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SYSTEMS LIMITED

STANDALONE FINANCIAL STATEMENTS

Building a better working world

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 2021, 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 2021 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 Matter

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 is the key audit matter:

Key Audit Matter	How the matter was addressed in our audit
1. Revenue recognition	
The Company's revenue is derived from multiple revenue streams, as referred to in Note 27 to the accompanying unconsolidated financial statements, including outsourcing services for business processes and various IT services, and software sale in the form of short term and long-term projects.	**Our audit procedures, amongst others, included:** ● 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;

Key Audit Matter	How the matter was addressed in our audit
The Company's revenue is derived from multiple revenue streams, as referred to in Note 27 to the accompanying unconsolidated financial statements, including outsourcing services for business processes and various IT services, and software sale in the form of short term and long-term projects.	● Obtaining an understanding of and testing the design and operating effectiveness of controls over the revenue recognition process; ● Selecting a sample of revenue transactions recognized during the year and performing substantive procedures which include verification of supporting documentation 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 reviewing compliance of contractual terms with the Companies (Related Party Transactions and Maintenance of Related Records) Regulations 2018; ● 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:19 March 2022

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 Rupees	2020 Rupees
ASSETS			
Non-current assets			
Property and equipment	4	2,006,791,106	1,507,959,243
Intangibles	5	23,717,704	21,345,888
Long term investments	6	1,331,133,678	272,073,147
Right-of-use assets	7	288,981,476	204,396,352
Long term loans	8	36,796,454	-
Deferred employee benefits		10,344,054	-
Long term deposits	9	141,294,105	36,127,162
Deferred taxation - net	34	75,060,282	-
		3,914,118,859	2,041,901,792
Current assets			
Contract assets	10	333,597,502	533,940,810
Trade debts	11	3,445,521,825	2,438,437,498
Loans, advances and other receivable	12	538,568,661	205,366,771
Current portion of deferred employee benefits		2,890,139	-
Trade deposits and short term prepayments	13	248,588,820	187,928,945
Interest accrued	14	30,922,102	38,450,000
Short term investments	15	4,866,676,912	2,644,845,556
Tax refunds due from the Government	16	207,375,462	166,007,954
Cash and bank balances	17	1,652,613,846	1,577,759,692
		11,326,755,269	7,792,737,226
TOTAL ASSETS		15,240,874,128	9,834,639,018
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
400,000,000 (2020: 200,000,000) ordinary shares of Rs. 10/- each		4,000,000,000	2,000,000,000
Issued, subscribed and paid-up share capital	18	1,384,989,120	1,246,060,140
Capital reserves	19	1,020,484,116	699,654,498
Revenue reserve: Un-appropriated profit		8,067,856,280	5,307,971,413
		10,473,329,516	7,253,686,051
Non-current liabilities			
Long term advances	20	81,111,314	53,857,626
Long term loan	21	-	98,013,227
Deferred grant		-	8,338,896
Lease liabilities	22	238,881,185	189,409,537
		319,992,499	349,619,286
Current liabilities			
Trade and other payables	23	1,162,101,750	722,653,295
Unclaimed dividend		9,226,244	7,617,635
Contract liabilities	24	378,374,906	88,669,355
Short term borrowings	25	2,750,000,000	1,250,000,000
Accrued mark-up on borrowings		13,702	9,804,346
Current portion of long term loan	21	76,816,085	100,754,617
Current portion of deferred grant		1,958,993	3,095,996
Current portion of lease liabilities	22	62,195,197	37,983,731
Current portion of long term advances		6,865,236	10,754,706
		4,447,552,113	2,231,333,681
TOTAL EQUITY AND LIABILITIES		15,240,874,128	9,834,639,018

CONTINGENCIES AND COMMITMENTS 26

The annexed notes, from 1 to 44, 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 2021

	Note	2021 Rupees	2020 Rupees
Revenue from contracts with customers - net	27	11,903,583,911	7,513,766,845
Cost of revenue	28	(7,912,442,628)	(4,715,786,027)
		3,991,141,283	2,797,980,818
Gross profit			
Selling and distribution expenses	29	(188,926,692)	(118,654,595)
Administrative expenses	30	(981,346,043)	(499,987,819)
Other operating expenses	31	(4,355,753)	(134,740,418)
		(1,174,628,488)	(753,382,832)
Operating profit		2,816,512,795	2,044,597,986
Other income	32	620,344,533	272,645,254
Finance costs	33	(84,291,698)	(49,914,195)
Profit before taxation		3,352,565,630	2,267,329,045
Taxation	34	(31,874,154)	(73,414,103)
Profit for the year		3,320,691,476	2,193,914,942
Earnings per share			(Restated)
Basic earnings per share	38	24.12	16.05
Diluted earnings per share	38	23.89	15.85

The annexed notes, from 1 to 44, 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 2021

	2021 Rupees	2020 Rupees
Profit for the year	**3,320,691,476**	2,193,914,942
Other comprehensive income	**-**	-
Total comprehensive income for the year	**3,320,691,476**	2,193,914,942

The annexed notes, from 1 to 44, 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 2021

	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 2020	1,235,202,990	512,149,734	78,970,025	3,390,143,582	5,216,466,331
Profit for the period	-	-	-	2,193,914,942	2,193,914,942
Other comprehensive income	-	-	-	-	-
Transactions with owners					
Exercise of share options	10,857,150	102,757,736	(38,330,430)	-	75,284,456
Share based payments	-	-	47,125,289	-	47,125,289
Forfeited share options	-	-	(3,017,856)	1,833,713	(1,184,143)
Final dividend for the year ended 31 December 2019 at the rate of Rs. 2.25 per share	-	-	-	(277,920,824)	(277,920,824)
	10,857,150	102,757,736	5,777,003	(276,087,111)	(156,695,222)
Balance as on 31 December 2020	1,246,060,140	614,907,470	84,747,028	5,307,971,413	7,253,686,051
Profit for the period	-		-	3,320,691,476	3,320,691,476
Other comprehensive income				-	-
Transactions with owners					
Exercise of share options	14,305,290	205,355,887	(113,923,684)	-	105,737,493
Share based payments	-	-	229,493,849	-	229,493,849
Deferred tax on share based payments			29,344,233	-	29,344,233
Forfeited share options	-	-	(29,440,667)	-	(29,440,667)
10% Bonus shares issued	124,623,690	-	-	(124,623,690)	-
Final dividend for the year ended 31 December 2020 at the rate of Rs. 3.5 per share	-	-	-	(436,182,919)	(436,182,919)
	138,928,980	205,355,887	115,473,731	(560,806,609)	(101,048,011)
Balance as at 31 December 2021	**1,384,989,120**	**820,263,357**	**200,220,759**	**8,067,856,280**	**10,473,329,516**

The annexed notes, from 1 to 44, 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 2021

	Note	2021 Rupees	2020 Rupees
Operating activities			
Profit before taxation		**3,352,565,630**	2,267,329,045
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation on property and equipment	4.3	**289,384,085**	212,818,804
Depreciation on right-of-use asset	7.1	**47,762,423**	40,471,141
Amortization of intangibles		**16,779,370**	20,988,822
Exchange gain on translation of export debts	32	**(334,461,103)**	(55,134,623)
Other Income (other than exchange gain and unrealized gain)	32	**(170,676,591)**	(183,929,404)
Unrealized gain on ivestments classified as fair value through profit or loss	32	**(115,206,839)**	(7,343,304)
Share based payment expense		**229,397,415**	45,941,146
Software under development written off		**11,226,032**	-
Allowance for ECLs / provision for doubtful debts:			
- contract assets	31	**17,546,844**	9,812,284
- trade debts	31	**(30,110,275)**	119,039,124
Tax receivables written off		**-**	5,889,010
Bad debts - written off	31	**16,919,184**	-
Finance costs	33	**84,291,698**	49,914,195
		62,852,243	258,467,195
Working capital changes			
Contract Assets		**196,026,336**	(127,624,174)
Trade debts		**(971,833,619)**	(711,439,121)
Loans, advances and other receivable		**(310,682,618)**	144,997,314
Trade deposits and short term prepayments		**(60,659,875)**	(55,995,111)
Trade and other payables		**410,277,253**	173,665,685
Contract Liabilities		**289,705,551**	(15,485,624)
		(447,166,972)	(591,881,031)
		(2,968,250,901)	1,933,915,209
Finance costs paid		**(91,354,191)**	(24,732,884)
Taxes paid		**(119,130,742)**	(38,336,368)
Increase in long term advances		**23,364,218**	24,523,395
Net cash generated from operating activities		**2,781,130,186**	1,895,369,352
Investing activities			
Purchase of property and equipment		**(811,566,898)**	(290,033,960)
Development expenditures		**(30,377,218)**	(3,677,392)
Sale proceeds from disposal of property and equipment		**39,955,227**	17,305,636
Short term investments - net		**(2,106,624,518)**	(1,857,502,251)
Increase in long term loan		**(49,480,031)**	-
Increase in long term investment		**(1,059,060,531)**	(99,980)
Dividend income		**17,701,867**	2,502,253
Profit received on deposit accounts		**27,785,398**	25,119,146
Profit received on short term investments		**92,988,031**	94,201,454
Increase / (decrease) in long term deposits		**(108,458,365)**	15,812,635
Net cash used in investing activities		**(3,987,137,038)**	(1,996,372,459)
Financing activities			
Increase in short term borrowings		**1,500,000,000**	600,000,000
(Decrease) / increase in long term loan		**(134,155,808)**	210,000,000
Proceeds from exercise of share options		**105,737,493**	75,284,456
Payment of principal portion of lease liabilities		**(55,317,983)**	(50,135,594)
Dividend paid		**(434,574,310)**	(278,648,714)
Net cash generated from financing activities		**981,689,392**	556,500,148
(Decrease) / increase in cash and cash equivalents		**(224,317,460)**	455,497,041
Net foreign exchange difference		**299,171,614**	26,707,337
Cash and cash equivalents at the beginning of the year		**1,577,759,692**	1,095,555,314
Cash and cash equivalents at the end of year	17	**1,652,613,846**	1,577,759,692

The annexed notes, from 1 to 44, 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 2021

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 TechVista Systems FZ- LLC, SUS JV (Private) Limited and Systems Ventures (Private) Limited and associated company namely E-Processing Systems B.V have been accounted for at cost less accumulated impairment losses, if any.

1.1

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

Business Units	Geographical Location	Address
Head Office Lahore	Lahore	E-1, Sehjpal, Near DHA Phase-VIII (Ex-Air Avenue), 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
Regional Office	Multan	Plot No. 842/23 near Northern Bypass Chowk, Bosan Road, Multan
Regional Office	Faisalabad	Jahal Khanewal, Main East Canal Road, Old Ehsan Yousaf Mill, Ali Fatima Science College near Faisal hospital, Faisalabad.
BPO Office	Lahore	Commercial building Plaza No 1, Block -CCA, Phase 8C, DHA Lahore Cantt

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 3.16)

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 3.21)

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.

2.4.7 Share based payment

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The Company measures the fair value of equity-settled transactions with employees at the grant date using a black Scholes Model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 18.2.5.

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 Changes in accounting policies and disclosures resulting from amendments in standards during the year

The Company has adopted the following amendments of IFRS which became effective for the current year:

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS-16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest

- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued

- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The adoption of the above amendments to accounting standards did not have any material effect on the financial statement.
Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Company has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

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.

3.3.3 Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- When receivables and payables are stated with the amount of sales tax included the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the unconsolidated statement of financial position.

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 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 4.1. Depreciation charge commences from the month in which the asset is available for use and continues until the month of disposal.

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

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

3.4.2 Capital work-in-progress

Capital work in progress represents expenditure on property and equipment which are in the course of construction and installation. Transfers are made to relevant property and equipment category as and when assets are available for use.
Capital work-in-progress is stated at cost less identified impairment loss, if any.

3.5 Intangibles

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

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

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

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

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

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

- Intangible asset will generate probable future economic benefits.

- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

- The Company's ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

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

3.6 Impairment of non-financial assets

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

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

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

3.7 Staff benefits

The Company has the following plans for its employees:

3.7.1 Provident fund

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

3.7.2 Employees' share option scheme

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

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

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

3.8 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 3.18.4 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 in 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 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 to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chief Executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax assets, liabilities and related income and expenditures.

For management purposes, the Systems Limited is organized into business units based on their geographical areas and has four reportable operating segments namely, North America, Europe, Middle East and Pakistan. No operating segments have been aggregated to form the above reportable operating segments.

The Executive Management Committee is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the unconsolidated financial statements.

3.16 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:

3.16.1 Software implementation

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.

For contracts where revenue will be recognized over time, the company uses input method for measuring Percentage of Completion (PoC) by taking into account the cost incurred to date as a percentage of total budgeted cost.

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.

3.16.2 Outsourcing services

Outsourcing services include business process outsourcing services (BPO) and IT services. Revenue is recognized under each category as below:

a) BPO services

The performance obligation of the Company is to perform the various business activities outsourced by the customers. Revenue is recognized over time on the basis of activities performed, as the customer simultaneously receives and consumes the benefits provided by the Company's performance.

b) IT services

The performance obligation of the Company is to make available the resources to perform various IT services as per the requirement of the customer. Resource efforts are controlled by the customer and revenue is recognized over time on the basis of hours of resources made available to the customer, as the customer simultaneously receives and consumes the benefits provided by the Company's performance.

3.16.3 Software Trading

Software trading represents the sale of software licenses and 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 the license is delivered to the customer.

3.16.5 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.

3.16.6 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.

3.17 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.

3.18 Financial instruments - Initial recognition and subsequent measurement

3.18.1 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.

Classification

3.18.2 **Classification of financial assets**

3.18.2.1 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.

Classification of financial liabilities

3.18.2.2 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

Subsequent measurement

3.18.3 **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.

3.18.4 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 defaults 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.

3.18.5 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.

3.18.6 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 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.

3.19 Finance costs

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

3.20 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.

3.21 Leases

3.21.1 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.

3.21.2 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.

3.22 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.

3.23 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.

3.24 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:

IFRS 17 Insurance Contracts

"In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:"

- A specific adaptation for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement

- That a right to defer must exist at the end of the reporting period

- That classification is unaffected by the likelihood that an entity will exercise its deferral right

- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies theamendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company expects that the adoption of the above improvements to the standards will have no material effect on the Company's financial statements, 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 January 2004
IFRS 17 - Insurance Contracts	01 January 2023

The Company expects that the adoption of the above standards will have no material effect on the Company's financial statements, in the period of initial application.

4. PROPERTY AND EQUIPMENT

	Note	2021 Rupees	2020 Rupees
Operating fixed assets	(4.1)	1,983,978,164	1,507,212,971
Capital work in progress	(4.2)	22,812,942	746,272
		2,006,791,106	1,507,959,243

4.1 Operating fixed assets

2021

DESCRIPTION	Cost: As at 01 January	Cost: Additions / Transfers	Cost: Disposals	Cost: As at 31 December	Accumulated Depreciation: As at 01 January	Accumulated Depreciation: Depreciation charge for the year	Accumulated Depreciation: Disposals	Accumulated Depreciation: As at 31 December	Net book value as at 31 December	Rate (%)
	-----Rupees-----									
Land - free hold	394,038,279	-	-	394,038,279	-	-	-	-	394,038,279	-
Building on freehold land	542,724,710	33,410,848	-	576,135,558	41,573,379	13,797,715	-	55,371,094	520,764,464	2.5
Computers	464,305,686	460,718,771	(9,344,255)	915,680,202	317,365,099	126,485,131	(8,742,507)	435,107,723	480,572,479	33
Computer equipment and installations	87,570,364	80,568,271	(1,656,054)	166,482,581	59,937,974	25,773,728	(1,194,585)	84,517,117	81,965,464	33
Other equipment and installations	132,698,680	21,007,777	-	153,706,457	62,296,390	26,090,206	(99,421)	88,287,175	65,419,282	20
Generators and transformer	93,928,893	6,606,088	-	100,534,981	23,406,375	9,377,043	-	32,783,418	67,751,563	10
Furniture and fittings	125,839,699	19,189,693	(427,730)	144,601,662	61,860,732	9,298,120	(343,945)	70,814,907	73,786,755	10
Vehicles	266,360,97	134,603,300	(48,530,780)	352,433,498	94,925,566	62,850,467	(26,326,832)	131,449,201	220,984,297	20
Office equipment	45,000,297	712,810	(99,421)	45,613,686	18,647,574	4,100,512	-	22,748,086	22,865,600	10
Leasehold Building - Improvements	44,690,755	32,682,670	-	77,373,425	9,932,281	11,611,163	-	21,543,444	55,829,981	24.5
	2,197,158,341	789,500,228	(60,058,240)	2,926,600,329	689,945,370	289,384,085	(36,707,290)	942,622,165	1,983,978,164	

2020

DESCRIPTION	Cost: As at 01 January	Cost: Additions / Transfers	Cost: Disposals	Cost: As at 31 December	Accumulated Depreciation: As at 01 January	Accumulated Depreciation: Depreciation charge for the year	Accumulated Depreciation: Disposals	Accumulated Depreciation: As at 31 December	Net book value as at 31 December	Rate (%)
	-----Rupees-----									
Land - free hold	345,277,701	48,760,578	-	394,038,279	-	-	-	-	394,038,279	-
Building on freehold land	535,883,365	6,841,345	-	542,724,710	28,052,455	13,520,924	-	41,573,379	501,151,331	2.5
Computers	381,501,427	92,893,278	(10,089,019)	464,305,686	241,319,171	85,430,005	(9,384,077)	317,365,099	146,940,587	33
Computer equipment and installations	76,783,416	14,443,468	(3,656,520)	87,570,364	44,848,208	18,701,844	(3,612,078)	59,937,974	27,632,390	33
Other equipment and installations	116,382,926	16,360,054	(44,300)	132,698,680	39,820,228	22,520,462	(44,300)	62,296,390	70,402,290	20
Generators and transformer	49,814,973	44,113,920	-	93,928,893	16,667,174	6,739,201	-	23,406,375	70,522,518	10
Furniture and fittings	107,095,328	18,802,046	(57,675)	125,839,699	53,769,222	8,110,355	(18,845)	61,860,732	63,978,967	10
Vehicles	216,248,739	72,958,264	(22,846,025)	266,360,978	57,615,853	46,951,051	(9,641,338)	94,925,566	171,435,412	20
Office equipment	43,339,502	1,660,795	-	45,000,297	14,541,931	4,105,643	-	18,647,574	26,352,723	10
Leasehold Building - Improvements	20,119,599	24,571,156	-	44,690,755	3,192,962	6,739,319	-	9,932,281	34,758,474	24.5
	1,892,446,976	341,404,904	(36,693,539)	2,197,158,341	499,827,204	212,818,804	(22,700,637)	689,945,370	1,507,212,971	

4.1.1 The cost of operating fixed assets include assets amounting to Rs. 367.43 (2020: Rs. 293.7) 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	2021 Rupees	2020 Rupees
	Civil work		22,812,942	-
	Advance against purchase of computers		-	746,272
		(4.2.1)	22,812,942	746,272

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

	Note	2021	2020
Balance at the beginning of the year		746,272	24,025,244
Additions during the year		31,578,703	13,251,015
Transfer to operating fixed assets		(9,512,033)	(36,529,987)
Balance at the end of the year	(4.2.2)	22,812,942	746,272

4.2.2 This represents the ongoing civil work in various offices of the Company.

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

	Note	2021	2020
Cost of revenue	(28)	244,257,655	182,934,914
Selling and distribution expenses	(29)	3,181,372	2,285,163
Administrative expenses	(30)	41,945,058	27,598,727
		289,384,085	212,818,804

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------	------------			**Employees**
Toyota Corolla Altis	3,403,000	-	3,403,000	3,403,000	-	Company policy	Riaz Ahmad
Honda Civic	2,727,500	(1,318,287)	1,409,213	2,727,480	1,318,267	Company policy	Moh. Umar Hayat
Toyota Corolla Altis	2,676,220	(87,237)	2,588,983	2,503,020	(85,963)	Company policy	Usman Younas
Honda City	2,518,330	(292,749)	2,225,581	2,320,000	94,419	Company policy	Mehwish Sarwar
Honda City	2,330,510	(815,681)	1,514,829	2,279,000	764,171	Company policy	Asif Sajjad
Honda City	1,949,000	(779,594)	1,169,406	1,251,892	82,486	Company policy	Muh. Masud Akram
Corolla Grande	1,876,780	(781,997)	1,094,783	1,803,000	708,217	Company policy	Saad Usmani
Honda City	1,865,300	(715,026)	1,150,274	1,661,593	511,319	Company policy	Yasir Mahmood
Aggregate of items of property and equipment with individual book value below Rs. 500,000	40,711,600	(31,916,719)	8,794,881	22,006,242	13,211,361		
2021	**60,058,240**	**(36,707,290)**	**23,350,950**	**39,955,227**	**16,604,277**		

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyer
Vehicles		------------	------Rupees------	------------			**Employees**
Honda City	1,641,600	(684,000)	957,600	1,553,000	595,400	Company policy	Ahmed Azmat
Honda City	2,315,000	(347,247)	1,967,753	1,563,821	(403,932)	Company policy	Syed Saud Akhter
Honda City	1,924,000	(513,071)	1,410,929	1,923,996	513,067	Company policy	Samar Abbas
Toyota Altis 1.8	2,420,250	(369,673)	2,050,577	2,315,000	264,423	Company policy	Syed Afzal Nizam
Honda Civic 1.8	2,467,230	(249,202)	2,218,028	2,157,166	(60,862)	Company policy	Muh. Wajhe Ullah
							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	23,367,459	(20,452,179)	2,915,280	5,227,653	2,312,373		
2020	36,693,539	(22,700,638)	13,992,901	17,305,636	3,312,735		

5.	INTANGIBLES	Note	2021 Rupees	2020 Rupees
	Computer software and licenses	(5.1)	23,717,704	10,119,856
	Software under development		-	11,226,032
			23,717,704	21,345,888

5.1 Computer software and licenses

2021										
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 (%)
	----------Rupees----------									
Computer software and licenses	163,008,023	30,377,218	-	193,385,241	152,888,167	16,779,370	-	169,667,537	23,717,704	33%

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 (%)
	----------Rupees----------									
Computer software and licenses	163,008,023	-	-	163,008,023	131,899,345	20,988,822	-	152,888,167	10,119,856	33%

5.2 The cost of the intangibles include assets amounting to Rs. 159.60 million (2020: Rs. 130 million) with nil book value.

