



**NETSOL Technologies Ltd.**

NETSOL IT Village (Software  
Technology Park), Lahore Ring Road,  
Ghazi Road Interchange, Lahore  
Cantt. 54792, Pakistan.  
Email: info@netsolpk.com  
Phone: +92 42 111-44-88-00  
Web: www.netsolpk.com

**FORM-05**

Date:04/10/2022

**The General Manager,**  
Pakistan Stock Exchange Limited,  
Stock Exchange Building,  
Stock Exchange Road,  
**Karachi.**

Subject: **Transmission of Annual Report For the Year Ended June 30, 2022**

Dear Sir,

We have to inform you that the Annual Report of the Company for the year ended June 30, 2022 have been transmitted through PUCARS and is also available on Company's website.

You may please inform the TRE Certificate Holders of the Exchange accordingly.

Yours Sincerely,

**SEHRISH**  
Company Secretary





ANNUAL  
REPORT  
**2022**





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## BOARD OF DIRECTORS

**NAEEM ULLAH GHAURI**

Chairman/Non-Executive Director

**SALIM ULLAH GHAURI**

Chief Executive Officer/Executive Director

**VASEEM ANWAR**

Independent Director

**ANWAAR HUSSAIN**

Independent Director

**ZESHAN AFZAL**

Independent Director

**HAMNA GHAURI**

Non-Executive Director

**OMAR SHAHAB GHAURI**

Executive Director

## AUDIT COMMITTEE

**ANWAAR HUSSAIN**

Chairman

**VASEEM ANWAR**

Member

**HAMNA GHAURI**

Member

## CHIEF FINANCIAL OFFICER

**BOO-ALI SIDDIQUI**

## COMPANY SECRETARY

**SEHRISH**

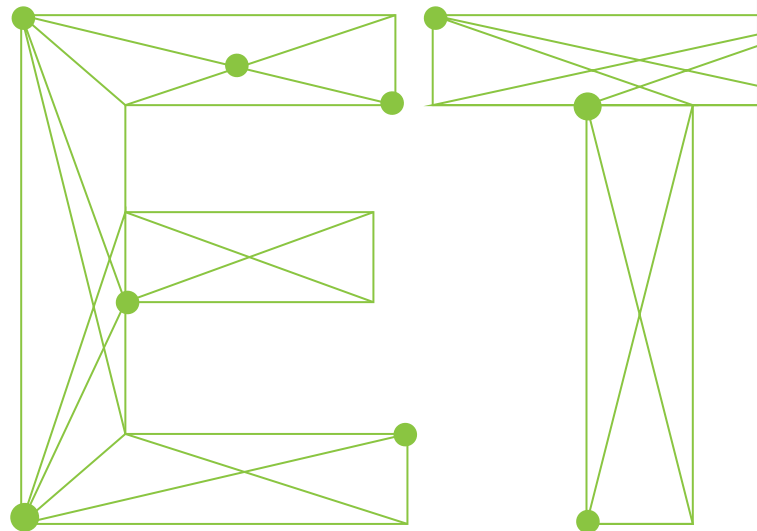
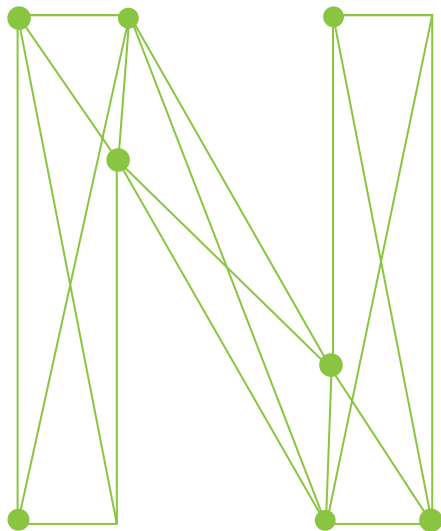
## CHIEF INTERNAL AUDITOR

**MUHAMMAD ABDUL WAHAB  
HAFEEZ**

## AUDITORS

**H.Y.K & Co.**

Chartered Accountants  
321-Upper Mall, Lahore



## LEGAL ADVISOR

### **CORPORATE LAW ASSOCIATES**

1st Floor Queen's Centre  
Shahra-e-Fatima Jinnah  
Lahor

## SHARE REGISTRAR

### **VISION CONSULTING LIMITED**

3-C, LDA Flats,  
Lawrence Road, Lahore.  
Tel: +92-42-36283096-97  
Fax: +92-42-36312550

## BANKERS

Askari Bank Limited  
Samba Bank Limited  
Meezan Bank Limited  
Dubai Islamic Bank Pakistan Limited  
MCB Bank Limited  
Al Baraka Bank (Pakistan) Limited  
Habib Metropolitan Bank Limited  
Bank Alfah Islamic

## CONTACT DETAILS

### **REGISTERED OFFICE**

NETSOL IT Village  
(Software Technology Park)  
Lahore Ring Road,  
Ghazi Road Interchange,  
Lahore Cantt. 54792, Pakistan  
Tel: +92-42-111-44-88-00,  
+92-42-35727096-7  
Fax: +92-42-35701046, 35726740

### **RAWALPINDI OFFICE**

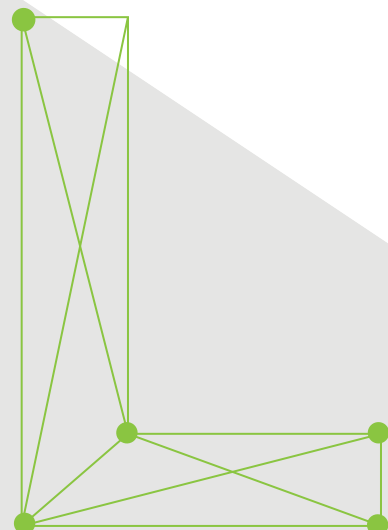
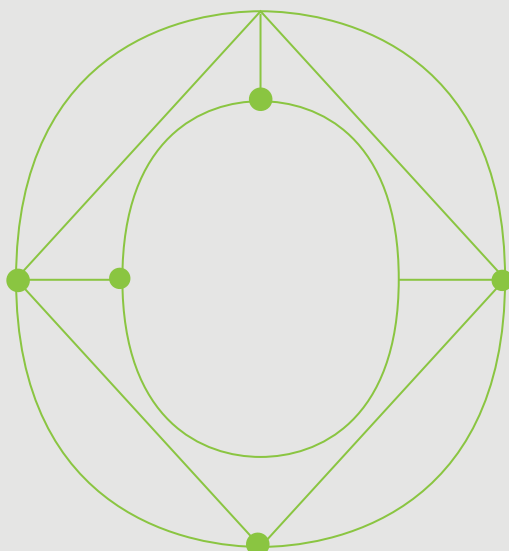
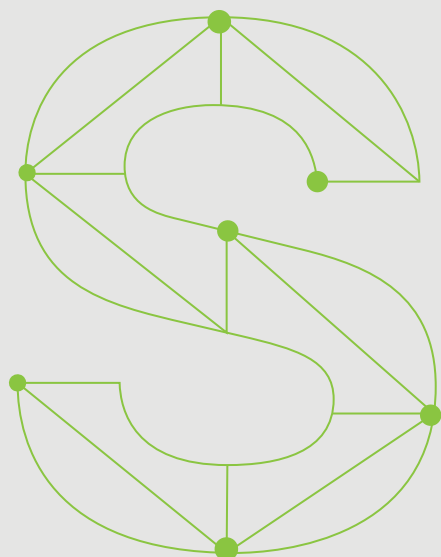
House No. 04, Safari Villas,  
Bahria Town, Rawalpindi  
Tel: +92-51-5707011  
Fax: +92-51-5595376

### **KARACHI OFFICE**

43/1/Q, Amna Villa # 1  
Block # 03. P.E.C.H.S, Karachi-75400  
Tel: +92-21-111-638-765  
Fax: +92-21-3431-3464

### **WEB PRESENCE**

[www.netsolpk.com](http://www.netsolpk.com)  
[info@netsolpk.com](mailto:info@netsolpk.com)  
[corporate@netsolpk.com](mailto:corporate@netsolpk.com)



# Vision & Mission Statement

## **Vision Statement**

To become the leading and world class provider of IT solutions and services in each market of operations, by leveraging our global positioning and creating strong growth potential, resulting in increasing shareholders' value and providing great environment for our employees.

## **The leading and world class provider**

We will continue to invest in highest quality human resource, certifications, processes, infrastructure and product development.

## **In each market**

We will focus individually on each market, while growing globally.

## **By leveraging our global positioning**

We will fully use our global solutions, customer base, presence and knowledge.

## **Creating strong growth potential**

We will invest in capacity building, research and development and emerging technology markets.

## **Increasing shareholders' value**

We aim to provide above average and superior returns to our shareholders.



# Mission Statement

To be the premium solutions vendor to the global leasing and finance businesses. We will leverage our market leading position in APAC, and our European and US presence, to continue to drive strong revenues from our current generation of leasing and financing solutions, and successfully grow our next generation platform. We

will leverage our world class software development capabilities to develop new IP in business segments where we can add value. We will excite, motivate, train and reward our employees to be the best in their domain. We will tirelessly explore ways to improve the breadth and depth of our offerings, both organically and through M&A.

# Global Customers

- 
- CHINA** ▶
- Mercedes-Benz Auto Finance China, Ltd
  - Mercedes-Benz Leasing Co., Ltd
  - Toyota Motors Finance China Co., Ltd
  - Mercedes Benz Financial Services Taiwan Ltd
  - GAC SOFINCO Automobile Finance, Ltd
  - Tianjin Great Wall Binyin Automobile Finance Co., Ltd
  - FCA Automotive Finance Co. Ltd
  - Fortune Auto Finance Co. Ltd
  - Shanghai Dongzheng Automotive Finance Co., Ltd
  - BYD Company Limited
  - NETSOL Technologies (Beijing) Co., Ltd

- THAILAND** ▶
- Mercedes-Benz Leasing (Thailand) Co., Ltd
  - Nissan Leasing (Thailand) Co., Ltd
  - NETSOL Technologies (Thailand) Limited

- AUSTRALIA** ▶
- Mercedes Benz Financial Services Australia Pty Ltd
  - Mercedes-Benz Financial Services New Zealand Ltd
  - CNH Industrial Capital
  - Daimler Truck Financial Services Australia
  - Pepper Group Australia
  - NETSOL Technologies Australia Pty Ltd

- HONG KONG** ▶
- Mercedes-Benz Financial Services Hong Kong Ltd
  - BMW Financial Services Hong Kong Limited

- JAPAN** ▶ • Mercedes-Benz Finance Co. Ltd
- Daimler Truck Financial Services Asia Co., Ltd

- MALAYSIA** ▶ • Mercedes-Benz Services Malaysia Sdn Bhd
- SOUTH AFRICA** ▶ • Mercedes-Benz Financial Services, South Africa
- Daimler Truck Financial Services South Africa (Pty) Ltd

- INDONESIA** ▶ • PT OTO Multiartha
- PT Summit OTO Finance
- PT. Orico Balimor Finance Indonesia

- SINGAPORE** ▶ • Mercedes-Benz Financial Services Singapore Ltd
- Daimler Financial Services Africa and Asia Pasific

- KOREA** ▶ • Mercedes-Benz Financial Services Korea Ltd

- TAIWAN** ▶ • Mercedes-Benz Financial Services Taiwan Ltd

- US** ▶ • NETSOL Technologies Americas

- UK** ▶ • NETSOL Technologies Europe Ltd
- Ascent Europe Limited

- PAKISTAN** ▶ • Khyber Pakhtunkhwa Revenue Mobilization & Public Resource Management Program

## Global Offices

- Lahore
- London
- Calabasas
- Beijing
- Tianjin
- Jakarta
- Bangkok
- Sydney



## Quality Focus

We are committed to continuously improve the effectiveness of our quality management system through;

- Effective implementation of software measurement programs
- Regular assessments against international standards
- Monitoring and enhancing customer satisfaction
- Developing and maintaining skilled & motivated resource base
- Reviewing and enhancing quality objectives

Our focus in quality engineering and process improvement has been imperative in ensuring excellence of operations and customer satisfaction. We are also continuously investing in software processes improvement and ISO authorized trainings for our teams.

# Our Quality Standards



# Services Portfolio

Currently we are offering following services to our customers



Business Intelligence



IT consulting and Business Process Reengineering



Enterprise solutions:  
NFS Ascent™  
NETSOL Financial Suite™  
NFS Digital



Technology and Business Process Outsourcing



Application Development & Maintenance

## Newly Introduced Services



### CLOUD SERVICES

Gain access to premium cloud solution services with NETSOL and AWS

At NETSOL, we enable modern businesses to access premium cloud solution services with the abilities of AWS. Our team is reinventing the cloud computing and AWS infrastructure to offer scalable, reliable, and agile solutions, with flexibility and sustainability as the most integral components. Since AWS is the most comprehensive and highly adopted cloud offering, we are leveraging its power to ensure lower costs, an exceedingly agile and secure environment, and innovative solutions across all domains.



### PROFESSIONAL SERVICES

Enabling your business to be adaptive

NETSOL is now also offering professional services to organizations in different regions in order to enable them to meet their business objectives. These services primarily consist of technical consultancy, web development, app development, digital marketing, cloud services, outsourcing and co-sourcing. We enable businesses to employ the industry's best talent to help them develop and refine their technology strategy, innovate, execute their roadmap and optimize service quality.



### AI SOLUTIONS AND SERVICES

Pertaining to Artificial Intelligence and Machine Learning, a dedicated team has been working with great enthusiasm. With experience in Machine Learning, Scientific Computing and Computer Vision, they have extensive experience in developing and implementing algorithms for industrial solutions in predictive maintenance. This is a new service offering from NETSOL and by deploying AI solutions and leveraging cutting-edge technologies, we enable clients to optimize production, decrease downtime and provide a holistic view of their business processes.

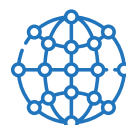
## Industries We Serve



Lease and Finance Industry



Banking Industry



Information Technology

# Our Products

## NFS ASCENT

The most advance platform  
for asset finance and leasing

Ascent is built on cutting edge, modern technology that enables auto, equipment and big ticket finance companies to run their retail and wholesale finance business with ease. With comprehensive domain coverage and powerful configuration engines, it is architected to empower finance and leasing companies with a platform that supports their growth in terms of business volume and transactions.

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## NFS DIGITAL

Delivering digital without  
compromise

NFS Digital is an ecosystem that augments and enhances finance and leasing operations, and subsequently, enables organizations to reap the benefits of going digital. It leverages the benefits of superior digital solutions across various touch-points which can be integrated with any back-end system.

---

## flex.

An instant cloud-based  
calculation engine for out-of-  
the-box Integration into your  
ecosystem

Flex is a newly developed, API-based, ready-to-use Calculation Engine. It is a pure-play SaaS product that is cloud-based and can be integrated seamlessly into an organization's products, services and ecosystem.

# The Management Team



# Code of Conduct

Uncompromising integrity and professionalism have been the cornerstones of NETSOL business since its inception. In all that we do, we support and uphold a set of core values and principles. Our future growth depends on each of us understanding these values and principles and continuously demonstrating the uncompromising integrity that is the foundation of our company.

The Code of Conduct sets forth the standard for how we work together to develop and deliver product, how we protect the value of NETSOL and how we work with customers, suppliers and others. All of us at NETSOL must abide by the Code while conducting any official business.

The Code affirms our six principles of conduct:

- All directors and employees and other personnel must observe the laws and regulations in letter and spirit
- NETSOL does not permit bribery in any form while dealing with company's business
- NETSOL requires competition in the marketplace and compliance with anti-trust and competition rules
- All employees and personnel must maintain the confidentiality of price sensitive information
- Directors, management, other employees and personnel must not use price sensitive/inside information for their personal advantage
- All employees of the company and other personnel should avoid situations where personal interests could conflict, or appear to conflict, with the interests of their employer
- Company assets and property to be used only for the benefit of the Company

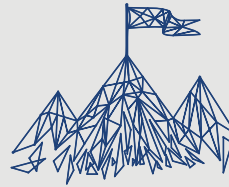
# Core Values

## EMPATHY & RESPECT



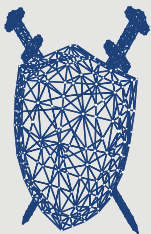
We believe in co-existence with complete harmony and we value diversity of thoughts and individuals.

## EXCELLENCE



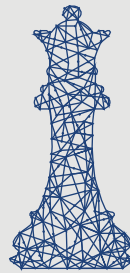
We commit to quality outcomes, have a thirst to learn and to improve. If something is not right, we correct it!

## HONESTY & INTEGRITY



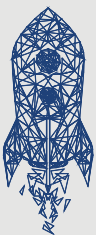
We never compromise on moral or ethical convictions under any circumstances.

## CUSTOMER FIRST



Our products, services, customer care and overall strategy is defined with the customer in mind.

## INNOVATION



We thrive to continuously improve ourselves; be it our processes, skill set or customer offerings.



**25**  
YEARS  
*Anniversary*  
celebrations





# Activities During The Year





# Awards and Recognition





NETSOL was selected by **Monitor Daily** in its inaugural special feature of **'Most Innovative Companies in the Equipment Finance Ecosystem'** in the **'Sustaining'** category in North America. Monitor Daily has been serving the unique informational needs of the equipment finance and leasing industry for more than 40 years and is considered the leading source for equipment finance and equipment leasing industry news, articles and opinions.

# Chairman's Review **Report**

I am extremely proud to be elected Chairman of the Board of Directors at NetSol Technologies Limited. We are indebted to the outgoing Chairman Shahab Ghauri for his vision and contributions and who served this board for several years and is NetSol's original founder and an IT visionary. He is now Chairman Emeritus of NetSol Technologies Ltd. I also want to thank Najeeb Ghauri, who is the outgoing Director and also a Co-founder of NetSol Technologies Inc, for his years of service and contributions to this board.

We are one of the pioneers of IT in Pakistan and the very first company to go public on the Pakistan Stock Exchange as well as the first Pakistani origin company to be listed on NASDAQ. With a strong global presence and recognized as one of the leading Fintech providers to the global asset finance and leasing industry, we have a diverse global clientele which includes world-renowned bluechip organizations and Fortune 500 companies. It's a pleasure to work with my esteemed co-directors and colleagues whose efforts and dedication have taken us to unparalleled heights on a global scale.

My role as Chairman is to guide the Board on corporate governance, compliance and sharing and ratifying plans for the future of the company. As the CEO devises strategies for the company, we will support

the execution of these strategies which will take NetSol to its next iteration of successful milestones.

Alongside myself, Zeshan Afzal has also joined the Board as a new member. He comes from a strong corporate and philanthropic background and this diversity is most welcome in our Board of Directors. I am looking forward to his accumulated achievements to drive our company further towards our goals. Oversight from the Board is essential in terms of balancing compliance and strategy to deliver a strong return on shareholder value.

Many challenges were faced by businesses worldwide during this period, including rampant global inflation, the geo-political situation including the Russia-Ukraine conflict, the resurgence of the global health crisis and restricted travel to China due to the recurring waves of COVID-19. However, despite all these obstacles, we have remained strong and resilient. Efficient delivery continued to take place from our Lahore office where the bulk of our engineering teams and project management resources are based – working via a hybrid model from both the office and remotely from home.

While the majority of our teams from our strategically-located offices worldwide were working from home last year due to the pandemic, as of July this year, we implemented a hybrid model

whereby the majority of our employees have returned to the office. However, the provision of the work from home facility still remains. We believe that it is imperative for the mental health and well-being of our workforce to connect with their teams and colleagues at the office and they have embraced and adapted the new hybrid of work from home and office. Needless to mention that there has been uninterrupted delivery and absolutely no disruption in our services to our clients worldwide as we successfully executed our business continuity plan from the initiation of the global health crisis.

We constantly monitor our productively in this new normal and we've reconstituted our KPIs to factor in the new evolving work model and we will assess and report on how this is evolving.

This financial period witnessed significant new business in terms of contract signings and implementations globally. We signed significant contracts internationally during this period for our premier, highly adaptive, next-generation Fintech platform Ascent and carried out deployments for our global clientele. Further, in Pakistan, a large multi-million-dollar contract was signed with the Khyber-Pakhtunkhwa government. We are also scaling our professional services offerings, alongside our cloud services/partnership with Amazon Web Services (AWS) and

our newly developed, API-based calculation engine Flex.

I would like to thank our parent company Netsol Technologies Inc., its board and its management team for their continued guidance and support. Our global workforce continues to display great zeal and dedication and I would like them to know that the efforts of each and every one of them is immensely appreciated. We stand today as one of the leading IT companies in Pakistan with operations worldwide due to their commitment to the company which has enabled us to attain success globally.

I look forward to the coming years and the continued growth and success of the Company. We remain steadfast in our motto of being adaptive to our clients' business, their growth and the future.



**Naeem Ullah Ghauri**  
Chairman  
Lahore  
September 26, 2022



# CEO's Message

It gives me great pride that our global team has shown great flexibility, and more importantly, great resilience over the past few years. It is their dedication that is responsible for taking NETSOL to unprecedented heights and enabling us to maintain our position as an adaptive, innovative entity and as a powerhouse in the information technology industry.

It has been an extremely positive fiscal year, following slowdown of the global health crisis which initiated in 2020. I feel exhilarated that NETSOL continues to grow as an entity, and as a globally recognized organization in the asset finance and leasing industry worldwide. Other than the company's focus on its core products for the industry, there has been a transition, from primarily being a product-focused enterprise, NETSOL has now become both product and service-oriented organizations.

NETSOL's recent service offerings include professional services, amazon web services and artificial intelligence services. The company has also introduced a newly developed, API-based Calculation Engine called Flex for out-of-the-box integration into a client's ecosystem for all calculations for finance and leasing.

Future revenue for the company will be achieved via multiple new areas as well as regions. With a plethora of product and service offerings, and different modes of recurring revenue including subscription-based pricing, we look forward to a dynamic future.

Our premier, next-generation

platform for the global finance and leasing industry, NFS Ascent, continues to be available for clients both On-prem as well as on the Cloud. Cloud/SaaS-based products have gained immense traction in the finance and leasing industry over the last few years.

I greatly appreciate and value the diversified skillsets that resources bring in and hope working for NETSOL continues to be an enriching experience for all those part of our global team. To complement our new offerings, it has been imperative for us to further increase the number of resources that work at NETSOL. In this regard, the company has heavily invested in hiring new talent across various departments.

I would also like to take this opportunity to announce that we are expanding to different cities in Pakistan. We are enhancing our presence in Karachi and have also initiated opening new development centres in both Peshawar and Faisalabad.

