

19 April 2023

The General Manager
Pakistan Stock Exchange
Stock Exchange Building
Stock Exchange Road Karachi

Subject: **FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022**

Dear Sir,

We have to inform you that the Board of Directors of the Company in their meeting dated: 18 April 2023 at Lahore have approved the financial statements for the year ended 31 December 2022 and recommend the following:

DIVIDEND

A final cash dividend for the year ended 31 December 2022 at Rs. 5/- per share i.e. 50 %.

BONUS SHARES

Nil.

FINANCIAL RESULTS

Financial results of the Company are attached hereto as **Annexure - A** and **Annexure - B** along with the Directors' Report as **Annexure - C**.

PERFORMANCE OVERVIEW

Please refer to the Directors' Report in Annexure C for detailed performance review and the future outlook of the Company.

ANNUAL GENERAL MEETING

The Annual General meeting shall be held on 23 May 2023 at Lahore, Pakistan.

The above entitlement will be paid to the shareholders whose name shall appear on the Register of Members on 16 May 2023.

BOOK CLOSURE

The Share Transfer Books of the Company shall be closed from 17 May 2023 to 23 May 2023 (both days inclusive). Transfer received at M/S THK Associates (Private) Limited, Plot no 32-C, Jami Commercial, Street 2 DHA Phase VII, Karachi at the close of business on 16 May 2023 will be treated in time for the purposes of above entitlement to the transferees.

Lahore

Systems Campus
Software Technology Park
E-1, Sehjpal Near DHA Phase-VIII
(Ex-Air Avenue), Lahore Cantt, Pakistan.
UAN: 042 111 SYSTEMS (797 836)

Karachi

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Shaheed-e-Millat Road,
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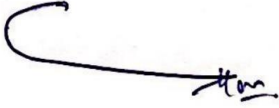
Dubai

TechVista Systems FZ-LLC
Office 1905, Regal Tower
Business Bay,
Dubai, UAE.
T: + 9714 369 3525
F: + 9714 456 3761

www.systemsltd.com

The Annual Report of the Company will be transmitted through PUCARS at least 21 days before holding of Annual General Meeting.

For and on behalf of Systems Limited



Saad Hasan Aslam
Company Secretary

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SYSTEMS LIMITED
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	2022 Rupees	2021 Rupees
Revenue from contracts with customers - net	28	20,644,764,716	11,903,583,911
Cost of revenue	29	(13,889,659,278)	(7,912,442,628)
Gross profit		6,755,105,438	3,991,141,283
Selling and distribution expenses	30	(270,588,626)	(188,926,692)
Administrative expenses	31	(1,520,716,072)	(981,346,043)
(Impairment losses) / Reversals of impairment losses on financial assets	32	(2,497,969)	12,563,431
Other operating expenses	33	(89,326,377)	(16,919,184)
		(1,883,129,044)	(1,174,628,488)
Operating profit		4,871,976,394	2,816,512,795
Other income	34	1,977,050,375	620,344,533
Finance costs	35	(224,538,852)	(84,291,698)
Profit before taxation		6,624,487,917	3,352,565,630
Taxation	36	(324,650,972)	(31,874,154)
Profit for the year		6,299,836,945	3,320,691,476
Earnings per share			(Restated)
-Basic	39	22.44	12.06
-Diluted	39	22.29	11.98

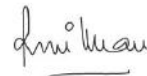
The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.



(CHAIRMAN)



(CHIEF EXECUTIVE)



(CHIEF FINANCIAL OFFICER)

SYSTEMS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	2022 Rupees	2021 Rupees
Revenue from contracts with customers - net	32	31,759,927,263	15,304,037,567
Cost of revenue	33	(23,123,647,896)	(10,314,365,850)
Gross profit		<u>8,636,279,367</u>	<u>4,989,671,717</u>
Selling and distribution expenses	34	(740,518,496)	(385,600,533)
Administrative expenses	35	(2,483,965,304)	(1,426,803,958)
Reversals of impairment losses / (Impairment losses) on financial assets	36	40,359,108	(8,131,032)
Other operating expenses	37	(89,326,377)	-
		<u>(3,273,451,069)</u>	<u>(1,820,535,523)</u>
Operating profit		<u>5,362,828,298</u>	<u>3,169,136,194</u>
Other income	38	2,230,060,151	653,030,134
Fair value adjustment on dilution of control in subsidiary		-	816,226,748
Share of loss from associates	9	(323,899,362)	(83,384,503)
Finance costs	39	(287,819,752)	(121,404,658)
Profit before taxation		<u>6,981,169,335</u>	<u>4,433,603,915</u>
Taxation	40	(351,508,026)	(53,944,635)
Profit for the year		<u><u>6,629,661,309</u></u>	<u><u>4,379,659,280</u></u>
Attributable to:			
Equity holders of the parent		6,628,727,695	4,462,160,721
Non-controlling interest		933,614	(82,501,441)
		<u><u>6,629,661,309</u></u>	<u><u>4,379,659,280</u></u>
Earnings per share			(Restated)
Basic earnings per share	44	<u>23.61</u>	<u>16.21</u>
Diluted earnings per share	44	<u>23.45</u>	<u>16.10</u>

The annexed notes 1 to 52 form an integral part of these consolidated financial statements.