5.3 Amortization charge for the year has been allocated as follows:	**Note**	**2021 Rupees**	2020 Rupees
Cost of revenue	**(28)**	**14,696,490**	17,672,598
Selling and distribution expenses	**(29)**	**125,969**	255,061
Administrative expenses	**(30)**	**1,956,911**	3,061,163
		16,779,370	20,988,822

6. LONG TERM INVESTMENTS

	Note	**2021 Rupees**	2020 Rupees
Investment In subsidiaries - at cost - unquoted			
E-Processing Systems (Private) Limited	**(6.1)**	**-**	270,500,227
TechVista Systems FZ- LLC	**(6.2)**	**1,377,950**	1,377,950
Systems Ventures (Private) Limited	**(6.3)**	**99,980**	99,980
SUS-JV (Private) Limited	**(6.4)**	**94,990**	94,990
		1,572,920	272,073,147
Advance against issuance of shares	**(6.5)**	**1,059,060,531**	-
		1,060,633,451	272,073,147
Investment In associate - at cost - unquoted			
E-Processing Systems B.V.	**(6.1)**	**270,500,227**	-
		1,331,133,678	272,073,147

6.1 During the year, the shareholders of E-Processing Systems (Private) Limited, under Paragraph 13B of Chapter 20 of Foreign Exchange Manual, applied to the State Bank of Pakistan (SBP) to incorporate a holding company outside Pakistan. The application was acknowledged by the SBP vide its letter no. SBPHOK-EPD-INVTCR-MBL-82659 dated March 26, 2021 and Meezan Bank Limited (MBL) was appointed as authorized dealer in this regard.

Accordingly, acompanynamed E-Processing Systems B.V. was incorporated in Netherlands and the company swapped / mirrored their shares with 179,507 fully paid ordinary shares of equal value at USD 0.01/-each, representing 44.60% shares in E-Processing Systems B.V. However, during the year Bill & Melinda Gates Foundation has made an investment of USD 2 million in irredeemable preference shares carrying 11.33% voting rights in E-Processing Systems B.V. The resultant dilution of voting rights has led to loss of control of the Company over E-Processing Systems B.V.

6.2 This represents 50 fully paid ordinary shares of AED 1,000/- each, representing 100% (2020: 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 9,998 fully paid ordinary shares of Rs. 10/- each, representing 99.98% (2020: 99.98%) 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.

6.4 This represents 9,499 full paid ordinary shares of Rs. 10/- each, representing 94.99% (2020: 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.

6.5 **This represent the advances provided to following entities against issuance of shares:**	**Note**	**2021 Rupees**	2020 Rupees
To subsidiaries:			
- TechVista Systems FZ- LLC		**425,881,340**	-
- Systems Ventures (Private) Limited	**(6.5.1)**	**488,610,295**	-
To associated undertaking			
- TechVista Information Technology - Qatar (TVS Qatar)	**(6.5.1)**	**144,568,896**	-
		1,059,060,531	-

6.5.1 The interest has been charged at the rate of one year KIBOR in accordance with the requirement of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017.

6.6 During the year, Systems Arabia for Information Technology, a wholly owned subsidiary was incorporated in Saudi Arabia. As of reporting date, no investment has been transferred in that entity, however the incorporation expense of this subsidiary were born by the Company as disclosed in Note 12.3.

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	**2021 Rupees**	2020 Rupees
As at 01 January		**204,396,352**	145,860,345
Additions		**132,347,547**	99,007,148
Depreciation expense	**(7.1)**	**(47,762,423)**	(40,471,141)
As at 31 December		**288,981,476**	204,396,352

7.1 **The depreciation charge for the year on right-of-use assets has been allocated as follows:**	**Note**	**2021 Rupees**	2020 Rupees
Cost of revenue	**(28)**	**11,324,118**	15,379,034
Selling and distribution expenses	**(29)**	**4,114,002**	2,832,980
Administrative expenses	**(30)**	**32,324,303**	22,259,128
		47,762,423	40,471,142

8. LONG TERM LOANS

Considered good - secured			
Due from executives	**(8.1)**	**36,796,45**	-

8.1 **Due from executives**	**Motor Vehicle**	**Other Loans**	**Total**	**Total**
Undiscounted amount paid	**52,883,000**	**6,000,000**	**58,883,000**	-
Deferred employee benefits	**(12,864,750)**	**(688,547)**	**(13,553,297)**	-
Fair value of long term loans	**40,018,250**	**5,311,453**	**45,329,703**	-
Unwinding of discount	**465,828**	**84,788**	**550,616**	-
Repayments	**(577,500)**	**-**	**(577,500)**	-
	39,906,578	**5,396,241**	**45,302,819**	-
Receivable within one year	**6,387,013**	**2,119,352**	**(8,506,365)**	-
	33,519,565	**3,276,889**	**36,796,454**	-
Outstanding for period:				
- less than three years but over one year			**18,417,710**	-
- more than three years			**18,378,745**	-
			36,796,455	-

8.2 These interest free loans are repayable between 18 to 60 months and are granted to the executives of the Company, in accordance with their terms of employment. These are secured against post dated cheques. In accordance with IFRS 9-Financial instruments, these loans were initially recognized at fair value using effective interest rates ranging from 9.54% to 11.97%. The difference between cash paid and present value of cash inflows upon initial recognition has been recognized as deferred employee benefits.

9. LONG TERM DEPOSITS

	Note	2021 Rupees	2020 Rupees
Lease buildings			-
Undiscounted amount paid		**9,000,000**	-
Effect of discounting		**(3,346,450)**	-
Fair vale of long term deposits		**5,653,550**	-
Unwinding of discount		**55,028**	-
Balance as at 31 December		**5,708,578**	
Others			
Utilities and other deposits		**135,585,527**	36,127,162
		141,294,105	36,127,162

10. CONTRACT ASSETS - UNSECURED

	Note	2021 Rupees	2020 Rupees
Unbilled revenue	(10.1)	**269,843,450**	481,344,379
Retention money		**63,754,052**	52,596,431
		333,597,502	533,940,810

10.1 Unbilled revenue

	Note	2021 Rupees	2020 Rupees
Export	(10.1.1)	**8,922,950**	374,294,987
Local		**283,152,957**	192,062,180
		292,075,907	566,357,167
Less: Allowance for ECL	(10.1.3)	**(22,232,457)**	(85,012,788)
	(10.1.4)	**269,843,450**	481,344,379

10.1.1 This includes amount not yet billed to related parties, Visionet Deutschland GMBH, TechVista Systems FZ - LLC and Visionet - UK amounting to Rs. 1.32 million (2020: 187.61), Nil (2020: Rs. 177.72) million and Rs. 4.95 (2020: Rs. Nil) million, respectively. Aging analysis of these balance is as follows:

	2021		
	Rupees		
	VISIONET DEUTSCHLAND GMBH	**" TECH VISTA SYSTEMS FZ-LLC - UAE "**	**VISIONET - UK**
- Not more than three months	**1,319,204**	**-**	**4,944,629**
- More than three months but not more than six months	**-**	**-**	**-**
- More than six months but not more than twelve months	**-**	**-**	**-**
- More than twelve months	**-**	**-**	
	1,319,204	**-**	**4,944,629**

	2020		
	Rupees		
	VISIONET DEUTSCHLAND GMBH	" TECH VISTA SYSTEMS FZ-LLC - UAE "	VISIONET - UK
- 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	-	-
- More than twelve months	-	-	-
	187,608,243	177,720,960	-

10.1.2	The maximum aggregate amount outstanding by reference to month-end balances was as follows:	2021 Rupees	2020 Rupees
	Visionet Deutschland GMBH	364,294,404	275,359,167
	Tech Vista Systems FZ-LLC - UAE	446,699,415	332,591,864
	Visionet - UK	65,474,644	-

10.1.3	Allowance for ECL		
	As at 01 January	85,012,788	75,200,504
	Expense / (recovery) for the year - net	17,546,844	9,812,284
	Transferred to allowance for ECL against debtors	(80,327,175)	-
	As at 31 December	22,232,457	85,012,788

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

11. TRADE DEBTS

	Note	2021 Rupees	2020 Rupees
Export	(11.1)	2,581,300,038	2,080,448,006
Local		1,146,212,451	589,763,256
		3,727,512,489	2,670,211,262
Less: Allowance for ECL	(11.3)	(281,990,664)	(231,773,764)
		3,445,521,825	2,438,437,498

11.1 These include unsecured receivables from related parties against outsourcing services. As per contracts with related parties, billing terms range from monthly to quarterly basis and payment is generally due within 30 days from the date of billing. Detail of related party balances along with aging analysis of the amounts is as follows:

2021

Rupees

	VISIONET SYSTEMS INCORPORATION - USA	VISIONET - UK	TECHVISTA SYSTEMS FZ-LLC - UAE	VISIONET DEUTSCHLAND GMBH	TECHVISTA PTY LIMITED AUSTRALIA	TECHVISTA INFORMATION TECHNOLOGY QATAR
- WITHIN 30 DAYS	680,082,110	19,515,971	257,539,780	109,174,344	510,640	13,436,530
- 31 - 90 DAYS	1,079,214,053	-	-	-	1,021,280	27,612,876
- 91 - 270 DAYS	-	-	-	-	3,063,840	129,665,276
- 271 - 365 DAYS	-	-	-	-	2,042,560	82,882,517
- ABOVE 365 DAYS	-	-	-	-	3,846,032	83,513,223
	1,759,296,163	19,515,971	257,539,780	109,174,344	10,484,352	337,110,422

2020

Rupees

	VISIONET SYSTEMS INCORPORATION - USA	VISIONET - UK	TECHVISTA SYSTEMS FZ-LLC - UAE	VISIONET DEUTSCHLAND GMBH	TECHVISTA PTY LIMITED AUSTRALIA	TECHVISTA INFORMATION TECHNOLOGY QATAR
- 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	-	490520	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

11.2	The maximum aggregate amount outstanding by reference to month-end balances was as follows:	Note	2021 Rupees	2020 Rupees
	Visionet Systems Incorporation - USA		**2,415,544,828**	1,354,441,348
	Visionet Deutschland GMBH		**293,166,527**	18,539,554
	TechVista Systems FZ-LLC - UAE		**829,780,295**	979,278,668
	TechVista Pty Limited - Australia		**10,484,352**	8,434,440
	TechVista Information Technology - Qatar		**481,679,317**	113,964,932
			4,030,655,319	2,474,658,942

11.3	Allowance for ECL	Note	2021 Rupees	2020 Rupees
	As at 01 January		**231,773,764**	135,106,696
	Addition during the year		**50,216,900**	119,039,124
	Transferred from provision for ECL against contract assets		**80,327,175**	-
	Expense for the year		**130,544,075**	119,039,124
	Balances written off during the year		**(80,327,175)**	(22,372,056)
	As at 31 December	(11.3.1)	**281,990,664**	231,773,764

11.3.1 These include allowance for ECLs against receivables from related party, TechVista Systems FZ - LLC (Dubai) and TechVista Information Technology (Qatar) amounting to Nil (2020: Rs. 26.65) million and Rs. 51.35 million (2020: 54.20) respectively.

12. LOANS, ADVANCES AND OTHER RECEIVABLE

	Note	2021 Rupees	2020 Rupees
Current maturity of long term loans	(8.1)	**8,506,365**	-
Advances to staff against:			
salary		**10,589,878**	11,473,122
expenses		**15,175,902**	3,061,469
		25,765,780	14,534,591
Advances to suppliers - against goods		**200,912,496**	49,224,901
		226,678,276	63,759,492
Loans to related parties		**665,188,379**	441,909,846
Elimination on account of Joint Operation	(12.1)	**(378,154,612)**	(300,431,067)
	(12.2)	**287,033,767**	141,478,779
Other receivables:			
Systems Ventures (Private) Limited		**-**	128,500
Systems Arabia for Information Technology	(12.3)	**16,350,255**	-
		538,568,663	205,366,771

12.1 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.

12.2	This includes loans provided to the following related parties:	Note	2021 Rupees	2020 Rupees
	E-Processing Systems (Private) Limited	(12.2.1)	**281,815,594**	118,158,259
	SUS JV (Private) Limited	(12.2.2)	**5,218,171**	23,320,520
			287,033,765	141,478,779

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

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

12.2.3	**The maximum aggregate amount outstanding by reference to month-end balances was as follows:**	**2021 Rupees**	2020 Rupees
	E-Processing Systems (Private) Limited	**277,012,459**	212,510,336
	SUS JV (Private) Limited	**39,940,608**	48,291,083
		316,953,067	260,801,419

12.3 This represents receivable from related party, Systems Arabia for information technology, on account of incorporation expenses paid by the Company on its behalf.

13. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2021 Rupees	2020 Rupees
Security deposits	**158,523,500**	132,575,274
Prepayments	**90,065,320**	55,353,671
	248,588,820	187,928,945

14. INTEREST ACCRUED

	2021 Rupees	2020 Rupees
Systems ventures (Private) Limited	**19,803,225**	-
Techvista Systems for Information Technology - Qatar	**8,986,046**	-
Term deposit receipts (TDRs)	**2,130,816**	38,450,000
Saving account	**2,015**	-
	30,922,102	38,450,000

15. SHORT TERM INVESTMENTS

	Note	**2021 Rupees**	2020 Rupees
Fair value through profit or loss			
- Mutual fund units	**(15.1)**	**4,199,676,912**	559,845,556
Amortized cost			
- Term deposit receipts (TDRs)	**(15.2)**	**667,000,000**	2,085,000,000
		4,866,676,912	2,644,845,556

15.1 The details of investments in mutual funds are as follows:

UBL Al-Ameen Asset Islamic Allocation Fund	**107,656,212**	51,952,710
Number of units : 837,046 (2020: 409,056)		
UBL Al-Ameen Islamic Cash Plan-I	**307,889,806**	-
Number of units : 3,078,898 (2020: Nil)		
Alfalah GHP Islamic Income Fund	**131,098,915**	51,291,201
Number of units : 1,282,006 (2020: 502,485)		
HBL Asset Islamic Allocation Fund	**52,976,195**	51,444,992
Number of units : 470,298 (2020: 460,820)		
HBL Asset Islamic Money Market Fund	**25,864,345**	-
Number of units : 255,641 (2020: Nil)		
Lakson Islamic Tactical Fund	**99,843,741**	52,449,350
Number of units : 1,089,870 (2020: 534,122)		
Lakson Money Market Fund	**101,159,394**	-
Number of units : 1,000,224 (2020: Nil)		
Meezan Balanced Fund	**103,600,318**	100,590,950
Number of units : 6,450,950 (2020: 6,450,950)		
Meezan Islamic Income Fund	**53,502,393**	50,337,808
Number of units : 1,001,921 (2020 : 944,653)		
Meezan Islamic Fund	**151,731,025**	-
Number of units : 2,466,902 (2020: Nil)		

	2021	2020
Meezan Rozana Amdani Fund Number of units : 12,429,789 (2020 : Nil)	**621,489,473**	-
NBP Islamic Sarmaya Izafa Fund Number of units : 18,802,954 (2020: 12,352,453)	**312,138,444**	201,778,545
NBP Daily Dividend Fund Number of units : 61,353,113 (2020: Nil)	**613,531,130**	-
NBP Islamic Stock Fund Number of units : 6,844,116 (2020: Nil)	**83,246,347**	-
NBP Islamic Income Fund Number of units : 5,054,791 (2020: Nil)	**52,548,599**	-
MCB Al-hamra Islamic Money Market Fund Number of units : 4,702,537 (2020: Nil)	**467,949,478**	-
ABL Islamic Stock Fund Number of units : 3,125,509 (2020: Nil)	**47,314,269**	-
ABL Islamic Cash Fund Number of units : 25,784,452 (2020: Nil)	**257,844,525**	-
ABL Islamic Income Fund Number of units : 4,800,630 (2020: Nil)	**50,835,310**	-
Faysal Islamic Cash Fund Number of units : 5,574,570 (2020: Nil)	**557,457,027**	-
	4,199,676,946	559,845,556

15.2 The details of investments in TDRs are as follows:

	Note	2021 Rupees	2020 Rupees
Faysal Bank Limited		**-**	400,000,000
Habib Metropolitan Bank Limited		**650,000,000**	1,660,000,000
Habib Bank Limited		**17,000,000**	25,000,000
	(15.2.1)	**667,000,000**	2,085,000,000

15.2.1 These carry markup at rates ranging from 6.45% to 12.75% (2020: 6% to 12.75%) per annum.

16. TAX REFUNDS DUE FROM THE GOVERNMENT

	Note	2021 Rupees	2020 Rupees
Income tax - net		**207,375,462**	166,007,954

17. CASH AND BANK BALANCES

	Note	2021 Rupees	2020 Rupees
Cash in hand		**946,078**	917,983
Balances with banks:			
Local currency:			
Current accounts		**781,725,231**	508,414,734
Saving accounts	(17.1)	**765,876,191**	395,180,848
		1,547,601,422	903,595,582
Foreign currency - current accounts		**104,066,346**	673,246,127
		1,652,613,846	1,577,759,692

17.1 These carry markup at the rate of 4.12% to 6.28% (2020: 3.10% to 11.50%) per annum.

18. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2021 (Number of shares)	2020 (Number of shares)		2021 Rupees	2020 Rupees
114,815,189	113,384,660	"Ordinary shares of Rs. 10/- each fully paid in cash"	**1,148,151,890**	1,133,846,600
23,683,723	11,221,354	"Ordinary shares of Rs. 10/- each fully paid up as bonus shares"	**236,837,230**	112,213,540
138,498,912	124,606,014		**1,384,989,120**	1,246,060,140

18.1 Reconciliation of ordinary shares

2021 (Number of shares)	2020 (Number of shares)		2021 Rupees	2020 Rupees
124,606,014	123,520,299	Balance at 01 January	**1,246,060,140**	1,235,202,990
12,462,369	-	Bonus shares issued	**124,623,690**	-
1,430,529	1,085,715	Stock options exercised	**14,305,290**	10,857,150
138,498,912	124,606,014	Balance at 31 December	**1,384,989,120**	1,246,060,140

19. CAPITAL RESERVES

	Note	2021 Rupees	2020 Rupees
Share premium reserve	**(19.1)**	**820,263,357**	614,907,470
Employee compensation reserve	**(19.2)**	**200,220,759**	84,747,028
		1,020,484,116	699,654,498

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

19.2 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.

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

	2021		2020	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	Rupees	**Number**	Rupees	Number
Outstanding at 01 January	**83.84**	**2,653,622**	77.46	2,479,946
Granted during the year				
- stock options awarded in January	**-**	**-**	75.34	1,529,034
- stock options awarded in March	**346.19**	**735,835**	-	-
- stock options awarded in July	**-**	**-**	122.23	200,000
- stock options awarded in September	**497.21**	**207,500**	-	-
Bonus issue adjustment during the year[1]	**133.75**	**336,928**		
Forfeited share options	**75.34**	**(550,000)**	72.34	(469,643)
Exercised during the year:				
- stock options awarded in 2017[2]	**-**	**-**	62.58	(316,831)
- stock options awarded in 2018[3]	**72.13**	**(17,676)**	72.13	(768,884)
- stock options awarded in 2019[4]	**73.34**	**(992,103)**	-	-
- stock options awarded in 2020[5]	**75.34**	**(420,750)**	-	-
Outstanding at 31 December	**244.85**	**1,953,356**	83.84	2,653,622
Vested and exercisable at 31 December	**73.33**	**716,687**	72.13	17,676

1. Additional options were awarded to scheme participants as a result of the March 2021 bonus issue. Options were awarded such that the overall value of options available were unchanged by the bonus issue.
2. The weighted average share price at the date of the exercise of these options was nil (2020: Rs. 96.32).
3. The weighted average share price at the date of the exercise of these options was Rs. 479.91 (2020: Rs. 183.84)
4. The weighted average share price at the date of the exercise of these options was Rs. 461.40.
5. The weighted average share price at the date of the exercise of these options was Rs. 759.84.

19.2.2 The weighted average remaining contractual life for the share options outstanding as at 31 December 2021 is 3.71 years (2020: 3.80 years).

