)**	(617,730,753)
Gross profit		**561,095,066**	462,867,816
Distribution cost	24	**(43,400,755)**	(31,334,106)
Administrative expenses	25	**(145,517,469)**	(110,291,061)
Research and development expenses	26	**(5,263,092)**	(1,960,530)
Other operating expenses	27	**(8,511,228)**	(7,134,966)
		(202,692,544)	(150,720,663)
Operating profit		**358,402,522**	312,147,153
Finance cost	28	**(3,402,989)**	(9,681,423)
Other income	29	**70,805,575**	43,808,631
		67,402,586	34,127,208
Profit before taxation		**425,805,108**	346,274,361
Taxation	30	**(10,663,819)**	(18,391,150)
Profit after taxation		**415,141,289**	327,883,211

The annexed notes 1 to 37 form an integral part of these financial statements.

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Lahore **Chief Executive** **Director**

Systems Limited

Statement of Comprehensive Income

For the year ended 31 December 2013

	2013 Rupees	2012 Rupees
Profit for the year	**415,141,289**	327,883,211
Other comprehensive income:	-	-
Total comprehensive income for the year	**415,141,289**	327,883,211

The annexed notes 1 to 37 form an integral part of these financial statements.

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Lahore **Chief Executive** **Director**

Systems Limited

Cash Flow Statement

For the year ended 31 December 2013

	Note	2013 Rupees	2012 Rupees
Cash flows from operating activities			
Profit before taxation		425,805,108	346,274,361
Adjustments of items not involving movement of cash:			
Depreciation		43,102,618	36,319,214
Amortization		4,213,802	2,639,532
Provision for bad debts made during the year		6,515,800	3,127,500
Finance cost		3,402,989	9,681,423
Exchange gain - net		(40,855,723)	(26,323,032)
Profit on bank deposits		(8,978,731)	(8,507,177)
Provision for workers welfare fund		8,511,228	7,134,966
Unrealized gain on investments		(4,261,187)	(7,991,031)
Gain on disposal of property, plant and equipment		(3,508,425)	(1,739,120)
		8,142,371	14,342,275
Profit before working capital changes		433,947,479	360,616,636
Effect on cash flow due to working capital changes :			
Decrease/(increase) in current assets			
Work in progress		(694,757)	-
Trade debts		(116,603,827)	(104,539,002)
Receivable from related parties		(31,684,619)	5,275,411
Advances, prepayments and other receivables		(19,776,676)	1,650,336
Unearned revenue		1,378,346	-
		(167,381,533)	(97,613,255)
Increase / (decrease) in current liabilities			
Trade and other payables		10,144,618	(163,742)
		(157,236,915)	(97,776,997)
Cash generated from operations		276,710,564	262,839,639
Finance cost paid		(4,892,490)	(9,921,333)
Taxes paid		(16,098,946)	(5,667,652)
		(20,991,436)	(15,588,985)
Net cash inflow from operating activities		255,719,128	247,250,654
Cash flows from investing activities			
Fixed capital expenditure		(98,308,453)	(47,001,583)
Sale proceeds from disposal of property, plant and equipment		5,500,713	3,466,283
Investment in subsidiaries		(2,077,980)	-
Decrease in long term deposits		-	11,398,289
Increase in short term investments		(131,878,494)	(59,975,284)
Profit received on bank deposits		8,978,731	8,507,177
Net cash outflow from investing activities		(217,785,483)	(83,605,118)
Cash flows from financing activities			
Proceeds from issue of share capital		11,954,839	54,919,867
Short term loan repaid		(62,375,000)	-
Dividend paid		(84,552,576)	(38,904,312)
Increase in long term advances		2,899,749	2,694,825
Net cash (outflow) / inflow from financing activities		(132,072,988)	18,710,380
(Decrease) / increase in cash and cash equivalents		(94,139,343)	182,355,916
Cash and cash equivalents at the beginning of the year		236,004,441	53,648,525
Cash and cash equivalents at the end of year	21	141,865,098	236,004,441

The annexed notes 1 to 37 form an integral part of these financial statements.

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Lahore

Chief Executive

Director

Systems Limited

Statement of Changes in Equity

For the year ended 31 December 2013

	Share capital	Share capital premium (Reserves)	Employee compensation reserve (Reserves)	Un-appropriated profit (Reserves)	Total
	Rupees				
Balance as on 01 January 2012	389,043,120	1,110,000	3,839,361	331,663,192	725,655,673
Total comprehensive income for the year	-	-	-	327,883,211	327,883,211
Transactions with owners					
Employee share option scheme	7,297,080	3,896,937	-	-	11,194,017
Issuance of right shares	26,422,680	21,138,144	-	-	47,560,824
Employee share option scheme	-	-	(3,834,994)	-	(3,834,994)
Final cash dividend 2011: Re.1 per share	-	-	-	(38,904,312)	(38,904,312)
Specie dividend	-	-	-	(128,530,630)	(128,530,630)
Balance as at 31 December 2012	422,762,880	26,145,081	4,367	492,111,461	941,023,789
Balance as on 01 January 2013	422,762,880	26,145,081	4,367	492,111,461	941,023,789
Total comprehensive income for the year	-	-	-	415,141,289	415,141,289
Transactions with owners					
Employee share option scheme	6,612,190	5,342,649	-	-	11,954,839
Final cash dividend 2012: Rs. 2 per share	-	-	-	(84,552,576)	(84,552,576)
Balance as at 31 December 2013	429,375,070	31,487,730	4,367	822,700,174	1,283,567,341

The annexed notes 1 to 37 form an integral part of these financial statements.

