



systems

Annual Report 2020

Enabling a
Digital Tomorrow

CONTENTS

COMPANY PROFILE

Company Information	2
Board of Directors	4
Our Management	6
Chairman's Review	9
CEO's Review	10
Director's Report to the shareholders	11
Director's Report Urdu	23

ABOUT US

About Systems Limited	25
Our Values	26
Systems at Glance	27
Journey Through Times	28
Core Capabilities	30

OUR OPERATING MODEL & ACHIEVEMENTS

Our Approach	32
Alliance and Awards	33
Our Expertise	34
Organizational Strengths	35
Client Testimonials	36

KEY FINANCIALS & BUSINESS HIGHLIGHTS

2020 Year in Review	38
Business Analysis	39
Key Financial Highlights	40
Key Ratios	41
Financial Analysis	42

HUMAN CAPITAL DIVISION

Human Capital Division	45
HCD - Building Blocks	46
Cultural Drives	47
Systems Recreational Club	48
LUMS SYSVISTECH Leadership Club	49
Facility & Environment	50
Safety & Health First	51
Corporate Social Responsibility (CSR)	52
Code of Conduct	53

SUSTAINABILITY FRAMEWORK 54 - 56

Sustainability / ESG / Risk Management Policy	55
---	----

SHAREHOLDER'S KEY INFORMATION 57 - 77

Equity and Shareholding Information	58
Pattern of Shareholding	59
AGM Notice	65
Minutes of EOGM	74
Shareholder's Information	76

CORPORATE GOVERNANCE 78 - 82

Board of Directors & Corporate Governance Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance	79
Statement of Compliance with the Code of Corporate Governance	81
	82

STANDALONE FINANCIAL STATEMENTS 84 - 126

Independent Auditor's Report	85
Statement of Financial Position	88
Statement of Profit or Loss	89
Statement of Comprehensive Income	90
Statement of Changes in Equity	91
Statement of Cash Flows	92
Notes to the Financial Statements	93

CONSOLIDATED FINANCIAL STATEMENTS 130 - 176

Independent Auditor's Report	130
Consolidated Statement of Financial Position	135
Consolidated Statement of Profit or Loss	136
Consolidated Statement of Comprehensive Income	137
Consolidated Statement of Changes in Equity	138
Consolidated Statement of Cash Flows	139
Notes to the Consolidated Financial Statements	140
Form of Proxy	176



COMPANY INFORMATION

BOARD OF DIRECTORS

MR. AEZAZ HUSSAIN Chairman	Non Executive
MR. ASIF PEER CEO and Managing Director	Executive
MR. ARSHAD MASOOD Director	Non Executive
MR. SHABBAR ZAIDI Director	Independent
MR. OMAR SAEED Director	Independent
MR. ASIF JOOMA Director	Independent
MS. ROMANA ABDULLAH Director	Independent

AUDIT COMMITTEE

MR. SHABBAR ZAIDI Chairman
MR. ASIF JOOMA Member
MS. ROMANA ABDULLAH Member

HUMAN RESOURCE & COMPENSATION COMMITTEE

MR. ASIF JOOMA Chairman
MR. OMAR SAEED Member
MS. ROMANA ABDULLAH Member
MR. ARSHAD MASOOD Director





EXTERNAL AUDITORS

Ernst & Young Ford Rhodes
Chartered Accountants Lahore

INTERNAL AUDITORS

UZAIR HAMMAD FAISAL & CO.

SHARE REGISTRAR

THK Associates (Private) Limited
Plot no 32-C, Jami
Commercial, Street 2 DHA Phase
VII, Karachi.
T: +92 (21) 111 000 332
F: +92 (21) 35310187

TAX ADVISORS

Zulfiqar Ahmad & Co.
Chartered Accountants

LEGAL ADVISORS

Hassan & Hasan Advocates
Ahmad & Pansota

BANKS

Habib Metropolitan Bank Limited
United Bank Limited
Standard Chartered Bank (Pak Limited)
MCB Bank Limited
Faysal Bank Limited
Bank Alfalah Limited
Bank Islami Limited

REGISTERED ADDRESS

Systems Limited
E-1, Sehjpal Near DHA Phase -VIII
(Ex-Air Avenue), Lahore Cantt
T: +92 42 111-797-836
F: +92 42 3 636 8857

COMPANY SECRETARY

Mr. Saad Hasan Aslam



BOARD OF DIRECTORS

INTRODUCTION

MR. ASIF PEER

Chief Executive Officer

Mr. Asif Peer has been serving as Chief Executive Officer (CEO) and Managing Director (MD) of Systems Limited, the same company where he began his career as a software developer in 1996 and also serving as a Member of the Board of Directors.

He completed his graduation in Computer Sciences at the National University of Computer and Emerging Sciences (NUCES) in Karachi, and was able to position himself in the lead for a job at Systems Limited as soon as he graduated. He is associated with Systems Group with more than 25 years on various Senior Management positions executing company growth strategy in line with the vision and mission. He also completed his MBA in Marketing and Finance from the Institute of Business Administration (IBA) in Karachi only a year later.

Under his leadership, the company has won several accolades, including Forbes Asia Best Under a Billion, Pakistan Top IT Export Award, Microsoft Country Partner of the Year, multiple PSEB IT Export Awards since 2016, membership of Microsoft Dynamics President's Club in 2014 and 2015, and 14 P@SHA ICT Awards in 7 categories over the past 5 years. Along with that, the company has experienced accelerated growth going from 300 employees to 2500 across 7 countries.

In recognition of his leadership in the IT sector Asif is serving as a co-chair at P@SHA ICT, a multifaceted platform serving as a national accelerator on closing the skills gap to ensure the work readiness of Pakistan's current and future workforce. He is also serving as the Information Technology Board Member for CPEC, and is a member of the Prime Ministers IT Task Force to grow the IT industry in Pakistan. Additionally, he is also a member of the governments BOI (board of investment). Asif Peer is also serving as the President for American Business Council 2020, a non-profit dedicated to bridging investment and business opportunities between Pakistan and the United States of America, he is a member of the Young Presidents Organization (YPO)-Pakistan Chapter, and an active member of P@SHA, representing Systems on a national level.



MR. AEAZ HUSSAIN

Chairman/Non-Executive Director

Mr. Aeaz Hussain founded Systems Limited in 1977 as the first software house in Pakistan. His professional acumen provided the overall direction for turnkey computer projects involving systems design, hardware selection and installation, and the planning and management of large-scale industrial projects. Within the organization, he has been responsible for the internal restructuring needed to respond to periodic shifts in the company's strategy.

Mr. Hussain was also involved in the acquisition of Visionet Systems, Inc. in New Jersey, USA in 1997 and he led that organization as CEO till 2008. His main role is the development of enterprise strategy. He was a member of Pakistan's Information Technology Commission, which advised the President of Pakistan on IT-related matters and national policies. He has been a member of a number of committees and advisory bodies set up by the government on Information Technology strategies and on the development of public-sector information systems. He was a founding member and the founding President of Pakistan Software Houses Association (P@SHA). He served as a member of the Economic Advisory Board, Government of Pakistan, the Information Technology Commission of Pakistan, and the Council of Computer Society of Pakistan.



MR. ARSHAD MASOOD

Non Executive Director

Mr. Arshad Masood started his career with IBM Corporation in the US and held various professional and managerial positions, including Sales Manager. He was a consistent top performer and his primary objective was to enhance customer relationships, protect their revenue base, and identify new revenue opportunities. In 1994, Mr. Arshad Masood founded Visionet Systems, Inc., USA, which was acquired by Systems Limited in 1997.

As founder, Mr. Arshad Masood envisioned and executed a strategy to create a general-purpose consulting and solutions company. As CEO, Mr. Arshad Masood is responsible for long-term strategic planning and providing guidance to operations across the enterprise. He helped Visionet Systems build a strategy and value proposition for products and services in the mortgage industry. Mr. Arshad Masood holds a BSc (Engineering) degree from Engineering University, Lahore, an MSc degree from University of Guelph, Canada, and an MBA degree from Baruch College, New York.



MR. SHABBAR ZAIDI

Independent Director

Mr. Shabbar Zaidi is a graduate with distinction from Hailey college of Commerce, Lahore and a Chartered Accountant. He is Fellow Member of the Institute of Chartered Accountants of Pakistan (FCA).

Mr. Zaidi has served as the Chairman of Federal Board of Revenue, GOP, for the year 2019 - 2020. Previously, Mr. Zaidi also served as Caretaker, Ministry of Finance, Board of Revenue, Excise and Taxation, Government of Sindh. In addition, he has been Territory Senior Partner at AF Ferguson & Co. till 2019. He has also been the Founder Director, Pakistan Institute of Corporate Governance from 2003-2009.

Mr. Zaidi has been involved in extensive interactions with regulatory authorities on domestic and international levels. In addition he has also been part of representation to authorities regarding practical issues and suggested measures and recommendations for reforms.

Further, Mr. Zaidi has also written several books which includes: (a) A journey for clarity – An analysis of some accounting concepts in taxation matters; (b) Pakistan: Not a failed State; (c) Panama Leaks: A Blessing in disguise – Offshore assets of Pakistani Citizens; and (d) Rich people Poor Country – The story of fiscal and foreign exchange policies in Pakistan.



MS. ROMANA ABDULLAH

Independent Director

Ms. Romana Abdullah is CEO of Highpoint Ventures (Pvt) Ltd and leads Hopscotch, a kids wear brand she co-founded in 2014. Prior to becoming an entrepreneur, Romana led the strategic planning and transformation functions at MCB Bank and Soneri Bank. Earlier, Romana spent significant time at The Boston Consulting Group (Management Consulting) and Merrill Lynch (Investment Banking) in New York, where she focused on strategic, financial, and operational assignments for Fortune 500 financial services and consumer clients.

Romana is also on the board of Karandaz, a DFID and Gates Foundation funded company that promotes access to capital for small businesses and digital financial inclusion for individuals in Pakistan. She also mentors young start-ups, incubators, and accelerators in her free time. Romana has a BSc in Financial Engineering from Princeton University and an MBA from the Harvard Business School.

MR. OMAR SAEED

Independent Director

Mr. Omar Saeed graduated with high honors from Brown University and did his Master's in Business Administration from Harvard Business School. Omar has recently been appointed Chief Executive Officer of Service Long March Tyres (Private) Limited, a Joint Venture between Service Industries Limited and Chaoyang Long March Tyre Co., Ltd. Additionally, Omar serves as the Chief Executive Officer of Servis Foundation.

Omar has served as the Chief Executive Officer of Service Industries Limited (SIL) from 2011 to 2018. Under his stewardship, SIL won the highly prestigious Pakistan Stock Exchange Top 25 Companies Award for the years 2011, 2013, 2014 and 2015. Prior to that, Omar was responsible for building Servis into Pakistan's largest footwear retailer, with 500 stores and more than PKR 12 Billion in annual revenues. He founded Ovex Technologies (Private) Limited in 2004, which went on to become one of Pakistan's leading call center companies before the business was sold in 2011. He has served on the Boards of various private and public companies in the past. Omar has also been an adjunct faculty member of LUMS where he taught entrepreneurship.



MR. ASIF JOOMA

Independent Director

Mr. Asif Jooma started his career in the corporate sector with ICI Pakistan in 1983 and has over 28 years of extensive experience in senior commercial and leadership roles.

Following early years with ICI Pakistan and subsequently Pakistan PTA Limited, Asif Jooma was appointed Managing Director of Abbott Laboratories Pakistan Limited in 2007. After serving there for nearly six years, he was appointed Chief Executive of ICI Pakistan Limited in February 2013. A Bachelor of Arts in Developmental Economics from Boston University, Mr. Asif has previously served as President, American Business Council (ABC), President of Overseas Investors Chamber of Commerce & Industry (OICCI) and Chairman of Pharma Bureau. He also serves as a Director on NIB Bank Limited, Systems Limited and Board of Investment, Government of Pakistan.

OUR MANAGEMENT

These are the seasoned professionals and industry veterans that lead our organization. Systems Limited is driven by the profound experience and business acumen that these gifted individuals share with us every day.

ASIF PEER

Chief Executive Officer

Mr. Asif Peer has been serving as Chief Executive Officer (CEO) and Managing Director (MD) of Systems Limited, the same company where he began his career as a software developer in 1996 and also serving as a Member of the Board of Directors.

He completed his graduation in Computer Sciences at the National University of Computer and Emerging Sciences (NUCES) in Karachi, and was able to position himself in the lead for a job at Systems Limited as soon as he graduated. He is associated with Systems Group with more than 25 years on various Senior Management positions executing company growth strategy in line with the vision and mission. He also completed his MBA in Marketing and Finance from the Institute of Business Administration (IBA) in Karachi only a year later.

Under his leadership, the company has won several accolades, including Forbes Asia Best Under a Billion, Pakistan Top IT Export Award, Microsoft Country Partner of the Year, multiple PSEB IT Export Awards since 2016, membership of Microsoft Dynamics President's Club in 2014 and 2015, and 14 P@SHA ICT Awards in 7 categories over the past 5 years. Along with that, the company has experienced accelerated growth going from 300 employees to 2500 across 7 countries.



ASIF AKRAM

Chief Operating Officer

Mr. Asif Akram is an experienced global management consultant and an information technology professional having over 20 years of experience.

As the COO of Systems Limited, he is responsible for the delivery of Systems services while driving operational excellence, improving efficiency, and building upon Systems Limited's strong foundation for achieving accelerated growth.



ROOHI KHAN

Chief Financial Officer

Ms. Roohi Khan is currently part of the Business Leadership team and is responsible for the overall financial health and performance of the group.

Acting as a strategic business partner, she is supporting business in delivering sustained growth and maximizing shareholder value. Before joining Systems Limited, she has worked with PepsiCo and Levi Strauss & Co. Ms. Roohi is a Chartered Accountant from PwC, with about 17 years of professional experience.



KHURRAM MAJEED

GM Techvista Systems, Dubai

Mr. Khurram Majeed leads the IT Professional Services division for operations in the UAE.

He is responsible for services strategy, delivery, competencies, revenue and earnings growth, liquidity management, and portfolio for enterprise, commercial, and public-sector customers. Through his leadership, he helps customers achieve innovative business technology outcomes through software platforms and integrated smart solutions.





TOIMA ASGHAR

Chief Human Resource Officer

Ms. Toima Asghar has been associated with the HR fraternity for approximately two decades and leading the human resource function in large organizations operating in banking, wholesale, broadband, academia, and IT industries.

As an HR strategist, she leads organization's Human Capital function to build a sustainable competitive advantage through its human resource by collaborating with the teams for the right selections and development of the existing talent while focusing on talent management and providing careers to the human resource of the organization.



RAO HAMID KHAN

GM Domestic Operations

Mr. Rao Hamid has served in the IT industry for over two decades with multinational organizations.

After serving as Application Innovation Services and Telecommunications Industry Leader at companies like IBM and Teradata, he joined Systems Limited as a Chief Commercial Officer and is currently holding the position of General Manager. He currently holds P&L responsibilities for the Domestic Operations for Systems Limited, provides direct management oversight and owns the execution strategy for the domestic business.



ZAHID MAHMOOD JANJUA

GM Qatar and International Markets

Mr. Zahid Janjua is an information technology professional with over 25 years of extensive experience.

Over the years, Mr. Zahid has managed multi-million dollar projects, portfolios, and teams. He has a strong technical and managerial background with senior-level international (US) experience and cross-sector exposure. Good strategic vision and ability to implement sophisticated plans with a proven record of accomplishments explicitly supporting business needs are the hallmarks of Mr. Zahid's professional repertoire.