19.2.3 The weighted average fair value of options granted during the year was Rs. 277.67 (2020: Rs. 67.72)

19.2.4 The range of exercise prices for options outstanding at the end of the year is Rs.346.19 to Rs.497.21 (2020: Rs.72.13 to Rs.122.23)

19.2.5 The following table lists the inputs to the model used for the plan for the years ended 31 December 2021 and 2020, respectively:

	2021	2020
Dividend yield	**2%**	2%
Expected volatility	**42% - 43%**	32% - 40%
Risk-free interest rate	**8.29% & 8.90%**	7.30% & 7.80%
Expected life of share options (years)	**2.2**	2.1
Weighted average share price	**Rs. 538.58**	Rs. 132.47
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	2021 Rupees	2020 Rupees
20.	**LONG TERM ADVANCES**	(20.1)	81,111,314	53,857,626

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

21. LONG TERM LOAN

	Note	2021 Rupees	2020 Rupees
MCB Bank Limited		67,081,559	190,641,884
Add: Unwinding of interest		9,734,526	8,125,960
	(21.1)	76,816,085	198,767,844
Less: Current portion		(76,816,085)	(100,754,617)
		-	98,013,227

21.1 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. 1,344 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 fair value in accordance with IFRS 9 - Financial instruments using effective interest rate of 7.94% and 7.25% (3-month KIBOR) respectively. The difference between fair value of loan and loan proceeds has been recognized as deferred grant as per requirements of IAS 20 (Accounting for Government grants and disclosure of Government assistance) and as per Circular 11/2020 issued by the Institute of Chartered Accountants of Pakistan.

22. LEASE LIABILITIES

	2021 Rupees	2020 Rupees
Present value of lease rentals	301,076,382	227,393,268
Less: Current portion shown under current liabilities	(62,195,197)	(37,983,731)
	238,881,185	189,409,537

	Lease Rentals	Finance cost for future periods	Principal outstanding
		2021	
	----------------Rupees----------------		
Not later than one year	92,277,870	30,082,673	62,195,197
Later than one year but not later than five years	232,671,588	48,983,267	183,688,321
Later than five years	64,044,200	8,851,336	55,192,864
	388,993,658	87,917,276	301,076,382

	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

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

	2021 Rupees	2020 Rupees
As at 01 January	**227,393,268**	158,473,516
Additions	**129,001,097**	99,007,148
Accretion of interest	**23,001,123**	20,048,198
Payments	**(78,319,106)**	(50,135,594)
As at 31 December	**301,076,382**	227,393,268

Salient features of the leases are as follows:	2021	2020
Discounting rate	**8.07% - 12.41%**	7.32% - 12.16%
Period of lease	**36-120 months**	60-120 months

22.1 Amount recognized in statement of profit or loss:

The following are the amounts recognized in profit or loss:

	2021	2020
Interest expense on lease liabilities	**23,001,123**	20,048,198
Expenses relating to short term leases	**31,905,278**	10,435,720
Total amount recognized in profit or loss	**54,906,401**	30,483,918

22.2 Cash outflow for leases

The Company had total cash outflows for leases of Rs.95.33 million in 2021 (2020: Rs. 65.14 million). The Company also had non-cash additions to right-of-use assets and lease liabilities of Rs. 190.01 million in 2021 (2020: Rs. 99.01 million).

23. TRADE AND OTHER PAYABLES

	Note	2021 Rupees	2020 Rupees
Creditors		**102,408,920**	46,025,945
Accrued liabilities		**933,261,347**	614,762,540
Provident fund contribution payable	**(23.1)**	**67,671,516**	32,276,041
Withholding income tax payable		**41,565,074**	27,454,129
Sales tax payable		**17,194,897**	2,134,640
	(23.2)	**1,162,101,754**	722,653,295

23.1 All investments out of provident fund have been made in the collective investment schemes, listed equity and listed debt securities in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for the purpose.

23.2 These are non-interest bearing and are normally settled on terms of between 30 and 60 days.

	Note	2021 Rupees	2020 Rupees
24. CONTRACT LIABILITIES	(24.1)	**378,374,906**	88,669,355

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

25. SHORT TERM BORROWINGS	Note	2021 Rupees	2020 Rupees
MCB Bank Limited	(25.1)	850,000,000	550,000,000
Habib Metropolitan Bank Limited	(25.2)	1,400,000,000	700,000,000
Habib Bank Limited	(25.3)	200,000,000	-
Meezan Bank Limited	(25.4)	100,000,000	-
Faysal Bank Limited	(25.5)	200,000,000	-
		2,750,000,000	1,250,000,000

25.1 This represents export re-finance (ERF) availed against aggregate sanctioned limit of Rs. 1,000 (2020: Rs. 800) million. The rate of mark up is SBP rate plus 0.5% (2020: SBP rate plus 0.5%) per annum. These borrowings are secured against Rs. 150 million cash margin, 1st pari passu charge of Rs. 1,344 million over the current assets and hypothecation and equitable] mortgage charge of Rs. 1,066.67 million over plant and machinery and 203 marla of land at Sehjpal near DHA Phase VIII (ex-Air Avenue Eden City), respectively.

25.2 This represents islamic export re-finance (IERF) availed against aggregate sanctioned limit of Rs. 1,400 (2020: Rs. 700) million. The rate of mark up is SBP rate plus 0.5% (2020: SBP rate plus 1%). These borrowings are secured against first pari passu hypothecation charge of Rs. 2,150 million over current assets and equitable mortgage of Rs. 305.99 million over 153.59 marla of land at Sehjpal near DHA Phase VIII (ex-Air Avenue Eden City).

25.3 This represents export re-finance (ERF) availed against aggregate sanctioned limit of Rs. 700 million. The rate of mark up is SBP rate plus 0.5%. These borrowings are secured against first pari passu hypothecation charge over current assets of the Company.

25.4 This represents islamic export re-finance (IERF) availed against aggregate sanctioned limit of Rs. 100 million. The rate of mark up is SBP rate plus 1%. These borrowings are secured against first pari passu hypothecation charge over current assets of the Company.

25.5 This represents islamic export re-finance (IERF) availed against aggregate sanctioned limit of Rs. 300 million. The rate of mark up is SBP rate plus 0.5%. These borrowings are secured against first pari passu hypothecation charge over current assets of the Company.

26. CONTINGENCIES AND COMMITMENTS

26.1 Contingencies

Income tax

26.1.1 Tax Year 2017 – under section 161

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

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

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

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

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

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

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

Sales tax

26.1.5 Tax Period from January 2016 to December 2016

26.2 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.

26.3 During the year, the CIR appeal vide order no. 12 dated January 29, 2021 has annulled the demand of PKR 651 million with the direction to reassess the matters and quashed the demand to the tune of PKR 441,297. Further the CIR appeals has confirmed the balance demand of PKR 3.70 million against which company has preferred an appeal before ATIR.

Commitments

Guarantees issued by the financial institutions on behalf of the Company amount to Rs. 329.11 (2020: Rs. 201.90) million. This includes guarantees of Nil (2020: Rs. 2.72) million given on behalf of Joint Operation.

Guarantees issued by the Company on behalf of E-Processing Systems (Private) Limited to National Bank of Pakistan amounts to Rs. 100 million.

27. REVENUE FROM CONTRACTS WITH CUSTOMERS - NET

27.1 Disaggregated Revenue Information

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

	Note		2021	
Type of goods or services		**Export**	**Local**	**Total**
			---------------- Rupees ----------------	
Outsourcing services:				
Business process outsourcing		1,308,686,007	153,119,202	1,461,805,209
IT services		8,058,685,862	1,681,590,693	9,740,276,555
Software trading		37,508,432	652,577,352	690,085,784
Software implementation		48,457,482	156,409,952	204,867,434
Less: Sales tax	(27.1.1)		(193,451,071)	(193,451,071)
Total revenue from contracts with customers		**9,453,337,783**	**2,450,246,128**	**11,903,583,911**
Timing of revenue recognition - net				
Goods and services transferred at a point in time		37,508,432	604,642,328	642,150,760
Goods and services transferred over time		9,415,829,351	1,845,603,800	11,261,433,151
Total revenue from contracts with customers		**9,453,337,783**	**2,450,246,128**	**11,903,583,911**

Type of goods or services	Note	2020 Export	2020 Local	2020 Total
			Rupees	
Outsourcing services:				
Business process outsourcing		1,373,041,005	161,502,986	1,534,543,991
IT services		4,475,873,923	928,497,428	5,404.371,351
Software trading		40,822,932	452,429,638	493,252,570
Software implementation		39,625,379	179,151,688	218,777,067
Less: Sales tax	(27.1.1)	-	(137,178,134)	(137,178,134)
Total revenue from contracts with customers		5,929,363,239	1,584,403,606	7,513,766,845
Timing of revenue recognition - net				
Goods and services transferred at a point in time		40,822,932.00	416,379,386	457,202,318
Goods and services transferred over time		5,888,540,307	1,168,024,219	7,056,564,527
Total revenue from contracts with customers		5,929,363,239	1,584,403,606	7,513,766,845

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

27.1.2 The disaggregated revenue information based on the geographical location has been presented in note 35 to these unconsolidated financial statements.

		Note	2021 Rupees	2020 Rupees
27.2	**Contract balancets**	**(27.2.1)**	**88,669,355**	69,232,960

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

27.3 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:

	2021 Rupees	2020 Rupees
Within one year	**242,251,119**	244,931,576

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.

28. COST OF REVENUE

	Note	2021 Rupees	2020 Rupees
Salaries, allowances and amenities	**(28.1)**	**6,335,353,240**	3,624,911,038
Purchase of software		**651,666,539**	416,643,420
Technical consultancy		**195,553,955**	97,711,401
Printing and stationery		**961,945**	1,265,643
Computer supplies		**26,029,198**	20,773,210
Rent, rates and taxes		**19,951,985**	6,973,665
Electricity, gas and water		**58,404,300**	46,485,491
Traveling and conveyance		**99,080,734**	98,828,578
Repair and maintenance		**8,801,423**	11,411,745
Postage, telephone and telegrams		**80,473,114**	71,239,278
Vehicle running and maintenance		**49,583,559**	23,679,765
Entertainment		**(3,016,450)**	26,417,190
Fee and subscriptions		**110,463,875**	48,262,588
Insurance		**8,856,948**	5,196,469
Depreciation	**(4.3)**	**244,257,655**	182,934,914
Amortization	**(5.3)**	**14,696,490**	17,672,598
Depreciation of right-of-use asset	**(7.1)**	**11,324,118**	15,379,034
		7,912,442,628	4,715,786,027

28.1 This includes employees retirement benefit expense amounting to Rs. 299.39 (2020: Rs. 158.39) million.

29. SELLING AND DISTRIBUTION EXPENSES

	Note	2021 Rupees	2020 Rupees
Salaries, allowances and amenities	(29.1)	**157,928,605**	97,871,121
Printing and stationery		**71,139**	370,579
Computer supplies		**445,724**	100,314
Electricity, gas and water		**558,288**	1,107,445
Traveling and conveyance		**7,589,229**	3,869,378
Repair and maintenance		**769,685**	950,833
Postage, telephone and telegrams		**855,845**	754,222
Vehicle running and maintenance		**2,449,329**	1,355,995
Entertainment		**801,622**	489,967
Insurance		**497,100**	524,075
Fee and subscriptions		**4,579,494**	2,896,029
Shows, seminars and advertising		**4,959,289**	2,991,433
Depreciation	(4.3)	**3,181,372**	2,285,163
Amortization	(5.3)	**125,969**	255,061
Depreciation of right-of-use asset	(7.1)	**4,114,002**	2,832,980
		188,926,692	118,654,595

29.1 This includes employees retirement benefit expense amounting to Rs. 5.23 (2020: Rs. 3.37) million.

30. ADMINISTRATIVE EXPENSES

	Note	2021 Rupees	2020 Rupees
Salaries, allowances and amenities	(30.1)	**616,374,246**	294,014,822
Printing and stationery		**9,559,075**	4,644,150
Computer supplies		**20,715,308**	17,497,725
Rent, rates and taxes		**15,645,057**	6,973,665
Electricity, gas and water		**14,432,603**	7,941,458
Traveling and conveyance		**19,162,451**	9,107,370
Repair and maintenance		**46,538,141**	30,730,868
Postage, telephone and telegrams		**21,263,912**	14,525,877
Vehicle running and maintenance		**13,166,019**	7,246,096
Legal and professional		**15,604,324**	21,819,112
Auditors' remuneration	(30.2)	**4,948,291**	4,553,038
Entertainment		**5,851,157**	3,740,825
Donations		**31,532,050**	2,203,600
Fee and subscriptions		**63,226,057**	17,489,241
Insurance		**3,114,847**	3,594,708
Hiring cost		**580,873**	432,830
Newspapers, books and periodicals		**369,494**	137,713
Depreciation	(4.3)	**41,945,058**	27,598,727
Amortization	(5.3)	**1,956,911**	3,061,163
Others		**3,035,866**	415,703
Depreciation of right-of-use asset	(7.1)	**32,324,303**	22,259,128
		981,346,043	499,987,819

30.1 This includes employees retirement benefit expense amounting to Rs. 22.20 (2020: Rs. 15.27) million.

30.2 Auditors' remuneration

	Note	2021 Rupees	2020 Rupees
Statutory audit fee		**2,650,000**	1,907,747
Half yearly review and other certifications		**1,954,291**	1,478,906
Sales tax advisory		**-**	942,500
Out-of-pocket		**344,000**	223,885
		4,948,291	4,553,038

31. OTHER OPERATING EXPENSES

	Note	2021 Rupees	2020 Rupees
Allowance for ECLs			
- Contract assets	(10.1.3)	**17,546,844**	9,812,284
- Trade debts	(11.3)	**(30,110,275)**	119,039,124
Contract assets and bad debts written off		**16,919,184**	-
Tax receivables written off		**-**	5,889,010
		4,355,753	134,740,418

32. OTHER INCOME

	Note	2021 Rupees	2020 Rupees
Income from financial assets:			
Profit on deposit accounts		**27,787,413**	25,119,146
Profit on term deposit receipts		**56,668,847**	130,159,502
Dividend income		**17,701,867**	2,502,253
Unrealized gain on investments classified as fair value through profit or loss		**115,206,839**	7,343,304
Exchange gain		**334,461,103**	81,841,960
Interest on loan to subsidiaries		**40,988,515**	21,501,786
Interest on loan to associated undertaking		**8,986,046**	-
Effect of discounting of long term loans		**550,616**	-
Effect of discounting of long term security deposits		**55,028**	-
		602,406,274	268,467,951
Income from non-financial assets:			
Gain on disposal of property and equipment	(4.4)	**16,604,277**	3,312,735
Others		**1,333,982**	864,568
		17,938,259	4,177,303
		620,344,533	272,645,254

33. FINANCE COSTS

	2021	2020
Markup on guarantee commission	**1,375,107**	1,257,218
Markup on borrowings	**55,612,529**	25,781,337
Bank charges	**4,302,939**	2,827,442
Lease interest	**23,001,123**	20,048,198
	84,291,698	49,914,195

34. TAXATION

Statement of profit or loss

	Note	2021	2020
Current Income tax:			
- Current income tax charge	(34.1)&(34.2)	**79,825,985**	61,886,727
- Adjustments in respect of current income tax of previous year		**(2,235,782)**	11,527,376
		77,590,203	73,414,103
Deferred tax	(34.3)	**(45,716,049)**	
- Relating to origination and reversal of temporary differences			-
Income tax expense reported in statement of profit or loss		**31,874,154**	
Amounts recognized directly in equity			
Deferred tax on share based payment		**(29,344,233)**	

34.1 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 subject to tax credit at the rate of 100% under section 65F to the Income Tax Ordinance, 2001.

34.2	Reconciliation of tax charge for the year:	Note	2021 Rupees	2020 Rupees
	Profit before taxation		-	2,267,329,045
	Tax on profit		-	657,525,423
	Tax effect of exempt income		-	(589,840,311)
	Tax effect of prior year adjustment		-	11,527,376
	Tax effect of adjustment of carried forward business losses		-	(18,650,702)
	Tax effect of business loss of Joint Operation		-	17,023,597
	Others		-	(4,429,995)
			-	73,155,388

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

34.3	Deferred tax	Note	2021 Rupees	2020 Rupees
	Taxable temporary differences			
	Depreciation on property and equipment		(23,252,416)	(22,361,343)
	Right-of-use asset		(17,353,576)	(12,387,186)
			(40,605,992)	(34,748,529)
	Deductible temporary differences			
	Lease liabilities		18,079,885	13,780,885
	Provision for doubtful debts		16,817,222	13,874,283
	Provision for contract assets		1,335,077	5,152,094
	Employee compensation reserve		38,382,745	1,941,267
	Accelerated tax depreciation and amortization		10,578,374	-
	Minimum tax		30,472,971	-
			115,666,274	34,748,529
			75,060,282	-

35. 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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Rupees									
Revenue from contracts with customers	6,423,003,195	4,367,846,372	1,047,044,453	825,305,235	1,983,290,135	725,170,596	2,450,246,128	1,595,444,642	11,903,583,911	7,513,766,845
Cost of revenue	(3,891,570,096)	(2,392,470,816)	(658,775,716)	(498,779,658)	(1,292,250,853)	(572,919,574)	(2,069,845,963)	(1,251,615,979)	(7,912,442,628)	(4,715,786,027)
Gross profit	2,531,433,099	1,975,375,556	388,268,737	326,525,577	691,039,282	152,251,022	380,400,165	343,828,663	3,991,141,283	2,797,980,818
Selling and distribution expenses	(22,951,806)	(17,406,721)	(3,643,294)	(4,024,698)	(6,857,599)	(7,462,548)	(155,473,993)	(89,900,101)	(188,926,692)	(118,794,068)
Administrative expenses	(702,630,379)	(324,640,784)	(90,422,638)	(66,340,926)	(127,574,986)	(59,381,802)	(60,718,040)	(49,484,834)	(981,346,043)	(499,848,346)
	(725,582,185)	(342,047,505)	(94,065,932)	(70,365,624)	(134,432,585)	(66,844,350)	(216,192,033)	(139,384,935)	(1,170,272,735)	(618,642,414)
Profit / (loss) before taxation and unallocated income and expenses	1,805,850,914	1,633,328,051	294,202,805	256,159,953	556,606,697	85,406,672	164,208,132	204,443,728	2,820,868,548	2,179,338,404
Unallocated income and expenses:										
Other operating expenses									(4,355,753)	(134,740,418)
Other income									620,344,533	272,645,254
Finance costs									(84,291,698)	(49,914,195)
									531,697,082	87,990,641
Profit before taxation									3,352,565,630	2,267,329,045
Taxation									(31,874,154)	(73,414,103)
Profit for the year									3,320,691,476	2,193,914,942

35.1 Allocation of assets and liabilities

	North America		Europe		Middle East		Pakistan		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	-----	-----	-----	-----	-----Rupees-----	-----	-----	-----	-----	-----
Segment operating assets										
Property and equipment	-	-	-	-	-	-	**2,006,791,106**	1,507,959,243	**2,006,791,106**	1,507,959,243
Intangibles	-	-	-	-	-	-	**23,717,704**	21,345,888	**23,717,704**	21,345,888
Long term investments	-	-	-	-	-	-	**1,331,133,678**	272,073,147	**1,331,133,678**	272,073,147
Right-of-use assets	-	-	-	-	-	-	**288,981,476**	204,396,352	**288,981,476**	204,396,352
Long term loan	-	-	-	-	-	-	**36,796,454**	-	**36,796,454**	-
Deferred employee benefits	-	-	-	-	-	-	**10,344,054**	-	**10,344,054**	-
Long term deposits	-	-	-	-	-	-	**141,294,105**	36,127,162	**141,294,105**	36,127,162
Deferred taxation - net							**75,060,282**	-	**75,060,282**	-
Contract assets	-	-	**6,263,833**	192,018,321	-	177,720,960	**327,333,669**	164,201,529	**333,597,502**	533,940,810
Trade debts	**1,759,296,163**	1,100,980,956	**128,690,315**	20,255,836	**560,642,988**	875,614,023	**996,892,359**	441,586,683	**3,445,521,825**	2,438,437,498
Loans, advances and other receivables	-	-	-	-	-	-	**538,568,661**	205,366,771	**538,568,661**	205,366,771
Trade deposits and short term prepayments	-	-	-	-	-	-	**248,588,820**	187,928,945	**248,588,820**	187,928,945
Current portion of deferred employee benefits							**2,890,139**	-	**2,890,139**	-
Interest accrued	-	-	-	-	-	-	**30,922,102**	38,450,000	**30,922,102**	38,450,000
Short term investments	-	-	-	-	-	-	**4,866,676,912**	2,644,845,556	**4,866,676,912**	2,644,845,556
Tax refunds due from government	-	-	-	-	-	-	**207,375,462**	166,007,954	**207,375,462**	166,007,954
Cash and bank balances	-	-	-	-	-	-	**1,652,613,846**	1,577,759,692	**1,652,613,846**	1,577,759,692
		-								
Total operating assets	1,759,296,163	1,100,980,956	134,954,148	212,274,157	560,642,988	1,053,334,983	12,785,980,829	7,468,048,922	15,240,874,128	9,834,639,018

	North America		Europe		Middle East		Pakistan		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	-----	-----	-----	-----	-----Rupees-----	-----	-----	-----	-----	-----
Segment operating liabilities										
Long term advances	-	-	-	-	-	-	**81,111,314**	53,857,626	**81,111,314**	53,857,626
Lease liabilities	-	-	-	-	-	-	**238,881,185**	189,409,537	**238,881,185**	189,409,537
Long term loan	-	-	-	-	-	-	**-**	98,013,227	**-**	98,013,227
Deferred grant	-	-	-	-	-	-	**-**	8,338,896	**-**	8,338,896
Trade and other payables	-	-	-	-	-	-	**1,171,327,994**	730,270,930	**1,171,327,994**	730,270,930
Contract liabilities	-	-	-	-	-	-	**378,374,906**	88,669,355	**378,374,906**	88,669,355
Mark-up accrued on short term borrowings	-	-	-	-	-	-	**13,702**	9,804,346	**13,702**	9,804,346
Short term borrowings	-	-	-	-	-	-	**2,750,000,000**	1,250,000,000	**2,750,000,000**	1,250,000,000
Current portion of lease liabilities	-	-	-	-	-	-	**62,195,197**	37,983,731	**62,195,197**	37,983,731
Current portion of long term loan	-	-	-	-	-	-	**76,816,085**	100,754,617	**76,816,085**	100,754,617
Current portion of deferred grant	-	-	-	-	-	-	**1,958,993**	3,095,996	**1,958,993**	3,095,996
Current portion of long term advances	-	-	-	-	-	-	**6,865,236**	10,754,706	**6,865,236**	10,754,706
Total operating liabilities	-	-	-	-	-	-	4,767,544,612	2,580,952,967	4,767,544,612	2,580,952,967

36. 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). 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	Basis of relatiopnship	Nature of transaction	2021	2020
				Rupees	Rupees
TechVista Systems FZ- LLC - UAE	Subsidiary	Wholly owned	Revenue	**1,519,050,434**	571,955,582
			Reimbursement Licenses and assets purchased	**337,995,640**	108,692,945
			Advance against issue of share capital	**425,881,340**	-
E Processing Systems (Private) Limited.	Associate*	Wholly owned by associate: E Processing Systems B.V.	Disbursements against loan	**(480,753,783)**	(65,058,415)
			Receipts against loan	**337,091,497**	117,526,509
			Interest income	**19,271,608**	19,036,663
S US-JV (Private) Limited.	Subsidiary	95% owned subsidiary	Disbursements against loan	**(29,373,068)**	(34,100,235)
			Receipts against loan	**48,441,521**	37,051,227
			Interest income	**1,263,749**	2,419,253
Visionet Systems Incorporation - USA	Associate*	Common directorship	Revenue	**6,446,986,130**	4,270,475,128
			Out of pocket expenses	**15,089,316**	27,419,070
Visionet Deutschland GMBH	Associate*	Common directorship	Revenue	**941,411,512**	650,852,370
			Out of pocket expenses	**732,584**	-
Systems Arabia for Information Technology	Subsidiary	Wholly owned	Incorporation expenses	**16,350,255**	-
Systems Ventures (Private) Limited	Subsidiary	Wholly owned	Advance against issue of share capital	**488,610,295**	-
TechVista Pty Limited - Australia	Subsidiary	Wholly owned by subsidiary: Techvista Systems FZ LLC	Revenue	**5,860,680**	5,391,955
Staff retirement fund			Contribution	**326,813,846**	177,022,960
TechVista Information Technology - Qatar	Associate*	Common directorship	Revenue	**182,168,993**	95,176,466
			Advance against issue of share capital	**144,568,896**	-
VSI UK	Associate*	Common directorship	Revenue	**82,520,056**	-

*This has the same meaning as defined in section 2(4) of the Companies Act 2017.