It gives me great pride that our global team has shown great flexibility, and more importantly, great resilience over the past few years. It is their dedication that is responsible for taking

NETSOL to unprecedented heights and enabling us to maintain our position as an adaptive, innovative entity and as a powerhouse in the information technology industry.

I would like to express my gratitude and heartfelt recognition to all the resources who have set an exemplary example of commitment and hard work. It is indeed a privilege for me to have such an amazing team worldwide and it is because of them that NETSOL stands where it does today. We continue to evolve with a clear path forward.



**Salim Ullah Ghauri**  
Chief Executive Officer  
Lahore  
September 26, 2022



# Shareholders' Information

## Registered Office

NETSOL IT Village (Software Technologies Park) Lahore Ring Road, Ghazi Road Interchange Lahore Cantt. 54792, Pakistan  
Tel: +92-42-111-44-88-00  
Fax: +92-42-35726740, 35701046

## Listing and Symbol

Equity shares of the company are listed & traded on Pakistan Stock Exchange Limited under the symbol "NETSOL".

## Listing Fees

Annual listing fee for the financial year 2021-22 has been paid to Stock Exchange.

## Dividend

The Board of Directors in their meeting held on 26 September 2022 has not proposed any dividend appropriation.

## Book Closure Dates

Share Transfer Books of the Company will remain closed from 19<sup>th</sup> October 2022 to 25<sup>th</sup> October 2022 (both days inclusive).

## Shares Registrar

Vision Consulting Limited  
3-C, LDA Flats, Lawrence Road, Lahore  
Tel: +92-42-36283096, 36283097  
Fax: +92-42-36312550

The Share Registrar has online connectivity with Central Depository Company of Pakistan Limited (CDC). It undertakes all activities related to share transfers, transmission, issuance of duplicate/re-validated dividend warrants, issuance of duplicate/replaced share certificates, change of address and other related matters.

For assistance, shareholders may contact the following designated person of the Registrar:

## Contact Person

Mr. Abdul Ghaffar Ghaffari  
Manager Shares

## Investor Grievances

### Contact Persons

#### Registrar

Mr. Abdul Ghaffar Ghaffari-Manager Shares  
Vision Consulting Limited 3-C, LDA Flats, Lawrence Road, Lahore. Tel: +92-42 36283096 & 36383097 Fax: +92-42 36312550  
Email:shares@vcl.com.pk

#### Company

The Company Secretary NETSOL IT Village (Software Technology Park), Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt. 54792, Pakistan. Phone: +92 42 111-44-88-00

## Service Standards

We have always endeavored to provide our valued investors with prompt services. Listed below are various services with their maximum time limit set out against each for their execution.

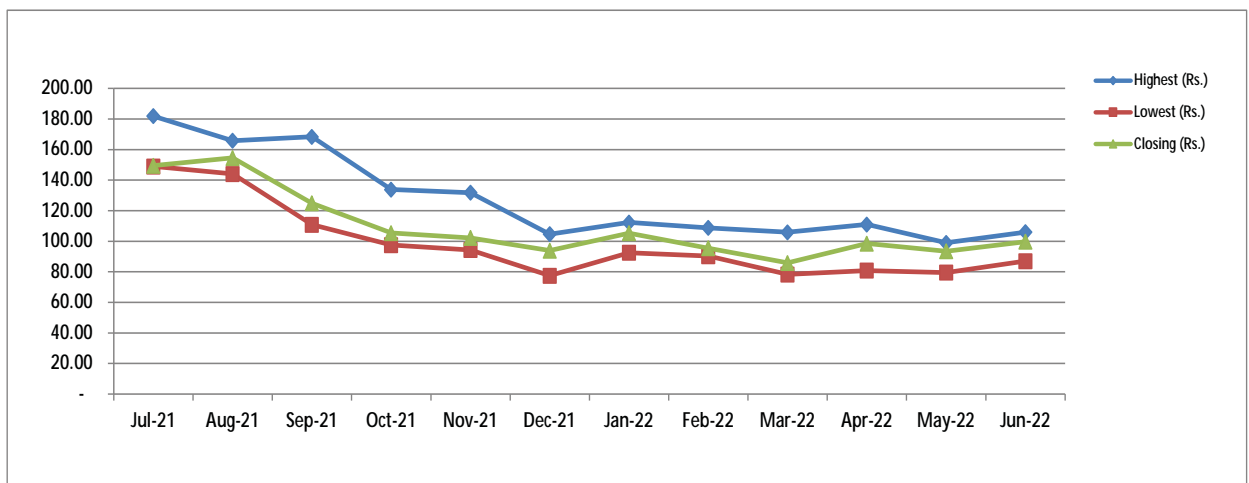
Sr.No.	Activities	For Request Received through post	Over the Counter
1	Transfer of Shares	15 days after receipt	15 days after receipt
2	Transmission of Shares	15 days after receipt	15 days after receipt
3	Issuance of duplicate share certificates	30 days after receipt	30 days after receipt
4	Change of Address	2 days after receipt	15 minutes

# Share Price/Volume

The following table shows the monthly high, low and closing share prices of the Company and the volume of shares traded on the Pakistan Stock Exchange Limited during the financial year ended June 2022:

Month	Highest (Rs.)	Lowest (Rs.)	Closing (Rs.)	No. of shares traded	Market Capitalization in *Value (Rs. in billion)
Jul-21	181.89	149.00	149.50	39,849,400	13,431
Aug-21	165.80	144.00	154.59	26,347,900	13,888
Sep-21	168.40	110.87	124.88	37,742,900	11,219
Oct-21	133.81	97.50	105.41	25,347,500	9,470
Nov-21	131.80	94.35	102.19	45,714,600	9,180
Dec-21	104.70	77.50	93.86	32,343,800	8,432
Jan-22	112.30	92.50	105.35	58,429,300	9,464
Feb-22	108.74	90.30	95.46	25,828,707	8,576
Mar-22	105.89	78.26	85.82	25,661,111	7,710
Apr-22	110.97	80.81	98.52	22,013,957	8,851
May-22	99.00	79.50	93.49	23,870,204	8,298
Jun-22	106.00	87.00	99.74	23,403,156	8,761

\* Based on closing price.



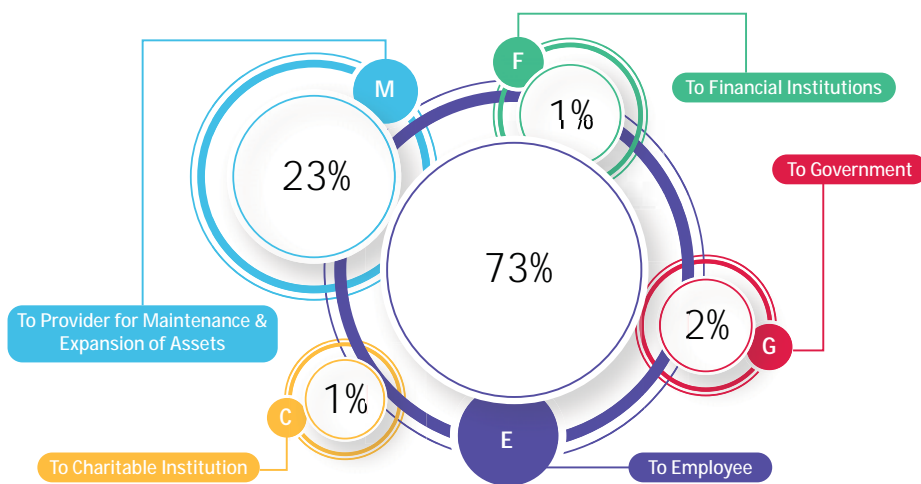


The background features a collage of financial and urban imagery. On the right, a stack of silver and red coins is visible. The central area contains various data visualizations: a candlestick chart, a line graph with multiple colored lines (blue, orange, green) and 'X' markers, and a bar chart with blue bars. A green diagonal shape on the left contains the text 'FINANCIAL HIGHLIGHTS'. At the bottom, a horizontal timeline shows months from April to December. The overall color palette is dominated by blues and greens, with a bright light flare in the upper right corner.

# FINANCIAL HIGHLIGHTS

# Statement of Value Addition

	2022	% age	2021	% age
Rupees in '000'				
<b>VALUE ADDITION</b>				
Revenue from contracts with customers - net	6,116,637		4,947,559	
Other Income	1,071,362		151,778	
	7,187,999		5,099,337	
Less Operating & General Expenses	1,884,890		1,396,484	
Value Added	5,303,109	100%	3,702,853	100%
<b>VALUE DISTRIBUTION</b>				
<b>To Employee</b>				
Salaries & other employee benefits	3,885,447	73%	3,122,648	84%
<b>To Government</b>				
Income & other taxes	139,783	2%	69,596	2%
<b>To Financial Institutions</b>				
As markup on borrowings	59,180	1%	58,856	2%
<b>To Charitable Institution</b>				
16,989	1%	24,105	1%	
<b>To Provider for Maintenance &amp; Expansion of Assets</b>				
Depreciation / Amortization	288,499		236,061	
Retained Income	913,211		191,587	
	1,201,710	23%	427,648	11%
	5,303,109		3,702,853	



# Six Years' Summary

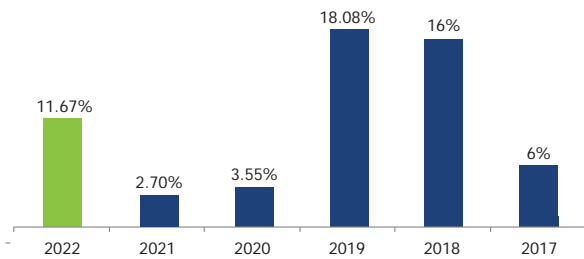
	2022	2021	2020	2019	2018	2017
	Rupees in '000'					
<b>FIXED CAPITAL EXPENDITURE</b>						
Tangible	1,613,212	1,599,438	1,542,792	1,679,165	1,759,889	1,898,191
Intangibles	333,889	627,393	920,897	1,214,401	1,507,905	1,801,409
	1,947,101	2,226,831	2,463,689	2,893,566	3,267,794	3,699,600
LONG TERM INVESTMENT	30,063	208,582	239,827	308,567	308,567	218,873
LONG TERM LOANS TO EMPLOYEES	7,890	3,552	1,571	470	356	446
WORKING CAPITAL	5,934,506	4,762,877	4,379,835	3,739,858	3,148,859	1,796,245
NET ASSETS EMPLOYED	7,919,560	7,201,843	7,084,922	6,942,461	6,725,576	5,715,164
<b>EQUITY &amp; LIABILITIES</b>						
SHAREHOLDER'S EQUITY	7,827,027	7,103,817	6,897,498	6,879,460	6,685,950	5,692,513
NON CURRENT LIABILITIES	92,533	98,026	187,424	63,001	39,626	22,651
TOTAL FUNDS INVESTED	7,919,560	7,201,843	7,084,922	6,942,461	6,725,576	5,715,164
REVENUE FROM CONTRACTS WITH CUSTOMERS - NET	6,116,637	4,947,559	4,708,374	5,381,196	4,284,800	3,925,697
COST OF REVENUE	4,011,648	3,147,147	3,142,330	3,290,450	2,346,162	2,685,337
GROSS PROFIT	2,104,989	1,800,412	1,566,044	2,090,746	1,938,638	1,240,360
OPERATING EXPENSES	1,191,778	1,608,825	1,321,204	847,262	872,668	920,064
NET PROFIT FOR THE YEAR	913,211	191,587	244,840	1,243,484	1,065,970	320,296
EARNING PER SHARE	10.19	2.13	2.73	13.86	11.89	3.58
<b>RESERVES &amp; SHARE CAPITAL</b>						
Reserves	6,948,645	6,205,435	5,999,116	5,982,218	5,788,908	4,796,141
Share Capital	878,369	898,369	898,369	897,229	897,029	896,359
<b>PAYOUT</b>						
Cash Dividend	-	-	-	28%	25%	14.5%

# Key Financial Ratios

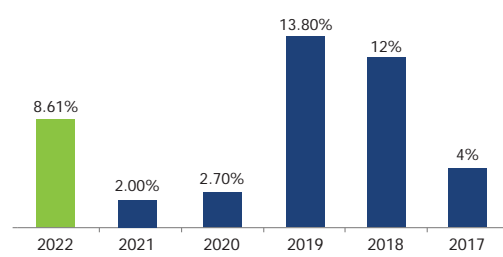
		2022	2021	2020	2019	2018	2017
Working Capital	Rupees in thousand	5,934,506	4,762,877	4,379,835	3,739,858	3,148,859	1,796,245
Gross Profit	%	34.41	36.39	33.26	38.85	45	32
Net Profit Margin	%	14.93	3.87	5.20	23.11	25	8
Return on Equity	%	11.67	2.70	3.55	18.08	16	6
Return on Assets	%	8.61	2.00	2.70	13.80	12	4
Debtor Turnover	Times	2.45	3.00	2.14	2.13	3.20	5.87
Current Ratio	Times	3.21	3.00	3.20	2.81	2.65	2.08
Earnings Per Share	Rupees	10.19	2.13	2.73	13.86	11.89	3.58
Book Value Per Share	Rupees	89.11	79.07	76.78	76.67	74.53	63.51
Outstanding No. of Shares	Number	87,836,923	89,836,923	89,836,923	89,722,923	89,702,923	89,635,923

# Financial Summary

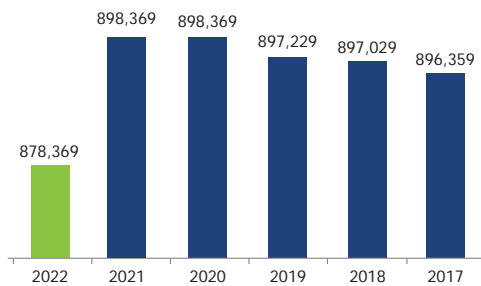
Return on equity



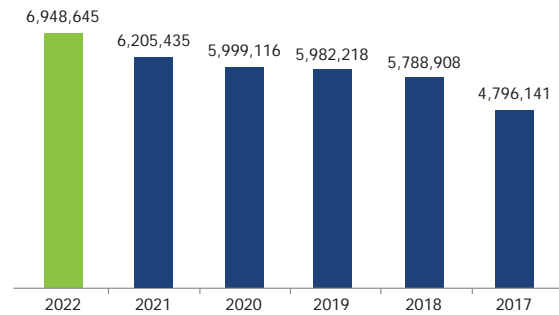
Return on Assets



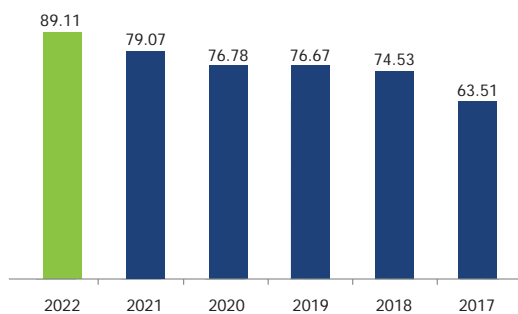
Share Capital (PKR in '000')



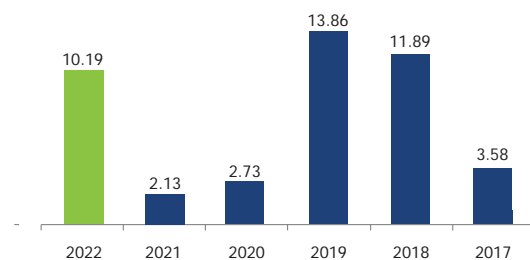
Reserves (PKR in '000')



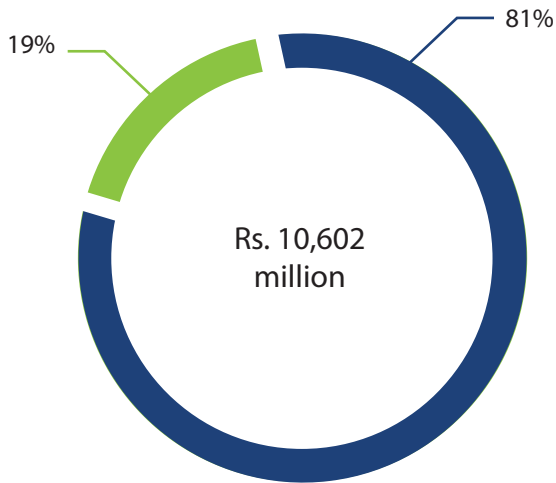
Book Value per Share (PKR)



Earning per share (PKR)

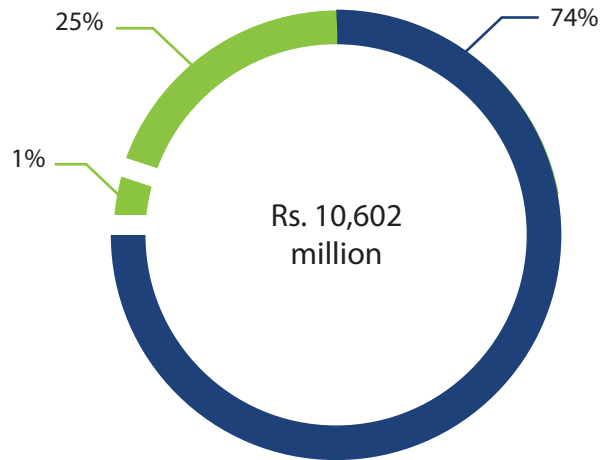


## Assets



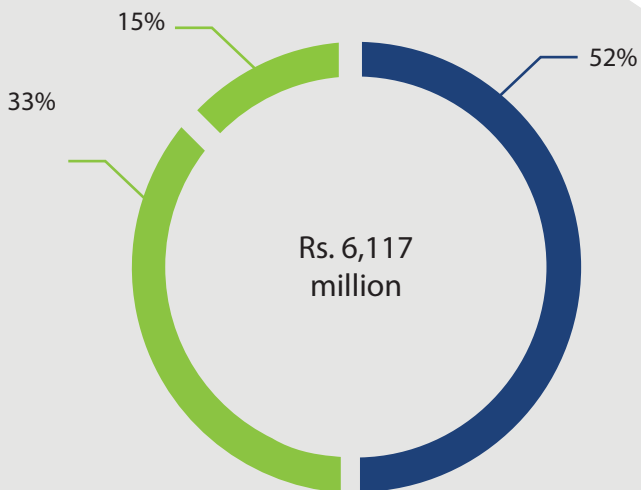
- Non-current Assets
- Current Assets

## Equity & Liabilities



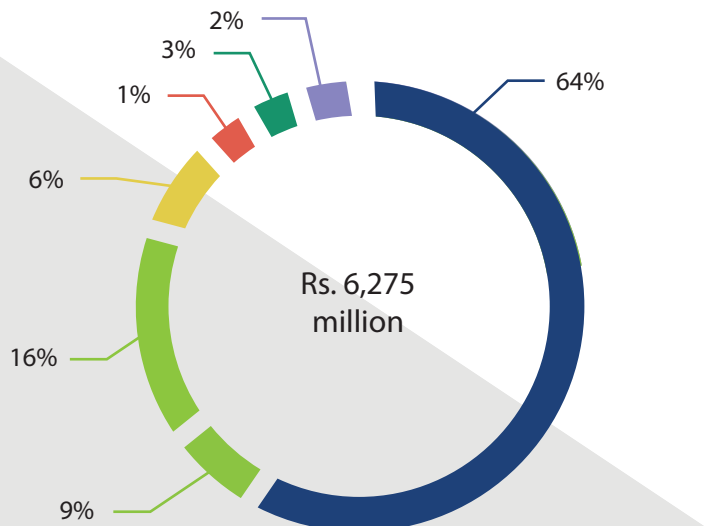
- Current Liabilities
- Share Capital and Reserves
- Non-Current Liabilities

## Revenue



- Subscription and Support
- Services
- License

## Expenses

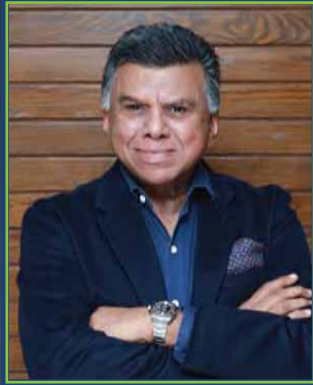


- Selling and Promotion Expenses
- Cost of Revenue
- Administrative Expenses
- Other Operating Expenses
- Finance Cost
- Share of loss of associate
- Taxation



# GOVERNANCE

# Board of Directors



**Naeem Ullah Ghauri**

Chairman

Naeem Ghauri serves as the Chief Executive Officer Innovation and OTOZ. He also is the President of NETSOL's global sales group. While instrumental in numerous transactions, his most significant contribution was his role in closing the TiG NETSOL Joint Venture in 2005. Prior to joining the company, Mr. Ghauri was project director for Mercedes-Benz Finance Ltd., where he supervised over 200 project managers, developers, analysts and users in nine European countries. Mr. Ghauri earned his degree in computer science from University of Brighton, England. Currently roles at NETSOL Technologies as Co-Founder, President Global Sales, Chief Executive Officer Innovation and OTOZ NETSOL Technologies.



**Salim Ullah Ghauri**

Chief Executive Officer

Salim Ullah Ghauri began his entrepreneurial life 40 years ago but his real success came when he started NETSOL in 1996. He is the founder and CEO of NETSOL Technologies. Salim Ghauri is a renowned IT Entrepreneur recognized globally. During his foreign experiences he direly felt a need of his skills for contribution in Pakistani IT sector. This motivation was a sense of patriotism intrinsically found in Salim Ghauri, who envisioned a dream of Pakistan having its own leading IT platform. His patriotic energy led to the founding of NETSOL Technologies which became the first company in the country to achieve CMMI Level 5 status. At present, the Honorary Consul of Australia for Punjab and in addition, he has chaired the Federal Government's ICT Task Force. Currently and previously, Salim Ghauri has been called various times by the Prime Ministers and Presidents of Pakistan for his valuable contributions in the IT sector of Pakistan. He has served as a Former Chairman of Pakistan Software Houses Association for IT and ITES (P@SHA). Another major contribution includes American Business Forum (ABF). He has also served as the President of TiE Lahore. He is also a board member for British Business Centre. He is also a certified director by Pakistan Institute of Corporate Governance.



