

29 August 2023

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

Subject: **FINANCIAL RESULTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**

Dear Sir,

We have to inform you that the Board of Directors of the Company in their meeting dated: 28 August 2023 have approved the financial statements for the six months period ended 30 June 2023 and recommend the following:

DIVIDEND

Nil.

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

The Company (Standalone):

During period under review, standalone revenue grew 62% over same period last year from Rs. 8,791.85 million to Rs. 14,210.44 million. Consequently, Gross profit and Operating profit are 41% and 34% higher than SPLY (same period last year) respectively. Margins remain under

stress due to significant inflationary pressures in the domestic market, partially eased by continued devaluation of the Pak Rupee resulting in a revaluation gain of Rs 2,355.52 million compared to the gain in June 2022 of Rs. 664.67 million increasing Net profit by 73%, from Rs. 2,792.16 million to Rs.4,821.90 million in this period. Basic and diluted earnings per share increased by 65% in line with profit for the period. The growth in revenue, net of the impact of exchange gain, is 11%.

The increase in revenue has been led by Middle East.

The Group (Consolidated):

In line with the unconsolidated results, consolidated revenue grew by 102% from Rs. 11,463.24 million to Rs. 23,189.16 million versus SPLY.

Gross profit and operating profit increased 71% and 41% respectively. Investment in subsidiaries along with inflationary pressures in the domestic market have impacted margins, however, optimization of revenue and costs has positively impacted margins quarter over quarter. Net profit for the period at Rs. 5,293.86 million is 79% higher than SPLY, including the Rs. 2,546.64 million exchange gain. Basic and diluted earnings per share increased by 71% and 70% respectively in line with profit for the period. Eliminating the currency impact, revenue is up by 39% in US dollar terms.

During the year ended December 31, 2022, the management had acquired 9% stake in the fastest growing fashion e-commerce brand of Pakistan, JOMO, as a strategic investment. However, considering the economic downturn in the country and delay in anticipated funding resulting in deteriorating liquidity and financial performance of the brand, the management believes that the carrying value of investment amounting to Rs 154. 46 million does not truly reflect its fair value. Hence the management, in the interest of prudence has taken requisite impairment of the investment.

The Company was absorbing a share of loss from another strategic investment in Retailistan/Jugnu which had been adversely impacting the margins. Since it has neutralized the cost of investment, no further adverse impact on profitability is expected.



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

E-5, Central Commercial Area,
Shaheed-e-Millat Road,
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TechVista Systems FZ-LLC
Office 1905, Regal Tower
Business Bay,
Dubai, UAE.
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For details, please refer to the attached Directors report.

For and on behalf of Systems Limited



Ali Ahmed Iftikhar
Company Secretary

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www.systemsitd.com

SYSTEMS LIMITED

CONDENSED UNCONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)

AS AT JUNE 30, 2023

	Note	Un-audited June 30 2023 Rupees	Audited December 31, 2022 Rupees
ASSETS			
Non-current assets			
Property and equipment	5	3,432,988,713	2,763,406,669
Intangibles		8,440,151	13,503,017
Long term investments	6	8,200,742,043	6,739,908,701
Right-of-use assets		587,963,830	512,738,929
Long term loans		466,147,052	298,036,906
Deferred employee benefits		154,001,941	86,938,319
Long term deposits		75,340,713	34,749,904
Deferred taxation - net		26,241,687	13,465,206
		<u>12,951,866,130</u>	<u>10,462,747,651</u>
Current assets			
Contract assets - unsecured		1,471,371,964	1,029,444,687
Trade debts - unsecured	7	12,047,962,022	8,818,580,572
Loans, advances and other receivables		1,364,570,395	976,727,988
Current portion of deferred employee benefits		53,073,169	29,892,702
Trade deposits and short term prepayments		780,391,626	327,193,963
Income tax refunds due from the Government		202,554,103	172,923,163
Short term investments	8	382,703,322	4,430,978,169
Interest accrued		3,140,097	1,521,649
Cash and bank balances		4,107,258,041	588,569,946
		<u>20,413,024,739</u>	<u>16,375,832,839</u>
TOTAL ASSETS		<u><u>33,364,890,869</u></u>	<u><u>26,838,580,490</u></u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital		4,000,000,000	4,000,000,000
400,000,000 (December 31, 2022: 400,000,000) ordinary shares of Rs 10 each		<u>4,000,000,000</u>	<u>4,000,000,000</u>
Issued, subscribed and paid-up share capital		2,912,786,989	2,904,076,989
Capital reserves		5,271,352,743	4,994,930,422
Revenue reserve: Un-appropriated profit		15,650,068,323	12,283,429,147
		<u>23,834,208,055</u>	<u>20,182,436,558</u>
Non-current liabilities			
Long term advances		9,407,637	6,767,044
Lease liabilities		520,182,157	454,684,688
		<u>529,589,794</u>	<u>461,451,732</u>
Current liabilities			
Trade and other payables		4,108,833,339	2,694,812,394
Unclaimed dividend		33,685,124	13,536,152
Contract liabilities		254,064,508	263,944,365
Short term borrowings - secured	9	4,320,000,000	3,050,000,000
Accrued mark-up on borrowings		166,280,079	82,126,318
Current portion of long term advances		1,960,699	3,234,396
Current portion of lease liabilities		116,269,271	87,038,575
		<u>9,001,093,020</u>	<u>6,194,692,200</u>
TOTAL EQUITY AND LIABILITIES		<u><u>33,364,890,869</u></u>	<u><u>26,838,580,490</u></u>