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

Name of Company	Country of incorporation	Registered Address	Basis of Association	Percentage of shareholding
	Details			
Systems Arabia for Information Technology	Kingdom of Saudi Arabia	Anas Ibn Malik Road, Al Malqa, Riyadh	**Subsidiary**	**100%**
TechVista Systems FZ LLC	UAE	TechVista Systems LLC, Office 603, 6th Floor, Exchange Tower, Business Bay, Dubai, UAE	**Subsidiary**	**100%**
TechVista Systems LLC	UAE	TechVista Systems LLC, Office 603, 6th Floor, Exchange Tower, Business Bay, Dubai, UAE	**Sub-Subsidiary**	-
TechVista Systems MP LLC	UAE	TechVista Systems LLC, Office 603, 6th Floor, Exchange Tower, Business Bay, Dubai, UAE	**Sub-Subsidiary**	-

Name of Company	Country of incorporation	Registered Address	Basis of Association	Percentage of shareholding
	Details			
TechVista Pty Limited	Australia	G Seat 3', 30 Cowper Street, Parramatta NSW 2150	**Sub-Subsidiary**	-
Visionet Systems Inc.	USA	Cedarbrook Corporate Center, 4 Cedarbrook Drive, Bldg. B Cranbury, NJ 08512-3641	**Associate**	-
VSI UK	UK	Wellington Way, Brooklands Business Park, Weybridge, Surrey KT13 0TT, GB	**Associate**	-
Visionet Deutschland GMBH	Germany	Maximilian street 13, 80539, Munchen, Germany	**Associate**	-
E-Processing Systems B.V.	Netherland	Edvard Munchweg 14 B, 1328 MA Almere	**Associate**	**44.6%**
TechVista Information Technology	Qatar	TechVista IT WILL, Head Office Palm Towers B, Floor 41, Westbay, Doha, Qatar	**Associate**	-

37. 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	
		2021	2020	2021	2020	2021	2020
				(Nos)			
Number of persons		**1**	1	**6**	6	**987**	510
				Rupees			
Managerial remuneration		**42,504,000**	36,960,000	**-**	-	**3,205,380,557**	1,561,614,937
Retirement benefits		**1,416,800**	1,232,000	**-**	-	**170,381,448**	97,024,229
Bonus		**-**	-	**-**	-	**140,565,309**	49,680,471
Fees	(37.2)	**-**	-	**2,950,000**	2,850,000	**-**	-
		43,920,800	38,192,000	2,950,000	2,850,000	3,516,327,314	1,708,319,637

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

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

37.3 During the year, the Chief Executive Officer and Other Executives were granted 291,319 (2020: 570,034) and 725,600 (2020: 1,159,000) 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. 40.97 (2020: Rs. 25.37) million and Rs. 149.26 (2020: Rs. 21.76) million, respectively.

37.4 During the current year, certain executives of the Company exercised stock option under employee stock option scheme according to which 1,430,529 (2020: 1,085,715) shares were issued to them.

38. 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:

38.1 Basic earnings per share

	2021	2020
	---------------- Rupees ----------------	
Profit for the year	**3,320,691,476**	2,193,914,942
	(Number of shares)	
		(Restated)
Weighted-average number of ordinary shares outstanding during the year	**137,671,924**	136,684,282
Basic earnings per share (Rupees)	**24.12**	16.05

38.2 Diluted earnings per share

	2021	2020
	---------------- Rupees ----------------	
Profit for the year	**3,320,691,476**	2,193,914,942
	(Number of shares)	
		(Restated)
Weighted average number of ordinary shares (basic)	**137,671,924**	136,684,282
Effect of share options	**1,337,439**	1,763,819
Weighted average number of ordinary shares - diluted	**139,009,363**	138,448,101
Diluted earnings per share (Rupees)	**23.89**	15.85

38.3 The weighted average number of ordinary shares of 2020 has been restated in accordance with the requirements of IAS 33 due to issuance of 12,462,369 bonus shares in 2021

39. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

39.1 Risk management framework

The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees compliance by management with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

39.2 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
		2021	**2020**
Receivables - USD	+1 -1	11,452,636 (11,452,636)	16,925,091 (16,925,091)
Receivables - AUD	+1 -1	82,127 (82,127)	68,406 (68,406)
Receivables - AED	+1 -1	5,436,190 (5,436,190)	16,925,091 (16,925,091)
Receivables - QAR	+1 -1	9,838,221 (9,838,221)	2,577,809 (2,577,809)
Receivables - GBP	+1 -1	82,190 (82,190)	- -
Receivables - EUR	+1 -1	548,174 (548,174)	166 (166)
Bank balance - USD	+1 -1	(502,141) 502,141	4,213,054 (4,213,054)
Reporting date rate:			
USD		176.5	159.8
AUD		128.8	123.3
AED		48.1	43.5
QAR		48.5	43.9
GBP		238.3	218.5
EUR		199.6	196.6

(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:

	2021	2020
Fixed rate instruments	**Rupees**	Rupees
Financial assets		
Short term investments	**667,000,000**	2,644,845,556
Bank balances - deposit accounts	**765,876,191**	395,180,848
Floating rate instruments	**1,432,876,191**	3,040,026,404
Financial liabilities		
Long term loan	**76,816,085**	198,767,844
Short term borrowings	**2,750,000,000**	1,250,000,000
	4,259,692,276	4,488,794,248

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. 14.33 million (2020: Rs. 30.40 million).

CASH FLOW SENSITIVITY ANALYSIS FOR VARIABLE RATE INSTRUMENTS

As at 31 December 2020, had there been increase / decrease in SBP rate by 100 basis points, with all other variables held constant, profit before tax for the year would have been higher / lower by Rs. 28.26 million (2020: Rs. 14.49 million).

(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. 166.41 (2020: Rs. 5.09) million .

39.3 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 allowance for ECLs 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:

	2021	2020
	Rupees	Rupees
Long term loans	**36,796,454**	-
Trade debts	**3,445,521,825**	2,438,437,498
Trade deposits	**299,817,605**	168,702,436
Advances to employees against salaries	**10,589,878**	11,473,122
Loans to related parties	**287,033,765**	141,478,779
Interest accrued	**30,922,102**	38,450,000
Short term investment	**4,866,676,912**	2,644,845,556
Bank balances	**1,651,667,768**	1,576,841,709
	10,592,229,855	7,020,229,100

The aging of trade debts at the reporting date is:

	2021	2020
0 - 120 days	**3,148,498,882**	1,781,637,800
121 - 365 days	**552,363,899**	819,766,010
Above one year	**189,360,506**	68,807,452
	3,727,512,489	2,670,211,262
Expected credit losses	**(281,990,664)**	(231,773,764)
	3,445,521,825	2,438,437,498

As at year end, 47.29% of trade debts (2020: 75%) were represented by five customers (2020: five customers) amounting to Rs. 2,498.52 (2020: Rs. 2,003.57) 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			2021	2020
Banks	Short term	Long term	Agency	---------------- Rupees	---------------
Habib Metropolitan Bank	A1+	AA+	PACRA	**451,415,485**	863,170,613
Bank Islami Pakistan Limited	A1	A+	PACRA	**7,694,419**	7,694,420

	Rating			2021	2020
Banks	Short term	Long term	Agency	---------------- Rupees	---------------
United Bank Limited	A1+	AAA	JCR-VIS	**25,835,178**	24,677,388
Faysal Bank	A1+	AA	PACRA	**260,965,910**	21,549,769
Standard Chartered Bank	A1+	AAA	PACRA	**271,893,689**	42,394,856
Finca Microfinance Bank	A1	A	PACRA	**8,507,280**	-
Meezan Bank	A1+	AAA	JCR-VIS	**203,613,721**	2,998,384
Bank Alfalah Limited	A1+	AA+	PACRA	**19,188,691**	22,018,363
Habib Bank Limited	A1+	AAA	JCR-VIS	**120,128,538**	4,598,296
MCB Bank Limited	A1+	AAA	PACRA	**178,858,982**	587,739,620
				1,548,103,914	1,576,843,729
Mutual Funds					
HBL Asset Management Limited	Not Available	AM2	PACRA	**78,840,540**	51,444,992
Al-Meezan Asset Management Limited	Not Available	AM1	PACRA	**930,323,209**	150,928,758
NBP Fund Management Limited	Not Available	AM1	PACRA	**1,061,464,520**	201,778,545
MCB Arif Habeeb Saving and investment	Not Available	AM1	PACRA	**467,949,478**	-
ABL Asset Management Company Limited	Not Available	AM22++	PACRA	**355,994,104**	-
Alfalah GHP Investment Management Limited	Not Available	AM2+	PACRA	**131,098,915**	51,291,201
Lakson Investments Limited	Not Available	AM2+	PACRA	**201,003,101**	52,449,350
UBL Fund Managers Limited	Not Available	AM1	JCR-VIS	**415,546,018**	51,952,710
Faysal Asset Management Limited	Not Available	AM2+	JCR-VIS	**557,457,027**	-
				4,199,676,912	**559,845,556**

39.4 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 2021:

	Carrying amount	Contractual cash flows	Less than one year	One to five years	More than five years
	---------- Rupees ----------				
Long term loan	**76,816,085**	**76,816,085**	**76,816,085**	**-**	**-**
Lease Liabilities	**301,076,382**	**301,076,382**	**62,195,197**	**183,688,321**	**55,192,864**
Trade and other payables	**1,144,906,853**	**1,144,906,853**	**1,144,906,853**	**-**	**-**
Short term borrowings	**2,750,000,000**	**2,750,000,000**	**2,750,000,000**	**-**	**-**
Mark-up accrued on short term borrowings	**13,702**	**13,702**	**13,702**	**-**	**-**
	4,272,813,022	**4,272,813,022**	**4,033,931,837**	**183,688,321**	**55,192,864**

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

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 payables	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

39.5 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.

39.6 Financial instruments by categories

	2021		
	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
Assets as per statement of financial position	**Rupees**	**Rupees**	**Rupees**
Long term loan	**-**	**36,796,454**	**36,796,456**
Long term deposits	**-**	**141,294,105**	**141,294,105**
Trade debts	**-**	**3,445,521,825**	**3,445,521,825**
Loans, advances and other receivable	**-**	**538,568,661**	**538,568,661**
Security deposits	**-**	**158,523,500**	**158,523,500**
Interest accrued	**-**	**30,922,102**	**30,922,102**
Short term investments	**4,199,676,912**	**667,000,000**	**4,866,676,912**
Cash and bank balances	**-**	**1,652,613,846**	**1,652,613,846**
	4,199,676,912	**6,671,240,493**	**10,870,917,405**

	2020		
	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
	Rupees	Rupees	Rupees
Long term deposits	-	36,127,162	36,127,162
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	6,513,716,397	7,073,561,953

Liabilities as per statement of financial position	2021 Financial liabilities at amortized cost	2020 Financial liabilities at amortized cost
	Rupees	Rupees
Long term loan	**76,816,085**	198,767,844
Lease liabilities	**301,076,382**	227,393,268
Mark-up accrued on short term borrowings	**13,702**	9,804,346
Short term borrowings	**2,750,000,000**	1,250,000,000
Unclaimed dividend	**9,226,244**	7,617,635
Trade and other payables	**1,162,101,754**	722,653,295
	4,299,234,163	2,416,236,388

39.7 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.

	Fair value measurement using			
	Quoted price in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
As at 31 December 2021	---------- Rupees ----------			
Fair value through profit and loss - Mutual Fund units	-	**4,199,676,912**	-	**4,199,676,912**
As at 31 December 2020				
Fair value through profit and loss - Mutual Fund units	-	559,845,556	-	559,845,556

39.8 Changes In Liabilities Arising From Financing Activities

	Long term loan	Lease liabilities	Total
	---------- Rupees ----------		
31 December 2021			
Opening balance	**198,767,844**	**227,393,268**	**426,161,112**
Addition in leases	**-**	**129,001,097**	**129,001,097**
Cash flows - net	**(131,686,285)**	**(78,319,106)**	**(210,005,391)**
Finance cost	**9,734,526**	**23,001,123**	**32,735,649**
Closing balance	76,816,085	301,076,382	377,892,467

	Long term loan	Lease liabilities	Total
	---------- Rupees ----------		
31 December 2020			
Opening balance	-	158,473,516	158,473,516
Addition in leases	193,896,685	99,007,148	292,903,833
Cash flows - net	-	(50,135,594)	(50,135,594)
Finance cost	4,871,159	20,048,198	24,919,357
Closing balance	198,767,844	227,393,268	426,161,112

39.9 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:

a) 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

b) 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:

	2021	2020
	Rupees	Rupees
Long term loan - Note 19	**76,816,085**	198,767,844
Lease Liabilities - Note 20	**301,076,382**	227,393,268
Trade and other payables - Note 21	**1,162,101,750**	722,653,295
Short term borrowing - Note 23	**2,750,000,000**	1,250,000,000
Mark up accrued on borrowings	**13,702**	9,804,346
	4,290,007,919	2,408,618,753
Less: Cash and cash equivalents	**(1,652,613,846)**	(1,577,759,692)
Net debt	**2,637,394,073**	830,859,061
Total capital	**10,473,329,516**	7,253,686,051
Capital and net debt	**13,110,723,589**	8,084,545,112
Capital gearing ratio	**20%**	**10%**

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

39.10 Shariah Screening Disclosure

	2021		2020	
	Conventional	Shariah compliant	Conventional	Shariah compliant
Long term borrowing	**76,816,085**	**-**	198,767,844	-
Short term borrowing	**1,050,000,000**	**1,700,000,000**	550,000,000	700,000,000
Short term investments	**768,159,394**	**4,098,517,546**	2,085,000,000	559,845,557
Cash and bank balances	**1,337,739,830**	**211,308,141**	1,567,066,779	10,692,805
Other income	-	-	-	-
- Profit on deposit accounts	**84,242,115**	**121,766**	157,259,592	33,696
- Profit on term deposit receipts	**56,668,847**	**-**	130,159,502	-
- Unrealized gain on investments	**-**	**115,206,839**	-	7,343,304
- Dividend income	**-**	**17,701,867**	-	2,502,253
Mark-up paid	**26,144,910**	**36,602,684**	25,781,337	-

40. NUMBER OF EMPLOYEES

	2021	2020
Regular	3,891	2,102
Contractual	1,177	1,259
	5,068	3,361
Average number of employees during the year are as follows:		
Regular	3,012	1,837
Contractual	1,150	1,308
	4,162	3,145

41. SUBSEQUENT EVENTS

The Board of Directors in their meeting held on 10 March 2022 have proposed a final cash dividend for the year ended 31 December 2021 of Rs. 5 (2020: Rs. 3.5) per share and bonus issue of 100% (2020: 10%) for approval of the members at the Annual General Meeting to be held on 11 April 2022. These financial statements for the year ended 31 December 2021 do not include the effect of these appropriations.

42. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorized for issue on 10 March 2022 by the Board of Directors of the Company.

43. 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

Building a better working world

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 2021, 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 2021 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 Matter

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 Matter	How the matter was addressed in our audit
1. Revenue recognition	
The Group's revenue is derived from multiple revenue streams, as referred to in Note 27 to the accompanying consolidated financial statements, including outsourcing services for business processes and various IT services, and software sale in the form of short term and long-term projects. Revenue is recognized based on performance obligations as mentioned in Note 3.13 to the accompanying consolidated financial statements, which requires significant judgement in relation to assessment of performance obligations given the diversity in types of the Group's revenue contracts and the nature of services provided.	**Our audit procedures, amongst others, included:** ● 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; ● Obtaining an understanding of and testing the design and operating effectiveness of controls over the revenue recognition process; ● Selecting a sample of revenue transactions recognized during the year and performing substantive procedures which include verification of supporting documentation along with evaluation of the management basis used in determining the performance obligations in accordance with accounting policy;

Key Audit Matter	How the matter was addressed in our audit
Further, as referred to in Note 37 to the accompanying consolidated financial statements, a significant portion of the Group's revenue transactions is with related parties. Due to complexity of accounting for multiple revenue streams and the significance of related party transactions to the Group's revenue, we have identified revenue recognition as a key audit matter.	**Our audit procedures, amongst others, included:** ● Performing substantive procedures on related party revenue transactions including reviewing compliance of contractual terms with the Companies (Related Party Transactions and Maintenance of Related Records) Regulations 2018; ● 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.
2. Loss of control of subsidiary due to dilution of interest	
As mentioned in Note 1.2.5 of accompanying consolidated financial statements, during the year, E-Processing Systems (Private) Limited, subsidiary of the Group, has been de-consolidated due to loss of control based on revised shareholding structure and related agreements. In consideration of loss of control, the Group received shares of E-Processing Systems B.V., a Company registered in Netherland, which is now an associate of the Group. The management calculated fair value of this equity interest using conversion price agreed in shareholders' agreement, as observable input. Accordingly, fair value adjustment on loss of control in subsidiary amounting to Rs. 816 million was recorded, as mentioned in Note 33 to the accompanying consolidated financial statements. Due to the significance of this transaction to the Group's consolidated financial statements, and management judgement involved in the estimation of fair value of consideration received, we have identified this as a key audit matter.	**Our audit procedures, amongst others, included:** ● Reviewing the underlying documentation including incorporation documents of E-Processing Systems B.V. and shareholders agreements, to obtain an understanding of the arrangement; ● Evaluating whether the assessment of loss of control and the accounting treatment is appropriate as per guidance of applicable accounting standards; ● Reviewing the fair value methodology with related inputs used in calculation of fair value of consideration received i.e. equity interest in E-Processing Systems B.V.; ● Testing for appropriateness and mathematical accuracy and reperforming the calculation of fair value adjustment on loss of control in subsidiary; ● Reviewing and testing the application of equity method of accounting for initial recognition and subsequent measurement of investment in associate; and ● Assessing the adequacy of disclosure made in the consolidated financial statements in respect of the transaction.

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.