**Omar Shahab Ghauri**

Executive Director

Omar Ghauri is the COO of NETSOL Technologies Ltd. As COO, he is managing and leading all of company's operations and delivery of NETSOL's Flagship product NFS . With 18 years of vast and extensive experience in the IT industry, Omar is committed to driving an innovative, impactful and diligent team of engineers. Omar's journey with NETSOL started off as a Business Analyst in 2004 where he analyzed and refined the business and functional requirements of new projects. In 2007, he became the Service Manager for NFS where his prime responsibility was to ensure customer satisfaction and bridge the gap between customers and development teams. From 2008 onwards, he has progressed over the career ladder with utmost zeal and determination until finally becoming in charge of NFS. His experience in both senior and junior roles, over his career history, is a testament to the fact that he has a vast set of skills ranging from leadership to strategic thinking. Omar earned a Bachelor's degree in Computer Information Systems (CIS) from James Madison University, USA. He is also a certified director by Pakistan Institute of Corporate Governance.



**Vaseem Anwar**  
Independent Director

Vaseem Anwar has been actively and rigorously participating in the engineering and construction industry to witness its dynamic growth in Pakistan. Very well known for his leadership skills, his hard work attitude has proven him an exuberant Chief Executive within the organization. After spending early days of education, he migrated to the United States of America for the higher education. Vaseem attained his B.S. in Economics and Construction Management from the University of California at Berkeley. After obtaining the MBA degree from Stanford University, with the emphasis on Global Expansion and Cutting Edge Competitiveness, he joined Echo West International. Under the vision and eighteen years management experience of Vaseem Anwar in the areas of design, planning, construction, construction management, real estate development, the firm has experienced consolidated growth in Pakistan and International markets. Vaseem Anwar is a certified director by Pakistan Institute of Corporate Governance.



**Anwaar Hussain**  
Independent Director

Mr. Anwaar Hussain is the owner & Director of Dawn Group of Companies and Managing Director of Dawn Foods Company. He has a graduate Degree in Business Studies and Information System from University of Buckingham, England. He joined the family business fifteen years ago and since then Dawn Group has flourished into a household brand name nationwide. Mr. Hussain, has been responsible of taking Dawn from being an industrial baker to being a gourmet baker alongside to cater to the niche. His venture of Bread & Beyond attained profitability in record time. This integration in the industry has lead it to become one of the most promising and profitable business of the country. He is a certified director by Pakistan Institute of Corporate Governance.



**Zeshan Afzal**  
Independent Director

Mr. Zeshan Afzal joined the company's Board of Directors in 2022 and serves as an Independent Director. He is Chairman of Cordoba Logistics and Ventures Limited and has held several senior positions in the Corporate Sector from being the Chief Executive Officer of various organizations to being a Group Executive Director and Independent Director on various boards of listed and private companies and a foreign board. Mr. Afzal is also a Certified Chartered Accountant from the Institute of Chartered Accountants of Pakistan. Mr. Afzal is also the Founding President of C100 Think Tank (a SECP registered Think Tank) which helps the Government on policymaking and regularly conducts and participates in online sessions with the top CEOs of Pakistan. He has also been Chairman Audit and part of various audit, investment and management committees and has worked on various CSR projects.

Having worked globally in the United States, Canada, England and Saudi Arabia, Mr. Afzal moved back to Pakistan from New York to help guide the youth of the country and bring about corporate change. Alongside being a seasoned corporate professional, he is a philanthropist by heart who works on Youth Development across Pakistan. He also runs a free of cost education network for children in Neelum Valley, Kashmir, with several schools and also works for education in FATA, KP, Gilgit-Baltistan and Balochistan.



**Hamna Ghauri**  
Independent Director

Hamna Ghauri is the Director of Nadoz Greenz. She is managing and leading all of company's operations. Hamna Ghauri wanted to build a brand with an aim to provide natural, nutritious food; food grown without synthetic & potentially harmful pesticides, herbicides & fertilizers. Hamna's dedication, hard work and sheer passion turned this dream come true, when she first started "nadoz greenz" in 2011. After successfully running the farming venture, Hamna Ghauri extensively started researching on Organic Makeup products and formatted a brand name. Oil drillers and construction companies for over a decade he brings in "Amayl" in 2016, her rigorous working nature & commitment to give back to Community brought "ORGANIC GREEN EARTH" into existence, which truly serves the community by planting trees. She has a bachelors degree in Accounts and Finance from LSE. Hamna Ghauri is also a certified Director for Pakistan Institute of Corporate Governance.

**NETSOL** expresses its gratitude to both *Mr. Shahab Ghauri* and *Mr. Najeeb Ghauri*, the outgoing directors, for their invaluable services to the company, and for their role in making **NETSOL** what it is today – a global leader in the asset finance and leasing industry. We will continue to look towards them for their continued guidance and support for the future.



# Directors' Report to Members

On behalf of the Board of Directors, we are pleased to present the 26<sup>th</sup> Annual Report of NetSol Technologies Limited ('NETSOL' or the 'Company') along with the audited financial statements for the year ended June 30, 2022 and the auditors' report thereon.

## PRINCIPAL ACTIVITIES, DEVELOPMENT AND PERFORMANCE OF THE COMPANY'S BUSINESS

The fiscal year ended has been fast-paced and eventful, with a number of significant monumental deployments, contract signings, expansions of strategic partnerships, new association memberships, enhancements of existing association memberships, and some other developments.

During this period, the company's premier platform NFS Ascent™ went live for the trucking division of a leading German luxury captive finance company - one of NETSOL's largest and most longstanding clients. NETSOL's platform went live for the client in Japan, Australia, and South Africa within six months with purely remote deployments. The client had signed the largest ever contract in NETSOL's history in 2015. Ascent is fully available for the trucking financing and leasing industry worldwide, with only regulatory changes required for different countries or regions.

In yet another monumental deployment, NETSOL's next-generation platform NFS Ascent™ went live for a rapidly growing asset finance start-up in Australia - representing NETSOL's quickest ever implementation that was carried out in under just 15 weeks. Maple Commercial Finance in Australia deployed Ascent's Omni Point of Sale (Omni POS) on the Cloud, with this implementation witnessing a 60% decrease in deployment time and a 40% reduction in costs for the client.

The Company has also been awarded the contract of implementation of the "Workflow and Document Management System" by the Government of Khyber Pakhtunkhwa ("GoKP"), under the World Bank Funded "Khyber Pakhtunkhwa Revenue Mobilization and Public

Resource Management Program (KPRM and PRMP): The acquisition of a Workflow and Document Management System from NETSOL will enable the GoKP to ensure transparency and efficiency while communicating and processing documents necessary for inter and intradepartmental communication and processing. The scope of the project includes digitization and automation of 32 departments and 171 mega processes and sub-processes, identification of legal and regulatory changes, implementation of Workflow and Document Management System along with three years' post-implementation support.

The company announced an expansion of its strategic partnership with leading IT and business consulting services firm CGI in Europe. The agreement builds on the close collaboration between the two global IT service providers in the United Kingdom and the United States. The two companies have teamed up to offer NETSOL's premier, next-generation platform NFS Ascent™ to the global finance and leasing industry, supported by CGI's local business consulting, IT integration and managed service solutions. As part of its expanded relationship with NETSOL, CGI will integrate NFS Ascent™ within its clients' complex IT and operating environments and ensure the solution is configured to meet local market practices and finance, risk and regulatory compliance policies.

Further, adding to its stringent security mechanisms, NETSOL now assures the protection of customer data with SOC 2 Type 1 Compliance, which has successfully been achieved with a global audit conducted by A-LIGN - the first-ever licensed CPA firm to focus on IT audits such as SOC 2 with over twenty years of SOC experience. Designed by the American Institute of Certified Public Accountants (AICPA), SOC 2 (System and Organization Controls) attests to the protection of client data. Achieving SOC 2 Type 1 compliance reinforces NETSOL's commitment to ensuring the security of its clients' (and their customers') data and confirms that all system requirements were designed based on the trust services criteria relevant to the security standards set by AICPA. The examination of

the company's suite of products and software services was carried out at its Calabasas, California; London, England; Beijing, China; Sydney, Australia and Lahore, Pakistan facilities.

During this fiscal period, NETSOL further joined two more associations in North America. The company became an associate member of the Consumer Bankers Association (CBA) in the United States, which is the only member-driven trade association focused exclusively on retail banking, representing the nation's largest financial institutions and the top providers of products and services to banks. NETSOL also became a member of the National Vehicle Leasing Association (NVLA). This association provides educational opportunities, promotes responsible legislation and, communicates with members regarding developments and trends in vehicle leasing. Members benefit by taking advantage of tools that keep them up-to-date with what is transpiring in the vehicle leasing industry. The company further enhanced its membership in the American Financial Services Association (AFSA) as it upgraded to becoming a Six-Star Premier Business Partner of the association. While NETSOL has been a member of AFSA since 2019, this premier partnership level enables the company to attain deeper, more consistent engagement with both the AFSA team and its member organizations as an industry thought leader. AFSA is the primary trade association for the consumer credit industry, protecting access to credit and consumer choice.

With the resumption of live/in-person events, NETSOL continued to maintain its presence at annual industry-leading events in North America, the United Kingdom and in Pakistan. In North America, NETSOL attended and exhibited at the Consumer Bankers Association's annual event - CBA Live 2022 which took place in San Antonio, Texas as well as the American Financial Services Association's annual Vehicle Finance Conference in Las Vegas, Nevada. In the United Kingdom, NETSOL was the proud silver sponsor of the Leasing Life Conference and Awards and exhibited at the event, which took place in Barcelona, Spain. The company also attended

the FLA Annual Dinner, where NETSOL was the event photography sponsor. In Thailand, the company attended THPA Golf 2021. NETSOL was also present and exhibited at the PTCL Business Solutions ITCN Asia-Pakistan Tech Festival, which took place in Lahore, Pakistan. This event was attended by the largest tech companies in Pakistan and alongside its solutions for the global asset finance and leasing industry, the company's incubator (NSPIRE) showcased products and services from its latest batches. The Company in collaboration with AWS Community Pakistan hosted an AWS User Group event in Lahore organized by the AWS Community Pakistan in March 2022. Senior management of the company was part of the meetup and shared their vision pertaining to the Cloud with the attendees from the wider AWS community. Furthermore, webinars, webcasts and podcasts took place for the North American and United Kingdom markets during this period as well.

## FINANCIAL PERFORMANCE

Stand-alone financial statements	30-Jun-22 (Rs. in '000')	30-Jun-21 (Rs. in '000')	%age change
Revenue from customers	6,116,637	4,947,559	24%
Gross Profit	2,104,989	1,800,412	17%
Net Profit	913,211	191,587	377%
Earnings per share – basic (PKR)	10.19	2.13	
Earnings per share – diluted (PKR)	10.18	2.13	
EBITDA per share – diluted (PKR)	15.76	7.81	

During the FY 2021-22, the topline of the Company grew by 24% compared to the revenue posted in the previous fiscal year. In absolute numbers, the company reported full-year revenue of PKR 6,117 million compared to PKR 4,948 million in the preceding year. Revenue of PKR 904 million was recorded on account of license sales due to the implementation of NFS Ascent™ at different customer sites in Taiwan, South Africa, Japan, and Australia including local license sale. It also includes an additional license fee amounting PKR 148 million which is charged to an existing client. On the Services side, the Company recorded revenue amounting to PKR 2,031 million in comparison to PKR 2,460 million in the last fiscal year. This slight decrease in services revenue is mainly associated with different customers going into the maintenance phase after their successful

implementations and "Go Live". Subscription and Support revenue increased from PKR 2,089 million to PKR 3,182 million during the year. The increase in subscription and support revenue is mainly associated with different customers going into the maintenance phase after their successful implementation along with revisions in their annual maintenance rates.

On the cost side, due to the massive growth in the IT industry both locally and globally and resultantly increased demand for IT resources, the resources retention cost has increased significantly. Cost of revenue mainly increased due to increase in salaries and benefits cost. In addition to it, travel costs also increased during the period due to the travel of our resources to provide on-site support and implementation to our customers. During the last couple of years, this expense had come to its minimum level due to Covid. Gross Margins during the period clocked in at PKR 2,105

million as compared to the corresponding period where margins were recorded at PKR 1,800 million.

The Company posted a net profit after tax of PKR 913 million compared to PKR 192 million last year. Included in net profit is PKR 790 million on account of currency exchange gain due to depreciation in the Pakistani Rupee compared to an exchange loss of PKR 120 million in the comparable period. This profitability has translated basic and diluted earnings per share to clock in at PKR 10.19 and 10.18 respectively in comparison of PKR 2.13 in the corresponding period. During the year, the Company also allocated three million stock options to its employees. These options will vest and become exercisable in parts in three years' time as per the Company's stock option scheme. During the period, the Company also bought back its two million shares

from the open market at an average price of PKR 92.37 per share. These shares are reported as "treasury stock" in the balance sheet of the Company. Earnings per share have been calculated after considering the effect of these treasury stock as well as stock options. The Company posted net EBITDA profit of PKR 15.76 per diluted share compared to PKR 7.81 in the corresponding year.

The Company also consolidates the financial results of its wholly owned subsidiary "NETSOL Innovation (Pvt) Limited". From this platform, the Company is providing professional services currently to a UK-based customer and is also in the process of building a team for cloud services to provide AWS services globally.

Net consolidated revenues for the year ended June 30, 2022, were PKR. 6,185 million compared to PKR 4,948 million in 2021. Consolidated gross profit for the year was PKR 2,080 million compared to PKR 1,800 million in last year. On a consolidated basis, the company posted net consolidated profit of PKR 872 million in the current year compared to PKR 193 million in last year. Basic and diluted earnings per share for the year ended June 30, 2022 were PKR 9.73 and 9.72 respectively in comparison to PKR 2.15 last year.

## DIVIDEND

Globally, new technology-based financial products and markets are going to appear on the horizon, and your company is committed to joining this new tide by further investing in new products, human resources, markets, and start-ups. Remaining technologically advanced and grasping new opportunities is much capital intensive and need financial resources. To meet the cash flow requirement for enhancing the shareholders' value by reinvesting its financial resources for a better and protected and prosperous future, the Board of Directors has not recommended any dividend payout this year.

## FUTURE OUTLOOK

With successful roll-outs of NFS Ascent™ across all regions NETSOL operates in across the world, the company's modern technology platform is now being used by diverse clientele in North America, the United Kingdom and Asia-Pacific. NETSOL will continue to offer its premier product (Ascent) both On-Prem as well as on the Cloud worldwide. Some smaller companies have opted for Ascent on the Cloud, as they benefit by having to pay no upfront license fees, but pay via flexible, sub-

scription-based pricing options. They further benefit from a quick deployment process with the ability to scale on demand.

NFS Ascent™ is constantly enhanced and prospects pertaining to growth for the company's premier platform are correlated to continued innovation for the solution and its increasing customer base worldwide. As the product is offered via the Cloud as well, Tier 2 and Tier 3 prospects are being targeted as well. The elimination of traditional upfront license fees and the provision of pay-as-you-go pricing options enables these companies to opt for Ascent as well.

For clients that are using NETSOL's or other legacy systems, our goal is to have these clients replace these systems with the latest technology and advanced architecture. With successful roll-outs across all three regions NETSOL operates in, the road has been paved for further deployments of Ascent worldwide.

Being the pioneer in the global finance and leasing industry to launch a complete suite of digital transformation solutions, NETSOL will continue to promote NFS Digital across all regions. The company will also promote its newly developed, API-based, ready-to-use Calculation Engine (Flex).

The company has also been transitioning from being product to service-oriented, with the provision of a number of new services including Amazon Web Services (AWS), Professional Services as well as services related to Artificial Intelligence. The company foresees growth in these new avenues and have hired additional talent for each of these departments.

Being at the forefront of innovation and as an adaptive, digital-first organization, NETSOL invests heavily in R&D. The company's primary objective remains to futureproof its clients' operations from emerging technologies and disruptive business models. NETSOL's Innovation Lab continues working on technologies that keep gaining increased traction in the global finance and leasing industry. For Artificial Intelligence and Scientific Computing, NETSOL has a separate department that now offers its services worldwide, to a multitude of various sectors, not just the finance and leasing industry.

The company has also planned the opening up of a further support and delivery centre in Dubai, United Arab Emirates. The company has also planned to increase its footprints by opening up a further sales and delivery centre

in Dubai, United Arab Emirates. The United Arab Emirates is one of the highest-ranking countries in terms of ease of doing business and with a strong economy and innovative business licensing policies, the country is seen as a preferred location for business operations by many.

### AWARDS AND RECOGNITION

Being a powerhouse and maintaining its dominance in the equipment finance and leasing industry, NETSOL was selected for the second consecutive time in Monitor Daily's 'Most Innovative Companies in the Equipment Finance Ecosystem' in the 'Sustaining' category. Monitor Daily is the leading source for equipment finance and leasing industry news, articles and opinions. It has been serving the informational requirements of the equipment finance and leasing industry for over four decades.

NETSOL was awarded the "Best Lease & Finance Technology Product" by CEO Clubs Network Organization. These prestigious award is a testament to the superiority of our products and services and this recognition further strengthened our position as an industry leader.

The Company is also awarded with "Annual Environment Excellence Award 2022" by National Forum for Environment & Health.

### PRINCIPAL RISK AND UNERTAINTIES FACING THE COMPANY

Below are certain risk factors which may have an impact on the future performance of the Company.

#### RISK FACTORS

##### A. STRATEGIC RISK

In order to manage its strategic risks, NETSOL regularly identifies and keeps track of the latest trends in the dynamic and evolving global finance and leasing space. By working on important technologies that have gained traction in the industry, NETSOL ensures that its clients remain a step ahead in the market and most importantly, have a futureproof business.

##### B. OPERATIONAL RISKS

The company carefully and constantly assesses and analyzes the market and the global industry in which it operates. With

Business Continuity Plans in place, the company continues to ensure zero disruption to its operations in the event of pandemics, natural disasters or other circumstances. The global NETSOL team continues to ensure uninterrupted services to its clients across the world.

##### C. CYBER SECURITY THREATS

Due to the severe impact cyber-crimes and attacks can cause, their borderless nature and the fact that they can evolve swiftly, it is imperative to have stringent security mechanisms in place for companies to protect their ICT infrastructure. NETSOL has the most state-of-the-art and unrivalled security mechanisms and measures in place in order to ensure confidentiality and privacy of the entity's data, and that of its clients and employees. The company has deployed various stringent controls including an intrusion prevention system, encryption at rest and in transit, data access on need to know basis and secure transmission protocols for servers and clients.

As mentioned earlier, NETSOL successfully achieved SOC 2 Type 1 compliance, with a global audit conducted by A-LIGN, the first-ever licensed CPA firm to focus on IT audits such as SOC 2 with over two decades of SOC experience. Designed by the American Institute of Certified Public Accountants (AICPA), SOC 2 (System and Organization Controls) attests to the protection of client data. Achieving SOC 2 Type 1 compliance solidifies NETSOL's commitment to ensuring the protection and security of its clients' (and their customers') data and ascertains that all system requirements were designed based on the trust services criteria relevant to the security standards set by AICPA.

##### D. FOREIGN EXCHANGE RISK

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company is exposed to foreign currency risk on trade debts, some payables and revenues which are entered in a currency other than Pak Rupee. Majority of the revenue of the Company is in currencies other than Pak Rupees. The Company also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

##### E. LIQUIDITY RISK

Liquidity risk reflects an enterprise's inability in raising funds to meet its commitments. The

Company's exposure to liquidity risk arises primarily from mismatch of the maturities of financial assets and liabilities. We however follow an effective cash management and planning policy to ensure ready availability of funds and to take appropriate actions for any new requirements.

#### F. CREDIT RISK

Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The Management also continuously monitors credit exposure towards its customers and makes provision, if required against any balance considered doubtful of recovery.

#### G. INTEREST RATE RISK

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from bank, term deposits and deposits in profit and loss/saving accounts with banks and investments in mutual funds.

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

In order to remain relevant in today's highly competitive, dynamic and ever-changing marketplace, it is essential to evolve alongside the industry. As a leading technology and solutions provider to the global asset finance and leasing industry, NETSOL remains committed to two primary principles - innovation and adaptability. In this regard, product enhancements, primarily for the company's premier product NFS Ascent™ continue in order to keep enabling the company's diverse global clientele, including bluechip organizations and Fortune 500 companies, with a futureproof business and a competitive edge.

In the rapidly changing financial industry, both innovation and adaptability are critical. NETSOL's innovation lab and R&D teams are committed to ensuring NETSOL and its products and services remain not just relevant in the face of disruption, but that the company continues to be the preferred vendor for clients globally. These teams work incessantly

to ensure the company's clients futureproof their operations and that NETSOL's supremacy in the industry stands strong. The focus remains on the needs of clients and the technologies that continue to gain traction in the global finance and leasing industry. These include, but are in no means limited to, Artificial Intelligence, Big Data and Blockchain. The company's Innovation Lab continues building proof-of-concepts using cutting-edge technologies in order to ideate and create modern technology, next-generation products for its diverse global clientele.

Enhancements for the company's premier product as well as its other product and service offerings are a necessity in today's fast-changing environment. These enhancements as well as other developments are also required in order to enable NETSOL to enter new markets, which impacts the performance, profitability and the future of the entity.

#### IMPACT OF COMPANY BUSINESS ON THE ENVIRONMENT

Due to a number of climate-related events affecting the world today, responsible global businesses worldwide are shifting their attention on the climate and environmental sustainability. The Company is not a manufacturing concern but a software house involved in the software development. Therefore, it doesn't have any adverse impact on the environment. While facilitating its global business, NETSOL also focuses on protecting the environment by embracing sustainable practices.

The company acknowledges global climate change as a real problem, and as a borderless company, pledges to do everything in its capacity to tackle the problem. To that end, NETSOL ensures that it eliminates wasteful practices and makes all processes as energy efficient as possible.

Digitization is at the center of the paperless organization. NETSOL's premier product NFS Ascent™ and its digital transformation solutions NFS Digital enable the company's clients to eliminate the use of paper. Complete digitization allows for a paperless environment which positively impacts the environment. Within NETSOL's own operations in each of its global offices, the use of paper has been substantially reduced. The company essentially operates with minimal use of paper and is further eliminating its usage.

Further, NETSOL's Pakistan Office in Lahore launches tree plantation drives every year, with all employees alongside senior management partaking in this annual drive. These tree plantations are seen as imperative in order to combat climatic change and to provide a greener environment in order to reduce smog, increase oxygen and improve and enhance the respiratory health of the citizens of the city. NETSOL stresses the importance of encouraging environmentally-friendly practices not just for all of us momentarily, but for all future generations to come.

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

The company's wholly-owned subsidiary "NetSol Innovation (Pvt) Limited has resumed its operations during the current fiscal year. Through this platform, the Company is offering professional services to organizations in different regions in order to enable them to meet their business objectives. These services primarily consist of technical consultancy, web development, app development, digital marketing, cloud services, outsourcing, and co-sourcing. Pertaining to its professional services offerings, NETSOL's highly skilled and experienced professionals include skilled software programmers, well-versed business analysts, competent quality assurance engineers, technical and solution architects, project managers, cloud-native developers, and architects, mobile/web app developers, and automation specialists.