Lahore

Chief Executive

Director

1 Status and activities

The Company was incorporated as a private limited company in Pakistan in the year 1977 and converted into an unquoted public limited company in August, 2005. The Company is principally engaged in the business of software development and business process outsourcing services. The head office of the Company is situated at Chamber of Commerce building, 11- Shahra-e-Aiwan-e-Tijarat, Lahore.

These financial statements are the separate financial statements of the Company in which investments in subsidiary companies are accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated financial statements are prepared separately.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board and Islamic Financial Reporting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2014:

IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The amendment has no impact on the financial statement of the Company.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendment has no impact on the financial statement of the Company.

Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment has no impact on the financial statement of the Company.

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Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novations (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. The amendment has no impact on the financial statements of the Company.

Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendment has no impact on the financial statement of the Company.

Annual improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- **IFRS 2 'Share-based Payment'**. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

- **IFRS 3 'Business Combinations'**. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

- **IFRS 8 'Operating Segments'** has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- **IAS 16'Property, plant and equipment' and IAS 38 'Intangible Assets'**. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- **IAS 24 'Related Party Disclosure'**. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- **IAS 40 'Investment Property'**. IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

These amendments have no significant impact on financial statements of the Company.

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3 Basis of measurement

3.1 These financial statements have been prepared under the historical cost convention except for short term investments which are stated at fair value. All the transactions reflected in these financial statements are on accrual basis except for those reflected in cash flow statement.

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

3.3 The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affects the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

	Note
- Useful life and residual values of depreciable assets and method of depreciation	*4.1*
- Intangible assets	*4.2*
- Impairment	*4.3*
- Taxation	*4.7*
- Provision for doubtful debts	*4.9*
- Provisions	*4.11*

4 Significant accounting policies

4.1 Fixed capital expenditure

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at historic cost. Cost of operating fixed assets consist of purchase cost, borrowing cost pertaining to construction/ erection 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 profit and loss account during the period in which they are incurred.

Depreciation on property, plant 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 12. 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.

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An item of property plant 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.

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.

4.2 Intangible assets

Acquired Intangible assets

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

Research and Development

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:

a) Completion of the intangible asset is technically feasible so that it will be available for use or sale.

b) The Company intends to complete the intangible asset and use or sell it.

c) The Company has the ability to use or sell the intangible asset.

d) The intangible asset will generate probable future economic benefits. Among other things this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or if it is to be used internally, the asset will be used in generating such benefits.

e) There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and

f) The expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalization are expensed as incurred.

Others

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.

After initial recognition. internally generated intangible assets are carried at cost less accumulated amortization and impairment losses. These are amortized using the straight line method at the rate given in note 13. Full month amortization on additions is charged and no amortization is charged in month of disposal.

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4.3 Impairment

The Company assesses at each balance sheet date whether there is any indication that assets excluding inventory may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed recoverable amounts, assets are written down to the recoverable amount and the difference is charged to profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimate used to determine the assets recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined net off depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

4.4 Staff benefits

The Company has the following plans for its employees:

Provident Fund

A recognized provident fund contribution plan is in operation, which covers all permanent employees. Equal contributions are made on monthly basis both by the Company and the employees at 10% of basic pay.

Employees' share option scheme

The Company operates an equity settled share based Employees Stock Option Scheme. The compensation committee of the Board 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.

The fair value of the grant of share options is measured at grant date and recognized as an employee compensation expense, with a corresponding increase in equity, on the straight line basis over the vesting period. The fair value of the options granted is measured at option discount i-e excess of option price at date of grant of option under a scheme over exercise price of option.

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

4.5 Investments

Investments at fair value through profit or loss

Investments that are acquired principally for the purpose of generating profit from short term fluctuations in price are classified as investments at fair value through profit or loss. Investments at fair value through through profit or loss are initially recognized at cost (excluding transaction cost), being the fair value of the consideration given. Subsequent to initial recognition they are recognized at fair value unless fair value cannot be reliably measured. Any surplus or deficit on revaluation of investment is recognized in the profit or loss account.

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All purchases and sale of investments are recognized on trade date, which is the date the company commits to purchase, or sell the investment.

Investments held to maturity

These are investments with fixed pre determinable payment and fixed maturity. The company has the positive intent and ability to hold till maturity. These are stated at amortized cost.

4.6 Foreign currency transactions

Assets and liabilities in foreign currencies are translated into rupees at the rate of exchange prevailing at the balance sheet 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 profit and loss account.

4.7 Taxation

Current

Provision of 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 after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet 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 be utilized.

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

4.8 Trade debts

Trade debts from local customers are stated at cost while foreign debtors are stated at revalued amount by applying exchange rate applicable on the balance sheet reporting date.

