

25 March 2024

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

Subject: **FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Dear Sir,

We have to inform you that the Board of Directors of the Company in their meeting dated: 22 March 2024 at Karachi have approved the financial statements for the year ended 31 December 2023 and recommend the following:

DIVIDEND

A final cash dividend for the year ended 31 December 2023 at Rs. 6/- per share i.e. 60%.

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 19 April 2024 at Lahore, Pakistan.

The above entitlement will be paid to the shareholders whose name shall appear on the Register of Members on 12 April 2024.

Headquarters

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

+92 (42) 111-797-836

MEA

Dubai
404, Dubai Hills Business Park 3,
Emaar Hills Estate P.O. box:
500497

+971 (04) 5686438

KSA

Riyadh
7069 King Fahd Road, Al Hital
Tower, 5th Floor, Al Sahafah
Dist, 13315.

APAC

Australia
Level 16, 1 Market Street,
Sydney, NSW, Australia Postal
Code 2000, Sydney.

www.systemsltd.com

BOOK CLOSURE

The Share Transfer Books of the Company shall be closed from 13 April 2024 to 19 April 2024 (both days inclusive). Transfer received at CDC Share Registrar Services Limited CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi, at the close of business 12 April 2024 will be treated in time for the purposes of above entitlement to the transferees.

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,



Ali Ahmed Iftikhar
Company Secretary

Headquarters

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

+92 (42) 111-797-836

MEA

Dubai
404, Dubai Hills Business Park 3,
Emaar Hills Estate P.O. box:
500497

+971 (04) 5686438

KSA

Riyadh
7069 King Fahd Road, Al Hital
Tower, 5th Floor, Al Sahafah
Dist, 13315.

APAC

Australia
Level 16, 1 Market Street,
Sydney, NSW, Australia Postal
Code 2000, Sydney.

www.systemsltd.com

SYSTEMS LIMITED
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 Rupees	2022 Rupees
Revenue from contracts with customers - net	29	32,037,995,164	20,644,764,716
Cost of revenue	30	(22,421,301,632)	(13,889,659,278)
Gross profit		9,616,693,532	6,755,105,438
Selling and distribution expenses	31	(392,255,261)	(270,588,626)
Administrative expenses	32	(2,085,697,629)	(1,520,716,072)
Impairment losses on financial assets	33	(33,473,891)	(2,497,969)
Other operating expenses	34	(8,561,586)	(89,326,377)
		(2,519,988,367)	(1,883,129,044)
Operating profit		7,096,705,165	4,871,976,394
Other income	35	2,645,199,791	1,977,050,375
Impairment loss on investment in associate	8.14	(68,953,239)	-
Finance costs	36	(664,179,989)	(224,538,852)
Profit before taxation		9,008,771,728	6,624,487,917
Taxation	37	(449,611,237)	(324,650,972)
Profit for the year		8,559,160,491	6,299,836,945
Earnings per share			
-Basic	40	29.41	22.44
-Diluted	40	29.22	22.29

The annexed notes 1 to 46 form an integral part of these unconsolidated financial statements.

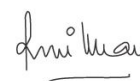
Asst



(CHAIRMAN)



(CHIEF EXECUTIVE)



(CHIEF FINANCIAL OFFICER)