(CHAIRMAN)


(CHIEF EXECUTIVE OFFICER)


(CHIEF FINANCIAL OFFICER)

DIRECTORS' REPORT

AT THE

FORTY-SIXTH ANNUAL GENERAL MEETING

OF

SHAREHOLDERS

OF



FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

PROPRIETARY NOTICE: THIS DOCUMENT CONTAINS CONFIDENTIAL INFORMATION PROPRIETARY TO SYSTEMS LIMITED AND MAY NOT BE REPRODUCED, COPIED OR USED FOR PURPOSES OTHER THAN ITS INTENDED USE WITHOUT THE PRIOR WRITTEN CONSENT OF SYSTEMS LIMITED. THE INFORMATION IN THIS DOCUMENT IS SUBJECT TO CHANGE WITHOUT NOTICE.

DIRECTORS' REPORT TO THE SHAREHOLDERS 2022

The Directors of the Company take pleasure in presenting the Annual Report of your Company, together with the Unconsolidated and Consolidated financial statements for the year ended 31 December 2022.

Group Overview:

The Company is a public limited company incorporated in Pakistan under the Companies Act, 2017, and listed on the Pakistan Stock Exchange. The Company was incorporated in 1977 and 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 which are as follows:

- TechVista Systems FZ LLC, UAE
- SUS (Private) Limited (incorporated for Baluchistan Land record project), Pakistan
- Systems Arabia for Information Technology, KSA
- Systems Ventures (Private) Ltd, Pakistan
- Techvista Information Technology W.L.L., Qatar
- SYS Egypt for Information Technology Services, Egypt
- Systems International IT Pte. Ltd., Singapore
- Systems Africa for Information Technologies (Pty.) Ltd., South Africa
- National Data Consultants (Pvt.) Limited, Pakistan
- Associated company - E-Processing Systems B.V. Netherlands

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. TechVista Systems FZ LLC has 100% control in TechVista Manpower LLC, TechVista LLC and TechVista Systems Pty Limited. During the year TechVista Systems FZ LLC has fully acquired Treehouse Consultancy LLC, a high-end IT solutions provider, along with its subsidiaries and associated companies.

Systems Arabia for Information Technology, a limited liability Company incorporated in the Kingdom of Saudi Arabia, is 100% owned subsidiary of Systems Limited. Systems Arabia for Information Technology is engaged in the business of developing software and providing ancillary services.

Systems Venture (Private) Limited (SV), a private limited company registered under Companies Act 2017, is a 100% owned subsidiary of Systems Limited. Systems Venture is established in Pakistan to invest in new ventures, start ups and incubate new ideas. SV has invested in Retailistan (Private) Limited acquiring a 20% stake.

Techvista Information Technology W.L.L. is a limited liability company incorporated in the State of Qatar. Systems Limited owns 34% (December 31, 2021: 34%) share capital in TVSQ. Pursuant to the agreement entered with the remaining shareholders of Techvista Information Technology W.L.L. on February 27, 2022 the Holding Company has obtained all control and management of Techvista Information Technology W.L.L.

During the year, the Company added the following entities to the group:

Systems International IT Pte. Ltd. a wholly owned subsidiary has been incorporated in Singapore. Systems International IT Pte. Ltd has 100% control in Systems APAC for Information Technology PTE. LTD. and acquired 100% stake in National Data Consultants FZC (incorporated in UAE) and NDCtech APAC Pte. Ltd. (incorporated in Singapore)

Systems Africa for Information Technologies (Pty.) Ltd., a limited liability company incorporated in the Republic of South Africa on July 28, 2022, for the purpose of sale of software services and trading software licenses in the region.

Systems Limited acquired 100% stake in National Data Consultants (Pvt.) Limited "NdcTech". NdcTech has been a leading core banking implementation service provider for the past 22 years and has a rich set of clients in Pakistan, Middle East, Africa and Asia Pacific region.