4.9 Provision for doubtful debts

The Company reviews its trade and other receivable on each balance sheet date to assess whether the provision should be recorded in the profit and loss account relating to doubtful receivable. Judgment by the management is made of the amount and timing of future cash flows while determining the extent of provision required. Such estimation involves the application of the Company's provision for doubtful debt policy including the assessment of credit history of the counter party. Actual cash flows may differ resulting in subsequent change in provisions.

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4.10 Trade and other payables

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

4.11 Provisions

Provisions are recognized when the Company has a present obligation as a result of 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.

4.12 Revenue recognition

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.

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.

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.

Consultancy

Revenue from provision of consultancy services is recognized as the work is performed.

Sale of third party software

Revenue from sale of third party software is recognized when delivery has occurred and invoices are raised to the customer.

Other income

Profit on deposit account is recognized on accrual basis. Miscellaneous income is recognized on receipt basis.

4.13 Financial instruments

Financial instruments comprise advances, deposits, interest accrued , investments, trade debts, other receivables, cash and bank balances, short term borrowings, interest/markup accrued and trade and other payables.

Financial assets and liabilities are recognized at cost that is fair value of the consideration given or received at the time when the Company becomes a party to the contractual provisions of the instrument by following trade date accounting.

Financial assets are derecognized when the Company losses control of the contractual rights that comprise the financial asset. The Company losses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and derecognition is charged to profit and loss account.

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

4.14 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on net basis, or to recognize the assets and to settle the liabilities simultaneously.

4.15 Finance cost

Finance cost is charged to profit and loss account in the year in which it is incurred.

4.16 Dividends and appropriation reserves

Dividends distribution to Company's shareholders is recognized as a liability in the period in which dividends are approved by Company's shareholders.

4.17 Cash and cash equivalents

Cash and cash equivalents are stated in the balance sheet at cost. For the purpose of the Cash flow Statement, cash and cash equivalents comprise of cash in hand, cheques/demand draft in hand and deposits in the bank.

4.18 Work in progress

Softwares or applications for which the Company has not invoiced the customer are recognized in work in progress at purchased cost plus any incremental cost incurred on purchase.

4.19 Operating lease

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease term unless another systematic basis is representative of the time pattern of the Company's benefit.

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5 Issued, subscribed and paid-up capital

2013	2012		Note	2013	2012
(Number of shares)				--------Rupees--------	
7,730,491	7,069,272	Ordinary shares of Rs. 10/- each each fully paid in cash	5.1	**77,304,910**	70,692,720
35,207,016	35,207,016	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares		**352,070,160**	352,070,160
				429,375,070	422,762,880

	2013	2012		2013	2012
5.1	7,069,272	3,697,296	**Balance at 1 January**	**70,692,720**	36,972,960
	661,219	729,708	Stock options exercised	**6,612,190**	7,297,080
	-	2,642,268	Right shares issued	-	26,422,680
	661,219	3,371,976		6,612,190	33,719,760
	7,730,491	7,069,272	**Balance at 31 December**	**77,304,910**	70,692,720

6 Reserves

This represent share premium reserve and reserve for deferred employee compensation expense.

	Note	2013 Rupees	2012 Rupees
Share premium reserve	6.1	**31,487,730**	26,145,081
Deferred employee compensation reserve	6.2	**4,367**	4,367
		31,492,097	26,149,448

6.1 This reserve shall be utilised only for the purpose as specified in sec 83(2) of the Companies Ordinance, 1984.

6.2 This represents balance amount after exercise of share options by the employees under the Employee Stock Option Scheme approved by SECP against the options granted in 2010 to senior employees who are critical to business operations. According to scheme, 100% options become exercisable after completion of vesting period from 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. No options were granted by the Compensation Committee during the year (2012: Nil). Total options outstanding at the closing date are 673,720 (2012: 1,344,940) shares.

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7 Long term advances

	Note	2013 Rupees	2012 Rupees
Long term advances	7.1	**9,830,771**	6,931,022
Less: Current portion taken as current liability		**(1,219,000)**	984,797
		8,611,771	5,946,225

7.1 These represent advances received from staff and will be adjusted as per Company's car policy against sale of vehicles.

8 Deferred taxation

The liability for deferred tax comprises of temporary differences relating to:

	2013 Rupees	2012 Rupees
Accelerated tax depreciation	**1,859,663**	504,622
Provision for doubtful debts	**(726,329)**	(173,389)
	1,133,334	331,233

9 Trade and other payables

	2013 Rupees	2012 Rupees
Creditors	**3,486,994**	1,215,345
Advance from customers	**6,734,158**	16,922,022
Accrued expenses	**16,102,571**	10,244,044
Sales tax payable	**12,564,796**	-
Provision for Worker's Welfare Fund (WWF)	**17,930,514**	9,419,286
Other payables	-	362,490
	56,819,033	38,163,187

10 Short term borrowings

The facility has been fully repaid during the year.

11 Contingencies and commitments

11.1 Guarantees issued by the financial institutions on behalf of the Company amount to Rs. 57.22 million (2012: Rs. 24.02 million).

11.2 Commitment as on the balance sheet date including bid securities amount to Rs. Nil (2012: 25.76 million).

Commitments also include capital commitments for construction of building of the Company amounting to Rs. 225.43 million out of which Rs. 35.53 million has been paid in advance.