SYSTEMS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 Rupees	2022 Rupees
Revenue from contracts with customers - net	33	53,435,483,177	31,759,927,263
Cost of revenue	34	(39,778,797,390)	(23,123,647,896)
Gross profit		<u>13,656,685,787</u>	<u>8,636,279,367</u>
Selling and distribution expenses	35	(1,569,563,845)	(740,518,496)
Administrative expenses	36	(3,982,646,207)	(2,483,965,304)
Impairment losses / (Reversal of impairment losses) on financial assets	37	(205,137,108)	40,359,108
Other operating expenses	38	(166,791,530)	(89,326,377)
		<u>(5,924,138,690)</u>	<u>(3,273,451,069)</u>
Operating profit		<u>7,732,547,097</u>	<u>5,362,828,298</u>
Other income	39	3,193,598,145	2,230,060,151
Share of loss from associates	10	(48,069,294)	(323,899,362)
Impairment loss on investment in associates	10	(729,463,249)	-
Finance costs	40	(868,990,456)	(287,819,752)
Profit before taxation		<u>9,279,622,243</u>	<u>6,981,169,335</u>
Taxation	41	(590,732,350)	(351,508,026)
Profit for the year		<u>8,688,889,893</u>	<u>6,629,661,309</u>
Attributable to:			
Equity holders of the parent		8,688,546,281	6,628,727,695
Non-controlling interest		343,612	933,614
		<u>8,688,889,893</u>	<u>6,629,661,309</u>
Earnings per share			
Basic earnings per share	45	<u>29.86</u>	<u>23.61</u>
Diluted earnings per share	45	<u>29.66</u>	<u>23.45</u>

The annexed notes 1 to 54 form an integral part of these unconsolidated financial statements.


(CHAIRMAN)


(CHIEF EXECUTIVE OFFICER)


(CHIEF FINANCIAL OFFICER)

DIRECTORS' REPORT

AT THE

FORTY-EIGHTH ANNUAL GENERAL MEETING

OF

SHAREHOLDERS

OF

systems
Systems Limited

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 2023

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 2023.

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.

Activities:

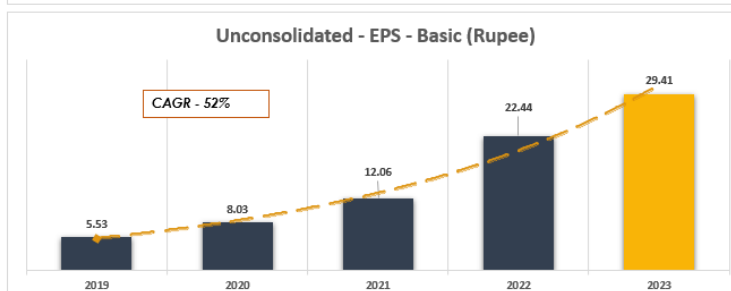
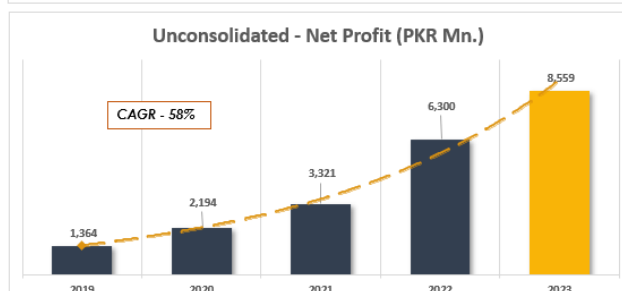
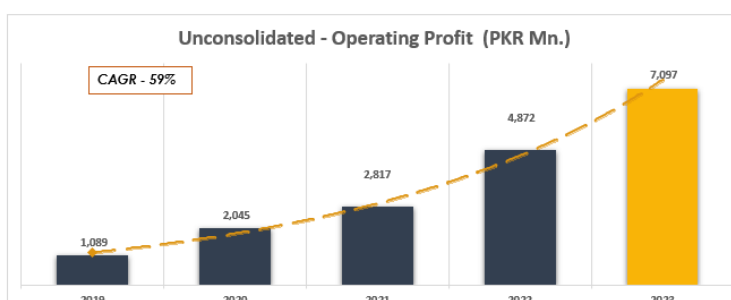
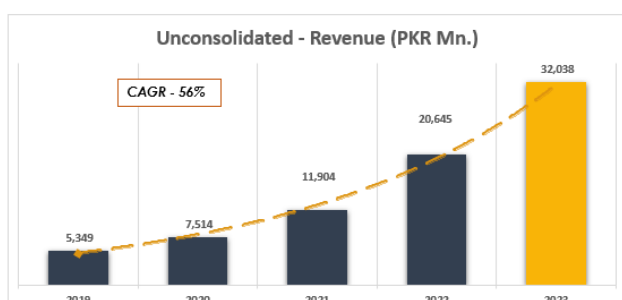
The Company's revenue comes primarily from Digital/Data/Cloud Services, Managed Services, Consulting Services, IT outsourcing and Business Process Outsourcing/Contact Center. The Company generates over 80% of its revenue from export of Services to various geographies such as North America, Europe, Asia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

