

Annual Report 2018

Empowering Your Digital Enterprise

systems



For the past 41 years, Systems Limited has helped its customers achieve their business objectives using leading-edge digital technologies. We have consistently met challenges and exceeded customer expectations through excellence in delivery and superior solutions for complex, mission-critical projects. Our strong focus on realizing disruptive and innovative ideas has led us to establish prestigious top-tier partnerships with Microsoft, IBM and Oracle as well as strong relationships with Cisco, VMWare, Huawei, Kaspersky, Informatica, and MicroStrategy.

Our products and services have helped improve productivity and profitability for hundreds of organizations in Pakistan and around the world. As an employee-owned company with a global workforce of around 2,500 employees, Systems Limited has established a strong presence in the UAE and Qatar, and is engaged in ongoing projects in UK, Oman, Saudi Arabia, Jordan, and Bahrain.

“Our Industry does not respect tradition- it only respects innovation”

-Satya Nadella

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Company Information

Board of Directors

Mr. Aezaz Hussain Chairman	Non-executive
Mr. Asif Peer CEO and Managing Director	Executive
Mr. Arshad Masood Director	Non-executive
Mr. Ayaz Dawood Director	Independent
Mr. Asif Jooma Director	Independent
Mr. Tahir Masaud Director	Independent
Ms. Romana Abdullah Director	Independent

Audit Committee

Mr. Ayaz Dawood Chairman
Mr. Tahir Masaud Member
Ms. Romana Abdullah Member

Human Resource & Compensation Committee

Mr. Asif Jooma Chairman
Mr. Tahir Masaud Member
Ms. Romana Abdullah Member

Chief Financial Officer

Ms. Roohi Khan

Company Secretary

Mr. Saad Hasan Aslam

External Auditors

Ernst & Young Ford Rhodes
Chartered Accountants
Lahore

Internal Auditors

Uzair Hammad Faisal & Co.

Legal Advisor

Hassan & Hassan Advocates
Ahmed & Pansota

Bankers

Habib Metropolitan Bank Limited
United Bank Limited
Standard Chartered Bank (Pakistan) Limited
Albaraka Bank Limited
Bank Alfalah Limited
Bank Islami Limited
Meezan Bank Limited
Faysal Bank Limited
Habib Bank Limited
MCB Bank Limited

Shares Registrar

THK Associates (Private) Limited.
1st Floor, 40-C, Block-6,
P.E.C.H.S. Karachi.
T: +92 21 111-000-322
F: +92 21 3 565 5595

Registered Office

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

Karachi Office

E-5, Central Commercial Area,
Shaheed-e-Millat Road, Karachi,
Pakistan
T: +92 21 3 454 9385-87
F: +92 21 3 454 9389

Dubai Office

TechVista Systems FZ LLC
Unit 105, Building 11,
Dubai International City,
Dubai Creative Cluster Authority,
Dubai, United Arab Emirates.
T: + 97 14 369 3525
F: +97 14 456 3761

WEB PRESENCE

www.systemsltd.com

"One way to understand human progress is to look at how technology has made products and services - once reserved for the elite - progressively more accessible and affordable."

- Dan Schulman



Profile of the Board of Directors



Mr. Aezaz Hussain
Chairman/Non-Executive Director

Mr. Aezaz Hussain founded Systems Limited in 1977 as the first software house in Pakistan. His professional acumen provided the overall direction for turn-key computer projects involving systems design, hardware selection and installation, and the planning and management of large scale industrial projects. Within the organization, he has been responsible for the internal restructuring needed to respond to periodic shifts in the Company's strategy. Mr. Aezaz was also involved in the acquisition of Visionet Systems, Inc., in New Jersey, USA. His main role is the development of enterprise strategy. He was a member of Pakistan's Information Technology Commission, which advised the President of Pakistan on IT related matters and national policies. He has been a member of a number of Committees and Advisory bodies set up by the government on information technology strategies and on the development of public sector/ government information systems. He was a founding Member and Founding President of Pakistan Software Houses Association (PASHA). He is a Member, Economic Advisory Board, Government of Pakistan and of the Information Technology Commission of Pakistan as well as the Council of the Computer Society of Pakistan. He is a Member of the Board of TEVTA Lahore.



Mr. Asif Peer
Chief Executive Officer

Mr. Asif started his professional career with Systems Limited in 1996, straight out of university. Out of the 23 years of his professional experience, Mr. Asif has spent 13 years in the US and played vital role in the success and growth of Systems' US office as Chief Operating Officer. As the CEO of Systems Limited, Mr. Asif is leading the organization into a new era of growth in both IT and BPO sectors by strengthening strategic partnerships with clients and vendors, and further aligning the company's business model to solidify its position as a leading technology solution provider. In 2018, he was appointed as a member of the Prime Minister's Council of Business Leaders. Mr. Asif holds a BCS degree from FAST and an MBA degree in Finance & Marketing from Institute of Business Administration.



Mr. Arshad Masood
Non-Executive Director

Mr. Arshad Masood started his career with IBM Corporation in the US and held various professional and managerial positions, including Sales Manager. He was a consistent top performer and his primary objective was to enhance customer relationships, protect their revenue base and identify new revenue opportunities. In 1994, Mr. Arshad Masood founded Visionet Systems, Inc., USA, which was acquired by Systems Limited in 1997. As founder, Mr. Arshad Masood envisioned and executed a strategy to create a general-purpose consulting and solutions company. As CEO, Mr. Arshad Masood is responsible for long-term strategic planning and providing guidance to operations across enterprise. He helped Visionet Systems build a strategy and value proposition for products and services in the mortgage industry. Mr. Arshad Masood holds a BSc (Engineering) degree from Engineering University, Lahore, an MSc degree from University of Guelph, Canada, and an MBA degree from Baruch College, New York.



Mr. Tahir Masaud
Independent Director

Mr. Tahir Masaud is the Chief Executive Officer of IGI Insurance Limited and a Director on the Board of IGI Life Insurance Limited. He joined as a Director on Board of Systems Limited on 18 March 2015. Mr. Masaud brings with him over 17 years of rich and varied experience gained in senior leadership positions within the general insurance sector in Pakistan and United Kingdom. His background includes sales and marketing administration, product development and project management. He is a Chartered Insurer with an Advanced Diploma in Insurance (ACII) from Chartered Insurance Institute, United Kingdom. Mr. Tahir has completed his post graduations in Computer Sciences and Business Administration from Lahore University of Management Sciences (LUMS), Pakistan. He has attended numerous professional development programs in Pakistan, United Kingdom and Germany.



Mr. Ayaz Dawood
Independent Director

Mr. Ayaz Dawood is serving BRR Investments (Private) Ltd. (Managers of BRR Guardian Modaraba and Crescent Standard Modaraba) as its Chief Executive. He has the distinction of being Founder of Burj Bank (Dawood Islamic Bank), Dawood Family Takaful, Dawood Equities Limited, First Dawood Investment Bank, Dawood Capital Management, managers of First Dawood Mutual Fund, Dawood Money Market Fund and Dawood Islamic Fund. Mr. Dawood has also served Modaraba Association of Pakistan as its Chairman. He is a director of Japan Power Company Limited and Chairman of its Human Resource Committee and a director of Systems Limited and Chairman of its Audit Committee. A member of Young Presidents Organization, Mr. Dawood is a graduate in Economics from McGill University, Montreal and completed his MBA in Finance and Money and Financial Markets with distinction from Colombia Business School, New York.



Mr. Asif Jooma
Independent Director

Mr. Asif Jooma started his career in the corporate sector with ICI Pakistan in 1983 and has over 28 years of extensive experience in senior commercial and leadership roles. Following early years with ICI Pakistan and subsequently Pakistan PTA Limited, Asif Jooma was appointed Managing Director of Abbott Laboratories Pakistan Limited in 2007. After serving there for nearly six years, he was appointed Chief Executive of ICI Pakistan Limited in February 2013. A Bachelor of Arts in Developmental Economics from Boston University, Mr. Asif has previously served as President, American Business Council (ABC), President of Overseas Investors Chamber of Commerce & Industry (OICCI) and Chairman of Pharma Bureau. He also serves as a Director on NIB Bank Limited, Systems Limited and Board of Investment, Government of Pakistan.



Mrs. Romana Abdullah
Independent Director

Mrs. Romana Abdullah is CEO of Highpoint Ventures (Pvt) Ltd and leads Hopscotch, a kidswear brand she co-founded in 2014. Prior to becoming an entrepreneur, Romana was part of the Management Team of MCB Bank, one of Pakistan's largest banks, leading their strategic planning, transformation and new initiative functions. She was also Group Head for strategy at Soneri Bank. Earlier, Romana spent significant time at The Boston Consulting Group (Management Consulting) and Merrill Lynch (Investment Banking) in New York, where she focused on strategic, financial and operational assignments for Fortune 500 financial services and consumer clients. Romana is also on the board of Karandaaz, a DFID and Gates Foundation funded company that promotes access to capital for small businesses and digital financial inclusion for individuals in Pakistan. She also mentors young start-ups/incubators/accelerators in her free time. Romana has a BSc in Financial Engineering from Princeton University and an MBA from the Harvard Business School.

A close-up photograph of a human hand, palm facing down, with fingers slightly curled as if holding something. The hand is positioned in the upper left and center of the frame. The skin is a warm, light brown tone. The background is a plain, light gray.

Our Vision



System Limited strives to maximize customers' business value through our solutions, services, and people. We are committed to providing thought leadership and accelerating digital transformation in the region.



Our Mission

To always be relentless in our pursuit of innovation, quality, and enhancing customer experience through superior service. We aim to be a preferred employer that promotes employee ownership and offers a fulfilling career and professional satisfaction. Through our pursuit of financial success, we seek to reward our stakeholders and grow.

Values



Honesty

Always be honest and transparent to your clients and people



Humility

To always be respectful to our surroundings and people



Empathy

Be caring, responsive, and concerned about your clients and people



Commitment

To always try our best and never give up on anything we commit to



Courage

Courage to take on challenge and believe in yourself to win



Integrity

Observe high ethical standards



Curiosity

Growth mindset, Open to Learn and Play to Win

About Systems Limited

Systems Limited, Pakistan's first software house, was founded in 1977. Through its commitment to innovation and technical excellence, it has become a globally recognized leader in next-generation IT and BPO services with a track record of successfully delivering large-scale projects.

Over the past 10 years, Systems Limited has developed a strong presence in the Mortgage, Apparel, and Retail sectors in the US. In the early 2000s, Systems Limited launched BPO services in the Pakistani domestic market, and expanded into North America in 2006. In 2012, Systems Limited established offices in the Middle East. Systems maintains operations in the UAE, Qatar and Oman, serving a vast list of government and corporate entities, including several Fortune 500 companies, and is considered to be the most valuable company for IT and BPO services in Pakistan.

Being a leading Microsoft and IBM partner with deep experience in public and private sectors, Systems Limited is uniquely positioned to deliver complete solutions to medium and large organizations. Its areas of expertise are ERP, CRM, BI, portals & collaboration, e-commerce, mobility, and managed services. With the recent launch of the OneLoad digital payment aggregation platform and mobile payment gateway, Systems Limited has also begun to reach out directly to a large number of consumers.

"We apply four decades of international and local solution delivery to achieving our clients' project goals. "

Partnerships, Technical Competencies and Recognition

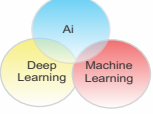
Systems Limited won the 2018 Microsoft Country Partner of the Year Award for Pakistan. The company was honored among a global field of top Microsoft partners for demonstrating excellence in innovation and implementation of customer solutions based on Microsoft technology.

Systems Limited has had another spectacular year, and attained the top tiered Gold partnership status with Microsoft, IBM and Huawei.

In 2017, Systems Limited partnered with Red Hat - the world's leading provider of open source solutions; and also with DXC Technology, a US based firm that offers end-to-end technology services for financial services industry. With these partnerships, Systems Limited is determined to introduce the latest technologies and solutions to the private and public sector organizations in Pakistan.

At the P@SHA ICT Awards, the 2017 instalment of Pakistan's preeminent software industry awards ceremony, Systems clinch five awards. In addition to securing top honors in the Managed Services and Project Management categories, Systems also received recognition as runners-up in HR Excellence, Financial Industry Application, and Business Process Outsourcing.

These awards and recognition at P@SHA Awards is a testimony that our talent pool ranks among the best in the industry, and it is their dedication and hard work that has made our digital products and technology-led services truly world-class. Our consistently exemplary standings at these events is a clear indication that Systems Limited is the most prestigious technology firm in the country.

 Dynamics 365 ERP and CRM	 Cloud Computing and Enterprise Architecture	 AI & Process Automation	 Collaboration	 Customer Solutions	 Managed Support Services
 Microsoft Dynamics 365  Microsoft Dynamics AX	 Premier Business Partner  Microsoft Partner Gold Enterprise Resource Planning Gold Application Development Gold Cloud Productivity Gold Messaging Gold Communications Gold Datacenter Gold Collaboration and Content Silver Data Analytics Silver Application Integration Silver Customer Relationship Management  Microsoft Azure  amazon web services	 AI Deep Learning Machine Learning  UiPath	 SharePoint  Office 365	 .NET  Java J2EE	7x24 Enterprise Support and Maintenance



Leaders in IT

The nation's first and foremost information technology provider, Systems delivers digital enterprise solutions and digitally enabled business process outsourcing services. We are Pakistan's #1 exporter of technology services.



Corporate Legacy

We have a 41-year track record of sustainable, profitable growth with around 2,500 client-focused employees globally.



Employee Ownership

From its inception, Systems was envisioned to be an employee-owned enterprise. Over 41 years later, its former and current leaders and top-performing employees own the majority of its stock.



Financial Strength

Our consolidated turnover is around USD 43 million, giving us the financial strength to grow 39% year over year.



Core Services & Solutions

We possess proven expertise in developing, deploying, and supporting ERP, CRM, cloud, mobile, automation, collaboration, and integration solutions.



Certified Global Enterprise

We are an ISO 9001:2000 and ISO 27001:2005 certified company.

**“Our experienced
technology teams
apply their rich
skill set to deliver
cutting-edge solutions.”**





Services and Solutions

Delivering Value to our Clients

SOLUTION AREAS

- Microsoft Dynamics 365 ERP and CRM
- Cloud Enablement and Enterprise Architecture
- AI & Process Automation
- Digital Commerce & UX Design
- Customer Solutions

SERVICES

- Application Development
- eCommerce & Mobility
- Business Intelligence & Data Warehousing
- Platform Upgrade & Reengineering
- Business Process Management
- Enterprise Application Integration (EAI)
- Portals & Collaboration
- Information Security Compliance
- Infrastructure Management & Testing
- Remote DBA
- QA/Testing
- Application Support

PROCESS OUTSOURCING

- Data Entry
- Scanning, Indexing, and Archival
- Staff Augmentation



Business Model and Competencies

Technology shifts and changes are quicker and deeper than ever, tools and platforms are ever changing so there was a need to leverage and build on our combined expertise and experience. Believing in the combined knowledge of our employees, the real challenge is in capturing and using this knowledge and experience in our daily engagements. That called for a platform to share and collaborate.

The company established a practice-oriented structure to bring together resources from all across the company to participate, collaborate, and leverage upon the combined knowledge and strength. It enabled cross-skilling, up-skilling and multi-skilling in practice areas. It enabled sharing of best practices and encouraged innovation so that we are able to capture our IP and capitalize on our HR investments.

All the professional service staff is aligned in the following practice structure:

- Application Development & Maintenance
- Business Intelligence and Data Integration
- Business Process Outsourcing
- Customer Relationship Management
- E-Commerce
- Enterprise Resource Planning
- Middleware & Business Process Management
- Mobility, Portals & Collaboration

The horizontal business functions such as DBA, PMO, UX, QA, Admin, Finance, HR, Infrastructure and Marketing continue to support these practice areas. This new structure will help us transform to higher value business, realize quick wins and fast invest to benefit opportunities, share intellectual property and staff across operating countries and new markets, creating business focus, thus strengthening our customer confidence and accelerating business growth.

Business benefits:

COMPETENCY ACTIVITIES:

skill mapping, competency specific processes and methods and collaboration

CAPABILITY ENHANCEMENT:

training materials, certifications, events, knowledge sharing and innovation

MARKET RELATED:

pre-sales, proof of concept, build tools & accelerators, project support and collateral

EMERGING TECHNOLOGIES:

technology is changing so we need to be in sync with emerging technologies

R&D:

creativity, market-driven formation of new products, repeat success stories across new markets

“Our seasoned consultants evaluate your business processes and technology infrastructure to provide insightful recommendations on how to drive efficiency and growth.”

Our Products



Accelerate product delivery in a global omni-channel environment
www.edgeax.com

EdgeAX is a highly collaborative and scalable software solution designed to address the global needs of enterprises in the Apparel and Retail Industries. Merging our unique implementation methodologies with industry's best practices, we integrated Microsoft Dynamics AX 2012, a leading enterprise solution, and further extended its capabilities to create EdgeAX suite of business solutions that helps businesses thrive and compete in a rapidly changing global environment.

Each component of the EdgeAX suite has been built upon the core strengths of MS Dynamics AX infrastructure to maintain an end-to-end delivery of complex solutions. The modules' work flows and functionality follow the Apparel and Retail industry standards that highlight our value added business processes and guarantees greater ROI to our clients.



Add more value to your business with a smart e-payment solution

www.oneLoadpk.com

OneLoad is a unique product offering for the local market that provides aggregated prepaid airtime recharge and a host of other value-added services. Using a multi-channel approach, OneLoad facilitates the purchase and disbursement of mobile prepaid vouchers and using SMS, IVR, the web, and mobile apps. With an integrated and seamless service ecosystem, OneLoad offers an extremely simple, convenient and easy-to-use service.

Users can easily create a OneLoad account online and easily credit it through a vast, extensive outreach of well over 25,000+ branded retail outlets around the country. Using their OneLoad account, consumers can avail services from multiple mobile operators and utility companies at the tip of their fingers using SMS or mobile app - there is no need to make multiple, physical trips to the shop anymore.



Boost efficiency by automating your HR operations with an advanced HCM solution

Globally, leading organizations consider their employees as an asset rather than overheads because of business results they deliver. SysHCM, Human Capital Management solution of Systems Limited, offers organizations the tools to help manage, share and steer the vast capabilities of its staff, to focus on its critical talent and support strategic HR processes. It enables organizations to create a workforce that can become its most coveted competitive advantage. The modular architecture of SysHCM application makes it simple to add modules to the core application as your organization grows.

The application supports organizations to lower its human resource costs, streamline the entire recruit-to-retire spectrum, expand the talent pool, shorten the hiring process and make it easy for employees to manage their own HR information and benefits.

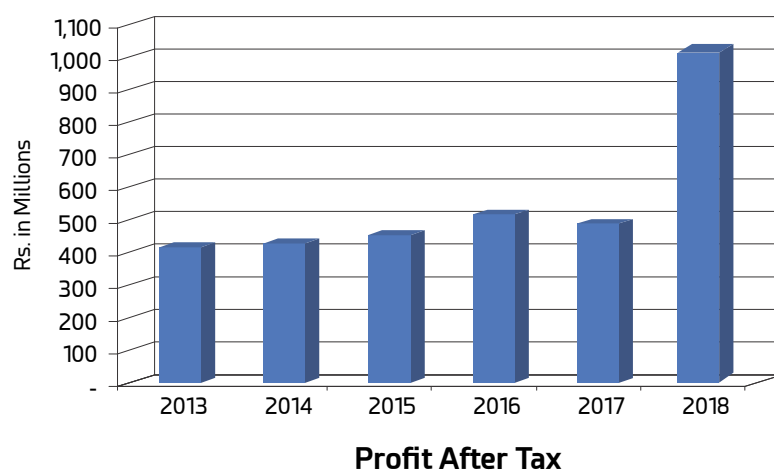
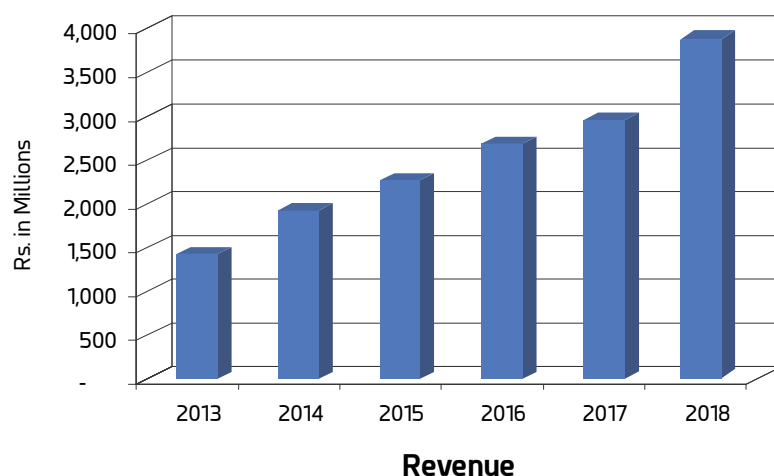


Talent Suite is a suite of products that cater to your complete human capital management needs. From recruitment to retirement, complete employee management cycle can be handled through our AX Talent Suite. AX Talent Suite is your top Microsoft Dynamics AX add on for managing your employees from profiles, to payrolls, and from performance to final settlements.

Financial Analysis

SIX YEAR AT A GLANCE

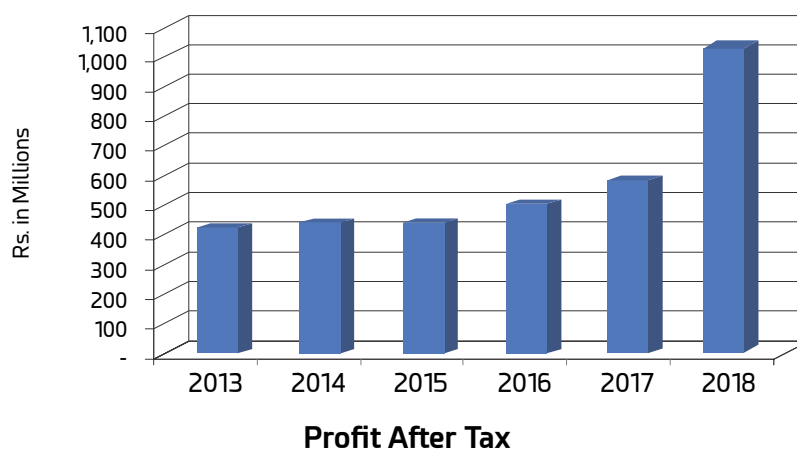
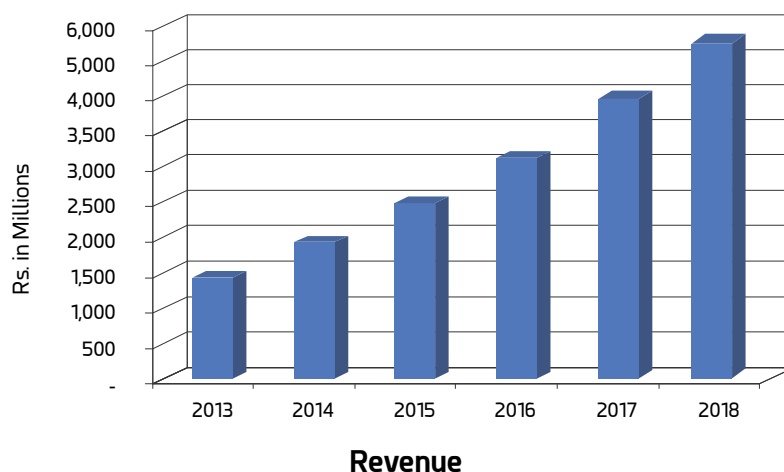
UNCONSOLIDATED	2018	2017	2016	2015	2014	2013
Operating Performance (Rs.)						
Revenue	3,761,155,759	2,910,800,003	2,680,323,531	2,263,290,351	1,922,615,854	1,420,562,189
Cost of sales	2,582,618,930	2,048,691,935	1,884,619,823	1,506,544,772	1,242,708,948	859,467,123
Gross profit	1,178,536,829	862,108,068	795,703,708	756,745,579	679,906,906	561,095,066
Operating expenses	542,337,483	488,382,768	319,716,062	381,082,023	283,650,402	202,692,544
Finance cost	18,834,198	10,709,009	3,213,088	2,121,044	3,985,590	3,402,989
Other income	437,742,627	118,416,151	33,145,436	91,963,242	38,502,506	70,805,575
Profit before tax	1,055,107,775	481,432,442	505,919,994	465,505,754	430,863,420	425,805,108
Taxation	45,624,604	8,056,404	(9,159,952)	12,991,024	4,143,840	10,663,819
Profit after tax	1,009,483,171	473,376,038	515,079,946	452,514,730	426,719,580	415,141,289
Earnings per share	9.01	4.24	4.64	4.14	4.47	4.91
Profitability Analysis (% age)						
Gross profit to Revenue	31	30	30	33	35	39
Operating expenses to Revenue	14	17	12	17	15	14
Profit after tax to Revenue	27	16	19	20	22	29



CONSOLIDATED	2018	2017	2016	2015	2014	2013
Operating Performance (Rs.)						
Revenue	5,323,922,442	3,832,429,037	3,112,102,038	2,470,725,663	1,922,711,560	1,423,069,361
Cost of sales	3,795,122,571	2,683,690,636	2,222,533,901	1,669,924,222	1,245,857,134	861,356,300
Gross profit	1,528,799,871	1,148,738,401	889,568,137	800,801,441	676,854,426	561,713,061
Operating expenses	801,516,620	678,778,159	440,295,205	468,002,671	296,403,020	219,338,781
Finance cost	27,073,044	15,786,491	5,497,692	3,065,865	3,995,964	3,457,811
Other income	408,460,653	114,980,508	28,939,571	88,506,926	35,342,737	70,833,470
Profit before tax	1,108,670,860	569,154,259	472,714,811	418,239,831	411,798,179	409,749,939
Taxation	47,387,580	8,435,716	(8,499,658)	12,991,024	4,143,840	10,663,819
Profit after tax	1,061,283,280	560,718,543	481,214,469	405,248,807	407,654,339	399,086,120
Earnings per share	9.59	5.11	4.39	3.75	4.31	4.74

Profitability Analysis (% age)

Gross profit to Revenue	29	30	29	32	35	39
Operating expenses to Revenue	15	18	14	19	15	15
Profit after tax to Revenue	20	15	15	16	21	28

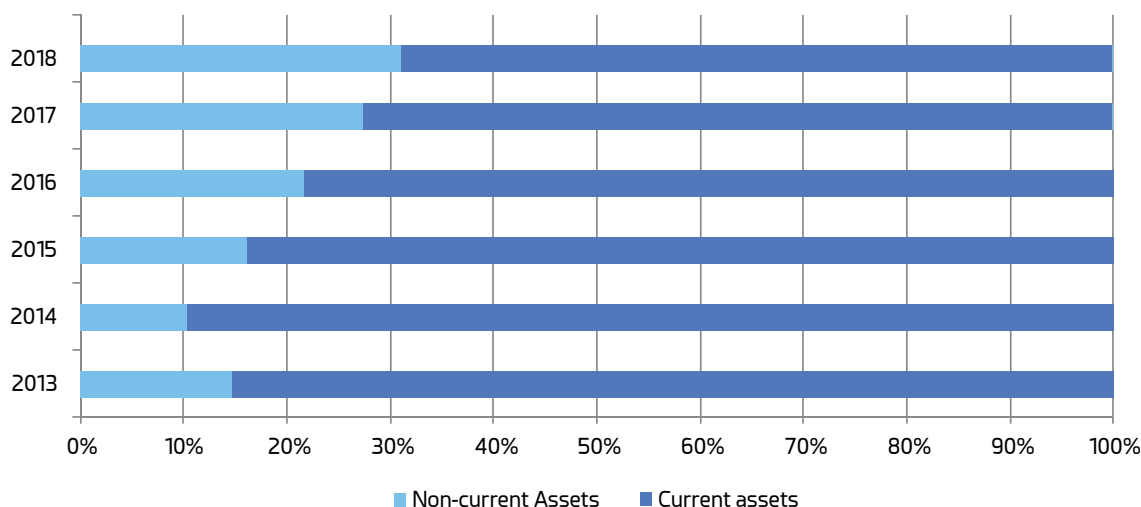


Financial Analysis

HORIZONTAL ANALYSIS - BALANCE SHEET

Rupees in million	2018 Amount	2018 Vs. 2017 %	2017 Amount	2017 Vs. 2016 %	2016 Amount	2016 Vs. 2015 %	2015 Amount	2015 Vs. 2014 %	2014 Amount	2014 Vs. 2013 %	2013 Amount	2013 Vs. 2012 %
ASSETS												
Non-current assets												
Property and equipment	1,071	21%	885	59%	558	55%	359	78%	202	11%	182	36%
Intangibles	63	4%	60	17%	51	22%	42	24%	34	287%	9	3%
Long term investments	51	0%	51	0%	51	0%	51	2356%	2	0%	2	100%
Long term deposits	18	4%	17	183%	6	(38%)	10	(20%)	12	102%	6	-
Deferred taxation	-	(100%)	32	26%	25	3021%	1	(45%)	1	100%	-	-
Total non-current assets	1,202	15%	1,045	51%	692	49%	463	84%	252	27%	199	34%
Current assets												
Work in progress	-	0%	-	0%	-	0%	-	0%	-	(100%)	1	100%
Unbilled revenue	365	(6%)	388	21%	321	31%	244	24%	197	99%	99	57%
Trade debts	1,917	68%	1,141	(12%)	1,297	18%	1,097	34%	817	38%	591	24%
Loans and advances	274	91%	144	33%	108	20%	90	37%	65	86%	35	480%
Trade deposits and short term prepayments	181	74%	104	74%	60	24%	48	(5%)	51	112%	24	27%
Interest accrued	1	(89%)	13	14%	12	(6%)	13	298%	3	100%	-	-
Other receivable	195	6%	184	22%	150	5%	143	1759%	8	(57%)	18	2308%
Short term investments	295	31%	225	(11%)	253	(55%)	558	1747%	30	(88%)	242	129%
Tax refunds due from the Government	167	18%	142	44%	99	79%	55	101%	27	692%	3	100%
Cash and bank balances	401	(10%)	444	142%	183	27%	145	(85%)	983	593%	142	(39%)
Total current assets	3,797	36%	2,785	12%	2,483	4%	2,392	10%	2,182	89%	1,154	27%
TOTAL ASSETS	4,999	31%	3,830	21%	3,174	11%	2,855	17%	2,434	80%	1,353	28%
EQUITY AND LIABILITIES												
Issued, subscribed and paid up share capital	1,122	0%	1,118	1%	1,111	0%	1,107	27%	872	103%	429	1%
Reserves	533	10%	483	5%	461	10%	421	975%	39	24%	31	20%
Unappropriated profit	2,424	51%	1,610	20%	1,344	39%	968	35%	717	(13%)	823	67%
Total shareholders' equity	4,079	27%	3,211	10%	2,916	17%	2,496	53%	1,628	27%	1,284	36%
Advance against issue of shares	-	0%	-	0%	-	0%	-	(100%)	520	100%	-	-
Non-current liabilities												
Long term advances	19	52%	12	12%	11	43%	8	13%	7	(21%)	9	44%
Deferred taxation	-	0%	-	0%	-	0%	-	0%	-	(100%)	1	242%
Current liabilities												
Trade and other payables	423	27%	333	47%	227	(4%)	237	(12%)	269	374%	57	48%
Unclaimed Dividend	2	100%	-	0%	-	0%	-	0%	-	0%	-	0%
Unearned revenue	13	(80%)	66	355%	14	(87%)	110	1602%	6	367%	1	100%
Mark-up accrued on short term borrowings	4	32%	3	100%	-	0%	-	0%	-	0%	-	(100%)
Short term borrowings	450	125%	200	100%	-	0%	-	0%	-	0%	1	(100%)
Current portion of:												
- long term advances	10	97%	5	(20%)	6	22%	5	48%	3	178%	-	24%
Provision for taxation	-	0%	-	0%	-	0%	-	0%	-	0%	59	(100%)
Total current liabilities	902	49%	607	145%	247	(30%)	352	26%	279	370%	1,353	(43%)
TOTAL EQUITY AND LIABILITIES	4,999	31%	3,830	21%	3,174	11%	2,855	17%	2,434	80%	-	28%

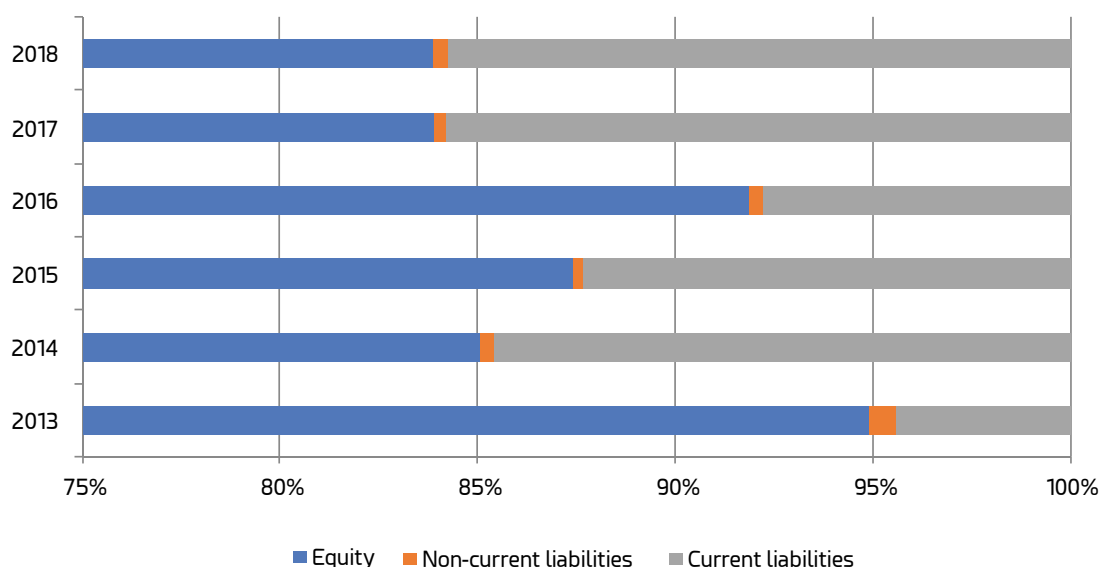
BALANCE SHEET ANALYSIS (ASSETS)