EY Ford Rhodes

Chartered Accountants
Lahore: 19 March 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 Rupees	2020 Rupees
ASSETS			
Non-current assets			
Property and equipment	4	2,051,800,034	1,518,666,515
Intangibles	5	23,717,704	204,249,277
Long term investments	6	144,568,896	-
Investment in associates	7	1,274,009,734	-
Right-of-use asset	8	288,981,475	204,396,352
Long term loans	9	36,796,454	-
Deferred taxation - net	35	75,060,282	-
Deferred employee benefits		10,344,054	-
Long term deposits	10	141,294,105	40,133,162
		4,046,572,738	1,967,445,306
Current assets			
Contract assets	11	727,944,400	642,780,081
Trade debts	12	4,125,928,299	2,372,716,741
Loans, advances and other receivables	13	734,667,764	214,135,961
Trade deposits and short term prepayments	14	323,149,962	438,473,348
Interest accrued		11,118,877	38,450,000
Short term investments	15	4,866,676,912	2,644,845,556
Tax refunds due from the government	16	213,640,998	171,975,691
Current portion of deferred employee benefits		2,890,139	-
Cash and bank balances	17	2,978,863,741	2,985,104,566
		13,984,881,092	9,508,481,944
TOTAL ASSETS		**18,031,453,830**	**11,475,927,250**
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
400,000,000 (2020: 200,000,000) ordinary shares of Rs. 10/- each		4,000,000,000	2,000,000,000
Issued, subscribed and paid up share capital	18	1,384,989,120	1,246,060,140
Capital reserves	19	1,148,309,400	956,611,816
Revenue reserve - unappropriated profit		9,528,306,407	5,626,952,295
		12,061,604,927	7,829,624,251
Non-controlling interest		1,169,928	146,389,075
		12,062,774,855	7,976,013,326
Non-current liabilities			
Long term advances	20	81,111,314	53,857,626
Long term loan	21	-	98,013,227
Lease liabilities	22	238,881,185	189,409,537
Provision for gratuity		94,865,412	47,599,384
Deferred grant		-	8,338,896
		414,857,911	397,218,670
Current liabilities			
Trade and other payables	23	1,706,609,735	1,186,129,984
Unclaimed dividend		9,226,244	7,617,635
Contract liabilities	24	940,135,872	297,554,223
Short term borrowings	25	2,750,000,000	1,449,000,000
Mark-up accrued on short term borrowings		13,702	9,804,362
Current portion of long term advances		6,865,236	10,754,706
Current portion of long term loan		76,816,085	100,754,617
Current portion of lease liabilities		62,195,197	37,983,731
Current portion of deferred grant		1,958,993	3,095,996
		5,553,821,064	3,102,695,254
TOTAL EQUITY AND LIABILITIES		**18,031,453,830**	**11,475,927,250**
CONTINGENCIES AND COMMITMENTS	26		

The annexed notes, from 1 to 47, 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 2021

	Note	2021 Rupees	2020 Rupees
Revenue from contracts with customers - net	27	15,304,037,567	9,876,827,710
Cost of revenue	28	(10,314,365,850)	(6,619,640,203)
Gross profit		4,989,671,717	3,257,187,507
Selling and distribution expenses	29	(385,600,533)	(201,024,729)
Administrative expenses	30	(1,426,803,958)	(722,310,556)
Other operating expenses	31	(8,131,032)	(220,135,525)
		(1,820,535,523)	(1,143,470,810)
Operating profit		3,169,136,194	2,113,716,697
Other income	32	653,030,134	235,201,038
Fair value adjustment on dilution of control in subsidiary	33	816,226,748	-
Share of loss from associate	7	(83,384,503)	-
Finance costs	34	(121,404,658)	(66,659,676)
Profit before taxation		4,433,603,915	2,282,258,059
Taxation	35	(53,944,635)	(117,960,376)
Profit for the year		4,379,659,280	2,164,297,683
Attributable to:			
Equity holders of the parent		4,462,160,721	2,209,645,930
Non-controlling interest		(82,501,441)	(45,348,247)
		4,379,659,280	2,164,297,683
Earnings per share			(Restated)
Basic earnings per share	39	32.41	16.17
Diluted earnings per share	39	32.10	15.96

The annexed notes, from 1 to 47, 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 2021

	Note	2021 Rupees	2020 Rupees
Profit for the year		**4,379,659,280**	2,164,297,683
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		**68,477,671**	10,104,923
Total comprehensive income for the year		**4,448,136,951**	2,174,402,606
Attributable to:			
Equity holders of the parent		**4,530,638,392**	2,219,750,853
Non-controlling interest		**(82,501,441)**	(45,348,247)
		4,448,136,951	2,174,402,606

The annexed notes, from 1 to 47, 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 2021

	Issued, subscribed and paid-up share capital	Capital reserves				Revenue reserve	Total equity attributable to shareholders of Holding Company	Non controlling interest	Total equity
		Share premium	Employee compensation reserve	Gain on dilution of interest	Foreign currency translation reserve	Un-appropriated profit			
	-----Rupees-----								
Balance as on 01 January 2020	1,235,202,990	512,149,734	78,970,025	-	49,242,756	3,674,024,548	5,549,590,053	(20,655,613)	5,528,934,440
Profit for the period	-	-	-	-	-	2,209,645,930	2,209,645,930	(45,348,247)	2,164,297,683
Other comprehensive income	-	-	-	-	10,104,923	-	10,104,923	-	10,104,923
Total comprehensive income for the year	-	-	-	-	10,104,923	2,209,645,930	2,219,750,853	(45,348,247)	2,174,402,606
Revenue reserve of subsidiary	-	-	-	-		19,368,928	19,368,928	-	19,368,928
Transactions with owners									
"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)
Exercise of share options	10,857,150	102,757,669	(38,330,430)	-	-	-	75,284,389	-	75,284,389
Issuance of shares at premium	-	-	-	-	-	-	-	212,392,935	212,392,935
Forfeited share options	-	-	(3,017,856)	-	-	1,833,713	(1,184,143)	-	(1,184,143)
Share based payments	-	-	47,125,289	-	-	-	47,125,289	-	47,125,289
Gain on dilution of interest	-	-	-	197,609,706	-	-	197,609,706	-	197,609,706
	10,857,150	102,757,669	5,777,003	197,609,706	-	(276,087,111)	40,914,417	212,392,935	253,307,352
Balance as on 31 December 2020	1,246,060,140	614,907,403	84,747,028	197,609,706	59,347,679	5,626,952,295	7,829,624,251	146,389,075	7,976,013,326
Profit for the year	-	-	-	-	-	4,462,160,721	4,462,160,721	-	4,462,160,721
Other comprehensive income	-	-	-	-	68,477,671	-	68,477,671	(82,501,441)	(14,023,770)
Total comprehensive income for the year	-	-	-	-	68,477,671	4,462,160,721	4,530,638,392	(82,501,441)	4,448,136,951
Transactions with owners									
"Final dividend for the year ended 31 December 2020 at the rate of Rs. 3.50 per share"						(436,182,919)	(436,182,919)		(436,182,919)
Exercise of share options	14,305,290	205,355,888	(113,923,684)	-	-	-	105,737,494	-	105,737,494
Issuance of shares at premium	-	-	-	-	-	-	-	-	-
Forfeited share options	-	-	(29,440,667)	-	-	-	(29,440,667)	-	(29,440,667)
Share based payments	-	-	229,493,849	-	-	-	229,493,849	-	229,493,849
Deferred tax on share based payments	-	-	29,344,233	-	-	-	29,344,233	-	29,344,233
Bonus issue @ 10%	124,623,690	-	-	-	-	(124,623,690)	-		-
Disposal of interest in subsidiary	-	-	-	(197,609,706)	-	-	(197,609,706)	(62,717,706)	(260,327,412)
	138,928,980	205,355,888	115,473,731	(197,609,706)	-	(560,806,609)	(298,657,716)	(62,717,706)	(361,375,422)
Balance as at 31 December 2021	1,384,989,120	820,263,291	200,220,759	-	127,825,350	9,528,306,407	12,061,604,927	1,169,928	12,062,774,855

The annexed notes, from 1 to 47, 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 2021

	Note	2021 Rupees	2020 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	40	2,674,337,920	2,466,896,526
Finance costs paid		(123,929,309)	(41,681,085)
Gratuity paid		(1,606,769)	(6,323,733)
Taxes paid		(146,529,113)	(74,261,306)
		(272,065,191)	(122,266,124)
Cash flows from operating activities		2,402,272,729	2,344,630,402
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(874,862,827)	(323,406,939)
Decrease in advance against purchase of land		-	28,750,000
Development expenditures		(78,628,144)	(46,632,375)
Sale proceeds from disposal of property and equipment		41,291,088	18,180,536
Short term investments - net		(2,221,831,356)	(1,864,845,556)
Investment in associates		(468,000,000)	-
Profit received on short term investments		199,206,809	101,544,758
Revenue reserve of subsidiary		-	19,368,928
Net outflow from dilution of interest in subsidiary		(72,622,760)	-
Increase in long term deposits		(119,385,583)	14,812,635
Cash used in investing activities		(3,594,832,773)	(2,052,228,013)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		105,737,494	75,284,389
Proceeds from issuance of shares		-	410,002,641
Dividend paid		(434,574,310)	(278,648,714)
Long term Loan		(131,427,658)	210,202,736
Short term borrowing		1,610,059,787	777,000,000
Payment of principal portion of lease liabilities		(55,317,983)	(50,135,594)
Increase in long term advances		23,364,218	22,739,443
Cash flows from financing activities		1,117,841,548	1,166,444,901
Increase in cash and cash equivalents		(74,718,496)	1,458,847,290
Net foreign exchange difference		68,477,671	10,104,923
Cash and cash equivalents at the beginning of the year		2,985,104,566	1,516,152,353
Cash and cash equivalents at the end of year		2,978,863,741	2,985,104,566

The annexed notes, from 1 to 47, 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 2021

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, was previously a 44.60% (2020: 44.60%) owned subsidiary of Systems Limited. During the year, the shareholders of E-Processing Systems (Private) Limited, under Paragraph 13B of Chapter 20 of Foreign Exchange Manual, applied to the State Bank of Pakistan (SBP) to incorporate a holding company outside Pakistan. The application was acknowledged by the SBP vide its letter no. SBPHOK-EPD-INVTCR-MBL-82659 dated March 26, 2021 and Meezan Bank Limited (MBL) was appointed as authorized dealer in this regard. Accordingly, a company named E-Processing Systems B.V. was incorporated in Netherlands. On 25 October 2021, the Holding Company swapped / mirrored its shares with 179,507 fully paid ordinary shares of equal value at USD 0.01/- each, representing 44.60% shares in E-Processing Systems B.V.

During the year, Bill & Melinda Gates Foundation has made an investment of USD 2 million in irredeemable preference shares carrying 11.33% voting rights in E-Processing Systems B.V. The resultant dilution of voting rights has led to loss of control of the Company over E-Processing Systems B.V., which is now an associate of the Holding Company.

The results of E-Processing Systems (Private) Limited have been consolidated till 25 October 2021, based on management accounts using consistent accounting policies."

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% (2020: 99.98%) owned subsidiary of Systems Limited. The Company aims to invest in new ventures, start-ups and incubate new ideas.

1.2.7 TechVista Systems Pvt 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.

1.2.8 During the year, Systems Arabia for Information Technology, a wholly owned subsidiary has been incorporated in Saudi Arabia. As of reporting date, no investment has been transferred in that entity.

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
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 Pvt Limited	Australia	G Seat 3', 30 Cowper Street, Parramatta NSW 2150
Systems Arabia for Information Technology	Kingdom of Saudi Arabia	Anas Ibn Malik Road, Al Malqa, Riyadh

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

1.4 Associated Companies

1.4.1 Retailistan (Private) Limited

Retailistan (Private) Limited, a private limited Company registered under the Companies Act, 2017 incorporated on 28 January 2015, is a 20% (2020: nil) owned associate of Systems Limited which provides services of software designing, development, implementation, maintenance, tesing and benchmarking, and to provide internet/web-based applications. The Group acquired interest in Retailistan (Private) Limited on 19 July 2021 through its wholly owned subsidiary, Systems Ventures (Private) Limited. Accordingly, the results of Retailistan (Private) Limited have been accounted for using the equity method of accounting in these consolidated financial statements.

1.4.2 E-Processing Systems B.V.

E-Processing Systems B.V, a private limited Company, incorporated on 08 October 2021 in Netherlands, is a 44.60% (2020: nil) owned associate of Systems Limited which is primarily aimed at attracting foreign investment (Refer to Note 1.2.5). The results of E-Processing Systems B.V. have been accounted for using the equity method of accounting in these consolidated financial statements on the basis of management accounts using consistent accounting policies 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.

2.3.3 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.4 Functional and presentation currency

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

2.5 Use of estimates and judgments

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

2.5.1 Provision for taxation (Note 3.3)

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

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

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

2.5.3 Expected credit losses (Note 3.9.1)

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

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

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

2.5.4 Revenue recognition (Note 3.13)

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 3.12)

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.

2.5.7 Share based payment

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The Company measures the fair value of equity-settled transactions with employees at the grant date using a Black Scholes Model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 19.2.5.

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:

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS-16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest

- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued

- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The adoption of the above amendments to accounting standards did not have any material effect on the financial statement.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

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 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 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.

3.3.3 Sales Tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- When receivables and payables are stated with the amount of sales tax included the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the unconsolidated statement of financial position.

3.4 Property and equipment

3.4.1 Operating fixed assets

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

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

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

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

3.4.2 Capital work-in-progress

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

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

3.5 Intangibles

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

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

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

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

- The Group intends to complete the intangible asset and use or sell it.

- The Group has the ability to use or sell the intangible asset.

- Intangible asset will generate probable future economic benefits.

- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

- The Group's ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

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

3.6 Impairment of non-financial assets

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

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

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

3.7 Staff benefits

The Group has the following plans for its employees:

3.7.1 Provident fund

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

3.7.2 Employees' share option scheme

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

At the grant date of share options to the employees, the Holding Company initially recognizes employee compensation expense with corresponding credit to equity as employee compensation reserve at the fair value of option at the grant date. The fair value of options determined at the grant date is recognized as an employee compensation expense on a straight line basis over the vesting period. Fair value of options is arrived at using Black Scholes pricing model
When share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (nominal value) and share premium.

3.7.3 Gratuity

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

3.8 Foreign currency transactions

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

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

3.9 Trade debts

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

3.9.1 Expected credit losses

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

3.10 Advances, deposits and other receivables

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

3.11 Trade and other payables

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

3.12 Provisions and contingencies

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

3.13 Revenue recognition

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

For each performance obligation to be recognized over time, the Group applies a revenue recognition method that faithfully depicts the Group's performance in transferring control of the goods or services to the customer. The Group 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 Group 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 Group 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:

3.13.1 Software implementation

The Group 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.

For contracts where revenue will be recognized over time, the company uses input method for measuring Percentage of Completion (PoC) by taking into account the cost incurred to date as a percentage of total budgeted cost.

3.13.2 Outsourcing services

Outsourcing services include business process outsourcing services (BPO) and IT services. Revenue is recognized under each category as below:

a) BPO services

The performance obligation of the Group is to perform the various business activities outsourced by the customers. Revenue is recognized over time on the basis of activities performed, as the customer simultaneously receives and consumes the benefits provided by the Group's performance.

b) IT Services

The performance obligation of the Group is to make available the resources to perform various IT services as per the requirement of the customer. Resource efforts are controlled by the customer and revenue is recognized over time on the basis of hours of resources made available to the customer, as the customer simultaneously receives and consumes the benefits provided by the Group's performance.

3.13.3 Software Trading

Software trading represents the sale of software licenses and 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 the license is delivered to the customer.

3.13.4 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.

3.13.5 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.

3.13.6 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.

3.14 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.

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 defaults 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 Company's other components. An operating segment's operating results are reviewed regularly by the Chief Executive to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chief Executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax assets, liabilities and related income and expenditures.

For management purposes, the Systems Limited is organized into business units based on their geographical areas and has four reportable operating segments namely, North America, Europe, Middle East and Pakistan. No operating segments have been aggregated to form the above reportable operating segments.

The Executive Management Committee is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the unconsolidated financial statements.

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:

IFRS 17 Insurance Contracts

"In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.
A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:"

- A specific adaptation for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.
Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.
The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company expects that the adoption of the above improvements to the standards will have no material effect on the Company's financial statements, 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	**Effective Date IASB effective date (Annual periods beginning on or after)**
IFRS 1 - First-time Adoption of International Financial Reporting Standards	01 July 2004
IFRS 17 - Insurance Contracts	01 January 2023

The Company expects that the adoption of the above standards will have no material effect on the Company's financial statements, in the period of initial application.

4. PROPERTY AND EQUIPMENT

	Note	2021 Rupees	2020 Rupees
Operating fixed assets	(4.1)	**2,028,987,092**	1,517,920,243
Capital work in progress	(4.2)	**22,812,942**	746,272
		2,051,800,034	1,518,666,515

4.1 Operating fixed assets

	2021													
	Cost						Accumulated Depreciation							
DESCRIPTION	As at 01 January	Additions / Transfers	Disposals	Disposal of subsidiary	Exchange difference	As at 31 December	As at 01 January	Depreciation charge for the year	Disposals	Disposal of subsidiary	Exchange difference	As at 31 December	Net book value as at 31 December	Rate (%)
						Rupees								
Land - free hold	394,038,279	-	-	-	-	394,038,279	-	-	-	-	-	-	394,038,279	-
Building	542,724,710	33,410,848	-	-	-	576,135,558	41,573,379	13,797,715	-	-	-	55,371,094	520,764,464	2.5
Computers and mobile sets	464,306,404	460,718,771	(9,643,653)	-	-	915,680,202	317,365,457	126,485,131	(8,742,507)	-	-	435,108,081	480,273,441	33
Computer equipment and installations	112,034,139	105,683,842	(1,656,054)	(20,520,905)	2,514,642	198,055,664	77,322,927	34,129,420	(1,419,895)	(10,190,578)	1,437,276	101,279,150	96,776,514	33
Other equipment and installations	132,698,680	21,007,777	-	-	-	153,706,457	62,296,390	26,090,206	(99,421)	-	-	88,287,175	65,419,282	20
Generators	93,928,893	6,606,088	-	-	-	100,534,981	23,406,375	9,377,043	-	-	-	32,783,418	67,751,563	10
Furniture and fittings	132,004,372	19,451,442	(2,377,400)	-	526,867	149,605,281	64,701,371	10,195,999	(1,213,408)	-	297,458	73,981,420	75,623,861	10
Vehicles	281,853,054	163,785,826	(48,530,780)	-	3,591,107	400,699,207	110,417,642	65,282,400	(26,326,832)	-	1,776,699	151,149,909	249,549,298	20
Office equipment	45,906,832	734,279	(755,227)	-	51,288	45,937,172	19,250,052	4,165,994	(474,240)	-	34,955	22,976,761	22,960,411	10
Leasehold Improvements	44,690,755	32,682,670	-	-	-	77,373,425	9,932,283	11,611,163	-	-	-	21,543,446	55,829,979	24.5
	2,244,186,118	844,081,543	(62,963,114)	(20,520,905)	6,683,904	3,011,467,546	726,265,876	301,135,071	(38,276,303)	(10,190,578)	3,546,388	982,480,454	2,028,987,092	

	2021													
	Cost						Accumulated Depreciation							
DESCRIPTION	As at 01 January	Additions / Transfers	Disposals	Disposal of subsidiary	Exchange difference	As at 31 December	As at 01 January	Depreciation charge for the year	Disposals	Disposal of subsidiary	Exchange difference	As at 31 December	Net book value as at 31 December	Rate (%)
						Rupees								
Land - free hold	345,277,701	48,760,578	-	-	-	394,038,279	-	-	-	-	-	-	394,038,279	-
Building	535,883,365	6,841,345	-	-	-	542,724,710	28,052,455	13,520,924	-	-	-	41,573,379	501,151,331	2.5
Computers and mobile sets	381,501,813	92,893,636	(10,089,045)	-	-	464,306,404	241,319,530	85,430,005	(9,384,078)	-	-	317,365,457	146,940,947	33
Computer equipment and installations	98,531,692	18,732,923	(5,663,368)	-	432,892	112,034,139	57,596,086	24,294,618	(4,765,916)	-	198,139	77,322,927	34,711,212	33
Other equipment and installations	116,382,926	16,360,054	(44,300)	-	-	132,698,680	39,820,228	22,520,462	(44,300)	-	-	62,296,390	70,402,290	20
Generators	49,814,973	44,113,920	-	-	-	93,928,893	16,667,174	6,740,821	-	-	(1,620)	23,406,375	70,522,518	10
Furniture and fittings	112,647,514	19,261,360	(57,675)	-	153,173	132,004,372	55,369,867	9,324,098	(18,845)	-	26,251	64,701,371	67,303,001	10
Vehicles	231,304,821	72,958,264	(22,846,025)	-	435,994	281,853,054	70,242,930	49,492,483	(9,641,338)	-	323,567	110,417,642	171,435,412	20
Office equipment	44,205,779	1,700,467	(24,244)	-	24,830	45,906,832	14,969,213	4,273,588	(2,380)	-	9,631	19,250,052	26,656,780	10
Leasehold Improvements	20,119,599	24,571,156	-	-	-	44,690,755	3,192,964	6,739,319	-	-	-	9,932,283	34,758,472	24.5
	1,935,670,183	346,193,703	(38,724,657)		1,046,889	2,244,186,118	527,230,447	222,336,318	(23,856,857)	-	555,968	726,265,876	1,517,920,242	

4.1.1 The cost of owned assets include assets amounting to Rs. 402 (2020: Rs. 319.5) 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**	**2021 Rupees**	2020 Rupees
Civil work		**22,812,942**	-
Advance against purchase of computers		**-**	746,272
	(4.2.1)	22,812,942	746,272

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

		2021	2020
Balance at the beginning of the year		**746,272**	24,025,244
Additions during the year		**31,578,703**	13,251,015
Transfer to operating fixed assets		**(9,512,033)**	(36,529,987)
Balance at the end of the year	(4.2.2)	22,812,942	746,272

4.2.2 This represents the ongoing civil work in various offices of the Company.

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

		2021	2020
Cost of revenue	**(28)**	**244,257,655**	182,934,914
Selling and distribution expenses	**(29)**	**3,181,372**	2,383,210
Administrative expenses	**(30)**	**53,085,685**	36,709,628
		301,135,071	222,336,318