Associated companies of Group:

Retailistan provides a leading Sales and Distribution Platform called SalesFlo that is trusted by a number of large FMCG manufacturers. It's a SaaS B2B platform that allows stores to place orders directly to manufacturers/wholesalers/authorized distributors on the platform. The platform covers Distribution Management System, Digital Merchandising and Instore Marketing tool, and Data science solutions (Data Analytics). Currently used by around 15,000 distributor agents through FMCGs. Retailistan has a wholly owned subsidiary called Jugnu, which is an online marketplace accessible through a mobile app to enable retailers to buy a variety of products. Jugnu buys from manufacturers and distributors, stores in their

warehouses and deliver next day based on orders received from retailers. So it's a B2B E-commerce play. Systems Ventures holds 20% in Retailistan.

E-Processing Systems B.V. (EPS), a private limited Company registered in Netherlands, is a 44.60% owned associate 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 Company is in the process of launching OneZap under E-Money license from State Bank of Pakistan (SBP).

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

Activities:

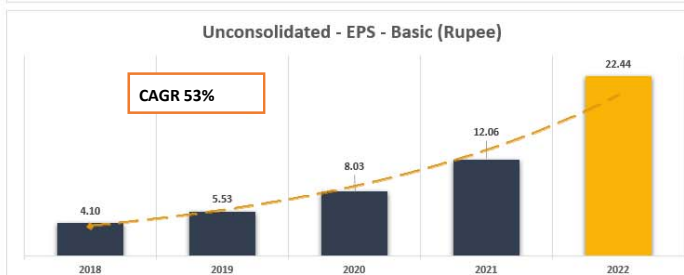
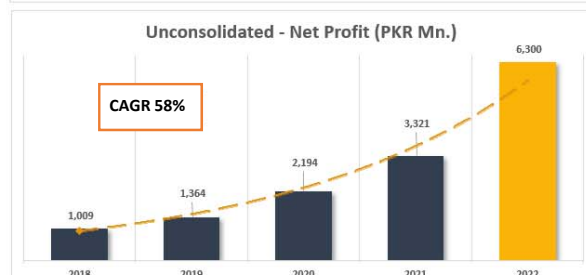
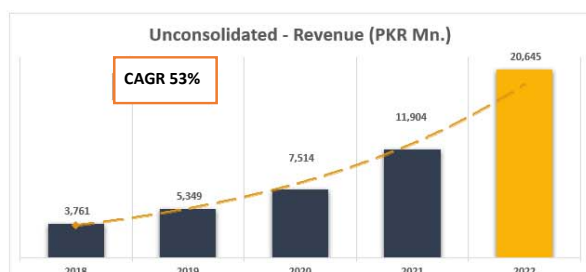
The Company's revenue comes primarily from Digital/Data/Cloud Services, Managed Services, Consulting Services, IT outsourcing and Business Process Outsourcing/Contact Center. The Company generates over 80% of its revenue from export of Services to various geographies such as North America, Europe and Middle East and less than 20% from domestic market. The Company is well diversified into various business verticals such as Telco, Retail, CPG, Pharma, Banking and Public sector.

FINANCIAL PERFORMANCE OF THE COMPANY AND THE GROUP DURING 2022

Unconsolidated:

The Company's financial results for FY22 have maintained a strong trajectory. Operating revenues for the year in local currency were Rs. 20,644.7 million showing a growth of 73% over the previous year. Profit after tax for the year was Rs. 6,299.8 million showing a growth of 90%. Gross profit and operating profit increased by 69% and 73% respectively. Since FY18, the Company has delivered a Compounded Annual Growth Rate (CAGR) in revenues of 53%. The revenue growth has been mainly driven by IT services and profitability growth has been driven by demand and growth across all geographies and all verticals. Revenue in USD also showed a growth of 38% and profit growth of 51%.

Unconsolidated			
Particulars	FY 2022	FY 2021	Y/Y
Revenue	20,644,764,716	11,903,583,911	73%
Gross profit	6,755,105,438	3,991,141,283	69%
Operating Profit	4,871,976,394	2,816,512,795	73%
Profit before taxation	6,624,487,917	3,352,565,630	98%
Profit after taxation	6,299,836,945	3,320,691,476	90%
Earnings per share (basic)	22.44	12.06	86%
Earnings per share (diluted)	22.29	11.98	86%



Consolidated:

During year ended 31 December 2022, consolidated revenue grew by 108% from Rs. 15,304.0 million to Rs. 31,759.9 million. Gross profit and operating profit increased by 73% and 69% respectively. Net profit for the period increased by 51% from Rs. 4,379.7 million to Rs. 6,629.6 million. Basic and diluted earnings per share increased by 46% over the same period last yearLY includes one time gain of Rs 816.2 million arising from the conversion of EP Systems BV from a subsidiary to an associate, growth in PAT excluding this gain is 88% from Rs. 3,563.4 million to 6,629.6 million. . Revenue growth in USD is 65% and operating profit is 34%.