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12 Property, plant and equipment

	Note	2013 Rupees	2012 Rupees
Owned assets - tangible	12.1	146,039,617	124,189,968
Capital work in progress	12.2	35,530,031	8,660,535
		181,569,648	132,850,503

12.1

	Note	2013 Cost: Cost as at 01 January 2013	Additions	Disposals	Cost as at 31 December 2013	2013 Depreciation: Accumulated depreciation as at 01 January 2013	Depreciation charge	Disposal	Accumulated depreciation as at 31 December 2013	Net book value as at 31 December 2013	Depreciation rate (% per annum)
		Rupees				Rupees					
Owned assets											
Land - free hold		40,990,412	-	-	40,990,412	-	-	-	-	40,990,412	-
Computers	12.1.1	91,287,349	31,874,287	3,810,081	119,351,555	56,519,664	22,725,713	3,417,413	75,827,964	43,523,591	33
Computers equipments and installations		20,783,802	2,124,030	-	22,907,832	14,158,103	4,590,256		18,748,359	4,159,473	33
Other equipments and installations		19,172,029	860,797	325,320	19,707,506	10,824,067	2,124,918	171,920	12,777,065	6,930,441	20
Generator		10,595,169	1,817,300	-	12,412,469	7,636,163	905,632	-	8,541,795	3,870,674	20
Furniture, fixtures and fittings		44,887,665	2,212,039	15,000	47,084,704	31,524,470	3,542,288	14,998	35,051,760	12,032,944	20
Office equipments		6,790,833	3,034,479	-	9,825,312	4,147,570	1,065,899		5,213,469	4,611,843	20
Vehicles		24,188,614	23,696,166	8,830,173	39,054,607	10,306,173	7,309,653	7,383,955	10,231,871	28,822,736	20 - 25
Project assets		3,243,010	494,516	-	3,737,526	3,230,610	481,474	-	3,712,084	25,442	Project life
Mobile sets		681,918	830,941	-	1,512,859	84,013	356,785	-	440,798	1,072,061	20
		262,620,801	66,944,555	12,980,574	316,584,782	138,430,833	43,102,618	10,988,286	170,545,165	146,039,617	

12.1.1 Disposals include assets transferred to Visionnet Inc. at net book value of Rs. 263,200.
Disposals include assets with cost of Rs. 350,850 and accumulated depreciation of Rs. 350,850 donated to educational institutions.

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	2012									
	Cost				Depreciation					
	Cost as at 01 January 2012	Additions	Disposals	Cost as at 31 December 2012	Accumulated depreciation as at 01 January 2012	Depreciation charge	Disposal	Accumulated depreciation as at 31 December 2012	Net book value as at 31 December 2012	Depreciation rate (% per annum)
	Rupees				Rupees					
Owned assets										
Land - free hold	40,990,412	-	-	40,990,412	-	-	-	-	40,990,412	-
Computers	70,232,257	25,542,892	4,487,800	91,287,349	44,645,654	16,355,436	4,481,426	56,519,664	34,767,685	33
Computers equipments and installations	18,735,127	2,130,225	81,550	20,783,802	10,044,335	4,195,318	81,550	14,158,103	6,625,699	33
Other equipments and installations	20,230,779	3,156,000	4,214,750	19,172,029	11,161,405	3,550,656	3,887,994	10,824,067	8,347,962	20
Generator	10,595,169	-	-	10,595,169	6,727,987	908,176	-	7,636,163	2,959,006	20
Furniture, fixtures and fittings	42,779,720	2,431,672	323,727	44,887,665	27,521,129	4,327,001	323,660	31,524,470	13,363,195	20
Office equipments	6,154,616	1,330,743	694,526	6,790,833	3,675,026	1,124,334	651,790	4,147,570	2,643,263	20
Vehicles	17,075,595	12,716,849	5,603,830	24,188,614	8,920,893	5,637,880	4,252,600	10,306,173	13,882,441	20 - 25
Project assets	4,484,210	148,800	1,390,000	3,243,010	4,484,210	136,400	1,390,000	3,230,610	12,400	Project life
Mobile sets	-	681,918	-	681,918	-	84,013	-	84,013	597,905	20
	231,277,885	48,139,099	16,796,183	262,620,801	117,180,639	36,319,214	15,069,020	138,430,833	124,189,968	

12.2 Capital work in progress

	2013 Rupees	2012 Rupees
Advances to suppliers	22,815,000	-
Building - freehold	12,715,031	8,660,535
	35,530,031	8,660,535

12.2.1 This represents in progress construction of the Company's new office building.

12.3 Depreciation charge for the period has been allocated as follows:

	Note	2013 Rupees	2012 Rupees
Cost of revenue	23	34,410,393	29,653,382
Distribution cost	24	466,983	708,028
Administrative expenses	25	8,116,213	5,883,126
Research and development expenses	26	109,029	74,678
		43,102,618	36,319,214

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13 Intangible assets

Particulars	Cost as at 1-Jan	Additions/ (deletions)	Cost as at 31st Dec	Accumulated Amortization as at 1st Jan	Amortization charge/ (deletions) for the period	Accumulated Amortization as at 31st Dec	Book value as at at 31st Dec	Rate
	2013							
	Rupees							
Computer Software	15,691,770	4,494,402	20,186,172	7,165,199	4,213,802	11,379,001	8,807,171	30%
December 2013	**15,691,770**	**4,494,402**	**20,186,172**	**7,165,199**	**4,213,802**	**11,379,001**	**8,807,171**	