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----	----------------------------			**Employees**
Toyota Corolla Altis	**3,403,000**	**-**	**3,403,000**	**3,403,000**	**-**	**Company policy**	**Riaz Ahmad**
Honda Civic	**2,727,500**	**(1,318,287)**	**1,409,213**	**2,727,480**	**1,318,267**	**Company policy**	**Moh. Umar Hayat**
Toyota Corolla Altis	**2,676,220**	**(87,237)**	**2,588,983**	**2,503,020**	**(85,963)**	**Company policy**	**Usman Younas**
Honda City	**2,518,330**	**(292,749)**	**2,225,581**	**2,320,000**	**94,419**	**Company policy**	**Mehwish Sarwar**
Honda City	**2,330,510**	**(815,681)**	**1,514,829**	**2,279,000**	**764,171**	**Company policy**	**Asif Sajjad**
Honda City	**1,949,000**	**(779,594)**	**1,169,406**	**1,251,892**	**82,486**	**Company policy**	**Muh. Masud Akram**
Corolla Grande	**1,876,780**	**(781,997)**	**1,094,783**	**1,803,000**	**708,217**	**Company policy**	**Saad Usmani**
Honda City	**1,865,300**	**(715,026)**	**1,150,274**	**1,661,593**	**511,319**	**Company policy**	**Yasir Mahmood**
Aggregate of items of property and equipment with individual book value below Rs. 500,000	**43,616,474**	**(33,485,732)**	**10,130,742**	**23,342,103**	**13,211,361**		
2021	62,963,114	(38,276,303)	24,686,811	41,291,088	16,604,277		

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyer
Vehicles		----------------------------	----Rupees----	----------------------------			**Employees**
Honda City	1,641,600	684,000	957,600	2,014,998	1,057,398	Group Policy	Ahmed Azmat
Honda City	2,315,000	347,247	1,967,753	2,511,000	543,247	Group Policy	Syed Saud Akhter
Honda City	1,924,000	513,071	1,410,929	1,778,985	368,056	Group Policy	Samar Abbas
Toyota Altis 1.8	2,420,250	369,673	2,050,577	2,279,000	228,423	Group Policy	Syed Afzal Nizam
Honda Civic 1.8	2,467,230	249,202	2,218,028	1,930,970	(287,058)	Group Policy	Muh. Wajhe Ullah
							Third party
Honda Civic	2,558,000	85,266	2,472,734	1,868,386	(604,348)	Negotiation	Pak Auto Workshop
Aggregate of items of property and equipment with individual book value below Rs. 500,000	25,398,577	21,608,397	3,790,180	5,797,197	2,007,017		
2020	38,724,657	23,856,856	14,867,801	18,180,536	3,312,735		

5. INTANGIBLES

	Note	2021 Rupees	2020 Rupees
Computer software and licenses	(5.1)	**23,717,704**	148,588,633
Software under development		**-**	55,660,644
		23,717,704	204,249,277

5.1 Computer software and licenses

2021

Particulars	Cost as at 01 January	Additions	Disposals	Disposal of subsidiary	Cost as at 31 December	Accumulated amortization as at 01 January	Amortization charge for the year	Disposals	Disposal of subsidiary	Accumulated amortization as at 31 December	Book value as at 31 December	Rate (%)
			--------	--------	--------	-------- Rupees --------	--------	--------	--------			
Computer software and licenses	325,817,444	86,920,705	-	(219,352,908)	193,385,241	177,228,811	23,779,036	-	(31,340,310	169,667,537	23,717,704	33%

2020

Particulars	Cost as at 01 January	Additions	Disposals	Disposal of subsidiary	Cost as at 31 December	Accumulated amortization as at 01 January	Amortization charge for the year	Disposals	Disposal of subsidiary	Accumulated amortization as at 31 December	Book value as at 31 December	Rate (%)
			--------	--------	--------	-------- Rupees --------	--------	--------	--------			
Computer software and licenses	325,817,444	86,920,705	-	-	325,817,444	148,099,517	29,129,294	-	-	177,228,811	148,588,633	33%

5.2 The cost of the intangibles include assets amounting to Rs. 159.6 million (2020: Rs. 130 million) with nil book value.

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

	Note	2021 Rupees	2020 Rupees
Cost of revenue	(28)	**21,696,156**	24,917,618
Selling and distribution expenses	(29)	**125,969**	255,061
Administrative expenses	(30)	**1,956,911**	3,956,615
		23,779,036	29,129,294

6. LONG TERM INVESTMENTS

	Note	2021 Rupees	2020 Rupees
Investment in Techvista Information Technology - Qatar - at cost			
Advance against issuance of shares	(6.1)	**144,568,896**	-

6.1 The interest has been charged at the rate of one year KIBOR in accordance with the requirement of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017.

7. INVESTMENT IN ASSOCIATES

	Note	2021 Rupees	2020 Rupees
Retailistan (Private) Limited 146,820 fully paid ordinary shares of Rs 10/- each	(7.1)	**408,270,412**	-
E-Processing Systems B.V. 179,507 fully paid ordinary shares of USD 0.01/- each	(7.2)	**865,739,322**	-
		1,274,009,734	-

7.1 Retailistan (Private) Limited

	Note	2021 Rupees	2020 Rupees
Cost of investment		468,000,000	-
Share of total comprehensive loss	(7.1.1)	(59,729,588)	-
		408,270,412	-

7.1.1 Share of total comprehensive loss

	Note	2021 Rupees	2020 Rupees
Share of loss		(59,788,122)	-
Share of other comprehensive income		58,534	-
		(59,729,588)	-

7.1.2 Summarised financial information

Set out below is the summarized financial statement information of Retailistan (Private) Limited which is accounted for using equity method:

	Note	2021 Rupees	2020 Rupees
Non-current assets		50,454,996	-
Current assets		762,783,400	-
Non-current liabilities		(3,593,191)	-
Current liabilities		(266,849,045)	-
		542,796,160	-
Advance against equity		(346,018,266)	-
Effect of pro-ration		32,468,312	-
		229,246,206	-
Group share in equity - 20%		45,849,241	-
Goodwill		362,421,171	-
Group carrying amount of the investment		408,270,412	-

	2021 Rupees	2020 Rupees
Revenue	2,455,923,427	-
Cost of sales	(2,236,230,596)	-
Operating expenses	(173,600,234)	-
Adminsitrative expenses	(195,708,429)	-
Selling and distribtuon expenses	(95,420,065)	-
Research expenses	(83,680,010)	-
Finance costs	(1,150,310)	-
Other income	10,484,452	-
Loss before tax	(319,381,765)	-
Taxation	(12,027,158)	-
	(331,408,923)	-
Effect of pro-ration	32,468,312	-
Loss for the year	(298,940,611)	-
Other comprehensive income	292,671	-
Total comprehensive loss	(298,647,940)	-
Group share of loss	(59,788,122)	-
Group share of other comprehensive income	58,534	-
Group share of total comprehensive loss	(59,729,588)	-

The associate had no contingent liabilities or capital commitments as at 31 December 2021.

7.2	E-Processing Systems B.V.	Note	2021 Rupees	2020 Rupees
	Cost of investment		889,335,703	-
	Share of total comprehensive loss		(23,596,381)	-
			865,739,322	-

7.2.1	Summarised financial information of E-Processing Systems B.V.	2021 Rupees	2020 Rupees
	Set out below is the summarized financial statement information of E-Processing Systems B.V. which is accounted for using equity method:		
	Non-current assets	275,695,034	-
	Current assets	787,300,049	-
	Current liabilities	(431,670,418)	-
	Equity	631,324,665	-
	Preference shares	(350,800,000)	-
		280,524,665	-
	Group share in equity - 44.60%	125,114,001	-
	Goodwill	740,625,321	-
	Group carrying amounnt of the investment	865,739,322	-

	2021 Rupees	2020 Rupees
Revenue	84,077,491	-
Cost of sales	(46,212,542)	-
Distribution cost	(43,286,482)	-
Administrative expenses	(42,828,591)	-
Other income	2,262,902	-
Finance costs	(6,919,462)	-
Loss before tax	(52,906,684)	-
Taxation	-	-
Loss for the year	(52,906,684)	-
Other comprehensive income	-	-
Total comprehensive loss	(52,906,684)	-
Group share of total comprehensive loss	(23,596,381)	-

8. RIGHT-OF-USE ASSETS

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

	Note	2021 Rupees	2020 Rupees
As at 1 January		204,396,351	145,860,345
Additions		132,347,547	99,007,148
Depreciation expense	(8.1)	(47,762,423)	(40,471,142)
Balance as at 31 December		288,981,475	204,396,351

8.1	The depreciation charge for the year on right-of-use assets has been allocated as follows:	Note	2021 Rupees	2020 Rupees
	Cost of revenue	(28)	11,324,118	15,379,034
	Selling and distribution expenses	(29)	4,114,002	2,832,980
	Administrative expenses	(30)	32,324,303	22,259,128
			47,762,423	40,471,142

9. LONG TERM LOANS

	2021 Rupees	2020 Rupees
Considered good - secured		
Due from executives	36,796,455	-

Due from executives	Motor Vehicle	Other loans	Total	Total
Undiscounted amount paid	52,883,000	6,000,000	58,883,000	-
Deferred employee benefits	(12,864,750)	(688,547)	(13,553,297)	-
Fair value of long term deposits	40,018,250	5,311,453	45,329,703	-
Unwinding of discount	465,828	84,788	550,616	-
Repayments	(577,500)	-	(577,500)	-
	39,906,578	5,396,241	45,302,819	-
Receivable within one year	(6,387,013)	(2,119,351)	(8,506,364)	-
	33,519,565	3,276,890	36,796,455	-
Outstanding for period:				
- less than three years but over one year			18,417,710	-
- more than three years			18,378,745	-
			36,796,455	-

9.1 These interest free loans are repayable between 18 to 60 months and are granted to the executives of the Holding Company, in accordance with their terms of employment. These are secured against post dated cheques. In accordance with IFRS 9 - Financial instruments, these loans were initially recognized at fair value using effective interest rates ranging from 9.54% to 11.97%. The difference between cash paid and present value of cash inflows upon initial recognition has been recognized as deferred employee benefits.

10. LONG TERM DEPOSITS

	Note	2021 Rupees	2020 Rupees
Lease buildings			-
Undiscounted amount paid		9,000,000	-
Effect of discounting		(3,346,450)	-
Fair vale of long term deposits		5,653,550	-
Unwinding of discount		55,028	-
Balance as at 31 December		5,708,578	
Others			
Utilities and other deposits		135,585,527	40,133,162
		141,294,105	40,133,162

11. CONTRACT ASSETS - UNSECURED

	Note	2021 Rupees	2020 Rupees
Unbilled revenue	(11.1)	498,915,123	590,183,650
Retention money		229,029,277	52,596,431
		727,944,400	642,780,081

11.1 Unbilled revenue

	Note	2021 Rupees	2020 Rupees
Export		226,684,179	468,989,680
Local		294,463,401	210,464,898
		521,147,580	679,454,578
Less: Allowance for ECL	(11.1.1)	(22,232,457)	(89,270,928)
		498,915,123	590,183,650

	2021	
	---Rupees---	
	VISIONET DEUTSCHLAND GMBH	VISIONET - UK
- Not more than three months	1,319,204	4,944,629
- More than three months but not more than six months	-	-
- More than six months but not more than twelve months	-	-
- More than twelve months	-	
	1,319,204	4,944,629

	2020	
	---Rupees---	
	VISIONET DEUTSCHLAND GMBH	VISIONET - UK
- Not more than three months	135,801,761	-
- More than three months but not more than six months	47,873,522	-
- More than six months but not more than twelve months	3,932,960	-
- More than twelve months	-	-
	187,608,243	-

		2021 Rupees	2020 Rupees
	The maximum aggregate amount outstanding by reference to month-end balances was as follows:		
	Visionet Deutschland GMBH	364,294,404	275,359,167
	Visionet - UK	65,474,644	-
11.1.1	Balance as at 01 January	85,012,788	77,137,626
	(Recovery) / Expense for the year - net	17,546,844	9,812,284
	Balances written off during the year	-	-
	Transferred to allowance for ECL against debtors	(80,327,175)	
	Foreign exchange movement	-	2,321,018
	Balance as at 31 December	22,232,457	89,270,928

11.1.2 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.

12. TRADE DEBTS

	Note	2021 Rupees	2020 Rupees
Considered good - unsecured:			
Export	(12.1)	3,300,582,378	1,979,840,352
Local		1,160,066,340	677,703,491
		4,460,648,718	2,657,543,843
Less: Allowance for ECL	(12.2)	(334,720,419)	(284,827,102)
		4,125,928,299	2,372,716,741

These include unsecured receivables from related parties against outsourcing services. As per contracts with related parties, billing terms range from monthly to quarterly basis and payment is generally due within 30 days from the date of billing. Detail of related party balances along with aging analysis of the amounts is as follows:

	2021			
	VISIONET SYSTEMS INCORPORATION - USA	VISIONET - UK	VISIONET DEUTSCHLAND GMBH	TECHVISTA INFORMATION TECHNOLOGY QATAR
	---Rupees---			
- WITHIN 30 DAYS	680,082,110	19,515,971	109,174,344	13,436,530
- 31 - 90 DAYS	1,086,362,423	-	-	27,612,876
- 91 - 270 DAYS	-	-	-	129,665,276
- 271 - 365 DAYS	-	-	-	82,882,517
- ABOVE 365 DAYS	-	-	-	83,513,223
	1,766,444,533	19,515,971	109,174,344	337,110,422

	2020			
	VISIONET SYSTEMS INCORPORATION - USA	VISIONET - UK	VISIONET DEUTSCHLAND GMBH	TECHVISTA INFORMATION TECHNOLOGY QATAR
	-----	Rupees	-----	-----
- WITHIN 30 DAYS	491,534,869	-	18,539,554	12,267,153
- 31 - 90 DAYS	609,446,087	-	-	23,001,230
- 91 - 270 DAYS	-	-	-	49,359,049
- 271 - 365 DAYS	-	-	-	23,106,667
- ABOVE 365 DAYS	-	-	-	9,070,210
	1,100,980,956	-	18,539,554	116,804,309

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

	Note	2021 Rupees	2020 Rupees
Visionet Systems Incorporation - USA		**2,415,544,828**	1,354,441,348
Visionet Deutschland GMBH		**293,166,527**	18,539,554
TechVista Information Technology - Qatar		**481,679,317**	113,964,932

12.2 Allowance for ECL

	Note	2021	2020
Balance as at 01 January		**284,827,102**	168,209,807
Addition during the year		**(26,334,933)**	199,362,254
Transferred from provision for ECL against contract assets		**80,327,175**	-
Reversal of provision for ECL		**(121,441,069)**	(22,372,056)
Foreign exchange movement		**117,342,144**	(60,372,903)
Balance as at 31 December	(12.2.1)	**334,720,419**	284,827,102

12.2.1 These include allowance for ECL against receivables from related party, TechVista Information Technology (Qatar) amounting to Rs. 51.35 million (2020: 54.20 million).

13. LOANS, ADVANCES AND OTHER RECEIVABLE

	Note	2021 Rupees	2020 Rupees
Current maturity of long term loans		**8,506,365**	-
Advances to staff against:			
salary		**10,589,878**	11,529,183
expenses		**52,546,952**	3,061,469
		63,136,830	14,590,652
Advances to suppliers - against goods		**381,026,858**	81,322,672
		444,163,688	95,913,324
Loans to related parties		**659,970,206**	300,431,066
Elimination on account of Joint Operation	(13.1)	**(378,154,612)**	(300,431,066)
	(13.2)	**281,815,594**	-
Other receivables:			
From related parties			
Visionet Systems Inc.		**-**	7,742,440
TechVista Information Technology Qatar - related party		**-**	106,415,131
Visionet Deutschland GMBH		**-**	993,495
Others		**182,117**	3,071,571
		734,667,764	214,135,961

13.1 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.

13.2 This represents the loan provided to E-Processing Systems (Private) Limited which carries mark-up at one-month KIBOR on the outstanding loan balance at the end of each month.

14. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2021 Rupees	2020 Rupees
Security deposits	**164,893,714**	347,689,182
Prepayments	**158,256,248**	90,784,166
	323,149,962	438,473,348

15. SHORT TERM INVESTMENTS

	Note	2021 Rupees	2020 Rupees
Fair value through profit or loss			
- Mutual fund units	(15.1)	**4,199,676,912**	559,845,556
Amortized cost			
- Term deposit receipts (TDRs)	(15.2)	**667,000,000**	2,085,000,000
		4,866,676,912	2,644,845,556

15.1 The details of investments in mutual funds are as follows:

UBL Al-Ameen Asset Islamic Allocation Fund Number of units : 837,046 (2020: 409,056)	**107,656,212**	51,952,710
UBL Al-Ameen Islamic Cash Plan-I Number of units : 3,078,898 (2020: Nil)	**307,889,806**	-
Alfalah GHP Islamic Income Fund Number of units : 1,282,006 (2020: Nil)	**131,098,915**	51,291,201
HBL Asset Islamic Allocation Fund Number of units : 470,298 (2020: 460,820)	**52,976,195**	51,444,992
HBL Asset Islamic Money Market Fund Number of units : 255,641 (2020: Nil)	**25,864,345**	-
Lakson Islamic Tactical Fund Number of units : 1,089,870 (2020: 534,122)	**99,843,707**	52,449,350
Lakson Money Market Fund Number of units : 1,000,224 (2020: Nil)	**101,159,394**	-
Meezan Balanced Fund Number of units : 6,450,950 (2020: 6,450,950)	**103,600,318**	100,590,950
Meezan Islamic Income Fund Number of units : 1,001,921 (2020 : 944,653)	**53,502,393**	50,337,808
Meezan Islamic Fund Number of units : 2,466,902 (2020: Nil)	**151,731,025**	-
Meezan Rozana Amdani Fund Number of units : 12,429,789 (2020 : 944,653)	**621,489,473**	-
NBP Islamic Sarmaya Izafa Fund Number of units : 18,802,954 (2020: 12,352,453)	**312,138,444**	201,778,545
NBP Daily Dividend Fund Number of units : 61,353,113 (2020: Nil)	**613,531,130**	-
NBP Islamic Stock Fund Number of units : 6,844,116 (2020: Nil)	**83,246,347**	-
NBP Islamic Income Fund Number of units : 5,054,791 (2020: Nil)	**52,548,599**	-
MCB Al-hamra Islamic Money Market Fund Number of units : 4,702,537 (2020: Nil)	**467,949,478**	-
ABL Islamic Stock Fund Number of units : 3,125,509 (2020: Nil)	**47,314,269**	-
ABL Islamic Cash Fund Number of units : 25,784,452 (2020: Nil)	**257,844,525**	-
ABL Islamic Income Fund Number of units : 4,800,630 (2020: Nil)	**50,835,310**	-
Faysal Islamic Cash Fund Number of units : 5,574,570 (2020: Nil)	**557,457,027**	-
	4,199,676,912	559,845,556

15.2 **The details of investments in TDRs are as follows:**

	Note	2021 Rupees	2020 Rupees
Faysal Bank Limited		-	400,000,000
Habib Metropolitan Bank Limited		650,000,000	1,660,000,000
Habib Bank Limited		17,000,000	25,000,000
	(15.2.1)	667,000,000	2,085,000,000

15.2.1 These carry markup at rates ranging from 6.45% to 12.75% (2020: 6% to 12.75%) per annum.

16. TAX REFUNDS DUE FROM THE GOVERNMENT

	Note	2021 Rupees	2020 Rupees
Advance income tax		213,640,998	171,975,691

17. CASH AND BANK BALANCES

	Note	2021 Rupees	2020 Rupees
Cash in hand		946,078	917,983
Balances with banks:			
Local currency:			
Current accounts		1,636,860,527	1,211,562,880
Saving accounts	(17.1)&(17.2)	1,236,990,790	766,496,179
		2,873,851,317	1,978,059,059
Foreign currency - current accounts		104,066,346	1,006,127,524
		2,978,863,741	2,985,104,566

17.1 These carry markup at the rate of 4.12% to 6.18% (2020: 3.1% to 11.50%) per annum.

17.2 These include margin amount of Rs. 458.27 (2020: Rs. 364.63) million held under lien by the banks against guarantees issued by them on behalf of the Group.

18. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2021 (Number of shares)	2020 (Number of shares)		2021 Rupees	2020 Rupees
114,815,189	113,384,660	"Ordinary shares of Rs. 10/- each fully paid in cash"	1,148,151,890	1,133,846,600
23,683,723	11,221,354	"Ordinary shares of Rs. 10/- each fully paid up as bonus shares"	236,837,230	112,213,540
138,498,912	124,606,014		1,384,989,120	1,246,060,140

18.1 **Reconciliation of ordinary shares**

2021 (Number of shares)	2020 (Number of shares)		2021 Rupees	2020 Rupees
124,606,014	123,520,299	Balance at 01 January	1,246,060,140	1,235,202,990
12,462,369	-	Bonus shares issued	124,623,690	-
1,430,529	1,085,715	Stock options exercised	14,305,290	10,857,150
138,498,912	124,606,014	Balance at 31 December	1,384,989,120	1,246,060,140

19. CAPITAL RESERVES

	Note	2021 Rupees	2020 Rupees
Share premium reserve	(19.1)	**820,263,291**	614,907,403
Employee compensation reserve	(19.2)	**200,220,759**	84,747,028
Gain on dilution of interest		**-**	197,609,706
Translation reserve on foreign operations		**127,825,350**	59,347,679
		1,148,309,400	956,611,816

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

19.2 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.