VERTICAL ANALYSIS - BALANCE SHEET

Rupees in million	2018		2017		2016		2015		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
ASSETS												
Non-current assets												
Property and equipment	1,071	28%	885	23%	558	18%	359	13%	202	8%	182	13%
Intangibles	63	2%	60	2%	51	2%	42	1%	34	1%	9	1%
Long term investments	51	1%	51	1%	51	2%	51	2%	2	0%	2	0%
Long term deposits	18	0%	17	0%	6	0%	10	0%	12	1%	6	0%
Deferred taxation	-	0%	32	1%	25	1%	1	0%	1	0%	-	0%
Total non-current assets	1,202	31%	1,045	27%	692	22%	463	16%	252	10%	199	15%
Current assets												
Work in progress	-	-	-	-	-	-	-	-	-	-	1	0%
Unbilled revenue	365	7%	388	10%	321	10%	244	9%	197	8%	99	7%
Trade debts	1,917	38%	1,141	30%	1,297	41%	1,097	38%	817	34%	591	44%
Loans and advances	274	5%	144	4%	108	3%	90	3%	65	3%	35	3%
Trade deposits and short term prepayments	181	4%	104	3%	60	2%	48	2%	51	2%	24	2%
Interest accrued	1	0%	13	0%	12	0%	13	0%	3	0%	-	0%
Other receivable	195	4%	184	5%	150	5%	143	5%	8	0%	18	1%
Tax refunds due from the Government	295	6%	225	6%	253	8%	558	20%	30	1%	242	18%
Short term investments	167	3%	142	4%	99	3%	55	2%	27	1%	3	0%
Cash and bank balances	401	8%	444	12%	183	6%	145	5%	983	40%	142	10%
Total current assets	3,797	76%	2,785	73%	2,483	78%	2,392	84%	2,182	90%	1,154	85%
TOTAL ASSETS	4,999	100%	3,830	100%	3,174	100%	2,855	100%	2,434	100%	1,353	100%
EQUITY AND LIABILITIES												
Issued, subscribed and paid up share capital	1,122	22%	1,118	29%	1,111	35%	1,107	39%	872	36%	429	32%
Reserves	533	11%	483	13%	461	15%	421	15%	39	2%	31	2%
Unappropriated profit	2,424	48%	1,610	42%	1,344	42%	968	34%	717	29%	823	61%
Total shareholders' equity	4,079	82%	3,211	84%	2,916	92%	2,496	87%	1,628	67%	1,284	95%
Advance against issue of shares	-	0%	-	0%	-	0%	-	0%	520	21%	-	0%
Non-current liabilities												
Long term advances	19	0%	12	0%	11	0%	8	0%	7	0%	9	1%
Deferred taxation	-	0%	-	0%	-	0%	-	0%	-	0%	1	0%
Current liabilities												
Trade and other payables	423	8%	333	9%	227	7%	237	8%	269	11%	57	4%
Unclaimed Dividend	2	-	-	-	-	-	-	-	-	-	-	-
Unearned revenue	13	0%	66	2%	14	0%	110	4%	6	0%	1	0%
Mark-up accrued on short term borrowings	4	0%	3	0%	-	0%	-	0%	-	0%	-	0%
Short term borrowings	450	9%	200	5%	-	0%	-	0%	-	0%	-	0%
Current portion of:	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
- long term advances	10	0%	5	0%	6	0%	5	0%	3	0%	1	0%
Provision for taxation	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Total current liabilities	902	18%	607	16%	247	8%	352	12%	279	11%	59	4%
TOTAL EQUITY AND LIABILITIES	4,999	100%	3,830	100%	3,174	100%	2,855	100%	2,434	100%	1,353	100%

BALANCE SHEET ANALYSIS (EQUITY & LIABILITIES)



Financial Analysis

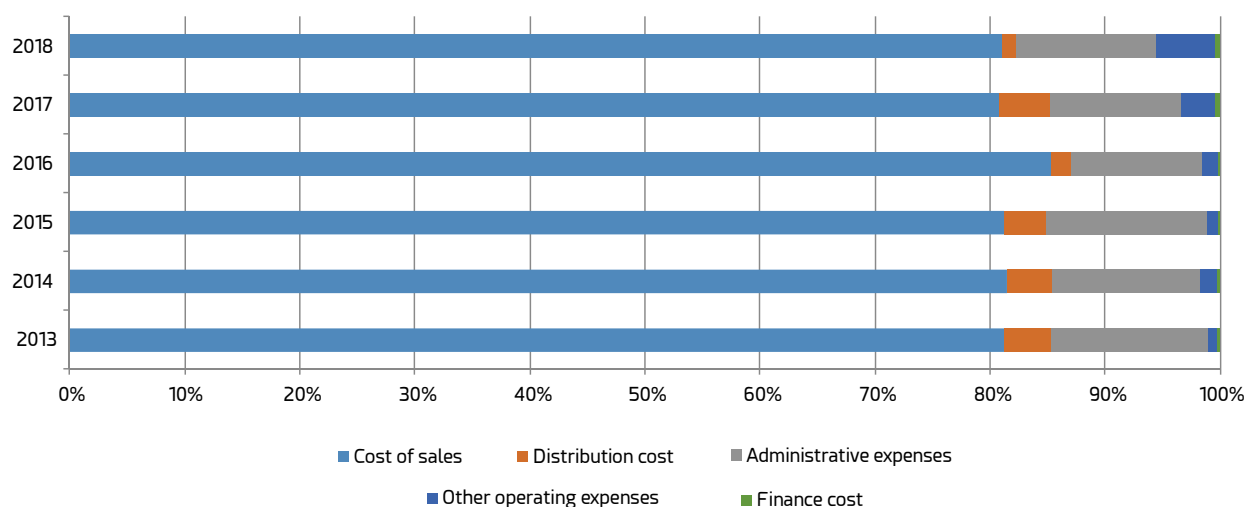
HORIZONTAL ANALYSIS - PROFIT AND LOSS ACCOUNT

Rupees in millions	2018 Amount	2018 Vs. 2017 %	2017 Amount	2017 Vs. 2016 %	2016 Amount	2016 Vs. 2015 %	2015 Amount	2015 Vs. 2014 %	2014 Amount	2014 Vs. 2013 %	2013 Amount	2013 Vs. 2012 %
Revenue	3,761	29%	2,911	9%	2,680	18%	2,263	18%	1,923	35%	1,421	31%
Cost of sales	(2,583)	26%	(2,049)	9%	(1,885)	23%	(1,536)	23%	(1,245)	44%	(865)	40%
Gross profit	1,179	37%	862	8%	796	9%	728	7%	677	22%	556	21%
Distribution cost	(47)	(59%)	(114)	205%	(37)	(46%)	(70)	17%	(60)	19%	(50)	59%
Administrative expenses	(377)	32%	(287)	14%	(251)	(4%)	(262)	32%	(199)	43%	(139)	26%
Other operating expenses	(118)	35%	(88)	183%	(31)	55%	(20)	(13%)	(23)	170%	(9)	19%
	(542)	11%	(488)	53%	(320)	(9%)	(352)	25%	(281)	42%	(197)	33%
Other income	438	270%	118	257%	33	(64%)	92	139%	39	(46%)	71	62%
Operating profit	1,074	118%	492	(3%)	509	9%	468	8%	435	1%	429	21%
Finance cost	(19)	76%	(11)	233%	(3)	52%	(2)	(47%)	(4)	17%	(3)	(65%)
Profit before taxation	1,055	119%	481	(5%)	506	9%	466	8%	431	1%	426	23%
Taxation	(46)	466%	(8)	(188%)	9	(171%)	(13)	214%	(4)	(61%)	(11)	(42%)
Profit after taxation	1,009	113%	473	(8%)	515	14%	453	6%	427	3%	415	27%

VERTICAL ANALYSIS - PROFIT AND LOSS ACCOUNT

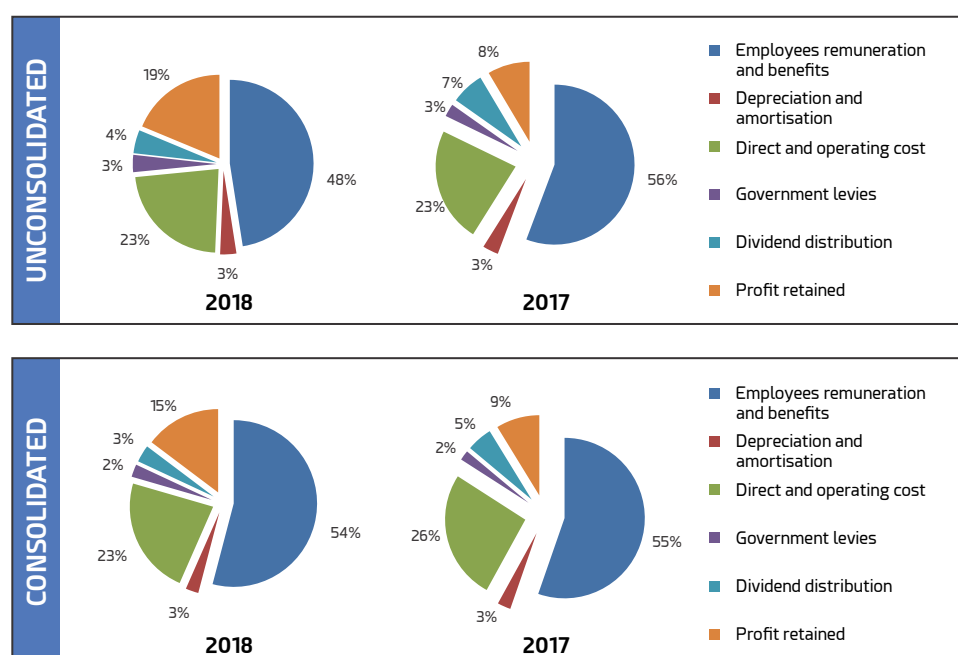
Rupees in millions	2018 Amount	%	2017 Amount	%	2016 Amount	%	2015 Amount	%	2014 Amount	%	2013 Amount	%
Revenue	3,761	100%	2,911	100%	2,680	100%	2,263	100%	1,923	100%	1,421	100%
Cost of sales	(2,583)	(69%)	(2,049)	(70%)	(1,885)	(70%)	(1,536)	(68%)	(1,245)	(65%)	(865)	(61%)
Gross profit	1,179	31%	862	30%	796	30%	728	32%	677	35%	556	39%
Distribution cost	(47)	(1%)	(114)	(4%)	(37)	(1%)	(70)	(3%)	(60)	(3%)	(50)	(4%)
Administrative expenses	(377)	(10%)	(287)	(10%)	(251)	(9%)	(262)	(12%)	(199)	(10%)	(139)	(10%)
Other operating expenses	(118)	(3%)	(88)	(3%)	(31)	(1%)	(20)	(1%)	(23)	(1%)	(9)	(1%)
	(542)	(14%)	(488)	(17%)	(320)	(12%)	(352)	(16%)	(281)	(15%)	(197)	(14%)
Other income	438	12%	118	4%	33	1%	92	4%	39	2%	71	5%
Operating profit	1,074	29%	492	17%	509	19%	468	21%	435	23%	429	30%
Finance cost	(19)	(1%)	(11)	0%	(3)	0%	(2)	0%	(4)	0%	(3)	0%
Profit before taxation	1,055	28%	481	17%	506	19%	466	21%	431	22%	426	30%
Taxation	(46)	(1%)	(8)	0%	9	0%	(13)	(1%)	(4)	0%	(11)	(1%)
Profit after taxation	1,009	27%	473	16%	515	19%	453	20%	427	22%	415	29%

ANALYSIS OF EXPENSES



STATEMENT OF VALUE ADDITION

	UNCONSOLIDATED		CONSOLIDATED	
	2018 Rupees	2017 Rupees	2018 Rupees	2017 Rupees
Wealth Generated				
Gross revenue	3,905,976,508	2,990,961,287	5,468,743,191	3,912,590,321
Other income	437,742,627	118,416,151	408,460,653	114,980,509
	4,343,719,135	3,109,377,438	5,877,203,844	4,027,570,830
Wealth Distributed				
Employees remuneration and benefits	2,064,337,193	1,732,810,276	3,178,535,218	2,228,117,193
Depreciation and amortisation	135,970,328	99,541,770	147,115,700	107,934,337
Direct cost and operating cost	989,647,694	723,488,070	1,345,988,897	1,050,639,473
Government levies	144,280,749	80,161,284	144,280,749	80,161,284
Dividend distribution	195,698,391	207,999,433	195,698,391	207,999,433
Profit retained	813,784,780	265,376,605	865,584,889	352,719,110
	4,343,719,135	3,109,377,438	5,877,203,844	4,027,570,830



DUPONT ANALYSIS

Rupees in million		2018				ROE 25%
Profit	1,009	Revenue	3,761	Total assets	4,999	
Revenue	3,761	Total assets	4,999	Equity	4,078	
Profit margin	27%	Assets turnover	75%	Equity multiplier	123%	
Rupees in million		2017				ROE 15%
Profit	473	Revenue	2,910	Total assets	3,830	
Revenue	2,910	Total assets	3,830	Equity	3,211	
Profit margin	16%	Assets turnover	76%	Equity multiplier	119%	

Shareholders' Information

REGISTERED OFFICE

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

SHARE REGISTRAR

THK Associates (Private) Limited.
1st Floor, 40-C, Block-6, P.E.C.H.S. Karachi.
T: +92 21 111-000-322
F: +92 21 3 565 5595

LISTING ON STOCK EXCHANGES

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

STOCK CODE / SYMBOL

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

STATUTORY COMPLIANCE

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

DIVIDEND

The Board of Directors in their meeting held on 29 March 2019 has proposed a dividend on ordinary shares at Rs. 2.00 per ordinary share and 10% bonus shares issue.

BOOK CLOSURE DATES

Share Transfer Books of the Company will remain closed from 20 April 2019 to 26 April 2019 (both days inclusive).

DIVIDEND REMITTANCE

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

- (i) For shares held in physical form: to shareholders whose names appear in the Register of Members of the Company after entertaining all requests for transfer of shares lodged with the Company on or before the book closure date.
- (ii) For shares held in electronic form: to shareholders whose names appear in the statement of beneficial ownership furnished by CDC as at end of business on book closure date.

WITHHOLDING OF TAX & ZAKAT ON ORDINARY DIVIDEND

As per the provisions of the Income Tax Ordinance, 2001, income tax is deductible at source by the Company at the rate of 15% in case of filer and 20% in case on non-filer wherever applicable.

Zakat is also deductible at source from the ordinary dividend at the rate of 2.5% of the face value of the share, other than corporate holders or individuals who have provided an undertaking for non-deduction.

DIVIDEND WARRANTS

Cash dividends are paid through dividend warrants addressed to the ordinary shareholders whose names appear in the Register of Shareholders at the date of book closure.

GENERAL MEETINGS & VOTING RIGHTS

Pursuant to section 158 of repealed Companies Ordinance 1984 (now, section 132 of Companies Act, 2017) Systems Limited holds a General Meeting of shareholders at least once a year. Every shareholder has a right to attend the General Meeting. The notice of such meeting is sent to all the shareholders at least 21 days before the meeting and also advertised in at least one English and one Urdu newspaper having circulation in Karachi, Lahore and Islamabad. Shareholders having holding of at least 10% of voting rights may also apply to the Board of Directors to call for meeting of shareholders, and if the Board does not take action on such application within 21 days, the shareholders may themselves call the meeting. All ordinary shares issued by the Company carry equal voting rights. Generally, matters at the general meetings are decided by a show of hands in the first instance. Voting by show of hands operates on the principle of "One Member-One Vote". If majority of shareholders raise their hands in favor of a particular resolution, it is taken as passed, unless a poll is demanded. Since the fundamental voting principle in the Company is "One Share-One Vote", voting takes place by a poll, if demanded. On a poll being taken, the decision arrived by poll is final, overruling any decision taken on a show of hands.

INVESTOR'S GRIEVANCES

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

PROXIES

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

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

SERVICE STANDARDS

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

	For requests received through post	For requests received over the counter
Transfer of shares	30 days after receipt	30 days after receipt
Transmission of shares	30 days after receipt	30 days after receipt
Issue of duplicate share certificates	30 days after receipt	30 days after receipt
Issue of duplicate dividend warrants	5 days after receipt	5 days after receipt
Issue of revalidated dividend warrants	5 days after receipt	5 days after receipt
Change of address	2 days after receipt	1 day after receipt

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

WEB PRESENCE

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

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

www.jamapunji.pk

Be aware, Be alert, Be safe
Learn about investing at www.jamapunji.pk

Key features:

- Licensed Entities Verification
- Scam meter
- Jamapunji games
- Tax credit calculator
- Company Verification
- Insurance & Investment Checklist
- FAQs Answered
- Stock trading simulator (based on live feed from KSE)
- Knowledge center
- Risk profiler
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes

www.jamapunji.pk @jamapunji.pk

Chairman's review

Dear Shareholders,

In 2018, we achieved a major milestone as our net after tax profit crossed the Rs. 1 billion mark. This was achieved by a great performance by our global team led by the second generation of professional leadership.

We have further strengthened our innovative solutions in the retail, ecommerce and ERP practice aimed at the North America markets and this promises a healthy growth in this market in 2019.

Our Groups' global presence is expanding and in 2018 our US based associated company has successfully established a strong presence in Germany to address that and the EU market which has the second highest IT spend after the US. This would provide revenue growth with a much higher profitability.

Our subsidiary in the UAE has consolidated its presence in that market and has become profitable. We will continue to focus on improving the profitability from this market.

Systems Limited continues to be a major player for innovative services in the domestic market. We have a number of signed projects in both the public and private sector and have a healthy deal flow for 2019 and 2020.

The Systems brand has strengthened by the successes we have achieved and this has been a great advantage in attracting and retaining quality talent for our growing needs.

I would also like to thank the members of our board for their valuable insight and guidance to the management team.

I am proud of the great work done by all members of the Systems family, would congratulate them on the excellent results and wish them and their families a great 2019.

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

Sincerely



Aezaz Hussain
Chairman



Employees & Business Partners, will lead us to success we dream of.

CEO's review

2018 has been a great year for Systems Limited and I want to take this opportunity to thank my leadership and management and congratulate everyone on the highest ever revenue growth. This year in our standalone accounts, we have almost doubled our earnings which is a great achievement for the team.

This year, the company wants to start an investment company by the name of Systems Ventures. This subsidiary will be used to invest in innovation and incubation of new ideas and will support and grow startups.

Our subsidiary E-Processing (EP) Systems is a perfect example of successful incubation. E-Processing had phenomenal transaction volumes this year. We are expecting E-Processing to become one of the largest fintech companies in Pakistan and with future growth.

2018 had been a year of structural changes and internal alignment with cutting-edge technologies and expanding our global footprint. We have been investing heavily in development of resources. Key focus had been on Artificial Intelligence, Machine Learning, Robotics Process Automation, Digital Commerce, Digital Transformation, Data and Cloud. These technologies are key enablers for current and future market. There is a scarcity of resources in these technologies, but a high demand and we are working on building a good resource pool so that we can leverage this in global and domestic markets.

As our technologies have continued to scale, so has our international presence which has enabled Systems Limited to extend a deeper market penetration in high-potential areas. We are using our subsidiary TechVista Systems (TVS) as a hub to explore more markets such as European region, Australia and Africa. Our Middle East presence will significantly help us to grow in these markets.

One of the key initiatives of the new Government is grow exports. Systems Limited is fully aligned with this goal and working further towards increasing exports, creating more employment and is a key contributor and will be the key Partner and Enabler of Digitization goal of Pakistan.

Systems Limited is proud to be recognized as Microsoft Country Partner of the year. In addition to that, we won many well-recognized industry accolades and our contributions to the economy have been recognized at different forums.

I would like to thank my team, Board of Directors, and our shareholders for consistently supporting and trusting us through our journey. At Systems, we pride ourselves for enabling a value driven culture that incorporates all aspects of the Systems and bring positive change to our customers and employees.



I am looking forward to continuing the momentum of growth, our aggressive goals and objectives will guide us along the way, and our dedicated leadership along with delivery teams will be working tirelessly to ensure success.

Asif Peer
Chief Executive Officer

Directors' Report to the Shareholders

On behalf of the Board of Directors we are pleased to present the 42nd Annual Report to the members together with Audited Group Financial Statements and Auditors Report for the year ended December 31, 2018.



DIVIDEND & APPROPRIATIONS

Directors recommended a payment of final cash dividend @ Rs. 2.00 per share (2017: 1.75 per share) and a 10% bonus issue has also been recommended.

	Un-appropriated profit (PKR)
Balance as at 31 December 2017	1,609,869,061
Total comprehensive income for the year	1,009,483,171
	2,619,352,232
Less: Final dividend for the year ended 31 December 2017 at the rate of PKR 1.75 per share	195,698,391
Balance as at 31 December 2018	2,423,653,841

EARNING PER SHARE

Basic and diluted earnings per share for the year ended 31 December 2018 for the Company are PKR 9.01 and PKR 8.98 (31 December 2017: PKR 4.24 and PKR 4.23) per share. Similarly, the basic and diluted earnings per share for the Group are PKR 9.59 and PKR 9.56 (31 December 2017: PKR 5.11 and PKR 5.10) per share.

FINANCIAL PERFORMANCE OF THE COMPANY AND THE GROUP DURING 2017

Activities:

The Company is a public limited Company incorporated in Pakistan under the Companies Act, 2017, and listed on the Pakistan Stock Exchange (formerly Karachi, Islamabad and Lahore Stock Exchanges). The Company is principally engaged in the business of software development, trading of software and business process outsourcing services.

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

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

E-Processing Systems (Private) Limited (EPS), a private limited Company registered under Companies Ordinance 1984, incorporated on 06 February 2013, is a 53% owned subsidiary of Systems Limited. EPS is currently engaged in the business of purchase and sale of teleco's airtime and related services. The product of the Company is called OneLoad.

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

Performance:

The Company:

The company's revenue is primarily from software development and IT services work subcontracted by its subsidiary TVS operating in the Middle East region and its associated company Visionet Systems operating in the North America region. Over 73% of its revenue is export based. In recent years, the Company has started taking projects and engagements in the domestic market.

In the year 2018, the Company's standalone revenues grew by 29% as compared to the year 2017. The Company was able to sign significant new projects with both new and existing customers this year. The US and Middle East businesses have also achieved sizable growth in terms of both top line and bottom line.

Gross profit is recorded at PKR 1.178 Billion in 2018 that at 30% of revenue was consistent with previous

year. However, the net profit showed significant increase of 113% from previous year due to other income of PKR 376 million arising from currency devaluation where the average USD rate in 2018 had been 122.53 per dollar during the year as compared to the average rate of PKR 105.00 per dollar last year.

Unconsolidated			
Particulars	2018	2017	Y/Y
Revenue	3,761,155,759	2,910,800,003	29%
Gross profit	1,178,536,829	862,108,068	37%
Profit before taxation	1,055,107,775	481,432,442	119%
Profit after taxation	1,009,483,171	473,376,038	113%
Earnings per share (basic)	9.01	4.24	113%
Earnings per share (diluted)	8.98	4.23	112%

The Group:

For the year ended 31 December 2018, TechVista Systems FZ LLC registered a revenue of AED 51.99 million (2017: 43.15 million) and earned profit of AED 2.32 million (2017: AED 3.94 million). TechVista Systems LLC registered a cost of AED 15.49 million (2017: AED 6.19 million) which was charged to TechVista Systems FZ LLC.

During 2018, TechVista Systems FZ LLC has closed few significant accounts in the Middle East, which will be the bedrock for future growth.

However, margins had been lower in TVS as

- Few projects were signed by the Company towards the end of 2017 where the Company experienced cost overruns. However to maintain relationships with the clients, the Company continued to work to ensure smooth delivery of the projects.
- There were few longterm contracts that were not high margin deals for TVS. Most of these contracts have been renegotiated for 2019 and the Company is expecting better results.

On the Domestic front, the Company has started producing profit. Company signed significant projects this year in terms of Baluchistan Board of Revenue (BBOR) LRMIS project and other public and private sector contracts which are expected to add significantly to Company's topline and bottomline.

The Company is expecting the new financial budget to bring positive changes for the IT sector. Government has high focus on digitization at both Federal and Provincial level. A number of new opportunities are expected to arise and the Company is looking forward to a high revenue growth in this sector.

The Company through their associate Visionet Systems (VSI) has started exploring opportunities in Europe last year. VSI has opened an office in

Directors' Report to the Shareholders

Germany to cater for business opportunities in DACH (Germany (D), Austria (A) and Switzerland (CH)) region. The European company has appointed a local CEO and a few key resources have been moved to this sector from Systems Limited for sales activity. The European company is seeing growth and Systems Limited is hopeful to get more offshore business in 2019.

Financial Year 2018 has been a good year for the subsidiary EP Systems. OneLoad business has picked momentum in 2018 with average throughput over PKR 20 million per day during the year which has already gone to PKR 23 million per day in March. The Company has achieved revenue growth of 153% from PKR 76.5 million in 2017 to PKR 193.8 million in 2018. A higher revenue growth is expected in 2019.

The substantial revenue growth has enabled the Company to achieve a Gross Profit in 2018 of PKR 50.2 million compared to PKR 9.7 million in 2017 at a growth rate of 416%. The last quarter showed operating profit for the Company and it is expected to be profitable in 2019.

Consolidated revenue of the Group as a whole grew by 39% from PKR 3,832 million to PKR 5,323 million in 2018. Gross profit and operating profit were recorded at PKR 1,528 million and PKR 1,135 million with a growth of 33% and 94% respectively. Profit after taxation increased by 89% from the last year. Earnings per share increased by 88% from PKR 5.11 to PKR 9.59.

Consolidated			
Particulars	2018	2017	Y/Y
Revenue	5,323,922,442	3,832,429,037	39%
Gross profit	1,528,799,871	1,148,738,400	33%
Profit before taxation	1,108,670,860	569,154,259	95%
Profit after taxation	1,061,283,280	560,718,543	89%
Earnings per share (basic)	9.59	5.11	88%
Earnings per share (diluted)	9.56	5.10	87%

FUTURE OUTLOOK AND PROSPECTS OF PROFIT

2019 Plans

The Company's outlook for 2019 is guided by the plan to retain good top line growth but have a more accelerated growth in net profit, standalone and for the Group as well.

In 2019, the Company is planning to re-strategize direction and focus towards the US Market. The Company has developed accelerated assets, products and solutions that will improve business closure in North American market.

The first significant work from Europe started in late 2018 and the Company expects a healthy growth in

this new geography. The Company is expecting to maintain the growth momentum from all of the business units and all geographies.

The Company has also started new business domain and entered into Digital Marketing and Call Center services. The Company is expecting substantial future growth in this vertical.

TechVista Systems FZ LLC has increased significant foot print in the Middle East market and most of the new customers were converted to recurring customers. Farming of existing customers has decreased the overall new customer acquisition cost and this will have the positive impact on the future performance of the Company. The Company has strengthened their alignment with Microsoft and IBM channels and most of the new opportunities opened up from these channels. These relationships and referral will fuel the Company's future growth and the Company is expecting significant growth in this region.

E-Processing Systems (Private) Limited aims to enhance B2B services by connecting retailers directly with companies, and further facilitate the retailers in digital payments and aggregating additional financial services for the unbanked under a single umbrella.

Following are few key parameters for the Group growth:

- The Company expects to retain most of the current clients (this is in consistent with the past few years).
- The Company is expecting above average growth rate from the existing customers, as the company has focused and invested in the engagement management and leadership layer. The Company is expecting that with new Digital Policy and the current Government, the Public Sector Business in Pakistan will grow.
- The Company's services are moving up the value chain by investing and re-inventing themselves in new business verticals and latest technology stacks and the Company is expecting to bring business from new clients.
- The Company is investing heavily in new tools and technologies to align the workforce for the current and future demand.
- The Company is building industry solutions that will help in entering new markets and generate recurring revenue stream.

PRINCIPAL RISK AND UNERTAINTIES FACING THE COMPANY

RISK FACTORS

"Our dedicated team of experts aim to provide agility, scalability, and visibility to our clients across the globe for a seamless, end-to-end experience."



Directors' Report to the Shareholders

- Following are some of the risk factors that may impact our business and financial results:
- Pricing Pressures
- Cash Flow
- Resource Availability
- Operational/Adaptability risk
- Revenue mix

Pricing Pressure

Given the scarce IT resources in Market, cost of resources is going up year on year and the billing rate is not increasing with the same ratio. However, dollar has significantly depreciated in 2018 and is expected to slide further in 2019, which will subsidize the increase in the Company's resource cost to some extent.

In order to mitigate this risk, the Company will continue to induct Fresh Graduates from top notch universities, and working on proper resource mix, where senior resources can be utilized in more customer facing and client engagement role and back office work can be done by the junior resources, this will help the Company in balancing the cost of resources in various engagements.

Cash Flow

Technology has disrupted the industry and the Company is investing in building new competencies, capabilities and partnerships. The Company will also explore entry into new markets and product development. On the collection front, during election year, recovery from domestic Public Sector projects is expected to be challenged.

In order to mitigate cash flow risk, the Company has taken credit line against the Export Refinance limit, this will help the Company and the Group to continue to push the growth momentum.

Resource Availability

High profile IT consultants and Engineers are in heavy demand and very hard to find, and considering the Company's growth target, it is extremely hard to find quality resources. The Company is also exporting resources to North America and Middle East market and this further adds pressure on quality resources availability.

In order to mitigate this risk this year the Company has been heavily focused on in-house and outside trainings of resources to bring them at the level where the Company can use them effectively. The Company has also signed up with many recruitment firms so that they can continuously screen and select leaders, who are essential for our sustainable growth.

Operational/Adaptability risk

OneLoad, being dependent on consumers adaptability to Mobile Usage for payments and transactions purposes, creates an inherent Adaptability risk for the company.

IT Infrastructure and its connectivity, being an integral component for the service continuity of the application i.e. OneLoad, makes it an operational risk for the company in case of service disruption.

Revenue Mix

Company is expecting a higher percentage of business from Export particularly the US market. Any adverse mix changes will have a negative impact on the profitability as well.

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

There has been no change in the nature of business of the company or its subsidiaries. The Company has however entered in a Joint Venture agreement for Baluchistan Board of Revenue LRMIS Contract. The term of the contract is 3 years.

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

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

IMPACT OF COMPANY BUSINESS ON THE ENVIRONMENT

Since the Company is in the software business, the Company doesn't have any adverse impact on the environment.

CORPORATE SOCIAL RESPONSIBILITY

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

ADEQUACY OF INTERNAL FINANCIAL CONTROLS

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

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

CORPORATE GOVERNANCE AND FINANCIAL REPORTING FRAMEWORK

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

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

There has been no material departure from the best practices of corporate governance as detailed in listing regulations.

BOARD OF DIRECTORS

The board comprises of seven (7) directors. During the year, five (5) board meetings were held.

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

Existing Directors	
Name of Director	Meetings Attended
Mr. Aezaz Hussain	5
Mr. Asif Peer	5

Existing Directors	
Name of Director	Meetings Attended
Mr. Arshad Masood	4
Ms. Romana Abdullah	4
Mr. Ayaz Dawood	5
Mr. Asif Jooma	2
Mr. Tahir Masaud	5

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

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

BOARD COMMITTEES

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

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

Audit Committee:

Existing Committee	
Name of Director	Meetings Attended
Mr. Ayaz Dawood	5
Mrs. Romana Abdullah	3
Mr. Tahir Masaud	5

Human Resource & Compensation Committee:

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

EMPLOYEE STOCK OPTION POLICY

The Company is operating an Employee Stock Option Scheme approved by Securities and Exchange Commission of Pakistan. According to scheme, 100% options become exercisable after completion of vesting period of 2 years and an exercise period of 3 years from the date the option is vested.

According to the requirements of section 12 of Employees Stock Option Rules, 2001 following disclosure is made for the year ended 31 December 2018.

The Company has granted options to its employees during the year 2018, which will be available for exercise in 2020.

Directors' Report to the Shareholders

The detail of options granted to the directors and employees of the Company during the year 2018 are as follows:

-Chief Executive Officer	544,210 options
-Other employees	344,822 options

No employee was granted option amounting to one percent or more of the issued capital of the Company.

The grant price of these options in accordance with the approved mechanism is PKR 72.15 per option.

The Exercise Price is calculated as the weighted average of the closing market price of the Shares of the Company for the last 90 days prior to the Date of Grant discounted by 20%.

385,896 shares were issued during the year ended 31 December 2018 due to exercise of options granted in the years 2015 or before, by the employees. On exercise of these options PKR 17,745,319 were received by the Company.

KEY OPERATING AND FINANCIAL DATA

Key operating and financial data for the last six years is annexed with the annual report.

INVESTMENTS OF PROVIDENT FUND

The value of provident fund operated by the Company, based on the un-audited accounts of the fund as on 31 December 2018 amounts to PKR 314.099 million (31 December 2017: PKR 309.374 million).

PATTERN OF SHAREHOLDING

The Pattern of Shareholding as at 31 December 2018 is annexed with the annual report. The shareholding pattern of TechVista Systems FZ LLC and E-Processing Systems (Private) Limited as at 31 December 2018 is enclosed.

TRADING BY DIRECTORS, EXECUTIVES AND THEIR SPOUSES AND MINOR CHILDREN

The Company's Directors, executives and their spouses and minor children did not trade in the Company's shares during the year ended 31 December 2018 other than those disclosed on Pakistan Stock Exchange.

REVIEW OF RELATED PARTIES TRANSACTIONS

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

QUARTERLY AND ANNUAL FINANCIAL STATEMENTS

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

AUDITORS

EY Ford Rhodes has completed its tenure for the year 2018 and retire at the conclusion of the 42nd Annual General Meeting. Being eligible, they have offered themselves for re-appointment.