Growth in revenue is contributed by both the Company and its subsidiaries. Majority of the work from our group companies has moved from onsite to offshore.

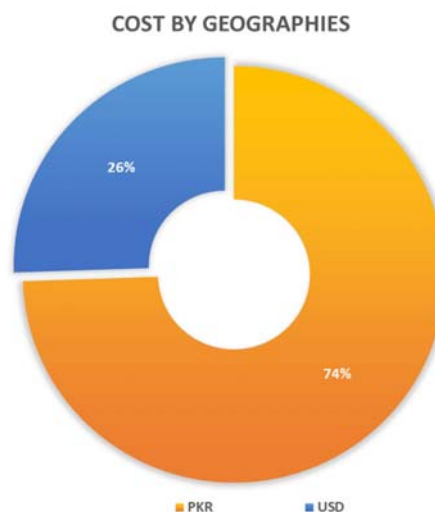
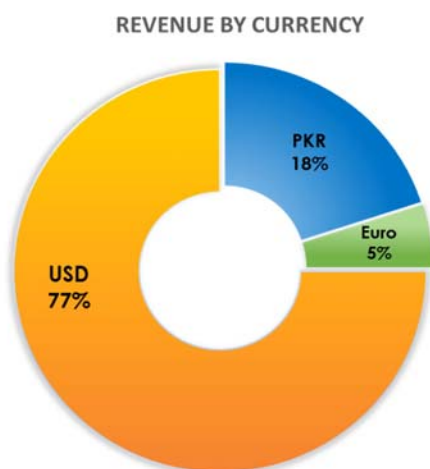
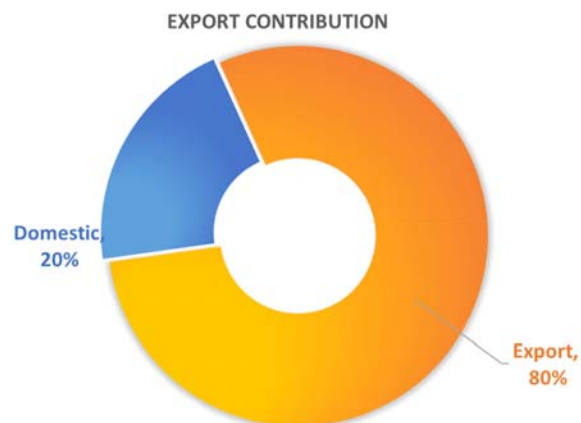
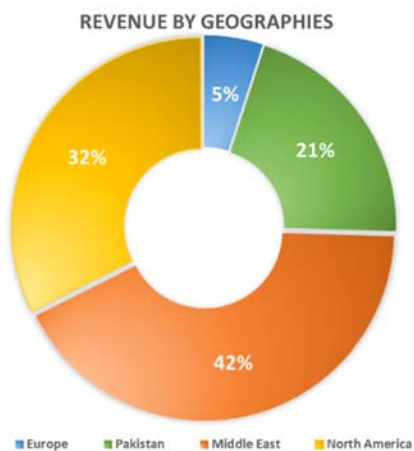
Consolidated			
Particulars	FY 2022	FY 2021	Y/Y
Revenue*	31,759,927,263	15,304,037,567	108%
Gross profit	8,636,279,367	4,989,671,717	73%
Operating Profit	5,362,828,298	3,169,136,194	69%
Gain on disposal of subsidiary**	-	816,226,748	-100%
Share of loss from associate***	(323,899,362)	(83,384,503)	288%
Profit before taxation	6,981,169,335	4,433,603,915	57%
Profit after taxation	6,629,661,309	4,379,659,280	51%
Earnings per share (basic)	23.61	16.21	46%
Earnings per share (diluted)	23.45	16.10	46%

* Consolidated revenue includes one-off revenue from sale of licence of CLOS, a product developed by NDC and sold for an upfront payment of \$8 million and subsequent royalty of ~ \$7 million over five years, which has been recognized at present value. Cost of \$15 million has been adjusted against the revalued intangibles at the time of acquisition neutralizing the P&L.

** This one-time gain has been recognized in the Last year consolidated financial statements arising from conversion of E-Processing Systems B.V. from a subsidiary to associate on account of dilution of voting rights resulting from investment of Gates Foundation in irredeemable preference shares.