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

	2021		2020	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	Rupees	**Number**	Rupees	Number
Outstanding at 01 January	**83.84**	**2,653,622**	77.46	2,479,946
Granted during the year				
- stock options awarded in January	**-**	**-**	75.34	1,529,034
- stock options awarded in March	**346.19**	**735,835**	-	-
- stock options awarded in July	**-**	**-**	122.23	200,000
- stock options awarded in September	**497.21**	**207,500**	-	-
Bonus issue adjustment during the year1	**133.75**	**336,928**		
Forfeited share options	**75.34**	**(550,000)**	72.34	(469,643)
Exercised during the year:				
- stock options awarded in 20172	**-**	**-**	62.58	(316,831)
- stock options awarded in 20183	**72.13**	**(17,676)**	72.13	(768,884)
- stock options awarded in 20194	**73.34**	**(992,103)**	-	-
- stock options awarded in 20205	**75.34**	**(420,750)**	-	-
Outstanding at 31 December	**244.85**	**1,953,356**	83.84	2,653,622
Vested and exercisable at 31 December	**73.33**	**716,687**	72.13	17,676

1. Additional options were awarded to scheme participants as a result of the March 2021 bonus issue. Options were awarded such that the overall value of options available were unchanged by the bonus issue.

2. The weighted average share price at the date of the exercise of these options was nil (2020: Rs. 96.32).

3. The weighted average share price at the date of the exercise of these options was Rs. 479.91 (2020: Rs. 183.84)

4. The weighted average share price at the date of the exercise of these options was Rs. 461.40.

5. The weighted average share price at the date of the exercise of these options was Rs. 759.84.

19.2.2 The weighted average remaining contractual life for the share options outstanding as at 31 December 2021 is 3.71 years (2020: 3.80 years).

19.2.3 The weighted average fair value of options granted during the year was Rs. 277.67 (2020: Rs. 67.72)

19.2.4 The range of exercise prices for options outstanding at the end of the year is Rs.346.19 to Rs.497.21 (2020: Rs.72.13 to Rs.122.23)

19.2.5 The following table lists the inputs to the model used for the plan for the years ended 31 December 2021 and 2020, respectively:

	2021 Rupees	2020 Rupees
Dividend yield	**2%**	2%
Expected volatility	**42% - 43%**	32% - 40%
Risk-free interest rate	**8.29% & 8.90%**	7.30% & 7.80%
Expected life of share options(years)	**2.2**	2.1
Weighted average share price	**Rs. 538.58**	Rs. 132.47
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	2021 Rupees	2020 Rupees
20. LONG TERM ADVANCES	(20.1)	**81,111,314**	53,857,626

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

21. LONG TERM LOAN

	Note	2021 Rupees	2020 Rupees
MCB Bank Limited		**67,081,559**	190,641,884
Add: Unwinding of interest		**9,734,526**	8,125,960
	(21.1)	**76,816,085**	198,767,844
Less: Current portion		**(76,816,085)**	(100,754,617)
		-	98,013,227

21.1 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. 1,344 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 fair value of loan and loan proceeds has been recognized as deferred grant as per requirements of IAS 20 (Accounting for Government grants and disclosure of Government assistance) and as per Circular 11/2020 issued by the Institute of Chartered Accountants of Pakistan.

22. LEASE LIABILITIES

	2021 Rupees	2020 Rupees
Present value of lease rentals	**301,076,382**	227,393,268
Less: Current portion shown under current liabilities	**(62,195,197)**	(37,983,731)
	238,881,185	189,409,537

	Lease Rentals	Finance cost for future periods	Principal outstanding
		2021	
	-----------------	-Rupees-	-----------------
Not later than one year	**92,277,870**	**30,082,673**	**62,195,197**
Later than one year but not later than five years	**232,671,588**	**48,983,267**	**183,688,321**
Later than five years	**64,044,200**	**8,851,336**	**55,192,864**
	388,993,658	**87,917,276**	**301,076,382**

	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

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

	2021 Rupees	2020 Rupees
As at 01 January	**227,393,268**	158,473,516
Additions	**129,001,097**	99,007,148
Accretion of interest	**23,001,123**	20,048,198
Payments	**(78,319,106)**	(50,135,594)
As at 31 December	**301,076,382**	227,393,268

Salient features of the leases are as follows:	**2021**	2020
Discounting rate	**8.07% - 12.41%**	7.32% - 12.16%
Period of lease	**36-120 months**	60-120 months

Amount recognized in statement of profit or loss:

The following are the amounts recognized in profit or loss:

	2021 Rupees	2020 Rupees
Interest expense on lease liabilities	**23,001,123**	20,048,198
Expenses relating to short term leases	**35,637,899**	10,435,720
Total amount recognized in profit or loss	**58,639,022**	30,483,918

Cash outflow for leases

The Company had total cash outflows for leases of Rs.95.33 million in 2021 (2020: Rs. 65.14 million). The Company also had non-cash additions to right-of-use assets and lease liabilities of Rs. 190.01 million in 2021 (2020: Rs. 99.01 million).

23. TRADE AND OTHER PAYABLES

	Note	**2021 Rupees**	2020 Rupees
Creditors		**646,916,901**	496,582,818
Bills discounted		**-**	2,063,910
Accrued liabilities		**933,261,347**	621,170,242
Provident fund contribution payable	**(23.1)**	**67,671,516**	32,276,041
Withholding income tax payable		**41,565,074**	30,774,556
Sales tax payables		**17,194,897**	2,134,640
Other Payables		**-**	1,127,777
	(23.2)	**1,706,609,735**	1,186,129,984

23.1 All investments out of provident fund have been made in the collective investment schemes, listed equity and listed debt securities in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for the purpose.

23.2 These are non-interest bearing and are normally settled on terms of between 30 and 60 days.

	Note	**2021 Rupees**	2020 Rupees
24. CONTRACT LIABILITIES	**(24.1)**	**940,135,872**	297,554,223

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

25. SHORT TERM BORROWINGS

	Note	2021 Rupees	2020 Rupees
MCB Bank Limited	(25.1)	850,000,000	550,000,000
Habib Metropolitan Bank Limited	(25.2)	1,400,000,000	700,000,000
Running Finance Facility-National Bank of Pakistan		-	39,000,000
Meezan Bank Limited	(25.3)	100,000,000	160,000,000
Habib Bank Limited	(25.4)	200,000,000	-
Faysal Bank Limited	(25.5)	200,000,000	-
		2,750,000,000	1,449,000,000

25.1 This represents export re-finance (ERF) availed against aggregate sanctioned limit of Rs. 1,000 (2020: Rs. 800) million. The rate of mark up is SBP rate plus 0.5% (2020: SBP rate plus 0.5%) per annum. These borrowings are secured against Rs. 150 million cash margin, 1st pari passu charge of Rs. 1,344 million over the current assets and hypothecation and equitable mortgage charge of Rs. 1,066.67 million over plant and machinery and 203 marla of land at Sehjpal near DHA Phase VIII (ex-Air Avenue Eden City), respectively.

25.2 This represents islamic export re-finance (IERF) availed against aggregate sanctioned limit of Rs. 1,400 (2020: Rs. 700) million. The rate of mark up is SBP rate plus 0.5% (2020: SBP rate plus 1%). These borrowings are secured against first pari passu hypothecation charge of Rs. 2,150 million over current assets and equitable mortgage of Rs. 305.99 million over 153.59 marla of land at Sehjpal near DHA Phase VIII (ex-Air Avenue Eden City).

25.3 This represents export re-finance (ERF) availed against aggregate sanctioned limit of Rs. 700 million. The rate of mark up is SBP rate plus 0.5%. These borrowings are secured against first pari passu hypothecation charge over current assets of the Company.

25.4 This represents islamic export re-finance (IERF) availed against aggregate sanctioned limit of Rs. 100 million. The rate of mark up is SBP rate plus 1%. These borrowings are secured against first pari passu hypothecation charge over current assets of the Company.

25.5 This represents islamic export re-finance (IERF) availed against aggregate sanctioned limit of Rs. 300 million. The rate of mark up is SBP rate plus 0.5%. These borrowings are secured against first pari passu hypothecation charge over current assets of the Company.

26. CONTINGENCIES AND COMMITMENTS

26.1 Contingencies

Income tax

26.1.1 Tax Year 2017 – under section 161

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

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

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.

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

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

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

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

26.1.5 Sales tax

26.2 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.
During the year, the CIR appeal vide order no. 12 dated January 29, 2021 has annulled the demand of PKR 651 million with the direction to reassess the matters and quashed the demand to the tune of PKR 441,297. Further the CIR appeals has confirmed the balance demand of PKR 3.70 million against which company has preferred an appeal before ATIR.

26.3 Commitments

Guarantees issued by the financial institutions on behalf of the Company amount to Rs. 329.11 (2020: Rs. 201.90) million. This includes guarantees of Nil (2020: Rs. 2.72) million given on behalf of Joint Operation.

Guarantees issued by the Company on behalf of E-Processing Systems (Private) Limited to National Bank of Pakistan amounts to Rs. 100 million.

27. REVENUE FROM CONTRACTS WITH CUSTOMERS - NET

	Note	2021		
Type of goods or services		**Export**	**Local**	**Total**
Outsourcing services:			----------------Rupees----------------	
Business process outsourcing		**1,308,686,007**	**153,119,202**	**1,461,805,209**
IT services		**9,381,114,850**	**1,681,590,693**	**11,062,705,543**
Software trading		**343,276,936**	**652,577,352**	**995,854,288**
Software implementation	(27.1.1)	**1,436,498,882**	**219,431,181**	**1,655,930,063**
Sale of air-time		**-**	**321,193,535**	**321,193,535**
Less: Sales tax		**-**	**(193,451,071)**	**(193,451,071)**
Total revenue from contracts with customers		**12,469,576,675**	**2,834,460,892**	**15,304,037,567**
Timing of revenue recognition - net				
Goods and services transferred at a point in time		**343,276,936**	**652,577,352**	**995,854,288**
Goods and services transferred over time		**12,126,299,739**	**2,181,883,540**	**14,308,183,279**
Total revenue from contracts with customers		**12,469,576,675**	**2,834,460,892**	**15,304,037,567**

	Note	2020		
Type of goods or services		Export	Local	Total
Outsourcing services:			----------------Rupees----------------	
Business process outsourcing		1,373,041,005	161,502,986	1,534,543,991
IT services		5,370,923,611	928,497,428	6,299,421,039
Software trading		203,880,450	452,429,638	656,310,088
Software implementation	(27.1.1)	956,158,647	210,001,553	1,166,160,200
Sale of air-time		-	357,570,526	357,570,526
Less: Sales tax		-	(137,178,134)	(137,178,134)
Total revenue from contracts with customers		7,904,003,713	1,972,823,997	9,876,827,710
Timing of revenue recognition - net				
Goods and services transferred at a point in time		203,880,450	452,429,638	656,310,088
Goods and services transferred over time		7,700,123,263	1,520,394,359	9,220,517,622
Total revenue from contracts with customers		7,904,003,713	1,972,823,997	9,876,827,710

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

27.2 The disaggregated revenue information based on the geographical location has been presented in Note 36 to these consolidated financial statements.

		Note	2021 Rupees	2020 Rupees
27.3	**Contract balances**	**(27.3.1)**	**297,554,223**	53,828,061

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

27.4 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:

	2021 Rupees	2020 Rupees
Within one year	**1,876,222,970**	234,262,085
More than one year	**938,111,485**	702,786,254
	2,814,334,455	937,048,339

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.

28. COST OF REVENUE

	Note	2021 Rupees	2020 Rupees
Salaries, allowances and amenities	**(28.1)**	**8,056,133,049**	4,571,353,251
Commission paid		**164,661,215**	202,988,942
E-link connectivity charges		**5,046,212**	7,100,617
Technical consultancy		**394,460,805**	680,160,718
Printing and stationery		**1,238,695**	1,732,581
Computer supplies		**26,210,712**	20,886,069
Rent, rates and taxes		**20,321,985**	8,389,411
Electricity, gas and water		**58,790,988**	47,409,042
Traveling and conveyance		**102,879,956**	100,839,087
Repair and maintenance		**10,088,166**	12,405,269
Postage, telephone and telegrams		**80,854,746**	72,107,402
Vehicle running and maintenance		**50,320,193**	25,303,832
Entertainment		**(2,663,099)**	26,756,350
Fee and subscriptions		**110,106,917**	59,044,261
Insurance		**8,877,564**	5,201,344
Depreciation	**(4.3)**	**244,868,014**	183,243,480
Amortization	**(5.3)**	**21,696,156**	24,917,618
Depreciation of right-of-use	**(8.1)**	**11,324,118**	15,379,034
Other		**12,250,814**	13,647,344
		9,377,467,206	6,078,865,652
Purchase of software for trading		**936,898,644**	540,774,551
		10,314,365,850	6,619,640,203

28.1 This includes employees retirement benefit expense amounting to Rs. 229.39 (2020: Rs. 158.39) million.

29. SELLING AND DISTRIBUTION EXPENSES

	Note	2021 Rupees	2020 Rupees
Salaries, allowances and amenities	(29.1)	316,646,023	122,004,346
Collection charges		37,956,423	57,999,389
Printing and stationery		71,139	370,579
Computer supplies		445,724	100,314
Electricity, gas and water		558,288	1,107,445
Traveling and conveyance		7,589,229	3,869,378
Repair and maintenance		769,685	950,833
Postage, telephone and telegrams		855,845	754,222
Vehicle running and maintenance		2,449,329	1,355,995
Entertainment		801,622	489,967
Insurance		497,100	524,075
Fee and subscriptions		4,579,494	2,896,029
Shows, seminars and advertising		4,959,289	2,991,433
Depreciation	(4.3)	3,181,372	2,383,210
Amortization	(5.3)	125,969	255,061
Depreciation of right-of-use	(8.1)	4,114,002	2,832,980
		385,600,533	201,024,729

29.1 This includes employees retirement benefit expense amounting to Rs. 5.23 (2020: Rs. 3.37) million.

30. ADMINISTRATIVE EXPENSES

	Note	2021 Rupees	2020 Rupees
Salaries, allowances and amenities	(30.1)	964,351,857	427,741,501
Printing and stationery		9,608,807	4,910,958
Computer supplies		23,641,194	17,702,919
Rent, rates and taxes		15,983,646	13,142,381
Electricity, gas and water		19,288,902	15,670,825
Traveling and conveyance		22,645,092	17,862,611
Repair and maintenance		46,614,823	30,813,270
Postage, telephone and telegrams		32,872,907	23,650,878
Vehicle running and maintenance		13,166,019	7,246,096
Legal and professional		66,362,770	57,331,448
Auditors' remuneration	(30.2)	8,641,465	7,048,819
Entertainment		5,995,997	3,863,323
Donations		31,532,050	2,203,600
Fee, subscriptions and training		67,137,551	19,952,059
Insurance		3,220,483	4,441,431
Hiring cost		580,873	432,830
Newspapers, books and periodicals		369,493	137,713
Depreciation	(4.3)	53,085,685	36,709,628
Amortization	(5.3)	1,956,911	3,956,615
Depreciation of right-of-use	(8.1)	32,324,303	22,259,128
Others		7,423,130	5,371,996
		1,426,803,958	722,310,556

30.1 This includes employees retirement benefit expense amounting to Rs. 71.07 (2020: Rs. 42.83) million.

30.2 Auditors' remuneration

	2021 Rupees	2020 Rupees
EY Ford Rhodes:		
- Holding Company - annual audit fee	2,650,000	1,907,747
- Subsidiary / associate - annual audit fee	700,000	501,661
- Half yearly review & other certifications	1,954,291	1,478,906
- Out-of-pocket	394,000	273,885
- Sales tax advisory	-	942,500
	5,698,291	5,104,699
Other firms - annual audit fee relating to subsidiaries	2,943,174	1,944,120
	8,641,465	7,048,819

31. OTHER OPERATING EXPENSES

	Note	2021 Rupees	2020 Rupees
Allowance for ECL			
- Contract assets		**17,546,844**	9,812,284
- Trade debts		**(26,334,933)**	199,362,254
Unbilled revenue and bad debts written off		**16,919,121**	5,071,977
Tax receivables written off		**-**	5,889,010
		8,131,032	220,135,525

32. OTHER INCOME

	Note	2021 Rupees	2020 Rupees
Income from financial assets:			
Profit on deposit accounts		**37,796,978**	9,176,716
Profit on term deposit receipts		**56,668,847**	130,159,502
Dividend income		**17,701,867**	2,502,253
Unrealized gain on investments classified as fair value through profit or loss		**115,206,839**	7,343,304
Exchange gain		**334,461,103**	81,841,960
Effect of discounting of long term loans		**550,616**	-
Effect of discounting of long term security deposits		**55,028**	-
Interest on loan to associated undertakings		**28,907,587**	-
		591,348,865	231,023,735
Income from non-financial assets:			
Gain on disposal of property and equipment		**16,604,277**	3,312,735
Others		**45,076,992**	864,568
		61,681,269	4,177,303
		653,030,134	235,201,038

33. FAIR VALUE ADJUSTMENT ON DILUTION OF CONTROL IN SUBSIDIARY

As mentioned in Note 1.2.5, E-Processing Systems (Private) Limited has been disposed during the year, accordingly, fair value adjustment on dilution of control in subsidiary is calculated as per the following details:

	2021 Rupees
Net assets	
Property and equipment	**12,497,423**
Intangibles	**235,380,681**
Long term deposits	**18,224,640**
Trade debts and other receivables	**371,548,493**
Short term deposits and prepayments	**4,952,523**
Tax refunds from Govt.	**5,203,122**
Cash and bank balances	**72,622,760**
Trade and other payables	**(68,113,173)**
Contract Liabilities	**(2,559,324)**
Short term borrowings	**(309,059,787)**
Markup Accrued on Loans	**(7,266,009)**
	333,431,349
Less:	
Fair value of consideration (E-Processing B.V. as an associate)	**889,335,703**
Gain on dilution of interest	**197,609,706**
Non controlling interest	**62,712,688**
Net fair value adjustment on dilution of control in subsidiary	**816,226,748**

34. FINANCE COSTS

	Note	2021 Rupees	2020 Rupees
Markup on guarantee commission		2,041,777	2,383,653
Markup on short term borrowing		90,402,901	39,661,983
Bank charges		5,958,857	4,565,842
Lease Interest		23,001,123	20,048,198
		121,404,658	66,659,676

35. TAXATION

	Note	2021 Rupees	2020 Rupees
Statement of profit or loss			
Current Income tax:			
- Current income tax charge		88,742,478	90,648,215
- Adjustments in respect of current income tax of previous year		10,918,206	27,312,161
		99,660,684	117,960,376
Deferred tax			
- Relating to origination and reversal of temporary differences		(45,716,049)	-
Income tax expense reported in statement of profit or loss		53,944,635	117,960,376
Amounts recognized directly in equity			
Deferred tax on share based payment		(29,344,233)	-

35.1 This represents tax chargeable under Normal Tax Regime on local sale of software and services. The income of the Holding Company from export of software is subject to tax credit at the rate of 100% under section 65F to the Income Tax Ordinance, 2001.