FINANCIAL PERFORMANCE OF THE COMPANY AND THE GROUP DURING 2023

Unconsolidated:

The Company's financial results for FY23 have maintained a strong trajectory. Operating revenues for the year in local currency were Rs. 32,037.99 million showing a growth of 55% over the previous year. Profit after tax for the year was Rs. 8,559.16 million showing a growth of 36%. Gross profit and operating profit increased by 42% and 46% respectively. Since FY19, the Company has delivered a Compounded Annual Growth Rate (CAGR) in revenues of 56%. 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.

Unconsolidated			
Particulars	FY 2023	FY 2022	Y/Y
Revenue	32,037,995,164	20,644,764,716	55%
Gross profit	9,616,693,532	6,755,105,438	42%
Operating Profit	7,096,705,165	4,871,976,394	46%
Profit before taxation	9,008,771,728	6,624,487,917	36%
Profit after taxation	8,559,160,491	6,299,836,945	36%
Earnings per share (basic)	29.41	22.44	31%
Earnings per share (diluted)	29.22	22.29	31%



Consolidated:

During year ended 31 December 2023, operating revenues of the Company were Rs 53,435.48 million in 2023 compared to Rs. 31,759.92 million in 2022. Current period showed a significant increase by PKR 24,607.56 million after normalizing the last year

reported revenue by one-off sale of license of CLOS, a product developed by NDC which was sold for an upfront payment of \$8 million and subsequent royalty of ~ \$7 million over five years and recognized at present value. Cost of \$15 million had also been adjusted against the revalued intangibles at the time of acquisition neutralizing the P&L. The normalized growth in the revenues for 2023 is 85% and with the one-off revenue in 2022, the reported growth is 68%. Gross profit grew by 58%.

Operating profit from ordinary course of business amounts to Rs 7,887.02 million showing a growth of 47.06%. The reported number includes one off impairment loss on remeasurement of investment in Jomo Technologies (Pvt) Limited amounting to Rs. 154 million bringing the reported growth down to 44.19%. 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 net profit from ordinary business stands at Rs 9,620.89 million and with one-off adjustments, the reported number stands at Rs 8,688.89 million. The adjustments include

- a proportionate share of loss on EP Systems B.V, netted off with the share of profit from Retailistan arising from a one-off notional gain from disposal of Jugnu Technologies (Pvt) Limited and
- The impairment losses pertaining to Sales Flo due to the value in use of the company being less than the carrying value of the investments. The carrying value of investment was adjusted upwards with the notional gain on disposal of Jugnu Technologies (Pvt) Limited as stated above. The impairment loss is adjusting the same notional gain.
- the impairment losses pertaining to EP Systems B.V due to the value in use of the company being less than the carrying value of the investments. In 2021, the Company had to record a one-time notional gain in the financial statements amounting to Rs 816,227 million 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. On revaluation, the same notional value has been written down. After the share of loss and impairment, the remaining carrying value is Rs 200 million only. With this adjustment, all the investments in the Company's books have been written off.

Basic and diluted earnings per share increased by 26% over the same period.

Growth in revenue is contributed by both the Company and its subsidiaries.

Particulars	Consolidated		
	FY 2023	FY 2022	Y/Y
Revenue*	53,435,483,177	31,759,927,263	68%
Gross profit	13,656,685,787	8,636,279,367	58%
Operating Profit**	7,732,547,097	5,362,828,298	44%
Share of loss from associate***	(48,069,294)	(323,899,362)	
Impairment loss on investment in associates****	(729,463,249)	-	
Profit before taxation	9,279,622,243	6,981,169,335	33%
Profit after taxation	8,688,889,893	6,629,661,309	31%
Earnings per share (basic)	29.86	23.61	26%
Earnings per share (diluted)	29.66	23.45	26%