CONSOLIDATED FINANCIAL STATEMENTS

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

SUBSEQUENT EVENTS

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

ACKNOWLEDGEMENT

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

On behalf of the Board



Asif Peer
Chief Executive Officer



Aezaz Hussain
Chairman

Date: 29 March 2019
Lahore

حصص داران کے لئے کمپنی اور گروپ کی ڈائریکٹرز رپورٹ 2018

یکجا مالیاتی حسابات

کمپنی کے مجموعی مالیاتی حسابات میں اس کی ذیلی کمپنیوں ای پروسیسنگ سسٹمز (پرائیویٹ) لمیٹڈ اور ٹیک وٹا سسٹمز ایل ایل سی کے حسابات بھی شامل ہیں۔

مابعد واقعات

مالی سال کے اختتام اور اس رپورٹ کی تاریخ کے دوران کمپنی اور گروپ کی مالی حالت پر اثر انداز ہونے والی کوئی مادی تبدیلی یا عہد نہیں کیا گیا ہے۔ ماسوائے اس تبدیلی کے جو اس رپورٹ میں بیان کی گئی ہو۔

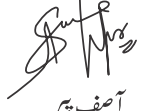
اظہار تشکر

بورڈ اس موقع پر کمپنی اور اس کے ذیلی اداروں کے قابل قدر گاہکوں، بینکوں اور دیگر اسٹیک ہولڈرز کا ان کے تعاون اور مدد فراہم کرنے کے لئے شکر گزار ہے۔ بورڈ گروپ کی انتظامیہ اور تمام ملازمین کی سخت محنت اور انتھک کوششوں کو سراہتا ہے۔

منجانب بورڈ



اعزاز حسین
چیئر مین



آصف پیر
چیف ایگزیکٹو

مورخہ: 29 مارچ 2019ء

لاہور

درآمد کی مد میں کمپنی نے 17,745,319 روپے وصول کئے۔

کلیدی آپریٹنگ اور مالیاتی اعداد و شمار

گذشتہ چھ سالوں کا کلیدی اور مالی اعداد و شمار رپورٹ کے ہمراہ منسلک ہے۔

پراویڈنٹ فنڈ کی سرمایہ کاری

31 دسمبر 2018 کے مطابق فنڈز کے غیر نظر ثانی شدہ کھاتوں کی بنیاد پر کمپنی کی طرف سے آپریٹنگ پراویڈنٹ فنڈ کی قدر کی رقم 314.099 ملین روپے (31 دسمبر 2016 309.374 ملین روپے) تھی۔

نمونہ حصص داری

31 دسمبر 2018 کے مطابق نمونہ حصص داری سالانہ رپورٹ کے ہمراہ منسلک ہے۔ 31 دسمبر 2018 کے مطابق ٹیک وٹا سسٹمز IFZ ایل سی اور ای پروسیڈنگ سسٹمز (پرائیویٹ) لمیٹڈ کا نمونہ حصص داری بھی منسلک ہے۔

ڈائریکٹرز، ایگزیکٹوز اور ان کے زوج اور نابالغ بچوں کی طرف سے تجارت

31 دسمبر 2018 کو ختم ہونے والے سال کے دوران کمپنی کے ڈائریکٹرز، ایگزیکٹوز اور ان کے زوج اور نابالغ بچوں کی طرف سے کمپنی کے حصص کی کوئی ٹریڈنگ نہیں کی گئی ہے سوائے جن کی پاکستان اسٹاک ایکسچینج میں وضاحت کی گئی۔

متعلقہ پارٹیوں کے ساتھ لین دین کا جائزہ

کارپوریٹ گورننس اور قابل اطلاق قوانین اور قواعد و ضوابط کے مطابق، تمام متعلقہ پارٹیوں کے ساتھ لین دین کی تفصیلات آڈٹ کمیٹی کے روبرو پیش کی گئی ہیں اور آڈٹ کمیٹی کی سفارش پر جائزہ اور منظوری کے لئے بورڈ کے روبرو پیش کی گئی ہیں۔

سہ ماہی اور سالانہ مالیاتی حسابات

بورڈ کے منظوری سے قبل مالیاتی حسابات کی سی ای او اور سی ایف او کی طرف سے باقاعدہ توثیق کی گئی۔ کمپنی کے سہ ماہی مالیاتی حسابات کے ساتھ ساتھ، گروپ کے یکجا مالیاتی حسابات کلوزنگ تاریخ کے ایک ماہ کے اندر اندر منظور، شائع اور حصص داران کو ترسیل کئے گئے، جبکہ کمپنی کے ششماہی مالیاتی حسابات اور گروپ کے یکجا مالیاتی حسابات کلوزنگ تاریخ کے دو ماہ کے اندر اندر بیرونی آڈیٹرز کی طرف سے بغور جائزہ، بورڈ کی طرف سے منظور، شائع اور حصص داران کو ترسیل کئے گئے۔

آڈیٹرز

ای وائی فورڈ رہوڈز نے سال 2018 کی اپنی مدت مکمل کی اور 42 ویں سالانہ اجلاس عام کے اختتام پر ریٹائرڈ ہو گئے۔ اہل ہونے کی بناء پر انہوں نے دوبارہ تقرری کے لئے اپنے آپ کو پیش کیا ہے۔

بورڈ کمیٹیاں

بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی اور ہیومن ریسورس اینڈ کمپنیشن کمیٹی تشکیل دیں۔ بورڈ کمیٹیوں کے ارکان کے نام اور ہر ایک رکن کی اجلاسوں میں شرکت کی تعداد حسب ذیل ہے:

آڈٹ کمیٹی

نام ڈائریکٹر	تعداد حاضری
جناب ایاز داؤد	5
محترمہ رومانہ عبداللہ	3
جناب طاہر مسعود	5

انسانی وسائل اور معاوضے کی کمیٹی

نام ڈائریکٹر	تعداد حاضری
جناب آصف جوما	1
جناب طاہر مسعود	1
محترمہ رومانہ عبداللہ	1

ایمپلائئ اسٹاک کے استحقاق کی پالیسی

کمپنی سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان سے منظور شدہ ایمپلائئ اسٹاک آپشن سکیم پر عمل کر رہی ہے۔ سکیم کے مطابق، 2 سال کی ابتدائی مدت ختم ہونے پر 100 فی صد آپشنز قابل عمل ہو جاتے ہیں اور ابتدائی تاریخ سے تین سال کی عملی مدت کے بعد آپشن حاصل کی جاسکتی ہے۔ ایمپلائئ اسٹاک آپشن قواعد، 2001 کی شق 12 کے مطابق 31 دسمبر 2018ء کو اختتام پذیر سال کے لئے حسب ذیل تقسیم کی گئی ہے:

سال 2018ء میں ڈائریکٹرز اور کمپنی کے ملازمین کو دیئے جانے والے استحقاق کی تفصیل حسب ذیل ہے:

✓	چیف ایگزیکٹو آفیسر	544,210 استحقاق
✓	دیگر ملازمین	1344,822 استحقاق

کمپنی کے جاری کردہ سرمایہ کے ایک فیصد یا زائد تک کا استحقاق کسی ملازم کو جاری نہیں کیا گیا ہے۔

منظور شدہ نظام کے تحت ان استحقاق کی جاری کردہ قیمت 72.15 روپے فی استحقاق ہے۔

عملی قیمت کا تعین 20 فی صد رعایت کی تاریخ اجراء سے نوے (90) دن پیشتر کمپنی حصص کی کلوزنگ مارکیٹ پرائس کے اوسط حجم کے تحت کیا جاتا ہے۔ سال 2015ء یا اس سے قبل جاری کئے گئے استحقاق پر ملازمین کی جانب سے عمل درآمد کی وجہ سے 31 دسمبر 2018ء کو اختتام پذیر سال کے دوران 385,896 حصص جاری کئے گئے۔ ایسے استحقاق پر عمل

حصص داران کے لئے کمپنی اور گروپ کی ڈائریکٹرز رپورٹ 2018

اثر ہو سکتا ہے۔

• کمپنی اور گروپ کی انتظامیہ کی طرف سے تیار کردہ نے مالی حسابات کمپنی کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکویٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔

• کمپنی اور اسکی ہر ایک ذیلی کمپنیوں کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔

• مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔

• مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے، اور کسی بھی انحراف کا موزوں انکشاف اور وضاحت کی گئی ہے۔

• اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔

• کمپنی معناسکے ذیلی اداروں کے گونگ کنسرن ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔

• فہرستی قواعد و ضوابط میں تفصیلی کارپوریٹ گورننس کے بہترین عوامل سے کوئی مادی انحراف نہیں ہے۔

بورڈ آف ڈائریکٹرز

بورڈ سات (7) ڈائریکٹرز پر مشتمل ہے۔ سال کے دوران پانچ اجلاس منعقد ہوئے۔

ڈائریکٹرز کے نام اور ہر ایک ڈائریکٹرز کی اجلاسوں میں شرکت کی تعداد حسب ذیل میں دی گئی ہے:

نام ڈائریکٹر	تعداد حاضری
جناب اعجاز حسین	5
جناب آصف پیر	5
جناب ارشد مسعود	4
محترمہ رومانہ عبداللہ	4
جناب ایاز داؤد	5
جناب آصف جوما	2
جناب طاہر مسعود	5

ٹیک وٹا سسٹمز (PZ) ایل ایل سی کے لئے جناب آصف پیر کمپنی کے ڈائریکٹر ہیں۔

ای پروسیڈنگ سسٹمز (پرائیویٹ) لمیٹڈ کے لئے کمپنی کے ڈائریکٹر جناب اعجاز حسین، چیئرمین، جناب آصف پیر اور جناب یار محمد ہر ج ہیں۔

کمپنی کی کاروباری نوعیت یا اس کی ذیلی کمپنیوں اور مشترکہ افعال سے متعلق مالی سال کے دوران تبدیلیاں

کمپنی یا اس کی ذیلی کمپنیوں کی کاروباری نوعیت میں کوئی تبدیلی نہ کی گئی ہے۔ تاہم، کمپنی نے بلوچستان بورڈ آف ریونیو LRMIS سے صدر شراکت کے تحت مشترکہ آپریشنز کا معاہدہ کیا ہے۔ اس معاہدہ کی مدت عرصہ تین سال ہے۔

مستقبل کی پیش رفت، کارکردگی اور کمپنی کے کاروبار کی صورت حال پر ممکنہ طور پر اثر انداز ہونے والے بنیادی رجحانات اور عوامل

ٹیکنالوجی تیزی سے تبدیل ہو رہی ہے اور نئی ٹیکنالوجی کے لئے طلب میں بھی مزید اضافہ ہو رہا ہے۔ تیز رفتاری سے مواصلہ کرنے کے لئے کمپنی کو باصلاحیت افرادی قوت کو نکھارنا ہوگا۔ متعلقہ ٹیکنالوجی کو بہتر بنانے سے کمپنی کے کاروبار اور اس کی کارکردگی پر نمایاں مثبت اثرات مرتب ہوں گے۔

کمپنی کے کاروبار کا ماحول پر اثر

چونکہ کمپنی سافٹ ویئر کے شعبہ میں کاروبار کر رہی ہے اس لئے ماحول کی خرابی میں کمپنی کا کوئی کردار نہ ہے۔

کارپوریٹ سماجی ذمہ داری

کمپنی معاشرے کے لئے اپنی ذمہ داری کا اعتراف کرتی ہے اور معاشرے میں خیراتی اداروں کی جانب سے ترقیاتی کاموں کے لئے مستقل بنیادوں پر مالی امداد فراہم کر کے اپنا فرض ادا کر رہی ہے۔

اندرونی مالی کنٹرول کی موزونیت

سسٹمز لمیٹڈ کی انتظامیہ ایک گروپ کی حیثیت سے کمپنی اور گروپ کے اندرونی کنٹرول کے قیام اور برقرار رکھنے کی ذمہ دار ہے۔ تاکہ گروپ کو درپیش خطرات کی نشاندہی کی جاسکے اور ان سے بچنا جاسکے۔ سسٹمز موزوں، لیکن قطعی نہیں، ضمانت فراہم کرتا ہے کہ:

- ✓ اثاثہ جات ناجائز استعمال یا انتقال سے محفوظ ہیں۔
- ✓ استعمال کے لئے کمپنی میں مناسب اور با اعتبار اکاؤنٹنگ ریکارڈز موجود ہیں۔
- ✓ فعال کاروبار میں کنٹرول کا موزوں نظام قائم کیا گیا ہے۔
- ✓ کمپنی میں لاگو کیا گیا اندرونی مالی کنٹرول سال بھر میں تسلی بخش رہا۔

کارپوریٹ اور مالیاتی رپورٹنگ دائرہ کار

کارپوریٹ گورننس کے ضابطہء اخلاق کی ضروریات کے مطابق ڈائریکٹرز بہ مسرت تصدیق کرتے ہیں کہ:

اس خطرہ سے بچنے کے لئے، کمپنی اعلیٰ درجے کی جامعات سے بہترین گریجویٹس کا تقرر جاری رکھے گی اور ذرائع کا موزوں استعمال کرے گی۔ جس کے تحت تجربہ کار وسائل کو کسٹمر اور کلائنٹ سے رابطہ اور کم تجربہ کار وسائل کو دفتری کام کے لئے استعمال کیا جائے گا اور نتیجتاً کمپنی کئی معاملات میں وسائل کی لاگت میں توازن قائم رکھ سکے گی۔

✓ کیش فلو

ٹیکنالوجی نے انڈسٹری کو مزید متحرک کر دیا ہے اور کمپنی نئی صلاحیتوں اور شراکت بنانے میں سرمایہ داری کر رہی ہے۔ کمپنی نئی منڈیوں میں داخلہ اور مصنوعات میں بہتری کے لئے بھی راہ ہموار کر رہی ہے۔ مجموعی طور پر، انتخابات کے سال میں مقامی پبلک سیکٹر پروجیکٹ سے بحالی کے چیلنج سے آٹھ کار ہونے کی توقع ہے۔

کیش فلو رسک سے نبرد آزما ہونے کے لئے کمپنی نے درآمدی قرضہ کی حد کے مقابلہ میں کریڈٹ لائن پر انحصار کیا ہے جس سے کمپنی اور گروپ کو پیداواری رفتار میں مسلسل اضافہ میں مدد ملے گی۔

✓ انفرادی قوت کی دستیابی

قابل مشیر اور انجینئرز کی بہت مانگ ہے اور ان کا ملنا بھی مشکل ہے۔ اور کمپنی کے پیداواری ہدف کو مد نظر رکھتے ہوئے اعلیٰ انفرادی قوت کو تلاش کرنا بہت مشکل ہے۔ کمپنی شمالی امریکہ اور مشرق وسطیٰ کی منڈیوں میں انفرادی قوت فراہم کرتا ہے اور نتیجتاً معیاری انفرادی قوت کی دستیابی میں مزید مشکلات کا سامنا کرنا پڑتا ہے۔

اس خطرہ سے بچنے کے لئے کمپنی اندرونی اور بیرونی دونوں مقامات پر انفرادی تربیت پر بھرپور توجہ مرکوز کئے ہوئے ہے تاکہ اُن کو ایسی اعلیٰ سطح پر لایا جاسکے اور ان کو کمپنی کے بہترین مفاد کے لئے مؤثر انداز میں استعمال کیا جاسکے۔ کمپنی نے کئی بھرتی مراکز سے بھی معاہدے طے کئے ہیں تاکہ وہ قائدین کی مسلسل سکریننگ اور انتخاب کر سکیں۔ جو ہماری مجموعی کارکردگی کے لئے بہت اہم ہیں۔

✓ فعال/تبدیلی کا خطرہ

onload، جو لین دین اور ادائیگیوں کے لئے صارفین کی جانب سے موبائل کے استعمال پر منحصر ہے اس لئے کمپنی کے لئے ناموافق خطرہ پیدا کرتا ہے۔

آئی ٹی کا بنیادی ڈھانچہ اور اس کا رابطہ onload اپیلیکیشن کی مسلسل سروس کے لئے ایک اہم جزو ہے۔ اس لئے خدمات میں رکاوٹ کی صورت میں یہ کمپنی کے لئے فعالی خطرہ بھی ہے۔

✓ مرکب آمدنی

کمپنی اپنی برآمدات بالخصوص امریکی منڈیوں میں اپنی برآمدات بڑھا کر زیادہ شرح سے آمدنی میں بڑھوتی کی توقع کر رہی ہے۔ کسی بھی منفی اثر کی وجہ سے کمپنی کے شرح منافع پر بھی

چیلنجز کے ساتھ بھی اپنے تعلقات مضبوط کئے ہیں اور ان ذرائع سے کئی نئے مواقع کھلے ہیں۔ یہ کاروباری تعلقات اور حوالہ جات مستقبل میں کمپنی کی نمو میں اضافہ کریں گے اور اس علاقہ میں کمپنی کی نمو میں نمایاں بہتری کے امکانات ہیں۔

ای پروسیسنگ سسٹمز (پرائیویٹ) لمیٹڈ ریٹیلرز کو کمپنیوں کے ساتھ براہ راست رابطہ فراہم کر کے B2B سروسز کو بڑھانے کے لئے پرامید ہے۔ مزید یہ کہ کمپنی ریٹیلرز کو ایک پلیٹ فارم کے نیچے ڈیجیٹل ادائیگیوں اور بینک کے بغیر اضافی مالی خدمات بھی فراہم کرتی ہے۔

گروپ کی نمو کے لئے چند بنیادی عوامل حسب ذیل ہیں:

کمپنی کو تقریباً تمام حالیہ کلائنٹ کو برقرار رکھنے کی توقع ہے۔ (یہ گزشتہ چند برسوں سے لگاتار ہے)

کمپنی حالیہ کسٹمرز سے اوسط سے زیادہ نمو کی شرح حاصل کرنے کی توقع رکھتی ہے کیونکہ کمپنی نے رابطہ کے انتظامات اور رہنمائی میں سرمایہ داری پر بھرپور توجہ دی ہے۔ کمپنی توقع کر رہی ہے کہ نئی ڈیجیٹل پالیسی اور موجودہ حکومت کی وجہ سے پاکستان میں پبلک سیکٹر کا کاروبار بڑھے گا۔

کمپنی کی خدمات میں سرمایہ داری اور کاروبار اور ٹیکنالوجی میں تجدید نو کے ذریعے اضافہ ہو رہا ہے۔ اور کمپنی نئے کلائنٹس سے کاروبار حاصل کرنے کی توقع رکھتی ہے۔

کمپنی نئے حربوں اور ٹیکنالوجی میں بھاری سرمایہ داری کر رہی ہے تاکہ حالیہ اور آئندہ کی طلب کو پورا کرنے کے لئے اپنی صلاحیتوں کو بڑھایا جاسکے۔

کمپنی انڈسٹری سلوشن بھی تیار کر رہی ہے جس کی وجہ سے وہ نئی منڈیوں تک رسائی حاصل کر سکے گی اور زیادہ سے زیادہ منافع حاصل کر سکے گی۔

کمپنی کو درپیش بنیادی خطرات اور خدشات

خطرے کے عوامل

خطرے کے کچھ عوامل حسب ذیل ہیں جو ہمارے کاروباری اور مالی نتائج پر اثر انداز ہو سکتے ہیں۔

✓ قیمتوں کا دباؤ

✓ کیش فلو

✓ وسائل کی دستیابی

✓ فعال/تبدیلی کا خطرہ

✓ مرکب آمدنی

✓ قیمتوں کا دباؤ

منڈی میں ناکافی آئی ٹی وسائل کی وجہ سے ہر سال وسائل کی لاگت میں اضافہ ہو رہا ہے اور اسی شرح سے بلنگ نرخ میں اضافہ نہیں ہو رہا ہے۔ تاہم، سال 2018ء میں ڈالر کے گرنے کی وجہ سے توقع کی جارہی ہے کہ سال 2019ء بہتر ہوگا تو توقع ہے جس کی وجہ سے کچھ حد تک کمپنی کے وسائل کی لاگت میں کمی واقع ہوگی۔

حصص داران کے لئے کمپنی اور گروپ کی ڈائریکٹر رپورٹ 2018

23 ملین روپے فی یوم تک جا پہنچا۔ کمپنی نے 2017 میں 76.50 ملین روپے سے 2018 میں 193.8 ملین روپے تک 153 فی صد مالی ترقی حاصل کی۔ سال 2019 میں زیادہ منافع کی توقع ہے۔

کثیر آمدنی کی وجہ سے کمپنی اس قابل ہوئی کہ وہ سال 2017 میں 9.7 ملین روپے خالص منافع کی نسبت سال 2018 میں 50.2 ملین روپے خالص منافع 416 فی صد اضافی شرح سے حاصل کرے۔ گزشتہ سہ ماہی پیرائڈ نے کمپنی کا آپریٹنگ منافع ظاہر کیا اور توقع کی جارہی ہے کہ سال 2019 منافع بخش ہوگا۔

گروپ کی مجموعی آمدنی 39 فی صد بڑھی جو سال 2018 میں 3,832 ملین روپے سے 5,323 ملین روپے ہو گئی۔ مجموعی اور آپریٹنگ نفع بالترتیب 33 فی صد اور 94 فی صد اضافہ کے ساتھ 1,528 ملین روپے اور 1,135 ملین روپے رہا۔ گزشتہ سال کے مقابلے میں نفع علاوہ ٹیکس 89 فی صد تک بڑھا۔ فی حصص آمدنی 5.11 روپے سے 9.59 روپے 88 فی صد بڑھی۔

ماخذ	2018	2017	Y/Y
آمدنی	5,323,922,442	3,832,429,037	39%
مجموعی نفع	1,528,799,871	1,148,738,400	33%
نفع بعد ٹیکس	1,108,670,860	569,154,259	95%
نفع علاوہ ٹیکس	1,061,283,280	560,718,543	89%
فی حصص آمدنی (بنیادی)	9.59	5.11	88%
فی حصص آمدنی (معتدل)	9.56	5.10	87%

مستقبل کا لائحہ عمل اور نفع کے امکانات

2019 منصوبے

اعلیٰ سطحی نمونہ کو برقرار رکھنا سال 2019ء کے لئے کمپنی کی منصوبہ بندی کا حصہ ہے۔ اس میں مجموعی نفع کی رفتار کو نہ صرف انفرادی طور پر بلکہ گروپ کے لئے بڑھانا شامل ہے۔

سال 2019 میں کمپنی نئی حکمت عملی کی منصوبہ بندی کر رہی ہے اور اپنی توجہ امریکی منڈیوں کی جانب مبذول کر رہی ہے کمپنی نے تیز اثاثہ جات، مصنوعات اور حل تیار کیے ہیں جو کہ شمالی امریکہ کی منڈیوں میں کاروبار کو بہتر کرے گی۔ یورپ سے پہلا اہم کام 2018 کے آخر میں شروع ہوا اور کمپنی کو اس نئے جغرافیہ سے صحت مند نمو کی توقع ہے۔ کمپنی تمام کاروباری یونٹس اور تمام جغرافیوں کی مدد میں پیداواری رفتار کو برقرار رکھنے کی امید کرتی ہے۔

کمپنی نے نئی کاروباری ڈومین کا آغاز کیا ہے اور ڈیجیٹل مارکیٹنگ اور کال سنٹر بھی عمل میں لائی ہے۔ کمپنی اس شعبہ میں مزید بہتری کی توقع رکھتی ہے۔

ٹیک وسٹا سسٹمز ایف زی لمیٹڈ نے مشرق وسطیٰ کی مارکیٹ میں نمایاں مقام حاصل کیا ہے اور صارفین کی کثیر تعداد مستقل کسٹمر بن چکی ہے۔ موجودہ صارفین کو برقرار رکھنے کی وجہ سے نئے کسٹمرز کے حصول پر لاگت میں مجموعی طور پر کمی واقع ہوئی ہے۔ اور اس وجہ سے کمپنی کی آئندہ کارکردگی میں مثبت اثرات مرتب ہوں گے۔ کمپنی نے مائیکروسافٹ اور آئی بی ایم

ماخذ	2018	2017	سالانہ فیصد
آمدنی	3,761,155,759	2,910,800,003	29%
مجموعی نفع	1,178,536,829	862,108,068	37%
نفع بعد ٹیکس	1,055,107,775	481,432,442	119%
نفع علاوہ ٹیکس	1,009,483,171	473,376,038	113%
فی حصص آمدنی (بنیادی)	9.01	4.24	113%
فی حصص آمدنی (معتدل)	8.98	4.23	112%

گروپ

31 دسمبر 2018ء کو اختتام پذیر سال کیلئے، ٹیک وسٹا سسٹمز ایف زی ایل ایل سی نے 51.99 ملین اماراتی درہم کی آمدنی درج کی (2017: 43.15 ملین اماراتی درہم) اور 2.32 ملین اماراتی درہم (2017: 3.94 ملین اماراتی درہم) کا منافع حاصل کیا۔ ٹیک وسٹا سسٹمز لمیٹڈ نے 15.49 ملین اماراتی درہم (2017: 6.19 ملین اماراتی درہم) کے اخراجات برداشت کئے جو ٹیک وسٹا سسٹمز ایف زی ایل ایل سی پر لگائے گئے۔

سال 2018ء میں، ٹیک وسٹا سسٹمز ایف زی لمیٹڈ نے مشرق وسطیٰ میں کئی معاہدے کئے۔ جو مستقبل کی پیداوار کی بنیاد ہوں گے۔

تاہم ٹیک وسٹا سسٹمز ایف زی ایل ایل سی میں مارجن کی کمی کی مندرجہ ذیل وجوہات تھیں:

سال 2017 کے آخر میں کمپنی نے کچھ نئے معاہدے کیے جس کی وجہ سے کمپنی کے اخراجات بڑھ گئے۔ تاہم اپنے گاہکوں سے تعلقات بنائے رکھنے کی خاطر کمپنی نے ان معاہدوں پر بلا تامل کام جاری رکھا۔

کچھ طویل المیعاد معاہدہ جات تھے جو کہ ٹیک وسٹا سسٹمز ایف زی ایل ایل سی کے لیے زیادہ منافع بخش نہ تھے۔ ان میں سے زیادہ تر معاہدہ جات پر سال 2019 میں دوبارہ گفت و شنید ہوئی ہے اور کمپنی اچھے نتیجے کی توقع کر رہی ہے۔

اندرونی و خانگی سطح پر کمپنی نے منافع کمانا شروع کر دیا ہے۔ اس سال کمپنی نے بلوچستان بورڈ آف ریونیو LRMIS اور کچھ سرکاری ونجی سطح پر معاہدہ جات کیے جس سے کمپنی کے زیریں و اعلیٰ سطح پر منافع متوقع ہے۔

کمپنی توقع کر رہی ہے کہ نیامالی بجٹ آئی ٹیکسٹ میں مثبت تبدیلی لائے گا۔ حکومت وفاقی اور صوبائی سطح پر ڈیجیٹائزیشن پر توجہ مرکوز کیے ہوئے ہے۔ بہت زیادہ مواقع پیدا ہونے کی امید ہے اور کمپنی اس سیکٹر میں آمدنی میں اضافے کی توقع کر رہی ہے۔

مالی سال 2018: ذیلی کمپنی ای پی سسٹمز کے لیے اچھا سال ثابت ہوا۔ ون لوڈ کاروبار نے سال 2018 میں اوسط 20 ملین روپے فی یوم کے حساب سے رفتار پکڑی جو کہ مارچ میں

حصص داران کے لئے کمپنی اور گروپ کی ڈائریکٹر رپورٹ 2018

بورڈ آف ڈائریکٹرز کی جانب سے حصص داران کو 42 ویں سالانہ رپورٹ معہ نظر ثانی شدہ گروپ کے 31 دسمبر 2018 کو ختم ہونے والے سال کے مالیاتی کھاتوں اور اس پر محاسب کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

منافع منقسمہ اور تصرفات

ڈائریکٹرز نے حتمی نقد منافع منقسمہ بے نصاب 2.00 روپے فی حصص (2017: 1.75 فی شیئر) اور 10 فیصد بونس کی ادائیگی کی تجویز دی ہے۔

غیر تصرفاتی منافع (پاکستانی روپے)	
بیلنس برعاطق 31 دسمبر 2017	1,609,869,061
سالانہ کل مجموعی آمدنی	1,009,483,171
	2,619,352,232
کمی: 31 دسمبر 2017 کو ختم ہونے والے سال کا حتمی منافع منقسمہ بے نصاب 1.75 روپے فی شیئر	195,698,391
بیلنس برعاطق 31 دسمبر 2018	2,423,653,841

فی شیئر آمدنی

بنیادی طور پر ایئر ٹائم اور متعلقہ خدمات کی خرید و فروخت کے کاروبار میں مصروف ہے۔ کمپنی کی پراڈکٹ کو OneLoad کہا جاتا ہے۔

کمپنی اور گروپ کے مالی حسابات کمپنی کے امور اور اس کے کاروبار کے منصفانہ جائزہ کی حقیقی عکاسی کرتے ہیں۔

کارکردگی:

کمپنی:

کمپنی کی بنیادی آمدنی سافٹ ویئر کی ترقی اور مشرق وسطیٰ میں کام کرنے والی اس کی ذیلی کمپنی TVS اور شمالی امریکہ میں کام کرنے والی اس کی شریک کمپنی وٹن نیٹ سسٹمز کی طرف سے سب کنٹریکٹ آئی ٹی خدمات کے کام سے حاصل ہوتی ہے۔ 73 فیصد سے زائد اس کی آمدنی برآمدات پر مبنی ہے۔ حالیہ سالوں میں، کمپنی نے مقامی مارکیٹ میں سے پراجیکٹ حاصل کرنا شروع کیا ہے۔

سال 2017ء کے مقابلہ میں سال 2018ء میں کمپنی کی انفرادی آمدنی میں 29 فی صد اضافہ ہوا۔ کمپنی نے اس سال نئے اور موجودہ گاہکوں کے ساتھ نئے اہم معاہدے کئے۔ دوسری طرف، امریکی اور مشرق وسطیٰ کے کاروبار میں زیریں اور اعلیٰ سطح پر خاطر خواہ ترقی حاصل کی گئی۔

سال 2018 میں مجموعی منافع 1.178 بلین روپے ریکارڈ کیا گیا جو گزشتہ سال سے یکساں آمدنی 306 فی صد ہے۔ تاہم خالص منافع گزشتہ سال کی نسبت 113 فیصد زائد ظاہر ہوا جس کی وجہ 376 بلین روپے کی دوسرے ذرائع سے آمدنی میں اضافہ تھا جو کہ کرنسی کی تخصیص کی وجہ سے تھا کیونکہ 2018 میں امریکی ڈالر کی اوسط شرح 1222.53 روپے تھی متقابلاً پچھلے سال کی نسبت جبکہ امریکی ڈالر کی شرح 105 روپے تھی۔

31 دسمبر 2018 کو ختم ہونے والے سال کے لئے کمپنی کی فی شیئر بنیادی اور معتدل آمدنیاں 9.01 روپے اور 8.98 روپے (31 دسمبر 2017: 4.24 روپے اور 4.23 روپے) فی شیئر ہیں۔ اسی طرح گروپ کی فی شیئر بنیادی اور معتدل آمدنیاں 9.59 روپے اور 9.56 روپے (31 دسمبر 2017: 5.11 روپے اور 5.10 روپے) فی شیئر ہیں۔

مالی سال 2018 کے دوران کمپنی اور گروپ بزنس کی اصل سرگرمیاں، ترقی اور کارکردگی

سرگرمیاں:

کمپنی ایک پبلک لمیٹڈ کمپنی ہے جو کمپنیز ایکٹ، 2017 کے تحت پاکستان میں قائم ہوئی، اور پاکستان اسٹاک ایکسچینج (سابقہ کراچی، اسلام آباد اور لاہور اسٹاک ایکسچینج) میں درج ہے۔ کمپنی بنیادی طور پر سوفٹ ویئر کی ترقی، سافٹ ویئر اور کاروباری عمل کی خدمات مہیا کرنے کے کاروبار میں مشغول ہے۔

گروپ سسٹمز لمیٹڈ (ہولڈنگ کمپنی) اور اس کی ذیلی کمپنیوں - ٹیک وسٹا سسٹمز ایف زی ایل ایل سی اور ای پروسیسنگ سسٹمز (پرائیویٹ) لمیٹڈ پر مشتمل ہے۔

ٹیک وسٹا سسٹمز ایف زی ایل ایل سی، ایک لمیٹڈ ذمہ دار کمپنی وہی ٹیکنالوجی اور میڈیا فری زون اتھارٹی میں قائم ہوئی جو سسٹمز لمیٹڈ کی 100 فیصد ملکیتی ذیلی کمپنی ہے۔ کمپنی سافٹ ویئر کو ترقی دینے اور عصری خدمات فراہم کرنے کے کاروبار میں مصروف ہے۔ کمپنی نے ٹیک وسٹا سسٹمز ایل ایل سی میں بھی سرمایہ کاری کی ہے اور اس وقت 49 فیصد کی مالک ہے۔ یہ کمپنی ایک سوفٹ ویئر ہاؤس کے طور پر بھی رجسٹرڈ ہے لیکن اس نے کوئی خود مختار آپریشنز سرانجام نہیں دیئے ہیں جو ٹیک وسٹا سسٹمز ایف زی ایل ایل سی کے منصوبوں میں تعاون کے لئے تشکیل دیا گیا تھا۔

ای پروسیسنگ سسٹمز (پرائیویٹ) لمیٹڈ کمپنیز آرڈیننس 1984 کے تحت رجسٹرڈ ایک نجی لمیٹڈ کمپنی 06 فروری 2013 کو قائم شدہ، سسٹمز لمیٹڈ کی 53 فیصد ملکیتی ذیلی کمپنی ہے۔ کمپنی

Pattern of Shareholding - Systems Limited

The Shareholding in the Company as at 31 December 2018 is as follows:

	Number of Shareholders	Number of shares held	Percentage of holding
Directors and their spouses and minor children	8	37,599,921	33.51
Associated Companies, undertakings and related parties	2	6,291,610	5.61
NIT and ICP	-	-	-
Banks, DFIs and NBFIs	-	-	-
Insurance Companies	3	27,284	0.02
Modarbas and Mutual Funds	111	22,765,567	20.29
General Public	1955	34,769,206	30.98
Investment companies	1	2,108,577	1.88
Joint Stock Companies	31	8,651,383	7.71
Others			
Total	2,111	112,213,548	100%

The pattern of holding of shares held by the shareholders as at 31 December 2018 is as follows:

Number of Shareholders	Shareholding		Total Shares held
	From	To	
714	1	100	26,659
224	101	500	96,475
610	501	1,000	448,789
268	1,001	5,000	673,584
69	5,001	10,000	531,162
55	10,001	20,000	806,657
25	20,001	30,000	624,423
13	30,001	40,000	456,662
15	40,001	50,000	694,473
6	50,001	60,000	331,341
7	60,001	70,000	455,670
7	70,001	80,000	528,827
5	80,001	90,000	425,593
3	90,001	100,000	290,110
49	100,001	500,000	10,996,417
20	500,001	1,000,000	14,321,983
11	1,000,001	2,000,000	16,364,906
1	2,000,001	4,000,000	2,108,577
4	4,000,001	6,000,000	18,387,225
4	6,000,001	8,000,000	28,465,234
1	8,000,001	16,000,000	15,178,781
2,111			112,213,548

Pattern of Shareholding - Systems Limited

Information of shareholding as at 31 December 2018 as required under Code of Corporate Governance is as follows