Additionally, the Company is also building a team for cloud services to provide AWS services globally. The Company believes that there exists a huge potential in professional services and it may become a good revenue generating avenue for the company.

#### CORPORATE SOCIAL RESPONSIBILITY

A detailed report on company's initiatives with respect to corporate social responsibility aligned with United Nations defined sustainability goals is also annexed herewith.

#### RISK MANAGEMENT

The Risk Management Committee comprises of three members including an Independent Director. The Committee has been constituted to address and improve risk oversight and risk management within the Company. The Risk Management Infrastructure of the company

is based upon Enterprise Risk Management methodology/ framework addressing the major risk categories including Strategic, Operational, Compliance and Financial Reporting Risk. Adequate controls, manual as well as automated, have been designed and communicated to the staff via various policy and procedural guidelines which are executed and self-assessed by the process/control owners. An independent Internal Audit Department, under direct reporting to the Board Audit Committee, evaluates and oversees the design and operating effectiveness of these controls.

### ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The Board has the ultimate responsibility to establish and maintain adequate internal controls over financial reporting. We have an independent internal audit department functionally reporting to the Board Audit Committee and administratively to the CEO. The Board Audit Committee annually approves the audit plan, based on an annual assessment of the operating areas. Internal audit provides recommendations which are taken up by the management to remediate control lapses. The observations are shared on a quarterly basis with the Board Audit Committee, Chief Executive Officer and the concerned divisional management. The role of internal audit function continues to change in reaction to events, risk & regulation affecting the Company whilst ensuring that its mandate is aligned with the organizational objectives.

Our internal controls are designed to provide reasonable assurance regarding the reliability of our financial reporting and preparation of our external financial statements in accordance with the International Financial Reporting Standards. Due to inherent limitations of any internal control system, the Management acknowledges that there may be limitations as to the effectiveness of internal controls over financial reporting and therefore recognizes that only reasonable assurance can be gained from any internal control system. The Company, however, maintains an effective internal control framework comprising of clear structures, authority limits and accountabilities and well understood policies and procedures for review processes.

### COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The Company is fully compliant with the requirements of the Listed Companies (Code

of Corporate Governance), Regulations 2019. A statement to this effect is annexed with this report.

### STATEMENT OF COMPLAINE

The statement of compliance under the Listed Companies (Code of Corporate Governance), Regulations 2019 is attached with this report.

### CHANGES TO THE BOARD

During the year the existing term of company director was completed on December 31, 2021, and fresh election was conducted for the appointment of directors through an extra-ordinary general meeting held on December 29, 2021. All the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 related to the composition of the Board have been complied with.

The Board acknowledges the valuable contributions made by the outgoing Directors Mr. Shahab Ghauri and Mr. Najeeb Ghauri and welcomes the new Directors Mr. Naeem Ghauri and Mr. Zeshan Afzal on the Board.

### FORMAL ORIENTATION ON INDUCTION

Detailed orientation is conducted upon induction of new Board members, apprising them of the business operations, environment, and long-term strategy of the Company.

### DIRECTORS' REMUNERATION

The Company does not pay remuneration to non-executive directors including the independent director except fee for attending the meetings. The Company will reimburse or incur expenses on travelling and accommodation of Directors in relation to attending of Board and its Committees meetings. Aggregate amount of remuneration of executive directors, including their salary, perquisites, benefits and performance-linked incentives are disclosed in the annexed financial statements.

### COMPOSITION OF THE BOARD

Composition of the Board of Directors is in compliance with the requirement of Listed Companies (Code of Corporate Governance), Regulations 2019 which is given below:

The total number of directors is seven (07) as per the following:

Gender	Number
Male	06

Female 01

Composition of the Board is given below:

Category	Number
Independent Directors	03
Non-executive Directors	02
Executive Directors	02

### NAME OF THE DIRECTORS

Following are the names of the persons who at any time during the financial year ended June 30, 2022 were directors of the company.

- Mr. Naeem Ullah Ghauri
- Mr. Salim Ullah Ghauri
- Mr. Vaseem Anwar
- Mr. Anwaar Hussain
- Ms. Hamna Ghauri
- Mr. Zeshan Afzal
- Mr. Omar Ghauri
- Mr. Shahab Ud Din Ghauri  
(Retired on December 31, 2021)
- Mr. Najeeb Ullah Ghauri  
(Retired on December 31, 2021)

During the year ended June 30, 2022, five (05) board meetings were held.

The Board has also made sub-committees which have significantly contributed in achieving desired objectives. These committees include:

### AUDIT COMMITTEE

The Board of Directors, in compliance with the Code of Corporate Governance, has established an Audit Committee comprising of the following three (03) members:

Names of Directors	Designation
Mr. Anwaar Hussain	Chairman – Independent director
Mr. Vaseem Anwar	Member – Independent director
Ms. Hamna Ghauri	Member – Non-executive director

Audit Committee duly reviewed and approved all quarterly, half yearly and annual financial statements before their submission to the board of directors and publication.

During the year ended June 30, 2022, Five (05) meetings of the Audit Committee were held.

### HUMAN RESOURCE AND REMUNERATION COMMITTEE

In compliance with the Code of Corporate

Governance, the Board has also established a Human Resource and Remuneration Committee to provide recommendations to the Board regarding selection, evaluation and compensation of key management positions. The committee comprises of the following members:

Names of Directors	Designation
Mr. Zeshan Afzal	Chairman – Independent director
Mr. Vaseem Anwar	Member – Independent director
Mr. Salim Ullah Ghauri	Member – Executive director

During the year ended June 30, 2022, the Committee held one (01) meeting to discuss & approve the matters falling under the terms of reference of the Committee.

#### RISK MANAGEMENT COMMITTEE

The Board has also established a Risk Management Committee to provide recommendations to the Board regarding identification, assessment and mitigation of the risks. Highlighted risks are prioritized according to their impact and likelihood, with remedial actions being devised accordingly. The committee comprises of the following members:

Names of Directors	Designation
Mr. Vaseem Anwar	Chairman – Independent director
Mr. Zeshan Afzal	Member – Independent director
Mr. Omar Ghauri	Member – Executive director

During the year ended June 30, 2022, the Committee held one (01) meeting to discuss & approve the matters falling under the terms of reference of the Committee.

#### NOMINATION COMMITTEE

The Board has also established a Nomination Committee which comprises of the following members:

Names of Directors	Designation
Mr. Anwaar Hussain	Chairman – Independent director

Mr. Vaseem Anwar	Member – Independent director
Mr. Salim Ullah Ghauri	Member – Executive director

#### PERFORMANCE EVALUATION OF BOARD OF DIRECTORS AND THE BOARD COMMITTEES

The primary purpose of the Board of Directors of the company is to direct the company's affairs collectively and ensure organizational prosperity, while also making sure that the interests of shareholders and stakeholders of the company are being protected. As per the Listed Companies (Code of Corporate Governance) Regulations 2019, evaluation of the Board of Directors as a whole is required, including its Committees and the involvement of each Director towards the strategic direction and growth of the company.

This evaluation was facilitated in order to define competencies required within the Board, taking into consideration the role and input of the individual members, and to highlight future aspects that require attention. A comprehensive questionnaire was sent out by the Human Resource & Remuneration Committee to all Board Members pertaining to the performance evaluation of the Board of Directors and its Committees.

Primary areas of concern included the following:

- Alignment of corporate goals and objectives with the vision and mission of the company
- Strategy formulation for sustainable operations
- Board independence
- Evaluation of the Board's Committees performance in relation to discharging their responsibilities set out in respective terms of reference

On the basis of each Individual Director's feedback and thereby consolidated evaluated results, average rating of the Board, Individual Directors & Committees performance has been found satisfactory & effective.

#### DIRECTORS' TRAINING PROGRAM

##### BOARD OF DIRECTORS

All the board members have either completed Directors Training Program or are exempt

as per criteria specified in Listed Companies (Code of Corporate Governance) Regulations, 2019.

#### HEADS OF DEPARTMENTS & FEMALE EXECUTIVES

Pursuant to the requirement of the Listed Companies (Code of Corporate Governance) Regulations, 2019 regarding training of at least one head of department and one female executive every year, under the Directors' Training Program, appropriate measures have been taken to ensure that the Company complies with the requirement within the time period stipulated by the Code.

#### REVIEW OF RELATED PARTY TRANSACTIONS

All the related party transactions in the ordinary course of business are entered on arm's length basis and are in compliance with the applicable provisions of the Companies Act, 2017. There are no materially significant related party transactions made by the Company with Directors or Key Managerial Personnel which may have potential conflict with the interest of the Company at large or which warrants the approval of the shareholders. All related party transactions during the current financial year were placed before the Board Audit Committee for its review and then to the Board for their approval.

#### TREASURY SHARES

During the year ended 30 June 2022, the Company purchased/bought-back 2,000,000 issued ordinary shares and held them as treasury shares. The buy-back was approved by shareholders at their extra-ordinary general held on May 10, 2022. The ordinary shares were acquired through Pakistan Stock Exchange at spot price.

#### HOLDING COMPANY

NetSol Technologies Inc., 23975 Park Sorrento, Suite 250, Calabasas CA 91302, USA holds majority of the shareholding of the Company.

#### APPOINTMENT OF AUDITORS

The present external auditors' Messrs H.Y.K & Co., Chartered Accountants retire and being eligible, offer themselves for reappointment. The Board of Directors has endorsed the recommendation of the Audit Committee for the reappointment of Messrs H.Y.K & Co., as the auditors for the financial year ending June 30, 2023 on such terms and condi-

tions and remuneration as may be decided by the shareholders. The external auditors have confirmed that they have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan. They have further confirmed that their firm is in compliance with International Federation of Accountants' (IFAC) guide-lines on Code of Ethics as adopted by the ICAP. The external auditors have not been appointed to provide other services except in accordance with the Listing Regulations.

### KEY OPERATING AND FINANCIAL DATA

Key operating and financial data for the last six years is annexed with the Annual Report.

### PATTERN OF SHAREHOLDING

A statement of the general pattern of shareholding as at June 30, 2022 along with pattern of shareholding of certain classes of shareholders whose disclosure is required under the reporting framework and the statement of purchase and sale of shares by directors, executives and their spouse including minor children during the fiscal year 2022 is annexed herewith.

### SUBSEQUENT EVENTS

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

### ACKNOWLEDGEMENT

The Board of Directors places on record its appreciation for the continued support by its respected shareholders, valued customers, government agencies and financial institutions. The Board also expresses its appreciation for the services, loyalty and efforts being continuously rendered by all the employees of the Company and hope that they will continue with same efforts in future.

On behalf of the Board



Salim Ullah Ghauri  
Chief Executive Officer



Omar Ghauri  
Director

Lahore

September 26, 2022

# ڈائر یگز کی رپورٹ

ہمیں خوشی ہے کہ از طرف بورڈ آف ڈائریکٹرز نیٹ سول ٹیکنالوجیز لمیٹڈ ("نیٹ سول" یا "دی کمپنی") کی چھبیسویں سالانہ آڈٹ شدہ مالیاتی گوشوارے جس کا اختتام 30 جون 2022ء کو ہوا، مع آڈیٹرز رپورٹ پیش کر رہے ہیں۔

## کمپنی کی کارکردگی اور ترقی کی بنیادی سرگرمیاں

اختتام پذیر مالیاتی سال غیر معمولی یادگار تقریروں، معاہدوں، سٹریٹجک شراکت داروں میں توسیع، نیٹ سول ایسٹ کی رکنیت، حالیہ ایسوی ایسٹ کی رکنیت میں توسیع اور دیگر پیش رفت کے ساتھ انتہائی تیز رفتار اور مفید رہا۔

مذکورہ دورانیہ میں، نیٹ سول کے سب سے بڑے اور پرانے کلائنٹس میں سے ایک جرمنی کی معروف لگژری کپڑوں فائنس کمپنی کے ٹرننگ ڈیویژن کے لئے کمپنی کا پریمیر پلیٹ فارم NFS Ascent پہلی مرتبہ live ہوا۔ جاپان، آسٹریلیا اور جنوبی افریقہ میں چھ ماہ کے عرصہ میں نیٹ سول کا یہ پلیٹ فارم خالصتاً فاصلاتی (remotely) ڈیپلٹمنٹ کے ذریعے فعال ہوا۔ سال 2015ء میں کلائنٹ نے نیٹ سول کی تاریخ کا سب سے بڑا 100 ملین ڈالر کا معاہدہ کیا تھا۔ Ascent عالمی سطح پر ٹرننگ فنانسنگ اور لیزنگ انڈسٹری کے لئے مختلف ملکوں علاقوں میں صرف ریگولٹری ریدوہل کے ساتھ دستیاب ہے۔

ایک اور یادگار ڈیپلٹمنٹ میں نیٹ سول کا next-generation پلیٹ فارم NFS Ascent ہے جو آسٹریلیا کے تیزی سے ترقی پانے والے فنانس سٹارٹ اپ کے لئے live ہوا۔ یہ نیٹ سول کی تاریخ میں تیز ترین نفاذ ہے جو صرف 15 مہینے میں فعال ہوئی۔ مپل کمرشل فنانس اسٹریلیا نے کلاؤڈ پرائیویسیٹی کا اڈیٹری سٹریٹجی (Omni POS) ڈیپلٹمنٹ کیا۔ اس نفاذ سے ڈیپلٹمنٹ ٹائم میں 60 فی صد اور کلائنٹ کی لاگت میں 40 فی صد کی واقع ہوئی۔

ورلڈ بینک کی مالی معاہدے سے جاری "خیر بختونخواہ رپویٹو موبیل انڈسٹری انڈیکس پبلسٹریٹس" کی پروگرام (KPRM اور PRMP) کے تحت حکومت خیر بختونخواہ ("GoKP") کی جانب سے کمپنی کو "ورک فلوائیڈ ڈیپلٹمنٹ منجمنٹ سسٹم" نافذ کرنے کے کنٹریکٹ سے بھی نواز گیا۔ نیٹ سول کے ورک فلوائیڈ ڈیپلٹمنٹ منجمنٹ سسٹم کو اپنانے سے حکومت خیر بختونخواہ مختلف محکموں کے داخلی اور خارجی روابط اور پروسیڈنگ کے لئے درکار دستاویزات کی فراہمی اور پروسیڈنگ میں شفافیت اور عمدگی کو یقینی بنانے کے قابل ہوگی۔ پروسیڈنگ کا دائرہ کار 32 محکموں اور 171 مگا پراسیسز اور سب پرائیویسیٹی ڈیپلٹمنٹ اور آڈیٹیشن، قانونی ریگولٹری تبدیلیوں کی نشاندہی، ورک فلوائیڈ ڈیپلٹمنٹ منجمنٹ سسٹم کا نفاذ اور بعد نفاذ عرصہ تین سال کے لئے سپورٹ پر مشتمل ہے۔

کمپنی نے یورپ کی معروف آئی ٹی اور بزنس کنسلٹنگ فرم CGI کے ساتھ اپنی اسٹریٹجک پارٹنرشپ میں توسیع کا اعلان کیا۔ یہ معاہدہ برطانیہ اور امریکہ کی دو عالمی آئی ٹی خدمات فراہم کنندگان کے مابین مربوط تعاون پر طے کیا گیا۔ دونوں کمپنیوں نے نیٹ سول کے پریمیر، نیکیسٹ جرنیشن پلیٹ فارم NFS ایسٹ کو گلوبل فائنس اور لیزنگ انڈسٹری میں متعارف کرانے کے لئے مشترکہ جدوجہد کی جس میں CGI کی لوکل بزنس کنسلٹنگ اور آئی ٹی انٹیگریشن نے بھی اپنا کردار ادا کیا اور سروس سالیوشنز کو منظم کیا۔ NETSOL کے ساتھ تعلقات میں توسیع کی بابت CGI اپنے کلائنٹس کے پیچیدہ آئی ٹی اور آپریٹنگ ماحول میں NFS ایسٹ کو شامل کرے گی اور یقینی بنائے گی کہ یہ سالیوشن مقامی منڈی کے امور اور مالیات، خطرات اور ریگولٹری پالیسیوں پر پورا اترنے کے لئے سازگار ہو۔

مزید یہ کہ نیٹ سول SOC 2 Type 1 کی تعمیل میں اپنے مربوط سیکورٹی میگزین کے ذریعے صارف ڈیٹا کے تحفظ کو یقینی بناتی ہے۔ جس کی SOC میں تین سال سے زائد تجربہ کی حامل پہلی لائسنس یافتہ اور IT آڈٹ یعنی SOC 2 میں ماہر CPA فرم A-LIGN کی جانب سے گلوبل آڈٹ کے ذریعے یوٹیلٹی ہوئی۔ امریکن انسٹی ٹیوٹ آف سرٹیفائیڈ پبلک اکاؤنٹنٹس (AICPA) کا تیار کردہ SOC 2 سسٹم اینڈ آرگنائزیشن کنٹرول) کلائنٹ ڈیٹا کی حفاظت کی ضمانت دیتا ہے۔ SOC 2 Type 1 کی تعمیل اپنے کلائنٹ (اور ان کے صارفین) کے ڈیٹا کی حفاظت پر نیٹ سول کے عزم کی عکاسی کرتا ہے اور اس سے تصدیق

ہوتی ہے کہ AICPA کے وضع کردہ سیکورٹی اصولوں سے متعلق ٹرسٹ سروسز معیارات کی بنیاد پر سسٹم کی تمام ضروریات کو پورا کیا جاتا ہے۔ کیلا باس، کیلیفورنیا، لندن۔ انگلینڈ، بیجنگ۔ چین، سڈنی۔ آسٹریلیا اور لاہور۔ پاکستان میں واقع دفاتر میں پروڈکٹس اور سافٹ ویئر سروسز کے کمپنی سوٹ کا جائزہ لیا گیا ہے۔

دواں مالیاتی سال کے دوران، نیٹ سول نے شمالی امریکہ میں دو مزید ایسوی ایسٹ کو شامل کیا۔ کمپنی امریکہ میں ریٹیل بیکننگ سے منسوب واحد اراکین پر مبنی ٹریڈ ایسوی ایسٹ کنزیومر بینکریز ایسوی ایسٹ (CBA) کی ایسوی ایسٹ رکن بن چکی ہے۔ یہ ایسوی ایسٹ امریکہ کے بڑے مالیاتی اداروں کی نمائندگی کرتی ہے اور بینکوں کو معیاری پروڈکٹس اور سروسز فراہم کرتی ہے۔ نیٹ سول نیشنل ڈیجیٹل لیزنگ ایسوی ایسٹ (NVLA) کی بھی رکن بن چکا ہے۔ یہ ایسوی ایسٹ تعمیری مواقع مہیا کرتی ہے اور با اعتبار قانون سازی کی ترویج کرتی ہے اور گارنٹیز کی لیز کی بابت پیش رفت اور رجحانات سے متعلق اراکین کو باخبر رکھتی ہے۔ کمپنی نے امریکن فائنٹیشیل سروسز ایسوی ایسٹ (AFSA) میں اپنی رکنیت میں مزید توسیع کی ہے کیونکہ کمپنی ایسوی ایسٹ کا چھ ستارہ بزنس پارٹنر بننے جاری ہے۔ چونکہ نیٹ سول سال 2019ء سے AFSA کا رکن ہے لہذا یہ اعلیٰ ترین پارٹنرشپ لیول کمپنی کو انڈسٹری پر مکمل عبور رکھنے والے رکن کی حیثیت سے AFSA ٹیم اور اس کے رکن اداروں کے ساتھ مربوط اور مستقل تعلقات استوار کرنے کے قابل بناتا ہے۔ کنزیومر کریڈٹ انڈسٹری کے لئے AFSA ایک مرکزی ٹریڈ ایسوی ایسٹ ہے جو کریڈٹ اور صارف کے انتخاب تک رسائی کو محفوظ بناتی ہے۔

براہ راست اور اجتماعی ایویٹ کی بحالی سے نیٹ سول شمالی امریکہ، برطانیہ اور پاکستان میں اس انڈسٹری کے سالانہ ایونٹ میں اپنی موجودگی کو یقینی بناتا ہے۔ شمالی امریکہ میں نیٹ سول نے کنزیومر بینکریز ایسوی ایسٹ کے سالانہ ایونٹ - CBA براہ راست 2022 میں شرکت اور ٹمائش کی یہ ایونٹ سین اینٹونیو، ٹیکساس میں منعقد ہوا۔ کمپنی نے لاس ویگاس نیواڈا میں منعقدہ امریکن فائنٹیشیل سروسز ایسوی ایسٹ کے سالانہ ایونٹ ڈیجیٹل فائنٹس کانفرنس میں بھی شرکت کی۔ برطانیہ میں نیٹ سول لائف کانفرنس اینڈ ایوارڈز کانفرس سے سلور سپانسر تھا اور اس ایونٹ میں بھی نیٹ سول پیش پیش تھا۔ یہ ایونٹ بارسلونا سپین میں منعقد ہوا تھا۔ کمپنی نے FLA سالانہ عشائیہ میں بھی شرکت کی اور نیٹ سول اس ایونٹ میں فوٹوگرافی سپانسر تھا۔ تھائی لینڈ میں کمپنی نے THPA گولف 2021ء میں شرکت کی۔ نیٹ سول نے لاہور پاکستان میں منعقدہ PTCL بزنس سالیوشنز IITCN - پشیا۔ پاکستان ٹیک فینٹیل میں بھی اپنی پروڈکٹس کی نمائش کی۔ اس ایونٹ میں پاکستان کی بڑی ٹیک کمپنیوں نے شرکت کی اور گلوبل ایسٹ فائنٹنگ اور لیزنگ انڈسٹری کے لئے اپنے سالیوشنز کے ساتھ کمپنی کے انویسٹری (NSPIRE) نے اپنے تازہ ترین بیج سے پروڈکٹس اور سروسز کی نمائش کی۔ مارچ 2022ء میں AWS کیو بی پاکستان کے تعاون سے کمپنی نے لاہور میں AWS یورگروپ ایونٹ کا اہتمام کیا۔ کمپنی کی اعلیٰ انتظامیہ اس اجتماع کا حصہ تھی اور وسیع AWS کیو بی کے حاضرین کے ساتھ کلاؤڈ ڈیپلٹمنٹ اپنے ویزن کی عکاسی کی۔ مزید برآں، مذکورہ دورانیہ میں شمالی امریکہ اور برطانیہ کی منڈیوں کے لئے ویب ناز، ویب کاسٹس اور پوڈ کاسٹس کا بھی اہتمام کیا گیا۔