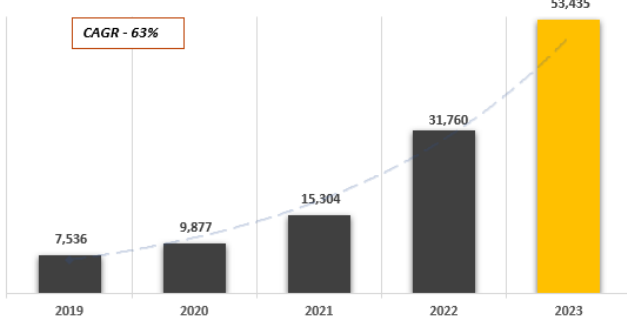
* Consolidated revenue includes one-off revenue from sale of license of CLOS

** The operating profit includes one off impairment loss on remeasurement of investment in Jomo Technologies (Pvt) Limited amounting to Rs. 154 million.

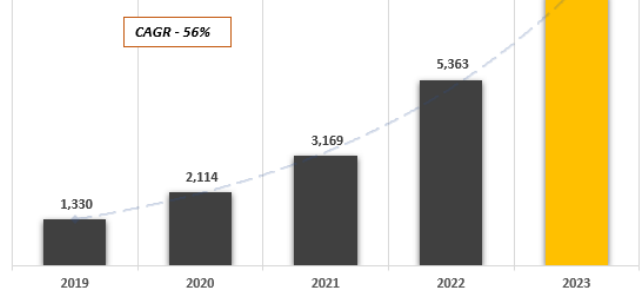
*** The share of loss is proportionate share EP Systems B.V netted off with the share of profit from Retailistan due to the gain from disposal of Jugnu Technologies (Pvt) Limited.

**** This includes impairment losses pertaining to EP Systems B.V and Sales Flo due to the value in use of the company being less than the carrying value of the investments.

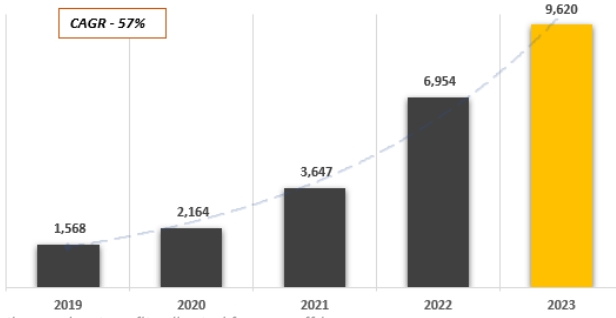
Consolidated - Revenue (PKR Mn.)



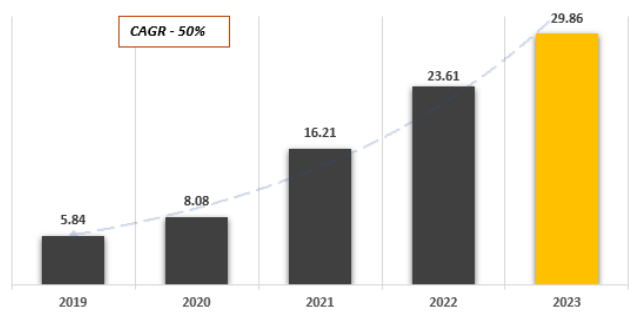
Consolidated - Operating Profit (PKR Mn.) - Adjusted



Consolidated - Net Profit (PKR Mn.) - Adjusted

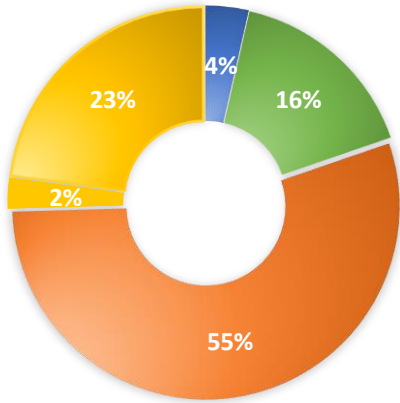


Consolidated - EPS - Basic (Rupee)