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 21 form an integral part of these condensed unconsolidated interim financial statements.


(CHAIRMAN)


(CHIEF EXECUTIVE)


(CHIEF FINANCIAL OFFICER)

SYSTEMS LIMITED
CONDENSED UNCONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE SIX MONTHS AND THREE MONTHS PERIODS ENDED JUNE 30, 2023

	Note	Six Months Ended		Three Months Ended	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Rupees					
Revenue from contracts with customers - net	11	14,210,447,645	8,791,854,416	7,337,587,741	4,720,207,340
Cost of revenue		(10,198,961,416)	(5,956,627,745)	(5,256,453,870)	(3,110,880,162)
Gross profit		4,011,486,229	2,835,226,671	2,081,133,871	1,609,327,178
Selling and distribution expenses		(156,652,596)	(121,333,010)	(93,481,363)	(50,983,958)
Administrative expenses		(1,024,576,181)	(692,324,124)	(561,696,079)	(353,361,047)
Impairment losses on financial assets		(123,234,380)	1,720,002	(144,132,102)	30,497,452
		(1,304,463,157)	(811,937,132)	(799,309,544)	(373,847,553)
Operating profit		2,707,023,072	2,023,289,539	1,281,824,327	1,235,479,625
Other income	12	2,646,201,703	1,013,074,342	233,394,869	678,328,642
Finance costs		(298,313,543)	(79,124,114)	(195,385,064)	(49,580,799)
Profit before taxation		5,054,911,232	2,957,239,767	1,319,834,132	1,864,227,468
Taxation		(233,003,561)	(165,079,335)	(137,453,064)	(140,115,463)
Profit for the year		4,821,907,671	2,792,160,432	1,182,381,068	1,724,112,005
Earnings per share	13				
-Basic		16.59	10.05	4.06	6.19
-Diluted		16.45	10.00	4.03	6.16

The annexed notes 1 to 21 form an integral part of these condensed unconsolidated interim financial statements.

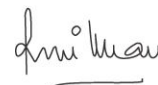
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(CHAIRMAN)



(CHIEF EXECUTIVE)



(CHIEF FINANCIAL OFFICER)

SYSTEMS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023 (UNAUDITED)