SALMAN WAJID MIAN

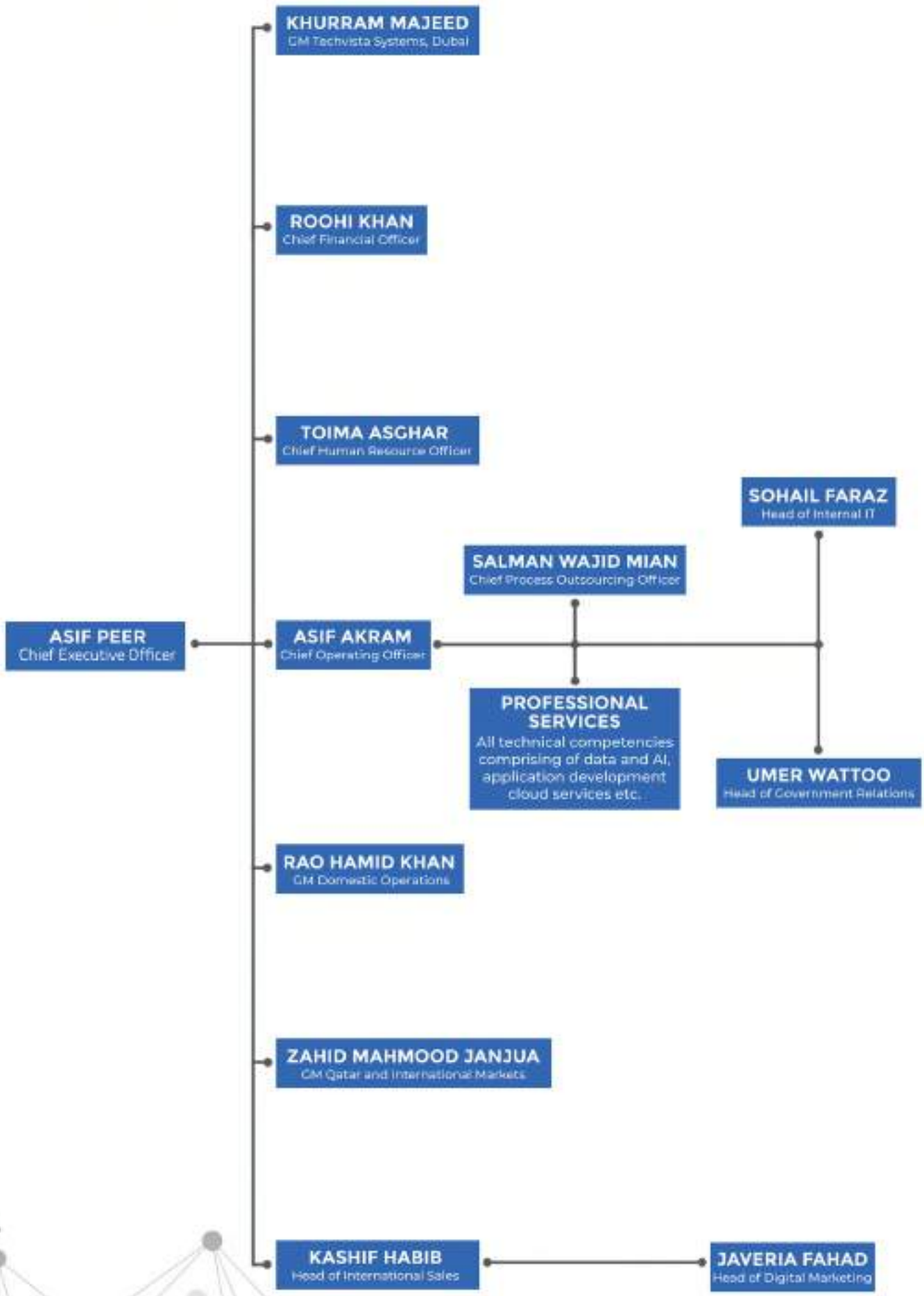
Chief Process Outsourcing Officer

Mr. Salman is a Business Process Outsourcing and Customer Experience specialist with a track record of managing large-scale services/sales culture-transformation initiatives and process re-engineering programs.

He has served industry verticals like Telecommunications, Utilities, Health, Energy and various ITeS by providing technical support, customer service, Collections and sales and back office. He is an expert in launching new contact centers, turning around challenged operations and revolutionizing business plans to maximize productivity, performance, and revenues.



SYSTEMS LIMITED ORGANIZATION



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 and 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 Jooma 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 37% 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 1,000 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. 818 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. 818 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	4,367,046,372	2,968,980,042	826,306,226	476,049,261	726,170,586	640,460,272	3,086,444,642	1,380,160,077	7,513,766,845	5,348,568,742
Cost of revenue	(2,342,470,818)	(1,664,652,699)	(468,779,659)	(295,789,302)	(572,919,624)	(473,009,587)	(1,261,615,878)	(1,139,129,160)	(6,715,786,027)	(3,572,388,027)
Gross profit	1,075,375,558	1,292,047,353	336,525,577	179,960,249	152,251,022	167,450,689	343,828,663	229,031,229	2,797,980,818	1,776,380,215
Selling and distribution expenses	(7,406,221)	(12,027,267)	(4,026,698)	(1,442,074)	(7,462,548)	(4,126,287)	(18,900,101)	(8,406,726)	(118,794,068)	(93,092,754)
Administrative expenses	(224,640,784)	(207,297,212)	(86,348,926)	(48,420,761)	(50,381,802)	(52,676,522)	(49,494,824)	(44,047,783)	(469,848,346)	(448,471,206)
Profit/(Loss) before taxation and unallocated income and expenses	(342,047,595)	(213,424,599)	(79,365,024)	(59,354,027)	(66,644,358)	(58,121,899)	(109,384,825)	(126,252,045)	(818,642,414)	(540,364,261)
Unallocated income and expenses	1,633,326,951	878,622,704	256,759,993	122,493,021	66,408,672	77,378,993	264,443,728	102,779,064	2,179,338,404	1,228,276,964
Unallocated income and expenses:										
Other operating expenses									(194,740,490)	(139,025,201)
Other income									272,645,254	342,646,042
Finance costs									(48,976,195)	(35,964,437)
									97,999,669	66,296,622
Profit before taxation									2,267,329,045	1,392,672,376
Taxation									(73,414,363)	(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 19 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 embargoes 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 UNCERTAINTIES 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 Hiraaj.

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

Name of Director	Board of Directors			Human Resource & Compensation Committee	
	Category	Status	Audit 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

کلیدی آپریٹنگ اور مالی اعداد و شمار
پچھلے چھ ماہوں کے کارڈی آپریٹنگ اور مالی اعداد و شمار سالانہ پورٹ کے ساتھ منسلک ہیں۔

پراویٹنٹ فنڈ کی سرمایہ کاری
کھلی کے ذریعے چاہنے والے پر ویٹنٹ فنڈ کی قیمت کا خلا کے لیے آٹھ شدہ کماتوں کی بنیاد پر 31 نومبر 2020 کو 693.6 ملین روپے ہے (31 نومبر 2019 کو 448.8 ملین روپے)۔

ٹیکس ہولڈنگ کا نمونہ
ٹیکس ہولڈنگ کا نمونہ برطانوی 31 نومبر 2020 سالانہ پورٹ کے ساتھ منسلک ہے۔ ٹیکس ہولڈنگ اسٹروکچر ایبل ای سی اور ای سی وی سی کے ساتھ (پرائیویٹ) ایجنٹ کے ٹیکس ہولڈنگ کا نمونہ برطانوی 31 نومبر 2020 منسلک ہے۔

3 اگریگیشنز، ایگریگیشنز اور ان کے شریک حیات اور تا پانچ بیچوں کے ذریعے خریدے گئے
کھلی کے ذریعے چاہنے والے پر ویٹنٹ فنڈ میں ان کے شریک حیات اور تا پانچ بیچوں نے 31 نومبر 2020 کو کم ہونے والے سال کے دوران کھلی کے ٹیکس ہولڈنگ کی خرید و بیچ کی ما سوائے اس کے جسے پاکستان ٹیکس ایجنٹ میں کارڈ کیا گیا ہے۔

متعلقہ فریقین کے لین دین کا جائزہ
کوڈ آف گورننس اور عملی علاقہ فریقین میں متعلقہ فریقین کے لین دین کی تفصیلات آڈٹ کھلی کے سامنے رکھی جاتی ہیں اور آڈٹ کھلی کی سفارشات پر انہیں جائزہ اور منظوری لینے پورا کے سامنے پیش کیا گیا ہے۔



سہ ماہی اور سالانہ مالیاتی گوشوارے
یورپی منظوری سے عملی اور مالی اور ہر ایسا سالہ مالیاتی گوشواروں کی تصدیق کی۔ کھلی کے سہ ماہی مالیاتی گوشواروں کے ساتھ ساتھ گروپ کے مجموعی مالیاتی گوشوارے منظور کے کے شائع کے کے اور اختتامی تاریخ تک ایک ماہ کے نوٹس ہولڈنگ کو لگانے کے بعد
ایگزٹل تاریخ کے کھلی کے نصف سالانہ مالیاتی گوشواروں اور گروپ کے مجموعی مالیاتی گوشواروں کا جائزہ لیا جائے گا اور انہیں پورا کے ذریعے منظور کیا گیا شائع کیا گیا اور اختتامی تاریخ کے ہولڈنگ کو لگانے کا کیا۔

آڈیٹرز
ای سی اور سالانہ 2020 کو لینے اپنی بیجا پوری کر لی ہے اور 44 ویں سالانہ سالانہ عام کے اختتام پر پکا کر کے ہیں۔ سال ہونے کی بنا پر انہوں نے خود کو دوبارہ مقررہ کیلئے پیش کیا ہے۔

مجموعی مالیاتی گوشوارے
کھلی کے مجموعی مالیاتی گوشواروں میں کھلی کے ساتھ اس کے ساتھ ساتھ اسٹروکچر ایبل ای سی اور ای سی وی سی کے ساتھ (پرائیویٹ) ایجنٹ میں شامل ہیں۔

ضمنی واقعات
ای سی اور سال کے اختتام اور اس پورٹ کی تاریخ کے انہیں کھلی اور گروپ کی بائیں حیثیت کو لگانے والی کوئی بائیں حیثیت یا وجوہ نہیں ہونے ہیں۔ ما سوائے اس پورٹ میں اختلاف کے کارڈی ہے۔

اعتراف
پورا اس موقع پر کھلی ہراس کے ساتھ اور ان کے قابل قدر گھڑ، بٹکرز اور دیگر مہتممین کے تعاون اور مدد سے کیلئے شکر گزار ہے۔ پورا انہیں پورا گروپ کے تمام کارڈ میں کی بحث اور فن کی بائیں قدر کرتا ہے۔

سب قلم پورا

آصف احمد
چیف ایگزیکٹو آفیسر

امراز حسین
چیف ایگزیکٹو آفیسر

پورا 31 نومبر 2020
19

پورا آف اڈیکٹرز	انڈیکٹرز نام	تکری	میتنگز میں شمولیت
	جناب امرازمین	نانا گجرجی	5
	جناب آصف علی	انجیر گجی	5
	جناب ارشد مسعود	نانا گجرجی	3
	مخبر مدنا منجی	آزاد	3
	جناب اوزاد	آزاد	4
	جناب آصف جوا	آزاد	4
	جناب طاہر مسعود	آزاد	4
	جناب سید محمد شریانی	آزاد	1
	جناب عرمید	آزاد	1

لکھ ونا سٹوڈیو، ڈی این ای سی کیلئے، جناب آصف علی کیلئے کے اڈیکٹرز ہیں۔
ای پریسنگ سٹوڈیو (پریسنگ) کیلئے، مٹی کے اڈیکٹرز ہیں۔ جناب امرازمین، جناب آصف علی اور جناب محمد اوزاد

پورا کمپنیاں

پورا آف اڈیکٹرز نے آڈٹ کیلئے اور انیٹری و سائل اور معاوضہ کیلئے تعمیل دی ہے۔
پورا کمپنیاں کے گہرے کے ۲۰۰۰ روپے کی پانچویں شرکت کی شدت سے ہے۔

آڈٹ کیلئے

پورا کمپنیاں	میتنگز میں شمولیت
جناب اوزاد	5
مخبر مدنا منجی	4
جناب طاہر مسعود	5

انسانی وسائل اور معاوضہ کیلئے

پورا کمپنیاں	میتنگز میں شمولیت
جناب آصف جوا	1
جناب طاہر مسعود	1
مخبر مدنا منجی	1

پورا میں تہہ بنائیاں

اڈیکٹرز کی موجودگی 2020 کو مکمل ہوئی، 30 دسمبر 2020 کو سٹوڈیو فرم میں موبائی جاس کے ذریعے اڈیکٹرز کی تقرری کیلئے تاہم اگلیات کر دئے گئے۔ پورا سیکرٹری ہونے والے اڈیکٹرز جناب اوزاد اور جناب طاہر مسعود کی بے مثال خدمات کیلئے تاج تمغین پیش کر دئے۔

پورا نے سابقہ گہرے جناب سید محمد شریانی اور جناب عرمید اور گہرائی سے تلاش کر دیا ہے۔ پورا کمپنیاں نے کئی مہینوں کے دوران کئی مسئلے طرہ پر کام کرے کی اور نئے گہرے کیلئے کیلئے ایک نیا خاطر اور جذبہ بنائیاں گئے۔
نئے گہرے کی مدت 30 دسمبر 2023 کو مکمل ہوگی۔

اگلیات کے بعد نئے پورا اور کمپنیاں کی ترکیب

پورا آف اڈیکٹرز	انڈیکٹرز نام	تکری	آڈٹ کیلئے	انسانی وسائل اور معاوضہ کیلئے
	جناب امرازمین	نانا گجرجی	✓	×
	جناب آصف علی	انجیر گجی	✓	×
	جناب ارشد مسعود	نانا گجرجی	✓	✓
	مخبر مدنا منجی	آزاد	✓	✓
	جناب آصف جوا	آزاد	✓	✓
	جناب سید محمد شریانی	آزاد	✓	×
	جناب عرمید	آزاد	✓	✓

شمولیت پر ریکی واقفیت

پورا کمپنی کی شمولیت پر تعمیل ہونے کا اہتمام کیا گیا ہے، جس کا پوری اہمیت اور اہمیت کی طرف مہم کی عکاسی ہے۔ اڈیکٹرز کو ان کی سرکاری خدمات میں اضافہ کیلئے صحیح ترین پروگرام پیش کیے جاتے ہیں۔

نانا انجیر گجی اور آوزاد اڈیکٹرز کی معاوضہ پالیسی

کمپنی کے تمام نانا انجیر گجی اور آوزاد اڈیکٹرز ان پانچوں کے طے میں ہونے والے اخراجات کی وصولی کے ساتھ ساتھ پورا کمپنی کے اجلاسوں میں شرکت کیلئے معاوضہ کے اہل ہیں۔

کسی اڈیکٹرز کو کسی بھی صورت میں معاوضہ دینے یا کسی کے کاروبار پر خصوصی توجہ دینے یا خدمات کی کارروائی، جو کہ پورا کی رائے میں اڈیکٹرز کے قانونی فرائض کے دائرے سے باہر ہے، کیلئے اگلی معاوضہ دیا گیا ہاں تک ہے۔ پورا اس کیلئے تعمیل کرتا ہے۔

انجیر گجی اور آوزاد اڈیکٹرز کو سال کے دوران ان کے ہالے والے معاوضے کی تعمیل ہونے کی پابندی ہے۔

ABOUT US

ABOUT SYSTEMS LIMITED

Systems Limited (SYS) is a full-service technology consulting and digital business process management company that delivers best-in-class technology-led solutions to help our regional and international clients increase operational agility, drive down costs, and reduce business risks. We have established strong ties to the Financial Services, Telecom, Public Sector, Retail, and Consumer Goods industries.

Our global team has a track record of over 43 years of successfully delivering large-scale projects for major global organizations, including several Fortune 500 and Forbes Global 2000 companies. By delivering on hundreds of projects, we have developed industry-specific and cross-industry services, products, and accelerators that enable our clients to realize business benefits faster with increased efficiency and lower overall IT costs. Through a commitment to innovation and technical excellence, Systems Limited has become a globally recognized leader in next-generation IT and BPO services.

“OVER FOUR SUCCESSFUL DECADES OF ENABLING A DIGITAL TOMORROW”

From the beginning, Systems Limited has exhibited the character to defy the odds and emerge stronger from crises. Despite the global pandemic, we stayed strong and ahead of our digital game. Our teams of business and technology experts leveraged the latest digital technologies to help our clients adapt to the new normal and achieve their strategic business objectives. Our clients rely on us for business-critical work, and by leveraging our technical capabilities, we help strengthen their digital core and transform their business operations.

Our expertise in Digital, Data, Cloud, and contact center services are sources of consistent ROI for our esteemed clients. Our strong global footprint is a testament to the strength and resilience of our team, and the agility and cost-effectiveness of our technology-led solutions.

We are immensely proud that even in the challenging times we continued to satisfy our commitments to our stakeholders by bringing strong financial results, and our commitments to create value for our clients, partners, and community.

FORBES ASIA'S
BEST
UNDER A
BILLION

PAKISTAN'S
**TOP IT
EXPORTER**



OUR VALUES



INTEGRITY



INNOVATION



DEDICATION

COMPANY VISION

Systems Limited aspires to enhance the productivity and growth of organizations around the world with a comprehensive range of digital solutions and services.