Category No.	Shareholder's category	Number of shares held	Percentage %
1	Associated Companies, undertakings and related parties		
	IGI Insurance Limited	4,188,033	3.73%
	B.R.R. Guardian Modarba	2,103,577	1.87%
		6,291,610	5.61%
2	Mutual Funds		
	TRUSTEE-ANPL MANAGEMENT STAFF PENSION FUND	15,000	0.01%
	TRUSTEE-ANPL MANAGEMENT STAFF GRATUITY FUND	12,500	0.01%
	TRUSTEE-ANPL MANAGEMENT STAFF PROVIDENT FUND	20,000	0.02%
	PRINCE STREET OPPORTUNITIES LTD	520,500	0.46%
	TUNDRA PAKISTAN FUND	1,000,000	0.89%
	TUNDRA FRONTIER OPPORTUNITIES FUND	4,863,500	4.33%
	NAVIGANT FRONTIER MASTER FUND LP	312,927	0.28%
	MCKINLEY CAPITAL MEASA FUND OEIC LIMITED	127,500	0.11%
	GREYHOUND ASIA FUND LIMITED	896,000	0.80%
	TRUSTEE PAK HERALD PUBLICATIONS (PVT) LTD STAFF GRATUITY FUND	3,000	0.00%
	TRUSTEE PAK HERALD PUBLICATIONS (PVT) LTD STAFF PENSION FUND	8,000	0.01%
	TRUSTEES OF PHILIP MORRIS (PAKISTAN) LIMITED EMPL.G.F TRUST	5,009	0.00%
	TRUSTEES OF PHILIP MORRIS (PAKISTAN) LIMITED E.C.P.F TRUST	10,000	0.01%
	TRUSTEES UBL FUND MANAGERS LTD. EMPLOYEES GRATUITY FUND	2,500	0.00%
	TRUSTEES UBL FUND MANAGERS LTD. EMPLOYEE PROVIDENT FUND	1,000	0.00%
	TRUSTEES OF PAKISTAN MOBILE COMMUNICATION LTD-PROVIDENT FUND	7,500	0.01%
	AKHAI SECURITIES (PRIVATE) LIMITED	500	0.00%
	PREMIER MERCANTILE SERVICES (PRIVATE) LIMITED	50,000	0.04%
	CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1,394,750	1.24%
	CDC - TRUSTEE PICIC INVESTMENT FUND	76,500	0.07%
	CDC - TRUSTEE PICIC GROWTH FUND	146,500	0.13%
	CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	631,000	0.56%
	CDC - TRUSTEE ATLAS STOCK MARKET FUND	704,500	0.63%
	CDC - TRUSTEE MEEZAN BALANCED FUND	170,500	0.15%
	CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	40,500	0.04%
	CDC - TRUSTEE ALFALAH GHP VALUE FUND	51,500	0.05%
	CDC - TRUSTEE AKD INDEX TRACKER FUND	13,000	0.01%
	CDC-TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND	495,000	0.44%
	CDC - TRUSTEE AL MEEZAN MUTUAL FUND	157,500	0.14%
	CDC - TRUSTEE MEEZAN ISLAMIC FUND	596,000	0.53%
	TS SECURITIES (PVT) LTD.	3,000	0.00%
	CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1,019,000	0.91%
	TRUSTEE-WELLCOME PAKISTAN LIMITED PROVIDENT FUND	588	0.00%
	CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	242,000	0.22%
	CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	868,000	0.77%
	CDC - TRUSTEE NAFA STOCK FUND	1,569,000	1.40%
	CDC - TRUSTEE NAFA MULTI ASSET FUND	49,500	0.04%
	CDC - TRUSTEE MEEZAN TAHAFUZZ PENSION FUND - EQUITY SUB FUND	230,500	0.21%
	CDC - TRUSTEE DAWOOD ISLAMIC FUND	28,000	0.02%
	CDC - TRUSTEE APF-EQUITY SUB FUND	55,000	0.05%
	CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	163,500	0.15%
	CDC - TRUSTEE HBL - STOCK FUND	35,500	0.03%
	CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	463,000	0.41%
	CDC - TRUSTEE APIF - EQUITY SUB FUND	64,500	0.06%
	CDC - TRUSTEE HBL MULTI - ASSET FUND	9,000	0.01%
	CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	137,500	0.12%
	CDC - TRUSTEE ALFALAH GHP STOCK FUND	104,500	0.09%
	CDC - TRUSTEE ALFALAH GHP ALPHA FUND	66,000	0.06%
	CDC - TRUSTEE ABL STOCK FUND	638,500	0.57%
	CDC - TRUSTEE FIRST HABIB STOCK FUND	12,000	0.01%
	CDC - TRUSTEE LAKSON EQUITY FUND	478,754	0.43%
	CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	213,500	0.19%
	TRUSTEES OF TELENOR PAKISTAN PVT LTD EMPLOYEES PROVIDENT FUND	7,500	0.01%
	TRUSTEES OF PHARMEVO PVT. LTD. EMPLOYEES PROVIDENT FUND	6,000	0.01%
	TRUSTEE OF FERROZE1888 MILLS LTD EMPLOYEE PROVIDENT FUND TRUST	35,000	0.03%
	TRUSTEES TELENOR EMPLOYEES GRATUITY FUND	10,000	0.01%
	TRUSTEE OF TELENOR EMPLOYEES GRATUITY FUND	25,500	0.02%
	TRUSTEES OF GREENSTAR SOCIAL MKT. PAK.(G) LTD. EMP.PROV.FUND	6,000	0.01%
	TRUSTEES OF GREENSTAR SOCIAL MKT. PAK.(G) LTD. EMP.GRA. FUND	3,000	0.00%
	TRUSTEE OF TELENOR SHARED SERVICES(PVT.) LTD GRATUITY FUND	5,000	0.00%
	TRUSTEES OF GETZ PHARMA PAKISTAN (PVT) LIMITED-EPF	17,000	0.02%
	TRUSTEES OF PAKISTAN HUMAN DEVELOPMENT FUND	82,500	0.07%
	TRUSTEES OF THAL LIMITED EMPLOYEES PROVIDENT FUND	15,000	0.01%
	TRUSTEES OF NOVO NORDISK PHARMA (PVT.) LTD. STAFF PROV. FUND	5,000	0.00%
	TRUSTEE OF PAK. HERALD PUBLICATIONS (PVT.) LTD.-SPF	12,500	0.01%
	TRUSTEES OF KOHINOOR ENERGY LIMITED EMPLOYEES GRATUITY FUND	7,000	0.01%
	TRUSTEE OF HRSG OUTSOURCING (PVT) LIMITED EPF	25,000	0.02%

Category No.	Shareholder's category	Number of shares held	Percentage %
	TRUSTEE OF E A CONSULTING (PRIVATE) LIMITED - EPF	4,500	0.00%
	TRUSTEE OF BVA (PRIVATE) LIMITED EMPLOYEES PROVIDENT FUND	1,500	0.00%
	TRUSTEE OF GATRON (INDUSTRIES) LIMITED STAFF PROVIDENT FUND	7,500	0.01%
	TRUSTEES THALL LIMITED- EMPLOYEES RETIREMENT BENEFIT FUND	2,500	0.00%
	TRUSTEES THALL LIMITED- EMPLOYEES PROVIDENT FUND	17,000	0.02%
	TRUSTEES BYCO PETROLEUM PAKISTAN LIMITED EMP. PROVIDENT FUND	6,555	0.01%
	TRUSTEES DESCON OXYCHEM LTD. EMPLOYEES PROVIDENT FUND	500	0.00%
	TRUSTEES INSPECTEST (PVT.) LIMITED EMPLOYEES PROVIDENT FUND	500	0.00%
	TRUSTEES WELLCOME PAKISTAN LIMITED PROVIDENT FUND	36,912	0.03%
	TRUSTEES BRISTOL-MYERS SQUIBB PAK (PVT) LTD EMP PROV FUND	4,500	0.00%
	TRUSTEES DESCON POWER SOLUTIONS PVT LTD STAFFPROV FUND TRUST	3,500	0.00%
	TRUSTEES ENGRO FERTILIZERS LIMITED NON-MPT EMP GRATUITY FUND	5,500	0.00%
	EFG HERMES PAKISTAN LIMITED - MF	1,500	0.00%
	CDC-TRUSTEE HBL ISLAMIC STOCK FUND	103,000	0.09%
	CDC - TRUSTEE HBL EQUITY FUND	3,875	0.00%
	JS GLOBAL CAPITAL LIMITED - MF	500	0.00%
	CDC - TRUSTEE HBL IPF EQUITY SUB FUND	22,500	0.02%
	TRUSTEE-THE KOT ADDU POWER CO. LTD. EMPLOYEES PROVIDENT FUND	5,000	0.00%
	TRUSTEE-THE KOT ADDU POWER CO. LTD. EMPLOYEES PENSION FUND	22,000	0.02%
	CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND	11,000	0.01%
	MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	300,000	0.27%
	CDC - TRUSTEE NAFA PENSION FUND EQUITY SUB-FUND ACCOUNT	89,500	0.08%
	CDC - TRUSTEE NAFA ISLAMIC PENSION FUND EQUITY ACCOUNT	136,000	0.12%
	CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	220,000	0.20%
	CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	193,000	0.17%
	CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	2,650	0.00%
	CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	7,000	0.01%
	CDC-TRUSTEE ALHAMRA ISLAMIC PENSION FUND - EQUITY SUB FUND	165,000	0.15%
	CDC - TRUSTEE PAKISTAN PENSION FUND - EQUITY SUB FUND	189,955	0.17%
	CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	559,500	0.50%
	CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	829,500	0.74%
	CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	165,500	0.15%
	CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	31,000	0.03%
	CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	72,000	0.06%
	CDC - TRUSTEE LAKSON TACTICAL FUND	123,934	0.11%
	CDC - TRUSTEE LAKSON ISLAMIC TACTICAL FUND	22,658	0.02%
	MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	183,500	0.16%
	MRA SECURITIES LIMITED - MF	2,500	0.00%
	CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	45,000	0.04%
	CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	95,000	0.08%
	TIME SECURITIES (PVT.) LIMITED - MF	4,000	0.00%
	CDC - TRUSTEE ALFALAH GHP ISLAMIC VALUE FUND	5,000	0.00%
	CDC - TRUSTEE FIRST HABIB ASSET ALLOCATION FUND	7,000	0.01%
	CDC - TRUSTEE UBL DEDICATED EQUITY FUND	10,500	0.01%
		14,690,969	13.14%
3	Directors and their spouses and children		
	Aezaz Hussain	14,329,734	12.77%
	Neelam Hussain	95,110	0.08%
	Asif Peer	6,535,686	5.82%
	Arshad Masood	16,144,745	14.39%
	Mrs. Romana Abdullah	500	0.00%
	Asif Jooma	549	0.00%
	Ayaz Dawood	20,000	0.02%
	Riaz Hussain	473,597	0.42%
		37,599,921	33.51%
4	Executives	1,063,803	0.95%
5	Public Sector Companies and Corporations	2,135,861	1.90%
6	Banks DFIs and NBFIs, Insurance Companies, Modarabas and Pension Funds	8,651,383	7.71%
7	Others	33,705,403	30.04%
	Total	112,213,548	100%
Shareholders holding five percent or more voting rights			
	EFU LIFE ASSURANCE LTD	6,683,000	5.96%
	Aezaz Hussain	14,329,734	12.77%
	Asif Peer	6,535,686	5.82%
	Arshad Masood	16,144,745	14.39%
	Salma Mian	7,180,243	6.40%
	Manzurul Haq	6,284,322	5.60%
		57,157,730	50.94%

Pattern of Shareholding - Group Companies

The Shareholding in the Company as at 31 December 2018 is as follows:

E-Processing Systems (Pvt.) Limited

	Number of Shareholders	Number of shares held	Percentage of holding
Directors and their spouses and minor children	3	110,120	41.70
Associated Companies, undertakings and related parties	1	140,001	53.02
NIT and ICP	-	-	-
Banks, DFIs and NBFIs	-	-	-
Insurance Companies	-	-	-
Modarbas and Mutual Funds	-	-	-
General Public	-	-	-
Investment companies	-	-	-
Joint Stock Companies	-	-	-
Others	3	13,947	5.28
Total	7	264,068	100%

TechVista Systems FZ-LLC

	Number of Shareholders	Number of shares held	Percentage of holding
Directors and their spouses and minor children	-	-	-
Associated Companies, undertakings and related parties	1	50	100
NIT and ICP	-	-	-
Banks, DFIs and NBFIs	-	-	-
Insurance Companies	-	-	-
Modarbas and Mutual Funds	-	-	-
General Public	-	-	-
Investment companies	-	-	-
Joint Stock Companies	-	-	-
Others	-	-	-
Total	8	50	100%

The pattern of holding of shares held by the shareholders as at 31 December 2018 is as follows:

E-Processing Systems (Pvt.) Limited

Number of Shareholders	Shareholding	Total Shares held
From	To	
1	1,000	1
2	1,001 to 5,000	13,947
2	5,001 to 50,000	27,895
1	50,001 to 100,000	82,224
1	100,001 to 200,000	140,001
7		264,068

TechVista Systems FZ LLC

Number of Shareholders	Shareholding		
From	To	Total Shares held	
1	1	50	50
1			50

Information of shareholding as at 31 December 2018 as required under Code of Corporate Governance is as follows

E-Processing Systems (Pvt.) Limited TechVista Systems FZ LLC

Category No.	Shareholder's category	Number of shares held	Percentage %		Number of shares held	Percentage %
1	Associated Companies, undertakings and related parties					
	M/S Systems Limited	140,001	53.02%		50	100.00%
		140,001	53.02%		50	100.00%
2	Mutual Funds	-	0.00%		-	0.00%
3	Directors and their spouses and children					
	Aezaz Hussain	1	0.00%			0.00%
	Muhammad Asif Peer	13,948	5.28%			0.00%
	Muhammad Yar Hiraj	96,171	36.42%			0.00%
		110,120	41.70%		-	0.00%
4	Executives	-	0.00%		-	0.00%
5	Public Sector Companies and Corporations	-	0.00%		-	0.00%
6	Banks DFIs and NBFIs, Insurance Companies, Modarabas and Pension Funds	-	0.00%		-	0.00%
7	Others	13,947	5.28%		-	0.00%
	Total	264,068	100%		50	100%
	Shareholders holding five percent or more voting rights					
	Asif Peer	13,948	5.28%			0.00%
	Muhammad Yar Hiraj	96,171	36.42%			0.00%
	Systems Limited	140,001	53.02%		50	100.00%
	Others		0.00%			0.00%
		250,120	94.72%		50	100.00%

Notice of Annual General Meeting

Notice is hereby given to all the members of Systems Limited (the "Company") that 42nd Annual General Meeting of the Company is scheduled to be held on 26 April 2019 at 11:00 A.M. at the Company's registered office situated at: E-1, Sehjpal Road, DHA Phase VIII (Ex- Air Avenue), Lahore to transact the following business:

Ordinary Business:

1. To confirm the minutes of the last Annual General Meeting held on 26 April 2018.
2. To, receive, consider and adopt the Audited Accounts of the Company for the year ended 31 December 2018 together with the Board of Directors' and Auditors' report thereon.
3. To approve and declare cash dividend @ 20 % i.e. PKR 2/ per share, for the year ended 31 December 2018 as recommended by the Board of Directors and to approve issuance of bonus shares at 10%.
4. To appoint Auditors and fix their remuneration for the year ending 31 December 2019. The Board of Directors upon recommendation of audit committee has recommended M/s EY Ford Rhodes, Chartered Accountants, being eligible for re-appointment as auditors of the company for the year ending 31 December 2019.

Special Business

5. To consider and, if thought fit, pass, with or without modification, the following special resolution in terms of Section 199 of Companies Act, 2017, for increase in existing investment in the form of loan and guarantee in UUS Joint Venture (Private) Limited, an associated company of the Company, from Rs. 400 million to Rs. 600 million.

"Resolved that Systems Limited (the "Company") shall increase its existing investment in its associated company, UUS Joint Venture (Private) Limited (Associated Company) in the form of loan and guarantee amounting to Rs. 400 million to Rs. 600 million on the terms and conditions to be contained in the agreement to be executed between the Company and Associated Company in terms of Section 199 of Companies Act, 2017.

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

agreements and to complete all necessary legal formalities and to file all necessary documents as may be necessary or incidental for the purposes of implementing the aforesaid resolution".

6. To consider and, if thought fit, pass, with or without modification, the following special resolution in terms of Section 199 of Companies Act, 2017, for increase in existing investment in the form of running credit line in E-Processing Systems (Private) Limited, a subsidiary company of the Company, from Rs. 240 million to Rs. 340 million. The company also proposes to convert the running credit line into a 5 year term loan convertible into equity. In 2018, EP Systems grew by 153% and is operationally profitable in the last quarter.

"Resolved that Systems Limited (the Company) shall increase its existing investment in its subsidiary company, E-Processing Systems (Private) Limited (Subsidiary Company). From Rs. 240 million to Rs. 340 million.

"Also Resolved that the loan is converted from a running credit line renewable each year to a five year term loan convertible into equity, on the terms and conditions to be contained in the agreement to be executed between the Company and Subsidiary Company in terms of Section 199 of Companies Act, 2017.

Further resolved that Mr. Muhammad Asif Peer, Chief Executive of the Company be and are hereby singly empowered and authorized to undertake the decisions of investment and to take and do and/or cause to be taken or done any/all necessary acts, deeds and things, take any or all necessary actions which are or may be necessary, incidental and/or consequential to give effect to the aforesaid resolution including signing and execution of documents and agreements and complete all necessary legal formalities and file all necessary documents as may be necessary or incidental for the purposes of implementing the aforesaid resolution."

7. To consider and, if thought fit, pass, with or without modification, the following special resolution in accordance with Section 83 (1)(b) of the Companies Act, 2017 for issuance of shares other than right.

"Resolved that the issuance of 400,000 shares through other than rights issue for cash consideration to Visionet Systems Inc./ Visionet Deutschland GMBH, an associated company of the Company, for distribution to certain employees as token of appreciation for their dedicated contribution towards Visionet Systems Inc./ Visionet Deutschland GMBH as well as the Company be and is hereby approved."

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

8. To convert the loan amount of Rs. 220,800,197/- given to E-processing Systems (Private) Limited ("**EP Systems**") by the Company into shares of EP Systems.

"Resolved that the Company shall exercise its option for conversion of loan to equity as provided under the terms of the Loan Agreement executed between the Company and EP Systems."

"Resolved further that keeping in mind that EP Systems is a subsidiary of the Company, the Company wishes to offer a ten percent (10%) discount on the share price calculated for the conversion of the loan amount."

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

Other Business:

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

Saad Hasan Aslam
Company Secretary

April 05, 2019
Lahore

NOTES:

1. The Share Transfer books of the Company will be closed from 20 April 2019 to 26 April 2019 (both days inclusive). Transfer received at the address of M/s THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi at the close of business on 19 April 2018 will be treated in time for the purpose of above entitlement to the transferees.
2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote in his/her place. Proxies completed in all respect, in order to be effective, must be received at the Registered Office of the Company not less than forty eight (48) hours before the time of meeting.
3. Pursuant to the directive of the Securities & Exchange Commission of Pakistan, CNIC numbers of shareholders are mandatorily required to be mentioned on Dividend Warrants. Shareholders are, therefore, requested to submit a copy of their CNIC (if not already provided) to the Company Share Registrar, M/s THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi.
4. The Government of Pakistan through Finance Act, 2017 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding Tax on the amount of dividend paid by the companies/banks. These tax rates are as follows:

- (a) For filers of income tax returns 15%
- (b) For non-filers of income tax returns 20%

To enable the Company to make tax deduction on the amount of cash dividend @15% instead of 20% all shareholders whose names are not entered into the Active Tax- payers list (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of the cash dividend, otherwise tax on their cash dividend will be deducted @20% instead of 15%.

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

Notice of Annual General Meeting

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

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

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

This statement set out the material facts concerning the special business to be transacted at the annual general meeting of the Company to be held on April 26, 2019.

Agenda Item No. 5

Nature of information required to be disclosed pursuant to The Companies (Investment in Associated Companies or Undertakings) Regulations, 2017, for investment in associated company M/s UUS Joint Venture (Pvt.) Limited is as follows:

Ref. No.	Requirement	Relevant Information	
(a)	Disclosures for all types of investments:-		
(A)	Regarding associated company or associated undertaking:-		
i.	name of the associated company	UUS Joint Venture (Private) Limited	
ii.	basis of relationship	49.99 % shareholding / Common directorship	
iii.	earnings per share for the last three years	N/A	
iv.	break-up value per share, based on latest audited financial statements;	N/A	
v.	financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements; and	Statement of Financial Position – 31 December 2018	
		Non-current assets	-
		Current assets	663,418,370
		Shareholders' equity	8,071,051
		Non-current liabilities	-
		Current liabilities	655,347,319

Ref. No.	Requirement	Relevant Information	
		Profit & Loss A/C – 31 December 2018	
		Revenue	426,421,496
		Cost of revenue	334,851,848
		Gross profit	91,569,648
		Loss for the year	60,090,317
vi.	in case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely,-	N/A	
	(I) description of the project and its history since conceptualization;		
	(II) starting date and expected date of completion of work;		
	(III) time by which such project shall become commercially operational;		
	(IV) expected time by which the project shall start paying return on investment; and		
	(V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;		
(B) General Disclosures			
(i)	maximum amount of investment to be made;	Investment to be increased from Rs. 400 million to Rs. 600 million	
(ii)	purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment;	Purpose: To meet working capital requirements of UUS Joint Venture (Private) Limited and to give guarantee to Pakistan Civil Aviation Authority. Benefit: The completion of project will results in distribution of profits by UUS Joint Venture (Pvt.) Limited to Systems Limited. Period of Investment: The period of investment shall be one (1) year.	
(iii)	sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds,-	Loan shall be from own funds while guarantee shall be issued by the banker of Systems Limited.	
	(I) justification for investment through borrowings;	UUS Joint Venture (Private) Limited is only a special purpose vehicle for executing Pakistan Civil Aviation Authority (PCAA) project awarded to consortium of Systems Limited and Beijing UniStrong Science & Technology Co. It is Systems Limited liability to issue guarantee to (PCAA).	
	(II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and	Building	

Notice of Annual General Meeting

Ref. No.	Requirement	Relevant Information
	(III) cost benefit analysis;	N/A
(iv)	salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment;	None. Agreement shall be executed in line with section 199 of Companies Act, 2017 and resolution of shareholders to be passed in annual general meeting.
(v)	direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	Mr. Asif Peer, CEO of Systems Limited is also member and director in UUS Joint Venture (Pvt.) Limited.
(vi)	in case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs; and	Under the terms of the Project Agreement executed between UUS-JV and Civil Aviation Authority ("CAA"), UUS-JV was entitled to 5 (five) payments in total for the provision of services against the decided milestones. Till date, UUS-JV has only received 3 (three) payments and is yet awaiting the remaining 2 (two) payments from the CAA against outstanding milestones. After the completion of the said milestones, CAA shall release the performance guarantees provided for the Project. In order to meet the working capital requirements for the remaining milestones / stages of the Project, the Company wishes to increase the loan guarantee limit from Rs. 400,000,000/- (Pakistani Rupees Four Hundred Million only) to Rs. 600,000,000/- (Pakistani Rupees Six Hundred Million only) till such time that the milestones are completed by UUS-JV and the aforementioned performance guarantees are released by CAA. There is no impairment or write-off.
(vii)	any other important details necessary for the members to understand the transaction;	N/A

In case of investments in the form of loans, advances and guarantees, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made,-

(i)	category-wise amount of investment;	N/A
(ii)	average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period	ERF loan: Average borrowing cost of investing company is SBP rate plus 0.5%.
(iii)	rate of interest, mark-up, profit, fees or commission etc to be charged by investing company	Higher of KIBOR or borrowing cost of investing company in line with section 199 of companies act 2017.
(iv)	particulars of collateral or security to be obtained in relation to the proposed investment;	Unsecured

Ref. No.	Requirement	Relevant Information
(v)	If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable; and	N/A
(vi)	repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking;	Principal: One (1) year from disbursement. Mark-up: Quarterly basis.

Agenda Item No. 6

Nature of information required to be disclosed pursuant to The Companies (Investment in Associated Companies or Undertakings) Regulations, 2017, for investment in associated/subsidiary company M/s E-Processing Systems (Pvt.) Limited is as follows:

Ref. No.	Requirement	Relevant Information		
(a) Disclosures for all types of investments:-				
(A) Regarding associated company or associated undertaking:-				
i.	name of the associated company	E-Processing Systems (Private) Limited		
ii.	basis of relationship	53.02% shareholding/Subsidiary/ Common directorship		
iii.	earnings per share for the last three years	31 Dec 2018 (Rs.) (106.46)	31 Dec 2017 (Rs.)(97.77)	31 Dec 2016 (Rs.)(96.02)
iv.	break-up value per share, based on latest audited financial statements;	Rs. (65.52)		
v.	financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements; and	Statement of Financial Position – 31 December 2018		
		Non-current assets	116,923,843	
		Current assets	121,456,758	
		Shareholders' equity	(17,302,553)	
		Non-current liabilities	-	
		Current liabilities	255,683,154	
		Profit & Loss A/C – 31 December 2018		
		Revenue	193,861,571	
		Cost of revenue	143,642,240	
		Gross profit	50,219,331	
		Loss for the year	(28,112,968)	
	in case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely,-			
vi.	(i)	description of the project and its history since conceptualization;		N/A

Notice of Annual General Meeting

Ref. No.	Requirement		Relevant Information
	(II)	starting date and expected date of completion of work;	N/A
	(III)	time by which such project shall become commercially operational;	
	(IV)	expected time by which the project shall start paying return on investment; and	
	(V)	funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;	

(B) General Disclosures

(i)	maximum amount of investment to be made;		Investment to be increased from Rs. 240 million to Rs. 340 million
(ii)	purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment;		Purpose: To meet increased working capital requirement of E-Processing Systems (Private) Limited arising due to expansion of operations and expected launch of new feature its product OneLoad. Benefit: The investment would support E-Processing Systems (Private) Limited in smoothly meeting growing working capital requirements due to expansion of operations and launching of new features in its product OneLoad. Expansion in operations and new features would generate profit for shareholders including investing company. Period of Investment: The loan is long term for a period of five years and convertible into equity at the discretion of investing company.
(iii)	sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds,-		Own Funds
	(I)	justification for investment through borrowings;	N/A
	(II)	detail of collateral, guarantees provided and assets pledged for obtaining such funds; and	
	(III)	cost benefit analysis;	
(iv)	salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment;		Agreement is executed in line with section 199 of Companies Act, 2017.
(v)	direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;		Mr. Aezaz Hussain, Chairman and Mr. Asif Peer, CEO of Systems Limited are also directors of E-Processing (Private) Limited. Mr. Aezaz Hussain, Chairman, Mr. Arshad Masood, Director and Mr. Asif Peer, CEO of

Ref. No.	Requirement	Relevant Information
		Systems Limited are also member in E-Processing Systems (Private) Limited either directly or through direct relatives.
(vi)	in case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs; and	The company had invested Rs. 49.7 million in shape of equity investment and Rs. 220,800,197 in shape of loan in E-Processing Systems (Private) Limited. With this investment, E-Processing Systems (Private) Limited was able to develop its product OneLoad, launch its commercial operations in 2016 and met its working capital requirements. Since launch of commercial operation, E-Processing Systems (Private) Limited is able to multiply its revenues, number of transactions and number of retailers each month. Currently, OneLoad product is executing 3.6 million transactions per month while number of retailers using OneLoad product are around 10,000. There is no impairment or write-off.
(vii)	any other important details necessary for the members to understand the transaction;	N/A
In case of investments in the form of loans, advances and guarantees, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made,-		
(i)	category-wise amount of investment;	N/A – Single category
(ii)	average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period	Average borrowing cost of investing company is SBP plus 0.5% for ERF Loan Facility
(iii)	rate of interest, mark-up, profit, fees or commission etc to be charged by investing company	KIBOR or borrowing cost of company whichever is higher
(iv)	particulars of collateral or security to be obtained in relation to the proposed investment;	Unsecured
(v)	if the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable; and	Unsecured
(iiv)	repayment schedule and terms and conditions of loan or advances to be given to the associated company or associated undertaking.	Principal: Over a period of 5 years from disbursement. Mark-up: Quarterly basis.

Notice of Annual General Meeting

Agenda Item No. 8

The Board of the Company hereby proposes to issue 400,000 shares of Systems Limited to Visionet Systems Inc./ Visionet Deutschland GMBH, as per the details provided hereunder:

Name and Profile of the Organization: Visionet Systems Inc. / Visionet Deutschland GMBH, an associated company of Systems Limited incorporated under the laws of United States.

Share Value: 20% discount to the value on which employee stock options are to be issued to the employees of the Company.

Purpose of Issuance: The Company wishes to issue 400,000 (four hundred thousand) shares against cash consideration to certain employees of Visionet Systems Inc. / Visionet Deutschland GMBH as a token of appreciation for their dedicated contribution to Visionet Systems Inc. / Visionet Deutschland GMBH, as well as the Company, in accordance with section 83(1)(b) of the Companies Act, 2017 (the "**2017 Act**") read along with the applicable Companies (Further Issue of Shares) Regulations, 2018 (the "**2018 Regulations**") thereof.

Justification: As per the new Companies (Further Issue of Shares) Regulations, 2018, employee stock options can only be issued to the employees of the Company and / or its subsidiary. Therefore, in order to issue shares to the employees of Visionet Systems Inc. / Visionet Deutschland GMBH for their dedicated performance, the Company wishes to utilize the option of issuance of shares other than right.

Details of the average market price of the Company shares during last three months: Rs. 105.13/-

Details of the average market price of the Company during six months: Rs. 106.5/-

Latest Available Market Price: Rs. 109.99/-

Existing Shareholding of Visionet Systems Inc. in the Company: Nil

Shareholding after proposed issue: 400,000 shares i.e. 0.35% of the paid up capital of the Company

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

Review Report to the Members

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

We have reviewed the Statement of Compliance with the best practices **(the statement)** contained in the Code of Corporate Governance prepared by the Board of Directors of **Systems Limited** (the Company) for the year ended **31 December 2018** to comply with the Rule Book of Pakistan Stock Exchange Limited (formerly known as Karachi, Lahore and Islamabad Stock Exchanges), where the Company is listed.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions and also ensure compliance with the requirement of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended **31 December 2018**.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Paragraph Reference: 9

Description: Training for one of the directors has not been completed as required by Clause 20 (2) of the Code of Corporate Governance.



Chartered Accountants

Engagement Partner: Naseem Akbar

Date: 04 April 2019

Lahore:

Statement of Compliance

with the Code of Corporate Governance

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

1. The total number of directors are seven (7) as per the following:

a. Male:	six (6)
b. Female:	one (1)

2. The composition of Board is as follows:

Category	Names
Independent Directors	Mr. Tahir Masud
	Mr. Asif Jooma
	Mr. Ayaz Dawood
	Ms. Romana Abudllah
Executive Director	Mr. Asif Peer
Non-Executive Directors	Mr. Aezaz Hussain
	Mr. Arshad Masood

3. The Directors have confirmed that none of them is serving as a Director on more than five (5) listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the "2017 Act") and the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the "2017 Regulations").
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of the 2017 Act and the 2017 Regulations with respect to frequency, recording and circulating minutes of meeting of Board.

8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the 2017 Act and the 2017 Regulations.

9. The Board has arranged Directors' Training program for the following:

- i. Mr. Ayaz Dawood
- ii. Mr. Tahir Masaud
- iii. Mr. Asif Jooma
- iv. Mr. Arshad Masood
- v. Mr. Muhammad Asif Peer
- vi. Mr. Aezaz Hussain

Training of our female director, Ms. Romana Abdullah was slightly delayed but she is scheduled to complete the training in April 2019.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the 2017 Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the Board.

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

- a. Audit Committee:

- i. Mr. Ayaz Dawood Chairman
- ii. Mr. Tahir Masaud Member
- iii. Ms. Romana Abdullah Member

- b. HR and Remuneration Committee:

- i. Mr. Asif Jooma Chairman
- ii. Mr. Tahir Masaud Member
- iii. Ms. Romana Abdullah Member

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

14. The frequency of meetings of the Committee were as per following:

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

15. The Board has outsourced the internal audit function to UHF Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the 2017 Act, the 2017 Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the 2017 Regulations have been complied with.

On behalf of the Board



Aezaz Hussain
Chairman

Date: 29 March 2019
Lahore

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Systems Limited
Standalone Financial Statements

Independent Auditor's Report

To the members of Systems Limited Report on the audit of the financial statements

Opinion

We have audited the annexed financial statements of Systems Limited (the Company), which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the 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 statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the 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 2018 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 Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Following are the key audit matters:

Key Audit Matters	How the matter was addressed in our audit
1. Revenue Recognition The Company's revenue is derived from a number of revenue streams, including outsourcing services and software sale in the form of short term and long term projects, sometimes leading to revenue being recognized over multiple accounting periods. Large contracts are typically bundled, and often include sale of software with major customization / development and support services. As referred to in note 4.12 to the accompanying financial statements, revenue from software sale with major customization / development along with support services is recognized by applying the percentage of completion (PoC) method based on services performed to date as a percentage of total services to be performed. The application of PoC method requires significant management estimates in relation to budgeting the cost to complete and assessing specifications of work performed to date. These estimates take into account, amongst others, the prices of services as applicable, forecast escalations, time spent and expected completion date at the time of such estimation. Due to multiple revenue streams, complexity of accounting and significant estimation involved, we have identified revenue recognition as a key audit matter	Our audit procedures amongst others included: • Obtaining an understanding and evaluating the appropriateness of the Company's revenue recognition policies including those relating to percentage of completion method and compliance of those policies with applicable accounting standards; sale of software with major customization / development and support services. • Obtaining an understanding of the internal controls over the revenue recognition process and testing their design, implementation and operating effectiveness; • Selecting a sample of revenue transactions recognized during the year and recalculating the revenue recognized along with evaluation of the management basis used in determining the percentage of completion in accordance with accounting policy; • Substantive analytical procedures including monthly trend analysis of revenue by considering both internal and external benchmarks, based on our understanding of the industry, to compare the reported results with our expectation; • 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 • Assessment of the accuracy and adequacy of disclosures made in respect of accounting policy and revenue recognized during the year.