35.2 Reconciliation of tax charge for the year

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

35.3 Deferred tax

	Note	2021 Rupees	2020 Rupees
Taxable temporary differences			
Depreciation on property and equipment		(23,252,416)	(22,361,343)
Right-of-use asset		(17,353,576)	(12,387,186)
		(40,605,992)	(34,748,529)
Deductible temporary differences			
Lease liabilities		18,079,885	13,780,885
Provision for doubtful debts		16,817,222	13,874,283
Provision for contract assets		1,335,077	5,152,094
Employee compensation reserve		38,382,745	1,941,267
Accelerated tax depreciation and amortization		10,578,374	-
Minimum tax		30,472,971	-
		115,666,274	34,748,529
		75,060,282	-

36. 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 - 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 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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	---Rupees---									
Revenue from contracts with customers	**6,423,003,195**	4,367,846,372	**1,047,044,453**	825,305,235	**4,999,529,027**	2,699,811,070	**2,834,460,892**	1,983,865,033	**15,304,037,567**	9,876,827,710
Cost of revenue	**(3,896,570,096)**	(2,392,470,816)	**(658,775,716)**	(498,779,658)	**(3,479,703,994)**	(2,218,084,612)	**(2,279,316,044)**	(1,510,305,117)	**(10,314,365,850)**	(6,619,640,203)
Gross profit	**2,526,433,099**	1,975,375,556	**388,268,737**	326,525,577	**1,519,825,033**	481,726,458	**555,144,848**	473,559,916	**4,989,671,717**	3,257,187,507
Distribution expenses	**(22,951,806)**	(17,406,721)	**(3,643,294)**	(4,024,698)	**(6,857,599)**	(7,462,548)	**(352,147,834)**	(172,130,762)	**(385,600,533)**	(201,024,729)
Administrative expenses	**(702,630,379)**	(324,640,784)	**(90,422,638)**	(66,340,926)	**(500,666,597)**	(218,841,511)	**(133,084,344)**	(112,487,335)	**(1,426,803,958)**	(722,310,556)
	(725,582,185)	(342,047,505)	**(94,065,932)**	(70,365,624)	**(507,524,196)**	(226,304,059)	**(485,232,178)**	(284,618,097)	**(1,812,404,491)**	(923,335,285)
	1,800,850,914	1,633,328,051	**294,202,805**	256,159,953	**1,012,300,837**	255,422,399	**69,912,670**	188,941,819	**3,177,267,226**	2,333,852,222
Unallocated income and expenses:										
Other operating expenses									**(8,131,032)**	(220,135,524)
Other income									**653,030,134**	235,201,037
Fair value adjustment on dilution of control in subsidiary									**816,226,748**	-
Share of loss of associate									**(83,384,503)**	-
Finance cost									**(121,404,658)**	(66,659,676)
									1,256,336,689	(51,594,163)
Profit before taxation									**4,433,603,915**	2,282,258,059
Taxation									**(53,944,635)**	(117,960,376)
									4,379,659,280	2,164,297,683

36.1 Allocation Of Assets And Liabilities

	North America		Europe		Middle East		Pakistan		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	---Rupees---									
Segment operating assets										1,518,666,516
Property and equipment	-	-	-	-	45,008,932	8,216,212	2,006,791,105	1,510,450,304	2,051,800,037	204,249,277
Intangibles	-	-	-	-	-	-	23,717,704	204,249,277	23,717,704	204,396,352
Right-of-use assets	-	-	-	-	-	-	288,981,475	204,396,352	288,981,475	-
Long term investments	-	-	-	-	-	-	144,568,896	-	144,568,896	
Invetment in associates			-	-			1,274,009,731		1,274,009,731	39,496,070
Long term deposits	-	-	-	-	-	-	141,294,105	39,496,070	141,294,105	-
Long term loans	-	-	-	-	-	-	36,796,454	-	36,796,454	-
Deferred taxation	-	-			-	-	75,060,282	-	75,060,282	-
Deferred employee benefits	-	-	6,263,833	192,018,321	-	-	10,344,054	-	10,344,054	642,780,081
Contract assets	-	-	128,690,315	20,255,836	383,036,454	253,079,192	338,644,113	197,682,568	727,944,400	2,372,716,741
Trade debts	1,766,444,533	1,100,980,956	-	-	1,227,195,573	590,695,553	1,003,597,878	660,784,396	4,125,928,299	95,419,182
Loans, advances and other reveivable	-	-			201,135,157	32,126,945	533,532,607	63,292,237	734,667,764	
Trade deposits and short			-	-					-	438,473,347
term prepayments	-	-			74,561,142	97,647,869	248,588,820	340,825,478	323,149,962	38,450,000
Interest accrued	-	-			-	-	11,118,877	38,450,000	11,118,877	119,353,871
Other receivables	-	-	-	-	-	116,282,300	-	3,071,571	-	-
Current portion of deferred employee										
benefits	-	-	-	-	-	-	2,890,139	-	2,890,139	2,644,845,556
Short term investments	-	-	-	-	-	-	4,866,676,912	2,644,845,556	4,866,676,912	171,975,691
Tax refunds due from government	-	-	-	-	-	-	213,640,998	171,975,691	213,640,998	2,985,104,566
Cash and bank balances	-	-	-	-	1,313,408,388	1,013,436,517	1,665,455,353	1,971,668,049	2,978,863,741	
Total operating assets	**1,766,444,533**	1,100,980,956	**134,954,148**	212,274,157	**3,244,345,646**	2,111,484,588	**12,885,709,503**	8,051,187,549	**18,031,453,830**	11,475,927,250

	North America		Europe		Middle East		Pakistan		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	---Rupees---									
Segment operating liabilities										
Long term advances	-	-	-	-	-	-	**81,111,314**	53,857,626	**81,111,314**	53,857,626
Lease liabilities	-	-	-	-	-	-	**238,881,185**	189,409,537	**238,881,185**	189,409,537
Long term loan	-	-	-	-	-	-	-	98,013,227	-	98,013,227
Deferred grant	-	-	-	-	-	-	-	8,338,896	-	8,338,896
Trade and other payables	-	-	-	-	**544,214,481**	441,404,612	**1,162,395,254**	744,725,372	**1,706,609,735**	1,186,129,984
Contract liabilities	-	-	-	-	**559,442,049**	204,626,045	**380,693,823**	92,928,178	**940,135,872**	297,554,223
Mark-up accrued on short term									-	
borrowings	-	-	-	-	-	-	**13,702**	9,804,362	**13,702**	9,804,362
Short term borrowings	-	-	-	-	-	-	**2,750,000,000**	1,449,000,000	**2,750,000,000**	1,449,000,000
Unclaimed dividend	-	-	-	-	-	-	**9,226,244**	7,617,635	**9,226,244**	7,617,635
Provision for gratuity	-	-	-	-	**94,865,412**	47,599,384	-	-	**94,865,412**	47,599,384
Current portion of lease liabilities	-	-	-	-	-	-	**62,195,197**	37,983,731	**62,195,197**	37,983,731
Current portion of long term loan	-	-	-	-	-	-	**76,816,085**	100,754,617	**76,816,085**	100,754,617
Current portion of deferred grant	-	-	-	-	-	-	**1,958,993**	3,095,996	**1,958,993**	3,095,996
Current portion of long term advances	-	-	-	-	-	-	**6,865,236**	10,754,706	**6,865,236**	10,754,706
Total operating liabilities	-	-	-	-	**1,198,521,942**	693,630,041	**4,770,157,033**	2,806,283,883	**5,968,678,975**	3,499,913,924

37. 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). Amounts due from and to related parties are shown under respective notes to the consolidated financial statements. Transactions with subsidiaries have been eliminated and other significant transactions with related parties are as follows:

Undertaking	Relation	Nature of transaction	Note	2021	2020
				Rupees	**Rupees**
E Processing Systems (Private) Limited.	Associate*	Disbursements against loan		**(52,296,496)**	(34,100,235)
		Receipts against loan		**52,000,000**	37,051,227
		Interest income		**3,951,358**	2,419,253
Visionet Systems Incorporation - USA	Associate*	Revenue	(37.1)	**6,446,986,130**	4,270,475,128
		Reimbursement of expenses		**15,089,316**	27,419,070
TechVista Information Technology Qatar	Associate*	Revenue	(37.2)	**182,168,993**	95,176,466
		Advance against issue of shares		**144,568,896**	-
Visionet Deutschland GMBH	Associate*	Revenue	(37.3)	**664,579,940**	664,579,940
		Out of pocket expenses		**732,584**	-
Staff retirement funds		Contribution		**326,813,846**	177,022,960
VSI UK	Associate*	Revenue	(37.4)	**82,520,056**	-

*This has the same meaning as defined in section 2(4) of the Companies Act 2017.

37.1 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.

37.2 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.

37.3 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.

37.4 Visionet UK is an associated company of the Group on the basis of common directorship and incorporated in United Kingdom. The registered address is Wellington Way, Brooklands Business Park, Weybridge, Surrey KT13 0TT, GB.

38 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	
	2021	2020	2021	2020	2021	2020
			(Nos)			
Number of persons	**1**	1	**6**	6	**993**	525
			Rupees			
Managerial remuneration	**42,504,000**	36,960,000	**-**	-	**3,418,898,734**	1,613,369,420
Retirement benefits	**1,416,800**	1,232,000	**-**	-	**170,381,448**	97,181,202
Bonus	**47,329,920**	27,946,387	**-**	-	**140,565,309**	50,131,001
Fees	**-**	-	**2,950,000**	2,850,000	**-**	-
	91,250,720	67,370,387	2,950,000	2,850,000	3,729,845,491	1,760,681,623

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

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

38.3 During the year, the Chief Executive Officer and Other Executives were granted 291,319 (2020: 570,034) and 725,600 (2020: 1,159,000) share options respectively, which have a vesting period of two years. Further, the impact of benefits available to the Chief Executive and other executives recognized by the Group on account of share-based payment plans aggregated to Rs. 40.97 (2020: Rs. 25.37) million and Rs. 149.26 (2020: Rs. 21.76) million, respectively.

38.4 During the current year, certain executives of the Group exercised stock option under employee stock option scheme according to which 1,430,529 (2020: 1,085,715) shares were issued to them.

39. 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:

39.1 Basic earnings per share

	2021	2020
	---------------Rupees---------------	
Profit for the year	**4,462,160,721**	2,209,645,930
	(Number of shares)	
		(Restated)
Weighted-average number of ordinary shares outstanding during the year	**137,671,924**	136,684,282
Basic earnings per share (Rupees)	**32.41**	16.17

39.2 Diluted earnings per share

	2021	2020
	---------------Rupees---------------	
Profit for the year	**4,462,160,721**	2,209,645,930
	(Number of shares)	
		(Restated)
Weighted average number of ordinary shares (basic)	**137,671,924**	136,684,282
Effect of share options	**1,337,439**	1,763,819
Weighted average number of ordinary shares - diluted	**139,009,363**	138,448,101
Diluted earnings per share (Rupees)	**32.10**	15.96

39.3 The weighted average number of ordinary shares of 2020 has been restated in accordance with the requirements of IAS 33 due to issuance of 12,462,369 bonus shares in 2021.

40. CASH GENERATED FROM OPERATIONS

	Note	2021	2020
		---------------Rupees--------------------	
Profit before taxation		**4,433,603,915**	2,282,258,059
Adjustment for:			
Depreciation on property and equipment	(4.3)	**301,135,071**	222,336,318
Depreciation on right-of-use asset		**47,762,423**	40,471,141
Amortization of intangibles	(5.3)	**23,779,036**	29,129,294
Allowance for ECL against contract assets	(31)	**17,546,844**	9,812,284
Allowance for ECL against trade debts	(31)	**(26,334,933)**	199,362,254
Bad debts - written off	(31)	**16,919,121**	5,071,977
Tax receivables written off		**-**	5,889,010
Provision for gratuity		**48,872,797**	26,562,211
Finance costs	(34)	**121,404,658**	66,659,676
Exchange gain on translation of export debts	(32)	**(334,461,103)**	(81,841,960)
Fair value adjustment on dilution of control in subsidiary		**(816,226,748)**	-
Share of loss of associates		**83,384,503**	-
Gain on short term investments	(32)	**(56,668,847)**	(130,159,502)
Unrealised gain on investments classified as fair value through profit or loss		**(115,206,839)**	(7,343,304)
Share based payment expense		**200,053,182**	45,941,146
Gain on disposal of property and equipment		**(16,604,277)**	(3,312,735)
		3,928,958,803	2,710,835,869
Working capital changes			
(Increase) / Decrease in current assets			
Contract assets - net		**(119,630,282)**	(80,220,144)
Trade debts		**(1,908,532,911)**	(741,162,893)
Loans and advances		**(570,562,450)**	49,326,068
Trade deposits and short term prepayments		**110,370,863**	(69,704,675)
Other receivables		**-**	62,598,795
		(2,488,354,780)	(779,162,849)
Increase / (Decrease) in current liabilities			
Increase in trade and other payables		**588,592,924**	402,092,326
Increase in contract liabilites		**645,140,973**	133,131,180
		(1,254,620,883)	(243,939,343)
Cash generated from operations		**2,674,337,920**	2,466,896,526

41. 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, it's objectives, policies and processes for measuring and managing risk, and it's 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.

41.1 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
		2021	2020
Receivables - USD	+1	11,452,636	16,925,091
	-1	(11,452,636)	(16,925,091)
Receivables - AED	+1	5,436,190	16,925,091
	-1	(5,436,190)	(16,925,091)
Receivables - QAR	+1	9,838,221	2,577,809
	-1	(9,838,221)	(2,577,809)
Receivables - GBP	+1	82,190	-
	-1	(82,190)	-
Receivables - EUR	+1	548,174	166
	-1	(548,174)	(166)
Bank balance - USD	+1	(502,141)	4,213,054
Reporting date rate:			
USD		176.50	160.00
AUD		129.00	123.30
AED		48.10	43.50
QAR		48.50	43.90
GBP		238.30	218.50
EUR		199.60	196.60

(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 2021, 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. 166.41 (2020: Rs. 5.09) million .

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:

	2021	2020
	Rupees	Rupees
Fixed rate instruments		
Financial assets		
Short term investments	**667,000,000**	2,644,845,556
Bank balances - deposit accounts	**1,236,990,790**	766,496,179
	1,903,990,790	3,411,341,735
Floating rate instruments		
Financial liabilities		
Long term loan	**76,816,085**	198,767,844
Short term borrowings	**1,250,000,000**	1,250,000,000
	1,326,816,085	1,448,767,844

Fair value sensitivity analysis for fixed rate instruments

As at 31 December 2021, 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. 19.04 million (2020: Rs.17.35 million).

Cash flow sensitivity analysis for variable rate instruments

As at 31 December 2021, had there been increase / decrease in SBP rate by 100 basis points, with all other variables held constant, profit before tax for the year would have been higher / lower by Rs. 13.27 million (2020: Rs.1.99 million).

41.2 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:

	2021	2020
	Rupees	Rupees
Long term loans	**36,796,454**	-
Trade debts	**4,125,928,299**	2,372,716,741
Trade deposits	**306,187,819**	387,822,344
Advances to employees against salaries	**10,589,878**	11,529,183
Other receivables	**-**	118,222,637
Interest accrued	**11,118,877**	38,450,000
Short term investment	**667,000,000**	2,085,000,000
Bank balances	**2,977,917,663**	2,984,186,583
	8,135,538,990	7,997,927,488
The aging of trade debts at the reporting date is:		
0 - 120 days	**2,373,293,997**	2,373,293,997
121 - 365 days	**107,033,549**	107,033,549
Above one year	**177,216,297**	177,216,297
	4,460,648,718	2,657,543,843
Allowance for ECL	**(334,720,419)**	(284,827,102)
	4,125,928,299	2,372,716,741

As at year end, 50% of trade debts (2020: 47%) was represented by four customer amounting to Rs. 2,232.25 (2020: Rs. 1,236.32) 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:

				2021	2020
Banks	**Short term**	**Long term**	**Agency**	---------------- Rupees ----------------	
Habib Metropolitan Bank	A1+	AA+	PACRA	**568,323,338**	2,528,702,856
Bank Islami Pak	A1	A+	PACRA	**7,694,419**	7,694,420
United Bank Limited	A1+	AAA	JCR-VIS	**25,835,178**	39,952,998
Faysal Bank	A1+	AA	PACRA	**260,965,910**	425,165,055
Standard Chartered Bank	A1+	AAA	PACRA	**271,893,689**	42,394,856
Finca Microfinance Bank	A1	A	PACRA	**8,507,280**	-
Meezan Bank	A1+	AA+	JCR-VIS	**203,613,721**	337,436,430
Bank Alfalah Limited	A1+	AA+	PACRA	**19,188,691**	35,705,625
Habib Bank Limited	A1+	AAA	JCR-VIS	**120,128,538**	43,746,646
MCB Bank Limited	A1+	AAA	PACRA	**178,858,982**	588,681,423
NRSP Microfinance Bank	A1	A	PACRA	**-**	5,552
National Bank of Pakistan	A1+	AAA	PACRA	**-**	115,418
MCB Bank Dubai	N/A	N/A	N/A	**730,379,763**	291,289,285
Mobilink Microfinance Bank	A1	A	PACRA	**-**	8,649
Habib Bank AG Zurich	N/A	N/A	N/A	**399,578,021**	646,068,677
Habib Bank Limited - UAE	N/A	N/A	N/A	**193,025,937**	75,201,889
Telenor Microfinance Bank	A1	A+	PACRA	**-**	7,016,804
				2,987,993,467	5,069,186,583

Mutual Funds	Short term	Long term	Agency	2021	2020
				----------------- Rupees ---------------	
HBL Asset Management Limited	Not Available	AM2	PACRA	**78,840,540**	51,444,992
Al-Meezan Asset Management Limited	Not Available	AM1	PACRA	**930,323,209**	150,928,758
NBP Fund Management Limited	Not Available	AM1	PACRA	**1,061,464,520**	201,778,545
MCB Arif Habeeb Saving and investment	Not Available	AM1	PACRA	**467,949,478**	-
ABL Asset Management Company Limited	Not Available	AM22++	PACRA	**355,994,104**	-
Alfalah GHP Investment Management Limited	Not Available	AM2+	PACRA	**131,098,915**	51,291,201
Lakson Investments Limited	Not Available	AM2+	Not Available	**201,003,101**	52,449,350
UBL Fund Managers Limited	Not Available	AM1	JCR-VIS	**415,546,018**	51,952,710
Faysal Asset Management Limited	Not Available	AM2+	JCR-VIS	**557,457,027**	-
				4,199,676,912	559,845,556

41.3 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 2021:

	Carrying amount	Contractual cash flows	Less than one year	One to five years	More than five years
	------------------------- Rupees -------------------------				
Long term loan	**76,816,085**	**76,816,085**	**-**	**76,816,085**	**-**
Lease Liabilities	**301,076,382**	**301,076,382**	**62,195,197**	**183,688,321**	**55,192,864**
Short term borrowings	**2,750,000,000**	**2,750,000,000**	**2,750,000,000**	**-**	**-**
Mark-up accrued on short term borrowings	**13,702**	**13,702**	**13,702**	**-**	**-**
Trade and other payables	**1,706,609,735**	**1,706,609,735**	**1,706,609,735**	**-**	**-**
	4,834,515,904	**4,834,515,904**	**4,518,818,634**	**260,504,406**	**55,192,864**

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

	Carrying amount	Contractual cash flows	Less than one year	One to five years	More than five years
Long term loan	198,767,844	198,767,844	100,754,617	98,013,227	-
Lease Liabilities	227,393,268	227,393,268	37,983,731	128,483,649	60,925,888
Trade and other payables	1,186,129,984	1,186,129,984	1,186,129,984	-	-
Short term borrowings	1,449,000,000	1,449,000,000	1,449,000,000	-	-
Mark-up accrued on short term borrowings	9,804,362	9,804,362	9,804,362	-	-
	3,071,095,458	3,071,095,458	2,783,672,694	226,496,876	60,925,888

41.4 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.

41.5 Financial instruments by categories

	2021		
	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
Assets as per statement of financial position	Rupees	Rupees	Rupees
Long term loan	-	36,796,454	36,796,454
Long term deposits	-	141,294,105	141,294,105
Unbilled revenue	-	727,944,400	727,944,400
Trade debts	-	4,125,928,299	4,125,928,299
Loans and advances	-	734,667,764	734,667,764
Security deposits	-	164,893,714	164,893,714
Interest accrued	-	11,118,877	11,118,877
Short term investments	4,199,676,912	667,000,000	4,866,676,912
Cash and bank balances	-	2,978,863,741	2,978,863,741
	4,199,676,912	9,551,710,900	13,751,387,812

	2020		
	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
Assets as per statement of financial position	Rupees	Rupees	Rupees
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	-	214,135,961	214,135,961
Security deposits	-	347,689,182	347,689,182
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	-	2,985,104,566	2,985,104,566
	559,845,556	8,726,009,693	9,285,855,249

	2021	2020
	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Liabilities as per statement of financial position	Rupees	Rupees
Long term loan	76,816,085	198,767,844
Lease liabilities	301,076,382	227,393,268
Mark-up accrued on short term borrowings	13,702	9,804,362
Short term borrowings	2,750,000,000	1,449,000,000
Trade and other payables	1,706,609,735	1,186,129,984
	4,834,515,904	3,071,095,458

41.6 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.

	Fair value measurement using			
	Quoted price in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	---------- Rupees ----------			
As at 31 December 2021				
Fair value through profit and loss - Mutual Fund units	-	4,199,676,912	-	4,199,676,912
As at 31 December 2020				
Fair value through profit and loss - Mutual Fund units	-	559,845,556	-	559,845,556

41.7 Capital risk management

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

a) to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

b) to provide an adequate return to shareholders by pricing products.

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

Consistent with the industry norms, the Group monitors its capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the balance sheet less cash and cash equivalent. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt (as defined above).

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

	2021	2020
	Rupees	Rupees
Long term loan - Note 21	**76,816,085**	198,767,844
Lease Liabilities - Note 22	**301,076,382**	227,393,268
Trade and other payables - Note 23	**1,706,609,735**	1,186,129,984
Short term borrowing - Note 25	**2,750,000,000**	1,449,000,000
Mark up accrued on borrowings	**13,702**	9,804,362
Less: Cash and cash equivalents	**(2,978,863,741)**	(2,985,104,566)
Net debt	**1,855,652,163**	85,990,892
Total capital	**12,062,774,855**	7,976,013,326
Capital and net debt	**13,918,427,018**	8,062,004,218
Capital gearing ratio	**13.33%**	1.07%

42. Changes in liabilities arising from financing activities

	Long term loan	Lease liabilities	Total
31 December 2021			
Opening balance	**198,767,844**	**227,393,268**	**426,161,112**
Additions	**-**	**129,001,097**	**129,001,097**
Cash flows - net	**(131,686,285)**	**(78,319,106)**	**(210,005,391)**
Finance cost	**9,734,526**	**23,001,123**	**32,735,649**
Closing balance	**76,816,085**	**301,076,382**	**377,892,467**
31 December 2020			
Opening balance	-	158,473,516	158,473,516
Additions	193,896,685	99,007,148	292,903,833
Cash flows - net	-	(50,135,594)	(50,135,594)
Finance cost	4,871,159	20,048,198	24,919,357
Closing balance	198,767,844	227,393,268	426,161,112

43. Number Of Employees	2021	2020
Total number of employees at the end of the year were as follows:		
Regular	4,143	2,289
Contractual	1,177	1,259
	5,320	3,548
Average number of employees during the year were as follows:		
Regular	3,239	1,817
Contractual	1,150	1,308
	4,389	3,125

44. SUBSEQUENT EVENTS

44.1 The Board of Directors of Holding Company in their meeting held on 10th March 2022 have proposed a final cash dividend for the year ended 31 December 2021 of Rs. 5 (2020: Rs. 3.5) per share and 100% bonus (2020: 10%) issuance for approval of the members at the Annual General Meeting to be held on 11th April 2022. These financial statements for the year ended 31 December 2021 do not include the effect of these appropriations.

45. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on 10th March 2022 by the Board of Directors of the Company.

46. 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.

47. GENERAL

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

(CHAIRMAN) (CHIEF EXECUTIVE OFFICER) (CHIEF FINANCIAL OFFICER)