COMPANY MISSION

As a top-tier employer, Systems Limited promotes employee ownership, leadership, professional fulfilment, and job satisfaction. We deliver profitability and business success to our global clients through precise execution and technical excellence

SYSTEMS AT A GLANCE



SYSTEMS LIMITED'S JOURNEY THROUGH TIME

1977 till Present

Celebrating 44 years of global digital excellence

1977

Founded as the first software house of Pakistan

2003

Diversified in Mortgage, Apparel & Soft Goods industries and expanded customer base in the US

2007

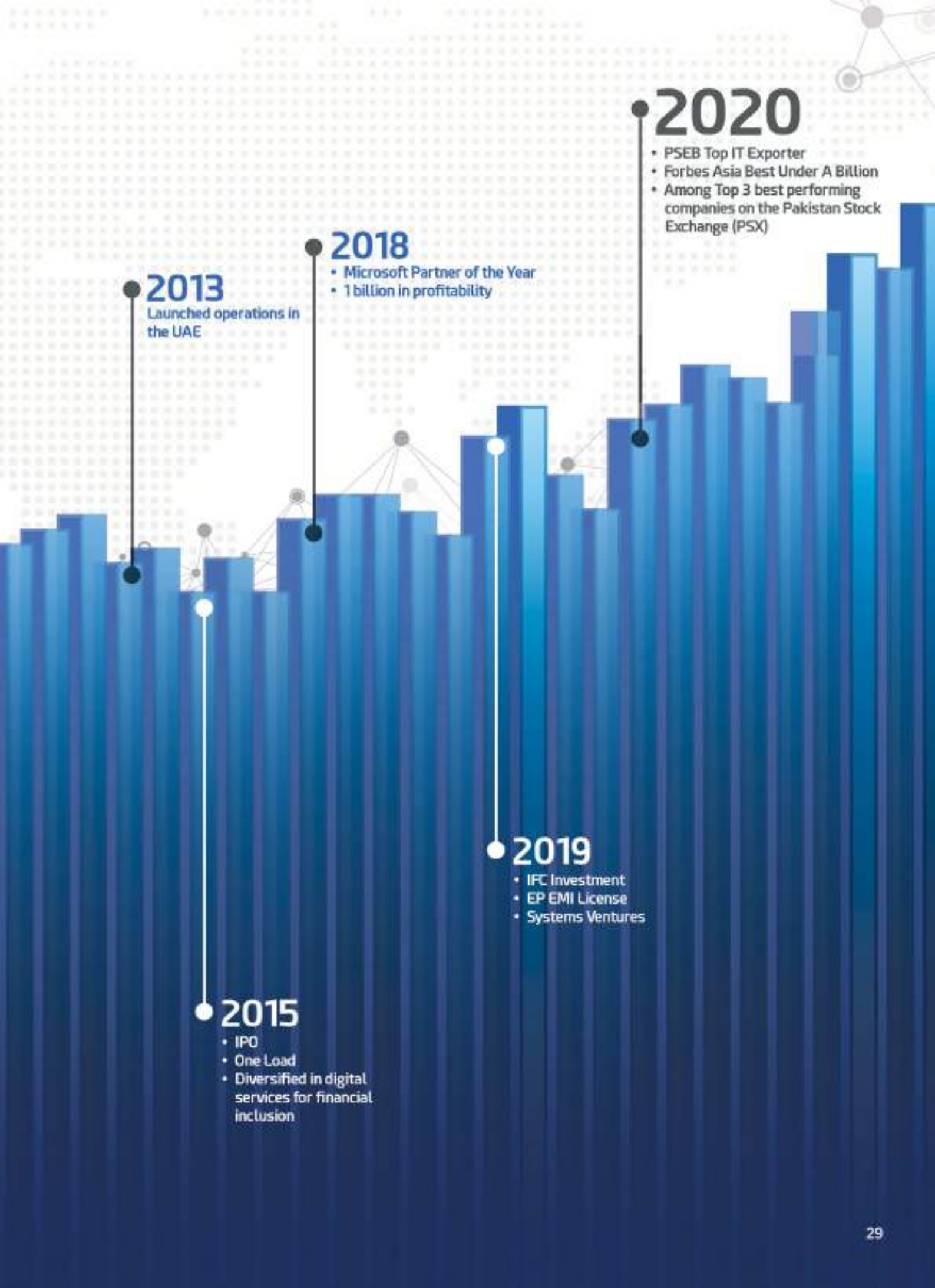
Diversified in Business Process Outsourcing

2005

Status changed to Public Limited from Private Limited

1997

Launched operations in the US and worked with high profile Fortune 500 clients



2013

Launched operations in the UAE

2018

- Microsoft Partner of the Year
- 1 billion in profitability

2020

- PSEB Top IT Exporter
- Forbes Asia Best Under A Billion
- Among Top 3 best performing companies on the Pakistan Stock Exchange (PSX)

2019

- IFC Investment
- EP EMI License
- Systems Ventures

2015

- IPO
- One Load
- Diversified in digital services for financial inclusion



CORE CAPABILITIES

Systems Limited's skill set is not restricted to a single area of expertise. Regardless of the industry vertical, we exhibit well-honed technical skills and consistently deliver business value in a few key aspects:



Consulting

We help you create a clear digital strategy that optimizes your path to comprehensive, technology-led business success.



Implementation

Our expertise spans all major technologies and business functions, empowering us to deliver comprehensive business solutions.



Managed Services

Our global Managed Services teams secure your digital investment with 24x7 monitoring, maintenance, and end-to-end support.



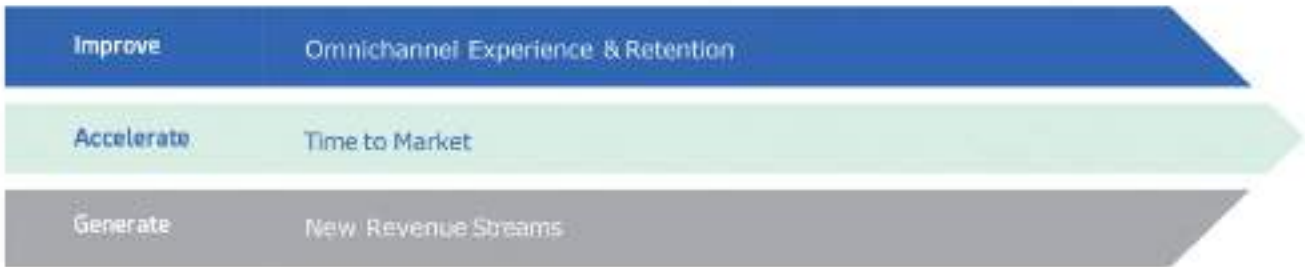
BPO & Contact Center

Our trained and experienced teams of BPO professionals deliver an instant boost to your workforce with on-time, high-quality results.



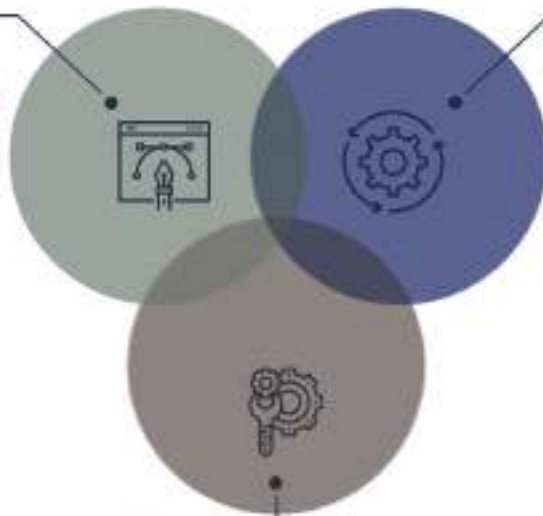
OUR OPERATING MODEL & ACHIEVEMENTS

OUR APPROACH TOWARDS PRODUCT DELIVERY



Design

Design New
Application Landscape
Business Consultation



Build

End to End Implementation
Technical Consultation

Operate

Support & Operate

ALLIANCE AND AWARDS

Systems Limited's dedication to innovation and disruptive ideas has helped us secure esteemed, top-tier partnerships with Microsoft and IBM, as well as a strong alliance with Oracle, Cisco, SAP, VMware, Huawei, Kaspersky, Informatica, and MicroStrategy.

In 2017, Systems Limited collaborated with Red Hat, the world's leading provider of open-source solutions, and DXC Technology, a US-based firm offering end-to-end technology services for the financial services industry. These alliances show Systems Limited's dedication to introduce best-in-class technologies and solutions to the private and public sector organizations in Pakistan.

In 2018, Systems Limited won the Microsoft Country Partner of the Year Award for Pakistan. We were honored among the global field of top Microsoft partners for demonstrating excellence in innovation and implementation of customer solutions based on Microsoft technologies.

Systems Limited was recognized as Pakistan's Top IT Services Exporter at the 2018 PSEB IT Exports Awards and secured multiple Top IT Exporter honors at the 2019 edition of the prestigious awards ceremony. The company also received federal recognition from the IT Ministry when it made history in 2020 by becoming the first and only Pakistani IT company to be inducted in Forbes Asia's coveted list of Best Under A Billion companies.

Over the years, Systems Limited has won 16 P@SHA ICT awards across several categories, including supply chain logistics, BPO, HR, project management, managed services, export growth, financial industry applications, and brand management. These awards are a testament to our team's dedication and hard work, which have made Systems Limited the most prestigious technology firm in the country.

OUR TECHNOLOGY PARTNERS



OUR EXPERTISE

Systems Limited's highly skilled team provides its clients an ever-expanding range of digitally driven services. We believe in a customer-centric and technology-agnostic approach in delivering robust technology solutions. Our seasoned experts are an extension of our clients' team as a one-stop-shop for all their digital needs.



OUR OFFERINGS



HauteLogic
 Fashion Delivered Right!

Highly scalable, reliable, and configurable B2B data interchange with EDI and non-EDI trading partners.



Middleware Connector

Achieve omnichannel, unified commerce between your existing eCommerce implementation and Microsoft Dynamics 365 for Finance and Operations.



Partner Communication

A powerful BI platform for the retail industry that offers over 2,500 built-in metrics and hundreds of KPIs, reports, and dashboards.



Your go-to solution for accurate, efficient travel insurance policy management.



Manage, share, and steer the vast capabilities of your staff, focus on your critical talent, and support strategic HR processes.



Retail Analytics

A state-of-the-art suite of modular tools for intelligent fashion supply chain and direct-to-consumer operations.



ORGANIZATIONAL STRENGTHS

PROVEN TRACK RECORD

1

Our team goes beyond to provide total satisfaction. Your happiness is always our foremost priority.

DOMAIN EXPERTISE

2

We possess in-depth knowledge of your industry's unique needs and standards to efficiently deliver superior results.

SKILLED PERSONNEL

3

Systems Limited's technical and business professionals provide innovative ideas, deep expertise, and the will to succeed.

PRECISE DELIVERY

4

Our teams never compromise on delivering the complete set of products and services - as and when promised.

GLOBAL FOOTPRINT

5

Our operations span three continents to deliver digital excellence with the speed and responsiveness your organization needs.

SUPERIOR VALUE

6

Our innovative hybrid project delivery model combines the benefits of onsite agility and offshore affordability.

Our global reach and customer-centric approach make us your partner of choice.

CLIENT TESTIMONIALS

“



"This is a very proud moment for Pakistan and the Pakistani tech industry. Congratulations to the whole Systems team, and its leadership on this aspirational moment. There is more to come, but there will always be the first one."

Kashif Ul Haq
Managing Director, Cisco Pakistan



"This is big news and a proud moment for each and every company and individual in Pakistan. Congratulations to everyone who contributed. Wish we could have more representation from our country to this prestigious list. Speaks volumes of our caliber."

Kashif Gaya
Chief Executive Officer, Euronet Pakistan



"The road to success is littered with obstacles. While others gave up and turned around, Systems Limited push their way through. I know that this achievement is only one of many that the future will bring. Congratulations!"

General Manager IT, Engro Corporation



"Systems Limited's ability to deliver on large-scale projects is second to none. We are extremely impressed with their industry-savvy business consultants and technical team whose open, responsive and highly professional approach to the project helped us go live in under six months."

Rehan Qadri
Director Digital Business Transformation, Khaadi



"Systems is our very own Pakistani tech giant. It is no surprise that it has made it to this Forbes list. This is a proud moment for each and every Pakistani and also reflective of the great tech services provider's positioning which all the Pakistani tech companies can benefit from on a global scale. Systems has been the first and I'm sure they, along with more companies to follow, will continue making Pakistan proud. Congrats to all those who made this happen!"

Faizan Mahmood
Chief Information Officer, Karachi Electric



"We had engaged Systems Limited at a very crucial time in our business life cycle, and ironically, just before a global crisis unlike any other in modern times. Systems Limited had a well-designed strategy that was flawlessly executed, helping us transform our crucial business processes to meet present day challenges. In our dictionary, if you look up the meaning of 'trusted technology partner', you will find two words: Systems Limited."

Mani Masood
Director IT Systems & Applications, QNB

”

KEY FINANCIAL & BUSINESS HIGHLIGHTS



SYSTEMS LIMITED 2020 YEAR IN REVIEW KEY INDICATORS



Increase in Shareholder's Value ●—● ROCE = 28%

Increase in Breakup Value ●—● 64.01

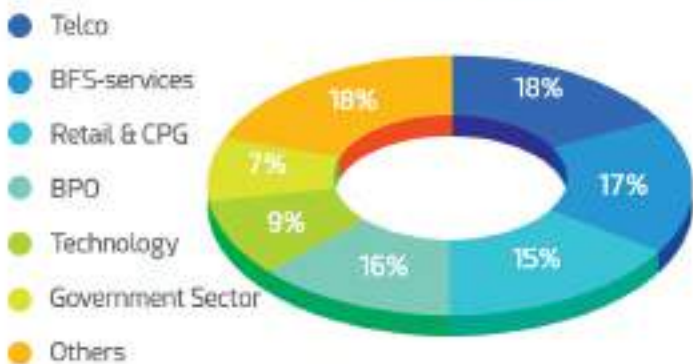
Revenue from Software Services ●—● 80%

Technology Employees ●—● 3500+

BUSINESS ANALYSIS

The Business has achieved a tremendous growth in revenue from the last year. The main growth engines were following key verticals across the globe.

CONSOLIDATED REVENUE BREAKUP BY VERTICALS

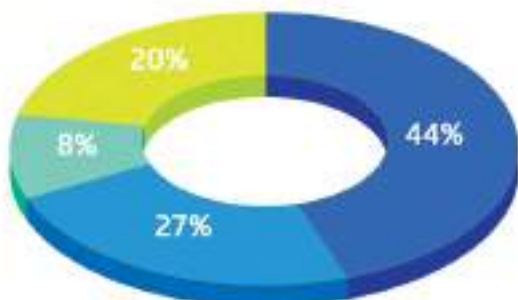


CONSOLIDATED REVENUE - TOP 10 CUSTOMERS



Furthermore, to sustain the growth, the company follows a diversification strategy that aims to strengthen its portfolio across the globe.

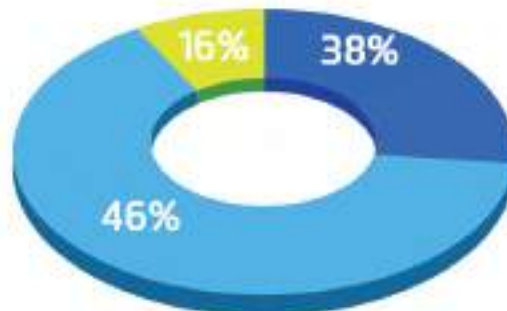
CONSOLIDATED REVENUE BREAKUP BY REGION



Region wise

- North America
- Europe
- Middle East
- Pakistan

CONSOLIDATED REVENUE BREAKUP BY OFFERINGS



- Digital Transformation
- Managed Services
- BPO

KEY FINANCIAL HIGHLIGHTS

PROFIT AND LOSS SUMMARY FOR THE LAST SIX YEARS (AMOUNT IN PKR)

Standalone

	2020	2019	2018	2017	2016	2015
Revenue	7,513,766,845	5,348,568,742	3,761,155,759	2,910,800,003	2,680,323,531	2,263,290,351
Cost of sales	4,775,786,027	3,572,188,527	2,582,618,930	2,048,691,935	1,884,619,823	1,535,746,756
Gross profit	2,737,980,818	1,776,380,215	1,178,536,829	862,108,068	795,703,708	727,543,595
Distribution expenses	118,794,068	99,693,755	46,585,985	113,712,935	37,287,199	69,629,714
Administrative expenses	499,848,346	448,471,706	377,384,516	286,947,433	251,448,903	262,301,728
Other operating expenses	134,740,418	139,025,203	118,366,982	87,722,400	30,979,960	19,948,597
Finance cost	49,914,195	39,164,417	18,834,798	10,709,009	3,213,068	2,121,044
Other income	272,645,254	342,646,042	437,742,627	118,416,151	33,145,436	91,963,242
Profit before taxation	2,267,329,045	1,392,672,376	1,055,107,775	481,432,442	505,919,994	465,505,754
Taxation	73,414,103	28,540,667	45,624,604	8,056,404	(9,159,952)	12,991,024
Profit after taxation	2,193,914,942	1,364,131,709	1,009,483,171	473,376,038	515,079,946	452,514,730

Consolidated

	2020	2019	2018	2017	2016	2015
Revenue	9,876,827,770	7,535,648,069	5,323,922,442	3,832,429,037	3,112,102,038	2,470,725,663
Cost of sales	6,619,640,203	5,166,301,606	3,795,122,571	2,683,690,636	2,222,533,901	1,699,126,206
Gross profit	3,257,187,567	2,369,346,463	1,528,799,871	1,148,738,401	889,568,137	771,599,457
Distribution expenses	201,024,729	178,002,387	90,539,319	58,938,644	47,756,830	72,778,492
Administrative expenses	722,370,556	698,066,995	572,629,509	484,005,420	354,208,651	342,295,586
Other operating expenses	220,135,525	163,532,016	138,347,792	135,834,095	38,329,724	23,726,609
Finance cost	66,659,676	47,022,121	27,073,044	15,786,491	5,497,692	3,065,865
Other income	235,201,038	318,491,575	408,460,653	114,980,508	28,939,571	88,506,926
Profit before taxation	2,282,258,059	1,601,214,519	1,108,670,860	569,154,259	472,714,811	418,239,831
Taxation	117,960,376	33,281,698	47,387,580	8,435,716	(8,499,658)	12,991,024
Profit after taxation	2,164,297,683	1,567,932,821	1,061,283,280	560,718,543	481,214,469	405,248,807

DUPONT ANALYSIS

2020						
Profit	2,193,914,942	Revenue	7,513,766,845	Total assets	9,834,639,018	ROE 30%
Revenue	7,513,766,845	Total assets	9,834,639,018	Equity	7,253,686,051	
Profit margin	29%	Assets turnover	76%	Equity multiplier	136%	

2019						
Profit	1,364,131,709	Revenue	5,348,568,742	Total assets	6,717,215,682	ROE 26%
Revenue	5,348,568,742	Total assets	6,717,215,682	Equity	5,216,466,331	
Profit margin	26%	Assets turnover	80%	Equity multiplier	129%	