		Unaudited 30 June 2023	Audited 31 December 2022
	Note	Rupees	Rupees
ASSETS			
Non-current assets			
Property and equipment	6	3,675,704,718	2,942,599,349
Intangible		8,554,243,827	7,963,673,553
Long term investments	7	191,980,972	243,023,912
Investment in Associates		727,538,623	951,034,316
Right-of-use asset		657,218,425	580,144,739
Long term loans		466,147,052	298,036,906
Deferred taxation - net		26,241,687	12,157,378
Deferred employee benefits		154,001,941	86,938,319
Long term receivable - unsecured		1,151,081,906	909,097,001
Long term deposits		102,359,195	63,844,710
		15,706,518,344	14,050,550,183
Current assets			
Contract assets		3,852,713,273	2,591,990,933
Trade debts	8	10,739,307,676	8,494,847,010
Current portion of long term receivable - unsecured		154,947,723	194,200,634
Loans, advances and other receivables		1,421,618,548	1,434,826,075
Trade deposits and short term prepayments		3,946,842,395	1,094,819,779
Interest accrued		3,140,097	1,521,649
Short term investments	9	382,703,322	4,430,978,169
Tax refunds due from the Government		305,203,743	187,443,226
Current portion of deferred employee benefits		53,073,169	29,892,702
Cash and bank balances		7,619,045,197	5,814,496,232
		28,478,595,144	24,275,016,409
TOTAL ASSETS		44,185,113,489	38,325,566,592
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
400,000,000 (2022: 400,000,000) ordinary shares of Rs. 10 each		4,000,000,000	4,000,000,000
Issued, subscribed and paid up share capital		2,912,786,990	2,904,076,990
Capital and reserves		7,278,297,318	5,917,212,743
Unappropriated profits		17,943,479,131	14,104,886,266
		28,134,563,439	22,926,175,999
Non-controlling interest		2,434,667	2,103,542
		28,136,998,106	22,928,279,541
Non-current liabilities			
Long term advances		37,497,367	6,767,044
Lease Liability		520,182,157	491,701,794
Other long term liability - unsecured		1,350,351,627	1,040,158,349
Provision for gratuity		588,223,934	455,978,209
		2,496,255,085	1,994,605,396
Current liabilities			
Trade and other payables		5,911,201,697	5,937,289,453
Unclaimed Dividend		33,685,124	13,536,152
Contract Liability		2,065,227,069	3,025,704,894
Mark-up accrued on short term borrowings		166,773,229	83,638,647
Short term borrowings		4,380,000,000	3,110,000,000
Current Portion of lease liability		189,163,853	112,996,863
Current portion of other long term liability		803,848,627	1,116,281,250
Current portion of long term advances		1,960,699	3,234,396
		13,551,860,299	13,402,681,655
TOTAL EQUITY & LIABILITIES		44,185,113,489	38,325,566,592

CONTINGENCIES AND COMMITMENTS

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The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.



(CHAIRMAN)



(CHIEF EXECUTIVE OFFICER)



(CHIEF FINANCIAL OFFICER)

SYSTEMS LIMITED
CONSOLIDATED CONDENSED INTERIM PROFIT OR LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)

	Note	Six Months Ended		Three Months Ended	
		June 30, 2023 Rupees	June 30, 2022 Rupees	June 30, 2023 Rupees	June 30, 2022 Rupees
Revenue from contract with customers - net		23,189,163,398	11,463,245,291	12,490,424,144	6,130,430,381
Cost of sales		16,930,536,067	7,808,798,515	9,022,154,087	4,074,517,756
Gross profit		6,258,627,331	3,654,446,776	3,468,270,057	2,055,912,625
Distribution expenses		835,417,628	264,926,345	488,620,965	137,313,406
Administrative expenses		1,843,693,101	985,799,849	1,058,691,170	551,476,465
Impairment losses on financial assets	12	220,530,590	20,439,229	269,511,700	(16,146,348)
		2,899,641,319	1,271,165,423	1,816,823,835	672,643,522
Operating profit		3,358,986,012	2,383,281,352	1,651,446,222	1,383,269,103
Other income	13	2,838,286,831	981,645,354	285,957,523	647,254,836
Share of loss from associate		223,495,692	149,092,734	113,054,927	74,555,185
Finance cost		408,141,675	84,353,239	251,137,273	51,512,231
Profit before taxation		5,565,635,476	3,131,480,733	1,573,211,545	1,904,456,523
Taxation		271,774,116	166,043,510	158,777,247	139,435,909
Profit after taxation		5,293,861,360	2,965,437,224	1,414,434,297	1,765,020,613
Attributable to:					
Equity holders of the parent		5,293,530,235	2,965,410,608	1,414,251,865	1,765,012,595
Non-controlling interest		331,125	26,616	182,433	8,018
		5,293,861,360	2,965,437,224	1,414,434,297	1,765,020,613
Earnings per share:					
Basic earnings per share	14	18.21	10.67	4.86	6.34
Diluted earnings per share		18.05	10.62	4.83	6.30

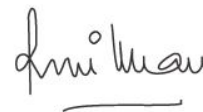
The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.



(CHAIRMAN)



(CHIEF EXECUTIVE OFFICER)



(CHIEF FINANCIAL OFFICER)

DIRECTOR'S REVIEW REPORT – 30TH JUNE 2023

On behalf of the Board of Directors, we are pleased to present the Standalone and Consolidated Financial Statements for the six months period ended 30th June 2023.