## مالیاتی کارکردگی (Financial Performance)

مالیاتی گوشوارے

جدد گانہ مالیاتی گوشوارے	30 جون 2022ء	30 جون 2021ء
	(000) روپے	(000) روپے
محصولات (000 میں)	6,116,637	4,947,559
خام منافع (000 میں)	2,104,989	1,800,412
نقد منافع (000 میں)	913,211	191,587
منافع فی حصص - بنیادی (روپے)	10.19	2.13
منافع فی حصص - تحلیل شدہ (روپے)	10.18	2.13
EBITDA فی حصص - تحلیل شدہ (روپے)	15.76	7.81

مالی سال 2021-22 کے دوران، کمپنی کی ٹاپ لائن میں پچھلے مالی سال میں درج کی گئی محصولات کے مقابلے میں 24 فیصد اضافہ ہے۔ قطعی تعداد میں، کمپنی نے گذشتہ سال کے 4,948 ملین روپے کے

مقابلے 6,117 ملین روپے پورے سال کی محصولات درج کی ہیں۔ مقامی لائسنس کی فروخت ساتھ ساتھ تائیوان، جنوبی افریقہ، جاپان اور آسٹریلیا میں مختلف کسٹمر کی سائنس پر NFS Ascent TM کے نفاذ کی وجہ سے لائسنس کی فروخت سے 904 ملین روپے کی محصولات ریکارڈ کی گئی۔ اس میں 148 ملین روپے کی اضافی لائسنس فیس بھی شامل ہے جو کہ موجودہ کلائنٹ سے وصول کی گئی ہے۔ خدمات محصولات کی مد میں، کمپنی نے گذشتہ مالی سال میں 2,460 ملین روپے کے 2,031 ملین روپے کی محصولات درج کی ہیں۔ خدمات کی محصولات میں یہ معمولی کی بنیادی طور پر مختلف صارفین کے کامیاب نفاذ اور "Go Live" کے بعد بحالی کے مرحلے میں جانے سے وابستہ ہے۔ موجودہ سال کے دوران سبسکرپشن اور سپورٹ کی محصولات 2,089 ملین روپے بڑھ کر 3,182 ملین روپے ہو گئی ہیں۔ سبسکرپشن اور سپورٹ محصولات میں اضافہ بنیادی طور پر ان کے کامیاب نفاذ کے بعد بحالی کے مرحلے میں جانے والے مختلف صارفین کے ساتھ ان کی سالانہ دیکھ بھال کے شروں میں نظر ثانی کے ساتھ منسلک ہے۔

لاگت کی مد میں، مقامی اور عالمی سطح پر آئی ٹی صنعت میں بڑے پیمانے پر ترقی اور اس کے نتیجے میں آئی ٹی ریورسز کی مانگ میں اضافے کی وجہ سے، ریورسز کو برقرار رکھنے کی لاگت میں نمایاں اضافہ ہوا ہے۔ محصولات کی لاگت بنیادی طور پر تنخواہوں اور فونڈنگ کی لاگت میں اضافے کی وجہ سے بڑھی۔ اس کے علاوہ، سفری لاگت میں بھی اس مدت کے دوران اضافہ ہوا ہے۔ جس کی وجہ سے ہمارے صارفین کو سائنٹ پر مدد فراہم کرنے اور اس پر عمل درآمد کرنے کے ہمارے ریورسز کا سفر کرنا درکار ہونا ہے۔ گذشتہ چند سالوں کے دوران، کوویڈ COVID کی وجہ سے یہ خرچ اپنی کم سے کم سطح آگیا تھا۔ اس مدت کے دوران مجموعی مارجن 2,105 ملین روپے درج کیا گیا ہے جبکہ گذشتہ مدت میں یہ مارجن 1,800 ملین روپے درج کیا گیا تھا۔

کمپنی نے گذشتہ سال 192 ملین روپے کے مقابلے میں 913 ملین روپے کا بعد از ٹیکس خالص منافع درج ہے۔ خالص منافع میں شامل 790 ملین روپے، پاکستانی روپے کی قدر میں بہتری کی وجہ سے کرنسی تبادلے کے منافع سے منسلک ہے جس کا موازنہ 120 ملین روپے کرنسی تبادلے کے خسارے سے گذشتہ سال کیا گیا ہے۔ کمپنی نے گذشتہ سال کے 2.13 روپے بنیادی اور تحلیل شدہ فی حصص منافع کے مقابلے میں بالترتیب 10.19 اور 10.18 روپے منافع درج کیا۔ سال کے دوران، کمپنی نے اپنے ملازمین کے لیے 3 ملین کے اسٹاک آپشن کے اختیارات بھی مختص کیے ہیں۔ کمپنی کی اسٹاک آپشن سکیم کے مطابق یہ آپشنز 3 سال کے عرصے میں حصوں میں Vest اور قابل استعمال ہو جائیں گے۔ اس مدت کے دوران، کمپنی نے اپنے 20 لاکھ حصص بھی اوپن مارکیٹ سے 92.37 روپے فی حصص کی اوسط قیمت پر خریدے۔ ان حصص کو کمپنی کی مالیاتی گوشوارے میں "ٹریڈری اسٹاک" کے طور پر رپورٹ کیے گئے ہیں۔ ان ٹریڈری اسٹاک کے ساتھ ساتھ اسٹاک آپشنز کے اثر کو مد نظر رکھتے ہوئے فی حصص منافع کا حساب لگایا گیا ہے۔ کمپنی نے گذشتہ سال 7.81 روپے تحلیل شدہ فی حصص کا خالص EBITDA منافع کے مقابلے میں موجودہ سال میں 15.76 روپے تحلیل شدہ فی حصص کا خالص EBITDA منافع درج کیا ہے۔

کمپنی نے اپنے مکمل ملکیتی ذیلی ادارہ "ٹیٹ سول انویشن (پرائیویٹ) لمیٹڈ" کے مجموعی مالیاتی گوشوارے بھی شامل کر دیے ہیں۔ اس ادارے سے، کمپنی اس وقت برطانیہ میں مقیم صارف کو پیشہ ورانہ خدمات فراہم کر رہی ہے اور عالمی سطح پر AWS خدمات فراہم کرنے کے لیے کلاؤڈ سروسز کے لیے ایک ٹیم بنانے کے عمل میں بھی ہے۔ 30 جون 2022ء کو ختم ہونے والے سال کیلئے نقد مجموعی محصولات گذشتہ سال 4,948 ملین روپے کے مقابلے میں 6,185 ملین روپے ہیں۔ مجموعی خام منافع گذشتہ مالی سال کے 1,800 ملین روپے کے مقابلے میں موجودہ سال میں 2,080 ملین روپے ہیں۔ مجموعی بنیادی پر، کمپنی نے گذشتہ سال کی اسی مدت میں 193 ملین روپے نقد مجموعی منافع کے مقابلے میں موجودہ سال میں 872 ملین روپے کا نقد مجموعی منافع درج ہے۔ 30 جون 2022ء کو ختم ہونے والے سال کے لیے بنیادی اور تحلیل شدہ فی حصص آمدنی، گذشتہ سال 2.15 روپے کے مقابلے میں بالترتیب 9.73 اور 9.72 روپے تھی۔

### منافع منقسمہ (Dividend)

عالمی سطح پر، نئی ٹیکنالوجیز پر مبنی مالیاتی مصنوعات اور مارکیٹس افق پر نمودار ہونے والی ہیں، اور آپ کی کمپنی نئی مصنوعات، انسانی وسائل (human resources)، مارکیٹس اور اشارت اہل میں مزید سرمایہ کاری کر کے اس ترقی کرنے کے مواقع حاصل کرنے کی نئی لہر میں شامل ہونے کے لیے پرعزم ہے۔ ترقی یافتہ ٹیکنالوجی کو برقرار رکھنا اور نئے مواقعوں سے فائدہ اٹھانے کے لیے بہت زیادہ سرمایہ درکار ہوتا ہے۔ بہتر محفوظ اور خوشحال مستقبل کے لیے اپنے مالی وسائل کی دوبارہ سرمایہ کاری کر کے حصص داران کی قدر بڑھانے کے لیے اور ریکس فلوی کی ضرورت کو پورا کرنے کے لیے، پورڈ آف ڈائریکٹرز نے اس سال کسی ڈیویڈنڈ کی ادائیگی کی سفارش نہیں کی ہے۔

### مستقبل کا نقطہ نظر (Future Outlook)

دنیا بھر میں NFS اینڈسٹری کے کامیاب تعارف کے باعث ٹیٹ سول اب دنیا بھر میں اپنا کام کر رہا ہے۔ کمپنی کا جدید ٹیکنیکل پلیٹ فارم شمالی امریکہ، برطانیہ اور ایشیا پیسیفک میں موجود متنوع کلائنٹس کے زیر استعمال ہے۔ ٹیٹ سول اپنی پریمیئر پروڈکٹ (اینڈسٹری) کو براہ راست اور دنیا بھر میں کلاؤڈ پرفارمنگ کرنا جاری رکھے گا۔ کئی چھوٹی کمپنیوں نے کلاؤڈ پر اینڈسٹری کو منتخب کیا ہے کیونکہ انہیں کوئی اپ فرنٹ فیس ادائیگی نہیں کرنا پڑتی بلکہ وہ خالصتاً سبسکرپشن پر مبنی انتہائی سازگار قیمت پر ادائیگی کرتے ہیں۔ وہ مطالعے ضرورت کے مطابق فوری ڈیپلائمنٹ پر واپس سے بھی مستفید ہوتے ہیں۔

NFS اینڈسٹری میں مسلسل بہتری لائی جا رہی ہے اور کمپنی کے پریمیئر پلیٹ فارم میں ترقی کی بابت حل کے لئے اسے جدید بنیادوں پر استوار کر کے اور دنیا بھر میں اپنے صارفین کی تعداد میں اضافے کے ذریعے نمو کی توقع کی جا رہی ہے۔ چونکہ یہ پروڈکٹ کلاؤڈ پر بھی دستیاب ہے لہذا Tier 2 اور Tier 3 میں بھی اس کی دستیابی کے لئے کوششیں جاری ہیں۔ روایتی اپ فرنٹ لائسنس فیس کے خاتمہ اور اپنی مرضی سے قیمت کی ادائیگی کی سہولت ان کمپنیوں کو اینڈسٹری کا انتخاب کرنے کے لئے بھی مائل کرتی ہے۔

ٹیٹ سول یا دیگر نظا موں کو استعمال کرنے والے کلائنٹس کے لئے ہمارا عزم یہ ہے کہ وہ ان نظا موں کو جدید ترین ٹیکنالوجی اور ایڈوانسڈ آرکیٹیکچر سے تبدیل کریں۔ ان تمام علاقوں میں، جہاں ٹیٹ سول آپریٹ کرنا ہے، کامیاب تعارف کے بعد دنیا بھر میں اینڈسٹری کی مزید ڈیپلائمنٹ کا راستہ ہوا گیا ہے۔

ڈیجیٹل ٹرانسفارمیشن سٹیٹس کو مکمل Suite کو متعارف کرانے کے لئے گلوبل فائننس اور لیزنگ انڈسٹری میں ایک ستون کی حیثیت سے ٹیٹ سول ان تمام علاقوں میں NFS ڈیجیٹل کی تشریح جاری رکھے گا۔ کمپنی نے تیار کردہ API پر مبنی استعمال کے لئے تیار کیلکولیشن انجن (فلکس) کو بھی متعارف کرائے گی۔

کمپنی پروڈکٹ سے سروس پر مبنی ادارے میں تبدیلی کے راستے پر بھی ہے جس میں متعدد نئی خدمات یعنی ایمازون ویب سروسز (AWS)، پروفیشنل سروسز اور مصنوعی ذہانت سے متعلقہ خدمات شامل ہیں۔ کمپنی ان نئے ایپلیکیشنز میں ترقی کے لئے پرعزم ہے لہذا کمپنی نے ہر شعبے کے لئے اضافی عملے کی تعیناتی کی ہے۔

جدت میں اولین ہونے اور باآسانی اپنائے جانے والے ڈیجیٹل فرسٹ ادارے کی حیثیت سے ٹیٹ سول R&D میں بھاری سرمایہ کاری کر رہا ہے۔ کمپنی کا بنیادی مقصد اپنے کلائنٹس کے آپریشنز کو ابھرتی ہوئی ٹیکنالوجیز اور disruptive کاروباری ماڈلز سے مستقبل میں محفوظ بنانا ہے۔ ٹیٹ سول کی انویشن لیب گلوبل فائننس اور لیزنگ انڈسٹری میں قدم جمانے کے لئے مختلف ٹیکنالوجیز پر کام کر رہا ہے۔ Artificial Intelligence اور سائنسی کمپیوٹنگ کے لئے ٹیٹ سول نے ایک علیحدہ شعبہ قائم کیا ہے جو اب دنیا بھر میں اپنی خدمات فراہم کر رہا ہے تاکہ مالیات اور لیزنگ انڈسٹری کے علاوہ دیگر شعبوں کو بھی اپنے دائرہ کار میں لایا جا سکے۔

کمپنی نے دبئی، متحدہ عرب امارات میں ایک اور سیلز اور ڈیلیوری سینٹر کھول کر اپنے کاروبار کو بڑھانے کا ارادہ بھی بنایا ہے۔ متحدہ عرب امارات کاروبار کرنے میں آسانی کے لحاظ سے سب سے اونچے درجے کے ممالک میں سے ایک ہے اور مضبوط معیشت اور جدید کاروباری لائسنسنگ پالیسیوں کے ساتھ، بہت سے لوگوں کی کاروباری سرگرمیوں کیلئے ایک ترجیحی مقام کے طور پر دیکھا جاتا ہے۔

## ایوارڈز اور پذیرائی

ایک پاور ہاؤس کی حیثیت سے اور ایکوپمنٹ فائننس اور لیزنگ انڈسٹری میں اپنی اجارہ داری کو برقرار رکھنے کے لئے نیٹ سول کو مائٹرز ڈیلی کے "Most Innovative Companies in the Equipment Finance Ecosystem" میں مسلسل دوسری مرتبہ "sustaining" کیلگری میں رکھا گیا ہے۔ مائٹرز ڈیلی ایکوپمنٹ فائننس اور لیزنگ انڈسٹری کی خبروں، مقالوں اور تبصروں کا ایک معروف ذریعہ ہے۔ یہ چارڈ ہائیں سے ایکوپمنٹ فائننس اور لیزنگ انڈسٹری کو معلومات کی فراہمی کے لئے سرسرپرکار ہے۔

نیٹ سول کو CEO کلڈ نیٹ ورک آرگنائزیشن کی طرف سے "بہترین لیز اور فنانس ٹیکنالوجی پروڈکٹ" سے نوازا گیا۔ یہ باوقار ایوارڈ ہماری مصنوعات اور خدمات کی برتری کا منہ بولتا ثبوت ہے اور اس پہچان نے ایک انڈسٹری لیڈر کے طور پر ہماری پوزیشن کو مزید مضبوط کیا۔ کمپنی کو نیشنل فورم فار انوومنٹ اینڈ ہیلتھ کی طرف سے "سالانہ انوومنٹ ایکسیلنس ایوارڈ 2022" سے بھی نوازا گیا ہے۔

## کمپنی کو درپیش بنیادی خدمات اور بے یقینی کی صورت حال

مستقبل میں کمپنی کی کارکردگی پر اثر انداز ہونے والے چند خطرہ عوامل حسب ذیل ہیں:

### مکمل خدمات

#### الف۔ حکمت عملی کے خدمات (Strategic Risk)

اپنی حکمت عملی کے خدمات کو کنٹرول کرنے کے لیے نیٹ سول باقاعدگی سے متحرک اور ترقی پذیر عالمی فنانس اور لیزنگ آپٹیمس کے تازہ رجحانات کی نشاندہی کرتا ہے اور ان پر نظر رکھتا ہے۔ اہم ٹکنالوجی پر کام کر کے جنہوں نے انڈسٹری میں توجہ حاصل کیا ہے۔ نیٹ سول اس بات کو یقینی بناتا ہے کہ اس کے کلائنٹ مارکیٹ میں ایک قدم آگے رہیں اور سب سے اہم بات یہ ہے کہ ان کا مستقبل کا کاروبار محفوظ ہو۔

#### ب۔ آپریشنل خدمات (Operational Risk)

اپنے کاروباری تسلسل کے منصوبے پر عمل درآمد کرتے ہوئے جب بچھلے سال واپس شروع ہوتی تھی، نیٹ سول کامیابی کے ساتھ آپریشنل خدمات کو کنٹرول کرنے کی پابندی کیونکہ COVID-19 کی وجہ سے کمپنی کے کاموں میں کوئی رکاوٹ نہیں تھی۔ جدید ترین دور دراز (remote) کام کرنے کی صلاحیتوں کے ساتھ، مہلک وائرس کے پھیلنے کے بعد سے، نیٹ سول کی عالمی ٹیم نے دنیا بھر میں اپنے کسٹمرز کو بغیر کسی رکاوٹ کے اپنی خدمات کو یقینی بنایا ہے۔ عالمی ٹیم ہنرمند، اچھی طرح سے ٹیس اور کمپنی کی تربیت یافتہ ہے۔

#### ب۔ سائبر سیورٹی کا خطرہ (Cyber Security Threats)

بے یقین نوعیت کے حامل اور تیزی سے تغیر پذیر سائبر جرائم اور عملوں کے شدید اثرات کے باعث کمپنیوں کو اپنے ICT انفراسٹرکچر کی حفاظت کے لئے ایک مربوط سیورٹی میکروم قائم کرنا چاہئے۔ نیٹ سول نے عالمی معیار کے مثالی سیورٹی میکروم قائم کیا ہے اور اس کی بدولت ایسے اقدامات کئے ہیں کہ ادارے، اس کے کلائنٹس اور ملازمین کے ڈیٹا کی رازداری اور پرائیویسی برقرار ہے۔ کمپنی نے مداخلت کے تدارک کا نظام، حالت سکون اور حرکت میں رازداری، معلومات کے حصول کے لئے ڈیٹا تک رسائی اور سرورز اور کلائنٹس کے لئے محفوظ فرائمنس پروٹوکولز جیسے کئی مربوط کنٹرول ڈپلائے کئے ہیں۔

جیسا کہ پہلے بیان کیا جا چکا ہے، مالیاتی سال کے دوران دو ہائیں سے زائد عرصہ کے SOC تجربہ کار SOC 2 جیسے آئی آڈٹ میں ماہر پہلی لائسنس یافتہ CPA فرم A-LIGN کے عالمی آڈٹ کے مطابق نیٹ سول Type 1 Type 2 SOC تعمیل کی توثیق حاصل کرنے میں کامیاب ہوئی ہے۔ امریکن انسٹی ٹیوٹ آف سرٹیفائیڈ پبلک اکاؤنٹنٹس (AICPA) کے تیار کردہ SOC (سسٹم اینڈ آرگنائزیشن کنٹرولز) نے کلائنٹ ڈیٹا کی حفاظت کی توثیق کی ہے۔ Type 1 SOC 2 Type 1 تعمیل کا حصول کلائنٹس (اور ان کے صارفین) کے ڈیٹا کی حفاظت اور سیورٹی کو یقینی بنانے کے نیٹ سول کے عزم کی تائید کرتا ہے اور یقینی بناتا ہے کہ AICPA کے وضع کردہ سیورٹی اصولوں سے متعلقہ ٹرسٹ سروس معیار کی بنیاد پر سسٹم کی تمام تر ضروریات کو عملی جامہ پہنایا جاتا ہے۔

## ت۔ ذریعہ آمد کے خدمات (Foreign Exchange Risk)

ذریعہ آمد کے خدمات بنیادی طور پر وہاں بڑھ جاتے ہیں جہاں ادائیگی کی وصولی کی ٹرانزیکشنز (Transactions) غیر ملکی کرنسیوں میں ہو۔ کمپنی کو غیر ملکی کرنسی میں مکمل خدمات اس وقت لاحق ہوتے ہیں کہ جب تجارتی قرض (Trade Debts)، ادائیگی اور وصولیاں پاکستانی کرنسی (روپے) کے علاوہ کسی اور کرنسی میں ہوں۔ کمپنی کی کثیر محصولات پاکستانی روپے کے علاوہ دیگر کرنسیوں میں ہے۔ کمپنی سرمایہ کاری مقاصد کے لیے نقد اور نقد کے مساوی سرمایہ غیر ملکی کرنسیوں میں بھی رکھتی ہے۔

#### ث۔ لیکویڈٹی کا خطرہ (Liquidity Risk)

لیکویڈٹی کے خدمات اپنے معاشی ارادوں کی تکمیل کے لئے فنڈز اکٹھا کرنے کی باکامی کو ظاہر کرنا ہے۔ کمپنی میں لیکویڈٹی کے خدمات بنیادی طور پر مالی اثاثوں اور ذمہ داریوں میں بے ضابطگیوں کی وجہ سے پیدا ہوتے ہیں۔ لہذا ہم مؤثر کیش منجمنٹ اور مضبوط سائبر سیورٹی کی پیروی کرتے ہیں تاکہ فنڈز کی دستیابی کو یقینی بنائیں اور کبھی بھی خفی ضرورت کے لیے مناسب اقدام کریں۔

#### ث۔ کریڈٹ کا خطرہ (Credit Risk)

کریڈٹ کا خطرہ اس متوقع خسارے کی نشاندہی کرتا ہے جو کہ پورنگ کی تاریخ میں درج ہوگا کہ اگر متعلقہ پارٹیز مکمل طور پر معاہدے کی انجام دہی میں ناکام رہی ہیں۔ کریڈٹ کے خطرہ کو کم کرنے کے لیے کمپنی نے باضابطہ منظوری سے لائحہ عمل بنایا گیا ہے جس سے کریڈٹ کی حد کمپنی کے کسٹمرز پر لاگو ہوتی ہے۔ کمپنی کی انتظامیہ اپنے کسٹمرز کے کریڈٹ کی مسلسل نگرانی بھی کرتی ہے اور ضروری ہو تو کسٹمرز کو ان کے بیلنس کے برخلاف بحالی کی سہولت بھی فراہم کرتی ہے۔

#### ج۔ شرح سود کا خطرہ (Interest Rate Risk)

شرح سود کا خطرہ وہ خطرہ ہے جو financial instrument میں مستقبل کے نقد بہاؤ کی مناسب قدر کی اتار چڑھاؤ مارکیٹ کی شرح سود میں تبدیلی کی وجہ سے پیدا ہوتے ہیں۔ بینکوں اور سرمایہ کاری میں ڈیپازٹ اور ٹرم ڈیپازٹ، منافع اور نقصان، بچت کے اکاؤنٹس میں بینکوں کے مختصر اور طویل مدتی قرضوں کی کثرت کی وجہ سے شرح سود میں اضافہ ہوتا ہے۔