Particulars	Cost as at 1-Jan	Additions/ (deletions)	Cost as at 31st Dec	Accumulated Amortization as at 1st Jan	Amortization charge/ (deletions) for the period	Accumulated Amortization as at 31st Dec	Book value as at at 31st Dec	
	2012							
	Rupees							
Computer Software	9,733,735	5,958,035	15,691,770	4,525,667	2,639,532	7,165,199	8,526,571	30%
December 2012	9,733,735	5,958,035	15,691,770	4,525,667	2,639,532	7,165,199	8,526,571	

13.1 Amortization charge for the period has been allocated as follows:

	Note	**2013 Rupees**	2012 Rupees
Cost of revenue	23	**3,634,614**	2,276,728
Distribution Cost	24	**72,789**	45,595
Administrative expenses	25	**492,609**	308,571
Research and development expenses	26	**13,790**	8,638
		4,213,802	**2,639,532**

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	Note	2013 Rupees	2012 Rupees
14 Long term investments			
E Processing Systems (Pvt) Ltd.	*14.1*	700,030	-
Tech Vista Systems FZ- LLC	*14.2*	1,377,950	-
		2,077,980	-

14.1 This represents 70% share in Company's subsidiary E Processing Systems (Pvt) Ltd. acquired during the year. The subsidiary was incorporated on 06 Feb 2013. The share capital has been fully acquired in cash.

14.2 This represents 100% share in Company's subsidiary, Tech Vista Systems FZ- LLC. The subsidiary has been set up during the year in Dubai Technology and Media Free Zone Authority and was registered as a limited liability company on 03 April 2013.

15 This mainly includes security deposits for leased office buildings.

16 **Work in progress**

This includes application purchased from Microsoft Inc. for Company's customer which has not yet been implemented.

	Note	2013 Rupees	2012 Rupees
17 Trade debts - unsecured, considered good			
Billed			
Export	*17.1*	511,607,734	400,771,280
Local		87,866,348	77,975,612
Less: Provision for bad debts	*17.2*	(8,948,300)	(3,127,500)
		590,525,782	475,619,392
Unbilled	*17.3*	98,980,258	62,942,898
		689,506,040	538,562,290

17.1 This includes Rs. 487.89 million (2012: Rs. 391.33 million) receivable from Visionet Inc. against sales of services.

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		2013 Rupees	2012 Rupees
17.2	Balance as at 01 January	**3,127,500**	-
	Add: Provision made during the year	**6,515,800**	3,127,500
	Less: Bad debts written off	**(695,000)**	-
	Balance as at 31 December	**8,948,300**	3,127,500

17.3 This includes trade debts amouting to Rs. 5,675,200 receivable from Techvista Systems FZ- LLC

		Note	2013 Rupees	2012 Rupees
18	**Advances, deposits, prepayments and other receivables**			
	Advance to suppliers		**9,643,345**	3,702,046
	Advance to employees - unsecured, considered good	*18.1*	**6,227,730**	43,666
	Advance for expenses		**4,821,963**	2,296,324
	Prepayments		**5,220,043**	5,102,383
	Tax refunds from due from Government		**3,465,939**	-
	Security deposits		**18,634,799**	13,626,785
			48,013,819	24,771,204

18.1 This includes Rs. 5.12 million advance given to Chief Executive of the Company to exercise stock option under Employee Stock Option Scheme of the Company.

		2013 Rupees	2012 Rupees
19	**Receivable from related parties- unsecured, considered good**		
	Techvista Systems FZ- LLC	**11,573,976**	-
	E Processing Systems (Pvt) Ltd	**14,375,137**	-
	Visionet Incorporation	**6,486,270**	750,764
		32,435,383	750,764

These represent amount receivable against expenses incurred on behalf of related parties. These are unsecured and carry no interest.

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		Note	2013 Rupees	2012 Rupees
20	**Short term investments**			
	Held to maturity			
	Pak Oman Investment Company	*20.1*	**2,030,958**	17,085,797
	Treasury Bills	*20.2*	**198,482,006**	-
	Investment at fair value through profit and loss			
	IGI Income Fund Nil units (2012: 64,280)		-	5,000,000
	IGI Money Market Fund Nil units (2012: 299,421)		-	25,178,883
	Pakistan Cash Management Fund 283,938 units (2012: 1,034,708)		**11,876,345**	50,255,104
	Nafa Fund 2,690,178 units (2012: Nil)		**25,000,000**	-
			237,389,309	97,519,784
	Add: Unrealized gain on investments at fair value through P&L		**4,261,187**	7,991,031
			241,650,496	105,510,815

20.1 These are certificates of investments carrying markup at rates ranging from 8.5% to 9.7% (2012: 9% to 11.6%). The investment certificates have a maturity period of 3 months.

20.2 These represent treasury bills obtained from Pak Oman Investment Company Limited. The bills carry a maturity period of 3 months. These are purchased at discount and redeemed at par.