Key Audit Matters	How the matter was addressed in our audit
2. Related Party Transactions and Disclosures	
The Company is the parent entity in a group of companies including foreign and local subsidiaries and associates.	Our audit procedures, amongst others, included the following:
As disclosed in note 33 to the accompanying financial statements, nature of transactions with related parties includes sales, payments and reimbursement of expenses leading to a significant number of transactions and a significant amount of balances as disclosed in note 10 and 13 to the accompanying financial statements.	• Obtaining an understanding of the Company's policies and procedures in respect of the capturing of related party transactions; • Performing substantive procedures on related party transactions and balances including review of contractual terms, underlying invoices, analytical procedures, balance confirmations and assessment of recoverability of receivable balances vis-à-vis financial position of respective related parties where required; and • Assessing the appropriateness of disclosures made in the financial statements regarding related party transactions and outstanding balances in accordance with applicable accounting standards and local regulatory requirements.
The related party transactions and balances require significant auditor attention as the amounts are material to the financial statements as a whole, therefore, we have considered it as a key audit matter.	
3. Preparation of financial statements under Companies Act, 2017	
As referred to in note 3 to the accompanying financial statements, the Companies Act 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 31 December 2018.	Our audit procedures, amongst others, included the following:
The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.	• We assessed the procedures applied by the management for identifying the changes required in the financial statements due to the application of the Act; • We reviewed the additional disclosures and changes to the previous disclosures based on the new requirements; • We evaluated the sources of information used by the management for the preparation of disclosures and the internal consistency of such disclosures with other elements of the financial statements.
In case of the Company, specific additional disclosures and changes to the existing disclosures have been included in the financial statements as referred to in note 3 to the financial statements.	
The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.	
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 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements	
Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.	

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional scepticism 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 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 financial statements, including the disclosures, and whether the 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 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.

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 statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the 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 auditors' report is Naseem Akbar.



Chartered Accountants

Engagement Partner: Naseem Akbar

Date: 04 April 2019
Lahore

Statement of Financial Position

as at 31 December 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
Non-current assets			
Property and equipment	5	1,070,601,940	884,773,411
Intangibles	6	62,628,120	60,306,397
Long term investments	7	51,077,980	51,077,980
Long term deposits		18,036,753	17,336,739
Deferred taxation - net	8	-	31,771,724
		1,202,344,793	1,045,266,251
Current assets			
Unbilled revenue	9	365,337,819	388,018,078
Trade debts	10	1,916,900,586	1,140,871,164
Loans and advances	11	274,282,809	156,712,445
Trade deposits and short term prepayments	12	180,733,794	103,870,280
Interest accrued		1,457,808	374,883
Other receivables	13	195,338,066	183,663,700
Short term investments	14	295,000,000	225,000,000
Tax refunds due from the Government	15	167,013,463	142,084,484
Cash and bank balances	16	400,760,630	444,255,392
		3,796,824,975	2,784,850,426
TOTAL ASSETS		4,999,169,768	3,830,116,677
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
200,000,000 (2017: 200,000,000) ordinary shares of Rs. 10/- each		2,000,000,000	2,000,000,000
Issued, subscribed and paid up capital	17	1,122,135,480	1,118,276,520
Capital reserves	18	533,080,217	483,032,576
Un-appropriated profit		2,423,653,841	1,609,869,061
		4,078,869,538	3,211,178,157
Non-current liability			
Long term advances	19	18,565,295	12,218,784
Current liabilities			
Trade and other payables	20	423,490,628	333,485,673
Unclaimed dividend		1,975,820	-
Unearned revenue	21	12,918,978	65,532,595
Short term borrowings	22	450,000,000	200,000,000
Mark-up accrued on short term borrowings		3,689,005	2,795,246
Current portion of long term advances		9,660,504	4,906,222
		901,734,935	606,719,736
TOTAL EQUITY AND LIABILITIES		4,999,169,768	3,830,116,677

CONTINGENCIES AND COMMITMENTS

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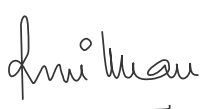
The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.



CHAIRMAN



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER

Statement of Profit or Loss

For the year ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
Revenue - net	24	3,761,155,759	2,910,800,003
Cost of services	25	(2,582,618,930)	(2,048,691,935)
Gross profit		1,178,536,829	862,108,068
Distribution expenses	26	(46,585,985)	(113,712,935)
Administrative expenses	27	(377,384,516)	(286,947,433)
Other operating expenses	28	(118,366,982)	(87,722,400)
		(542,337,483)	(488,382,768)
Other income	29	437,742,627	118,416,151
Operating profit		1,073,941,973	492,141,451
Finance costs	30	(18,834,198)	(10,709,009)
Profit before taxation		1,055,107,775	481,432,442
Taxation	31	(45,624,604)	(8,056,404)
Profit for the year		1,009,483,171	473,376,038
Earnings per share			
Basic earnings per share	35	9.01	4.24
Diluted earnings per share	35	8.98	4.23

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

Statement of Comprehensive Income

For the year ended 31 December 2018

	2018 Rupees	2017 Rupees
Profit for the year	1,009,483,171	473,376,038
Other comprehensive income	-	-
Total comprehensive income for the year	1,009,483,171	473,376,038

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



CHAIRMAN



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER

Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	286,856,772	723,553,509
Finance costs paid		(17,940,438)	(7,913,763)
Taxes paid		(34,610,504)	(60,652,236)
		(52,550,942)	(68,565,999)
Cash flows from operating activities		234,305,830	654,987,510
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(303,406,209)	(415,212,002)
Development expenditures		(29,093,016)	(34,411,542)
Sale proceeds from disposal of property and equipment		17,748,012	21,522,373
Short term investments - net		(70,000,000)	28,000,000
Profit received on short term investments		24,504,735	10,180,778
Decrease in long term deposits		(700,014)	(11,205,887)
Cash flows used in investing activities		(360,946,492)	(401,126,280)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short term borrowings		250,000,000	200,000,000
Proceeds from exercise of share options		17,743,498	15,088,889
Dividend paid		(195,698,391)	(207,999,433)
Increase in long term advances		11,100,793	104,518
Cash flows from financing activities		83,145,900	7,193,974
(Decrease) / Increase in cash and cash equivalents		(43,494,762)	261,055,204
Cash and cash equivalents at the beginning of the year		444,255,392	183,200,188
Cash and cash equivalents at the end of year	16	400,760,630	444,255,392

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

Statement of Changes in Equity

For the year ended 31 December 2018

	Issued, subscribed and paid up capital Rupees	Capital reserves		Revenue reserve	Total equity Rupees
		Share premium Rupees	Employee compensation reserve Rupees	Un-approp- riated profit Rupees	
Balance as on 01 January 2017	1,110,784,920	422,623,948	38,467,279	1,344,492,456	2,916,368,603
Total comprehensive income for the year	-	-	-	473,376,038	473,376,038
<u>Transactions with owners</u>					
Exercise of share options	7,491,600	50,665,691	(43,068,402)	-	15,088,889
Share based payments	-	-	14,344,060	-	14,344,060
Final dividend for the year ended 31 December 2016 at the rate of Rs. 1.86 per share	-	-	-	(207,999,433)	(207,999,433)
	7,491,600	50,665,691	(28,724,342)	(207,999,433)	(178,566,484)
Balance as on 31 December 2017	1,118,276,520	473,289,639	9,742,937	1,609,869,061	3,211,178,157
Total comprehensive income for the year	-	-	-	1,009,483,171	1,009,483,171
<u>Transactions with owners</u>					
Exercise of share options	3,858,960	32,222,204	(18,337,666)	-	17,743,498
Share based payments	-	-	36,163,103	-	36,163,103
Final dividend for the year ended 31 December 2017 at the rate of Rs. 1.75 per share	-	-	-	(195,698,391)	(195,698,391)
	3,858,960	32,222,204	17,825,437	(195,698,391)	(141,791,790)
Balance as at 31 December 2018	1,122,135,480	505,511,843	27,568,374	2,423,653,841	4,078,869,538

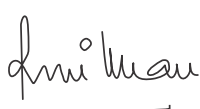
The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.



CHAIRMAN



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER

Notes to the Financial Statements

For the year ended 31 December 2018

1. CORPORATE INFORMATION

Systems Limited ("the Company") is a public limited Company incorporated in Pakistan under the repealed Companies Ordinance 1984, (now 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, Near DHA Phase-VIII (Ex-Air Avenue), Lahore Cantt.

These financial statements are the separate financial statements of the Company, in which investments in the subsidiary companies namely E-Processing Systems (Private) Limited and TechVista Systems FZ- LLC, 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	E-1, Sehjpal, Near DHA Phase-VIII (Ex-Air Avenue), Lahore Cantt.
Regional Office	Karachi	E-5, Central Commercial Area, Shaheed-e-Millat Road, Karachi
Regional Office	Islamabad	Emirates Tower, 2nd & 3rd Floor, M-13, F-7 Markaz, Islamabad

2. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS DURING THE CURRENT YEAR

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- Due to devaluation of Pak Rupee, the Company earned an exchange gain of Rs. 376.22 (2017: 75.67) million with respect to transactions in foreign currencies and balances denominated in foreign currencies. (note 29)
- The Company's short term borrowing which has been availed to sustain working capital requirements increased to Rs. 450 (2017: 200) million. (note 22)
- For a detailed discussion about the Company's performance please refer to the Directors' report.

3. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

3.1 Statement of compliance

3.1.1 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 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.

3.1.2 The Act has also brought certain changes with regard to the preparation and presentation of these financial statements. The disclosure requirements contained in the fourth schedule of the Act have been revised, resulting in elimination of duplicative disclosure with the IFRS disclosure requirements and incorporation of additional amended disclosures including, but not limited to, particulars of immovable assets of the Company (note 5.12), management assessment of sufficiency of tax provision in the financial statements (refer note 31.3), change in threshold for identification of executives (note 34), additional disclosure requirements for related parties (note 33).

3.2 Basis of preparation

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

3.3 Functional and presentation currency

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

3.4 Use of estimates and judgments

The Company's significant accounting policies are stated in note 4. 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 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 financial statements are as follows:

3.4.1 Provision for taxation (note 4.3)

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.

3.4.2 Useful life and residual values of property and equipment (note 4.4)

The Company 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.

3.4.3 Provision for doubtful debts (note 4.9.1)

The Company regularly reviews its receivables for impairment, if any. The provision in this regard is made, based on management's estimate, where the prospects of recovery are doubtful.

3.4.4 Stage of completion (note 4.13)

The Company determines stage of completion on the basis of services performed to date as a percentage of total services to be performed.

3.4.5 Provisions (note 4.12)

A provision is recognised 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 recognised as a provision reflects the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of financial statements of the Company are consistent with previous year except as described in Note 4.1, below:

4.1 New, amended standards and interpretations which became effective

The Company has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

IFRS 2: Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)

The adoption of the above amendments, improvements to interpretations did not have any material effect on the financial statements.

4.2 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 recognised 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.

4.3 Taxation

4.3.1 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.

4.3.2 Deferred

Deferred tax is accounted for using the statement of financial position 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 recognised for all taxable temporary differences and deferred tax assets are recognised 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 profit or loss account, except in the case of items credited or charged to other comprehensive income in which case it is included in other comprehensive income.

4.4 Property and equipment

4.4.1 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 recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit or loss account 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 5. 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 derecognised 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.

4.4.2 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.

4.5 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 recognised 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 6. 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 recognised in profit or loss account. 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 recognised, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.6 Impairment

4.6.1 Financial assets including receivables

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor indications that a debtor or issuer will enter bankruptcy. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables.

4.6.2 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 recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss account.

Impairment loss recognised 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 recognised.

4.7 Staff benefits

The Company has the following plans for its employees:

4.7.1 Provident fund

The Company operates a funded recognised 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.

4.7.2 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.

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

4.8 Investments

The management determines the classification of its investments at the time of purchase depending on the purpose for which the investments are acquired and re-evaluates this classification at the end of each financial year. 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.

Investments are either classified as financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale investments as appropriate. When investments are recognised initially, they are measured at fair value, plus, in case of investments not at fair value through profit or loss, directly attributable transaction cost.

4.8.1 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.

4.8.2 Investments at fair value through profit or loss

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

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

4.8.3 Investments held to maturity

Held-to-maturity investment are non-derivative financial assets. Investment having fixed maturity are classified as held-to-maturity where the Company has positive intension and ability to hold the investment till maturity. These investments are initially measured at fair value plus directly attributable transactions costs. Subsequently, these are carried at amortized cost using effective interest rate method less impairment losses, if any. Amortized cost is re-calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of effective interest rate (EIR). The effective interest rate amortization is included in profit or loss account. The losses arising from impairment are also recognised in profit and loss.

4.8.4 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 profit or loss account.

4.9 Trade debts

Trade debts from local customers are stated at cost less provision for doubtful debts while foreign debtors are stated at translated amount by applying exchange rate applicable on the reporting date.

4.9.1 Provision for doubtful debts

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

4.10 Advances, deposits and other receivables

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

4.11 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.

4.12 Provisions and contingencies

Provisions are recognised in the 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.

4.13 Revenue recognition**4.13.1 Professional services**

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

4.13.2 License and license support services

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

4.13.3 Outsourcing services

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

4.13.4 Consultancy

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

4.13.5 Sale of third party software

Revenue from sale of third party software is recognised when the significant risks and rewards of ownership of the software have passed to the buyer, usually on delivery of the software.

4.13.6 Unearned revenue

Revenue received in advance is transferred to unearned revenue as per respective revenue recognition policy.

4.14 Other income

Profit on deposit account and gain on short term investments and other income is recognised on accrual basis.

4.15 Financial instruments

Financial assets and liabilities are recognised at fair value at the time when the Company becomes a party to the contractual provisions of the instrument by following trade date accounting.

4.16 Finance costs

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

4.17 Cash and cash equivalents

Cash and cash equivalents are stated in the statement of financial position at 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.

4.18 Operating lease

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

4.19 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.

4.20 Segment reporting

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

4.21 Standards, Interpretations and Amendments to Published Approved Accounting

Standards that are not yet effective

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

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IAS 1 and IAS 8 Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments)	01 January 2020
IAS 19 Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IFRS 15 Revenue from Contracts with Customers	01 July 2018
IFRS 16 Leases	01 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	01 January 2019
	Effective Date (reporting periods ending on or after)
IFRS 9* Financial Instruments: Classification and Measurement	30 June 2019

*The Securities and Exchange Commission of Pakistan (The SECP) has modified the effective date of application of IFRS 9 in place of IAS 39, through SRO. 229 (I)/2019, dated: 14 February, 2019, as reporting period / year ending on or after June 30, 2019.

The Company expects that the adoption of the above standards, amendments and interpretations will have no material effect in the period of initial application except for IFRS 16 - Leases, IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contract with Customers. The management of the Company is in the process of assessing the impact of changes laid down by the IFRS 9, IFRS 16 and IFRS 15 on its financial statements.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019. The Company expects that such improvements to the standards will not have any impact 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 14 -Financial Instruments: Regulatory Deferral Accounts	01 January 2016
IFRS 17 -Insurance Contracts	01 January 2021

	Note	2018 Rupees	2017 Rupees
5. PROPERTY AND EQUIPMENT			
Operating fixed assets	5.1	925,673,335	832,499,330
Capital work in progress	5.2	145,031,605	52,274,081
		1,070,601,940	884,773,411

5.1 Operating fixed assets

2018										
DESCRIPTION	Cost				Accumulated Depreciation					Rate
	As at 01 January	Additions / Transfers	Disposals	As at 31 December	As at 01 January	Depreciation charge for the year	Disposals	As at 31 December	Net book value as at 31 December	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Land - free hold	53,030,412	-	-	53,030,412	-	-	-	-	53,030,412	-
Building on freehold land	485,167,103	6,648,425	-	491,815,528	2,021,530	12,187,226	-	14,208,756	477,606,772	2.5
Computers and mobile sets	268,922,218	56,070,423	(43,724,121)	281,371,546	201,605,108	38,403,209	(42,571,734)	197,436,583	83,934,963	33
Computer equipment and installations	64,327,892	3,398,929	(13,868,662)	53,858,159	36,084,293	11,395,513	(13,868,662)	33,611,144	20,247,015	33
Other equipment and installations	90,725,915	3,937,965	(15,543,845)	79,120,035	24,503,654	14,849,595	(15,281,570)	24,071,679	55,048,356	20
Generators	46,264,122	9,114,300	(7,971,669)	47,406,753	16,475,692	3,854,863	(7,883,097)	12,447,458	34,959,295	10
Furniture and fittings	80,558,906	14,591,038	(4,977,539)	90,172,405	49,233,567	3,984,521	(4,464,795)	48,753,293	41,419,112	10
Vehicles	70,862,916	105,694,309	(16,617,623)	159,939,602	28,927,741	20,796,647	(10,684,520)	39,039,868	120,899,734	20
Office equipment	44,340,979	2,410,076	(5,906,819)	40,844,210	12,849,548	3,491,954	(5,477,255)	10,864,247	29,979,963	10
Leasehold Building - Improvements	-	8,783,220	-	8,783,220	-	235,507	-	235,507	8,547,713	24.5
	1,204,200,463	210,648,685	(108,610,278)	1,306,341,870	371,701,133	109,199,035	(100,231,633)	380,668,535	925,673,335	

2017										
DESCRIPTION	Cost				Accumulated Depreciation					Rate
	As at 01 January	Additions / Transfers	Disposals	As at 31 December	As at 01 January	Depreciation charge for the year	Disposal	As at 31 December	Net book value as at 31 December	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Land - free hold	53,030,412	-	-	53,030,412	-	-	-	-	53,030,412	-
Building on freehold land	-	485,167,103	-	485,167,103	-	2,021,530	-	2,021,530	483,145,573	2.5
Computers and mobile sets	219,305,504	52,486,722	(2,870,008)	268,922,218	167,146,027	36,710,857	(2,251,776)	201,605,108	67,317,110	33
Computer equipment and installations	37,855,659	26,472,233	-	64,327,892	28,682,853	7,401,440	-	36,084,293	28,243,599	33
Other equipment and installations	24,613,374	66,112,541	-	90,725,915	20,363,772	4,139,882	-	24,503,654	66,222,261	20
Generator	19,463,422	26,800,700	-	46,264,122	14,348,665	2,127,027	-	16,475,692	29,788,430	10
Furniture and fittings	52,771,597	27,787,309	-	80,558,906	46,387,278	2,846,289	-	49,233,567	31,325,339	10
Vehicles	63,680,324	32,562,500	(25,379,908)	70,862,916	24,953,489	15,904,539	(11,930,287)	28,927,741	41,935,175	20
Office equipment	17,066,029	27,274,924	-	44,340,979	10,031,922	2,817,626	-	12,849,548	31,491,431	10
	487,786,321	744,664,032	(28,249,916)	1,204,200,463	311,914,006	73,969,190	(14,182,063)	371,701,133	832,499,330	

5.1.1 The cost of operating fixed assets include assets amounting to Rs. 220.6 (2017: Rs. 252.4) million with nil book value.

5.1.2 Immovable fixed assets include freehold Land and Building situated at E-1, Sehjpai, Near DHA Phase-VIII (Ex-Air Avenue), Lahore Cantt. Total area of land is 10.15 kanals.

	Note	2018 Rupees	2017 Rupees
5.2 CAPITAL WORK IN PROGRESS			
Land improvements		122,560,000	37,295,555
Building on freehold land		4,637,963	14,978,526
Machinery		17,833,642	-
	5.2.1	145,031,605	52,274,081
5.2.1	The following is the movement in capital work-in-progress during the year:		
Balance at the beginning of the year		52,274,081	381,726,137
Additions during the year		126,643,662	355,174,824
Transfer to operating fixed assets		(33,886,138)	(684,626,880)
Balance at the end of the year		145,031,605	52,274,081
5.3	Depreciation charge for the year has been allocated as follows:		
Cost of services	25	85,178,631	58,352,056
Distribution expenses	26	1,148,991	435,177
Administrative expenses	27	22,871,413	15,181,957
		109,199,035	73,969,190

5.4 Disposal of property and equipment

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyer
<u>Vehicles</u>	Rupees	Rupees	Rupees	Rupees	Rupees		
Honda Civic	2,500,000	485,456	2,014,544	2,000,000	(14,544)	Company Policy	Employees Khurram Iqbal
Honda Civic	1,575,400	1,575,400	-	1,517,724	1,517,724	Company Policy	Shahid Masood
Honda City	1,561,590	794,738	766,852	1,527,000	760,148	Company Policy	Wasif Mazhar
Toyota Altis 1.6	1,553,000	383,628	1,169,372	1,538,000	368,628	Company Policy	Qasim Siddique
Suzuki Swift	1,511,000	323,786	1,187,214	1,390,000	202,786	Company Policy	Mohsin Akram
Honda City	1,348,830	1,002,902	345,928	1,000,000	654,072	Company Policy	Ovais Khan
Suzuki Swift	1,025,832	954,969	70,863	1,000,000	929,137	Company Policy	Tanveer Musawar
Suzuki Cultus	1,023,240	839,134	184,106	812,488	628,382	Company Policy	Muhammad Sadiq
Suzuki Mehran	730,580	730,580	-	545,000	545,000	Company Policy	Murtaza
Suzuki Swift	1,023,240	926,342	96,898	1,000,002	903,104	Company Policy	Arif Zia
Suzuki Cultus	1,027,750	930,425	97,325	1,124,898	1,027,573	Company Policy	Habib Ahmad
Toyota Corolla	1,737,161	1,737,161	-	1,275,000	1,275,000	Negotiation	Others Malik Pervaiz
	16,617,623	10,684,521	5,933,102	14,730,112	8,797,010		
Computers and mobile sets							Others
Laptops	43,724,121	42,571,734	1,152,387	306,900	(845,487)	Negotiation	Third parties
Office Equipment							
Cameras	3,348,709	3,114,689	234,020	-	(234,020)	Negotiation	Third parties
Other Equipment	2,558,110	2,362,566	195,544	-	(195,544)	Negotiation	Third parties
	5,906,819	5,477,255	429,564	-	(429,564)		
Furniture and fittings	4,977,539	4,464,795	512,744	39,500	(473,244)	Negotiation	Third parties
Generators	7,971,669	7,883,097	88,572	2,500,000	2,411,428	Negotiation	Third parties
Other Equipment & Installations							
Air Conditioners	15,543,845	15,281,570	262,275	45,000	(217,275)	Negotiation	Third parties
Computer Equipment & Installations							
UPS	8,236,308	8,236,308	-	46,500	46,500	Negotiation	Third parties
Other Equipment	5,632,354	5,632,354	-	80,000	80,000	Negotiation	Third parties
	13,868,662	13,868,662	-	126,500	126,500		
2018	108,610,278	100,231,634	8,378,644	17,748,012	9,369,368		

Particulars	Cost Rupees	Accumulated depreciation Rupees	Written down value Rupees	Sale proceeds Rupees	Gain / (Loss) Rupees	Mode of disposal	Particulars of buyer
Vehicles				Employees			
Suzuki Swift DLX	1,018,630	1,018,630	-	999,985	999,985	Company Policy	Rafi Ullah Butt
Suzuki Cultus	1,014,062	1,014,062	-	999,984	999,984	Company Policy	Mudasser Ansari
Suzuki Swift DLX	1,000,000	895,833	104,167	1,000,000	895,833	Company Policy	Abid Hanif
Suzuki Cultus	1,023,190	788,709	234,481	1,023,190	788,709	Company Policy	Abdul Hafeez
Honda City Aspire 1500	1,586,246	1,123,591	462,655	1,097,928	635,273	Company Policy	Anjum Niaz
Honda City Aspire 1500	1,585,419	1,123,005	462,414	1,162,512	700,098	Company Policy	Ehesham Opal
Toyota Corolla	2,377,500	1,317,531	1,059,969	1,035,206	(24,763)	Company Policy	Khurram Majeed
Honda City	1,561,890	390,473	1,171,417	413,569	(757,848)	Company Policy	Mehmood Kamal
Suzuki Swift	1,328,840	304,526	1,024,314	1,297,008	272,694	Company Policy	Imran Javaid Zia
Honda City	1,527,000	222,688	1,304,312	1,527,000	222,688	Company Policy	Salman Zulfikar
Honda City	1,341,053	139,693	1,201,360	1,555,526	354,166	Company Policy	Kashif Ali
Honda City	1,582,328	1,582,328	-	1,550,026	1,550,026	Company Policy	Nauman Ahmad Farooqi
Honda City	1,015,750	1,015,750	-	999,985	999,985	Company Policy	Zeeshan Alam
Toyota Corolla Grande	1,527,000	318,125	1,208,875	1,240,687	31,812	Company Policy	Harris Mehmood
Toyota Altis 18	1,770,500	331,969	1,438,531	1,401,646	(36,885)	Company Policy	Abid Hanif
Honda City	1,543,000	128,583	1,414,417	1,414,417	-	Company Policy	Kamran Shaukat
Honda Civic P/T	2,577,500	214,792	2,362,708	2,309,010	(53,698)	Company Policy	Nauman Ahmad Farooqi
	25,379,908	11,930,288	13,449,620	21,027,679	7,578,059		
Computers and mobile sets				Others			
Laptop	2,805,408	2,235,625	569,783	440,521	(129,262)	Negotiation	Various
Mobile sets	64,600	16,150	48,450	54,173	5,723	Negotiation	Various
	2,870,008	2,251,775	618,233	494,694	(123,539)		
2017	28,249,916	14,182,063	14,067,853	21,522,373	7,454,520		

6. INTANGIBLES

	2018 Rupees	2017 Rupees
Computer software and licenses	61,020,223	55,306,397
Intangibles under development - Software	1,607,897	5,000,000
	62,628,120	60,306,397

2018										
Particulars	Cost as at 01 January	Additions	Disposals	Cost as at 31 December	Accumulated amortization as at 1 January	Amortization charge for the year	Disposals	Accumulated amortization as at 31 December	Book value as at 31 December	Rate
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Owned:										
Computer software and licenses	130,522,904	32,485,119	-	163,008,023	75,216,507	26,771,293	-	101,987,800	61,020,223	33%
2017										
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	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Owned:										
Computer software and licenses	101,111,362	29,411,542	-	130,522,904	49,643,927	25,572,580	-	75,216,507	55,306,397	33%

6.1 The cost of the intangibles include intangible assets amounting to Rs. 59.4 million (2017: Rs. 22.78 million) with nil book value.

6.2 Additions include in-house developed intangibles amounting to Rs.32.5 million (2017: Rs. 26.2 million) capitalised during the current year.

	Note	2018 Rupees	2017 Rupees
6.3	Amortization charge for the year has been allocated as follows:		
Cost of services	25	21,471,637	20,160,249
Distribution expenses	26	199,756	232,264
Administrative expenses	27	5,099,900	5,180,067
		26,771,293	25,572,580

7. LONG TERM INVESTMENTS

Investment In subsidiaries - at cost - unquoted

E-Processing Systems (Private) Limited 140,001 (2017: 140,001) fully paid ordinary shares of Rs. 10/- each	7.1	49,700,030	49,700,030
TechVista Systems FZ- LLC 50 (2017:50) fully paid ordinary shares of AED 1,000/- each	7.2	1,377,950	1,377,950
		51,077,980	51,077,980

7.1 This represents 53% (2017: 53%) share in Company's subsidiary E-Processing Systems (Private) Limited, a company engaged in the business of purchase and sale of airtime and related services in Pakistan.

7.2 This represents 100% share in 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 and has been registered as a limited liability company on 03 April 2013. The value of investment in foreign currency is AED 36,454 (2017: 45,855).

7.3 The investment in subsidiaries has been made in accordance with the requirements under the Companies Act, 2017.

	Note	2018 Rupees	2017 Rupees
8.	DEFERRED TAXATION - NET		
Taxable temporary differences			
Depreciation on property and equipment		(12,343,074)	(2,537,857)
		(12,343,074)	(2,537,857)
Deductible temporary differences			
Amortization on intangibles		-	645,506
Provision for doubtful debts		10,658,994	8,359,110
Employee compensation reserve		1,684,080	505,658
Unearned leaves		-	192,030
Minimum tax		-	24,607,277
		12,343,074	34,309,581
		-	31,771,724

9. UNBILLED REVENUE

Considered good - unsecured

Export	9.1	74,276,534	77,012,172
Local		291,061,285	311,005,906
	9.1	365,337,819	388,018,078

- 9.1** This includes amount not yet billed to related party, TechVista Systems FZ - LLC amounting to Rs. 67.8 (2017: Rs. 72.4) million.
- 9.2** This includes the provision for unbilled revenue of Rs. 90.16 million.
- 9.3** This represents unbilled debtors arising due to recognition of revenue on the basis of percentage of completion as per IAS 18 "Revenue".

		Tech Vista Systems FZ-LLC - UAE	
		2018 Rupees	2017 Rupees
9.4	Aging analysis of the amounts not yet billed to related party is as follows:		
	- Not more than three months	56,858,057	43,404,612
	- More than three months but not more than six months	5,981,933	26,785,780
	- More than six months but not more than twelve months	4,971,691	2,211,995
		67,811,681	72,402,387

- 9.4.1** The maximum aggregate amount outstanding by reference to month-end balances was Rs.152.05 (2017: 401.79) million.

		2018 Rupees	2017 Rupees
10.	TRADE DEBTS		
	Considered good - unsecured:		
	Export	1,532,621,590	959,900,736
	Local	384,278,996	180,970,428
		1,916,900,586	1,140,871,164
	Considered doubtful - unsecured:		
	Export	458,476	8,869,189
	Local	37,609,361	27,863,699
		38,067,837	36,732,888
		1,954,968,423	1,177,604,052
	Less: Provision for doubtful debts	(38,067,837)	(36,732,888)
		1,916,900,586	1,140,871,164

- 10.1** This includes receivable against sale of services from related parties, Visionet Systems Incorporation and Techvista Systems FZ-LLC amounting to Rs. 502.2 (2017: Rs. 329) million and Rs. 1,006.6 (2017: Rs. 617.68) million respectively.

		2018 Rupees	2017 Rupees
10.2	Balance as at 01 January	36,732,888	11,179,257
	Provision made during the year	17,029,518	27,632,930
	Less: provision reversed during the year	(15,694,569)	(2,079,299)
	Net charge for the year	1,334,949	25,553,631
	Balance as at 31 December	38,067,837	36,732,888

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

	2018		2017	
	Visionet Systems Incorporation - USA	Tech Vista Systems FZ-LLC - UAE	Visionet Systems Incorporation - USA	Tech Vista Systems FZ-LLC - UAE
	Rupees	Rupees	Rupees	Rupees
Not past due	187,716,891	123,433,522	148,999,486	393,747,774
Past due but not impaired:				
- Not more than three months	314,482,959	124,313,329	180,001,898	315,472
- More than three months but not more than nine months	-	267,999,843	-	477,243
- More than nine months but not more than twelve months	-	487,838,824	-	87,620,648
- More than twelve months	-	2,514,840	-	135,520,209
	502,199,850	1,006,100,358	329,001,384	617,681,346

	2018 Rupees	2017 Rupees
10.3.1 The maximum aggregate amount outstanding by reference to month-end balances was as follows:		
Visionet Systems Incorporation - USA	633,309,326	674,443,427
Tech Vista Systems FZ-LLC - UAE	982,603,767	617,681,346
	1,615,913,093	1,292,124,773

10.4 The amount of export sales in respect of outstanding trade debts alongwith their foreign jurisdiction is mentioned below:

	2018 Rupees	2017 Rupees
Against contract:		
- USA	2,116,576,146	1,839,197,405
- UAE	379,680,891	318,857,901
- Canada	51,771,683	38,402,852
- UK	8,644,370	-
- Germany	7,244,507	-
- Australia	2,972,144	-
- Saudi Arabia	2,393,535	-
	2,569,283,276	2,196,458,158

10.5 Details of defaulting parties related to foreign debtors are as follows:

Name of party	Jurisdiction	2018 Rupees	2017 Rupees
Saudi Business Machines Ltd.	Saudi Arabia	64,346	-
Emirates Technology Company-LLC	UAE	-	8,869,189
Spacesaver Corporation	Canada	-	43,031
RDB-ELSEIF Co. Ltd.	Saudi Arabia	-	493,211
		64,346	9,405,431

10.5.1 No legal action has been taken against the defaulting parties.

	Note	2018 Rupees	2017 Rupees
11. LOANS AND ADVANCES - considered good			
Advances to staff against:			
salary		3,848,442	2,925,438
expenses	11.1.1	19,874,465	6,035,111
	11.1	23,722,907	8,960,549
Advances to suppliers - against goods		20,964,570	15,475,741
		44,687,477	24,436,290
Loans to related parties	11.2	487,673,102	207,302,284
Elimination on account of Joint Operation	11.3	(258,077,770)	(75,026,129)
		229,595,332	132,276,155
		274,282,809	156,712,445

11.1 It includes advances to executives amounting to Rs. 14.35 (2017: Rs. 8.77) million.

11.1.1 Following are the details of staff advances given with amounts more than one million rupees:

Name of employee	Term of repayment	2018 Rupees	2017 Rupees
Shoaib Ali	Adjustment against expense	4,107,705	-
Saad Usmani	Adjustment against expense	1,001,000	-
Nauman Ahmed Farooqi	Adjustment against expense	-	2,067,320
Fahim Shah	Adjustment against expense	-	1,077,281
		5,108,705	3,144,601

11.2 This includes loan of amounting to Rs. 220.8 (2017: Rs.119) million provided to E-Processing Systems (Private) Limited for meeting working capital requirements. This amount is unsecured and is subject to interest at one-year KIBOR (2017: 7%) on the outstanding loan balance at the end of each month.

11.3 This represents loan provided to UUS Joint Venture (Private) Limited for meeting working capital requirements. This amount is unsecured and is subject to interest at one-year KIBOR (2017: 7%) on the outstanding loan balance at the end of each month.

	Note	2018 Rupees	2017 Rupees
12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits		157,721,853	83,813,930
Prepayments		23,011,941	20,056,350
		180,733,794	103,870,280
13. OTHER RECEIVABLES			
These represents receivables from following related parties.			
Considered good - unsecured:			
Visionet Systems Incorporation - USA		-	4,118,251
Tech Vista FZ LLC - UAE	13.1	195,338,066	179,545,449
		195,338,066	183,663,700

13.1 This represents amount receivable against expenses incurred on behalf of Techvista Systems FZ - LLC and are payable on demand by the Company. The value of this receivable in foreign currency is AED 5,843,196 (2017: 5,974,890). There are no material outstanding litigations against TechVista FZ LLC - UAE. This amount is unsecured and is subject to interest at one-year KIBOR (2017: 7%) on the outstanding loan balance at the end of each month.