*operating and net profit adjusted for one off losses

REVENUE BY GEOGRAPHIES

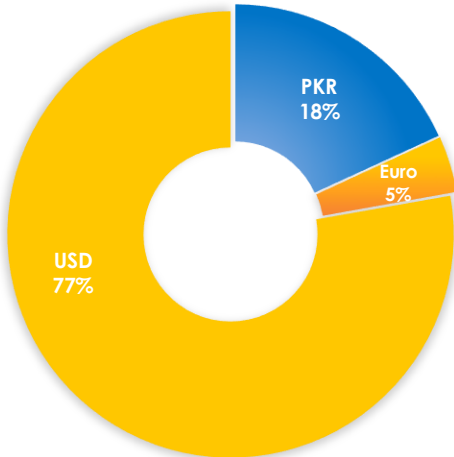


■ Europe ■ Pakistan ■ Middle East ■ APAC ■ North America

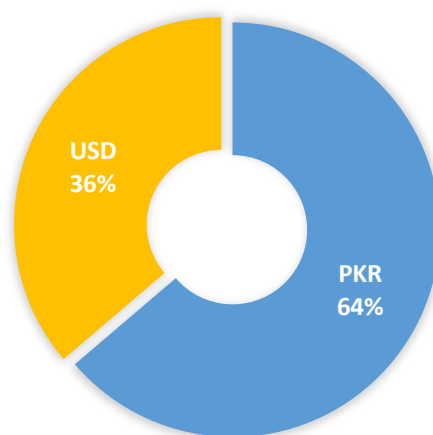
EXPORT CONTRIBUTION



REVENUE BY CURRENCY



COST BY CURRENCY



Performance by Segment (Consolidated)

Vertical Segment

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

The Company can also better understand its competitive footprint within each vertical, identifying areas where it can capitalize on its strengths. Moreover, the emphasis on industry verticals highlights the importance of expanding within sectors that offer higher margins, indicating a strategic approach to revenue generation and profitability.

The Company will continue to use geographical segments as well in addition to vertical segments. However, the four primary segments now 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.
- **Retail & CPG (Consumer Packaged Goods):** This segment encompasses retail operations and consumer goods.
- **Telco (Telecommunications):** This segment involves telecommunications services and technologies.
- **Technology:** This segment includes technology related solutions, products and services.
- **Others:** This catch-all category may include any remaining segments that don't fall into the specific verticals mentioned above.

	BFSI		Retail & CPG		Technology		Telco		Others		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Rupees											
Revenue	15,266	10,581	5,716	4,519	7,393	4,498	11,809	5,156	13,252	7,007	53,435	31,760
Cost of revenue	(12,906)	(8,773)	(3,367)	(2,509)	(4,669)	(2,851)	(8,687)	(3,918)	(10,150)	(5,072)	(39,779)	(23,124)
Gross profit	2,360	1,808	2,349	2,009	2,724	1,647	3,122	1,238	3,102	1,934	13,657	8,636
Distribution expenses	(448)	(196)	(168)	(116)	(217)	(116)	(347)	(132)	(389)	(180)	(1,570)	(741)
Administrative expenses	(1,138)	(659)	(426)	(389)	(551)	(388)	(880)	(444)	(988)	(604)	(3,983)	(2,484)
	(1,586)	(856)	(594)	(505)	(768)	(503)	(1,227)	(577)	(1,377)	(784)	(5,552)	(3,224)
Profit / (loss) before taxation and unallocated income and expenses	774	952	1,755	1,504	1,955	1,144	1,895	661	1,725	1,151	8,104	5,412