FINANCIAL RESULTS

Unconsolidated:

During period under review, standalone revenue grew 62% over same period last year from Rs. 8,791.85 million to Rs. 14,210.44 million. Consequently, Gross profit and Operating profit are 41% and 34% higher than SPLY (same period last year) respectively. Margins remain under stress due to significant inflationary pressures in the domestic market, partially eased by continued devaluation of the Pak Rupee resulting in a revaluation gain of Rs 2,355.52 million compared to the gain in June 2022 of Rs. 664.67 million increasing net profit by 73%, from Rs. 2,792.16 million to Rs.4,821.90 million in this period. Basic and diluted earnings per share increased by 65% in line with profit for the period. The growth in revenue, net of the impact of exchange gain, is 11%.

The increase in revenue has been led by Middle East.

Key Financial Highlights – Unconsolidated			
Particulars	June-23 (unaudited)	June-22 (unaudited)	Change
	Rs.	Rs.	%
Revenue	14,210,447,645	8,791,854,416	62
Gross Profit	4,011,486,229	2,835,226,671	41
Operating profit	2,707,023,072	2,023,289,539	34
Profit for the period	4,821,907,671	2,792,160,432	73
Earnings before Interest, Tax & Depreciation	3,064,140,484	2,286,894,366	34
Earnings per share (basic)	16.59	10.05	65
Earnings per share (diluted)	16.45	10.00	65

Other Income – Unconsolidated		
Particulars	June-23 (unaudited)	June-22 (unaudited)
	Rs.	Rs.
Other Income	290,685,500	348,401,808
Exchange Gain / (Loss)	2,355,516,203	664,672,534
	2,646,201,703	1,013,074,342

Consolidated:

In line with the unconsolidated results, consolidated revenue grew by 102% from Rs. 11,463.24 million to Rs. 23,189.16 million versus SPLY.

Gross profit and operating profit increased 71% and 41% respectively. Investment in subsidiaries along with inflationary pressures in the domestic market have impacted margins, however, optimization of revenue and costs has positively impacted margins quarter over quarter. Net profit for the period at Rs. 5,293.86 million is 79% higher than SPLY, including the Rs. 2,546.64 million exchange gain. Basic and diluted earnings per share increased by 71%

and 70% respectively in line with profit for the period. Eliminating the currency impact, revenue is up by 39% in US dollar terms.

During the year ended December 31, 2022, the management had acquired 9% stake in the fastest growing fashion e-commerce brand of Pakistan, JOMO, as a strategic investment. However, considering the economic downturn in the country and delay in anticipated funding resulting in deteriorating liquidity and financial performance of the brand, the management believes that the carrying value of investment amounting to Rs 154. 46 million does not truly reflect its fair value. Hence the management, in the interest of prudence has taken requisite impairment of the investment.

The Company was absorbing a share of loss from another strategic investment in Retailistan/Jugnu which had been adversely impacting the margins. Since it has neutralized the cost of investment, no further adverse impact on profitability is expected.

Consolidated			
Particulars	June-23 (unaudited)	June-22 (unaudited)	Change
	Rs.	Rs.	%
Revenue	23,189,163,398	11,463,245,291	102%
Gross Profit	6,258,627,331	3,654,446,776	71%
Operating profit	3,358,986,012	2,383,281,353	41%
Earnings before Interest, Tax & Depreciation	4,165,021,856	2,601,341,215	60%
Profit for the period	5,293,861,360	2,965,437,224	79%
Earnings per share (basic)	18.21	10.67	71%
Earnings per share (diluted)	18.05	10.62	70%

Other Income – Consolidated		
Particulars	June-23 (unaudited)	June-22 (unaudited)
	Rs.	Rs.
Other Income	291,649,051	316,972,820
Exchange Gain / (Loss)	2,546,637,780	664,672,534
	2,838,286,831	981,645,354

PERFORMANCE BY SEGMENT – VERTICAL AND GEOGRAPHICAL – CONSOLIDATED

The Company's has realigned its strategy for growth and has started monitoring performance based on industry verticals along with geographical segments. This helps capture synergies through the cross-selling of technologies and solutions across verticals. This approach allows the Company to leverage its expertise and capabilities more effectively across various sectors, increasing operational efficiency.