		Note	2013 Rupees	2012 Rupees
21	**Cash and bank balances**			
	Cash in hand		**167,733**	132,981
	Cash at bank :			
	Current accounts		**30,656,339**	45,280,966
	Saving accounts	*21.1*	**111,041,026**	190,590,494
			141,697,365	235,871,460
			141,865,098	236,004,441

21.1 These carry markup at the rate of 5% to 6% (2012: 5% to 9%) per annum.

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		Note	2013 Rupees	2012 Rupees
22	**Revenue - net**			
	Development and other services:			
	Export		**1,189,975,994**	935,038,549
	Local	*22.1*	**197,499,316**	121,860,968
	Trading income:			
	Software sale - local		**33,086,879**	23,699,052
			1,420,562,189	1,080,598,569

		Note	2013 Rupees	2012 Rupees
22.1	Local sales		**216,887,369**	126,442,069
	Less: Sales tax	*23.1.1*	**(19,388,053)**	(4,581,101)
			197,499,316	121,860,968

23.1.1 This represents sales tax chargeable under Provincial and Federal Sales tax laws.

		Note	2013 Rupees	2012 Rupees
23	**Direct cost**			
	Salaries, allowances and amenities		**518,133,295**	352,816,838
	Temporary staff wages		**98,185,159**	89,984,298
	Printing and stationery		**1,090,860**	630,944
	Computer supplies		**6,940,259**	5,389,730
	Rent, rates and taxes		**48,290,100**	40,490,815
	Electricity, gas and water		**42,816,044**	36,948,862
	Traveling and conveyance		**33,572,762**	6,432,703
	Repair and maintenance		**13,050,679**	6,547,751
	Postage, telephone and telegrams		**25,771,937**	21,457,567
	Vehicle running and maintenance		**2,862,476**	2,377,100
	Entertainment		**2,778,790**	1,726,597
	Fee and subscriptions		**3,582,418**	3,191,389
	Insurance		**1,399,947**	1,135,559
	Depreciation		**34,410,393**	29,653,382
	Amortization		**3,634,614**	2,276,728
			836,519,733	601,060,263
	Purchase of software for trading		**22,947,390**	16,670,490
			859,467,123	617,730,753

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		Note	2013 Rupees	2012 Rupees
24	**Distribution cost**			
	Salaries, allowances and amenities		**30,699,593**	21,538,488
	Printing and stationery		**104,829**	145,072
	Computer supplies		**201,095**	151,627
	Rent, rates and taxes		**851,932**	832,803
	Electricity, gas and water		**565,609**	697,008
	Traveling and conveyance		**6,839,972**	4,878,601
	Repair and maintenance		**163,452**	123,555
	Postage, telephone and telegrams		**609,077**	530,839
	Vehicle running and maintenance		**358,826**	288,710
	Entertainment		**173,946**	155,373
	Insurance		**27,836**	111,511
	Fee and subscriptions/Training		**199,080**	166,673
	Shows/Seminars/Advertising		**1,996,132**	893,193
	Depreciation		**466,983**	708,028
	Amortization		**72,789**	45,595
	Tender documents		**69,604**	67,030
			43,400,755	31,334,106

		Note	2013 Rupees	2012 Rupees
25	**Administration expenses**			
	Salaries, allowances and amenities		**90,514,765**	64,962,327
	Temporary staff wages		**4,431,272**	3,735,117
	Printing and stationery		**796,626**	601,385
	Computer supplies		**2,542,880**	1,828,880
	Rent, rates and taxes		**5,153,211**	7,270,448
	Electricity, gas and water		**5,461,126**	5,968,897
	Traveling and conveyance		**5,106,461**	4,729,790
	Repair and maintenance		**5,560,772**	3,323,933
	Postage, telephone and telegrams		**3,431,158**	2,925,868
	Vehicle running and maintenance		**2,079,570**	1,155,060
	Legal and professional		**1,149,211**	516,227
	Auditors' remuneration	*25.1*	**661,000**	589,300
	Entertainment		**985,955**	843,454
	Donations	*25.2*	**42,000**	72,000
	Fee and subscriptions/ Training		**1,162,788**	2,092,769
	Insurance		**468,387**	297,273
	Hiring cost		**524,290**	-
	Advertisement		**19,500**	25,000
	Newspapers, books and periodicals		**54,435**	34,136
	Depreciation		**8,116,213**	5,883,126
	Amortization		**492,609**	308,571
	Others		**247,440**	-
	Provision for doubtful debts		**6,515,800**	3,127,500
			145,517,469	110,291,061

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	2013 Rupees	2012 Rupees

25.1 Auditors' remuneration

Statutory audit	**500,000**	442,860
Interim audit	**161,000**	146,440
	661,000	589,300

25.2 The Directors or their spouses have no interest in the Donee's fund.

26 Research and development expenses

Salaries, allowances and amenities	**4,237,789**	1,565,508
Printing and stationery	**1,361**	72
Computer supplies	**9,302**	9,899
Rent, rates and taxes	**282,488**	136,720
Electricity, gas and water	**144,838**	70,412
Traveling and conveyance	**289,518**	6,400
Repair and maintenance	**19,334**	7,478
Postage, telephone and telegrams	**78,754**	37,182
Vehicle running and maintenance	**26,908**	27,079
Entertainment	**32,092**	-
Fee and subscriptions	**10,484**	3,968
Insurance	**7,405**	12,496
Depreciation	**109,029**	74,678
Amortization	**13,790**	8,638
	5,263,092	1,960,530