SHARIAH RELATED KEY INFORMATION

Particular	As at 31-Dec-2020	Threshold
Interest bearing debts to total assets	16%	< 37%
Non compliant investments to total assets	0.2%	< 33%
Non compliant income to total income	0.0%	< 5%
Illiquid Assets to Total Assets	28%	> 25%
Net Liquid Assets per Share	38.1	< MV of share

KEY RATIOS

STANDALONE

	2020	2019	2018	2017	2016	2015
Profitability Ratios						
Gross Profit ratio (%)	37%	33%	31%	30%	30%	33%
Net Profit ratio (%)	29%	26%	27%	16%	19%	20%
EBITDA Margin (%)	34%	31%	32%	20%	22%	24%
Return on Equity (%)	30%	26%	25%	15%	18%	22%
Return on Capital Employed (%)	30%	27%	26%	15%	17%	19%
Capital Structure						
Debt to equity ratio	0.20	0.13	0.11	0.06	-	-
Interest Coverage (times)	40.96	27.81	33.78	34.90	148.14	177.11
Liquidity Ratios						
Current ratio (times)	3.49	3.54	4.21	4.59	10.04	6.80
Quick ratio (times)	1.98	1.54	0.97	1.27	2.01	2.13
Cash to Current Liabilities (times)	0.71	0.81	0.44	0.73	0.74	0.41
Investment						
EPS Basic (PKR)	17.66	11.05	8.19	4.24	4.64	4.14
EPS Diluted (PKR)	17.31	10.95	8.16	4.23	4.61	4.09
Price to earning ratio	23.74	11.25	13.42	17.43	18.23	19.81
Dividend Payout ratio (%)	20%	20%	24%	41%	40%	30%
Break-up value per share (PKR)	58.21	42.23	36.35	28.72	26.26	22.55

CONSOLIDATED

	2020	2019	2018	2017	2016	2015
Profitability Ratios						
Gross Profit ratio (%)	33%	31%	29%	30%	29%	32%
Net Profit ratio (%)	22%	21%	20%	15%	15%	16%
EBITDA Margin (%)	27%	25%	27%	21%	22%	23%
Return on Equity (%)	28%	28%	25%	17%	17%	17%
Return on Capital Employed (%)	26%	27%	25%	17%	17%	17%
Capital Structure						
Debt to equity (times)	0.21	0.12	0.11	0.07	-	-
Interest Coverage (times)	31.71	28.28	26.86	29.77	81.72	108.55
Liquidity Ratios						
Current ratio (times)	3.06	3.29	3.48	3.91	8.16	6.20
Quick ratio (times)	1.96	1.62	1.18	1.44	2.04	2.29
Cash to Current Liabilities (times)	0.96	0.90	0.65	0.94	0.94	0.51
Investment						
EPS Basic (PKR)	17.78	12.86	8.72	5.11	4.39	3.75
EPS Diluted (PKR)	17.43	12.75	8.69	5.10	4.36	3.71
Break-up value per share (PKR)	64.01	44.76	37.15	28.84	25.21	21.81

FINANCIAL ANALYSIS



Standalone - Liquidity Ratios (Times)



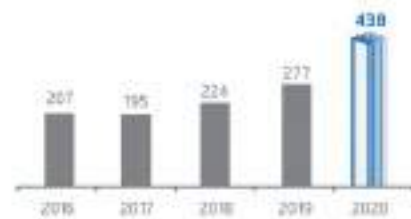
Consolidated - Breakup Value Per Share (PKR)



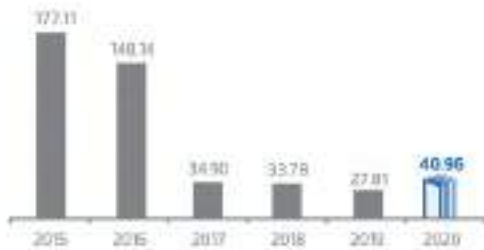
Standalone - Basic EPS & P/E Ratio (PKR)



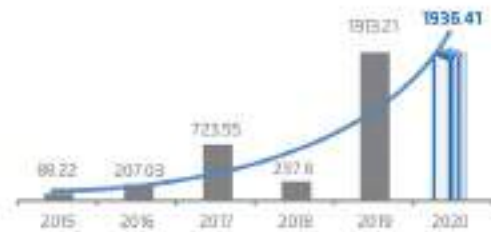
Dividend Payout (PKR Millions)



Standalone - Interest Coverage (Times)



Cashflow from Operations



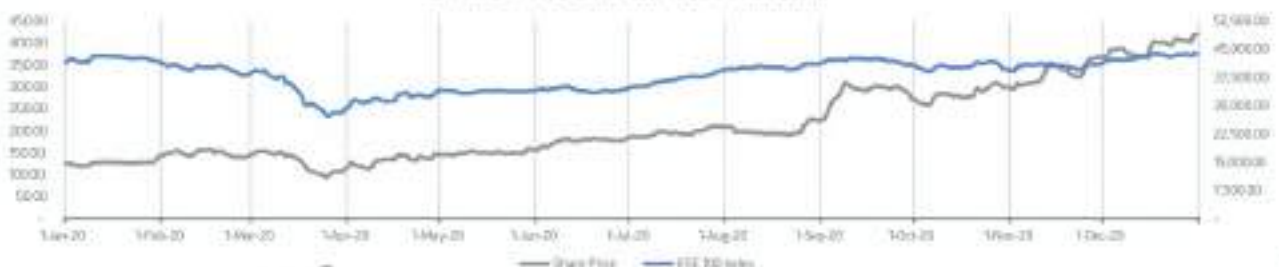
Closing Share Price (PKR)



Market Capitalization (PKR Million)



Share Price Sensitivity Analysis



HUMAN CAPITAL DIVISION

HUMAN CAPITAL DIVISION



CHRO'S MESSAGE

We take immense pride in the resilient and inspirational attitude that everyone at Systems Limited has maintained in these trying and unpredictable times of this Global Pandemic.

Our commitment, determination and grit makes all the difference. The way Systems has remained steady during this challenging period is indeed exemplary. Various notable advancements in the year 2020 have supported our stability and performance during this epoch.

Similarly, the HCD team at Systems has been committed in providing prompt, courteous and quality service to our employees. Our team is a collaboration of professionals; dedicated to provide service and add value to the business units and to the company as a whole. We are however, continually looking for new and innovative ways to improve our service delivery and operational excellence to make the overall job experience better for our employees.

HUMAN RESOURCES (KEY STATS)



3500+
Employees



10+
Global
Footprints



1000+
New Hires
2020



270+
Training
Sessions

HCD - BUILDING BLOCKS

Systems is a dynamic and employee-driven company. Our workforce, their expertise and talent is our strength, that is what we define as the heart of our business. We groom and nurture our talent and believe in a long-term association with them. The HCD-HR team at Systems is tirelessly ensuring at all times that "our people" are provided with the most comfortable environment to work in. The HR team functions as an incubator of Talent – always on the lookout for brilliant minds around the globe. Not just attracting the best talent into the company but also supporting them in becoming a part of the company and delivering results. This potent team of young, transformative individuals works diligently to provide sophisticated and timely responses to employee issues and resolves them effectively.



TALENT ACQUISITION

(always on the hunt for extraordinary intellectuals)

- Recruitment Drives
- Career Fairs & Networking Nights
- Fresh Grads Hiring & Onboarding
- Internships
- Lateral Hiring
- Employee Referrals
- Talent Pipeline Management



LEARNING & CAPABILITY DEVELOPMENT

(providing limitless opportunities to develop employees)

- Leadership Development University
- Training & Development
- Personal Development
- Capacity Building
- International Transfers
- Grand Performance Review and
- Project Performance Review

“WE ARE THE PEOPLE FOR OUR PEOPLE”



EMPLOYEE EMPOWERMENT

(giving employees confidence to excel)

- Open Communication
- Development Programs for High Potentials
- Continuous Engagement
- Succession Planning Framework
- Performance Evaluation, Monitoring and Motivation
- Rewards & Benefits



PEOPLE & CULTURE

(aiming to make our people content)

- Employee Engagement Activities
- Celebrations and Recreational Activities
- Employee Friendly Meets & Competitions
- Diversity and Inclusion Programs
- Volunteer Opportunities



CULTURAL DRIVES - WE VALUE OUR PEOPLE

CANDID WITH CEO

Asif Peer's had an interactive session with Fresh Grads 2020, where he shared his success story, learnings and industry challenges. Future expectations and L&D opportunities were also discussed from both sides.

WHISTLE BLOWING POLICY ROADSHOWS

In continuation to Systems' commitment to create and maintain a culture of openness and transparency, this policy was articulated which encourages employees to raise their voice regarding any inappropriate/unethical behavior.

LOCKDOWN EID SELFIE COMPETITION

The idea behind this competition was to engage our employees on this festive occasion during lockdown to bring a little positivity and a much needed reason to celebrate. This initiative helped us to establish a connect with employees who were working from home.

CELEBRATED 73 YEARS OF PAKISTAN

Systems Limited celebrated Independence Day with full fervor and enthusiasm yet again this year. Flag hoisting ceremony and sweet favors; among other activities were held in our Lahore and Karachi offices.

WOMEN'S DAY CELEBRATIONS

Systems Limited celebrated Women's Day with a small token of appreciation for all our female coworkers at Systems. Flowers, greeting cards and chocolates were distributed.

SYSVISTECH GOT TALENT

On the occasion of Eid Ul Azha, Systems initiated a unique platform for its employees to showcase their talent and connect in a fun and relaxed environment. Winner & runner-up received cash prizes.

PINKTOBER 2020

Pink ribbons were distributed as a part of Pinktober Systems Breast Cancer Awareness Campaign.

SYSTEMS RECREATIONAL CLUB

The Systems Recreational Club (SRC) despite the Pandemic engaged with the employees and ensured that there were continuous positive activities in order to uplift the spirits. The club operates to provide entertainment throughout the year. Last year's activities include a Musical Night, Systems Olympics, Eidi Distribution, Winter Hoodies and various Facebook Competitions.



LUMS - SYSVISTECH LEADERSHIP UNIVERSITY



Systems Group has partnered with REDC LUMS to establish the SysVisTech Leadership University. This customized intervention is designed for fast track executives that have the capacity to contribute strategically and lead the organization in the future. The 1st Module (Leadership for Performance Excellence) has been attended by 37 participants from the group companies (Pakistan, UAE, Germany & USA).

CAMPUS DRIVES AND ONBOARDING

- Campus job fairs & graduate online directories were processed from top tier universities as part of employer branding strategy.
- 124 fresh graduates were onboarded throughout the year in different batches. A comprehensive Onboarding plan was initiated in which fresh grads were engaged in multiple interventions which were helpful in smooth onboarding and career development.





FACILITY AND ENVIRONMENT

Our campuses are built on the idea of being a "home away from home" for our people. We provide a comfortable environment where resources can think, design & deliver world class solutions.

GEO EXPANSION

ISLAMABAD OFFICE

With the rise in demand for digital transformation services, continuous growth and business expansion; Systems Limited open doors to its new office in Islamabad. Office is furnished with all the latest facilities & equipment.

MULTAN OFFICE - COMING SOON

2021, another location becoming operational soon with a capacity of 200 Team members in Multan

SAFETY AND HEALTH FIRST



- During the unprecedented time of Covid-19, We remained connected to our employees through multiple platforms during lockdown.
- Provided masks and gloves to resources and placed disinfection tunnels on entrances and exits. Our campus is fully equipped with sanitizers on all floors.
- Delivered more than 400 machines to our BPO employees at their residence.
- Provided signed SLD forms to resources so that they don't face any inconveniences on their way to work.
- Covid-19 awareness sessions were held across the organization.
- Work from Home effectiveness sessions were conducted with all competencies.
- Recapturing the Perspective sessions – covid-19 repercussions and future outlook.



CORPORATE SOCIAL RESPONSIBILITY



Systems has undertaken the responsibility to construct and maintain a Secondary School in collaboration with TCF.

Contributed in fundraising of Aman Foundation to support their campaign "Hamara Khwab, Hunarmand Pakistan"



Systems provided funds for The Indus Hospital's Lahore project being built in Jubilee Town Lahore.



Financial support was provided to Jinnah Hospital through Patient Welfare Association for the treatment of Covid-19 patients.



American Business Council of Pakistan joined hands with us to support Corona Virus affectees through the PM Relief Fund.





CODE OF CONDUCT FOR SUPER SYSTEMS FAMILY

Systems Limited is truly committed to the highest standards of ethics and integrity when working with different stakeholders every day. We rely on our "Employee Code of Conduct" in order to guide and align our behaviors while we make business decisions. The principles stated in our "Employee Code of Conduct" apply to all aspects of our business. It outlines our values and supports our commitment to ethical and honest conduct and compliance with all laws, rules and regulations; and our company policies, procedures and standards.

Systems Limited holds all employees responsible for carrying out and monitoring compliance with this commitment. If any employee becomes aware of any violation of a legal or ethical obligation, or any unfair or improper treatment of personnel related to the company, they must immediately report the matter to the Human Resources Department so that it can be investigated right away. In this manner, we can take all necessary steps to investigate any potential violations of our policy and can take appropriate action to correct any violations or incorrect perceptions that are found to exist.



CONFLICT OF INTEREST POLICY

Our employees are expected to devote their best efforts and attention to the performance of their jobs. They are expected to use good judgment and adhere to high ethical standards and avoid situations that create potential conflict between the employee's personal interests and the interests of the Company. The conflict of interest exists when the employee's loyalties or actions are divided between the Company's interests and to those of another, such as, competitors, suppliers or customers.

Dedication to the company and ensuring that all possible issues that may be considered conflicts of interest are avoided at all costs by employees and they make sure that they refrain from engaging with people who may be a red flag in that aspect as well.

As we treat our employees as our ultimate assets, we at Systems Limited require the utmost commitment of all our employees.

SUSTAINABILITY FRAMEWORK



SUSTAINABILITY/ESG/RISK MANAGEMENT POLICY



SUSTAINABLE DEVELOPMENT REPORT

As an important part of the 2020 Annual report, a sustainable development report has been built in order to help investors, shareholders and stakeholders access the information on the development strategy and business operations in terms of sustainable development of Systems Limited.

In this report, significant areas are identified based on a combination of stakeholders' interests and their impacts on Systems Limited.

This report was developed for the period of January 01 2020 – December 31 2020 within the scope of Systems Limited and based on the Global Reporting IRI).

THE SUSTAINABILITY DEVELOPMENT PLAN OF SYSTEMS LIMITED


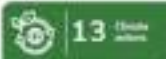



Based on business orientation, Systems Limited has developed a sustainable development plan to ensure the balance of three factors: Economic development, Community support and Environmental protection. Further, the action plan is also aligned in accordance with the UN's sustainable development goals and the GRI Standards.

FIELD	ACTION PLANNING	2020 RESULTS	REFERENCE TO CRITERIA	
			UN'S SUSTAINABLE DEVELOPMENT GOALS	GRI STANDARDS
Economy	<ul style="list-style-type: none"> Ensuring good growth of financial indicators. Promoting research and development platforms and solutions based on new technology trends. Enhancing technology access to the people 	<ul style="list-style-type: none"> Revenue and profit exceeded the set plan, growing respectively 31% and 38%. Establishing a diverse ecosystem of integrated platforms developed domestically that help organizations and businesses enable digital transformation as well as improving competitiveness. Controlled e-waste through devising a policy whereby old computers and laptops were distributed among the low income employees as well as low income individuals outside of the Company 		GRI 201 GRI 203 GRI 204



SUSTAINABLE DEVELOPMENT GOALS



FIELD	ACTION PLANNING	2020 RESULTS	REFERENCE TO CRITERIA	
			UN'S SUSTAINABLE DEVELOPMENT GOALS	GRI STANDARDS
Society	<ul style="list-style-type: none"> • Creating decent work and stable income for tens of thousands of people. • Making Systems Limited a learning organization with constantly updating policies and training programs for all employees. • Providing a gender equal place to work to prevent inequalities and promoting inclusion of women in all departments 	<ul style="list-style-type: none"> • Creating decent work and stable income for 3500 people. • Established SysVisTech University in collaboration with LUMS to ensure development of leadership skills in the young professionals. • Spending PKR 13.2 Million on training activities with 158 training sessions benefiting 3,500 employees. • Implemented a code of conduct and a sexual harassment policy to guarantee and ensure protection and safeguarding of its employees – strict action is taken against any person remotely breaching any provision of the code of conduct and / or the sexual harassment policy. The Company follows stringent rules and code of conduct. 	 	GRI 401 GRI 403 GRI 404 GRI 405 GRI 406 GRI 407 GRI 413
Environment	<ul style="list-style-type: none"> • Increasing the usage of renewable energy, recyclable resources and energy-saving materials in Systems Limited buildings. • Periodically evaluating the discharges for timely handling and minimising environmental pollution. • Applying advanced management standards and procedures in the Corporation's operations and service provision for customers. • Raising employee awareness of energy saving and environmental protection against climate change. 	<ul style="list-style-type: none"> • Generally, by virtue of the business of the Company, its operations does not cause any direct negative impact on the environment (in terms of emission of toxic gases, noise pollution, carbon emissions, etc.). However, the Company still takes active steps to reduce any negative impact that it may vicariously cause to the environment. • Resultant of the pandemic, the company has implemented an organization wide work from home policy which lead to reduced electricity and other overheads. • Digitization of all systems in order to promote paperless functions. In addition, the Company has designated spots for printers rather than installing a printer with each work station. Moreover, the Company has also imposed a limit on the number of pages that may be printed by the employee in a specified span of time. Further, the Company promotes duplex printing and actively trains its employees to recycle paper when need be. • With respect to water consumption, the Company also promotes water saving by putting a notice on all locations (where water taps are located) that the employees should refrain from wastage of water and that taps should be opened for smaller durations. • Reducing waste further, the Company has also implemented cloud servers thereby, reducing the need to purchase or to use heavy duty storage machines and servers 	  	GRI 302 GRI 303 GRI 307