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

	2018		2017	
	Visionet Systems Incorporation - USA	Tech Vista Systems FZ-LLC - UAE	Visionet Systems Incorporation - USA	Tech Vista Systems FZ-LLC - UAE
	Rupees	Rupees		
Not past due	-	12,781,057	4,118,251	20,747,779
Past due but not impaired:				
- Not more than three months	-	32,495,308	-	5,106,523
- More than three months but not more than nine months	-	73,837,385	-	65,949,798
- More than nine months but not more than twelve months	-	36,385,787	-	14,967,740
- More than twelve months	-	39,838,529	-	72,773,609
	-	195,338,066	4,118,251	179,545,449

	Note	2018 Rupees	2017 Rupees
13.3.1	The maximum aggregate amount outstanding by reference to month-end balances was as follows:		
Visionet Systems Incorporation - USA		74,999,773	9,311,463
Tech Vista Systems FZ-LLC - UAE		212,919,895	179,545,449
		287,919,668	188,856,912

14. SHORT TERM INVESTMENTS

Held to maturity

Habib Metropolitan Bank	14.1	295,000,000	225,000,000
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14.1 This represents Term Deposit Receipts (TDRs) carrying markup at rates ranging from 3.46% to 8.5% (2017: 3.93% to 5.85%) per annum.

	Note	2018 Rupees	2017 Rupees
15. TAX REFUNDS DUE FROM THE GOVERNMENT			
Balance as at 01 January		142,084,484	98,958,341
Paid during the year		38,781,859	57,677,408
Charge for the year	31	(13,852,880)	(14,551,265)
Balance as at 31 December		167,013,463	142,084,484
16. CASH AND BANK BALANCES			
Cash in hand		225,401	93,105
Cash at bank:			
Local currency:			
Current accounts		51,475,407	55,298,198
Saving accounts	16.1	347,087,233	388,335,699
		398,562,640	443,633,897
Foreign currency - current accounts		1,972,589	528,390
		400,760,630	444,255,392

16.1 These carry markup at the rate of 3.34% to 5.39% (2017: 3.75% to 4%) per annum.

17. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	2018 (Number of shares)	2017 (Number of shares)		2018 Rupees	2017 Rupees
	23,361,983	22,976,087	Ordinary shares of Rs. 10/- each fully paid in cash	233,619,830	229,760,870
	88,851,565	88,851,565	Ordinary shares of Rs. 10/- each fully paid up as bonus shares	888,515,650	888,515,650
	112,213,548	111,827,652		1,122,135,480	1,118,276,520
17.1 Reconciliation of ordinary shares					
	2018 (Number of shares)	2017 (Number of shares)	Note	2018 Rupees	2017 Rupees
	111,827,652	111,078,492	Balance at 1 January	1,118,276,520	1,110,784,920
	385,896	749,160	Stock options exercised	3,858,960	7,491,600
	112,213,548	111,827,652	Balance at 31 December	1,122,135,480	1,118,276,520
18. CAPITAL RESERVES					
Share premium reserve	18.1			505,511,843	473,289,639
Employee compensation reserve	18.2			27,568,374	9,742,937
				533,080,217	483,032,576

- 18.1** This reserve shall be utilised only for the purpose as specified in section 81(2) of the Companies Act 2017.
- 18.2** This represents balance amount after exercise of share options by the employees under the Employee Stock Option Scheme approved by SECP. According to the scheme, 100% options become exercisable after completion of vesting period from date of grant. The options have a vesting period of 2 years and an exercise period of 3 years from the date the option is vested.
- 18.3** The following table illustrates the number and weighted average exercise prices of, and movements in, share options during the year:

	2018		2017	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	Rupees	Number	Rupees	Number
Outstanding at 01 January	33.39	981,589	26.48	1,251,152
Granted during the year	72.13	889,032	72.15	479,597
Exercised during the year	45.98	(385,896)	20.13	(749,160)
Outstanding at 31 December	77.22	1,484,725	33.39	981,589

19. LONG TERM ADVANCES

This represents advances received from staff and will be adjusted as per Company's car policy against sale of vehicles. The fair value adjustment in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' arising in respect of long term loans is not considered material and hence not recognized.

	Note	2018 Rupees	2017 Rupees
20. TRADE AND OTHER PAYABLES			
Creditors		64,384,423	154,730,974
Advance from customers		12,230,903	1,541,005
Retention money		-	335,116
Accrued liabilities		317,868,679	151,367,486
Worker's Welfare Fund (WWF)	20.1	-	-
Provident fund payable		15,889,209	16,565,033
Withholding income tax payable		13,117,414	8,946,059
		423,490,628	333,485,673

20.1 Worker's Welfare Fund (WWF)

Opening balance	-	17,930,514
Reversed during the year	-	(17,930,514)
Closing balance	-	-

21. UNEARNED REVENUE

This represents professional / software development services, license and license support services and other fees received in advance.

	Note	2018 Rupees	2017 Rupees
22. SHORT TERM BORROWINGS			
MCB Bank Limited	22.1	450,000,000	200,000,000

- 22.1 This represents export re-finance (ERF) availed from MCB Bank Limited against aggregate sanctioned limit of Rs. 650 (2017: Rs. 400) million. Markup is charged at SBP rate plus 0.5% (2017: 3-month KIBOR plus 0.1% to 3-month KIBOR plus 0.4%) per annum. These borrowings are secured against Rs. 97.5 (2017: Rs. 60) million cash margin.

23. CONTINGENCIES AND COMMITMENTS

Contingencies

- 23.1 The Company has filed an undertaking pursuant clause 94 part IV of Second Schedule to the Income Tax Ordinance, 2001, thereby opting out of minimum tax on services under section 153(1)(b) of the Income Tax Ordinance, 2001 in respect of Tax Year 2016. The Additional Commissioner Inland Revenue (Addl. CIR) has declined to accept the undertaking against which the Company has preferred an appeal before Commissioner Inland Revenue (Appeals), which is pending adjudication, which might result in tax liability of Rs. 30.25 million. The management expects a favorable outcome in this regard.
- 23.2 The Additional Commissioner Inland Revenue (Addl. CIR) issued order under section 122 (5A) of the Income Tax Ordinance, 2001 for tax year 2014, on the basis of wrong proration of expenses, capital gain etc. and created demand of Rs. 48,591,443. The company preferred appeal against the order, which the Commissioner Inland Revenue (Appeals) has decided in favor of the company. However, the tax department has filed second appeal before the Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication. The management expects a favorable outcome in this regard.
- 23.3 Sindh Revenue Board (SRB) has issued show-cause notice to the Company regarding Sales Tax Returns for the tax period July 2013 to June 2014 amounting to Rs. 83,218,537. The Company has obtained stay order from Sindh High Court restraining further proceedings by SRB. The management expects a favorable outcome in this regard.
- 23.4 Assistant Commissioner Inland Revenue (ACIR) has issued an assessment order under section 11(2) & 11(3) of Sales Tax Act, 1990 for the period July-2014 to June-2015 creating demand of Rs. 20,465,978 inclusive of penalty. The amount of default surcharge will be determined by ACIR at the time of recovery, if any. The Company filed an appeal before the Commissioner Inland Revenue (Appeals) which is decided against the Company. Being aggrieved, the Company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication. The management expects a favorable outcome in this regard.
- 23.5 The Deputy Commissioner Inland Revenue (DCIR) has issued withholding tax assessment orders u/s 161(1A) of the Income Tax Ordinance, 2001 for the tax year 2017 whereby tax amounting to Rs. 6,528,598 for non-deduction of withholding tax was levied. The company preferred appeal before Commissioner Inland Revenue (Appeals), who has issued an order to stay the recovery. The matter is pending adjudication. The management expects a favorable outcome in this regard.
- 23.6 The Assistant Commissioner Inland Revenue (ACIR) issued an order under section 122 (5A) of the Income Tax Ordinance, 2001 for tax year 2012, on the basis of wrong proration of expenses, others etc. and created demand of Rs. 18,462,737. The company preferred an appeal before the Commissioner Inland Revenue (Appeals) against the impugned order, which is pending adjudication. The management expects a favorable outcome in this regard.

Commitments

- 23.7 Guarantees issued by the financial institutions on behalf of the Company amount to Rs. 358.02 (2017: Rs. 260.18 million). This includes guarantees of Rs. 257.26 (2017: 177.17) million given on behalf of Joint Operation.
- 23.8 There were no outstanding purchase or other commitments (2017: Rs.5.33 million).

	Note	2018 Rupees	2017 Rupees
24. REVENUE - net			
Development and other services:			
Export		2,603,970,978	2,223,567,650
Local		787,910,756	481,367,921
Less: Sales tax on local sales	24.1	(99,020,084)	(58,516,556)
		688,890,672	422,851,365
Trading income:			
Local		514,094,774	286,025,716
Less: Sales tax on local sales	24.1	(45,800,665)	(21,644,728)
		468,294,109	264,380,988
		3,761,155,759	2,910,800,003

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

	Note	2018 Rupees	2017 Rupees
25. COST OF SERVICES			
Salaries, allowances and amenities	25.1	1,802,147,744	1,445,959,161
Printing and stationery		874,171	1,926,442
Computer supplies		31,506,307	11,332,942
Rent, rates and taxes		34,131,392	52,015,588
Electricity, gas and water		39,332,507	35,496,122
Traveling and conveyance		83,997,839	85,578,941
Repair and maintenance		15,786,248	11,292,303
Postage, telephone and telegrams		59,742,444	48,228,263
Vehicle running and maintenance		15,026,915	9,778,863
Entertainment		12,691,075	6,867,582
Fee and subscriptions		7,133,960	4,842,198
Insurance		3,103,838	4,030,047
Depreciation	5.3	85,178,631	58,352,056
Amortization	6.3	21,471,637	20,160,249
		2,212,124,708	1,795,860,757
Purchase of software for trading		370,494,222	252,831,178
		2,582,618,930	2,048,691,935

25.1 This includes employees retirement benefit expense amounting to Rs. 80.68 (2017: Rs. 66.7) million.

	Note	2018 Rupees	2017 Rupees
26. DISTRIBUTION EXPENSES			
Salaries, allowances and amenities	26.1	34,108,269	106,242,686
Printing and stationery		584,223	690,586
Computer supplies		225,993	271,557
Rent, rates and taxes		770,595	378,629
Electricity, gas and water		262,098	248,079
Traveling and conveyance		3,422,874	1,809,850
Repair and maintenance		390,959	95,515
Postage, telephone and telegrams		691,547	381,422
Vehicle running and maintenance		879,449	429,270
Entertainment		512,447	289,040
Insurance		46,789	24,406
Fee and subscriptions		662,801	525,936
Shows/Seminars/Advertising		2,553,977	1,464,215
Depreciation	5.3	1,148,991	435,177
Amortization	6.3	199,756	232,264
Tender documents		125,217	194,303
		46,585,985	113,712,935

26.1 This includes employees retirement benefit expense amounting to Rs. 1.04 (2017: Rs. 0.89) million.

	Note	2018 Rupees	2017 Rupees
27. ADMINISTRATIVE EXPENSES			
Salaries, allowances and amenities	27.1	228,081,180	180,608,429
Printing and stationery		2,477,975	1,848,423
Computer supplies		10,093,220	7,043,793
Rent, rates and taxes		17,688,240	12,243,718
Electricity, gas and water		6,848,733	6,222,324
Traveling and conveyance		9,734,707	9,982,609
Repair and maintenance		16,542,844	5,042,428
Postage, telephone and telegrams		11,636,515	12,357,849
Vehicle running and maintenance		5,250,769	4,974,409
Legal and professional		15,846,370	8,439,555
Auditors' remuneration	27.2	2,578,835	2,289,850
Entertainment		3,564,539	3,309,766
Donations	27.3	2,593,861	-
Fee and subscriptions/Training		13,936,795	10,883,805
Insurance		1,375,808	1,215,536
Hiring cost		690,300	-
Newspapers, books and periodicals		62,620	40,764
Depreciation	5.3	22,871,413	15,181,957
Amortization	6.3	5,099,900	5,180,067
Others		409,892	82,151
		377,384,516	286,947,433
27.1	This includes employees retirement benefit expense amounting to Rs. 8.80 (2017: Rs. 7.77) million.		
		2018 Rupees	2017 Rupees
27.2 Auditors' remuneration			
Statutory audit fee		2,010,135	1,772,850
Half yearly review		568,700	517,000
		2,578,835	2,289,850
27.3	This includes donations of Rs. 1,020,000 given to Citizen Foundation. The Directors or their spouses have no interest in any of the Donees' fund.		
		2018 Rupees	2017 Rupees
28. OTHER OPERATING EXPENSES			
Provision for doubtful debts and unbilled revenue		107,186,852	27,632,931
Unbilled revenue and bad debts written off		11,180,130	60,089,469
		118,366,982	87,722,400

	Note	2018 Rupees	2017 Rupees
29. OTHER INCOME			
Income from financial assets:			
Profit on deposit accounts		4,071,062	3,968,819
Gain on short term investments		11,864,417	8,281,319
Exchange gain on translation of export debts		376,223,089	75,658,855
Interest on loan to subsidiary		13,723,243	3,522,714
Interest on other receivables		15,792,617	-
		421,674,428	91,431,707
Income from non-financial assets:			
Gain on disposal of property and equipment		9,369,368	7,454,520
Others		6,698,831	19,529,924
		16,068,199	26,984,444
		437,742,627	118,416,151
30. FINANCE COSTS			
Markup on guarantee commission		683,226	1,159,811
Markup on short term borrowing		12,994,011	6,501,684
Bank charges		5,156,961	3,047,514
		18,834,198	10,709,009
31. TAXATION			
Income tax:			
- current year	31.1&31.2	17,501,044	14,551,265
- prior year		(3,648,164)	-
		13,852,880	14,551,265
Deferred tax		31,771,724	(6,494,861)
		45,624,604	8,056,404
31.1	This represents tax chargeable under Minimum Tax Regime on local sale of software and services. The income of the Company from export of software is exempt under clause 133 Part 1 of Second Schedule to the Income Tax Ordinance, 2001.		
31.2	Reconciliation between accounting profit and tax expense for the year ended 31 December 2018 is meaningless in view of the minimum tax under section 153 read with clause 94 of Part IV of Second Schedule of Income Tax Ordinance, 2001.		
31.3	As per the management's assessment, sufficient tax provision has been made in the Company's financial statements. The comparison of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:		
		2017 Rupees	2016 Rupees
Provision as per financial statements		9,299,876	15,307,401
Tax assessment		10,903,102	10,082,379

- 31.4** Under Section 5A of the Income Tax Ordinance, 2001 (the Ordinance), a tax shall be imposed on accounting profit before tax of the Company if it does not distribute, up to a minimum required limit as per the Ordinance, its after tax profit for the year within six months of the end of the year ended 31 December 2018 through cash. The requisite cash dividend has been proposed by the Board of Directors of the Company in their meeting held on 29 March 2019 and will be distributed within the prescribed time limit. Therefore, the recognition of any income tax liability in this respect is not considered necessary.

32. OPERATING SEGMENT INFORMATION

Geographical segments

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

-North America

-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.

	North America		Middle East		Pakistan		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Sales	2,176,279,624	1,880,265,469	427,691,353	343,302,180	1,157,184,782	687,232,353	3,761,155,759	2,910,800,003
Cost of services	(1,247,495,756)	(1,115,490,682)	(402,359,069)	(331,661,833)	(932,764,105)	(601,539,421)	(2,582,618,930)	(2,048,691,935)
Gross profit	928,783,868	764,774,787	25,332,284	11,640,347	224,420,677	85,692,932	1,178,536,829	862,108,068
Distribution expenses	(8,337,068)	(4,191,336)	(3,334,203)	(81,640,863)	(34,914,714)	(27,880,736)	(46,585,985)	(113,712,935)
Administrative expenses	(253,677,703)	(205,793,539)	(50,032,617)	(37,401,162)	(73,674,196)	(43,752,731)	(377,384,516)	(286,947,433)
	(262,014,771)	(209,984,875)	(53,366,820)	(119,042,025)	(108,588,910)	(71,633,467)	(423,970,501)	(400,660,368)
Profit / (loss) before taxation and unallocated income and expenses	666,769,097	554,789,912	(28,034,536)	(107,401,678)	115,831,767	14,059,465	754,566,328	461,447,700

	2018 Rupees	2017 Rupees
Unallocated income and expenses:		
Other operating expenses	(118,366,982)	(87,722,400)
Other income	437,742,627	118,416,151
Finance cost	(18,834,198)	(10,709,009)
	300,541,447	19,984,742
Profit before taxation	1,055,107,775	481,432,442
Taxation	(45,624,604)	(8,056,404)
Profit for the year	1,009,483,171	473,376,038

32.1 Allocation of assets and liabilities

	North America		Middle East		Pakistan		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Segment operating assets								
Property and equipment	-	-	-	-	1,070,601,940	884,773,411	1,070,601,940	884,773,411
Intangibles	-	-	-	-	62,628,120	60,306,397	62,628,120	60,306,397
Long term investments	-	-	-	-	51,077,980	51,077,980	51,077,980	51,077,980
Long term deposits	-	-	-	-	18,036,753	17,336,739	18,036,753	17,336,739
Deferred taxation - net	-	-	-	-	-	31,771,724	-	31,771,724
Unbilled revenue	-	-	74,276,533	75,694,904	291,061,286	312,323,174	365,337,819	388,018,078
Trade debts	515,674,222	329,001,384	1,017,405,844	617,681,346	383,820,520	194,188,434	1,916,900,586	1,140,871,164
Loans and advances	-	-	-	-	274,282,809	143,600,657	274,282,809	143,600,657
Trade deposits and short term prepayments	-	-	-	-	180,733,794	103,870,280	180,733,794	103,870,280
Interest accrued	-	-	-	-	1,457,808	13,486,671	1,457,808	13,486,671
Other receivable	-	4,118,251	195,338,066	179,545,449	-	-	195,338,066	183,663,700
Short term investments	-	-	-	-	295,000,000	225,000,000	295,000,000	225,000,000
Tax refunds due from government	-	-	-	-	167,013,463	142,084,484	167,013,463	142,084,484
Cash and bank balances	-	-	-	-	400,760,630	444,255,392	400,760,630	444,255,392
Total operating assets	515,674,222	333,119,635	1,287,020,443	872,921,699	3,196,475,103	2,624,075,343	4,999,169,768	3,830,116,677
Segment operating liabilities								
Long term advances	-	-	-	-	18,565,295	12,218,784	18,565,295	12,218,784
Trade and other payables	-	-	-	-	425,466,448	333,485,673	425,466,448	333,485,673
Unearned revenue	-	-	-	-	12,918,978	65,532,595	12,918,978	65,532,595
Mark-up accrued on short term borrowings	-	-	-	-	3,689,005	2,795,246	3,689,005	2,795,246
Short term borrowings	-	-	-	-	450,000,000	200,000,000	450,000,000	200,000,000
Current portion of long term advances	-	-	-	-	9,660,504	4,906,222	9,660,504	4,906,222
Total operating liabilities	-	-	-	-	920,300,230	618,938,520	920,300,230	618,938,520

33. TRANSACTIONS WITH RELATED PARTIES

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

Undertaking	Relation	Nature of transaction	2018 Rupees	2017 Rupees
E Processing Systems (Private) Limited.	Subsidiary	Loan	87,912,586	42,612,213
		Interest income	13,723,243	3,522,714
Tech Vista Systems FZ- LLC - UAE	Subsidiary	Sales	368,857,638	313,872,760
		Interest income	15,792,617	-
		Loan	127,952,941	122,599,615
Visionet Systems Incorporation - USA	Common Directorship	Sales	2,116,576,146	1,839,197,405
		Out of pocket expenses	98,100,485	14,315,997
UUS-JV (Private) Limited.	Joint Operation	Loan	153,618,326	75,026,039
		Interest income	29,433,315	272,690
Staff retirement funds		Contribution	90,527,733	75,408,409

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

Details	Name of the Company			
	TechVista Systems FZ LLC	TechVista Systems LLC	TechVista Systems MP LLC	Visionet Systems Inc.
Country of incorporation	UAE	UAE	UAE	USA
Registered Address	TechVista Systems FZ LLC, 105, Building 11, Dubai Internet City, Dubai Creative Clusters Authority, Dubai, UAE	TechVista Systems LLC, Office 1905, Regal Tower Business Bay, Dubai, UAE	TechVista Systems MP LLC, Office 603, 6th Floor, Exchange Tower, Business Bay, Dubai, UAE	Visionet Systems Inc. Cedarbrook Corporate Center, 4 Cedarbrook Drive, Bldg. B Cranbury, NJ 08512-3641
Basis of Association	Subsidiary	Sub-Subsidiary	Sub-Subsidiary	Associate (Common Directorship)
Percentage of shareholding	100%	-	-	-
Name of Chief Executive Officer	Muhammad Asif Peer	Muhammad Asif Peer	Muhammad Asif Peer	Arshad Masood
Operational Status	Active	Active	Active	Active
Auditors' Opinion on latest financial statements	Unqualified	Unqualified	Un-audited	Unqualified

34. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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

	Chief Executive Officer		Non Executive Directors		Other Executives	
	2018 Numbers	2017 Numbers	2018 Numbers	2017 Numbers	2018 Numbers	2017 Numbers
Number of persons	1	1	6	6	251	159
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	30,000,000	25,800,000	-	-	712,711,872	419,167,142
Retirement benefits	1,860,000	1,720,000	-	-	42,062,058	24,674,465
Bonus	-	-	-	-	37,209,820	12,375,014
Fees (34.2)	-	-	1,450,000	650,000	-	-
	31,860,000	27,520,000	1,450,000	650,000	791,983,750	456,216,621

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

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

34.3 During the year, the Chief Executive and Other Executives were granted 544,210 (2017: 306,991) and 344,822 (2017: 172,606) share options respectively, which have a vesting period of two years. Further, the impact of benefits available to the Chief Executive and other executives recognised by the Company on account of share-based payment plans aggregated to Rs. 22.33 (2017: Rs. 9) million and Rs. 13.83 (2017: 5.34) million, respectively.

34.4 During the current year, Chief Executive Officer and certain executives of the Company exercised stock option under employee stock option scheme according to which 385,896 (2017: 749,160) shares were issued to them.

34.5 Comparative figures have been restated to reflect changes in the definition of executive as per the Companies Act, 2017.

35. EARNINGS PER SHARE- BASIC AND DILUTED

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

	2018 Rupees	2017 Rupees
35.1 Basic earnings per share		
Profit for the year	1,009,483,171	473,376,038
	No. of shares	No. of shares
Weighted-average number of ordinary shares outstanding during the year	112,012,671	111,622,403
Basic earnings per share (Rupees)	9.01	4.24

	Note	2018 Rupees	2017 Rupees
35.2 Diluted earnings per share			
Profit for the year		1,009,483,171	473,376,038
		No. of shares	No. of shares
Weighted-average number of ordinary shares (basic)		112,012,671	111,622,403
Effect of share options		438,197	214,296
Weighted average number of ordinary shares - diluted		112,450,868	111,836,699
Diluted earnings per share (Rupees)		8.98	4.23
36. CASH GENERATED FROM OPERATIONS			
Profit before taxation		1,055,107,775	481,432,442
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation on property and equipment	5.3	109,199,035	73,969,190
Amortization of intangibles	6	26,771,293	25,572,580
Exchange gain on translation of export debts	29	(376,223,089)	(75,658,855)
Gain on short term investments	29	(11,864,417)	(8,281,319)
Share based payment expense		36,163,103	14,344,060
Gain on disposal of property and equipment	29	(9,369,368)	(7,454,520)
Provision for doubtful debts - net	28	107,186,852	27,632,931
Bad debts - written off	28	11,180,130	60,089,469
Interest on loan to subsidiary	29	(13,723,243)	(3,522,714)
Reversal of Worker's Welfare Fund		-	(17,930,514)
Finance costs	30	18,834,198	10,709,009
		953,262,269	580,901,759
Working capital changes			
(Increase) / Decrease in current assets			
Unbilled revenue - net		(29,933,358)	(15,978,939)
Trade debts		(518,173,315)	144,425,532
Loans and advances		(117,570,364)	(35,889,752)
Trade deposits and short term prepayments		(76,863,514)	(44,308,650)
Other receivables		(11,674,366)	(33,298,330)
Increase / (Decrease) in current liabilities			
Trade and other payables		87,809,420	127,701,889
		(666,405,497)	142,651,750
Cash generated from operations		286,856,772	723,553,509

37. FINANCIAL RISK MANAGEMENT

Financial instruments comprise deposits, unbilled revenue, interest accrued, trade debts, advances to employees against salaries, loans, other receivables, cash and bank balances and short term investments, trade and other payables and mark up accrued on short term borrowings..

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

- Market risk
- Credit risk
- Liquidity risk

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

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

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

37.1 Market risk

(a) Currency risk

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

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

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

	Changes in Rate	Effect on profit before tax	Effect on profit before tax
		2018 Rupees	2017 Rupees
Receivables - USD	+1	3,618,155	21,995,492
	-1	(3,618,155)	(21,995,492)
Receivables - AED	+1	33,749,074	29,440,096
	-1	(33,749,074)	(29,440,096)
Bank balance - USD	+1	14,212	4,786
	-1	(14,212)	(4,786)
Reporting date rate:			
USD		138.8	110.4
AED		37.8	30.05

(b) Other price risk

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

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

(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 Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from short term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

At the balance sheet date, the interest rate profile of the Company's interest-bearing financial instruments was:

	2018 Rupees	2017 Rupees
Floating rate instruments		
Financial assets		
Short term investments	295,000,000	225,000,000
Bank balances - deposit accounts	347,087,233	388,335,699
	642,087,233	613,335,699
Financial liabilities		
Short term borrowings	450,000,000	200,000,000

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

The following analysis demonstrates the sensitivity to a change in interest rates, with all other variables held constant, of the Company's profit before tax. This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.

		Changes in interest rate	Effects on profit before tax
Short term investments	2018	+1	2,950,000
		-1	(2,950,000)
	2017	+1	2,250,000
		-1	(2,250,000)
Bank balances - deposit accounts	2018	+1	3,470,872
		-1	(3,470,872)
	2017	+1	3,883,357
		-1	(3,883,357)

37.2 Credit risk

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

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

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

	2018 Rupees	2017 Rupees
Unbilled revenue	365,337,819	388,018,078
Trade debts	1,916,900,586	1,140,871,164
Trade deposits	175,758,606	101,150,669
Advances to employees against salaries	3,848,442	2,925,438
Loans to related party	229,595,332	229,595,332
Other receivables	195,338,066	183,663,700
Interest accrued	1,457,808	374,883
Short term investment	295,000,000	225,000,000
Bank balances	400,535,229	444,162,287
	3,583,771,888	2,715,761,551
The aging of trade receivables at the reporting date is:		
0 - 120 days	1,080,690,784	834,800,830
121 - 365 days	802,265,386	164,919,307
Above one year	39,240,413	177,883,915
	1,922,196,583	1,177,604,052
Impairment above one year	(38,067,837)	(36,732,888)
	1,884,128,746	1,140,871,164

As at year end, 77% of trade debts (2017: 81%) were represented by two customers amounting to Rs. 1,475.53 (2017: Rs. 946.68) million. The management believes that the Company is not exposed to customer concentration risk as these customers are related parties of the Company.

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

Banks	Short term	Rating Long term	Agency	2018 Rupees	2017 Rupees
Habib Metropolitan Bank	A1+	AA+	PACRA	491,888,068	336,542,222
Bank Islami Pak	A1	A+	PACRA	8,898,514	11,654,637
United Bank Limited	A1+	AAA	JCR-VIS	12,553,691	23,861,500
Faysal Bank	A1+	AA	PACRA	4,289,170	56,618,519
Standard Chartered Bank	A1+	AAA	PACRA	19,731,573	6,521,421
Albarakah Bank Limited	A1	A	PACRA	-	663,662
Meezan Bank	A1+	AA	JCR-VIS	38,608	178,013
Bank Alfalah Limited	A1+	AA+	PACRA	-	26,896
Habib Bank Limited	A1+	AAA	JCR-VIS	37,041,239	51,013,586
MCB Bank Limited	A1+	AAA	PACRA	125,335,841	182,081,831
				699,776,704	669,162,287

37.3 Liquidity risk

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

The following are the contractual maturities of financial liabilities as at 31 December 2018:

	Carrying amount Rupees	Contractual cash flows Rupees	Less than one year Rupees	One to five years Rupees	More than five years Rupees
Trade and other payables	410,373,214	410,373,214	410,373,214	-	-
Short term borrowings	450,000,000	450,000,000	450,000,000	-	-
Mark-up accrued on short term borrowings	3,689,005	3,689,005	3,689,005	-	-
	864,062,219	864,062,219	864,062,219	-	-

The following are the contractual maturities of financial liabilities as at 31 December 2017:

	Carrying amount Rupees	Contractual cash flows Rupees	Less than one year Rupees	One to five years Rupees	More than five years Rupees
Trade and other payables	324,204,498	324,204,498	324,204,498	-	-
Short term borrowings	200,000,000	200,000,000	200,000,000	-	-
Mark-up accrued on short term borrowings	2,795,246	2,795,246	2,795,246	-	-
	526,999,744	526,999,744	526,999,744	-	-

37.4 Fair values of financial assets and liabilities

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

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

37.5 Financial instruments by categories

2018				
	Cash and cash equivalents	Loans and receivable	Held to maturity	Total
	Rupees	Rupees	Rupees	Rupees
Assets as per balance sheet				
Long term deposits	-	18,036,753	-	18,036,753
Unbilled revenue	-	365,337,819	-	365,337,819
Trade debts	-	1,916,900,586	-	1,916,900,586
Loans and advances	-	274,282,809	-	274,282,809
Security deposits	-	157,721,853	-	157,721,853
Interest accrued	-	1,457,808	-	1,457,808
Other receivables	-	195,338,066	-	195,338,066
Short term investments	-	-	295,000,000	295,000,000
Cash and bank balances	400,760,630	-	-	400,760,630
	400,760,630	2,929,075,694	295,000,000	3,624,836,324
2017				
	Cash and cash equivalents	Loans and receivable	Held to maturity	Total
	Rupees	Rupees	Rupees	Rupees
Assets as per balance sheet				
Long term deposits	-	17,336,739	-	17,336,739
Unbilled revenue	-	388,018,078	-	388,018,078
Trade debts	-	1,140,871,164	-	1,140,871,164
Loans and advances	-	156,712,445	-	156,712,445
Security deposits	-	83,813,930	-	83,813,930
Interest accrued	-	374,883	-	374,883
Other receivables	-	183,663,700	-	183,663,700
Short term investments	-	-	225,000,000	225,000,000
Cash and bank balances	444,255,392	-	-	444,255,392
	444,255,392	1,970,790,939	225,000,000	2,640,046,331
	2018		2017	
	Financial liabilities at amortized cost		Financial liabilities at amortized cost	
	Rupees		Rupees	
Liabilities as per balance sheet				
Mark-up accrued on short term borrowings	3,689,005		2,795,246	
Short term borrowings	450,000,000		200,000,000	
Trade and other payables	76,615,326		156,271,979	
	530,304,331		359,067,225	

37.6 Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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.

As at 31 December 2018 and 31 December 2017, the Company did not have any financial instruments carried at fair value.

37.7 Capital risk management

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

- 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. 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).

	2018 Rupees	2017 Rupees
The debt - to- equity ratio as to 31 December is as follows		
Net debt	-	-
Total equity	4,078,869,538	3,211,178,157
Capital gearing ratio	-	-

Since the Company, has healthy cash flows at year end which is primarily because of higher revenue resulting in profits and increased equity due to new shares issued, therefore, it does not carry any long term debts at 31 December 2018 except a short term running finance facility of Rs. 450 million.

The Company is not subject to any externally-imposed capital requirements.

38. PROVIDENT FUND TRUST

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

	Note	Un-audited 2018 Rupees	Audited 2017 Rupees
Size of the fund (net assets)		312,633,119	305,732,683
Cost of investment made (actual investments made)	38.2	254,268,667	222,435,330
Percentage of investment made (cost of investments)		81.33%	72.75%
Fair value of investments		314,099,381	309,373,999

38.2 Break-up of investments of provident fund

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

Description	2018		2017	
	Investments	% of investment as size of the fund	Investments	% of investment as size of the fund
	Rupees		Rupees	
Mutual Funds	116,268,667	37.2%	95,435,330	31.2%
Defense saving certificates	3,000,000	1.0%	22,000,000	7.2%
Term Deposit Receipts	135,000,000	43.2%	105,000,000	34.3%
	254,268,667	81.4%	222,435,330	72.7%

38.3 The above information is based on unaudited financial statements of the provident fund.

	2018	2017
39. NUMBER OF EMPLOYEES		
Total number of employees at the end of the year were as follows:		
Regular	1,214	1,097
Contractual	1,075	569
	2,289	1,666
Average number of employees during the year were as follows:		
Regular	1,162	1,076
Contractual	919	512
	2,081	1,588

40. SUBSEQUENT EVENTS

The Board of Directors in their meeting held on 29 March 2019 have proposed a final cash dividend for the year ended 31 December 2018 of Rs. 2 (2017: Rs. 1.75) per share and 10% bonus shares for the year ended 31 December 2018, for approval of the members at the Annual General Meeting to be held on 26 April 2019. These financial statements for the year ended 31 December 2018 do not include the effect of these appropriations as it will be accounted for in the year in which it is approved.

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 29 March 2019 by the Board of Directors of the Company.

42. CORRESPONDING FIGURES

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

43. GENERAL

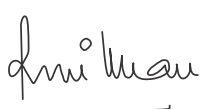
Figures have been rounded off to the nearest of rupees, unless otherwise stated.



CHAIRMAN



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER

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Systems Limited

Consolidated Financial Statements

Independent Auditor's Report

To the members of Systems Limited Report on the audit of the consolidated financial statements

Opinion

We have audited the annexed financial statements of Systems Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018 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 2018 and its consolidated financial performance and its consolidated cash flows for the year ended in accordance with the accounting and reporting standards applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

Key Audit Matters	How the matter was addressed in our audit
1. Revenue Recognition The Group's revenue is derived from a number of revenue streams, including outsourcing services and software sale in the form of short term and long term projects, sometimes leading to revenue being recognized over multiple accounting periods. Large contracts are typically bundled, and often include sale of software with major customization / development and support services. As referred to in note 4.12 to the accompanying financial statements, revenue from software sale with major customization / development along with support services is recognized by applying the percentage of completion (PoC) method based on services performed to date as a percentage of total services to be performed. The application of PoC method requires significant management estimates in relation to budgeting the cost to complete and assessing specifications of work performed to date. These estimates take into account, amongst others, the prices of services as applicable, forecast escalations, time spent and expected completion date at the time of such estimation. Due to multiple revenue streams, complexity of accounting and significant estimation involved, we have identified revenue recognition as a key audit matter.	Our audit procedures amongst others included: • Obtaining an understanding and evaluating the appropriateness of the Group's revenue recognition policies including those relating to percentage of completion method and compliance of those policies with applicable accounting standards; • Obtaining an understanding of the internal controls over the revenue recognition process and testing their design, implementation and operating effectiveness; • Selecting a sample of revenue transactions recognized during the year and recalculating the revenue recognized along with including evaluation of the management basis used in determining the percentage of completion in accordance with accounting policy; • Substantive analytical procedures including monthly trend analysis of revenue by considering both internal and external benchmarks based on our understanding of the industry, to compare the reported results with our expectation; • 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 • Assessment of the accuracy and adequacy of disclosures made in respect of accounting policy and revenue recognized during the year.