Geographical Segment

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		APAC		Pakistan		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Rupees											
Revenue from all customers	12,262	9,342	1,891	4,367	29,309	12,092	1,328	456	8,645	5,502	53,435	31,760
Cost of revenue	(8,005)	(5,940)	(1,171)	(3,813)	(21,264)	(8,288)	(854)	(227)	(8,486)	(4,855)	(39,779)	(23,124)
Gross profit	4,258	3,403	720	554	8,045	3,804	474	229	159	647	13,657	8,636
Distribution expenses	(33)	(9)	(19)	(1)	(1,257)	(472)	(139)	(12)	(121)	(247)	(1,570)	(741)
Administrative expenses	(1,265)	(966)	(195)	(175)	(2,132)	(1,048)	(62)	(16)	(328)	(279)	(3,983)	(2,484)
	(1,298)	(975)	(214)	(176)	(3,389)	(1,520)	(201)	(28)	(450)	(526)	(5,552)	(3,224)
Profit / (loss) before taxation and unallocated income and expenses	2,960	2,428	506	378	4,656	2,283	273	201	(290)	121	8,104	5,412

North America & Europe

Margins of North America region are 35% GP and 24% OP. In 2022, the one-off sale of CLOS was classified under Europe segment. Since the transaction is P&L neutral, the normalized margins of Europe region are 39% GP and 26% OP. The Company is expecting to see modest growth in this segment in future.

Middle East Africa

In the Middle Eastern region, TVS and Sysco Arabia in UAE are leading the growth trajectory contributing about 85% to the total revenue. Qatar is also expecting to gain momentum and will become a sizeable business in near future.

APAC

APAC has also become a significant vertical where the company is seeing significant growth specially in the Technology and BFSI sector.

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 2023, the Directors recommended a payment of final cash dividend @ 6 per share (2022: Rs. 5 per share).

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

	Un-appropriated profit (PKR)
Balance as at 31 December 2022	12,283,429,147
Total comprehensive income for the year	8,559,160,491
Less: Final dividend for the year ended 31 December 2022 at the rate of PKR Rs 5 per share	(1,455,268,500)
Balance as at 31 December 2023	19,387,321,138

EARNINGS PER SHARE

Basic and diluted earnings per share for the year ended 31 December 2023 for the Company are Rs. 29.41 and Rs. 29.22 (31 December 2022: Rs. 22.44 and Rs. 22.29) per share. Similarly, the basic and diluted earnings per share for the Group are Rs. 29.86 and Rs. 29.66 (31 December 2022: Rs. 23.61 and Rs. 23.45) per share.

AWARDS AND ACCOLADES

The Company is proud to receive the Microsoft Country Partner of the year for UAE and Pakistan. In UAE the Company competes with all the big firms globally and this recognition is helping the Company establishing a good credibility in regional markets and in business acquisition.

Further strengthening the business credibility, the Company has won the Microsoft Inner Circle award for the last 3 years. This confirms the stability, continuity and sustainability of the skillset which has been recognized by the Microsoft. This is a testimony of the Company's consistent performance.

The Company has been recognized by Forbes Asia Best Under A Billion as top 200 company for 4 years in a row. In addition the Company also won the fastest growing company in Asia. The Company is leveraging this recognition in making in roads in the regional markets.

Temenos has also recognized the Company as the best regional delivery partner of the year in 2023. This award confirms the success of NDC acquisition and integration with the Company's current business.

PEOPLE'S UPDATE

The Company is investing in its workforce by proactively hiring and focusing on training, re-skilling, and upskilling existing employees. The Company is continuing to reskill and upskill the workforce on the newer technology stacks and the upcoming technologies like AI and Gen AI. This approach indicates a commitment to staying ahead of industry trends and ensuring the workforce is prepared for future challenges and opportunities. The Company has invested in hiring key resources for the regional markets as well. In order to increase retention of skilled resources and manage iteration, the Company has built a bench strength for future growth as well.

INFRASTRUCTURE

The Company has sufficient infrastructure to support future growth. Company is planning to invest in solar in 2024 to optimize electricity cost and reduce the carbon footprint. Moreover Company will be investing in a parking plaza at the Head Office at Lahore to support parking of additional 750 vehicles.

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 focused 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 PKR 70 M** on donation in cash and in kind during the financial year. The company continued to support 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 responsibility 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
- Adopting reuse and recycle practices to reduce waste

Be kind to the Employees

- Increased employment of specially abled employees
- Increased employee engagements through town halls and management meetings
- Enhanced emphasis 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
- Increased donations to schools, hospitals and other charity organizations.
- Helping employees in times of difficulties.