SHAREHOLDER'S KEY INFORMATION

EQUITY & SHAREHOLDING INFORMATION

EQUITY & STOCK INFORMATION	
AUTHORIZED CAPITAL	2,000,000,000
NUMBER OF SHARES	200,000,000
PAR VALUE	PKR 10
TYPE OF SHARES	COMMON

SHAREHOLDING BREAKUP



DIVIDEND PAYMENT HISTORY



PATTERN OF SHAREHOLDING - SYSTEMS LIMITED

The Shareholding in the Company as at 31 December 2020 is as follows:

Shareholder Category	Number of Shareholders	Number of shares held	Percentage of holding
Directors and their spouses and children	11	41,610,318	33.39%
Ex-Employees	22	21,349,667	17.13%
Executives	25	1,172,024	0.94%
Foreign Companies	21	23,964,140	19.23%
Associated Companies, undertakings & related parties	2	6,925,020	5.56%
Banks, DFIs, Insurance, Pension funds, NBFIs	74	6,161,200	4.94%
Mutual Funds	72	11,802,760	9.47%
Public Sector Companies & Corporations	26	787,498	0.63%
General Public / Others	2393	10,833,388	8.69%
Total	2,646	124,606,015	100%

Pattern of Shareholding for the year 31 December 2020

Number of Shareholders	Shareholding		Total Shares held
	From	To	
803	1	100	34,689
388	101	500	111,089
763	501	1,000	499,297
359	1,001	5,000	832,376
100	5,001	10,000	729,119
37	10,001	15,000	450,930
29	15,001	20,000	509,405
14	20,001	25,000	323,458
8	25,001	30,000	211,503
11	30,001	35,000	360,536
7	35,001	40,000	255,494
1	40,001	45,000	41,900
6	45,001	50,000	287,860
5	50,001	55,000	270,939
3	55,001	60,000	175,150
4	60,001	65,000	245,700
4	65,001	70,000	274,000
3	70,001	75,000	219,719
6	75,001	80,000	469,017
4	80,001	85,000	330,300
3	85,001	90,000	262,250
2	90,001	95,000	181,700
2	100,001	105,000	208,276
3	105,001	110,000	321,900
3	110,001	115,000	343,050
2	120,001	125,000	241,450
2	125,001	130,000	257,306
1	135,001	140,000	137,200
2	145,001	150,000	296,773
1	150,001	155,000	154,650
2	155,001	160,000	314,712
2	165,001	170,000	336,859
1	170,001	175,000	171,215
1	175,001	180,000	177,540
1	180,001	185,000	184,413
1	185,001	190,000	189,700
1	205,001	210,000	207,600
1	210,001	215,000	212,770
3	215,001	220,000	655,902
1	250,001	255,000	252,300
1	265,001	270,000	265,956
1	270,001	275,000	272,596
1	280,001	285,000	280,550
2	285,001	290,000	579,079

Number of Shareholders	Shareholding		Total Shares held
	From	To	
1	320,001	325,000	324,663
1	325,001	330,000	325,750
1	330,001	335,000	332,800
1	340,001	345,000	342,630
2	345,001	350,000	697,569
1	380,001	385,000	381,550
1	390,001	395,000	394,035
1	395,001	400,000	398,599
1	415,001	420,000	419,300
1	465,001	470,000	465,800
2	550,001	555,000	1,109,050
1	590,001	595,000	591,600
1	620,001	625,000	623,900
1	655,001	660,000	657,756
1	670,001	675,000	673,332
1	725,001	730,000	729,600
1	745,001	750,000	745,890
1	785,001	790,000	789,306
1	795,001	800,000	800,000
1	805,001	810,000	807,997
1	1,050,001	1,055,000	1,051,789
1	1,070,001	1,075,000	1,070,260
1	1,075,001	1,080,000	1,079,300
1	1,115,001	1,120,000	1,117,238
1	1,255,001	1,260,000	1,258,800
2	1,260,001	1,265,000	2,524,505
1	1,330,001	1,335,000	1,332,201
1	1,505,001	1,510,000	1,510,000
1	1,635,001	1,640,000	1,636,210
1	1,700,001	1,705,000	1,703,275
1	1,720,001	1,725,000	1,722,200
1	1,725,001	1,730,000	1,726,136
1	1,730,001	1,735,000	1,731,594
1	1,940,001	1,945,000	1,940,295
1	2,485,001	2,490,000	2,488,438
1	2,510,001	2,515,000	2,510,600
1	3,455,001	3,460,000	3,458,934
1	3,495,001	3,500,000	3,499,900
1	4,110,001	4,115,000	4,114,880
1	4,605,001	4,610,000	4,606,836
1	5,495,001	5,500,000	5,500,000
1	6,100,001	6,105,000	6,100,160
1	7,435,001	7,440,000	7,439,900
1	7,535,001	7,540,000	7,537,100
1	7,810,001	7,815,000	7,812,190
1	7,895,001	7,900,000	7,898,267
1	15,175,001	15,180,000	15,178,781
2,646	114,021,692	114,466,600	124,606,015

Information of shareholding as at 31 December 2020 as required under Code of Corporate Governance is as follows

Category	Shareholder's category	Number of shares held	Percentage %
1	Associated Companies, undertakings and related parties	-	-
	IGI INVESTMENT (PVT) LTD	4,611,086	3.70%
	M/S B.R.R. GUARDIAN MODARBA	2,313,934	1.86%
		<u>6,925,020</u>	<u>5.56%</u>
2	Mutual Funds		
	CDC - TRUSTEE MEEZAN ISLAMIC FUND	2,510,600	2.01%
	CDC - TRUSTEE NBP STOCK FUND	1,636,210	1.31%
	CDC - TRUSTEE ATLAS STOCK MARKET FUND	800,000	0.64%
	CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	745,890	0.60%
	CDC - TRUSTEE FAYSAL ISLAMIC DEDICATED EQUITY FUND	729,600	0.59%
	CDC - TRUSTEE NBP ISLAMIC STOCK FUND	554,650	0.45%

Category Shareholder's category	Number of shares held	Percentage %
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	554,400	0.44%
CDC - TRUSTEE NBP ISLAMIC SARMAYA IZAF A FUND	465,800	0.37%
CDC - TRUSTEE MEEZAN TAHAFU Z PENSION FUND - EQUITY SUB FUND	381,550	0.31%
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	325,750	0.26%
CDC - TRUSTEE ABL STOCK FUND	289,750	0.23%
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	252,300	0.20%
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	218,470	0.18%
CDC - TRUSTEE FAYSAL ISLAMIC STOCK FUND	207,600	0.17%
CDC - TRUSTEE ALFALAH GHP STOCK FUND	168,520	0.14%
CDC - TRUSTEE MEEZAN BALANCED FUND	154,650	0.12%
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	147,500	0.12%
CDC - TRUSTEE NAFA ISLAMIC PENSION FUND EQUITY ACCOUNT	127,850	0.10%
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	114,550	0.09%
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	113,500	0.09%
AZIMUT PAKISTAN EQUITY FUND (DEIC) PLC	107,000	0.09%
CDC - TRUSTEE FAYSAL STOCK FUND	103,655	0.08%
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	91,600	0.07%
CDC - TRUSTEE NBP BALANCED FUND	75,550	0.06%
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	73,900	0.06%
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	68,400	0.05%
CDC - TRUSTEE APIF - EQUITY SUB FUND	66,500	0.05%
CDC - TRUSTEE ALFALAH GHP VALUE FUND	62,750	0.05%
CDC - TRUSTEE NBP SARMAYA IZAF A FUND	61,750	0.05%
CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	60,700	0.05%
CDC - TRUSTEE APF-EQUITY SUB FUND	59,700	0.05%
CDC - TRUSTEE NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND	59,650	0.05%
CDC-TRUSTEE ALHAMRA ISLAMIC PENSION FUND - EQUITY SUB FUND	49,500	0.04%
CDC - TRUSTEE ATLAS ISLAMIC DEDICATED STOCK FUND	36,500	0.03%
CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	34,240	0.03%
WELLCOME PAKISTAN LIMITED PROVIDENT FUND	31,650	0.03%
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	26,100	0.02%
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	25,900	0.02%
CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	25,800	0.02%
TRUSTEE-THE KOT ADDU POWER CO. LTD. EMPLOYEES PENSION FUND	20,000	0.02%
TRUSTEES OF PAKISTAN MOBILE COMMUNICATION LTD-PROVIDENT FUND	18,250	0.01%
CDC - TRUSTEE AKD INDEX TRACKER FUND	17,550	0.01%
EFG HERMES PAKISTAN LIMITED - MF	12,500	0.01%
PAKISTAN HUMAN DEVELOPMENT FUND	12,310	0.01%
ENGRO FERTILIZERS LIMITED NON-MPT EMPLOYEES GRATUITY FUND	10,050	0.01%
CDC - TRUSTEE FIRST HABIB STOCK FUND	8,600	0.01%
BYCO PETROLEUM PAKISTAN LIMITED EMPLOYEES PROVIDENT FUND	8,510	0.01%
CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	7,965	0.01%
THAL LIMITED EMPLOYEES PROVIDENT FUND	7,100	0.01%
CDC - TRUSTEE AGIPF EQUITY SUB-FUND	6,900	0.01%
CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	5,900	0.00%
CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND	5,800	0.00%
TRUSTEE-THE KOT ADDU POWER CO. LTD. EMPLOYEES PROVIDENT FUND	5,500	0.00%
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	5,100	0.00%
CDC - TRUSTEE AGPF EQUITY SUB-FUND	4,670	0.00%
BIPL SECURITIES LIMITED - MF	4,500	0.00%
N. U. A. SECURITIES (PRIVATE) LIMITED - MF	2,900	0.00%
BRISTOL-MYERS SQUIBB PAK (PVT) LTD EMP PROV FUND	2,350	0.00%
THAL LIMITED EMPLOYEES PROVIDENT FUND	2,320	0.00%
THE CRESCENT TEXTILE MILLS LTD EMPLOYEES PROVIDENT FUND	2,100	0.00%
CDC - TRUSTEE UBL DEDICATED EQUITY FUND	2,050	0.00%
ARIF HABIB LIMITED - MF	2,000	0.00%
TRUSTEE-ANPL MANAGEMENT STAFF PROVIDENT FUND	1,700	0.00%
TRUSTEE-ANPL MANAGEMENT STAFF GRATUITY FUND	1,650	0.00%
THAL LIMITED EMPLOYEES RETIREMENT BENEFIT FUND	1,150	0.00%
BAWA SECURITIES (PVT) LTD. - MF	800	0.00%
NOVO NORDISK PHARMA (PVT) LTD. STAFF PROV FUND	800	0.00%
TRUSTEES UBL FUND MANAGERS LTD. EMPLOYEES GRATUITY FUND	650	0.00%
GATRON (INDUSTRIES) LIMITED STAFF PROVIDENT FUND	550	0.00%
ADAM SECURITIES LTD. - MF	500	0.00%
TRUSTEES UBL FUND MANAGERS LTD. EMPLOYEE PROVIDENT FUND	400	0.00%
BVA (PRIVATE) LIMITED EMPLOYEES PROVIDENT FUND	250	0.00%
	11,802,760	9.47%

3 Directors and their spouses and children

Arshad Masood	17,667,219	14.18%
Aezaz Hussain	7,864,440	6.31%
Aezaz Hussain IRRV Grantor TR	7,898,267	6.34%
Asif Peer	8,040,455	6.45%
Neelam Hussain	104,621	0.08%
Romana Abdullah	550	0.00%
Asif Jooma	603	0.00%
Ayaz Dawood	32,500	0.03%
Syed Muhammad Shabbar Zaidi	553	0.00%
Omar Saeed	1,000	0.00%
Tahir Masaud	110	0.00%
	<u>41,610,318</u>	<u>33.39%</u>

4 Ex-Employees 21,349,667 17.13%

5 Executives 1,172,024 0.94%

6 Public Sector Companies and Corporations 787,498 0.63%

7 Banks DFIs and NBFIs, Insurance Companies, Modarabas and Pension Funds 6,161,200 4.94%

8 Foreign Companies

TUNDRA SUSTAINABLE FRONTIER FUND	7,537,100	6.05%
GREYHOUND ASIA FUND LIMITED	4,114,880	3.30%
EVLI EMERGING FRONTIER FUND	3,499,900	2.81%
DUET EM FRONTIER FUND LIMITED	1,722,200	1.38%
CONSILIUM EXTENDED OPPORTUNITIES FUND LP	1,262,360	1.01%
EAST CAPITAL	1,258,800	1.01%
EFG HERMES OMAN LLC	1,079,300	0.87%
JOM SILKKITIE ASIA EQUITY INVESTMENT FUND	623,900	0.50%
PEDDER STREET ASIA ABSOLUTE RETURN MASTER FUND LIMITED	591,600	0.47%
T. ROWE PRICE FUNDS SICAV - FRONTIER MKTS EQ F[000912600018]	419,300	0.34%
AL MEHWAR COMMERCIAL INVESTMENTS LLC	349,670	0.28%
COELI SICAV I - FRONTIER MARKETS FUND	342,630	0.27%
MCKINLEY CAPITAL MEASA FUND DEIC LIMITED	332,800	0.27%
RWC FRONTIER MARKETS EQUITY MASTER FUND LIMITED	218,100	0.18%
ARISTEA SICAV NEW FRONTIERS EQUITY FUND	189,700	0.15%
SILK INVEST NEW HORIZONS FRONTIER FUND	137,200	0.11%
ACADIAN FRONTIER MARKETS EQUITY FUND	90,100	0.07%
SILK-AFRICAN AND FRONTIER MARKETS FUND	77,000	0.06%
THE FAR EAST VALUE MASTER FUND LIMITED	74,000	0.06%
KYKLOS CAPITAL PARTNERS LP	28,000	0.02%
RWC FUNDS-RWC NEXT GENERATION EMERGING MARKETS EQUITY FUND	15,600	0.01%
	<u>23,964,140</u>	<u>19.23%</u>

9 Others/Public 10,833,388 8.69%

124,606,015 **100.00%**

Shareholders holding five percent or more voting rights

Arshad Masood	17,667,219	14.18%
Aezaz Hussain	7,864,440	6.31%
Aezaz Hussain IRRV Grantor TR	7,898,267	6.34%
Asif Peer	8,040,455	6.45%
Tundra Sustainable Frontier Fund	7,537,100	6.05%
Salma Humayun Mian	7,453,300	5.98%
	<u>38,793,562</u>	<u>31.13%</u>

E-Processing Systems (Pvt.) Limited

Information of shareholding as at 31 December 2020 as required under Code of Corporate Governance is as follows

Category	Shareholder's category	Number of shares held	Percentage %
1	Associated Companies, undertakings and related parties	-	-
	M/S Systems Limited	179,507	44.60%
		<u>179,507</u>	<u>44.60%</u>
2	Mutual Funds	-	-
3	Directors and their spouses and children		
	Aezaz Hussain	1	0.00%
	Asif Peer	13,948	3.47%
	Muhammad Yar Hiraaj	100,612	25.00%
	Neelam Hussain	13,947	3.47%
		<u>128,508</u>	<u>31.93%</u>
4	Executives	-	-
5	Foreign Investment (IFC)	80,491	20.00%
6	Banks DFIs and NBFIs, Insurance Companies, Modarabas and Pension Funds	-	-
7	Others	13,947	3.47%
		<u>402,453</u>	<u>100%</u>
<hr/>			
Shareholders holding five percent or more voting rights			
	Muhammad Yar Hiraaj	100,612	25.00%
	Systems Limited	179,507	44.60%
	International Finance Corporation	80,491	20.00%
		<u>360,610</u>	<u>89.60%</u>

PATTERN OF SHAREHOLDING - GROUP COMPANIES

The Shareholding in the Company as at 31 December 2020 is as follows:

TechVista Systems FZ-LLC

The Shareholding in the Company as at 31 December 2020 is as follows:

	Number of Shareholders	Number of shares held	Percentage of holding
Directors and their spouses and minor children	-	-	-
Associated Companies, undertakings and related parties	1	50	100%
Banks, DFIs and NBFIs	-	-	-
Insurance Companies	-	-	-
Modarbas and Mutual Funds	-	-	-
General Public	-	-	-
Joint Stock Companies	-	-	-
Others	-	-	-
	1	50	100%

Systems Ventures (Pvt) Limited

The Shareholding in the Company as at 31 December 2020 is as follows:

	Number of Shareholders	Number of shares held	Percentage of holding
Directors and their spouses and minor children	-	-	-
Associated Companies, undertakings and related parties	-	9,998	99.98%
Banks, DFIs and NBFIs	-	-	-
Insurance Companies	-	-	-
Modarbas and Mutual Funds	-	-	-
General Public	-	-	-
Joint Stock Companies	-	-	-
Others	2	2	0.02%
	2	10,000	100%

SUS (Pvt) Limited

The Shareholding in the Company as at 31 December 2020 is as follows:

	Number of Shareholders	Number of shares held	Percentage of holding
Directors and their spouses and minor children	-	-	-
Associated Companies, undertakings and related parties	1	9,499	94.99%
Banks, DFIs and NBFIs	-	-	-
Insurance Companies	-	-	-
Modarbas and Mutual Funds	-	-	-
General Public	-	-	-
Joint Stock Companies	-	-	-
Others	1	501	5.01%
	2	10,000	100%

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:
- 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";
 - 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.
 - To insert definition of "vesting period" which shall mean a period of two (2) years from the Date of Grant
 - To amend and approve minor linguistic changes in clauses 3.7, 6.1, 7.1 and 12.2.
 - 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:

- 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.
- 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	<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>28,649,008</td> </tr> <tr> <td>Shareholders' equity</td> <td>505,763</td> </tr> <tr> <td>Non-current liabilities</td> <td>-</td> </tr> <tr> <td>Current liabilities</td> <td>28,143,245</td> </tr> <tr> <th colspan="2">Profit & Loss A/C – 31 December 2020</th> </tr> <tr> <td>Revenue</td> <td>30,849,865</td> </tr> <tr> <td>Cost of revenue</td> <td>41,378,175</td> </tr> <tr> <td>Gross profit</td> <td>(10,528,310)</td> </tr> <tr> <td>Loss for the year</td> <td>(17,982,598)</td> </tr> </tbody> </table>	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)
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 result 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 results 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 078%.