#### کمپنی کے کاروبار کا ماحولیات پر اثر

#### (Impact of Company Business on Environment)

متعدد موسمی واقعات جو آج دنیا کو متاثر کر رہے ہیں، دنیا بھر کے ذمہ دار اپنے عالمی کاروبار کے لیے اپنی توجہ موسمی اور ماحولیاتی استحکام پر منتقل کر رہے ہیں۔ کمپنی مینوفیکچرنگ، کنسٹرکشن، بلڈنگ، سولٹ وٹیر بنانے والا ادارہ ہے۔ لہذا اس کا ماحول پر کوئی منفی اثر نہیں ہے۔ نیٹ سول پائیدار طریقوں پر عمل پیرا ہو کر اپنے عالمی کاروبار کو سہولت فراہم کرتے ہوئے، موسمی اثرات سے بچاؤ بھی توجہ رکھتا ہے۔ کمپنی عالمی موسمیاتی تبدیلی کو ایک حقیقی مسئلہ کے طور پر تسلیم کرتی ہے اور ایک وسیع کمپنی کے طور پر اس مسئلہ سے نمٹنے کے لیے اپنی صلاحیت کے مطابق ہر ممکن کوشش کرنے کا عہد کرتی ہے۔ اس مقصد کے لیے نیٹ سول اس بات کو یقینی بناتا ہے کہ یہ فضول طریقوں کو کر کے اپنے تمام پروڈکٹس کو ممکنہ حد تک توانائی سے موثر بنائے۔

پیپر لیس ادارے کا مرکز ڈیجیٹلائزیشن (Digitization) ہے۔ نیٹ سول کی بنیادی پروڈکٹ NFS Ascent اور ڈیجیٹل ٹرانسپارینٹیشن سولوشن NFS Digital کمپنی کے کلائنٹس کو کاغذ کے استعمال کو ختم کرنے کے قابل بناتے ہیں۔ مکمل ڈیجیٹلائزیشن digitization پیپر لیس ماحول کی اجازت دیتی ہے جو ماحول پر مثبت اثر ڈالتی ہے۔ نیٹ سول نے اپنے کاموں میں اپنی ہر عالمی دفاتر میں کاغذ کا استعمال کافی حد تک کم کر دیا ہے۔ کمپنی بنیادی طور پر کاغذ کے کم سے کم استعمال کے ساتھ کام کرتی ہے اور اس کے استعمال کو ختم کر رہی ہے۔

مدیریکہ، لاہور میں نیٹ سول کا پاکستان آفس ہر سال درخت لگانے کی مہم کا آغاز کرتا ہے جس میں تمام ملازمین کے ساتھ سینئر مینجمنٹ اس سالانہ مہم میں حصہ لیتی ہے۔ ان درختوں کو لگانے سے موسمی تبدیلی سے

نہشے اور سبزہ زار ماحول فراہم کرنے کے لیے ضروری سمجھا جاتا ہے تاکہ سوگ کو کم کیا جائے، آکسیجن میں اضافہ کیا جائے اور شہر کے شہریوں کو سانس کی صحت کو بہتر بنایا جائے۔ ٹیٹ سول ماحولیاتی دوست طریقوں کی حوصلہ افزائی کی اہمیت پر زور دیتا ہے نہ صرف ہم سب کے لیے، بلکہ آنے والی تمام نسلوں کے لیے۔

### کمپنی کاروبار کی حالت، ترقی اور کارکردگی پر ممکنہ طور پر اثر انداز ہونے والے عوامل و رجحانات

عصر حاضر کی مسابقتی، متحرک اور انتہائی متغیر مارکیٹ پلیس میں اپنی بقا کے لئے انڈسٹری کے رجحانات میں ڈھلنا انتہائی ضروری ہے۔ گلوبل ایٹ فائٹس اور لیزنگ انڈسٹری میں بطور اولین ٹیکنالوجی اور سالیوشن فراہم کنندہ ٹیٹ سول جدت اور موافقت کے دو بنیادی اصولوں پر عمل پیرا ہے۔ اس بابت، کمپنی کی پریئرز پروڈکٹ NFS ایٹس کی تجدید جاری ہے تاکہ بلیو چپ اور اداروں اور فارمچون 500 کمپنیوں جیسے کمپنی کے متنوع عالمی کلائنٹس کا مستقبل تاننا تاکہ اور وہ دیگر کمپنیوں سے سرفہرست ہوں۔

تیزی سے بدلتی ہوئی مالیاتی انڈسٹری میں، جدت اور موافقت بہت اہم ہیں۔ ٹیٹ سول کی انوویشن لیب اور R&D ٹیمیں یہ یقینی بنانے کے لئے پرعزم ہیں کہ ٹیٹ سول اور اس کی پروڈکٹس ایڈوانسڈ سروسز نہ صرف قائم رہیں بلکہ عالمی کلائنٹس کے لئے کمپنی ان کا ترقیاتی وینڈر ہے۔ یہ ٹیمیں کمپنی کے کلائنٹس کے آپریشنز کو مستقبل میں محفوظ بنانے اور انڈسٹری میں ٹیٹ سول کی اجارہ داری کو برقرار رکھنے کے لئے ان تھک محنت کر رہی ہیں۔ ان کی توجہ کا مرکز گلوبل فائٹس اور لیزنگ انڈسٹری میں پذیرائی کے لئے کلائنٹس اور ٹیکنالوجیز پر ہے۔ ان میں Artificial Intelligence اور بگ ڈیٹا اینڈ بلاک چین شامل ہیں لیکن یہ محدود نہیں۔ کمپنی کی انوویشن لیب جدید ترین ٹیکنالوجی کے استعمال سے تجلیات کو عملی جامہ پہنانے کے لئے کوشاں ہے تاکہ اپنے متنوع عالمی کلائنٹس کے لئے جدید ٹیکنالوجی کی دستیابی اور نیٹس جزیٹیشن پروڈکٹس کو تیار کیا جاسکے۔

کمپنی کی پریئرز پروڈکٹس اور دیگر پروڈکٹس اور سروسز آفرنگز کی تجدید عصر حاضر کے متغیر ماحول میں بہت ضروری ہے۔ یہ توسیع اور دیگر پیش رفت بھی ضروری ہیں تاکہ ٹیٹ سول کوئی مارکیٹس میں داخل کیا جاسکے جو ادارے کی کارکردگی، منافع اور مستقبل پر اثر انداز ہوتے ہیں۔

### کمپنی یا اس کی ذیلی کمپنیوں کی کاروباری نوعیت کی بابت مالیاتی سال کے دوران تبدیلیاں اور مشترکہ آپریشنز

کمپنی کی کل ملکیتی ذیلی کمپنی ”ٹیٹ سول انوویشن (پرائیویٹ) لمیٹڈ نے کاروباری امور کا بحالی کر دی ہے۔ اس پبلٹ فارم کے ذریعے کمپنی مختلف علاقوں میں اداروں کو پیشہ ورانہ خدمات کی پیش کش کر رہی ہے تاکہ وہ اپنے کاروبار کی مقاصد حاصل کر سکیں۔ ان خدمات میں ٹیکنیکی مشاورت، ویب اور ایپ ڈیولپمنٹ، ڈیجیٹل مارکیٹنگ، کلاؤڈ سروسز، آڈٹ اور سوسٹین ایبل اور کورسنگ شامل ہیں۔ اپنی پیش کردہ پیشہ ورانہ خدمات کی بابت ٹیٹ سول کے انتہائی ماہر اور تجربہ کار عملے میں ماہر سافٹ ویئر پروگرامرز، قابل کاروباری ممبرین، ماہر کوائٹی ٹرولنس انجینرز، ٹیکنیکل اور سالیوشن آرکیٹیکٹس، پروڈیکٹ مینجرز، کلاؤڈ-نیٹ ویولپرز اینڈ آرکیٹیکٹس، موبائل/ویب ایپ ڈیولپرز اور انوویشن ماہرین شامل ہیں۔

مزید برآں، کمپنی کلاؤڈ سروسز کے لئے ایک ٹیم تشکیل دینے کے عمل میں ہے جو عالمی سطح پر AWS سروسز فراہم کرے گی۔ کمپنی یقین رکھتی ہے کہ پیشہ ورانہ خدمات میں بہت وسعت ہے اور یہ کمپنی کے لئے آمدنی کا بڑا ذریعہ اور موقع بن سکتا ہے۔

### کاروباری و سماجی ذمہ داری

کاروباری و سماجی ذمہ داری کی تفصیلی رپورٹ جو کہ اقوام متحدہ کے بیان کردہ Sustainability Developments Goal کے مطابق تیار کردہ لف ہڈا ہے۔

### رسک مینجمنٹ

رسک مینجمنٹ کمیٹی بشمول انڈیپنڈنٹ ڈائریکٹرز اور اراکین پر مشتمل ہے۔ یہ کمیٹی کمپنی میں خطرات پر نظر رکھنے اور ان پر قابو پانے کے لئے تشکیل دی گئی ہے۔ کمپنی کاررسک مینجمنٹ انفراسٹرکچر انفراسٹرکچر رسک مینجمنٹ طریقہ کار/فریم ورک پر مبنی ہے جو بڑی رسک کینگریو بشمول سٹریٹجی، آپریشنل، کمپلائنس اور مالیاتی رپورٹنگ رسک سے نبرد آزما ہوتا ہے۔ ذہنی اور متحرک موافق کنٹرولز، مرتب کئے گئے ہیں۔

### داخلی مالیاتی کنٹرولز کی موافقت

مالیاتی رپورٹنگ پر معقول داخلی کنٹرول قائم اور برقرار رکھنا بورڈ کی حتمی ذمہ داری ہے۔ ہمارا ایک خود مختار انٹرنل آڈٹ ڈیپارٹمنٹ موجود ہے جو کام کے لحاظ سے بورڈ آڈٹ کمیٹی اور انتظامی امور کے لحاظ سے CEO کو جواب دہ ہے۔ بورڈ آڈٹ کمیٹی آپریشنز کی جگہوں پر سالانہ جائزے کو مد نظر رکھتے ہوئے سالانہ کی بنیاد پر آڈٹ پلان کی منظوری دیتی ہے۔

ہمارے انٹرنل کنٹرولز بین الاقوامی مالیاتی رپورٹنگ معیارات کے مطابق ہماری مالیاتی رپورٹنگ پر اعتماد اور بیرونی مالیاتی اسٹیٹمنٹس کی تیاری کی بابت معقول یقین فراہم کرنے کے لئے ترتیب دیئے گئے ہیں۔ کسی بھی داخلی کنٹرول سسٹم میں موجود حدود و قیود کے باعث انتظامیہ تسلیم کرتی ہے کہ مالیاتی رپورٹنگ کی بابت پیش رفت میں رکاوٹیں پیدا ہو سکتی ہیں لہذا انتظامیہ اقرار کرتی ہے کہ کسی بھی داخلی کنٹرول سسٹم سے معقول ضمانت حاصل کی جاسکتی ہے۔ البتہ، کمپنی شفاف ڈھانچے، اختیارات میں حدود، جواب دہی اور نظر ثانی کے عمل کے لئے باقاعدہ پالیسیاں اور طریقہ ہائے کار پر مشتمل انٹرنل کنٹرول فریم ورک قائم کرتی ہے۔

داخلی آڈٹ کنٹرول میں تقاضے کو درست کرنے کے لئے انٹرنل آڈٹ انتظامیہ کو سفارشات پیش کرتا ہے۔ سامانی ہائیڈرو پر بورڈ آڈٹ کمیٹی، چیف ایگزیکٹو آفیسر اور متعلقہ شعبے کی انتظامیہ کے ساتھ مشاہدات پر تبادلہ خیال ہوتا ہے۔ انٹرنل آڈٹ فنکشن کے فرائض حالات و واقعات اور کمپنی پر اثر انداز ہونے والے خدشات و ضوابط کے باعث بتدریج تبدیل ہوتے رہے ہیں جب کہ یہ یقینی بنایا جاتا ہے کہ اس کا مینڈیٹ ادارہ جاتی مقاصد کے عین مطابق ہے۔

### کوڈ آف کارپوریٹ گورننس کی تعمیل

کمپنی لسنڈیکپیز (کوڈ آف کارپوریٹ گورننس) ضوابط 2019ء کے معیارات کی مکمل تعمیل کرتی ہے۔ اس کی بابت بیان رپورٹ ہڈا کے ساتھ منسلک ہے۔

### تعمیل سے متعلق بیان

لسنڈیکپیز (کوڈ آف کارپوریٹ گورننس) ضوابط 2019ء کے تحت تعمیلی بیان رپورٹ ہڈا کے ساتھ منسلک ہے۔

### بورڈ میں تبدیلیاں

مذکورہ سال کے دوران 31 دسمبر 2021ء کو کمپنی کے ڈائریکٹرز کی حالیہ مدت مکمل ہو جائے گی اور 29 دسمبر 2021ء کو منعقدہ غیر معمولی اجلاس عام کے ذریعے ڈائریکٹرز کی تقرری کے لئے رائے شماری کی گئی۔ بورڈ کی ترکیب کی بابت لسنڈیکپیز (کوڈ آف کارپوریٹ گورننس) ضوابط 2019ء کے تمام معیارات کی تعمیل کی گئی ہے۔

بورڈ رخصت ہونے والے ڈائریکٹرز مسٹر شہاب غوری اور مسٹر نجیب غوری کی گراں قدر خدمات کا اعتراف کرتا اور نئے ڈائریکٹرز مسٹر نعیم غوری اور مسٹر زیشان افضل کو بورڈ میں خوش آمدید کہتا ہے۔

### نئی شمولیت پر اختیارات کی روایتی منتقلی

نئے بورڈ اراکین کی شمولیت پر روایتی طور پر اختیارات کی منتقلی کا عمل کیا گیا تاکہ نئے ڈائریکٹرز کو کمپنی کی طویل مدتی حکمت عملی، ماحول اور کاروباری امور سے آگاہ کیا جاسکے۔

### ڈائریکٹرز کا معاوضہ

اجلاس میں شرکت کی فیس کے علاوہ کمپنی نان ایگزیکٹو ڈائریکٹرز بشمول انڈیپنڈنٹ ڈائریکٹرز کو معاوضہ ادا نہیں کرتی۔ بورڈ اور اس کی کمیٹیوں کے اجلاس میں شرکت کے لئے صرف سفری اور رہائش اخراجات کمپنی ادا کرے گی۔ ایگزیکٹو ڈائریکٹرز کے معاوضہ کی مجموعی رقم بمعہ تنخواہ، مراعات اور کارکردگی پر مبنی فنانسنگ منسلک مالیاتی اسٹیٹمنٹس میں ظاہر کیا گیا ہے۔

### بورڈ کی ترکیب

لسنڈیکپیز (کوڈ آف کارپوریٹ گورننس) ضوابط 2019ء کے معیارات کی تعمیل میں بورڈ آف

ڈائریکٹرز کی ترکیب حسب ذیل بیان کی گئی ہے:

ڈائریکٹرز کی کل تعداد (07) ہے جس کی تقسیم حسب ذیل ہے:

جنس	تعداد
مرد	06
خاتون	01

کیٹگری	تعداد
خود مختار ڈائریکٹرز	03
نان ایگزیکٹو ڈائریکٹرز	02
ایگزیکٹو ڈائریکٹرز	02

بورڈ کی ترکیب حسب ذیل ہے:

نام ڈائریکٹر	عہدہ
جناب زیشان افضل	چیئر مین - خود مختار ڈائریکٹر
جناب وسیم انور	رکن - خود مختار ڈائریکٹر
جناب سلیم اللہ غوری	رکن - ایگزیکٹو ڈائریکٹر

30 جون 2022 کو اختتام پذیر سال کے دوران کمیٹی کے اصولوں کے دائرہ کار میں آنے والے امور پر تبادلہ خیال اور منظوری کے لئے ہیومن ریسورس اینڈ ریویژن کمیٹی کا صرف ایک (01) اجلاس منعقد ہوا۔

### رسک مینجمنٹ کمیٹی

خطرات کی نشاندہی، تعین اور تدارک کے لئے بورڈ کو تیار و بروڈنے کی خاطر بورڈ نے رسک مینجمنٹ کمیٹی بھی تشکیل دی ہے۔ اثرات اور ممکنات کے مطابق متعین کردہ خدشات کو ترجیح دی جاتی ہے اور اس کے مطابق اصلاحی اقدامات کئے جاتے ہیں۔ کمیٹی مندرجہ ذیل اراکین پر مشتمل ہے:

نام ڈائریکٹر	عہدہ
جناب وسیم انور	چیئر مین - انڈیپنڈنٹ ڈائریکٹر
جناب زیشان افضل	رکن - انڈیپنڈنٹ ڈائریکٹر
جناب عمر غوری	رکن - ایگزیکٹو ڈائریکٹر

30 جون 2022 کو اختتام پذیر سال کے دوران کمیٹی کے دائرہ کار میں آنے والے امور پر بحث اور منظوری کے لئے کمیٹی کا صرف ایک (01) اجلاس منعقد ہوا۔

### نامزدگی کمیٹی (Nomination Committee)

بورڈ نے ایک نامزدگی کمیٹی بھی قائم کی ہے جو مندرجہ ذیل اراکین پر مشتمل ہے:

نام ڈائریکٹر	عہدہ
جناب انوار حسین	چیئر مین - انڈیپنڈنٹ ڈائریکٹر
جناب وسیم انور	رکن - انڈیپنڈنٹ ڈائریکٹر
جناب سلیم اللہ غوری	رکن - ایگزیکٹو ڈائریکٹر

### بورڈ آف ڈائریکٹرز اور بورڈ کمیٹیوں کی کارکردگی کا جائزہ

کمیٹی کے بورڈ آف ڈائریکٹرز کا بنیادی فرض کمیٹی کے امور کو ترتیب دینا اور ادارے کی خوشحالی کو یقینی بنانا ہے۔ بورڈ یہ بھی یقینی بناتا ہے کہ کمیٹی کے ممبرز ہولڈرز اور سٹیک ہولڈرز کے مفادات کو تحفظ فراہم کیا جائے۔ لیکچر (کوڈ آف کارپوریٹ گورننس) ضوابط 2019ء کے تحت بورڈ آف ڈائریکٹرز اور اس کی ذیلی کمیٹیوں کی کارکردگی اور کمیٹی کی سٹریٹجک سمت اور نمو کی باہت ہر ڈائریکٹر کے فرائض کا تعین لازمی ہے۔ انفرادی اراکین کے فرائض اور کردار اور توجہ کا مرکز مستقبل کے امکانات کو مد نظر رکھتے ہوئے بورڈ کو درکار قابلیت کے تعین کے لئے یہ جائزہ لیا جاتا ہے۔ ہیومن ریسورس اینڈ مینجمنٹ کمیٹی نے بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی کارکردگی کا جائزہ لینے کے لئے تمام بورڈ اراکین کو جامع سوالنامہ ارسال کیا۔

توجہ طلب اہم شعبے مندرجہ ذیل ہیں:

- کاروباری اہداف اور مقاصد کی کمیٹی کے ویژن اور مشن کے ساتھ مطابقت
- مستحکم آپریشنز کے لئے حکمت عملی مرتب کرنا
- بورڈ کی خود مختاری
- متعلقہ قواعد میں بیان کردہ فرائض کی انجام دہی کی باہت بورڈ کمیٹیوں کی کارکردگی کا جائزہ انفرادی ڈائریکٹرز کی رائے اور حاصل ٹھوس نتائج اور بورڈ کی اوسط درجہ بندی کی بنیاد پر انفرادی ڈائریکٹرز و کمیٹیوں کی کارکردگی کی پیش اور متاثر کن پائی گئی ہے۔

### ڈائریکٹرز کا ٹریننگ پروگرام

### بورڈ آف ڈائریکٹرز

تمام بورڈ اراکین نے یا تو ڈائریکٹرز ٹریننگ پروگرام مکمل کر لیا ہے یا لیکچر (کوڈ آف کارپوریٹ

30 جون 2022 تک کمیٹی کے بورڈ اراکین کی فہرست مندرجہ ذیل ہے:

- جناب نعیم اللہ غوری
- جناب سلیم اللہ غوری
- جناب وسیم انور
- جناب انوار حسین
- محترمہ حمزہ غوری
- جناب زیشان افضل
- جناب عمر غوری
- جناب شہاب الدین غوری (ریٹائرڈ 31-12-2021)
- جناب نجیب اللہ غوری (ریٹائرڈ 31-12-2021)

30 جون 2022 کو اختتام پذیر سال کے دوران بورڈ کے پانچ (05) اجلاس منعقد ہوئے۔

بورڈ نے ذیلی کمیٹیاں بھی تشکیل دی ہیں جنہوں نے مطلوب مقاصد حاصل کرنے میں نمایاں کردار ادا کیا ہے۔ یہ کمیٹیاں کی مندرجہ ذیل ہیں:

### آڈٹ کمیٹی

کوڈ آف کارپوریٹ گورننس کی تعمیل میں بورڈ آف ڈائریکٹرز نے مندرجہ ذیل تین (03) اراکین پر مشتمل ایک آڈٹ کمیٹی تشکیل دی ہے۔

نام ڈائریکٹر	عہدہ
جناب انوار حسین	چیئر مین - خود مختار ڈائریکٹر
جناب وسیم انور	رکن - خود مختار ڈائریکٹر
محترمہ حمزہ غوری	رکن - نان ایگزیکٹو ڈائریکٹر

بورڈ آف ڈائریکٹرز کو جمع کرانے اور اشاعت سے قبل آڈٹ کمیٹی تمام سہ ماہی، نصف سالہ اور سالانہ مالیاتی اسٹیٹمنٹس پر باقاعدہ نظر ثانی کرتی اور انہیں منظور کرتی ہے۔

30 جون 2022 کو اختتام پذیر سال کے دوران آڈٹ کمیٹی کے پانچ (05) اجلاس منعقد ہوئے۔

### ہیومن ریسورس اینڈ ریویژن کمیٹی

کوڈ آف کارپوریٹ گورننس کی تعمیل میں بورڈ آف ڈائریکٹرز نے انہی انتظامی عہدوں پر فائز افراد کے انتخاب، جائزے اور معاوضے پر سفارشات کے لئے ہیومن ریسورس اینڈ ریویژن کمیٹی تشکیل دی ہے۔ کمیٹی مندرجہ ذیل افراد پر مشتمل ہے:

گورننس) ضوابط 2019ء میں بیان کردہ معیار کے تحت اسٹیٹ حاصل کیا ہے۔

### تمام شعبوں کے سربراہان اور خاتون افسران

ڈائریکٹرز ٹریڈنگ پروگرام کے تحت ہر سال کم از کم ایک سربراہ شعبہ اور ایک خاتون ایگزیکٹو کی ٹریڈنگ کی بابت ایگزیکٹو (کوڈ آف کارپوریٹ گورننس) ضوابط 2019ء کے معیارات کی پیروی میں یہ یقینی بنانے کے لئے اقدامات اٹھائے گئے ہیں کہ کمپنی کے مطابق مقررہ دورانیہ میں تمام معیارات کی تعمیل کرے۔

### متعلقہ فریقین سے لینے کا جائزہ

عمومی کاروباری امور کے دوران تمام متعلقہ فریقین سے لین دین آرمر لینکٹھ (arm's length) کی بنیاد پر کیا جاتا ہے جب کہ یہ لین دین کمپنیز ایکٹ 2017ء کے مروجہ قواعد کے عین مطابق ہوتا ہے۔ کمپنی نے ڈائریکٹرز یا ایم اینٹھامی انتظامیہ کے ساتھ کسی قسم کا لین دین نہیں کیا ہے جو کمپنی کے مفادات سے ہمکنار نہ ہو۔ پیدا کریں یا جن کے لئے شیئر ہولڈرز کی منظوری درکار ہے۔ حالیہ مالیاتی سال کے دوران متعلقہ فریقین سے تمام لین دین کو نظر ثانی اور بعد ازاں بورڈ آف ڈائریکٹرز کی منظوری کے لئے بورڈ آف ڈائریکٹرز کے روبرو پیش کیا گیا۔

### ٹریڈری حصص

30 جون 2022ء کو اختتام پذیر ہر سال کے لئے کمپنی نے 2,000,000 جاری کردہ عمومی حصص کو خریدا/پاؤ بارہ حاصل کیا ہے اور انہیں بطور ٹریڈری حصص محفوظ کیا ہے۔ حصص یافتگان نے 10 مئی 2022ء کو منصفانہ غیر معمولی اجلاس عام میں buy-back کی منظوری دی ہے۔ عمومی حصص پاکستان سٹاک ایکسچینج کے ذریعے اپاٹ پرائس پر حاصل کئے گئے تھے۔

### ہولڈنگ کمپنی

ٹیٹ سول ٹیکنالوجیز انکارپوریشن 23975 پارک سوئٹو، سوہٹو، 250، کیلا ایس کیلینوریا 91302، امریکہ، کو کمپنی کے حصص کی اکثریت حاصل ہے۔

### آڈیٹرز کی تقرری

موجودہ ایکسٹرنل آڈیٹرز میسرز ایچ۔ وائی۔ کے اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس سبڈوش ہور ہے ہیں اور انہوں نے خود کو دوبارہ تقرری کے لیے پیش کیا ہے۔ بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی میسرز ایچ۔ وائی۔ کے اینڈ کمپنی کی 30 جون 2023ء کو ختم ہونے والے مالی سال کے لیے پہلے سے طے شدہ شرائط اور مشاہرہ تعیناتی کی تجویز کی توثیق کی ہے۔ ایکسٹرنل آڈیٹرز نے تصدیق کی ہے کہ انہیں اسٹیٹیوٹ آف چارٹرڈ اکاؤنٹینٹس آف پاکستان (ICAP) نے کوائف کنٹرول ریویو پروگرام کے تحت تسلی بخش ریٹنگ (Rating) دی ہے اور وہ Audit Oversight Board of Pakistan کے ساتھ رجسٹرڈ ہیں۔ انہوں نے مزید کہا ہے کہ ان کی فرم انٹرنیشنل فیڈریشن آف اکاؤنٹینٹس (IFAC) کی جانب سے منظور شدہ ضابطہ اخلاق پر مشتمل گائیڈ لائنز کی مکمل پاسداری کی ہے جو کہ (ICAP) کی جانب سے رائج کی گئی تھیں۔ ایکسٹرنل آڈیٹرز کو دیگر خدمات فراہم کرنے پر مامور نہیں کیا گیا ہے، علاوہ اس کے جو لسٹنگ ضوابط (Listing Regulations) کے مطابق ہیں۔

### ہم آپ بٹنگ اور مالیاتی ڈیٹا

گذشتہ چھ برس کے لئے ہم آپ بٹنگ اور مالیاتی ڈیٹا سالانہ رپورٹ کے ساتھ منسلک ہے۔

### آپ بٹنگ حصص برداری کا مثالی طریقہ کار (Pattern of Shareholding)

حصص برداری کے عمومی نمونے کے 30 جون 2022ء کے گوشوارے کے ساتھ حصص داران کے مختلف حصص داری نمونے جن کا ظاہر کیا جانار پورنگٹ فریم ورک کے تحت ضروری ہے اور ڈائریکٹرز، ایگزیکٹوز اور ان کے جیون ساتھی بشمول بچوں کی جانب سے مالی سال 2022 میں خریدے اور فروخت کیے گئے حصص کا گوشوارہ منسلک ہے۔

### بعد میں رونما ہونے والے واقعات (Subsequent Events)

کسی مادی یا دیگر تبدیلی سے کمپنی کی مالی پوزیشن متاثر نہیں ہوئی ہے جو کہ مالی سال کے آخر اور رپورٹ کی تاریخ کے درمیان رونما ہوئی ہوں۔ علاوہ ازیں اس رپورٹ میں بیان کی جا چکی ہے، اگر کوئی ہے تو۔

### اعتراف (Acknowledgement)

بورڈ آف ڈائریکٹرز کمپنی کے حصص داران، قابل قدر صارفین، سرکاری اداروں اور مالیاتی اداروں کی طرف سے حمایت کے لیے ان کی تعریف کرتا ہے اور خراج تحسین پیش کرتا ہے۔ بورڈ کمپنی کے تمام ملازمین کا ان کی خدمات، وفاداری اور ان کی مسلسل کوششوں کی قدر کرتا ہے اور انہیں بھی خراج تحسین پیش کرتا ہے اور امید کرتا ہے کہ مستقبل میں بھی ان کی مخلصانہ کوششیں جاری و ساری رہیں گی۔

از طرف بورڈ آف ڈائریکٹرز:



عمر غوری  
(ڈائریکٹر)



سلیم اللہ غوری  
(چیف ایگزیکٹو آفیسر)

لاہور

مورخہ: 26 ستمبر 2022ء



## NETSOL AND SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The United Nations had laid down 17 Sustainable Development Goals with the objective of transforming our world for the better. These goals pertaining to health and equality for humankind and caring for the environment will lead to prosperity for all people and our planet. To attain these objectives, it is imperative for the world to unite and each country and its institutions must stringently adhere to these goals to the maximum they can. This includes corporations, and as a global entity, NETSOL Technologies takes these sustainable development goals extremely seriously with regard to its operations, people and processes.

With strategically-located offices worldwide, we ensure sustainable strategies and business practices are implemented. In Pakistan, where the large majority of the NETSOL team is located, we are dedicated towards working for the betterment and the provision of maximum facilities for our employees. We also strive to do everything in our power to tackle climate change, protect and nurture the environment alongside working towards equality and a better future for our community at large.

The Company is awarded with "Annual Environment Excellence Award 2022" by National Forum for Environment & Health.





## POVERTY REDUCTION THROUGH QUALITY EDUCATION & FINANCIAL SUPPORT

### EDUCATION FOR DESERVING & BRILLIANT STUDENTS

- ◆ NETSOL has been devotedly working in the Education sector specifically and our internal CSR initiative **NESTOL Education Support Program (NESP)** is an award-winning program (as the BEST in CSR Practices category) for the PASHA Awards. NETSOL supports the educational expenses of children for the company's entire lower-wage staff in order to provide these children with a brighter future. NETSOL Education Support Program (NESP) was launched in 2015 and not only pays for the tuition fees for their schooling, but the program also provides the required school/college uniforms, books, stationery as well as transportation services for the children to go to and from school. Currently, via the program, there are **666 children** enrolled in schools, and **13 students** who are momentarily enrolled in bachelor's programs.
- ◆ NETSOL has also offered **opportunities to its lower-waged staff** to move to other departments where they have the capabilities to do so. For example, a number of the company's security personnel/guards are now working as Software Engineers. The company first invests in these employees by assessing their potential and then educating them. Once they have received the relevant qualifications, they are provided with new roles based on the degree attained and on their potential for that position.
- ◆ For **higher education**, NETSOL not only assists their employees but also other students that face financial constraints to continue their higher education. Currently, **30 individuals** are being educated under this program and **30 individuals** had completed their education. In the last year alone, 2021-2022, the company has disbursed an amount of **0.8 million rupees approximately** on the HE Program.

### CORPORATE PHILANTHROPY

We believe in sharing happiness through corporate philanthropy and financial support to less privileged people.

- ◆ The company further has a **Noble Cause Fund (NCF)** in place, which is an initiative to support our employees in need. All NETSOL employees are encouraged to contribute as much or as little as they can to this fund. Employee donations are matched equally by the company to double the amount. Money from this fund is used for various noble causes such as health care, marriage, house construction, funeral arrangements and other forms of distress relief. Last year we gave out a total of **4.7 million rupees** for such causes. Around **1 million rupees** were donations and **3.7 million rupees'** worth of loans.
- ◆ NETSOL also provides **ration boxes**, consisting of food, cooking and other essential items to its lower-waged staff on a **monthly basis** to provide further relief for them and their families.

## WELFARE SPENDING FOR UNDERPRIVILEGED CLASSES AND RURAL DEVELOPMENT PROGRAMS

- ◆ NETSOL also contributed and supported the growth of **Farooq Charity Trust School in Khanqah, Bahawalpur** which commenced in 2011
- ◆ NETSOL also supports **DIL School System based in Khuda Ki Basti, Sheikhpura**. DIL has been providing low-cost, high-quality education to thousands of deserving children across Pakistan.
- ◆ The Million Smiles Foundation and NETSOL also work together in the educational sector. The company has been funding **Million Smiles Foundation School in Kashmir** for an initial period of 5 years.



## GENDER EQUALITY

- ◆ NETSOL is an **equal opportunity employer** in every sense. For our female workforce, a conducive work environment has been created which provides career growth, mentorship, and trainings.
- ◆ A number of **departments are headed by women** at NETSOL as well and they have devised and executed successful strategies to attain their department's goals and lead their teams forward.
- ◆ Women representation on Board and various committees.
- ◆ In the last three years, the female-to-male workforce ratio has increased. This year, with over **400 women** working in different departments for the company, there is nearly a **30% representation** of women currently working at NETSOL.
- ◆ There are also **stringent harassment policies** in place that have been especially formulated for the safety of our female workforce.



## REDUCED INEQUALITY

### EMPLOYMENT OF DIFFERENTLY-ABLED PERSONS

- ◆ At NETSOL, we believe in hiring resources irrespective of being differently-abled and accommodate them based on their knowledge and skills. We have a high number of **differently-abled employees** who all contribute towards the company in their individual capabilities as well as via working with their teams.
- ◆ As a global IT powerhouse and professional entity, NETSOL hires employees based solely on their skills and capabilities. The company, as mentioned above, is an equal opportunity

employer and in no way discriminates based on a person's race, ethnicity, religious or personal beliefs. We also have strict procedures in place against racism or discrimination of any kind.



### AFFORDABLE AND CLEAN ENERGY

#### ENERGY CONSERVATION / ENVIRONMENT PROTECTION MEASURES

- ◆ As a responsible corporate citizen and aligned with global imperatives, the company comprehends the dire need for **energy conservation** and its impact on the environment. For this purpose, NETSOL has transitioned to more energy efficient options in terms of its lighting, air conditioning and overall consumption of electricity. Benefits include mitigating rapidly rising costs of fuel, shortage of electricity and the organizational resilience. We took the following measures for energy conservation during official hours:
  - Switch off all unnecessary devices
  - Operate AC's at 26° C
  - Switch off all AC's & lights during lunch break (01:00 PM –02:00 PM)
  - Switch off ACs & lights while stepping out of rooms or halls
  - Video and Audio Conferencing (VC and AC) usage is promoted steadily
- ◆ Data center and server rooms are large consumers of energy in an IT landscape. At NETSOL, these have been standardized using an **eco-friendly** room design which incorporates power and better mechanisms for cooling.
- ◆ NETSOL essentially operates as a '**digital-first**' company with minimal use of paper. At the Lahore office, as well as all of the company's global centers there are next to **no paper-based** processes and the organization operates via digital documents instead.



### RESPONSIBLE CONSUMPTION AND WASTE MANAGEMENT

- ◆ NETSOL follows a **well-structured Recycling Plan** by placing Recycling bins at various locations for Glass, Paper and Plastic separately. By separating the waste, we ensure that recyclable materials are reused. NETSOL has also collaborated with Green Earth Recycling Pakistan in this regard. We are going an extra mile to educate and encourage employees on the importance of a paperless environment.
- ◆ Our maintenance team is constantly working on the repair

work (if required) of the **sanitary fittings to ensure zero wastage of water.**

- ◆ It is important to educate employees about waste management and how we all can individually, and subsequently collectively, minimize waste. The NETSOL Lahore Office provides lunch (at no cost) on a daily basis to all its employees. **A practice carried out involved stating the amount of waste from the previous day in order to create awareness and encourage employees to reduce these unfortunate numbers.**



### CLIMATE ACTION

- ◆ Climate change is a significant threat that has severe consequences which wreak havoc for people and communities. Planting trees has mind-blowing potential to combat climate change and is one of the easiest, yet most useful and effective methods to tackle climate change. **Tree plantation drives** are carried out on an annual basis by NETSOL and the company's senior management and entire workforce participate with zeal during these plantation drives, which have become a norm for the company. NETSOL stringently adheres to **environmentally-responsible practices** and ensures that these practices are followed by the company and its employees.
- ◆ Further, to reduce CO2 emissions from vehicles, NETSOL **incentivizes car-pooling** and also offers **free of cost transportation for female employees** working at the Lahore office. The same facility is now also available for male employees.



### CLEAN WATER AND SANITATION

- ◆ It has been reported that almost two-thirds of the world's population faces severe water scarcity for at least one month every year. Almost all countries worldwide face water shortages. However, water scarcity is most prevalent in developing countries. **NETSOL's incubation center NSPIRE** continues to provide start-ups and budding entrepreneurs with state-of-the-art facilities to establish their businesses. The company especially promotes those start-ups that provide ecofriendly and environmentally-responsible practices. **Aabshar**, a start-up incubated by NETSOL created water optimizer nozzles that have been built to **save up to 98% of water** and which consequentially help **save up to 60% on electricity bills** as well. These nozzles can be easily attached, within 30 seconds, underneath a standard tap and are available for residential and commercial use for all industries.



**GOOD HEALTH AND WELL-BEING  
DECENT WORK AND ECONOMIC GROWTH**

**OCCUPATIONAL SAFETY AND HEALTH**

- ◆ We take it as our responsibility to provide a safe and healthy workplace to our employees and other stakeholders. NETSOL has an **in-house doctor** and other medical professionals available for all employees at zero cost. To cater to first-aid needs, check-ups and all possible medical treatments, our in-house physician and trained nurses are available during work hours on a daily basis.
- ◆ The company also provides **regular blood-pressure checks** for all teams and employees and shares healthy tips for living on a continued basis via organized workshops, sessions, talks as well as via email.
- ◆ The Company realizes its responsibility towards keeping the environment disease, infection, and allergen-free. **Fumigation and Disinfection activities** are regularly carried out as per the highest standards.
- ◆ Individuals who exercise on a regular basis tend to be healthier and happier and have lesser health issues. The **NETSOL gym**, which is also available for all employees at no cost, has highly skilled trainers who not only assist in exercise and weight training, but also provide customized diet plans. The gym has state-of-the-art exercise machines and equipment.
- ◆ Further, we provide the option for mothers to **work from home** and also provide **transportation** to our female employees.
- ◆ NETSOL also provides **lunch on a daily basis** (at no cost) to all its employees. The company's café offers a variety of meals, ranging from conventional dishes to organic food.
- ◆ **Mental health** consists of a person's emotional, psychological and social well-being. It is as important as an individual's physical health, especially as poor mental health directly affects one's physical health. Mental health issues can cause severe physical health problems, including but not limited to, heart problems and strokes. NETSOL also regularly conducts workshops and sessions pertaining to the importance of mental health for its employees.
- ◆ The well-being of our workforce also includes the provision of a **safe work environment** in order to protect our employees from any type of accident or external calamities. NETSOL's **fire and safety team** works to not only provide safety support, but also educates employees by conducting safety drills and sessions regularly.
- ◆ The company follows ethical and **sustainable business**

**practices** across all its operations. It provides a positive work environment in terms of teamwork and cohesion and provides its workforce with a number of competitive benefits.

**BUSINESS ETHICS AND ANTICORRUPTION MEASURES**

NETSOL holds frequent activities to ensure that the employees are working within the Company's Code of Conduct (Code). The Code is thoroughly observed throughout the organization. Employees are also required to sign off on the Code. There is zero tolerance towards corruption in the Company. Employees are encouraged to contact the audit committee directly, whether anonymously or otherwise, in case they come to know about any monetary irregularities or suspicious activities taking place in the Company. For this purpose, drop boxes have been placed at prominent places within the Company's office.

**CONTRIBUTION TO NATIONAL EXCHEQUER**

We have always shown our responsibility by paying all government taxes in time and without any delay. For the year ended June 30, 20,22 we made our humble contribution to the National Exchequer by way of general sale tax, income tax and other government levies.

Description	PKR (000s)
Income Tax	55,639
Sales Tax	4,329
Withholding Tax	330,826

**GOVERNANCE**

- ◆ Compliance with laws and regulations in all business activities
- ◆ Disclosure of all the related party transactions to ensure compliance with the applicable laws.
- ◆ Transparent reporting to shareholders addressing grievances, if any
- ◆ Timely disclosure of facts on PSX and SECP to ensure transparency



## About Nspire

NSPIRE - NETSOL's Business & Tech Incubator, focuses on developing the entrepreneurial eco-system and supporting founders through an incubation program of five months. During this program startup teams get mentorship, networking, workspace, personal and professional trainings, as well as access to investors and partners. This year thirteen startups graduated.

2021-2022 has seen return to office for work and our annual programming was both virtual and physical. We hosted over 45 aspiring entrepreneurs for incubation, reached over 3,000 students through sessions at universities, more than 300 students visited Netsol for industrial visits that helped to orient them for entrepreneurship. Over 25 virtual guest speaker sessions saw attendance of more than 10,000 people.

## Founders & Investors Meetups

Over fifty mentorship sessions with in-house mentors, and over a dozen investor meet-up sessions were arranged, both physically and virtually.

## Cohort 9: Demoday

Cohort 9 saw maturer startups than previous years. Focusing on sustainability and environment, the six included water conservation, electric vehicle, construction automation and others, all found great interest with investors.

## Mentoring Sessions

Over fifty mentorship sessions with internal (Netsol) and external experts were arranged for our startups covering a range of topics from marketing, design thinking, business modeling to finance, legal and pitching.

## Industrial Visits

Over five hundred students attended various events held at Netsol for developing entrepreneurs and sourcing talent and network.

## Cohort 10

Comprising of six startups from fintech, agritech and edtech sectors, the launch ceremony for Cohort X was held on 7th June 2022.

Nspire was established seven years ago to boost technology entrepreneurship and be the gateway/link for Netsol to the startup community. Over the years the eco-system is maturing and that is reflected in our program and participants each year.

We continued our program virtually through the covid lockdown for almost two years. This gave an opportunity to explore new ways and means and we have incorporated some of them to make our program more effective, e.g. through virtual advising, trainings, guest sessions and even Demoday.

Going ahead we plan to engage more into commercial initiatives and projects in the eco-system and keep expanding Nspire's contribution and footprint within the eco-system. For this we are in ways to partner and participate in VC funds and public incubation programs.



## University Sessions

Nspire has a strong universities' network and has been holding regular sessions with students on campus. These include trainings, outreach sessions and guest speaker sessions.



Total Cohort

10



Graduated Startups

60+

## Conferences

Nspire/Netsol were one of the primary partners for ITCN Asia conference, held in Lahore, which saw an attendance of over 5,000 technology and startup professionals.



Mentoring Session

550+



Workshop /Trainings

70+





INSTITUTE OF  
CORPORATE ADVANCEMENT  
AT NETSOL

**'ALL THE WORLD IS A LABORATORY TO THE INQUIRING MIND'  
- MARTIN FISHER**



ICAN has been the learning platform here at NETSOL since 2016.

Since its inception, ICAN has been not only the learning hub, but functioned as the change agent for positively adapting to our changing circumstances over the last couple of years.

ICAN supports and aids learning through a myriad of approaches, including but not limited to:

- Tailored In-House & Virtual Instructor-led Trainings
- Inhouse & Virtual Talks and Sessions with In-House SMEs
- Gamified and Incentivised Byte-Sized Learning Activities
- Procurement of E-Learning Platforms for Expansive Learning
- Capacity Building Activities for Improving Enhancing Conduct
- Facilitating Cross-Intra-Company Trainings for Knowledge Exchange

Domain Training Program

Knowledge Week 2022

Social Perspective Series

Expereintial Bootcamp

## WHAT HAVE WE ACHIEVED IN THE PAST YEAR

1305

Trainees were equipped with domain concepts



90%

Completion of TNA program

7

Social Stigmas and Stereotypes were addressed and created public awareness for



6

Well received sessions delivered by our SMEs including:

- Agile Methodologies
- UI/UX Principles
- Metaverse
- DevOps
- Test Automation
- Cloud Multiverse



18

Learning paths developed in the past year

## CREATIVE LAUNCHES FROM THE PAST YEAR



### *Bootcamp*

With strong focus on essential human skills, Bootcamp was revamped to help shape the personality and contribute towards personal/professional growth of the new employees.



### *Comic Series*

ICAN Comic Series were launched to make learning fun and relatable. Each concept was targeted to provide a healthy learning experience on a lighter note.



### *Capacity Building*

To keep up with the world's corporate needs, this series targets several book based concepts such as: Who Moved My Cheese, One-Minute Manager & One-Minute Mentoring

## **ATICAN**

We strongly believe in respecting and adding value each day because...



**A little progress adds up to bigger results!**

## Independent Auditor's Review Report to the Members of NetSol Technologies Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

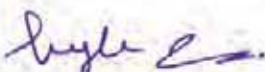
We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of NetSol Technologies Limited (the Company) for the year ended June 30, 2022 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2022.