*** The share of loss is proportionate share from Retailistan and EP Systems B.V..





*One off trading transaction (CLOS) has been excluded from the above charts.

Performance by Segment (Consolidated)

The Company is showing a strong growth across all four segments, with Middle East region taking the lead, followed by Pakistan and North America. Export sales of the Company are approximately 83% of total sales, taking another 2% from the domestic sales, with the Company's target being to further increase the export component going forward. Diversification into new regions and new markets will support this objective as the company is actively looking to expand in the new markets.

During the year, the Company made significant progress in getting repeat business from existing customers and also increased its business through cross selling and upselling to new customers, and customers acquired through the two acquisitions.

	North America		Europe		Middle East, Africa & Others		Pakistan		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Rupees										
Revenue from all customers	9,342	6,423	4,367	1,047	12,264	5,000	10,587	4,359	36,560	16,829
Intra-group revenue	-	-	-	-	(118)	-	(4,682)	(1,525)	(4,800)	(1,525)
Revenue from contracts with customers	9,342	6,423	4,367	1,047	12,146	5,000	5,905	2,834	31,760	15,304
Cost of revenue	(5,940)	(3,897)	(3,813)	(659)	(8,306)	(3,480)	(5,065)	(2,279)	(23,124)	(10,314)
Gross profit	3,403	2,526	554	388	3,840	1,520	839	555	8,636	4,990
Distribution expenses	(8.80)	(23)	(1)	(4)	(474)	(7)	(256)	(352)	(741)	(386)
Administrative expenses	(966)	(703)	(175)	(90)	(1,053)	(501)	(291)	(133)	(2,484)	(1,427)
Profit / (loss) before taxation and unallocated income and expenses	(975)	(726)	(176)	(94)	(1,527)	(508)	(547)	(485)	(3,224)	(1,812)
	2,428	1,801	378	294	2,313	1,012	293	70	5,412	3,177
Unallocated income and expenses:										
Other operating expenses									(89.33)	-
Reversals of impairment losses / (impairment losses) on financial assets									40	(8)
Exchange gain									1,375	334
Other income									855	319
Fair value adjustment on dilution of control in subsidiary									-	816
Share of loss of associate									(324)	(83)
Finance cost									(288)	(121)
									1,569	1,256
Profit before taxation									6,981	4,434
Taxation									(352)	(54)
Profit for the year									6,630	4,380

North America & Europe

The segment analysis shows a one-off sale of a licence of product developed by NDC under Europe segment. Since the transaction is P&L neutral, the normalized margins of Europe region are 39% GP and 26% OP. The North American and European region grew by 45% and 37% (normalized) respectively and the Company is expecting to see modest growth in this segment in future.

Middle East

In the Middle Eastern region, TVS in UAE is leading the growth trajectory contributing about 57% to the total revenue. KSA and Qatar are also entering into the game with KSA having the potential to become a sizeable business in near future. APAC and Africa being very small at the moment, have also been clubbed under ME segment.

Pakistan

The Company has been re-strategizing its domestic business and has repositioned the customer base to private sector large scale enterprises from public sector and SMEs. The Company is focused on securing long-term recurring managed service contracts with Teleco and Financial institutions.

DIVIDEND & APPROPRIATIONS

For the year 2022, the Directors recommended a payment of final cash dividend @ 5 per share (2021: Rs. 5 per share) and bonus issue: Nil (2021: 100%).

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

	Un-appropriated profit (PKR)
Balance as at 31 December 2021	8,067,856,280
Total comprehensive income for the year	6,299,836,945
Less: Final dividend for the year ended 31 December 2021 at the rate of PKR Rs 5 per share	(695,913,000)
Less: Bonus share issue	(1,391,826,000)
Balance as at 31 December 2022	12,279,954,225

EARNINGS PER SHARE

Basic and diluted earnings per share for the year ended 31 December 2022 for the Company are Rs. 22.44 and Rs. 22.29 (31 December 2021: Rs. 12.06 and Rs. 11.98) per share. Similarly, the basic and diluted earnings per share for the Group are Rs 23.61 and Rs. 23.45 (31 December 2021: Rs. 16.21 and Rs. 16.10) per share.

ACQUISITION UPDATE

During last six months post acquisition of NDCTech, the Company has been actively working in capitalizing on the synergies and amalgamating the two businesses. The Company has also entered into two deals in the quarter which the Company believes will yield greater results in the future. The Company has acquired rights to develop and sell licences for the Country Model Bank (CMB) from Temenos which is a global banking software with localization capability. The Company has acquired the first right of refusal for the core banking upgrades in the 7 countries in GCC along with Pakistan which opens up new CMB license deals for the Company in the territories acquired with a possibility to promote additional services to the existing and new customers. The deal costs the Company to pay \$15m over 5 years and the company has already started amortizing the product in 2022.