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	44.60% 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
(B) General Disclosures		
(i)	maximum amount of investment to be made;	Rs. 340 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 increased working capital requirement of E-Processing Systems (Private) Limited arising due to expansion of operations and expected launch of new feature its product OneLoad.</p> <p>Benefit: The investment would support E-Processing Systems (Private) Limited in smoothly meeting growing working capital requirements due to expansion of operations and launching of new features in its product OneLoad. Expansion in operations and new features would generate profit for shareholders including investing company.</p> <p>Period of Investment: The period of investment shall be one (1) year and convertible into equity at the discretion of the investor.</p>
(iii)	sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds, -	Own Funds
	(i) justification for investment through borrowings;	N/A
	(ii) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and	
(iii) cost benefit analysis;		
(iv)	salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment;	Agreement is executed in line with section 199 of Companies Act, 2017.
(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. Aezaz Hussain, Chairman and Mr. Asif Peer, CEO of Systems Limited are also directors of E-Processing (Private) Limited Mr. Aezaz Hussain, Chairman, Mr. Arshad Masood, Director and Mr. Asif Peer, CEO of Systems Limited are also member in E-Processing Systems (Private) Limited either directly or through direct relatives.
(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	With this investment, E-Processing Systems (Private) Limited was able to develop its product OneLoad, launch its commercial operations in 2016 and met its working capital requirements. Since launch of commercial operation, E-Processing Systems (Private) Limited is able to multiply its revenues, number of transactions and number of retailers each month. Currently, OneLoad product is executing 3.6 million transactions per month while number of retailers using OneLoad product are around 10,000. 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 – Single category
(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%.

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 ANNUAL GENERAL MEETING

of Systems Limited held through video link on December 3, 2020 at 02:00 p.m.

Present:

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

Chairman
Chief Executive Officer
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.	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 Hussain

Minute No.	Description
	<ol style="list-style-type: none"> 2. Mr. Arshad Masood 3. Mr. Muhammad Asif Peer 4. Mr. Asif Jooma 5. Mr. Omar Saeed 6. Mr. Shabbar Zaidi 7. Ms. Romana Abdullah 8. Mr. Zubair Anjum <p>Based on the votes received from the shareholders of the meeting, seven (7) directors were elected on the Board of the Company.</p> <p>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> <ol style="list-style-type: none"> 1. Mr. Aezaz Hussain 2. Mr. Arshad Masood 3. Mr. Muhammad Asif Peer 4. Mr. Asif Jooma 5. Mr. Omar Saeed 6. Mr. Shabbar Zaidi 7. Ms. Romana Abdullah
3	<p>As there was no further business to be transacted, the Chair thanked all the members for attending and declared that meeting is closed.</p>



Chairman of the Meeting
December 3, 2020

SHAREHOLDERS' INFORMATION

REGISTERED OFFICE

E-1, Sehjpal Near DHA Phase - VIII (Ex-Air Avenue), Lahore Cantt.

T: +92 42 111-797-836

F: +92 42 3 636 8857

SHARE REGISTRAR

THK Associates (Private) Limited. Plot no 32-C, Jami Commercial, Street 2 DHA Phase VII, Karachi.

T: +92 (21) 111 000 332

F: +92 (21) 35310187

LISTING ON STOCK EXCHANGES

Ordinary shares of Systems Limited are listed on Pakistan Stock Exchange Limited.

STOCK CODE / SYMBOL

The stock code / symbol for trading in ordinary shares of Systems Limited at Pakistan Stock Exchange in SYS.

STATUTORY COMPLIANCE

During the year, the Company has complied with all applicable provisions, filed all returns/forms and furnished all the relevant particulars as required under the repealed Companies Ordinance, 1984 (Now, Companies Act, 2017) and allied rules, the Securities and Exchange Commission of Pakistan Regulations and the listing requirements.

DIVIDEND

The Board of Directors in their meeting held on 3rd March 2021 has proposed a dividend on ordinary shares at Rs. 3.50 per ordinary share and 10% bonus issue

BOOK CLOSURE DATES

Share Transfer Books of the Company will remain closed from 25 March 2021 to 31 March 2021 (both days inclusive).

DIVIDEND REMITTANCE

Ordinary dividend declared and approved at the Annual General Meeting will be paid within the statutory time limit of 30 days.

(i) For shares held in physical form: to shareholders whose names appear in the Register of Members of the Company after entertaining all requests for transfer of shares lodged with the Company on or before the book closure date.

(ii) For shares held in electronic form: to shareholders whose names appear in the statement of beneficial ownership furnished by CDC as at end of business on book closure date.

WITHHOLDING OF TAX & ZAKAT ON ORDINARY DIVIDEND

As per the provisions of the Income Tax Ordinance, 2001, income tax is deductible at source by the Company at the rate of 15% in case of filer and 30% in case on non-filer wherever applicable. Zakat is also deductible at source from the ordinary dividend at the rate of 2.5% of the face value of the share, other than corporate holders or individuals who have provided an undertaking for non-deduction.

DIVIDEND PAYMENTS

Cash dividends are paid through electronic mode directly into the bank account designated by the entitled shareholders.

GENERAL MEETINGS & VOTING RIGHTS

Pursuant to section 158 of repealed Companies Ordinance 1984 (now, section 132 of Companies Act, 2017) Systems Limited holds a General Meeting of shareholders at least once a year. Every shareholder has a right to attend the General Meeting. The notice of such meeting is sent to all the shareholders at least 21 days before the meeting and also advertised in at least one English and one Urdu newspaper having circulation in Karachi, Lahore and Islamabad. Shareholders having holding of at least 10% of voting rights may also apply to the Board of Directors to call for meeting of shareholders, and if the Board does not take action on such application within 21 days, the shareholders may themselves call the meeting.

All ordinary shares issued by the Company carry equal voting rights. Generally, matters at the general meetings are decided by a show of hands in the first instance. Voting by show of hands operates on the principle of "One Member-One Vote". If majority of shareholders raise their hands in favor of a particular resolution, it is taken as passed, unless a poll is demanded.

Since the fundamental voting principle in the Company is "One Share-One Vote", voting takes place by a poll, if demanded. On a poll being taken, the decision arrived by poll is final, overruling any decision taken on a show of hands.

INVESTOR'S GRIEVANCES

To date none of the investors or shareholders has filed any significant complaint against any service provided by the Company to its shareholders.

PROXIES

Pursuant to section 161 of repealed Companies Ordinance, 1984 (now, section 137 of Companies Act, 2017) and according to the Memorandum and Articles of Association of the Company, every shareholder of the Company who is entitled to attend and vote at a general meeting of the Company can appoint another member as his/her proxy to attend and vote instead of him/her. Every notice calling a general meeting of the Company contains a statement that a shareholder is entitled to appoint a proxy.

The instrument appointing a proxy (duly signed by the shareholder appointing that proxy) should be deposited at the office of the Company not less than forty-eight hours before the meeting.

SERVICE STANDARDS

Systems Limited has always endeavored to provide investors with prompt services. Listed below are various investor services and the maximum time limits set for their execution:

	For requests received through post	For requests received over the counter
Transfer of shares	30 days after receipt	30 days after receipt
Transmission of shares	30 days after receipt	30 days after receipt
Issue of duplicate share certificates	30 days after receipt	30 days after receipt
Change of address	2 days after receipt	1 day after receipt

Well qualified personnel of the Shares Registrar have been entrusted with the responsibility of ensuring that services are rendered within the set time limits.

WEB PRESENCE

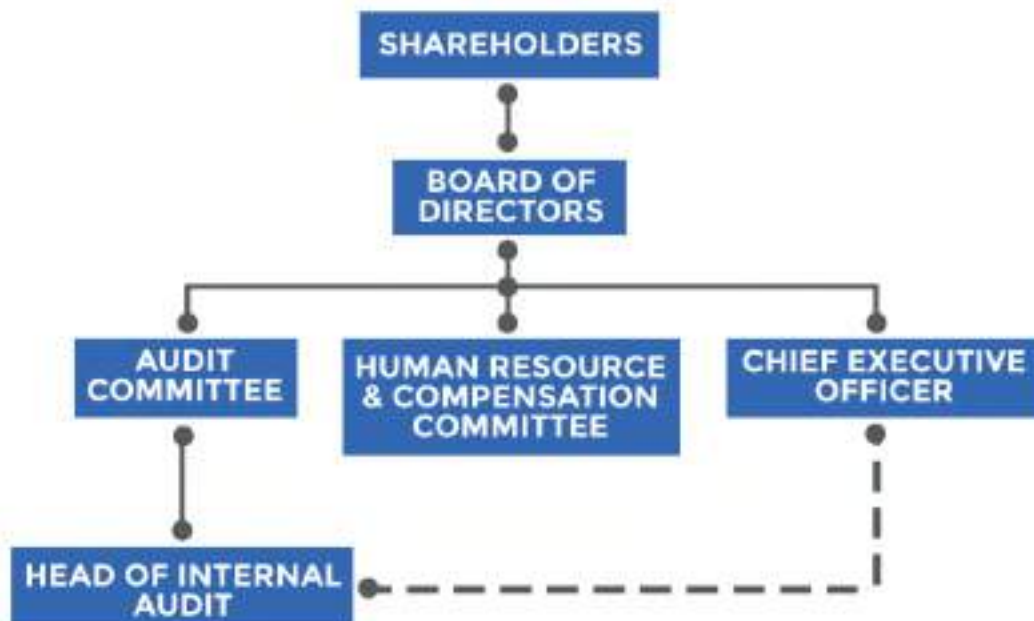
Updated information regarding the Company can be accessed at its website, www.systemsltd.com. The website contains the latest financial results of the Company together with the Company's profile.

Fundamental knowledge and understanding of financial market is crucial for the general public and lack of financial literacy or capability makes them vulnerable to frauds. SECP recognizes the importance of investor education and therefore initiated this investor education program, called 'JamaPunji', an investor training program, to promote financial literacy in Pakistan.

www.jamapunji.pk

CORPORATE GOVERNANCE

BOARD OF DIRECTORS & CORPORATE GOVERNANCE



ANNUAL EVALUATION OF THE BOARD & COMMITTEES

Board self-evaluation mechanisms facilitate the Board of Directors in evaluating and assessing its performance and ability to provide strategic leadership and oversight to the senior management of the Company. Accordingly, Questionnaires have been developed based on relevant criteria such as effectiveness, accountability, planning, leadership and strategy formulation by the Board and also its committees. Directors are asked to fill out these self-evaluation questionnaire which focuses on their participation and satisfaction with the different proceedings of the Board and their individual role as a member.

EQUAL TREATMENT OF SHAREHOLDERS

Systems limited provides every shareholder the right to attend or authorize to attend the AGM of the company.

Objective	Management response
Shares and voting rights	Each shareholder or his/her authorized representative are authorized to attend AGMs and vote independently. Proxy forms are available on company's website as well as distributed with notice of AGM.
Notices of AGM	All notices of AGM are published in Urdu & English in newspaper and simultaneously uploaded on company's website 21 days prior to the AGM.
Commitment to minority shareholders	The company is committed to creating value for minority shareholders and acting in their best interests through consistent dividend payments, transparent reporting and strong corporate governance.
Investor relations	The company has maintained a dedicated investor relations email as per applicable laws and regulations and all investor matters are directly & promptly addressed via this email.

BOD'S RESPONSIBILITIES

In 2020, Systems Limited BOD has actively complied with all the applicable laws and regulations to ensure value addition of the shareholders. Some key responsibilities of the Board are as follow:

- Monitoring the effectiveness of the company's governance practices and overall corporate strategy for the company is prepared, adopted and reviewed as and when deemed appropriate by the Board;
- Adequate systems and controls are in place for identification and redressal of grievances arising from unethical practices;
- A system of sound internal control is established, which is effectively implemented and maintained at all levels within the company; and
- A formal and effective mechanism is put in place for an annual evaluation of the Board's own performance, members of the Board and of its committees.
- Ensuring that significant policies along with their dates of approval or updating is maintained by the company.

AUDIT COMMITTEE RESPONSIBILITIES

In 2020, Systems Limited Audit Committee has actively supported the Board in all material aspects and has fulfilled its responsibilities as per the applicable laws and regulations. Some key responsibilities of the Audit Committee are as follows:

- Review of internal controls of the company to ensure safeguard the company's assets;
- Review of annual and interim financial statements of the company, prior to their approval by the Board
- Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary)
- Review of management letter issued by external auditors and management's response thereto;
- Ensuring coordination between the internal and external auditors of the company;
- Review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the company;
- Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- Monitoring compliance with these Regulations and identification of significant violations thereof;
- Recommend to the Board the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements, measures for redressal and rectification of non-compliances with the Regulations.

HUMAN RESOURCE AND COMPENSATION COMMITTEE RESPONSIBILITIES

- Recommendation to the Board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors and members of senior management).
- Recommending human resource management policies to the Board;
- Recommending to the Board the selection, evaluation, development, compensation (including retirement benefits) of senior management
- Consideration and approval on recommendations of chief executive officer on such matters for key management positions who report directly to chief executive officer or chief operating officer.

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.



Chartered Accountants
Lahore
10 March 2021

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 2020

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	1,416,645,076
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	2,844,845,556	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		

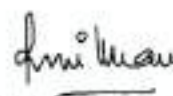
The annexed notes, from 1 to 43, form an integral part of these unconsolidated financial statements.



(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

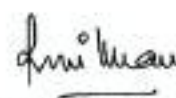
The annexed notes, from 1 to 43, form an integral part of these unconsolidated financial statements.



(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

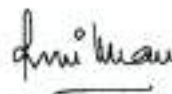
The annexed notes, from 1 to 43, form an integral part of these unconsolidated financial statements.



(CHAIRMAN)



(CHIEF EXECUTIVE OFFICER)



(CHIEF FINANCIAL OFFICER)

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 2019 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	10,857,750	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)
	10,857,750	102,757,736	5,777,003	(276,087,111)	(156,695,222)
Balance as at 31 December 2020	1,246,060,740	614,907,470	84,747,028	5,307,971,413	7,253,686,651

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 CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	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 straightline 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 writtendown 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 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.

3.20 Leases

3.20.1 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.

3.20.2 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.

3.21 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.

3.22 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.

3.23 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.