Governance

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

Sustainable Financial Growth

- 5-year revenue CAGR over 63%
- 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

- The Company has made significant investments during 2023 in new markets such as Saudi Arabia, APAC and Africa in 2023 to stimulate the growth momentum for the next few years. The Company will now be working to mature these markets to get robust and sustainable growth and a healthy return on these investments.
- The Company had to face significant inflationary pressure on costs during 2023 and this pressure is going to carry forward to 2024 as well in the form of wage inflation. Historically devaluation of rupee which is expected to be around 8-10% for Pakistan had been compensating the inflation but in 2024, it has been only around 3% so far, creating a further pressure on margins.
- BFS-Temenos acquisition has matured now and NDC brand has been completely merged with Systems Brand. The Company is focusing to develop the Banking and Finance services and Temenos is one of the core offerings. The Company sees a healthy pipeline in this vertical.
- Regional update:
 - Saudi market is booming with Vision 2030 Initiatives, expo 2030 and the FIFA 2034 worldcup, and this is giving traction and opportunities to the Company to scale the business and the Company has made the required investment to support the growth and the Company is hoping a good growth momentum based on the current opportunities pipeline.
 - Similarly UAE and other GCC countries are showing a continued growth momentum and the Company continues to successfully compete with the leading Tech brands to acquire customers and new business opportunities.
 - The Company has acquired a couple of good business opportunities in the Europe segment and expecting this segment to develop.
 - North American segment is expected to be more stable in 2024. The Company is re-strategizing the business development approach in this segment and taking steps to grow business.
 - In the domestic market, the Company expects post election stability. The Company is entering into more dollarized contracts in the local market to hedge against currency fluctuations. ~90% of the Company's revenue is generated from FCY contracts and only ~10% is in local currency.
 - The development center in Egypt is not only a cost center but has secured healthy contracts and is contributing to the group revenue and is funding its cashflows.
- Considering the demand of resources, the Company is exploring a couple of new geographies to open another supply center to support future growth and expansion.
- Considering the wave of AI and robust application of AI, company has setup AI innovation lab and investing heavily on upskilling and reskilling of resources in AI as the Company believes there is huge market opportunity. There is a high demand of AI as compared to the supply and the Company is making sure to train sufficient resources. The Company has also made significant investment in building the assets/products/solutions in banking AI space and these accelerators are helping the

Company to win new deals. Company will continue to invest in leading technologies and any other new tech where principals (Microsoft, Google, Amazon, and Salesforce) are investing.

- During 2023, the Company signed another major deal with Temenos to obtain preferred Country Model Bank (CMB) rights for 15 years in the APAC region. This has provided healthy business opportunities in the APAC region. Moreover, MEA deal signed in 2022 has also been extended for additional 10 years.
- The Company started the vertical focused strategy in 2002 and key focus verticals are BFS, Telco, and Public Sector, these verticals are showing great progress and business opportunities.
- The Company is actively lobbying with the Government to allow investment in new markets and acquisition of similar businesses that will contribute to the expansion plans of the Company. With the new Government, the Company is hopeful that this will open new doors for business.
- 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.
- **Country Risk** – Political instability, high inflation and interest rates can impact business.
- **Exchange Rate Risk** – The potential for an investment's value to decline as a result of fluctuations in exchange rates between relevant currencies.
- **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

Systems Holdings (Pvt) Limited is private limited company incorporated under Companies Act 2017 in Pakistan. The company is a wholly owned subsidiary of Systems Limited.

Sys Bahrain for Information Technology W.L.L, a limited liability company was incorporated in Bahrain. The company is a wholly owned subsidiary of Systems International IT Pte Ltd.

Sys information Technology Malaysia SDN. BHD. is a 100% owned subsidiary of Systems International IT Pte. Ltd. incorporated in Malaysia.

Systems for information Technology QFZ LLC, is a 100% owned subsidiary of Systems International IT Pte. Ltd. incorporated in Qatar.