The Company has also creatively packaged and sold a product developed by NDC called the CLOS (Consumer Loan Origination System). The product was priced at \$8m with ~ \$7m in guaranteed Royalties over 5 years and has been recognized as one time revenue in the P&L whereby the revalued cost reduced the intangibles value neutralizing the P&L impact.

PEOPLE'S UPDATE

During the year, the Company has made a net addition of ~ 827 resources to the group workforce. This includes employees from diverse backgrounds and varied skillset and includes resources hired across geographies. The Company has built teams in the regions which includes senior executives to run those geographies and pre-sales resources along with technical resources to manage front end customers. The Company is investing and hiring resources proactively and striving towards a future-ready pool of resources by training, re-skilling, and upskilling of the existing resource pool. The Company has also successfully integrated all NDC and TH teams under Systems umbrella.

During the year, the Company initiated skill developing programs like IT Mustaqbil (ITM) and TechLift to create the pipeline for its growing need for human resource. First batch of ITM has graduated and the Company is working on launching ITM in Karachi and Islamabad as well in 2023 to further expand the supply pipeline



INFRASTRUCTURE

The Company has developed sufficient infrastructure in Pakistan to accommodate future growth in the resource base including rear tower in Lahore office, new state of art office in Karachi along with separate facilities to house BPO resources in both Lahore and Karachi. The Company also invested in developing work spaces in UAE and KSA to accommodate the resource requirement to support business growth. The Company has sufficient capacity now and is not looking for a major upgrade or addition in 2023.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The company aims to be an active corporate citizen in the societies where it operates. The Company believes that the future lies in the youth of today. We also believe that the technology shapes the future of nation, hence our efforts are focussed more on the technology related initiatives. Besides investing in the development of young people, the company helps underprivileged children and youth to advance in their life and avoid exclusion. Our initiatives mainly focus on the following

- Education,
- Health &

- Climate Change.

The Company has spent about Rs 77.4m in this regard in the financial year. The company launched the IT Mustakbil training program, focusing on reskilling the talent by expanding its footprint. The program is dedicated to providing equal opportunity to everyone to gain skills in IT related technologies and ultimately use them to explore the land of opportunities in the corporate world.

Health and medical services available to the community are another top corporate social responsibilities focus. The Company continues to support, aid, and help the facilitation of healthcare conveniences to the society through collaborations with health institutes, donations, and sponsorships for the cause.

ENVIRONMENT, SOCIAL, GOVERNANCE (ESG)

In line with Systems ESG Vision 2030, the Company has identified five (5) pillars to cater its ESG footprint and to map its activities with the UN sustainability principles. Periodic self assessment is undertaken and progress with the objectives aligned with each pillar are reported.

A summary of key activities undertaken during the year against each sustainability pillar are as follows:

Be kind to the Environment

- Water Conservation through awareness programs
- Tracking of energy consumption

Be kind to the Employees

- Hiring more specially abled employees
- Increased employee engagements through town halls and management meetings
- More focus on women empowerment
- Significant increase in trainings & certifications
- Numerous safety drills and sessions on work space ergonomics

Giving back to the Society

- Allocation of CSR budget and planned CSR initiatives
- Initiated Digital Inclusion through IT Mustakbil Program
- Laptop Donations

Governance

- Independent Board and its committees promoting GRC
- Responsible tax practices
- Code of conduct/Business ethics
- Cyber security and data privacy

Sustainable Financial Growth

- 5 year revenue CAGR over 52%
- Consistent dividend payouts and capitalization gains
- Global expansion to reduce concentration risk

For further details on specific facts, a sustainability dashboard is included in the annual report.

FUTURE OUTLOOK AND PROSPECTS FOR GROWTH

2023 Plans

- In 2023, the Company is planning to consolidate its offerings under 3 core verticals;
 - With the acquisition of NDC, the Company's existing Banking and Finance Sector (BFS) vertical is strengthened by merging all core and non-core banking services under one roof. This vertical is led by a seasoned professional team who is responsible for overall growth of the vertical by expanding its offerings and services through innovation and global expansion. The Company believes that there is a huge opportunity to cross sell and upsell end to end business consultancy and technology services to conventional, Islamic and digital banks.
 - The Company is further strengthening its Telco vertical around digital BSS (Business Solution Services) side. The Company has focused over past few years on the digital BSS and has developed few solutions and frameworks for the Telco, which serve as a door opener to access new telco clients. The Company is working on expanding the footprint in Telco in larger GCC region as well as APAC.