3.24 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	2020 Rupees	2019 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				2019				Net book value as at 31 December	Rate (%)
	Cost			As at 31 December	Accumulated Depreciation			As at 31 December		
	As at 01 January	Additions / Transfers	Disposals		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	535,882,365	6,841,245	-	542,724,730	28,052,455	19,520,624	-	41,573,279	501,151,221	2.5
Computer equipment and installations	458,284,843	107,336,746	(33,745,538)	531,876,051	286,167,379	164,131,849	(12,996,155)	377,303,073	174,572,977	33
Other equipment and installations	116,382,806	16,880,954	(44,300)	132,898,680	39,825,228	22,520,462	(44,300)	82,296,390	70,402,290	20
Generators and transformer	49,814,973	44,703,820	-	94,518,793	16,667,174	6,733,201	-	23,400,375	70,522,518	10
Furniture and fittings	107,095,320	18,802,046	(57,675)	125,839,691	53,768,222	6,110,355	(10,845)	61,668,732	63,978,967	10
Vehicles	216,248,739	72,958,254	(22,846,025)	266,360,968	57,615,853	46,951,051	(1,641,338)	94,925,566	171,435,412	20
Office equipment	43,334,502	1,660,785	-	45,000,297	14,541,591	4,195,643	-	18,647,574	26,352,723	10
Leasehold Building - improvements	20,118,599	24,571,156	-	44,690,755	3,192,862	6,738,379	-	5,932,281	34,758,474	24.5
	1,852,448,976	341,454,304	(38,600,533)	2,155,298,747	410,627,204	212,818,804	(22,750,838)	600,945,370	1,507,212,971	

DESCRIPTION	2019				2018				Net book value as at 31 December	Rate (%)
	Cost			As at 31 December	Accumulated Depreciation			As at 31 December		
	As at 01 January	Additions / Transfers	Disposals		As at 01 January	Depreciation charge for the year	Disposals			
	Rupees									
Land - free hold	53,030,412	292,247,289	-	345,277,701	-	-	-	-	345,277,701	-
Building on freehold land	491,875,528	44,067,837	-	535,943,365	14,206,756	19,843,698	-	28,052,454	507,830,911	2.5
Computers equipment and installations	335,126,679	(30,954,899)	(7,706,735)	296,465,045	231,847,727	61,250,209	(5,130,557)	286,167,379	172,107,464	33
Other equipment and installations	79,120,035	37,994,061	(31,170)	116,982,926	24,671,679	15,988,732	(240,182)	31,820,229	76,562,697	20
Generators	47,406,753	2,458,220	-	49,864,973	12,447,458	4,270,716	-	16,667,174	33,197,799	10
Furniture and fittings	90,172,405	18,201,240	(1,278,071)	107,095,320	48,753,293	5,755,361	(739,212)	53,768,222	53,329,106	10
Vehicles	199,939,602	105,737,074	(48,427,957)	257,248,719	39,039,888	35,320,732	(20,744,747)	57,615,853	156,632,866	20
Office equipment	40,844,236	2,580,286	(80,000)	43,334,502	10,841,247	3,743,059	(85,385)	14,541,591	26,797,571	10
Leasehold Building - improvements	8,703,220	11,336,379	-	20,118,599	2,957,455	6,738,379	-	3,192,962	16,926,637	24.5
	1,392,619,772	645,017,245	(54,624,554)	1,982,448,976	360,668,525	187,078,752	(27,430,982)	499,827,204	1,392,619,772	

4.1.1 The cost of owned assets include assets amounting to Rs. 379.5 (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	1641600	(864,000)	957,600	1,553,000	595,400	Company policy	Employees Ahmed Amat
Honda City	2,315,000	(347,247)	1,967,753	1,563,821	(403,932)	Company policy	Syed Saad Akhter
Honda City	1,924,000	(513,071)	1,410,929	1,923,995	513,067	Company policy	Samar Abbas
Toyota Altis 1.8	2,429,250	(369,673)	2,059,577	2,315,000	254,423	Company policy	Syed Afzal Nizam
Honda Civic 1.8	2,467,230	(249,202)	2,218,028	2,157,155	(60,862)	Company policy	Muhammad Wahe Third party
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	23,367,469	(20,462,179)	2,915,290	5,227,653	2,312,373		
2020	36,693,599	(22,700,638)	13,992,901	17,305,636	3,312,735		

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyer
Vehicles			Rupees				
Honda Civic	2,522,710	(1,680,320)	842,390	2,014,998	(1,172,608)	Company Policy	Employees Zahid Janjua
Honda Civic VTi	2,503,000	(782,388)	1,720,612	2,571,000	790,188	Company Policy	Imran Hussain
Corolla GLI	2,372,000	(553,467)	1,818,533	1,778,985	(39,548)	Company Policy	Abid Harif
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 Saad
Toyota Corolla 1.6 A/T	2,019,060	(1,486,253)	532,807	1,900,000	(1,367,793)	Company Policy	Salman Wajid
Honda City	1,903,500	(190,350)	1,713,150	1,668,386	(15,236)	Company Policy	Wasif Mothar
Honda City 1.8	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 Aspire	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	Wahe Ullah
Toyota Corolla GLI 1.3	1,537,000	(744,333)	792,667	1,537,305	744,638	Company Policy	Muhammad Ajaz
Toyota Altis 1.8	1,537,000	(875,864)	661,136	1,593,000	891,864	Company Policy	Aurangzeb
Honda Civic 1.8	2,153,000	(980,417)	1,172,583	1,427,347	54,564	Company Policy	Waseem Jaffer
Suzuki Cultus	1,137,110	(246,374)	890,736	1,537,000	646,264	Company Policy	Farhan Umair Third party
Honda Civic	2,337,268	(1,573,266)	764,002	1,950,000	(1,185,998)	Negotiation	Regal Motors
Honda City Aspire	1,873,000	(896,993)	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	58,823,379	(27,929,003)	30,909,076	47,652,992	1,743,916		

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

2020										
Particulars	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%

2019										
Particulars	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	29,971,545	-	131,899,345	31,108,678	33%

5.2 The cost of the intangibles include assets amounting to Rs. 130 million (2019: Rs. 817 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

	Note	2020 Rupees	2019 Rupees
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

8.13 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

8.14 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.

9. TRADE DEBTS	Note	2020 Rupees	2019 Rupees
Export	(9.1)	2,080,448,006	1,461,328,975
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	TechVista Systems FZ-LLC - UAE	Visionet Deutschland GMBH	TechVista Systems Pty 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	-	827,469	-	-	-
	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	1,354,441,340	1,039,540,709
	Visionet Deutschland GmbH	18,539,554	-
	TechVista Systems FZ-LLC - UAE	979,278,660	1,004,354,481
	TechVista Pty Limited - Australia	8,434,440	5,791,234
	TechVista Information Technology - Qatar	113,984,932	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	141,686,348
	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 expenses	11,473,122 3,061,469	6,264,346 28,273,442
	Advances to suppliers - against goods	14,534,591 49,224,901	34,537,788 96,724,366
	Loans to related parties	63,759,492	131,262,154
	Elimination on account of Joint Operation	(10.1) (10.2) (300,431,067)	392,839,270 (195,941,404)
	Other receivable	(10.3) 141,478,779	196,897,866
		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
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
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)			
Aifalah 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			
		2020	2019
		Rupees	Rupees
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
14. CASH AND BANK BALANCES			
Cash in hand		917,983	1,651,049
Balances with banks:			
Local currency:			
Current accounts		508,414,734	213,301,563
Saving accounts	(14.1)	395,180,848	862,698,678
		903,595,582	1,076,000,241
Foreign currency - current accounts		673,246,127	17,904,024
		1,577,759,692	1,095,555,314

14.1 These carry markup at the rate of 3.10% to 1150% (2019: 9% to 11.25%) per annum.

		2020 Rupees	2019 Rupees
15. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL			
	2020 (Number of shares)		2019 (Number of shares)
	24,533,095	23,447,380	Ordinary shares of Rs. 10/- each fully paid in cash
	100,072,919	100,072,919	Ordinary shares of Rs. 10/- each fully paid up as bonus shares
	124,606,014	123,520,299	
		1,246,050,140	1,235,202,990

15.1 Reconciliation of ordinary shares

	2020 (Number of shares)	2019 (Number of shares)		2020 Rupees	2019 Rupees
	123,520,299	112,213,548	Balance at 01 January	1,235,202,990	1,122,195,480
	-	11,221,354	Bonus shares issued	-	112,213,540
	1,085,715	85,397	Stock options exercised	10,857,150	853,970
	124,606,014	123,520,299	Balance at 31 December	1,246,050,140	1,235,202,990

	Note	2020 Rupees	2019 Rupees
16. CAPITAL RESERVES			
Share premium reserve	(16.1)	614,907,470	512,149,734
Employee compensation reserve	(16.2)	84,747,028	78,970,025
		699,654,498	591,119,759

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 SEOP. 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.

16.2.1 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 Number	Weighted average exercise price Rupees	Number of options Number
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	(766,884)	-	-
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.

16.2.2 The weighted average remaining contractual life for the share options outstanding as at 31 December 2020 is 3.80 years (2019: 3.81 years)

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

16.2.4 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)

16.2.5 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%	35%
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	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			
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 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			
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	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	2019
	Rupees	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	2019
	Rupees	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	88,669,355	104,154,979

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

22. SHORT TERM BORROWINGS	Note	2020	2019
		Rupees	Rupees
MCB Bank Limited	(22.1)	550,000,000	450,000,000
Habib Metropolitan Bank Limited	(22.2)	700,000,000	200,000,000
		1,250,000,000	650,000,000

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. 975 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(A) 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.

23.12 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.

23.13 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.

23.14 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

23.15 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. 20190 (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:

Note	2020		
	Export	Local	Total
Type of goods or services	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 (24.11)	-	(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)	-	(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

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

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

	Note	2020 Rupees	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 Rupees	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 Rupees	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.

	Note	2020 Rupees	2019 Rupees
26. SELLING AND DISTRIBUTION EXPENSES			
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	99,893,155

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

	Note	2020 Rupees	2019 Rupees
27. ADMINISTRATIVE EXPENSES			
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	864,576
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.

	Note	2020 Rupees	2019 Rupees
27.2 Auditors' remuneration			
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

	Note	2020 Rupees	2019 Rupees
28. OTHER OPERATING EXPENSES			
Allowance for ECLs / provision for doubtful debts			
- Contract assets	(8.13)	9,812,284	(11,760,292)
- Trade debts	(9.3)	179,039,124	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		-	15,40,964
		134,740,418	139,025,203

	Note	2020 Rupees	2019 Rupees
29. OTHER INCOME			
Income from financial assets:			
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:			
Gain on disposal of property and equipment	(4.4)	3,312,735	16,743,906
Others		854,568	1,368,106
		4,177,303	18,112,012
		272,645,254	342,646,042
30. FINANCE COSTS			
Markup on guarantee commission		1,257,216	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			
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.

	2020 Rupees	2019 Rupees
31.2 Reconciliation of tax charge for the year:		
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	(10,650,702)	-
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.

	2020 Rupees	2019 Rupees
31.3 Deferred tax		
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 less 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	-	43,719,944
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	66,135,769
		72,464,830	176,796,127

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	4,807,946,072	2,996,803,645	805,320,285	475,098,051	725,770,389	548,982,712	1,995,496,842	1,988,762,577	7,319,786,889	5,814,588,712
Cost of revenue	(2,282,476,676)	(1,664,852,689)	(488,179,688)	(295,380,103)	(572,819,574)	(472,000,527)	(1,251,815,878)	(1,113,261,148)	(4,778,766,821)	(3,272,865,217)
Gross profit	1,915,379,396	1,291,947,353	326,140,597	179,717,948	152,950,815	76,982,185	743,680,964	875,501,429	2,541,020,068	1,541,723,495
Selling and distribution expenses	(57,468,723)	(52,517,257)	(4,224,688)	(793,879)	(1,462,348)	(4,375,237)	(93,955,103)	(97,453,125)	(118,794,268)	(108,843,634)
Administrative expenses	(334,546,294)	(281,207,113)	(86,340,928)	(49,420,875)	(58,397,832)	(51,076,532)	(40,484,824)	(44,947,715)	(995,849,348)	(440,477,938)
Profit (loss) before taxation and unallocated income and expenses	1,483,324,655	917,622,106	245,365,003	128,493,211	86,495,612	17,225,916	264,445,118	182,747,629	2,716,336,434	1,225,725,915
Unallocated income and expenses:										
Other operating expenses									(104,748,478)	(106,020,205)
Other income									272,645,254	342,845,042
Financial costs									(49,974,192)	(29,254,073)
									87,926,587	61,496,672
Profit before taxation									2,693,344,523	1,943,027,319
Taxation									(73,474,103)	(18,545,882)
Profit for the year									2,620,870,420	1,924,481,437

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, plant and equipment	-	-	-	-	-	-	1,500,856,243	14,916,545,000	1,500,856,243	14,916,545,000
Intangible assets	-	-	-	-	-	-	21,245,689	26,057,310	21,245,689	26,057,310
Rights-of-use assets	-	-	-	-	-	-	204,396,352	145,883,345	204,396,352	145,883,345
Long term investments	-	-	-	-	-	-	272,073,147	27,007,387	272,073,147	27,007,387
Long term deposits	-	-	-	-	-	-	36,327,382	5,933,757	36,327,382	5,933,757
Advance against purchase of land	-	-	-	-	-	-	-	22,756,080	-	22,756,080
Contract assets	-	-	102,078,321	422,620	177,720,980	103,180,387	164,207,520	246,547,876	513,940,818	414,270,823
Trade receivables	1,100,080,958	1,157,793,724	25,295,838	35,755,517	875,674,823	775,079,884	441,986,683	392,881,837	2,418,470,499	1,799,488,122
Loans, advances and other receivable	-	-	-	-	-	-	205,366,771	120,360,020	205,366,771	120,360,020
Trade deposits and short term prepayments	-	-	-	-	-	-	107,826,545	136,644,302	107,826,545	136,644,302
Interest accrued	-	-	-	-	-	-	86,416,000	2,497,982	86,416,000	2,497,982
Short term investments	-	-	-	-	-	-	2,644,845,199	180,000,000	2,644,845,199	180,000,000
Tax refunds due from government	-	-	-	-	-	-	66,907,594	752,770,076	66,907,594	752,770,076
Cash and bank balances	-	-	-	-	-	-	1,977,799,642	1,995,566,314	1,977,799,642	1,995,566,314
Total operating assets	1,100,080,958	1,157,793,724	25,295,838	35,755,517	875,674,823	775,079,884	4,441,048,822	5,184,096,020	9,844,048,822	6,117,756,642
Segment operating liabilities										
Long term advances	-	-	-	-	-	-	53,897,620	26,884,774	53,897,620	26,884,774
Lease liabilities	-	-	-	-	-	-	86,435,537	129,388,921	86,435,537	129,388,921
Long term loan	-	-	-	-	-	-	98,015,227	98,015,227	98,015,227	98,015,227
Deferred grant	-	-	-	-	-	-	6,336,696	6,336,696	6,336,696	6,336,696
Trade and other payables	-	-	-	-	-	-	738,770,430	543,167,360	738,770,430	543,167,360
Contract liabilities	-	-	-	-	-	-	88,846,499	104,764,874	88,846,499	104,764,874
Make-up accounts and short term borrowings	-	-	-	-	-	-	6,804,146	4,871,984	6,804,146	4,871,984
Short term bank loans	-	-	-	-	-	-	1,250,000,000	600,000,000	1,250,000,000	600,000,000
Current portion of lease liabilities	-	-	-	-	-	-	37,864,731	24,264,365	37,864,731	24,264,365
Current portion of long term loan	-	-	-	-	-	-	100,754,617	-	100,754,617	-
Current portion of deferred grant	-	-	-	-	-	-	3,895,686	3,895,686	3,895,686	3,895,686
Current portion of long term advances	-	-	-	-	-	-	10,754,786	11,220,763	10,754,786	11,220,763
Total operating liabilities	-	-	-	-	-	-	2,880,462,967	2,081,744,931	2,880,462,967	2,081,744,931

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	731,670,475
		Out of pocket expenses	108,692,945	207,349,832
E Processing Systems (Private) Limited	Subsidiary	Loan - not advanced / (settled)	(52,466,094)	(47,562,504)
		Interest income	19,036,863	25,720,520
SUB JV (Private) Limited	Subsidiary	Loan - not advanced / (settled)	(2,950,892)	26,271,512
		Interest income	2,479,259	1,666,388
Visionet Systems Incorporation - USA	Associate	Sales	4,270,475,128	2,057,631,422
		Out of pocket expenses	27,478,070	78,774,889
Visionet Deutschland GMBH	Associate	Sales	890,852,370	-
TechVista Pty Limited - Australia	Associate	Sales	5,391,955	5,020,382
GI Insurance Limited	Associate	Sales	9,414,589	15,551,674
		Purchase of insurance policies	35,220,909	25,964,549
Dawood Family Takaful Limited	Associate	Purchase of insurance policies	5,293,286	3,993,750
Staff retirement fund		Contribution	177,022,980	118,363,070
TechVista Information Technology - Qatar	Associate	Sales	95,176,466	26,228,121

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	Base of Association	Percentage of shareholding
TechVista Systems FZ LLC	UAE	TechVista Systems LLC, Office 503, 6th Floor, Exchange Tower, Business Bay, Dubai, UAE	Subsidiary	100%
TechVista Systems LLC	UAE	TechVista Systems LLC, Office 503, 6th Floor, Exchange Tower, Business Bay, Dubai, UAE	Sub-Subsidiary	-
TechVista Systems Manpower LLC	UAE	TechVista Systems LLC, Office 503, 6th Floor, Exchange Tower, Business Bay, Dubai, UAE	Sub-Subsidiary	-

Name of Company	Details			
	Country of Incorporation	Registered Address	Base of Association	Percentage of shareholding
TechVista Pty Limited	Australia	G Seat 3, 30 Cowper Street, Parramatta NSW 2750	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, Munich, Germany	Associate	-
TechVista Information Technology	Qatar	TechVista IT WLL, 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	59,096,079
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. 2176 (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 Rupees	2019 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	36,485,086
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, its objectives, policies and processes for measuring and managing risk, and its 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	2019
		Rupees	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	175,734
	-1	(4,213,054)	(175,734)
Reporting date rate:			
USD		159.8	154.7
AUD		123.3	109.5
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	2019
	Rupees	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	158,473,576
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
	7,554,769,910	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	7,694,701
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 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 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
	----- Rupees -----				
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	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	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	1,798,031,919

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	2019
		Rupees Un-audited	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

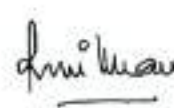
Figures have been rounded off to the nearest of rupees, unless otherwise stated.



(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>Further, as referred to in Note 33 to the accompanying consolidated financial statements, a significant portion of the Group's revenue 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 the performance obligations in accordance

Key Audit Matters	How the matter was addressed in our audit
<p>is with related parties.</p> <p>Revenue is recognized based on performance obligations as mentioned in Note 3.15 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>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.