Key Audit Matters	How the matter was addressed in our audit
2. Preparation of consolidated financial statements The Group's consolidated financial statements comprise of transactions and balances of the parent company and its subsidiaries and sub-subsidiaries in foreign countries. Consolidating these financial statements involves translation of foreign entities' financial statements, elimination of intercompany transactions and balances, and consolidation of the amounts and disclosures of each entity's financial statements. Significant auditor attention is required in review of the consolidation schedules as the foreign exchange differences and intercompany transactions are material to the consolidated financial statements as a whole, hence these are considered a Key Audit Matter.	Our procedures, amongst others, included: • Reviewing the consolidation schedules in relation to translation of foreign currency transactions and balances at appropriate foreign exchange rates and the computation of resultant exchange differences. • Cross-matching the inter-company transactions and balances with the respective financial statements of the entities for elimination of the same. • Reviewing the arithmetic accuracy of the consolidation schedules. • Reviewing the completeness of disclosures in the consolidated financial statements by comparing with the relevant disclosures in each entity's individual financial statements.
3. Preparation of financial statements under Companies Act, 2017 As referred to in note 3 to the accompanying financial statements, the Companies Act 2017 (the Act) became applicable for the first time for the preparation of the Group's annual financial statements for the year ended 31 December 2018. The Act forms an integral part of the statutory financial reporting framework as applicable to the Group and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. In case of the Group, specific additional disclosures and changes to the existing disclosures have been included in the financial statements as referred to in note 3 to the financial statements. The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.	Our audit procedures, amongst others, included the following: • We assessed the procedures applied by the management for identifying the changes required in the financial statements due to the application of the Act; • We reviewed the additional disclosures and changes to the previous disclosures based on the new requirements; • We evaluated the sources of information used by the management for the preparation of disclosures and the internal consistency of such disclosures with other elements of the financial statements.
Information Other than the Financial Statements and Auditors' Report Thereon Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. Responsibilities of Management and Board of Directors for the 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 the requirements of 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 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.

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 auditors' report is Naseem Akbar.



Chartered Accountants

Engagement Partner: Naseem Akbar

Date: 04 April 2019

Lahore

Consolidated Statement of Financial Position

as at 31 December 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
Non-current assets			
Property and equipment	5	1,084,194,685	896,628,030
Intangibles	6	173,060,937	146,681,884
Long term deposits		22,970,553	20,342,739
Deferred taxation - net	7	-	31,771,724
		1,280,226,175	1,095,424,377
Current assets			
Unbilled revenue	8	571,727,867	491,012,735
Trade debts	9	1,691,798,483	992,592,322
Loans and advances	10	69,695,751	63,760,802
Trade deposits and short term prepayments	11	322,718,950	142,187,391
Interest accrued		1,457,808	374,882
Other receivables	12	207,780,930	136,723,252
Short term investments	13	295,000,000	225,000,000
Tax refunds due from the Government	14	165,250,487	141,044,878
Cash and bank balances	15	761,651,601	697,875,255
		4,087,081,877	2,890,571,517
TOTAL ASSETS		5,367,308,052	3,985,995,894
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
200,000,000 (2017: 200,000,000) ordinary shares of Rs. 10/- each		2,000,000,000	2,000,000,000
Issued, subscribed and paid up capital	16	1,122,135,480	1,118,276,520
Capital reserves	17	559,888,228	484,864,324
Unappropriated profit		2,488,343,457	1,609,551,095
		4,170,367,165	3,212,691,939
Non-controlling interest		(1,276,580)	11,930,892
		4,169,090,585	3,224,622,831
Non-current liabilities			
Long term advances	18	18,565,295	12,218,784
Provision for gratuity		6,636,508	9,010,703
		25,201,803	21,229,487
Current liabilities			
Trade and other payables	19	655,669,263	431,207,930
Unclaimed dividend		1,975,820	-
Unearned revenue	20	41,597,158	90,810,264
Short term borrowings	21	460,423,914	210,423,914
Mark-up accrued on short term borrowings		3,689,005	2,795,246
Current portion of long term advances		9,660,504	4,906,222
		1,173,015,664	740,143,576
TOTAL EQUITY AND LIABILITIES		5,367,308,052	3,985,995,894

CONTINGENCIES AND COMMITMENTS

22

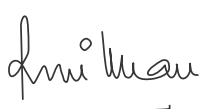
The annexed notes from 1 to 42 form an integral part of these consolidated financial statements.



CHAIRMAN



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
Revenue - net	23	5,323,922,442	3,832,429,037
Cost of services	24	(3,795,122,571)	(2,683,690,637)
Gross profit		1,528,799,871	1,148,738,400
Distribution expenses	25	(90,539,319)	(58,938,644)
Administrative expenses	26	(572,629,509)	(484,005,420)
Other operating expenses	27	(138,347,792)	(135,834,095)
		(801,516,620)	(678,778,159)
Other income	28	408,460,653	114,980,509
Operating profit		1,135,743,904	584,940,750
Finance costs	29	(27,073,044)	(15,786,491)
Profit before taxation		1,108,670,860	569,154,259
Taxation	30	(47,387,580)	(8,435,716)
Profit for the year		1,061,283,280	560,718,543
Attributable to:			
Equity holders of the parent		1,074,490,752	570,012,161
Non-controlling interest		(13,207,472)	(9,293,618)
		1,061,283,280	560,718,543
Earnings per share			
Basic earnings per share	34	9.59	5.11
Diluted earnings per share	34	9.56	5.10

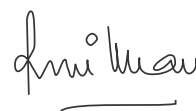
The annexed notes from 1 to 42 form an integral part of these consolidated financial statements.



CHAIRMAN



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	2018 Rupees	2017 Rupees
Profit for the year	1,061,283,280	560,718,543
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	24,976,263	2,148,462
Total comprehensive income for the year	1,086,259,543	562,867,005
Attributable to:		
Equity holders of the parent	1,099,467,015	572,160,623
Non-controlling interest	(13,207,472)	(9,293,618)
	1,086,259,543	562,867,005

The annexed notes from 1 to 42 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 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	35	438,984,404	867,530,693
Finance costs paid		(26,179,285)	(12,991,245)
Gratuity paid		(10,961,861)	(709,102)
Taxes paid		(34,626,533)	(59,690,799)
		(71,767,679)	(73,391,146)
cash flows generated from operating activities		367,216,725	794,139,547
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(310,982,086)	(418,465,920)
Development expenditures		(58,457,965)	(56,725,912)
Sale proceeds from disposal of property and equipment		17,748,012	21,522,373
Short term investments - net		(70,000,000)	28,000,000
Profit received on short term investments		10,781,491	10,180,779
Decrease in long term deposits		(2,627,814)	(11,205,887)
cash flows used in investing activities		(413,538,362)	(426,694,567)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		17,743,498	15,088,889
Issue of shares to non-controlling interest		-	40,222,216
Dividend paid		(193,722,571)	(211,691,127)
Short term borrowing		250,000,000	210,423,914
Increase in long term advances		11,100,793	104,518
cash flows from financing activities		85,121,720	54,148,410
Net foreign exchange difference		24,976,263	2,148,462
Increase in cash and cash equivalents		63,776,346	423,741,852
Cash and cash equivalents at the beginning of the year		697,875,255	274,133,403
Cash and cash equivalents at the end of year	15	761,651,601	697,875,255

The annexed notes from 1 to 42 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

For the year ended 31 December 2018

	Issued, subscribed and paid up capital Rupees	Capital reserves			Revenue reserve	Total equity attributable to shareholders of parent company Rupees	Non controlling interest Rupees	Total equity Rupees
		Share premium Rupees	Employee compensation reserve Rupees	Foreign currency translation reserve Rupees				
Balance as on 01 January 2017	1,110,784,920	422,623,948	38,467,279	(316,714)	1,244,108,681	2,815,668,114	(15,568,020)	2,800,100,094
Total comprehensive income for the year	-	-	-	2,148,462	570,012,161	572,160,623	(9,293,618)	562,867,005
Transactions with owners								
Issue of share capital	-	-	-	-	-	-	40,222,216	40,222,216
Transfer on account of issuance of share capital	-	-	-	-	3,429,686	3,429,686	(3,429,686)	-
Exercise of share options	7,491,600	50,665,691	(43,068,402)	-	-	15,088,889	-	15,088,889
Share based payments	-	-	14,344,060	-	-	14,344,060	-	14,344,060
Final dividend for the year ended 31 December 2016 at the rate of Rs. 186 per share	-	-	-	-	(207,999,433)	(207,999,433)	-	(207,999,433)
Balance as on 31 December 2017	1,118,276,520	473,289,639	9,742,937	1,831,748	1,609,551,095	3,212,691,939	11,930,892	3,224,622,831
Total comprehensive income for the year	-	-	-	24,976,263	1,074,490,753	1,099,467,016	(13,207,472)	1,086,259,544
Transactions with owners								
Exercise of share options	3,858,960	32,222,204	(18,337,666)	-	-	17,743,498	-	17,743,498
Share based payments	-	-	36,163,103	-	-	36,163,103	-	36,163,103
Final dividend for the year ended 31 December 2017 at the rate of Rs. 175 per share	-	-	-	-	(195,698,391)	(195,698,391)	-	(195,698,391)
Balance as at 31 December 2018	1,122,135,480	505,511,843	27,568,374	26,808,011	2,488,343,457	4,170,367,165	(1,276,580)	4,169,090,585

The annexed notes from 1 to 42 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 2018

1. THE GROUP AND ITS OPERATIONS

Holding Company

Systems Limited (the "Company") is a public limited Company incorporated in Pakistan under the repealed Companies Ordinance 1984, (now 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, Near DHA Phase-VIII (Ex-Air Avenue), Lahore Cantt.

Subsidiary Companies

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.

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.

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.

Unaudited financial statements of TechVista MP LLC (the sub-subsidiary) as at 31 December 2018 disclose that the total assets have exceeded its total liabilities by AED Nil (2017 : Nil).

E-Processing Systems (Private) Limited, a private limited Company registered under the repealed Companies Ordinance 1984, (now Companies Act 2017) incorporated on 06 February 2013, is a 53% (2017: 53%) owned subsidiary of Systems Limited. The Company is principally engaged in the business of purchase and sale of airtime and related services.

1.1 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

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

2. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS DURING THE CURRENT YEAR

The Group's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- Due to devaluation of Pak Rupee, the group earned an exchange gain of Rs. 376.22 (2017: 75.67) million upon translation of export trade and other receivables. (note 28)
- During the year, TechVista Systems FZ - LLC has acquired 100% control of Techvista Systems MP LLC in April 2018. TechVista MP LLC a Sole Establishment, duly licensed by Dubai Economic Department, under License No. 800123.
- The Group's short term borrowing which has been availed to sustain working capital requirements increased to Rs. 460 (2017: 210) million. (note 21)
- For a detailed discussion about the Group's performance please refer to the Directors' report.

3. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

3.1 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.

The Act has also brought certain changes with regard to the preparation and presentation of these consolidated financial statements. The disclosure requirements contained in the fourth schedule of the Act have been revised, resulting in elimination of duplicative disclosure with the IFRS disclosure requirements and incorporation of additional amended disclosures including, but not limited to, particulars of immovable assets of the Group (note 5.1.2), management assessment of sufficiency of tax provision in the consolidated financial statements (refer note 30.3), additional disclosure requirements for related parties (note 32), change in threshold for identification of executives (note 33).

3.2 Basis of preparation

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

3.3 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".

3.3.1 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.

TechVista MP LLC (the sub-subsidiary) has been consolidated on the basis of unaudited financial statement prepared by the management. The financial position as at reporting date and financial performance for the year of sub-subsidiary on the basis of unaudited financial statements prepared for the purpose of consolidation are as follow:

	Un-audited 2018 Rupees
Total assets	2,499,374
Total liabilities	2,499,374
Expenses	72,726,965
Other income	72,726,965

3.3.2 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.

3.4 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.

3.5 Use of estimates and judgments

The Group's significant accounting policies are stated in Note 4. 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:

3.5.1 Provision for taxation (note 4.3)

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.

3.5.2 Useful life and residual values of property and equipment (note 4.4)

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.

3.5.3 Provision for doubtful debts (note 4.9.1)

The Group regularly reviews its receivables for impairment, if any. The provision in this regard is made, based on management's estimate, where the prospects of recovery are doubtful.

3.5.4 Stage of completion (note 4.13)

The Group determines stage of completion on the basis of services performed to date as a percentage of total services to be performed.

3.5.5 Provisions (note 4.12)

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.

4. 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 4.1, below:

4.1 New, amended standards and interpretations which became effective

The Group has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

IFRS 2: Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)

The adoption of the above amendments, improvements to interpretations did not have any material effect on the financial statements.

4.2 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 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.

4.3 Taxation

4.3.1 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.

4.3.2 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 recognised for all taxable temporary differences and deferred tax assets are recognised 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.

4.4 Property and equipment

4.4.1 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 5. 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.

4.4.2 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.

4.5 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 6. 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.

4.6 Impairment

4.6.1 Financial assets including receivables

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor indicating that a debtor or issuer will enter bankruptcy. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in consolidated profit and loss and reflected in an allowance account against receivables.

4.6.2 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.

4.7 Staff benefits

The Group has the following plans for its employees:

4.7.1 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 Company and the employees at 10% of basic pay.

4.7.2 Employees' share option scheme

The Holding Company operates an equity settled share based Employees Stock Option Scheme. The compensation committee of the Board 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 Holding Company's shares at a price determined on the date of grant of options.

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

4.7.3 Gratuity

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

4.8 Investments

Management determines the classification of its investments at the time of purchase depending on the purpose for which the investments are acquired and re-evaluates this classification at the end of each financial year. Investments intended to be held for less than twelve months from the consolidated reporting date or to be sold to raise operating capital are included in current assets, all other investments are classified as non-current.

Investments are either classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale investments or investment in subsidiary and associated companies, as appropriate. When investments are recognized initially, they are measured at fair value, plus, in case of investments not at fair value through profit or loss, directly attributable transaction cost.

4.8.1 Investments at fair value through profit or loss

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

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

4.8.2 Investments held to maturity

Held-to-maturity investments are non-derivative financial assets. Investments having fixed maturity are classified as held-to-maturity where the Group has positive intention and ability to hold the investment till maturity. These investments are initially measured at fair value plus directly attributable transaction costs. Subsequently, these are carried at amortized cost using effective interest rate method less impairment losses, if any. Amortized cost is re-calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of effective interest rate (EIR). The effective interest rate amortization is included in Statement of profit or loss. The losses arising from impairment are also recognized in profit and loss.

4.8.3 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.

4.9 Trade debts

Trade debts from local customers are stated at cost less provision for doubtful debts while foreign debtors are stated at translated amount by applying exchange rate applicable on the financial statements reporting date.

4.9.1 Provision for doubtful debts

The Group reviews its trade and other receivables on each financial statements reporting date to assess whether a provision should be recorded in the consolidated Statement of profit or loss relating to doubtful receivable. Judgment by the management is made of the amount and timing of future cash flows while determining the extent of provision required. Such estimation involves the application of the Group's provision for doubtful debt policy including the assessment of credit history of the counterparty. Actual cash flows may differ resulting in subsequent change in provisions.

4.10 Advances, deposits and other receivables

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

4.11 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.

4.12 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.

4.13 Revenue recognition**4.13.1 Professional services**

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

4.13.2 License and license support services

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

4.13.3 Outsourcing services

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

4.13.4 Consultancy

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

4.13.5 Sale of third party software

Revenue from sale of third party software is recognized when the significant risks and rewards of ownership of the software have passed to the buyer, usually on delivery of the software.

4.13.6 Sale and purchase of air time and related service

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.

4.13.7 Unearned revenue

Revenue received in advance is transferred to unearned revenue as per respective revenue recognition policy.

4.14 Other income

Profit on deposit account and gain on short term investments and other income s recognized on accrual basis.

4.15 Financial instruments

Financial assets and liabilities are recognized at fair value at the time when the Group becomes a party to the contractual provisions of the instrument by following trade date accounting.

A financial asset or part thereof is de-recognized when the Group loses control of the contractual rights that comprise the financial assets or part thereof. Such control is deemed to be lost if the Group realizes the rights to benefits specified in the contracts, the rights expire or the Group surrenders those rights. A financial liability or part thereof is removed from the statement of financial position when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

Any gain or loss on subsequent measurement and de-recognition is charged to Statement of profit or loss.

4.15.1 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.

4.16 Finance costs

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

4.17 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.

4.18 Operating lease

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

4.19 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.

4.20 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.

4.21 Segment reporting

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

4.22 Standards, Interpretations and Amendments to Published Approved Accounting

Standards that are not yet effective

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

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized

**Effective Date
(Annual periods
beginning on or after)**

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

01 January 2020

IAS 19 Plan Amendment, Curtailment or Settlement (Amendments)

01 January 2019

IFRS 15 Revenue from Contracts with Customers

01 July 2018

IFRS 16 Leases

01 January 2019

IFRIC 23 Uncertainty over Income Tax Treatments

01 January 2019

**Effective Date
(reporting periods
ending on or after)**

IFRS 9* Financial Instruments: Classification and Measurement

30 June 2019

*The Securities and Exchange Commission of Pakistan (SECP) has modified the effective date of application of IFRS 9 in place of IAS 39, through SRO. 229 (I)/2019, dated: 14 February, 2019, as reporting period / year ending on or after June 30, 2019.

The Group expects that the adoption of the above standards, amendments and interpretations will have no material effect in the period of initial application except for IFRS 16 - Leases, IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contract with Customers. The management of the Group is in the process of assessing the impact of changes laid down by the IFRS 9, IFRS 16 and IFRS 15 on its financial statements.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019. The Group expects that such improvements to the standards will not have any impact on the Group'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 14 -Financial Instruments: Regulatory Deferral Accounts	01 January 2016
IFRS 17 -Insurance Contracts	01 January 2021

5. PROPERTY AND EQUIPMENT

	Note	2018 Rupees	2017 Rupees
Operating fixed assets	5.1	939,163,080	844,353,949
Capital work in progress	5.2	145,031,605	52,274,081
		1,084,194,685	896,628,030

5.1 Operating fixed assets

2018											Rate
DESCRIPTION	Cost				Accumulated Depreciation				Net book value as at 31 December		
	As at 01 January	Additions	Disposals	As at 31 December	As at 01 January	Depreciation charge for the year	Disposals	As at 31 December			
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees			
Land - free hold	53,030,412	-	-	53,030,412	-	-	-	-	53,030,412	-	
Building	485,167,103	6,648,425	-	491,815,528	2,021,530	12,187,226	-	14,208,756	477,606,772	2.5	
Computers and mobile sets	277,080,756	61,948,881	(43,724,121)	295,305,516	206,284,303	40,773,302	(42,571,734)	204,485,871	90,819,645	33	
Computer equipment and installations	64,327,892	3,467,256	(13,868,662)	53,926,486	36,152,620	11,395,513	(13,868,662)	33,679,471	20,247,015	33	
Other equipment and installations	90,725,915	3,937,965	(15,543,845)	79,120,035	24,503,654	14,849,595	(15,281,570)	24,071,679	55,048,356	20	
Generator	46,264,122	9,114,300	(7,971,669)	47,406,753	16,475,692	3,854,863	(7,883,097)	12,447,458	34,959,295	10	
Furniture and fittings	82,313,542	14,815,881	(4,977,539)	92,151,884	49,918,345	4,372,476	(4,464,795)	49,826,026	42,325,858	10	
Vehicles	81,424,984	107,142,307	(16,617,623)	171,949,668	32,393,905	23,783,684	(10,684,520)	45,596,070	126,353,598	20	
Office equipment	44,781,515	2,469,330	(5,906,819)	41,344,026	13,012,243	3,584,622	(5,477,255)	11,119,610	30,224,416	10	
Leasehold Improvements	-	8,783,220	-	8,783,220	-	235,507	-	235,507	8,547,713	24.5	
	1,225,116,241	218,327,565	(108,610,278)	1,334,833,528	380,762,292	115,036,788	(100,231,633)	395,670,448	939,163,080		
2017											
DESCRIPTION	Cost				Accumulated Depreciation				Net book value as at 31 December	Rate	
	As at 01 January	Additions	Disposals	As at 31 December	As at 01 January	Depreciation charge for the year	Disposal	As at 31 December			
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees			
Land - free hold	53,030,412	-	-	53,030,412	-	-	-	-	53,030,412	-	
Building	-	485,167,103	-	485,167,103	-	2,021,530	-	2,021,530	483,145,573	2.5	
Computers and mobile sets	224,700,969	55,249,795	(2,870,008)	277,080,756	169,837,455	38,698,624	(2,251,776)	206,284,303	70,796,453	33	
Computer equipment and installations	37,855,659	26,472,233	-	64,327,892	28,751,180	7,401,440	-	36,152,620	28,175,272	33	
Other equipment and installations	24,613,374	66,112,541	-	90,725,915	20,363,772	4,139,882	-	24,503,654	66,222,261	20	
Generator	19,463,422	26,800,700	-	46,264,122	14,348,665	2,127,027	-	16,475,692	29,788,430	10	
Furniture and fittings	54,463,955	27,849,587	-	82,313,542	46,736,383	3,181,962	-	49,918,345	32,395,197	10	
Vehicles	73,830,332	32,974,560	(25,379,908)	81,424,984	25,856,173	18,468,019	(11,930,287)	32,393,905	49,031,079	20	
Office equipment	17,490,058	27,291,457	-	44,781,515	10,105,563	2,906,680	-	13,012,243	31,769,272	10	
	505,448,181	747,917,976	(28,249,916)	1,225,116,241	315,999,191	78,945,164	(14,182,063)	380,762,292	844,353,949		

5.1.1 The cost of owned assets include assets amounting to Rs. 226.1(2017 Rs. 258.46) million with nil book value.

5.1.2 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 10.5 kanals

	Note	2018 Rupees	2017 Rupees
5.2 CAPITAL WORK IN PROGRESS			
Land improvements		122,560,000	37,295,555
Building on freehold land		4,637,963	14,978,526
Machinery		17,833,642	-
	5.2.1	145,031,605	52,274,081

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

Balance at the beginning of the year	52,274,081	381,726,137
Additions during the year	126,643,662	355,174,824
Transfer to operating fixed assets	(33,886,138)	(684,626,880)
Balance at the end of the year	145,031,605	52,274,081

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

Cost of services	24	85,296,612	58,352,056
Distribution expenses	25	1,185,656	435,177
Administrative expenses	26	28,554,520	15,181,957
		115,036,788	73,969,190

5.4 Disposal of property and equipment

Particulars	Cost Rupees	Accumulated depreciation Rupees	Written down value Rupees	Sale proceeds Rupees	Gain / (Loss) Rupees	Mode of disposal	Particulars of buyer
<u>Vehicles</u>							<u>Employees</u>
Honda Civic	2,500,000	485,456	2,014,544	2,000,000	(14,544)	Group Policy	Khurram Iqbal
Honda Civic	1,575,400	1,575,400	-	1,517,724	1,517,724	Group Policy	Shahid Masood
Honda City	1,561,590	794,738	766,852	1,527,000	760,148	Group Policy	Wasif Mazhar
Toyota Altis 1.6	1,553,000	383,628	1,169,372	1,538,000	368,628	Group Policy	Qasim Siddique
Suzuki Swift	1,511,000	323,786	1,187,214	1,390,000	202,786	Group Policy	Mohsin Akram
Honda City	1,348,830	1,002,902	345,928	1,000,000	654,072	Group Policy	Ovais Khan
Suzuki Swift	1,025,832	954,969	70,863	1,000,000	929,137	Group Policy	Tanveer Musawar
Suzuki Cultus	1,023,240	839,134	184,106	812,488	628,382	Group Policy	Muhammad Sadiq
Suzuki Mehran	730,580	730,580	-	545,000	545,000	Group Policy	Murtaza
Suzuki Swift	1,023,240	926,342	96,898	1,000,002	903,104	Group Policy	Arif Zia
Suzuki Cultus	1,027,750	930,425	97,325	1,124,898	1,027,573	Group Policy	Habib Ahmad
							<u>Other</u>
Toyota Corolla	1,737,161	1,737,161	-	1,275,000	1,275,000	Negotiation	Malik Pervaiz
	16,617,623	10,684,521	5,933,102	14,730,112	8,797,010		
<u>Computers & Mobile sets</u>							<u>Others</u>
<u>Laptops</u>	43,724,121	42,571,734	1,152,387	306,900	(845,487)	Negotiation	Third parties
<u>Office Equipment</u>							
Cameras	3,348,709	3,114,689	234,020	-	(234,020)	Negotiation	Third parties
Other Equipment	2,558,110	2,362,566	195,544		(195,544)	Negotiation	Third parties
	5,906,819	5,477,255	429,564	-	(429,564)		
<u>Furniture & Fittings</u>	4,977,539	4,464,795	512,744	39,500	(473,244)	Negotiation	Third parties
<u>Generators</u>	7,971,669	7,883,097	88,572	2,500,000	2,411,428	Negotiation	Third parties
<u>Other Equipment & Installations</u>							
Air Conditioners	15,543,845	15,281,570	262,275	45,000	(217,275)	Negotiation	Third parties
<u>Computer Equipment & Installations</u>							
UPS	8,236,308	8,236,308	-	46,500	46,500	Negotiation	Third parties
Other Equipment	5,632,354	5,632,354	-	80,000	80,000	Negotiation	Third parties
	13,868,662	13,868,662	-	126,500	126,500		
2018	108,610,278	100,231,634	8,378,644	17,748,012	9,369,368		
Particulars	Cost Rupees	Accumulated depreciation Rupees	Written down value Rupees	Sale proceeds Rupees	Gain / (Loss) Rupees	Mode of disposal	Particulars of buyer
<u>Vehicles</u>							<u>Employees</u>
Suzuki Swift DLX	1,018,630	1,018,630	-	999,985	999,985	Group Policy	Rafi Ullah Butt
Suzuki Cultus	1,014,062	1,014,062	-	999,984	999,984	Group Policy	Mudasser Ansari
Suzuki Swift DLX	1,000,000	895,833	104,167	1,000,000	895,833	Group Policy	Abid Hanif
Suzuki Cultus	1,023,190	788,709	234,481	1,023,190	788,709	Group Policy	Abdul Hafeez
Honda City Aspire 1500	1,586,246	1,123,591	462,655	1,097,928	635,273	Group Policy	Anjum Niaz
Honda City Aspire 1500	1,585,419	1,123,005	462,414	1,162,512	700,098	Group Policy	Ethesham Opal
Toyota Corolla	2,377,500	1,317,531	1,059,969	1,035,206	(24,763)	Group Policy	Khurram Majeed
Honda City	1,561,890	390,473	1,171,417	413,569	(757,848)	Group Policy	Mehmood Kamal
Suzuki Swift	1,328,840	304,526	1,024,314	1,297,008	272,694	Group Policy	Imran Javaid Zia
Honda City	1,527,000	222,688	1,304,312	1,527,000	222,688	Group Policy	Salman Zulfikar
Honda City	1,341,053	139,693	1,201,360	1,555,526	354,166	Group Policy	Kashif Ali
Honda City	1,582,328	1,582,328	-	1,550,026	1,550,026	Group Policy	Nauman Ahmad Farooqi
Honda City	1,015,750	1,015,750	-	999,985	999,985	Group Policy	Zeeshan Alam
Toyota Corolla Grande	1,527,000	318,125	1,208,875	1,240,687	31,812	Group Policy	Harris Mehmood
Toyota Altis 1.8	1,770,500	331,969	1,438,531	1,401,646	(36,885)	Group Policy	Abid Hanif
Honda City	1,543,000	128,583	1,414,417	1,414,417	-	Group Policy	Kamran Shaukat
Honda Civic P/T	2,577,500	214,792	2,362,708	2,309,010	(53,698)	Group Policy	Nauman Ahmad Farooqi
	25,379,908	11,930,288	13,449,620	21,027,679	7,578,059		
<u>Computers and mobile sets</u>							<u>Others</u>
Laptop	2,805,408	2,235,625	569,783	440,521	(129,262)	Negotiation	Third parties
Mobile sets	64,600	16,150	48,450	54,173	5,723	Negotiation	Third parties
	2,870,008	2,251,775	618,233	494,694	(123,539)		
2017	28,249,916	14,182,063	14,067,853	21,522,373	7,454,520		

6. INTANGIBLES

	2018 Rupees	2017 Rupees
Computer software and licenses	170,987,518	141,577,271
Intangibles under development - Software	2,073,419	5,104,613
	173,060,937	146,681,884

					2018					
Particulars	Cost as at 01 January	Additions	Disposals	Cost as at 31 December	Accumulated amortization as at 1 January	Amortization charge for the year	Disposals	Accumulated amortization as at 31 December	Book value as at 31 December	Rate
	Rupees			Rupees	Rupees	Rupees		Rupees	Rupees	
Computer software and licenses	221,064,519	61,489,159	-	282,553,678	79,487,248	32,078,912	-	111,566,160	170,987,518	33%

2017										
Particulars	Cost as at 01 January	Additions	Disposals	Cost as at 31 December	Accumulated amortization as at 1 January	Amortization charge for the year	Disposals	Accumulated amortization as at 31 December	Book value as at 31 December	Rate
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Owned:										
Computer software and licenses	169,443,220	51,621,299	-	221,064,519	50,498,075	28,989,173	-	79,487,248	141,577,271	33%

6.1 The cost of the intangibles include intangible assets amounting to Rs. 59.4 million (2017: Rs. 22.78 million) with nil book value.

6.2 Additions include in-house developed intangibles amounting to Rs.61.22 million (2017: Rs. 48.41 million) capitalized during the current year.

	Note	2018 Rupees	2017 Rupees
6.3 Amortization charge for the year has been allocated as follows:			
Cost of services	24	25,721,098	23,214,556
Distribution expenses	25	199,756	232,264
Administrative expenses	26	6,158,058	5,542,353
		32,078,912	28,989,173

7. DEFERRED TAXATION - NET

Taxable temporary differences

Depreciation on property and equipment	(12,343,074)	(2,537,857)
	(12,343,074)	(2,537,857)

Deductible temporary differences

Depreciation on property and equipment	-	-
Amortization on intangibles	-	645,506
Provision for doubtful debts	2,680,737	8,359,110
Employee compensation reserve	1,941,365	505,658
Unearned revenue	-	-
Unearned leaves	-	192,030
Minimum tax	7,720,972	24,607,277
	12,343,074	34,309,581
	-	31,771,724

	Note	2018 Rupees	2017 Rupees
8. UNBILLED REVENUE			
Considered good - unsecured			
Export		280,666,582	180,006,829
Local	8.1	291,061,285	311,005,906
	8.2	571,727,867	491,012,735

8.1 This includes the provision for unbilled revenue of Rs. 90.16 million.

8.2 This represents unbilled debtors arising due to recognition of revenue on the basis of percentage of completion as per IAS 18 "Revenue".

	Note	2018 Rupees	2017 Rupees
9. TRADE DEBTS			
Considered good - unsecured:			
Export	9.1	1,265,218,093	776,861,749
Local		426,580,390	215,730,573
		1,691,798,483	992,592,322
Considered doubtful - unsecured:			
Export		13,654,569	14,156,817
Local		37,609,361	27,863,699
		51,263,930	42,020,516
		1,743,062,413	1,034,612,838
Less: Provision for doubtful debts	9.2	(51,263,930)	(42,020,516)
		1,691,798,483	992,592,322

9.1 This includes receivable against sale of services from related parties, Visionet Systems Incorporation amounting to Rs. 502.2 (2017: Rs. 329) million.

		2018 Rupees	2017 Rupees
9.2	Balance as at 01 January	42,020,516	11,179,257
	Provision made during the year	28,700,031	32,920,558
	Less: provision reversed during the year	(19,456,617)	(2,079,299)
	Net charge for the year	9,243,414	30,841,259
	Balance as at 31 December	51,263,930	42,020,516
9.3	Aging analysis of the amounts due from related parties is as follows:		
	Visionet Systems Incorporation - USA		
	Not past due	187,716,891	148,999,486
	Past due but not impaired:		
	- Not more than three months	314,482,959	180,001,898
		502,199,850	329,001,384

9.3.1 The maximum aggregate amount outstanding by reference to month-end balances was Rs. 633.31 (2017:Rs. 674.44) million.

9.4 The amount of export sales in respect of outstanding trade debts along with their foreign jurisdiction is mentioned below:

	Note	2018 Rupees	2017 Rupees
Against contract:			
- USA		2,116,576,146	1,839,197,405
- UAE		2,121,099,301	1,163,921,449
- Canada		51,771,683	38,402,852
- UK		8,644,370	-
- Germany		7,244,507	-
- Australia		2,972,144	-
- Saudi Arabia		2,393,535	-
		4,310,701,686	3,041,521,706

9.5 Details of defaulting parties related to foreign debtors are as follows:

Name of party	Jurisdiction		
Saudi Business Machines Ltd.	Saudi Arabia	64,346	-
Emirates Technology Company-LLC	UAE	-	8,869,189
Aqaba Water Co. WLL	UAE	1,649,042	-
Emirates Petroleum Products	UAE	1,404,060	-
Sky Telecom Sim Trading LLC	UAE	5,882,385	-
Spacesaver Corporation	Canada	-	43,031
RDB-ELSEIF Co. Ltd.	Saudi Arabia	-	493,211
		8,999,833	9,405,431

9.5.1 No legal action has been taken against the defaulting parties.

10. LOANS AND ADVANCES - considered good

Advances to staff:			
against salary		11,374,876	8,669,195
against expenses		19,874,465	6,035,111
	10.1	31,249,341	14,704,306
Advances to suppliers - against goods		29,651,275	49,056,496
		60,900,616	63,760,802
Loans to related parties	10.2	266,872,905	75,026,129
Elimination on account of Joint Operation		(258,077,770)	(75,026,129)
		8,795,135	-
		69,695,751	63,760,802

10.1 It includes advances to executives amounting to Rs. 14.35 (2017: Rs. 14.51) million.

10.1.1 Following are the details of staff advances given with amounts more than one million rupees:

Name of employee	Term of repayment	2018 Rupees	2017 Rupees
Shoaib Ali	Adjustment against expense	4,107,705	-
Saad Usmani	Adjustment against expense	1,001,000	-
Nauman Ahmed Farooqi	Adjustment against expense	-	2,067,320
Fahim Shah	Adjustment against expense	-	1,077,281
		5,108,705	3,144,601

10.2 This represents amount paid to UUS Joint Venture (Private) Limited for meeting working capital requirements. This amount is unsecured and is subject to interest at one-year KIBOR (2017: 7%) on the outstanding loan balance at the end of each month.