- The Company has combined all other services under a third vertical calling it a growth vertical where the Company is serving various public sector entities across regions along with pharma, healthcare, retail with special focus on technology offerings.
- To be agile and relevant, the Company is constantly upgrading its technology skill set including Generative AI, AR/VR, IOT, RPA, Metaverse and blockchain.
- The Company plans to stay focused on the existing markets this year to capitalize on the higher growth trajectory in MEA region. The Company is seeing strong demand and new opportunities and a healthy pipeline available that can be capitalized for future growth. Hence, the Company is not planning to tap into new markets in 2023. Following are few key updates on the markets:
 - The Company's UAE and Middle East Cluster (MEC) business has strategic and long term contracts and relationships which will be the enabler for the future growth of existing customers and will also open up new opportunities through direct relationships, partner networks and strong principal alignments such as Microsoft, Temenos, SAP, Informatica and many other strategic relationships.
 - KSA entity that was incorporated earlier last year, is fully operational now and the Company has secured sizeable contracts in KSA and Bahrain region. The healthy pipeline will help with the momentum in KSA as a lot of investment is happening in the region especially in Riyadh area. The Company is targeting customer acquisition in both public and private sectors.
 - The Company has also infiltrated APAC in 2022 by acquiring a few large customers in the region. APAC market has received the company well and considering the market size and potential, the Company sees good opportunity and expecting the growth momentum to continue. The Company is aggressively pursuing new deals for further expansion in the APAC region.
 - The Company has ventured into the African region and opened its office in South Africa. The Company is getting a lot of traction in East and West Africa as well and has signed deals in West Africa in addition to South Africa. The Company has team on ground and exploring the region further for future growth.
 - During the year, a development center was incorporated in Egypt in order to gain language advantage and to serve the regional Arabic speaking customers. However the Company is getting traction in the Egyptian market as well and has been able to secure deals especially in the banking and Telco sector and sees further opportunity to grow.
- The Company is seeing modest growth in North America and Europe region. The Company is aggressively working to grow existing customers and acquire new business through direct relationships, strong principal alignments such as Microsoft, Salesforce and many other strategic relationships.
- As a strategy, the Company is limiting its mortgage BPO business which has been adversely impacted by the higher interest rates across the globe. Mortgage BPO is expected to be less than 2% of the overall portfolio.
- The Company plans to continue pursuing inorganic growth opportunities, not just in Pakistan but globally as well. The Company is evaluating businesses that are aligned with the strategy, structure and culture of the Company.

PRINCIPAL RISK AND UNERTAINTIES FACING THE COMPANY

RISK FACTORS

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

- **Political risk** – The current local and global political environment can impact businesses if the situation gets adverse.
- **Risk of Travel advisory** – Investors and buyers will not be able to travel to the country in case of any travel advisory. Though offshoring has increased in the past couple of years, however business travel is still required to onsite centers and travel restrictions will impact business since resources will not be able to visit foreign clients.
- **Pricing Pressures** – In case of demand compression, over supply of capacity could result in a price war, potentially effecting profit margins. Under inflationary pressures, customers may seek for discounts or renegotiations on current contracts.
- **Country Risk** – Political instability, high inflation and interest rates can impact business.
- **Global recession** – caused by Stagflation resulting in slow down of economic activities globally.

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 incorporated following subsidiaries during the year:

Incorporation of New Subsidiaries

- Techvista Information Technology W.L.L. a limited liability company incorporated in the State of Qatar. Systems Limited owns 34% share capital in the company, Pursuant to the agreement entered with the remaining shareholders of the company on February 27, 2022 Systems limited has obtained all control and management of the company.
- SYS Egypt for Information Technology Services, a limited liability company incorporated in the Arab Republic of Egypt on May 29, 2022, for the purpose of sale of software services and trading software licenses in the Middle East and North Africa region
- Systems Africa for Information Technologies (Pty.) Ltd., a limited liability company incorporated in the Republic of South Africa on July 28, 2022, for the purpose of sale of software services and trading software licenses in the region.
- Systems International IT Pte. Ltd. is a limited liability company incorporated in the Republic of Singapore on May 11, 2022 for the purpose of sale of software services and trading software licenses in the Asia Pacific region.
- Systems APAC for Information Technology Pte. Ltd was incorporated in the Republic of Singapore on March 24, 2022 for the purpose of Development of Software & Applications. Systems APAC for Information Technology PTE Ltd is a sub-subsidiary of Systems International IT Pte. Ltd.