27 Other operating expenses

Workers Welfare Fund	**8,511,228**	7,134,966
	8,511,228	7,134,966

28 Finance cost

Markup on short term borrowings	**222,499**	6,719,798
Markup on guarantee commission	**490,535**	504,670
Bank charges and commission	**2,689,955**	2,456,955
	3,402,989	9,681,423

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29 Other income

	Note	2013 Rupees	2012 Rupees
Gain on disposal of fixed assets - net		**3,508,425**	1,739,120
Profit on term deposit receipts		**8,978,731**	8,507,177
Gain on short term investments		**17,265,812**	6,158,504
Exchange gain on translation of export debts		**40,855,723**	26,323,032
Others		**196,884**	1,080,798
		70,805,575	43,808,631

30 Provision for taxation

	Note	2013 Rupees	2012 Rupees
Current	*30.1*	**9,861,718**	16,636,155
Prior year		**-**	1,962,418
Deferred		**802,101**	(207,423)
		10,663,819	18,391,150

30.1 This represents tax chargeable under Normal Tax Regime on local sale of software. 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.

30.2 Tax charge reconciliation

	2013 Rupees	2012 Rupees
Accounting profit	**425,805,108**	346,274,361
Tax expense at the rate of 34% (2012: 35%)	**144,773,737**	121,196,026
Adjustments:		
Tax effect of income under PTR	**(137,885,290)**	(105,069,405)
Tax effect of inadmissible deductions	**2,973,271**	509,534
Tax impact of prior year adjustments	**-**	1,962,418
Tax impact deferred tax (assets) / liability	**802,101**	(207,423)
Tax as per taxable profit	**10,663,819**	18,391,150

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31 **Financial instruments**

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

- Credit risk
- Liquidity risk
- Market risk

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

31.1 **Credit risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties fail completely to perform as contracted and arises principally from trade receivables and investment in debt securities. Out of the total financial assets of Rs. 1,138 98 million (2012: Rs. 903.56 million), the financial assets which are subject to credit risk amounted to Rs. 1,138.98 million (2012: 903.56 million).

To manage exposure to credit risk in respect of trade receivables, management reviews credit worthiness, references, establish purchase limits taking into account the customer's financial position, past experience and other factors. The management has set a maximum credit period of 30 days to reduce the credit risk. Limits are reviewed periodically and the customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

	2013 Rupees	2012 Rupees
Trade debts- billed	599,474,082	478,746,892
Trade debts- unbilled	98,980,258	62,942,898
Receivable from related parties	32,435,383	750,764
Long term deposits	6,108,433	6,108,433
Short term investment	241,650,496	105,510,815
Advances, deposits and other receivables	18,634,799	13,626,785
Bank balances	141,697,365	235,871,460
	1,138,980,816	903,558,047

The Company believes that it is not exposed to major concentration of credit risk.

The trade debts billed as at the balance sheet date are classified as follows:

Foreign	511,607,734	400,771,280
Domestic	87,866,348	77,975,612
	599,474,082	478,746,892

	2013	2012
	---Rupees---	
The aging of trade receivables - billed at the reporting date is.		
Past due 0 - 6 months	407,853,815	416,938,732
Past due 6 - 12 months	182,671,967	15,059,930
Above one year	8,948,300	46,748,230
	599,474,082	478,746,892
Impairment above one year	(8,948,300)	(3,127,500)
	590,525,782	475,619,392

Based on past experience and policy of the Company, the management believes that an impairment allowance is necessary in respect of trade receivables past due by one year.

The credit quality of cash and bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate:

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	Credit Rating		Rating
	Short term	Long term	Agency
IGI Income Fund	A+(f)	A+(f)	PACRA
Pak Oman Investment Company Limited	A-1+	AA+	JCR-VIS
Deutsche Bank Limited	P-1	A2	Moody's
Nafa Asset Management Fund	5 Star	4 Star	PACRA
United Bank Limited	A-1+	AA+	JCR-VIS
Standard Chartered Bank Limited	A1+	AAA	PACRA
Albarakah Bank Limited	A1	A	PACRA
Bank Alfalah Limited	A1+	AA	PACRA
KASB Bank Limited	A3	BBB	PACRA

31.2 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:

	2013				
	Carrying amount	Contractual Cash flows	Six months or less	Six to twelve months	One to two years
	Rupees				
Financial liabilities					
Trade and other payables	3,486,994	3,486,994	3,486,994	-	-
Long term advances	-	-	-	-	8,611,771
	3,486,994	3,486,994	3,486,994	-	8,611,771

	2012				
	Carrying amount	Contractual Cash flows	Six months or less	Six to twelve months	One to two years
	Rupees				
Financial liabilities					
Trade and other payables	1,215,345	1,215,345	1,215,345	-	-
Short term borrowings - secured	62,375,000	62,375,000	62,375,000	-	-
Markup accrued	1,489,501	1,489,501	1,489,501	-	-
	65,079,846	65,079,846	65,079,846	-	-

31.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

31.3.1 Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency primarily USD. The Company's exposure to foreign currency risk for USD is as follows:

	2013	2012
	Rupees	Rupees
Foreign debtors	511,607,734	400,771,280
Foreign currency bank accounts	752,764	694,028
Net exposure	512,360,498	401,465,308

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The following significant exchange rate has been applied.