Note	2018 Rupees	2017 Rupees
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11. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits	214,656,402	93,482,668
Prepayments	108,062,548	48,704,723
	322,718,950	142,187,391

12. OTHER RECEIVABLES

These represent receivables from following parties.

Considered good - unsecured:

Visionet Systems Incorporation - USA (VSI)	12.1	-	4,118,251
TechVista Information Technology - Qatar	12.2	207,780,930	132,605,001
		207,780,930	136,723,252

12.1 This represents amount receivable from related party. The maximum aggregate amount outstanding by reference to month-end balances was Rs. 75 (2017: 9.3) million.

12.2 This represents amount receivable against expenses incurred on behalf of Techvista Information Technology- Qatar and are payable on demand by the Group. The value of receivable in foreign currency is AED 5,496,850 (2017: 4,412,812). There are no material outstanding litigations against Techvista Information Technology- Qatar.

Note	2018 Rupees	2017 Rupees
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13. SHORT TERM INVESTMENTS

Held to maturity

Habib Metropolitan Bank	295,000,000	225,000,000
13.1	295,000,000	225,000,000

13.1 This represents Term Deposit Receipts (TDRs) carrying markup at rates ranging from 3.46% to 8.5% (2017: 3.93% to 5.85%) per annum.

	Note	2018 Rupees	2017 Rupees
14. TAX REFUNDS DUE FROM THE GOVERNMENT			
Balance as at 01 January		142,084,484	98,958,341
Paid during the year		38,781,859	57,594,871
Charge for the year	30	(15,615,856)	(15,508,334)
Balance as at 31 December		165,250,487	141,044,878

15. CASH AND BANK BALANCES

Cash in hand		225,401	105,446
Cash at bank:			
Local currency:			
Current accounts		195,685,529	129,257,303
Saving accounts	15.1	563,768,082	567,984,116
		759,453,611	697,241,419
Foreign currency - current accounts		1,972,589	528,390
		761,651,601	697,875,255

15.1 These carry markup at the rate of 3.34% to 5.39% (2017: 3.75% to 4%) per annum.

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018 (Number of shares)	2017		2018 Rupees	2017 Rupees
23,361,983	22,976,087	Ordinary shares of Rs. 10/- each fully paid in cash	233,619,830	229,760,870
88,851,565	88,851,565	Ordinary shares of Rs. 10/- each fully paid up as bonus shares	888,515,650	888,515,650
112,213,548	111,827,652		1,122,135,480	1,118,276,520

16.1 Reconciliation of ordinary shares

2018 (Number of shares)	2017	Note	2018 Rupees	2017 Rupees
111,827,652	111,078,492	Balance at 1 January	1,118,276,520	1,110,784,920
385,896	749,160	Stock options exercised	3,858,960	7,491,600
112,213,548	111,827,652	Balance at 31 December	1,122,135,480	1,118,276,520

17. CAPITAL RESERVES

Share premium reserve	17.1	505,511,843	473,289,639
Employee compensation reserve	17.2	27,568,374	9,742,937
Translation reserve on foreign operations		26,808,011	1,831,748
		559,888,228	484,864,324

- 17.1** This reserve shall be utilized only for the purpose as specified in section 81(2) of the Companies Act 2017.
- 17.2** This represents balance amount after exercise of share options by the employees under the Employee Stock Option Scheme approved by SECP. According to the scheme, 100% options become exercisable after completion of vesting period from date of grant. The options have a vesting period of 2 years and an exercise period of 3 years from the date the option is vested.
- 17.3** The following table illustrates the number and weighted average exercise prices of, and movements in, share options during the year:

	2018		2017	
	Weighted average exercise price Rupees	Number of options Number	Weighted average exercise price Rupees	Number of options Number
Outstanding at 1 January	33.39	981,589	26.48	1,251,152
Granted during the year	72.13	889,032	72.15	479,597
Exercised during the year	45.98	(385,896)	20.13	(749,160)
Outstanding at 31 December	77.22	1,484,725	33.39	981,589

18. LONG TERM ADVANCES

This represents advances received from staff and will be adjusted as per Group's car policy against sale of vehicles. The fair value adjustment in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' arising in respect of long term loans is not considered material and hence not recognized.

	2018 Rupees	2017 Rupees
19. TRADE AND OTHER PAYABLES		
Creditors	79,484,433	160,799,406
Advance from customers	12,230,903	1,541,005
Retention money	-	335,116
Accrued liabilities	532,801,351	234,218,365
Provident fund payable	15,889,209	16,565,033
Withholding income tax payable	14,646,167	9,451,235
Other Payables	617,200	8,297,770
	655,669,263	431,207,930

20. UNEARNED REVENUE

This represents professional / software development services, license and license support services and other fees received in advance.

	Note	2018 Rupees	2017 Rupees
21. SHORT TERM BORROWINGS			
MCB Bank Limited	21.1	450,000,000	200,000,000
Convertible loan	21.2	10,423,914	10,423,914
		460,423,914	210,423,914

- 21.1 This represents export re-finance (ERF) availed from MCB Bank Limited against aggregate sanctioned limit of Rs. 650 (2017: Rs. 400) million. Mark up is charged at SBP rate plus 0.5% (2017: 3-month KIBOR plus 0.1% to 3-month KIBOR plus 0.4%) per annum. These borrowings are secured against Rs. 97.5 (2017: Rs. 60) million cash margin.
- 21.2 This represents the unsecured loan received from Bright Star Mobile Library. This is interest free loan and is convertible into equity at the discretion of the Group. However, the management of the Group intends to repay the loan within next twelve months from the date of financial statements.

22. CONTINGENCIES AND COMMITMENTS

Contingencies

- 22.1 The Holding Company has filed an undertaking pursuant clause 94 part IV of Second Schedule to the Income Tax Ordinance, 2001, thereby opting out of minimum tax on services under section 153(1)(b) of the Income Tax Ordinance, 2001 in respect of Tax Year 2016. The Additional Commissioner Inland Revenue (Addl. CIR) has declined to accept the undertaking against which the Holding Company has preferred an appeal before Commissioner Inland Revenue (Appeals), which is pending adjudication, which might result in tax liability of Rs. 30.25 million. The management of Group expects a favorable outcome in this regard.
- 22.2 The Additional Commissioner Inland Revenue (Addl. CIR) issued order under section 122 (5A) of the Income Tax Ordinance, 2001 for tax year 2014, on the basis of wrong proration of expenses, capital gain etc. and created demand of Rs. 48,591,443. The Holding Company preferred appeal against the order, which the Commissioner Inland Revenue (Appeals) has decided in favor of the Holding Company. However, the tax department has filed second appeal before the Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication. The management expects a favorable outcome in this regard.
- 22.3 Sindh Revenue Board (SRB) has issued show-cause notice to the Holding Company regarding Sales Tax Returns for the tax period July 2013 to June 2014 amounting to Rs. 83,218,537. The Company has obtained stay order from Sindh High Court restraining further proceedings by SRB. The management of Group expects a favorable outcome in this regard.
- 22.4 Assistant Commissioner Inland Revenue (ACIR) has issued an assessment order under section 11(2) & 11(3) of Sales Tax Act, 1990 for the period July-2014 to June-2015 creating demand of Rs. 20,465,978 inclusive of penalty. The amount of default surcharge will be determined by ACIR at the time of recovery, if any. The Holding Company filed an appeal before the Commissioner Inland Revenue (Appeals) which is decided against the Holding Company. Being aggrieved, the Holding Company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication. The management of the Group expects a favorable outcome in this regard.
- 22.5 The Deputy Commissioner Inland Revenue (DCIR) has issued withholding tax assessment orders u/s 161(1A) of the Income Tax Ordinance, 2001 for the tax year 2017 whereby tax amounting to Rs. 6,528,598 for non-deduction of withholding tax was levied. The Holding Company preferred appeal before Commissioner Inland Revenue (Appeals), who has issued an order to stay the recovery. The matter is pending adjudication. The management of the Group expects a favorable outcome in this regard.
- 22.6 The Assistant Commissioner Inland Revenue (ACIR) issued an order under section 122 (5A) of the Income Tax Ordinance, 2001 for tax year 2012, on the basis of wrong proration of expenses, others etc. and created demand of Rs. 18,462,737. The Holding Company preferred an appeal before the Commissioner Inland Revenue (Appeals) against the impugned order, which is pending adjudication. The management of the Group expects a favorable outcome in this regard.

Commitments

- 22.7 Guarantees issued by the financial institutions on behalf of the Group amount to Rs. 569.44 (2017: Rs. 464.40 million). This includes guarantees of Rs. 257.26 (2017: 177.17) million given on behalf of Joint Operation.
- 22.8 There were no outstanding purchase or other commitments (2017: Rs.5.33 million).

	Note	2018 Rupees	2017 Rupees
23. REVENUE - net			
<u>Development and other services:</u>			
Export		3,972,876,090	2,880,761,561
Local		981,772,327	557,933,407
Less: Sales tax on local sales	23.1	(99,020,084)	(58,516,556)
		882,752,243	499,416,851
<u>Trading income:</u>			
Export		-	187,869,637
Local		514,094,774	286,025,716
Less: Sales tax on local sales	23.1	(45,800,665)	(21,644,728)
		468,294,109	264,380,988
		5,323,922,442	3,832,429,037

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

	Note	2018 Rupees	2017 Rupees
24. COST OF SERVICES			
Salaries, allowances and amenities	24.1	2,756,485,119	1,840,061,211
Commission paid		132,113,582	58,811,145
E-link connectivity charges		7,011,216	4,371,352
Printing and stationery		874,171	1,926,442
Computer supplies		31,506,307	11,440,616
Rent, rates and taxes		34,131,392	52,015,588
Electricity, gas and water		39,332,507	35,496,122
Traveling and conveyance		83,997,839	85,896,872
Repair and maintenance		15,786,248	11,292,303
Postage, telephone and telegrams		59,892,444	48,353,263
Vehicle running and maintenance		15,026,915	9,778,863
Fee and subscriptions		7,133,960	11,545,341
Insurance		3,103,838	4,030,047
Depreciation	5.3	85,296,612	58,497,361
Amortization	6.3	25,721,098	23,214,556
Other		17,223,704	10,681,132
		3,327,328,027	2,274,279,796
Purchase of software for trading		467,794,544	409,410,841
		3,795,122,571	2,683,690,637

24.1 This includes employees retirement benefit expense amounting to Rs. 80.68 (2017: Rs. 66.7) million.

	Note	2018 Rupees	2017 Rupees
25. DISTRIBUTION EXPENSES			
Salaries, allowances and amenities	25.1	54,443,551	38,196,421
Collection charges		23,555,387	10,242,215
Printing and stationery		584,223	690,586
Computer supplies		225,993	271,557
Rent, rates and taxes		770,595	378,629
Electricity, gas and water		262,098	248,079
Traveling and conveyance		3,422,874	2,143,203
Repair and maintenance		390,959	95,515
Postage, telephone and telegrams		691,547	381,422
Vehicle running and maintenance		879,449	429,270
Entertainment		512,447	289,040
Insurance		46,789	24,406
Fee and subscriptions		662,801	525,936
Shows/Seminars/Advertising		2,579,977	3,220,634
Depreciation	5.3	1,185,656	480,333
Amortization	6.3	199,756	232,264
Tender documents		125,217	194,303
Miscellaneous		-	894,831
		90,539,319	58,938,644

25.1 This includes employees retirement benefit expense amounting to Rs. 1.04 (2017: Rs. 0.89) million.

	Note	2018 Rupees	2017 Rupees
26. ADMINISTRATIVE EXPENSES			
Salaries, allowances and amenities	26.1	367,606,548	349,859,561
Printing and stationery		5,097,379	1,853,882
Computer supplies		10,274,072	7,134,847
Rent, rates and taxes		26,434,036	14,772,372
Electricity, gas and water		7,935,894	9,164,340
Traveling and conveyance		19,399,030	17,720,023
Repair and maintenance		16,974,986	5,276,340
Postage, telephone and telegrams		15,426,254	15,505,482
Vehicle running and maintenance		5,250,769	4,974,409
Legal and professional		22,641,824	11,568,990
Auditors' remuneration	26.2	2,997,335	2,652,850
Entertainment		4,025,926	3,392,477
Donations	26.3	2,593,861	-
Fee and subscriptions/Training		15,765,547	10,959,472
Insurance		2,268,296	2,028,685
Hiring cost		690,300	-
Newspapers, books and periodicals		62,620	40,764
Depreciation	5.3	28,554,520	19,967,470
Amortization	6.3	6,158,058	5,542,353
Others		12,472,254	1,591,103
		572,629,509	484,005,420

26.1 This includes employees retirement benefit expense amounting to Rs. 8.80 (2017: Rs. 13.03) million.

	2018 Rupees	2017 Rupees
26.2 Auditors' remuneration		
Statutory audit fee	2,428,635	2,110,850
Half yearly review	568,700	542,000
	2,997,335	2,652,850

26.3 This includes donations of Rs. 1,020,000 given to Citizen Foundation. The Directors or their spouses have no interest in any of the Donees' fund.

	2018 Rupees	2017 Rupees
27. OTHER OPERATING EXPENSES		
Provision for doubtful debts and unbilled revenue	118,857,365	32,681,252
Unbilled revenue and bad debts written off	19,490,427	103,152,843
	138,347,792	135,834,095

	Note	2018 Rupees	2017 Rupees
28. OTHER INCOME			
Income from financial assets:			
Profit on deposit accounts		4,304,948	3,968,819
Gain on short term investments		11,864,417	8,281,319
Exchange gain on translation of export debts		376,223,089	75,658,855
		392,392,454	87,908,993
Income from non-financial assets:			
Gain on disposal of property and equipment		9,369,368	7,454,520
Others		6,698,831	19,616,996
		16,068,199	27,071,516
		408,460,653	114,980,509
29. FINANCE COSTS			
Markup on guarantee commission		683,226	1,159,811
Markup on short term borrowing		5,079,189	3,047,514
Bank charges		21,310,629	11,579,166
		27,073,044	15,786,491
30. TAXATION			
Income tax:			
- current year	(30.1)&(30.2)	19,924,314	15,508,334
- prior year		(4,308,458)	(577,757)
		15,615,856	14,930,577
Deferred tax		31,771,724	(6,494,861)
		47,387,580	8,435,716
30.1	This represents tax chargeable under Minimum Tax Regime on local sale of software and services. The income of the Holding Company from export of software is exempt under clause 133 Part 1 of Second Schedule to the Income Tax Ordinance, 2001.		
30.2	Reconciliation between accounting profit and tax expense for the year ended 31 December 2017 is meaningless in view of the minimum tax under section 153 read with clause 94 of Part IV of Second Schedule of Income Tax Ordinance, 2001.		
30.3	As per the management's assessment, sufficient tax provision has been made in the financial statements. The comparison of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:		
		2017 Rupees	2016 Rupees
			2015 Rupees
Provision as per financial statements		10,256,945	15,967,695
Tax assessment		11,860,171	15,389,938
			10,082,379

31. OPERATING SEGMENT INFORMATION

Geographical segments

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

-North America

-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.

	North America		Middle East		Pakistan		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Sales	2,176,279,624	1,880,265,469	1,796,596,465	1,188,365,728	1,351,046,353	763,797,840	5,323,922,442	3,832,429,037
Cost of sales	(1,247,495,756)	(1,115,490,682)	(1,471,220,470)	(899,835,495)	(1,076,406,345)	(668,364,460)	(3,795,122,571)	(2,683,690,637)
Gross profit	928,783,868	764,774,787	325,375,995	288,530,233	274,640,008	95,433,380	1,528,799,871	1,148,738,400
Distribution expenses	(8,337,068)	(4,191,336)	(3,334,203)	(4,255,469)	(78,868,048)	(50,491,839)	(90,539,319)	(58,938,644)
Administrative expenses	(253,677,703)	(205,793,539)	(225,106,765)	(225,430,287)	(93,845,041)	(52,781,594)	(572,629,509)	(484,005,420)
	(262,014,771)	(209,984,875)	(228,440,968)	(229,685,756)	(172,713,089)	(103,273,433)	(663,168,828)	(542,944,064)
Profit / (loss) before taxation and unallocated income and expenses	666,769,097	554,789,912	96,935,027	58,844,477	101,926,919	(7,840,053)	865,631,043	605,794,336
Unallocated income and expenses:								
Other operating expenses							(138,347,792)	(135,834,095)
Other income							408,460,653	114,980,509
Finance cost							(27,073,044)	(15,786,491)
							243,039,817	(36,640,077)
Profit before taxation							1,108,670,860	569,154,259
Taxation							(47,387,580)	(8,435,716)
Profit for the year							1,061,283,280	560,718,543

31.1 Allocation of assets and liabilities

	North America		Middle East		Pakistan		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Segment operating assets								
Property and equipment	-	-	10,107,720	11,000,854	1,074,086,965	885,627,176	1,084,194,685	896,628,030
Intangibles	-	-	-	-	173,060,937	146,681,884	173,060,937	146,681,884
Long term deposits	-	-	1,927,800	-	21,042,753	20,342,739	22,970,553	20,342,739
Deferred taxation	-	-	-	-	-	31,771,724	-	31,771,724
Unbilled revenue	-	-	206,390,048	251,091,766	365,337,819	239,920,969	571,727,867	491,012,735
Trade debts	502,199,850	329,001,384	763,018,243	434,642,359	426,580,390	228,948,579	1,691,798,483	992,592,322
Loans and advances	-	-	16,213,139	39,324,512	53,482,612	24,436,290	69,695,751	63,760,802
Trade Deposits and short term prepayments	-	-	96,124,493	21,160,038	226,594,457	121,027,353	322,718,950	142,187,391
Interest accrued	-	-	-	-	1,457,808	374,882	1,457,808	374,882
Other receivable	-	4,118,251	207,780,930	132,605,001	-	-	207,780,930	136,723,252
Short term investments	-	-	-	-	295,000,000	225,000,000	295,000,000	225,000,000
Tax refunds due from government	-	-	-	-	165,250,487	141,044,878	165,250,487	141,044,878
Cash and bank balances	-	-	327,596,270	232,865,864	434,055,331	465,009,391	761,651,601	697,875,255
Total operating assets	502,199,850	333,119,635	1,629,158,643	1,122,690,394	3,235,949,559	2,530,185,865	5,367,308,052	3,985,995,894
Segment operating liabilities								
Long term advances	-	-	-	-	18,565,295	12,218,784	18,565,295	12,218,784
Short term borrowings	-	-	-	-	460,423,914	210,423,914	460,423,914	210,423,914
Trade and other payables	-	-	211,952,874	89,724,973	443,716,389	341,482,957	655,669,263	431,207,930
Unclaimed dividend	-	-	-	-	1,975,820	-	1,975,820	-
Provision for gratuity	-	-	6,636,508	9,010,703	-	-	6,636,508	9,010,703
Markup accrued	-	-	-	-	3,689,005	2,795,246	3,689,005	2,795,246
Unearned revenue	-	-	28,678,180	25,277,669	12,918,978	65,532,595	41,597,158	90,810,264
Current portion of long term advances	-	-	-	-	9,660,504	4,906,222	9,660,504	4,906,222
Total operating liabilities	-	-	247,267,562	124,013,345	950,949,905	637,359,718	1,198,217,467	761,373,063

32. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise subsidiary, associated companies, companies in which directors are interested, staff retirement funds and directors and key management personnel (Note 33). The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under respective notes to the consolidated financial statements. Other significant transactions with related parties are as follows:

			2018 Rupees	2017 Rupees
<u>Undertaking</u>	<u>Relation</u>	<u>Nature of transaction</u>		
Visionet Systems Incorporation - USA	Associate	Sales	2,116,576,146	1,839,197,405
		Reimbursement of expenses	98,100,485	14,315,997
UUS-JV (Private) Limited.	Joint Operation	Loan	153,618,326	75,026,039
		Interest income	29,433,315	272,690
Staff retirement funds		Contribution	90,527,733	75,408,409

Visionet Systems Incorporation - USA (VSI) is associated company of the Group on the basis of common directorship and incorporated in United State of America (USA). The registered address of VSI is Cedarbrook Corporate Center, 4 Cedarbrook Drive, Bldg. B Cranbury, NJ 08512-3641. The name of Chief Executive Office of VSI is "Arshad Masood" and auditor's opinion on latest financial statements of VSI is unqualified.

33. 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	
	2018 Nos	2017 Nos	2018 Nos	2017 Nos	2018 Nos	2017 Nos
Number of persons	1	1	6	6	259	165
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	30,000,000	25,800,000	-	-	729,259,336	453,506,555
Retirement benefits	1,860,000	1,720,000	-	-	42,062,058	24,674,465
Bonus	29,476,903	12,910,500	-	-	37,209,820	19,616,513
Fees	-	-	1,450,000	650,000	-	-
	61,336,903	40,430,500	1,450,000	650,000	808,531,214	497,797,533

33.1 In addition to the above remuneration, the Chief Executive Officer and certain executives are also provided with free medical reimbursements, mobile phone facility and free use of the Company maintained cars in accordance with their entitlement.

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

33.3 During the year, the Chief Executive and Other Executives were granted 544,210 (2017: 306,991) and 344,822 (2017: 172,606) share options respectively, which have a vesting period of two years. Further, the impact of benefits available to the Chief Executive and other executives recognised by the Group on account of share-based payment plans aggregated to Rs. 22.33 (2017: Rs. 9) million and Rs. 13.83 (2017: 5.34) million, respectively.

33.4 During the current year, Chief Executive Officer and certain executives of the Group exercised stock option under employee stock option scheme according to which 385,896 (2017: 749,160) shares were issued to them.

33.5 Comparative figures have been restated to reflect changes in the definition of executive as per the Companies Act, 2017.

34 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:

	2018 Rupees	2017 Rupees
34.1 Basic earnings per share		
Profit for the year	1,074,490,752	570,012,161
	(Number of shares)	
Weighted-average number of ordinary shares outstanding during the year	112,012,671	111,622,403
Basic earnings per share (Rupees)	9.59	5.11
	2018 Rupees	2017 Rupees
34.2 Diluted earnings per share		
Profit for the year	1,074,490,752	570,012,161
	(Number of shares)	
Weighted-average number of ordinary shares (basic)	112,012,671	111,622,403
Effect of share options	438,197	214,296
Weighted average number of ordinary shares - diluted	112,450,868	111,836,699
Diluted earnings per share (Rupees)	9.56	5.10

	Note	2018 Rupees	2017 Rupees
35. CASH GENERATED FROM OPERATIONS			
Profit before taxation		1,108,670,860	569,154,259
Adjustment for:			
Depreciation on property and equipment	5.3	115,036,788	78,945,164
Amortization of intangibles	6	32,078,912	28,989,173
Provision for bad debts - net	27	118,857,365	32,681,252
Bad debts - written off	27	19,490,427	103,152,843
(Provision reversed) / Provision for gratuity		8,587,666	5,710,039
Finance costs	29	27,073,044	15,786,491
Exchange gain on translation of export debts	28	(376,223,089)	(75,658,855)
Gain on short term investments	28	(11,864,417)	(8,281,319)
Share based payment expense		36,163,103	14,344,060
Reversal of Worker's Welfare Fund		-	(17,930,514)
Gain on disposal of property and equipment		(9,369,368)	(7,454,520.00)
		1,068,501,291	739,438,073
Working capital changes			
(Increase) / Decrease in current assets			
Unbilled revenue - net		(129,928,238)	(20,930,276)
Trade debts		(461,330,864)	38,480,514
Loans and advances		(5,934,949)	(29,889,368)
Trade deposits and short term prepayments		(180,531,559)	(57,126,655)
Other receivables		(71,057,678)	13,621,607
		(848,783,288)	(55,844,178)
Increase / (decrease) in trade and other payables		219,266,401	183,936,798
		(629,516,887)	128,092,620
Cash generated from operations		438,984,404	867,530,693

36. FINANCIAL RISK MANAGEMENT

Financial instruments comprise deposits, unbilled revenue, interest accrued, trade debts, advances to employees against salaries, loans, other receivables, cash and bank balances and short term investments, trade and other payables and mark up accrued on short term borrowings.

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

- Market risk
- Credit risk
- Liquidity risk

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

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

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

36.1 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 2018 Rupees	Effect on profit before tax 2017 Rupees
Receivables - USD	+1	-	1,810,433
	-1	-	(1,810,433)
Receivables - AED	+1	19,542,245	25,780,694
	-1	(19,542,245)	(25,780,694)
Bank balance - USD	+1	14,212	4,786
	-1	(14,212)	(4,786)
Bank balance - AED	+1	8,666,568	7,749,280
	-1	(8,666,568)	(7,749,280)
Reporting date rate:			
USD		138.8	110.4
AED		37.8	30.05

(b) Other price risk

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

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:

	2018 Rupees	2017 Rupees
Floating rate instruments		
Financial assets		
Short term investments	295,000,000	225,000,000
Bank balances - deposit accounts	563,768,082	567,984,116
	858,768,082	792,984,116
Financial liabilities		
Short term borrowings	460,423,914	210,423,914

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

The following analysis demonstrates the sensitivity to a change in interest rates, with all other variables held constant, of the Group's profit before tax. This analysis is prepared assuming the amounts of floating rate instruments outstanding at reporting dates were outstanding for the whole year.

		Changes in interest rate	Effects on profit before tax
Short term investments	2018	+1	2,950,000
		-1	(2,950,000)
	2017	+1	2,250,000
		-1	(2,250,000)
Bank balances - deposit accounts	2018	+1	5,637,681
		-1	(5,637,681)
	2017	+1	5,679,841
		-1	(5,679,841)

36.2 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 counter-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:

	2018 Rupees	2017 Rupees
Unbilled revenue	571,727,867	491,012,735
Trade debts	1,691,798,483	1,009,749,395
Trade deposits	237,626,955	113,825,407
Advances to employees against salaries	11,374,876	8,669,195
Other receivables	207,780,930	136,723,252
Interest accrued	1,457,808	374,882
Short term investment	295,000,000	225,000,000
Bank balances	761,426,200	697,769,809
	3,778,193,119	2,683,124,675
The aging of trade receivables at the reporting date is:		
0 - 120 days	983,455,842	888,595,885
121 - 365 days	669,102,228	115,344,210
Above one year	90,504,343	47,829,816
	1,743,062,413	1,051,769,911
Impairment above one year	(51,263,930)	(42,020,516)
	1,691,798,483	1,009,749,395

As at year end, 29% of trade debts (2017: 32%) was represented by one customer amounting to Rs. 492.9 (2017: Rs. 329) 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:

Banks	Rating			2018	2017
	Short term	Long term	Agency	Rupees	Rupees
Habib Metropolitan Bank	A1+	AA+	PACRA	491,888,068	336,542,222
Bank Islami Pak	A1	A+	PACRA	8,898,514	11,654,637
United Bank Limited	A1+	AAA	JCR-VIS	32,709,951	34,702,766
Faysal Bank	A1+	AA	PACRA	4,289,170	56,618,519
Standard Chartered Bank	A1+	AAA	PACRA	19,731,573	6,521,421
Albarakah Bank Limited	A1	A	PACRA	-	663,662
Meezan Bank	A1+	AA	JCR-VIS	132,004	8,108,416
Bank Alfalah Limited	A1+	AA+	PACRA	686,852	1,745,753
Habib Bank Limited	A1+	AAA	JCR-VIS	74,269,978	62,236,314
MCB Bank Limited	A1+	AAA	PACRA	142,914,492	182,083,331
Askari Bank	A1+	AA+	PACRA	-	1,797
Habib Bank AG Zurich	N/A	N/A	N/A	284,385,163	221,890,971
Telenor Microfinance Bank	A1	A+	PACRA	778,202	-
				1,060,683,967	922,769,809

36.3 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 2018:

	Carrying amount Rupees	Contractual cash flows Rupees	Less than one year Rupees
Trade and other payables	640,405,896	640,405,896	640,405,896
Short term borrowings	460,423,914	460,423,914	460,423,914
Mark-up accrued on short term borrowings	3,689,005	3,689,005	3,689,005
	1,104,518,815	1,104,518,815	1,104,518,815

The following are the contractual maturities of financial liabilities as at 31 December 2017:

	Carrying amount Rupees	Contractual cash flows Rupees	Less than one year Rupees
Trade and other payables	420,215,690	420,215,690	420,215,690
Short term borrowings	210,423,914	210,423,914	210,423,914
Mark-up accrued on short term borrowings	2,795,246	2,795,246	2,795,246
	633,434,850	633,434,850	633,434,850

36.4 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.

36.5 Financial instruments by categories

2018				
	Cash and cash equivalents Rupees	Loans and receivable Rupees	Held to maturity Rupees	Total Rupees
Assets as per balance sheet				
Long term deposits	-	22,970,553	-	22,970,553
Unbilled revenue	-	571,727,867	-	571,727,867
Trade debts	-	1,691,798,483	-	1,691,798,483
Loans and advances	-	69,695,751	-	69,695,751
Security deposits	-	214,656,402	-	214,656,402
Interest accrued	-	1,457,808	-	1,457,808
Other receivables	-	207,780,930	-	207,780,930
Short term investments	-	-	295,000,000	295,000,000
Cash and bank balances	761,651,601	-	-	761,651,601
	761,651,601	2,780,087,794	295,000,000	3,836,739,395

2017				
	Cash and cash equivalents Rupees	Loans and receivable Rupees	Held to maturity Rupees	Total Rupees
Assets as per balance sheet				
Long term deposits	-	20,342,739	-	20,342,739
Unbilled revenue	-	491,012,735	-	491,012,735
Trade debts	-	992,592,322	-	992,592,322
Loans and advances	-	63,760,802	-	63,760,802
Security deposits	-	93,482,668	-	93,482,668
Interest accrued	-	374,882	-	374,882
Other receivables	-	136,723,252	-	136,723,252
Short term investments	-	-	225,000,000	225,000,000
Cash and bank balances	697,875,255	-	-	697,875,255
	697,875,255	1,798,289,400	225,000,000	2,721,164,655
			2018 Financial liabilities at amortized cost Rupees	2017 Financial liabilities at amortized cost Rupees
Liabilities as per balance sheet				
Mark-up accrued on short term borrowings			3,689,005	2,795,246
Short term borrowings			460,423,914	210,423,914
Trade and other payables			91,715,336	162,340,411
			555,828,255	375,559,571

36.6 Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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.

As at 31 December 2018 and 31 December 2017, the Group did not have any financial instruments carried at fair value.

36.7 Capital risk management

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

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

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

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

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

	2018 Rupees	2017 Rupees
Net debt	-	-
Total equity	4,170,367,165	3,212,691,939
Capital gearing ratio	-	-

Since the Group, has healthy cash flows at year end which is primarily because of higher revenue resulting in profits and increased equity due to new shares issued, therefore, it does not carry any long term debts at 31 December 2018 except a short term running finance facility of Rs. 450 million.

The Group is not subject to any externally-imposed capital requirements.

37. PROVIDENT FUND TRUST

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

	Note	Un-audited 2018 Rupees	Audited 2017 Rupees
Size of the fund (net assets)		312,633,119	305,732,683
Cost of investment made (actual investments made)	37.2	254,268,667	222,435,330
Percentage of investment made (cost of investments)		81.33%	72.75%
Fair value of investments		314,099,381	309,373,999

37.2 Break-up of investments of provident fund

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

	2018		2017	
Description	Investments Rupees	% of investment as size of the fund	Investments Rupees	% of investment as size of the fund
Mutual Funds	116,268,667	37.2%	95,435,330	31.2%
Defense saving certificates	3,000,000	1.0%	22,000,000	7.2%
Term Deposit Receipts	135,000,000	43.2%	105,000,000	34.3%
	254,268,667	81.4%	222,435,330	72.7%

37.3 The above information is based on unaudited financial statements of the provident fund.

	2018	2017
38. NUMBER OF EMPLOYEES		
Total number of employees at the end of the year were as follows:		
Regular	1,322	1,247
Contractual	1,075	569
	2,397	1,816
Average number of employees during the year were as follows:		
Regular	1,070	1,190
Contractual	919	512
	1,989	1,702

39. SUBSEQUENT EVENTS

The Board of Directors in their meeting held on 29 March 2019 have proposed a final cash dividend for the year ended 31 December 2018 of Rs. 2 (2017: Rs. 1.75) per share and 10% bonus shares for the year ended 31 December 2018, for approval of the members at the Annual General Meeting to be held on 26 April 2019. These financial statements for the year ended 31 December 2018 do not include the effect of these appropriations as it will be accounted for in the year in which it is approved.

40. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 29 March 2019 by the Board of Directors of the Company.

41. 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 financial statements.

42. GENERAL

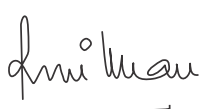
Figures have been rounded off to the nearest of rupees, unless otherwise stated.



CHAIRMAN



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER

Notes

Notes

Notes

Form of Proxy

42nd Annual General Meeting

I/We _____

son/daughter of _____

a member of Systems Limited (the "Company") and holder of _____

number of shares as per registered folio no. _____ do hereby appoint Mr./Ms. _____

son/daughter of _____ or failing him/her

Mr./Ms. _____

son/daughter of _____

who is also member of the Company vide Registered Folio No. _____

as my/our Proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 26 April 2019 at 11am at the Company registered office situated at E-1, Sehjpal Road, Phase VIII (Ex-Air Avenue), Lahore, Pakistan and at any adjournments thereof.

In witness whereof on this _____ day of _____ 2019.

WITNESSES:

1. Signature _____
 Name _____
 Address _____
 CNIC _____

Affix Revenue
Stamp

2. Signature _____
 Name _____
 Address _____
 CNIC _____

Member's Signature

NOTES:

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



اختیار دهنده فارم

[illegible]

دستخط شده _____ دن _____ 2019

دستخط ممبر

نوٹ:

- 1- ایک رکن اپنی جگہ پر کسی دوسرے رکن کو میٹنگ میں شامل ہونے کا اختیار اور رائے دے سکتا ہے اور دوسرے کی جگہ پر مقرر کرنے کی اطلاع میٹنگ سے کم از کم 48 گھنٹے پہلے رجسٹر آفس کو مطلع کیا جائے۔
- 2- اپنی جگہ کسی کو مقرر کرنے کے لیے تصدیق شدہ دستخط سے تحریری طور پر مطلع کیا جائے۔ اگر رکن کوئی کمپنی کا نمائندہ ہے تو اس کی مہر ثبت کرے۔



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