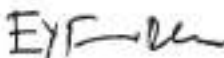
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we 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
		<u>1,967,445,306</u>	<u>1,848,766,033</u>
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
		<u>2,985,104,566</u>	<u>1,516,152,353</u>
		<u>9,508,481,944</u>	<u>5,529,450,468</u>
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
		<u>7,829,624,251</u>	<u>5,549,590,053</u>
Non-controlling interest		146,389,075	(20,655,613)
		<u>7,976,013,326</u>	<u>5,528,934,440</u>
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	-
		<u>397,218,670</u>	<u>185,202,554</u>
Current liabilities	20	<u>1,186,129,984</u>	<u>771,932,212</u>
Trade and other payables		7,617,635	8,345,525
Unclaimed dividend	21	297,554,223	164,423,043
Contract liabilities	22	1,449,000,000	672,000,000
Short term borrowings		9,804,362	4,873,969
Mark-up accrued on short term borrowings		37,983,731	29,284,595
Current portion of lease liabilities		10,754,706	13,220,163
Current portion of long term advances		100,754,617	-
Current portion of long term loan		3,095,996	-
Current portion of deferred grant		<u>3,102,695,254</u>	<u>1,664,079,507</u>
TOTAL EQUITY AND LIABILITIES		11,475,927,250	7,378,216,501

CONTINGENCIES AND COMMITMENTS

23

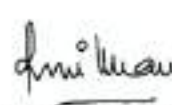
The annexed notes, from 1 to 43, form an integral part of these consolidated financial statements.



(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

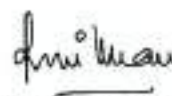
The annexed notes, from 1 to 43, form an integral part of these consolidated financial statements.



(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			
Balance as on 01 January 2019	1,02,19,480	50,511,893	27,588,378	-	26,888,070	2,486,343,457	4,35,367,84	(1,21,590)	4,98,990,584
Total comprehensive income for the year	-	-	-	-	22,434,748	1,587,276,854	1,658,751,670	(73,264,043)	1,587,367,567
Impact of adoption of IFRS-16	-	-	-	-	-	(87,080,734)	(87,080,734)	-	(87,080,734)
Transaction with owners:									
Issue of share capital:								5,870	5,870
Exercise of share options	853,579	8,637,895	(2,422,708)	-	-	-	5,066,753	-	5,066,753
Forfeited share options	-	-	(2,085,587)	-	-	2,585,507	-	-	-
Share based payments	-	-	55,909,956	-	-	-	55,909,956	-	55,909,956
Bonus issue	70,213,540	-	-	-	-	(70,213,540)	-	-	-
Final dividend for the year ended 31 December 2019 at the rate of Rs. 2 per share	-	-	-	-	-	(224,427,096)	(224,427,096)	-	(224,427,096)
	70,213,540	-	-	-	-	(224,427,096)	(224,427,096)	5,870	(50,442,977)
Balance as on 31 December 2019	1,23,5,22,960	57,141,734	78,279,025	-	49,242,756	3,074,824,540	5,549,556,252	(20,025,613)	5,529,024,440
Total comprehensive income for the year	-	-	-	-	13,164,823	2,209,645,830	2,219,750,653	(45,348,247)	2,174,402,606
Revenue reserve of subsidiary (Note 12.7)	-	-	-	-	-	19,366,928	19,366,928	-	19,366,928
Transaction with owners:									
Exercise of share options	16,657,350	102,797,664	(26,300,430)	-	-	-	75,284,384	-	75,284,384
Issue of shares at premium	-	-	-	-	-	-	-	212,362,935	212,362,935
Gain on dilution of interest (Note 12.5)	-	-	-	197,809,708	-	-	197,809,708	-	197,809,708
Forfeited share options	-	-	(6,017,956)	-	-	1,622,733	(1,194,343)	-	(1,194,343)
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)
	16,657,350	102,797,664	5,777,033	197,809,708	-	(277,920,824)	40,936,617	212,362,935	253,307,352
Balance as at 31 December 2020	1,24,6,28,310	674,937,403	94,747,028	197,809,708	59,347,679	5,576,952,155	7,070,225,123	346,395,075	7,976,018,328

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 2020

	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 SIJS (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 (ie., 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 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.

3.7.3 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

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
	Rupees						
Vehicles							Employees
Honda City	1,841,600	684,000	957,600	2,014,988	1,057,388	Group Policy	Ahmed Azmat
Honda City	2,318,000	347,247	1,967,793	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	Samer Abbas
Toyota Altis 1.8	2,420,250	388,678	2,050,577	2,279,000	228,423	Group Policy	Syed Afzal Nizam
Honda Civic 1.8	2,487,230	249,202	2,238,028	1,930,970	(287,098)	Group Policy	Muhammad Waqar
Toyota Corolla GLI	2,558,000	85,286	2,472,734	1,868,386	(604,348)	Group Policy	Third party Pac 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	10,724,857	23,856,956	16,887,801	10,180,538	3,312,735		
							Employees
Honda Civic	2,522,710	1,680,320	842,390	2,014,988	1,172,598	Group Policy	Zehid Anjua
Honda Civic VTI	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	Ahmed Saeed
Toyota Altis 1.6	2,278,000	417,817	1,861,183	2,279,000	417,817	Group Policy	Nasreen Anwar
Honda Civic 1.8	2,082,600	301,630	1,930,970	1,930,970	-	Group Policy	Ahmed Saeed
Toyota Corolla 1.6 A/T	2,010,080	1,486,253	532,808	1,900,000	1,367,192	Group Policy	Salman Waheed
Honda City	1,903,500	390,350	1,513,150	1,868,386	355,236	Group Policy	Wasif Noor
Honda City 1.3	1,873,000	437,033	1,435,967	1,720,350	293,383	Group Policy	Zohaib Hassan
Honda Brio	1,815,785	423,683	1,392,102	1,733,000	340,898	Group Policy	Imran Javed Za
Corolla Altis 1.6	1,810,500	331,925	1,478,575	1,810,500	331,925	Group Policy	Basir Bekht
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	1,583,840	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	1,567,080	405,225	Group Policy	Shoaib Ali
Honda Civic 1.8	1,537,000	719,562	817,438	1,537,000	719,562	Group Policy	Wajid Ullah
Toyota Corolla GLI 1.3	1,537,000	744,333	792,667	1,537,305	744,638	Group Policy	Muhammad Ajaib
Toyota Altis 1.8	1,537,000	875,864	661,136	1,553,000	891,864	Group Policy	Aurangzeb
Honda Civic 1.8	2,353,000	980,417	1,372,583	1,427,347	54,564	Group Policy	Wasim Jaffer
Suzuki Cultus	1,137,110	246,374	890,736	1,537,000	646,264	Group Policy	Farhan Umair
							Third party
Honda Civic	2,337,268	1,573,266	764,002	1,950,000	1,185,998	Negotiation	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	7,763,797	4,333,072		
2019	60,297,712	28,946,545	31,281,167	48,005,673	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	
Computer software and licenses	325,817,444	-	-	325,817,444	148,099,517	29,129,294	-	177,229,811	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	
Computer software and licenses	282,552,678	42,263,766	-	325,817,444	11,586,760	38,533,267	-	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

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

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

The maximum aggregate amount outstanding by reference to month-end balances was as follows:

	2020 Rupees	2019 Rupees
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	-	-	8,676,800	-
	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:

	Note	2020 Rupees	2019 Rupees
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

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	Note	2020 Rupees	2019 Rupees
	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	Note	2020 Rupees	2019 Rupees
	Security deposits		347,689,182	189,824,046
	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			
	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)			
	Alfalalah 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	Ordinary shares of Rs. 10/- each fully paid in cash	245,330,950	234,473,800
	100,072,919	100,072,919	Ordinary shares of Rs. 10/- each fully paid up as bonus shares	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	Balance at 1 January	1,235,202,990	1,122,135,480
	-	11,221,354	Issuance of bonus shares	-	112,213,540
	1,085,715	85,397	Stock options exercised	10,857,150	853,970
	124,606,014	123,520,299	Balance at 31 December	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	Number of options	Weighted average exercise price	Number of options
	Rupees	Number	Rupees	Number
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.		
18. LONG TERM LOAN	Note	2020 Rupees	2019 Rupees
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.

19. LEASE LIABILITIES	2020 Rupees	2019 Rupees
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 2020 Rupees	Principal outstanding
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	60,925,880
	297,478,700	70,085,432	227,393,268

	Lease Rentals	Finance cost for future periods 2019 Rupees	Principal outstanding
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

20. TRADE AND OTHER PAYABLES

	Note	2020 Rupees	2019 Rupees
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	819,578
		1,106,129,984	771,932,212

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.

22. SHORT TERM BORROWINGS

	Note	2020 Rupees	2019 Rupees
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(A) 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		Total
	Export	Local	
	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		Total
	Export	Local	
	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.

24.11 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.

	Note	2020 Rupees	2019 Rupees
25. COST OF REVENUE			
	(25.1)	5,251,513,969	3,859,160,870
Commission paid		202,988,942	208,929,953
E-link connectivity charges		7,100,617	7,632,166
Printing and stationery		1,732,581	1,239,613
Computer supplies		20,886,069	32,271,290
Rent, rates and taxes		8,389,411	6,848,439
Electricity, gas and water		47,409,042	50,564,690
Traveling and conveyance		100,839,087	176,629,357
Repair and maintenance		12,405,269	15,741,434
Postage, telephone and telegrams		72,107,402	62,863,507
Vehicle running and maintenance		25,303,832	21,990,257
Entertainment		26,756,350	28,451,139
Fee and subscriptions		59,044,261	16,385,313
Insurance		5,201,344	7,065,035
Depreciation	(4.3)	183,243,480	127,712,309
Amortization	(5.3)	24,917,618	31,584,129
Depreciation of right-of-use	(6.1)	15,379,034	13,919,406
Other		13,647,344	22,092,982
		6,078,865,652	4,691,081,889
Purchase of software for trading		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

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 Rupees	2019 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 Rupees	2019 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 Rupees	2019 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

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
	(Rupee)									
Revenue from contracts with customers	4,367,846,372	2,955,906,842	625,305,235	475,048,251	2,899,810,070	2,236,071,777	1,993,865,030	1,767,882,490	6,876,827,718	7,525,648,000
Cost of revenue	(2,352,470,678)	(1,584,852,875)	(496,773,658)	(295,793,703)	(2,218,934,870)	(1,781,750,814)	(1,570,393,717)	(1,424,300,205)	(8,819,492,203)	(9,365,331,006)
Gross profit	1,975,375,694	1,292,047,353	1,068,531,577	179,254,548	680,875,200	454,320,963	423,471,313	343,582,285	8,057,335,515	8,160,317,000
Distribution expenses	(17,409,729)	(12,027,251)	(4,824,898)	(1,933,876)	(7,462,548)	(4,375,287)	(172,199,782)	(93,175,367)	(291,024,328)	(174,002,397)
Administrative expenses	(324,640,794)	(301,987,312)	(86,349,826)	(48,420,151)	(219,841,510)	(276,258,721)	(192,487,243)	(172,009,011)	(1,023,305,584)	(898,066,990)
Profit / (loss) before taxation and unallocated income and expenses	(442,047,595)	(313,424,560)	(70,385,824)	(50,354,027)	(225,304,958)	(296,295,088)	(264,818,917)	(231,724,778)	(2,223,325,205)	(871,069,383)
Unallocated income and expenses:										
Other operating expenses									(220,985,251)	(164,512,074)
Other income									235,291,038	310,401,575
Finance cost									(88,898,679)	(47,022,323)
Profit before taxation									(51,994,906)	(107,637,429)
Taxation									2,202,258,059	1,931,274,519
Profit for the year									(17,736,847)	(176,362,910)

32.1 Allocation of assets and liabilities

	North America		Europe		Middle East		Pakistan		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	(Rupee)									
Segment operating assets										
Property and equipment	-	-	-	-	8,216,270	13,559,391	1,510,458,304	1,418,904,334	1,518,895,516	1,432,463,695
Intangibles	-	-	-	-	-	-	204,249,277	186,748,196	204,249,277	186,748,196
Right-of-use assets	-	-	-	-	-	-	204,396,392	145,899,345	204,396,392	145,899,345
Long term investments	-	-	-	-	-	-	-	-	-	-
Long term deposits	-	-	-	-	-	-	35,496,070	54,945,797	35,496,070	54,945,797
Advance against purchase of land	-	-	-	-	-	-	28,750,000	-	28,750,000	-
Contract assets	-	-	192,918,321	422,820	253,079,192	288,623,338	187,882,568	230,637,093	642,780,091	517,883,251
Trade debts	1,193,980,956	675,799,704	20,255,835	20,755,507	590,595,553	621,296,781	660,784,306	481,222,560	2,772,785,741	1,741,674,142
Loans, advances and other receivable	-	-	-	-	22,126,945	13,677,238	63,292,237	121,262,764	95,419,102	145,239,292
Trade deposits and short term prepayments	-	-	-	-	67,547,869	17,868,641	240,825,479	300,520,979	498,473,847	428,328,629
Interest accrued	-	-	-	-	-	-	38,452,000	2,491,952	38,452,000	2,491,952
Other receivables	-	-	-	-	78,282,800	80,021,432	3,071,871	-	161,376,003	163,103,364
Short term investments	-	-	-	-	-	-	2,644,845,556	780,093,000	2,644,845,556	1,900,000,000
Tax refunds due from government	-	-	-	-	-	-	171,975,691	209,458,328	171,975,691	209,458,328
Cash and bank balances	-	-	-	-	1,013,436,573	386,734,372	1,971,666,040	1,326,477,981	2,985,104,564	1,518,752,353
Total operating assets	1,193,980,956	675,799,704	212,274,167	21,179,417	2,311,484,528	1,621,021,203	8,051,187,548	5,900,270,667	17,475,827,262	7,378,316,581
Segment operating liabilities										
Long term advances	-	-	-	-	-	1,184,852	54,857,626	26,866,774	53,897,809	28,692,726
Lease liabilities	-	-	-	-	-	-	96,400,597	129,188,921	185,493,937	129,188,921
Long term loan	-	-	-	-	-	-	98,013,227	-	98,013,227	-
Deferred grant	-	-	-	-	-	-	8,330,896	-	8,330,896	-
Trade and other payables	-	-	-	-	441,404,672	232,847,385	744,725,372	557,774,440	1,189,129,954	716,421,805
Contract liabilities	-	-	-	-	204,028,045	50,728,171	92,926,770	10,694,872	297,554,222	154,423,043
Mark-up accrued on short term borrowings	-	-	-	-	-	-	6,804,362	4,873,969	6,804,362	4,873,969
Short term borrowings	-	-	-	-	-	-	1,449,000,000	672,000,000	1,449,000,000	672,000,000
Unclaimed dividend	-	-	-	-	-	-	7,017,895	8,345,525	7,017,895	8,345,525
Provision for gratuity	-	-	-	-	47,399,384	8,871,314	-	-	47,399,384	8,871,314
Current portion of lease liabilities	-	-	-	-	-	-	37,963,151	23,204,005	37,963,151	23,204,005
Current portion of long term loan	-	-	-	-	-	-	160,754,837	-	160,754,837	-
Current portion of deferred grant	-	-	-	-	-	-	3,095,996	-	3,095,996	-
Current portion of long term advances	-	-	-	-	-	-	10,754,706	13,228,762	10,754,706	13,228,762
Total operating liabilities	-	-	-	-	1,633,638,041	294,030,902	2,899,283,693	1,555,201,250	3,499,913,924	1,846,262,061

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
	Note		
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	1,798,992,575
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	19,581
	-1	(7,039,373)	(19,581)
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:

Fixed Rate Instruments	2020	2019
Financial assets	Rupees	Rupees
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	198,757,844	-
Lease Liabilities	227,393,268	-
Short term borrowings	1,250,000,000	650,000,000
	1,676,151,112	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	1,012,093,872
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		Agency	2020	2019
		Long term			----- Rupees -----	
Banks						
Habib Metropolitan Bank	A1+	AA+	PACRA	2,528,702,856	831,599,449	
Bank Islami Pak	A1	A+	PACRA	7,594,420	7,594,101	
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		2020	2019
		Long term	Agency	Rupees	
Mutual funds					
Al-Ameen Asset Islamic Allocation Fund	Not Available	Not Available	Not Available	51,952,710	-
Alfalalah 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	Rupees		
			Less than one year	One to five years	More than five years
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	Rupees		
			Less than one year	One to five years	More than five years
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	Total
		Financial assets at amortized cost	
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	Total
		Financial assets at amortized cost	
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	2019
	Financial liabilities at amortized cost	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:

- 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
- 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		190,767,844	-
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		107%	162%

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 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	26.5%
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:		
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)

FORM OF PROXY

44th Annual General Meeting

I/We _____
son/daughter of _____
a member of Systems Limited and holder of _____ shares as
per Registered Folio No. _____ do hereby appoint Mr./Ms. _____
son/daughter of _____ or failing him/her
Mr./Ms. _____
son/daughter of _____
who is also member of the Company vide Registered Folio No. _____
as my/our Proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the
Company to be held on 31 March 2021 at 10:50am through video link.

In witness whereof on this _____ day of _____ 2021

WITNESSES:

1. Signature _____
Name _____
Address _____
CNIC _____

Affix Revenue
Stamp

2. Signature _____
Name _____
Address _____
CNIC _____

Member's Signature

NOTES:

1. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote his/her behalf. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the meeting.
2. The instrument appointing a proxy should be signed by the member or by his attorney duly authorized in writing. If a member is a corporation, its common seal should be affixed to the instrument.



AFFIX
CORRECT
POSTAGE

The Company Secretary
Systems Limited
E-1, Sohpat Near DHA Phase -VII
(Ex - Air Officer), Lahore Cantt.

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