Shifting toward industry verticals prompts the Company to reevaluate its global resources in alignment with the specific needs and growth potential of each vertical. This means that the Company will strategically allocate its resources, such as talent, technology and investments to effectively capitalize on growth opportunities within

each sector. This dynamic resource allocation supports the Company's overarching strategy of maximizing growth and efficiency.

Although the Company will continue to use both geographical and vertical segments, the four primary segments will revolve around industry verticals, reflecting the company's strategic shift:

- Banking Financial Services & Insurance (BFSI): This segment likely includes activities related to banking, financial services, and insurance. The newly acquired segment of Temenos is included here.
- Retail & CPG (Consumer Packaged Goods): This segment encompasses retail operations and consumer goods.
- Telco (Telecommunications): This segment involves telecommunications services and technologies.
- Others: This catch-all category may include any remaining segments which are not material enough to be reported individually.

	BFSI		Telco		Technology		Retail & CPG		Others		Total	
	Un-audited		Un-audited		Un-audited		Un-audited		Un-audited		Un-audited	
	Six months ended 30 June 2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Revenue - net	7,115,123,374	2,416,405,956	4,744,066,695	2,186,861,775	3,358,534,341	1,915,524,082	2,576,692,829	2,144,883,097	5,394,746,159	2,799,570,382	23,189,163,398	11,463,245,291
Cost of sales	5,530,782,914	1,637,429,863	3,309,244,793	1,670,577,174	1,653,492,532	1,242,243,534	1,725,714,261	1,278,523,785	4,711,301,566	1,980,024,158	16,930,536,067	7,808,798,515
Gross profit	1,584,340,460	778,976,093	1,434,821,902	516,284,601	1,705,041,809	673,280,547	850,978,567	866,359,311	683,444,593	819,546,224	6,258,627,331	3,654,446,776
Distribution expenses	252,321,663	58,258,446	180,640,586	58,592,267	147,230,300	38,163,025	40,221,022	35,860,747	215,004,057	74,051,856	835,417,628	264,926,346
Administrative expenses	526,040,158	188,690,508	369,295,793	182,281,006	357,962,607	148,227,174	188,233,533	174,627,527	402,161,009	291,973,634	1,843,693,101	985,799,849
Profit / (loss) before taxation and unallocated income and expenses	778,361,822	246,948,954	549,936,376	240,873,273	905,192,907	186,980,199	228,454,555	210,488,274	617,165,066	386,025,490	2,679,110,729	1,250,726,194
Other operating expenses											(220,530,590)	(20,439,229)
Other income (excluding exchange gain)											291,649,051	316,972,820
Exchange (loss) / gain											2,546,637,780	664,672,534
Share of loss from associates											(223,495,692)	(149,092,734)
Finance cost											(408,141,675)	(84,353,239)
Profit before taxation											5,565,635,477	3,131,480,733
Taxation											(271,774,116)	(166,043,510)
Profit after taxation											5,293,861,360	2,965,437,224

The geographical segment analysis includes export sales of approximately 82% with the MEA region leading the growth. Aggressive investments in subsidiaries are creating pressure on margins, however, the Company is proactively engaged on realigning resources and optimizing costs to improve profitability.

	North America		Europe		Middle East & Africa		Asia Pacific		Pakistan & Others		Total	
	Un-audited		Un-audited		Un-audited		Un-audited		Un-audited		Un-audited	
	Six months ended June 2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Revenue - net	5,667,064,964	4,335,209,703	723,568,076	711,124,060	12,152,112,786	4,590,666,769	553,402,917	73,934,461	4,093,014,654	1,752,310,299	23,189,163,398	11,463,245,291
Cost of sales	3,752,856,996	2,805,698,757	523,758,445	380,016,153	8,304,861,409	3,105,669,936	391,704,589	52,891,755	3,957,354,628	1,464,521,913	16,930,536,067	7,808,798,515
Gross profit	1,914,207,968	1,529,510,946	199,809,632	331,107,906	3,847,251,377	1,484,996,833	161,698,329	21,042,706	1,135,660,026	287,788,386	6,258,627,331	3,654,446,776
Distribution expenses	14,510,230	14,470,391	1,852,659	1,833,973	597,597,489	145,730,624	48,907,611	110,029	172,549,639	102,781,328	835,417,628	264,926,345
Administrative expenses	653,997,064	450,257,616	99,264,949	41,430,449	806,648,472	452,710,274	39,537,047	5,612,023	244,245,569	35,789,488	1,843,693,101	985,799,850
Profit / (loss) before taxation and unallocated income and expenses	668,507,294	464,728,007	101,117,608	43,264,422	1,404,245,961	586,440,898	88,444,658	5,722,052	416,795,208	138,570,816	2,679,110,728	1,250,726,194
Other operating expenses											(220,530,590)	(20,439,229)
Other income (excluding exchange gain)											291,649,051	316,972,820
Exchange (loss) / gain											2,546,637,780	664,672,534
Share of loss from associates											(223,495,692)	(149,092,734)
Finance cost											(408,141,675)	(84,353,239)
Profit before taxation											5,565,635,477	3,131,480,733
Taxation											(271,774,116)	(166,043,510)
Profit after taxation											5,293,861,360	2,965,437,224