New Acquisitions

- TechVista Systems FZ LLC a wholly owned systems limited company, has fully acquired Treehouse Consultancy LLC, a high-end IT solutions provider, along with its subsidiaries and associated companies.
- National Data Consultant (Private) Limited ('NdcTech'), acquired by the Company on July 05, 2022 through the share purchase agreement. NdcTech is a company setup in Pakistan engaged in core and digital banking implementation services, having rich clients in Pakistan, Middle East, Africa and Asia Pacific region.
- Systems International IT Pte. Ltd has acquired 100% stake in National Data Consultants FZC (incorporated in UAE).

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 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.

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

COMPOSITION OF THE BOARD

In line with the requirements of the CCG, the Company encourages representation of Independent and Non-Executive Directors, as well as gender diversity, on its Board. The current composition of the Board is as follows:

Total Number of Directors

a) Male: 6

b) Female: 1

Composition

- i. **Independent Directors: 4**
Mr. Syed Muhammad Shabbar Zaidi
Mr. Asif Jooma
Ms. Romana Abdullah
Mr. Omer Saeed
- ii. **Non-Executive Directors: 2**
Mr. Aezaz Hussain - Chairman
Mr. Arshad Masood
- iii. **Executive Directors: 1**
Mr. Asif Peer - CEO

Audit Committee

Mr. Syed Mohammad Shabbar Zaidi - Chairman
Mr. Asif Jooma – Member
Ms. Romana Abdullah – Member

HR & Compensation Committee

Mr. Asif Jooma - Chairman
Mr. Omer Saeed
Ms. Romana Abdullah
Mr. Arshad Masood

During the period under review, seven (7) Board meetings, five (05) Audit Committee meetings and two (02) Human Resource and Compensation Committee (HRCC) meetings were held. Attendance by each Director of the respective Board/Sub – Committees meetings was as follows:

Name of Director	Board Meetings	Audit Committee	HRCC
Mr. Aezaz Hussain	7	-	-
Mr. Arshad Masood	7	-	2
Mr. Asif Peer	7	-	-
Mr. Asif Jooma	7	5	2
Mr. Syed Muhammad Shabbar Zaidi	7	5	-
Mr. Omer Saeed	4	-	2

Ms. Romana Abdullah	6	4	2
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POLICY ON NON EXECUTIVE AND INDEPENDENT DIRECTORS' REMUNERATION

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

The remuneration levels are commensurate with the level of responsibility and expertise, to attract and retain experienced and wellqualified directors encouraging value creation for Systems Limited; while ensuring that the compensation packages are not at a level that could be perceived to compromise the independence of non-executive directors. No director is involved in the determination of their own remuneration package.

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

BOARD EVALUATION

As required under the Listed Companies (Code of Corporate Governance Regulations), 2019, the Board conducts a self-evaluation of its performance on an annual basis. The Board of Directors believes that continuous assessment is critical in determining how effectively the Board has performed against the objectives and goals that they have set for themselves. Based on the results of the evaluation, areas of improvement are identified and corrective action plans are prepared and acted on.

DIRECTORS' TRAINING

A majority of the Board members have either acquired Director's training or have the prescribed qualification and experience required for exemption from training programmes for Directors, under Regulation 19 of the CCG. All Directors are fully conversant with their duties and responsibilities as Directors of corporate bodies.

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 2022 amounts to Rs 1,668.2 million (31 December 2021: PKR 949.1 million)

PATTERN OF SHAREHOLDING

The Pattern of Shareholding as at 31 December 2022 of Systems Limited along with its subsidiaries is annexed in the annual report.

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 2022 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. All the directors are required to disclose their interest where such transactions are of interest to them.

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 audited 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

A.F. Ferguson & Co. has completed its tenure for the year 2022 and retire at the conclusion of the 46th Annual General Meeting. Being eligible, they have offered themselves for re-appointment for the financial year ending December 31st, 2023.

Upon recommendation of the Audit Committee, the Board recommends appointing M/s A.F. Ferguson & Co. as the statutory auditors of the Company for the year ending December 31, 2023, subject to the approval of the Shareholders at the forthcoming Annual General Meeting of the Company.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements of the Company includes the following subsidiaries and associates:

- TechVista Systems FZ LLC.
- SUS (Private) Limited (incorporated for Baluchistan Land record project)
- Systems Arabia for Information Technology
- Systems Ventures (Private) Ltd
- Techvista Information Technology W.L.L.
- SYS Egypt for Information Technology Services
- Systems International IT Pte. Ltd.
- Systems Africa for Information Technologies (Pty.) Ltd.
- National Data Consultants (Pvt.) Limited
- Associated company - E-Processing Systems B.V.

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: 18-April-2023
Lahore