	Average rate		Reporting date rate	
	2013	2012	**2013**	2012
	---Rupees---			
USD to PKR	**100.96**	94.56	**105.00**	96.90

Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the USD with all other variables held constant, post-tax profit for the year would have been lower by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign debtors and foreign currency bank account.

	2013 Rupees	2012 Rupees
Effect on profit or loss		
USD	**(51,236,050)**	(40,146,531)

The weakening of the PKR against USD would have had an equal but opposite impact on the post tax profits.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit/(loss) for the year and assets / liabilities of the Company.

31.3.2 Interest rate risk

At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	Effective rate		Carrying amount	
	2013	2012	**2013**	2012
	---%---		---Rupees---	
Financial assets				
Fixed rate instruments				
Treasury bills	8.55		198,482,006	
Certificate of investments	9.1		2,030,958	
Financial liabilities				
Fixed rate instruments				
Short term loans	Nil	9.5	Nil	62,375,000

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit and loss account.

31.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board. The primary goal of the Company's investment strategy is to maximize investment returns.

Management believes that sensitivity analysis is unrepresentive of the price risks.

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Fair value of financial instruments

The carrying values of other financial assets and financial liabilities reported in balance sheet approximate their fair values. The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or
- Level 3: Valuation techniques using significant unobservable inputs.

Investment in mutual funds is valued using quoted prices in active market, hence, fair value of such investments fall within Level 1 in fair value hierarchy as mentioned above.

31.4 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

(i) 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

(ii) to provide an adequate return to shareholders.

Since the Company, has healthy cash flows at year end which is primarily because of higher revenue resulting in profits and increased equity, therefore, it does not carry any long term or short term debts at 31 December 2013.

Neither there were any changes in the Company's approach to capital management during the year nor the Company is subject to externally imposed capital requirements.

32 Provident Fund related disclosures

Based on the unaudited financial statements of the Employees' Provident Fund Trust, the total size (total asset) of the fund is Rs. 92.37 million (2012: 85.49 million) out of which Rs. 85.86 million (2012: 60.09 million) is in the form of investments i.e. 92.95% (2012: 70.29%). Investments include fixed deposits of Rs. 40.86 million (2012: 38.09 million) with commercial banks, Rs. 15 million in mutual funds (2012: Nil), Rs. 8.00 million (Rs. Nil) in Term Deposit Receipts funds and Rs. 22 million (2012: Rs. 22 million) in Defence Saving Certificates and balance kept in saving accounts is Rs. 6.51 million (2012: Rs. 13.48 million)

The investments out of provident fund have been made in accordance with the provision of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.

33 Number of Employees

The total average number of employees during the year and as at December 31,2013 and 2012 respectively are as follows:

	2013	2012
	No. of employees	
Average number of employees during the year	1,253	1,094
Number of employees as at December 31	1,130	1,150

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34 Remuneration of Directors and Executives

The aggregate amounts charged in the accounts for the year for remuneration. including all benefits to the Chief executive. Directors and Executives of the Company are as follows:

	Chief Executive		Executive Directors		Executives	
	2013	2012	**2013**	2012	**2013**	2012
Managerial remuneration	**9,600,000**	8,413,986	**7,304,814**	11,258,304	**312,998,654**	185,080,843
Contribution to provident fund	**660,000**	452,004	**380,004**	622,011	**17,143,093**	11,184,119
	10,260,000	8,865,990	**7,684,818**	11,880,315	**330,141,747**	196,264,962
Number of persons	**1**	1	**1**	2	**239**	150

35 Transactions with related parties

Related parties comprises of associated companies, staff retirement fund, directors and key management personnel. Transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment disclosed above, are as follows:

Name	**Relationship**	**Nature of transactions**	**2013 Rupees**	2012 Rupees
E Processing Systems (Pvt) Ltd.	Subsidiary	Payment for expenses	**14,375,137**	
Tech Vista Systems FZ- LLC	Subsidiary	Payment for expenses	**11,573,976**	-
		Sales	**5,675,200**	-
			17,249,176	-
Visionet Systems Incorporation	Common directorship	Sales	**1,077,903,754**	840,917,973
		Reimbursement of expenses	**8,455,105**	15,128,401
			1,086,358,859	856,046,374
Provident fund	Employee benefit plan	Contributions	**28,814,469**	20,632,236

36 Post balance sheet events

The Board of Directors at its meeting held on APRIL 08, 2014 has proposed a final cash dividend @ Rs2.25 per share for the year ended 31 December 2013, amounting to Rs.96,609,391 for approval of the members at the Annual General Meeting to be held on APRIL 29, 2014. These financial statements do not reflect this proposed dividend.

37 General

The figures have been rounded off to nearest rupee. Comparative figures have been rearranged / reclassified wherever necessary, however, no major restatement has been made.

Lahore

Chief Executive

Director