KEY FINANCIAL RATIOS

All profitability ratios have been maintained in the same range for both the standalone and consolidated financials. The current and quick ratios are reflective of the strong liquidity position of the Company, which can be directly linked with improved debtor management and is aligned with Company's investment strategy

Ratio Description	Standalone		Consolidated	
	Six months ended 30 th June		Six months ended 30 th June	
	2023	2022	2023	2022
Gross Profit Margin (%)	28	32	27	32
Operating Margin (%)	19	23	14	21
EBITDA Margin (%)	22	37	18	30
Pre-tax Margin (%)	36	34	24	27
Net Profit Margin (%)	34	32	23	26
Assets turnover (%)	47	48	56	53
Return on Equity (%)	20	22	19	20
Current ratio	2.27	2.48	2.10	2.64
Quick Ratio	2.00	2.30	1.50	2.32
Debtor Turnover (Days)	133	112	76	96
Debt: Equity (Ratio)	19:81	30:70	16:84	25:75
Interest Cover (Times)	19	41	17	41

FUTURE OUTLOOK

- In line with strong global demand on AI transformations, the Company is also investing heavily in building AI competency by building and developing a resource pool. The Company is also developing AI offerings for the BFS, Telco and Retail/CPG verticals.
- The recent devaluation of the Pak rupee has made the Company competitive in terms of pricing which has been a key driver in the recent wins of contracts in international markets. The Company believes that the service delivery center in Pakistan is a cost-effective IT Innovation and outsourcing destination for customers.
- Post acquisition of NDCTech, the Company has completed the strategic merger of the core and non-core Banking services vertical and the teams have been merged under a unified build, sell and delivery structure. This continues to open up various cross sell and up sell opportunities.
- The GCC region has not been impacted by inflation and economic slowdown and there is sustained demand and growth in the region. The UAE subsidiary is now a key contributor to the overall business. Contracts with key strategic accounts and a diversified portfolio present growth opportunities that are expected to provide the Company with recurring revenue going forward. Systems Arabia has also secured multi-year contracts with Saudi businesses and is fully aligned with Saudi Vision 2030 from the technology and digitization transformation in the Kingdom. The Company envisages opportunities for the Company

to grow in the financial, telecommunications, and public sector entities of KSA, which has been the core strength of its service offerings.

- Over the past couple of years, the Company has made significant investment in expanding into new markets and geographies. The Company is now working on maximizing the return on those investments.
- In the US market, the high margin Mortgage business which was a major contributor to BPO and Mortgage IT revenue in the past, has seen a constant decline over the past year owing to the increase in interest rates. However, the Company has been able to successfully absorb the impact of this challenge through increased focus on the IT business. The Company has signed a couple of strategic customers in the UK market and is foreseeing further potential. In line with Company's strategy to focus more on IT consulting in all markets with the US and Europe at the forefront, the Company expects this growth to continue due to the relevance of the various service domains and technology stack the Company is targeting.
- The Company is locking most of its domestic contracts in USD, thereby increasing dollar-based revenue for the company and hedging the foreign currency risk.
- To sustain the hyper-growth mode, the Company is investing in human resource through new hiring and striving towards a future-ready pool of resources by training, re-skilling, and upskilling of the existing resource pool. The Company has hired over 300 software engineers in last quarter and is aggressively working on the training and development of resources to fuel future growth.
- The Company is continuing to evaluate various M&A opportunities outside of Pakistan, which will further strengthen our future growth trajectory.

ACKNOWLEDGEMENT

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

On behalf of the Board,



Asif Peer
Chief Executive Officer
Date: 28 August 2023