TechVista Systems East Africa Limited is a 100% owned subsidiary of Systems International IT Pte Ltd., incorporated in Kenya for providing consultancy and data processing software development services and to run data processing centers, computer centers, software development centers and offices.

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

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

Mr. Syed Mohammad Shabbar Zaidi - Chairman

HR & Compensation Committee (HRCC)

Mr. Asif Jooma - Chairman

Mr. Asif Jooma – Member
Ms. Romana Abdullah – Member

Mr. Omer Saeed- Member
Ms. Romana Abdullah- Member
Mr. Arshad Masood- Member

During the period under review, seven (7) Board meetings, four (04) 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	-	2
Mr. Asif Jooma	7	4	2
Mr. Syed Muhammad Shabbar Zaidi	7	4	-
Mr. Omer Saeed	5	-	2
Ms. Romana Abdullah	6	3	2

CHANGES TO THE BOARD

The current term of the directors was completed on 5 December 2023 and fresh elections were conducted for the appointment of directors through extra ordinary general meeting held on 26 December 2023. The Board would like to record its appreciation for the invaluable contributions rendered by the outgoing directors Mr. Syed Mohammad Shabbar Zaidi and Mr. Asif Jooma.

The Board also extends warm welcome to Mr. Zubyr Soomro and Ms. Maheen Rahman as new fellow members. The Board is confident that the team would operate cohesively for the benefit of the company and that new members shall lend a fresh perspective and spirit towards the progress of the Company.

The term of the new board will stand completed on 26 December 2026.

COMPOSITION OF THE NEW BOARD & COMMITTEES AFTER ELECTIONS

Board of directors				
Name of Directors	Category	Status	Audit Committee	HRCC Committee
Mr. Aezaz Hussain	Non-Executive	Re-elected	×	×
Mr. Asif Peer	Executive	Re-elected	×	×
Mr. Arshad Masood	Non-Executive	Re-elected	×	✓
Ms. Romana Abdullah	Independent	Re-elected	✓	×
Mr. Omar Saeed	Independent	Re-elected	×	✓
Ms. Maheen Rahman	Independent	Newly elected	✓	✓
Mr. Zubyr Soomro	Independent	Newly elected	✓	×

FORMAL ORIENTATION AT INDUCTION

Detailed orientation is conducted upon induction of each new Board member, appraising them on business operations, environment and long-term strategy of the Company. Extensive training programs are offered to the directors for enhancement of managerial and governance skills.

DIRECTORS' REMUNERATION

The Board of Directors has approved a formal Directors' Remuneration Policy which includes a transparent procedure for the remuneration of Directors, in accordance with the Companies Act, 2017 and CCG. As per the said policy, NonExecutive and Independent Directors are paid an after-tax remuneration of PKR 200,000/- for attending each meeting of the Board or its Sub-Committee.

Appropriate disclosure for remuneration paid during the year to Directors and the Chief Executive has been provided in **note 39** to the financial statements.

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 2023** amounts to Rs 2,318.76 million (31 December 2022: PKR 1668.2 million)

PATTERN OF SHAREHOLDING

The Pattern of Shareholding as at 31 December 2023 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 2023 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 2023 and retire at the conclusion of the 48th Annual General Meeting. Being eligible, they have offered themselves for re-appointment for the financial year ending December 31st, 2024.

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, 2024, 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, UAE
- Techvista Information Technology W.L.L., Qatar
- SUS (Private) Limited (incorporated for Baluchistan Land record project), Pakistan
- Systems Arabia for Information Technology, KSA
- Systems Ventures (Private) Ltd, Pakistan
- SYS Egypt for Information Technology Services, Egypt
- Systems Africa for Information Technologies (Pty.) Ltd., South Africa
- National Data Consultants (Pvt.) Limited, Pakistan
- Associated company – Salesflo (Pvt) Ltd - (Formerly Retailistan Pvt Limited)
- Associated company - E-Processing Systems B.V. Netherlands
- Systems Internation IT Pte Ltd

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: 22-March-2024
Lahore