H.Y.K & Co.  
Chartered Accountants  
Lahore  
September 29, 2022

Engagement Partner: Muhammad Yousaf

UDIN: CR202210143freRinOY7

# Statement of Compliance with the Code of Corporate Governance

For the Year Ended June 30, 2022

The statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulation, 2019 for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The total number of Directors are 07 as per the following:

Gender	Number
Male	06
Female	01

2. Composition of the Board is as follows:

Category	Number
Independent Directors	03
Non-executive Directors	02
Executive Directors	02
Female Directors (Non-executive Director)	01

3. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/Shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board of directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations;
9. The Company is fully compliant with the "Directors Training program". All the Board members have completed the Directors Training Program except the following Director who meets the exemption criteria of a minimum of 14 years of education and 15 years of experience on the Boards of listed companies, hence is exempt from the Directors' training program.

Name of Director Mr. Naeem Ullah Ghauri

10. During the year, there was no change in the position of CFO, Company Secretary and Head of Internal Audit and their remuneration and terms and conditions of employment. Their appointments, remuneration and terms and conditions were previously approved by the Board of Directors as per requirements of the relevant Regulations;

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

12. The Board has formed following mandatory Committees comprising of members given below:

#### 12.1. Audit Committee

Names of Directors	Designation
Anwaar Hussain	Chairman – Independent director
Vaseem Anwar	Member – Independent director
Hamna Ghauri	Member – Non-executive director

#### 12.2. Human Resource & Remuneration Committee (HR&RC)

Names of Directors	Designation
Zeshan Afzal	Chairman – Independent director
Vaseem Anwar	Member – Independent director
Salim Ullah Ghauri	Member – Executive director

#### 12.3. Risk Management Committee (RMC)

Names of Directors	Designation
Vaseem Anwar	Chairman – Independent director
Zeshan Afzal	Member – Independent director
Omar Ghauri	Member – Executive director

#### 12.4. Nomination Committee (NC)

Names of Directors	Designation
Anwaar Hussain	Chairman – Independent director
Vaseem Anwar	Member – Independent director
Salim Ullah Ghauri	Member – Executive director

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

14. The frequency of meetings (quarterly/half yearly/yearly) of the Committees were as per following:

Committee	Meeting Frequency
Audit Committee	Quarterly
HR&RC	Yearly
RMC	Yearly
NC	Need basis

15. The Board has set up an effective internal audit function, comprising of professionals who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all other requirements of the regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.



**NAEEM ULLAH GHAURI**  
Chairman

Lahore

September 26, 2022



# Information required as per Code of Corporate Governance

For the Year Ended June 30, 2022  
Incorporation No. 0037024

S.No.	Categories of Share Holders	Number of Shareholders	Shares Held	% of Capital	Total
1	<b>Directors, CEO &amp; their spouse and minor children:</b>				
	Mr. Salim Ullah Ghauri	1	1,016,295	1.16	
	Mr. Vaseem Anwar	1	550	-	
	Mr. Omar Shahab Ghauri	1	50,509	0.06	
	Mr. Anwaar Hussain	1	526	-	
	Ms. Hamna Ghauri	1	600	-	
	Mr. Naeem Ullah Ghauri	1	550	-	
	Mr. Zeshan Afzal	1	500	-	
	Ms. Tahira Salim Ghauri	1	4,000	-	1,073,530
2	<b>Associated Companies, undertakings and related parties</b>				
	NETSOL Technologies Inc.	1	59,396,657	67.62	59,396,657
3	<b>Banks, DFI &amp; NBFC, Insurance Co., Takaful, Modaraba and Pension Funds/Other Funds</b>				
	Banks and Financial Institutions	2	8,172	0.01	
	Modarabas	3	42,500	0.05	
	Investment Companies	3	256,988	0.29	
	Insurance Companies	5	577,418	0.66	
	Other Funds	7	153,611	0.17	1,038,689
4	<b>Public Sector Cos. &amp; Corporation</b>	77	3,606,199	4.11	3,606,199
5	<b>Mutual Funds</b>				
	CDC - TRUSTEE AL HABIB ISLAMIC STOCK FUND	1	18,000	0.02	
	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	2,000	0.00	
	CDC - TRUSTEE NIT INCOME FUND - MT	1	46,000	0.05	
	CDC - TRUSTEE FAYSAL MTS FUND - MT	1	399,640	0.45	
	CDC - TRUSTEE HBL INCOME FUND - MT	1	172,500	0.20	638,140
6	<b>General Public</b>				
	a. Local	7,133	22,082,599	25.14	22,082,599
	b. Foreign	1	1,109	0.00	1,109
	<b>Total</b>	<b>7,245</b>		<b>100</b>	<b>87,836,923</b>

In addition to the above, NETSOL Technologies Limited holds 2,000,000 Treasury shares.

#### Shareholders holding five percent or more voting interest in the Company

NETSOL Technologies Inc.	59,396,657	67.62
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#### Trading in shares during the year 2022

No trade in the shares of the Company was carried out by the CEO, Directors, CFO, Company Secretary their spouses and minor children during the year except the following:

##### Directors & Spouses

Mr. Salim Ullah Ghauri, CEO/Executive Director purchased 49,800 shares.  
Mr. Omar Shahab Ghauri, COO/Executive Director purchased 50,000 shares.

##### Executives

Mr. Boo-Ali, CFO/Director Finance purchased 10 shares.

The background of the cover page is a collage of financial and urban imagery. It features a blurred cityscape with tall buildings, a stack of silver coins on the right, and various data visualization elements including line graphs, candlestick charts, and a bar chart at the bottom. A green diagonal shape on the left contains the text. The overall color palette is dominated by blues and greens, with a bright light flare in the upper right corner.

# ANNUAL GENERAL MEETING

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 26<sup>th</sup> Annual General Meeting ("AGM") of the shareholders of NetSol Technologies Limited (the "Company") will be held on October 25, 2022 at 11:00 A.M at the Registered Office of the Company situated at NetSol IT Village (Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt., and through video link facility to transact the following ordinary business:

1. To receive, consider and adopt the Reports of Directors, Chairman and Auditors together with annual audited separate and consolidated financial statements of the Company for the year ended June 30, 2022.
2. To appoint Auditors and fix their remuneration. The shareholders are hereby notified that the Audit Committee and the Board of Directors have recommended the name of retiring auditors M/s H.Y.K & Co. Chartered Accountants for appointment as auditors of the Company

By Order of the Board

SEHRISH  
Company Secretary  
Lahore  
October 04, 2022

#### NOTE:

1. Share transfer books of the Company will remain closed from October 19, 2022 to October 25, 2022 (both days inclusive). Physical/ CDC transfers received in order at the Shares Registrar, M/s Vision Consulting Ltd., 3-C, LDA Flats, Lawrence Road, Lahore Tel: (92 42) 36283096, 36283097 and Fax: (+92 42) 36312550 by the close of business on October 18, 2022 will be treated in time for attending and vote at the meeting.
2. Shareholders are requested to notify the change of address, if any.
3. Participation in the AGM

Pursuant to the requirement of Securities and Exchange Commission of Pakistan (SECP), Shareholders may wish to participate virtually in the AGM. For this purpose, the shareholders are requested to register on following link:

[https://us02web.zoom.us/webinar/register/WN\\_cUUFVsrLRaGeRopx5qjmyQ](https://us02web.zoom.us/webinar/register/WN_cUUFVsrLRaGeRopx5qjmyQ)

Or visit company's website for registration.

In case of any queries, please feel free to email at: [corporate@netsolpk.com](mailto:corporate@netsolpk.com)

Please note that registration for the

meeting shall close at 09:30 am on October 25, 2022 after which participants /shareholders shall be unable to register for the meeting. Any and all participants/ shareholders who would have registered within the prescribed timeline shall receive a meeting link and shall be able to access the meeting therefore, the Company emphasizes on timely registrations.

4. A member entitled to attend and vote at the general meeting may appoint another member as his/her proxy to attend and vote on his/her behalf through video link and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the Annual General Meeting as are available to a Member. In order to be effective, proxies, complete in all respect, must be received at the registered office of the Company not less than 48 hours before the scheduled time of the meeting. Proxy Form in English and Urdu languages is attached herewith.
5. CDC account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan in Circular 1 dated January 26, 2000:

#### A) For Attending the Meeting:

- a) In case of individuals, the account holder or sub-account holder and/or the persons

whose shares are in group accounts and their registration details are uploaded as per CDC regulations shall authenticate their identity by showing their original computerized national identity cards (CNICs) or original passport at the time of attending the meeting.

- b) In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

#### B) For Appointing Proxies:

- a) In case of individuals, the account holder or sub-account holder and/or persons whose shares are in group accounts and their registration details are uploaded as per CDC regulations, shall submit the proxy form as per the above requirements.
- b) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- c) Attested copies of CNICs or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- d) The proxy shall attach attested copy of his/her CNIC or passport to the company.
- e) In case of corporate entity, the Board of



Directors' resolution/ power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity shall be submitted.

ATTENTION OF THE MEMBERS ARE DRAWN TO THE FOLLOWING MATTERS:

6. CNIC, IBAN for E-Dividend & Zakat

a) As per Section 242 of the Companies Act 2017, in case of a public listed company, any dividend payable in cash shall only be remitted through electronic mode directly into the bank account designated by the entitled members. Therefore, through this notice, all shareholders are requested to update their bank account No. (IBAN), CNIC & details in the Central Depository System through respective participants. In case of physical shares, the members shall provide bank account (IBAN) details to our Share Registrar, M/s Vision Consulting Ltd. Please ensure an early update of your particulars to avoid any inconvenience in future. e-Dividend mandate form is enclosed in the annual report and also available on the website of the Company, [www.netsolpk.com](http://www.netsolpk.com). In case of non-submission, all future dividend warrants may be withheld.

b) Members are requested to submit declaration (CZ-50) as per Zakat & Ushr Ordinance 1980 for zakat exemption and to advise change in address, if any.

7. Unclaimed Dividend and/Shares

The Company has previously discharged its responsibility under Section 244 of the Companies Act, 2017 whereby the Company approached the shareholders to claim their unclaimed dividends and undelivered share certificates in accordance with the law.

Shareholders, whose dividends still remain unclaimed and/or undelivered share certificates are available with the Company, are hereby once again requested to approach our Share Registrar to claim their outstanding dividend amounts and/or undelivered share certificates.

8. Electronic Transmission of Annual Report 2022

In compliance with section 223(6) of the Companies Act, 2017, the Company has electronically transmitted the Annual Report 2022 through email to shareholders whose email addresses are available with the Company's Share Registrar, M/s Vision Consulting Limited. However, in cases, where email addresses are not available with the Company's Share Registrar, printed copies of the notices of AGM containing web link for downloading the Annual Report 2022 (containing financial statements) from Company's website i.e. <http://www.netsolpk.com/investor-information.php>, have been dispatched. Further, Members are requested to kindly provide their valid email address (along with a copy of valid CNIC) to the Company's Share Registrar, M/s. M/s Vision Consulting Limited, if the Member holds shares in physical form or, to the Member's respective Participant/ Investor Account Services, if shares are held in book entry form.

Notwithstanding the above, the Company will provide hard copies of the Annual Report 2022, to any Member on their request, at their registered address, free of cost, within one (1) week of receiving such request. For the convenience of shareholders, a Standard Request Form

(for the provision of annual audited accounts) is enclosed and also available at the company's website. i.e. [www.netsolpk.com](http://www.netsolpk.com).

In accordance with Section 223(7) of the Companies Act, 2017, the Company has also placed the Notice of AGM, the Audited Annual Separate and Consolidated Financial Statements for the year ended June 30, 2022 along with Auditors' and Directors' Reports thereon and Chairman's Review Report uploaded on Company's website i.e. <http://www.netsolpk.com/investor-information.php>

9. Deposit of Physical Shares into CDC Account

The Shareholders having physical shareholding may open sub-account with any of the brokers or Investor account directly with CDC to place their physical shares into scrip-less form, this will facilitate them in many ways including safe custody and sale of shares, at any time they want, as the trading of physical shares is not permitted as per existing regulations of the stock exchange. Further, Section 72 of the Act states that after the commencement of the Act from a date notified by the SECP, a company having share capital, shall have shares in book-entry form only. Every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the SECP, within a period not exceeding four years from the commencement of the Act.







**FINANCIAL  
STATEMENTS**  
For the year ended June 30, 2022

April May June July August September October November December



## **Independent Auditor's Report**

### **To the Members of NetSol Technologies Limited**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the annexed financial statements of **NetSol Technologies Limited** (the Company), which comprise the statement of financial position as at June 30, 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2022 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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

S. No.	Key audit matters	How the matters were addressed in our audit
1.	<p><b>Revenue Recognition</b></p> <p>Refer notes 4.9 and 26 to the financial statements.</p> <p>Revenue recognized during the year ended June 30, 2022, includes Rs. 1,668.96 Million (2021: 1,936.96 Million) from related parties.</p> <p>Revenue is derived from a number of revenue streams, and key streams include license, rendering of services and subscription and support. Each stream has its own revenue recognition policies based on the nature of the revenue and underlying contractual arrangements. Management judgment is required around the degree to which revenue has been earned as at the year-end date.</p> <p>Large contracts are typically bundled, and often include license, rendering of services and subscription and support revenues.</p> <p>Inappropriate revenue recognition in relation to cut off, as revenue may not have been recognized in the correct accounting period.</p> <p>In light of the multiple revenue streams, complexity of accounting and crucial nature of this number to stakeholders, we have identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<ul style="list-style-type: none"> <li>• Obtained an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period.</li> <li>• Assessed the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards.</li> <li>• Selected a sample of transactions recognized in revenue during the year and recalculating the revenue recognized with underlying contracts.</li> <li>• Checked evidence to support that software license has been delivered to customers prior to revenue recognition.</li> <li>• For the license element of contracts, particularly those in close proximity to the year end, we obtained evidence such as FTP that the software license had been delivered to the customer prior to the end of the financial year.</li> <li>• Agreed license revenues to signed contracts or software license agreements.</li> <li>• Agreed the revenue to subsequent payment as evidence of collectability.</li> <li>• Assessed the split of contracts to challenge and gain sufficient comfort around the level of software license revenue being recognized under bundled contracts.</li> <li>• Reviewed contract terms for any conditions that would impact the timing of revenue recognition and in turn the completeness of contract liabilities.</li> </ul>

		<ul style="list-style-type: none"> <li>• For a sample of customer contracts with deferred revenue (contract liability) at the year-end, we assessed management's basis used in estimating the amounts deferred.</li> <li>• We agreed a sample of revenue transactions and, where relevant, underlying time costs to supporting contracts and other documentation, including user acceptance evidence, statements of works and time records.</li> <li>• Compared, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period;</li> <li>• Evaluated the appropriateness of the disclosures provided under the revenue standard IFRS-15 and assessed the completeness and mathematical accuracy of the relevant disclosures.</li> </ul>
2.	<p><b>Valuation of Trade Debts and Contract Assets</b></p> <p>Refer notes 4.9, 9 and 10 to the financial statements.</p> <p>The company has a significant balance of trade debts. We identified recoverability of trade debts as a key audit matters as it involves significant management judgment in determining the recoverable amount of trade debts.</p> <p>In relation to financial assets, IFRS 9 requires the recognition of expected credit losses ('ECL') rather than incurred credit loss model. Management is required to determine the expected credit loss that may occur over either a 12-month period or the remaining life</p>	<p>Our audit procedures related to the recoverability of trade debtors and allowance for credit losses for trade receivables and unbilled revenue included the following, among others:</p> <ul style="list-style-type: none"> <li>• Obtained understanding of the recorded trade receivables by discussing with the management and making inquiries on the entire accounting process associated with the recording of trade receivables and contract assets.</li> <li>• We sought external confirmations from selected debtors of their balances that remained outstanding at the year end and compared replies to the request.</li> <li>• Where response to the external confirmations were not received, we have</li> </ul>

	<p>of an asset, depending on the categorization of the individual asset.</p> <p>In accordance with IFRS 9, the measurement of ECL reflect a range of unbiased and probability-weighted outcomes, time value of money, reasonable and supportable information based on the consideration of historical events, current conditions and forecasts of future economic conditions. The calculation of ECLs in accordance with IFRS 9 is therefore complex and involves a number of judgmental assumptions.</p> <p>We identified allowance for credit losses as a key audit matter because the Company exercises significant judgment in calculating the expected credit losses</p>	<p>checked subsequent receipts/traced the receivables balances to the invoices.</p> <ul style="list-style-type: none"> <li>• Reviewed the working of management for expected credit losses.</li> <li>• Reviewed the appropriateness of the assumptions used (future and historical), the methodology and policies applied to assess the ECL in respect of financial assets of the Company.</li> <li>• for a sample of trade debts, tested the adequacy of the amount of expected credit loss recorded against trade debts by taking into account the aging of receivables at the year end and cash received after year end, as well as assessing the judgments made by the management in relation to the credit worthiness of the debtors.</li> <li>• tested the mathematical accuracy and computation of the allowances by using the same input data used by the Company</li> <li>• tested the input data such as credit reports and other credit related information used in estimating the probability of default by comparing them to external and internal sources of information</li> <li>• Testing the accuracy of the data on a sample basis extracted from the Company's accounting system which is used to calculate aging of trade receivables; and</li> <li>• Assessed the relevant disclosures made in the financial statements to determine whether they are complied with the accounting and reporting standards as applicable in Pakistan.</li> </ul>
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### **Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting

a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

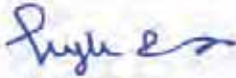
From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- (a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- (b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- (c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- (d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Yousaf.



H.Y.K and Co.  
Chartered Accountants  
Lahore  
Date: September 29, 2022

UDIN: AR202210143YXn5gaT26

# Statement of Financial Position

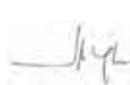
As at June 30, 2022

	NOTE	2022	2021
		Rupees in '000'	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	5	1,613,212	1,599,438
Intangible assets	6	333,889	627,393
		1,947,101	2,226,831
Long term investments	7	30,063	208,582
Long term loans to employees	8	7,890	3,552
		1,985,054	2,438,965
<b>CURRENT ASSETS</b>			
Trade debts	9	2,500,049	1,649,836
Contract assets	10	1,756,374	1,163,155
Loans and advances	11	32,298	16,363
Trade deposits & short term prepayments	12	53,599	84,626
Other receivables	13	13,812	7,126
Due from related parties	14	473,966	445,737
Taxation - net	15	930	16,676
Cash & bank balances	16	3,785,711	3,758,821
		8,616,739	7,142,340
<b>TOTAL ASSETS</b>		<b>10,601,793</b>	<b>9,581,305</b>

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

	NOTE	2022	2021
		Rupees in '000'	
<b>EQUITY &amp; LIABILITIES</b>			
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorized share capital			
150,000,000 ordinary shares of Rs.10/- each	17	1,500,000	1,500,000
Issued, subscribed and paid-up capital	17	878,369	898,369
Share deposit money		13	13
Reserves	18	6,948,645	6,205,435
		7,827,027	7,103,817
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	19	88,281	95,920
Lease liabilities	20	4,252	2,106
		92,533	98,026
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21	602,576	402,661
Contract liabilities	22	358,504	198,508
Short term borrowings	23	1,580,000	1,580,000
Current portion of long term liabilities	24	137,188	194,053
Unclaimed dividend		3,965	4,240
		2,682,233	2,379,462
<b>CONTINGENCIES &amp; COMMITMENTS</b>			
	25	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,601,793</b>	<b>9,581,305</b>

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

# Statement of Profit or Loss

For the year ended June 30, 2022

	NOTE	2022	2021
		Rupees in '000'	
Revenue from contracts with customers - net	26	6,116,637	4,947,559
Cost of revenue	27	(4,011,648)	(3,147,147)
<b>Gross profit</b>		<b>2,104,989</b>	<b>1,800,412</b>
Selling and promotion expenses	28	(555,375)	(547,595)
Administrative expenses	29	(990,542)	(760,186)
		<b>(1,545,917)</b>	<b>(1,307,781)</b>
<b>Operating Profit</b>		<b>559,072</b>	<b>492,631</b>
Other income	30	1,071,362	151,778
		<b>1,630,434</b>	<b>644,409</b>
Other operating expenses	31	(352,556)	(297,167)
Finance cost	32	(59,180)	(58,856)
Share of loss of associate		(165,704)	(27,203)
<b>Profit before taxation</b>		<b>1,052,994</b>	<b>261,183</b>
Taxation	33	(139,783)	(69,596)
<b>Profit after taxation for the year</b>		<b>913,211</b>	<b>191,587</b>
<b>Earnings per share</b>			
Basic - In Rupees	34	10.19	2.13
Diluted - In Rupees	34	10.18	2.13

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

# Statement of Other Comprehensive Income

For the year ended June 30, 2022

	2022	2021
	Rupees in '000'	
<b>Profit after taxation for the year</b>	<b>913,211</b>	191,587
Other comprehensive (Loss)	-	-
Other comprehensive (loss) that may be reclassified to profit or loss in subsequent periods (net of tax):		
Share of other comprehensive (loss) of an associate	(12,815)	(4,042)
<b>Total comprehensive Income for the year</b>	<b>900,396</b>	187,545

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

# Statement of Cash Flows

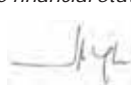
For the year ended June 30, 2022

	NOTE	2022 Rupees in '000'	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation for the year		1,052,994	261,183
Adjustments for non cash charges and other items:			
Depreciation - own assets		275,861	216,201
Amortization of Right of Use Assets		12,638	19,860
Amortization of intangible assets		293,504	293,504
Loss on disposal of fixed assets		30,521	9,072
Amortization of deferred revenue		-	(2,454)
Foreign exchange (gain) / loss		(790,317)	119,655
Finance cost		67,506	75,449
Interest income		(280,145)	(148,424)
Deferred employee compensation expense		7,553	18,773
Amortization of deferred grant		(9,537)	(17,874)
Provision for expected credit losses		103,873	98,788
Share of loss of associate		165,704	27,203
		(122,839)	709,754
<i>Cash generated from operations before working capital changes</i>		930,155	970,937
<b>Working Capital Changes</b>			
Trade debts		(163,768)	332,654
Contract assets		(593,219)	489,478
Contract liabilities		159,996	(113,033)
Loans and advances		(20,273)	(4,199)
Trade deposits & short term prepayments		31,027	(58,954)
Other receivables		(6,686)	1,546
Due from related parties		(28,229)	(72,118)
Trade and other payables		201,640	200,985
<i>Cash (used in) / generated from operations</i>		(419,512)	776,359
Finance cost		(69,231)	(67,424)
Income taxes paid		(124,037)	(69,782)
Dividend paid		(275)	(1,650)
<i>Net cash generated from operations</i>		317,100	1,608,440
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Property, plant and equipment's purchased		(347,289)	(316,899)
Sales proceeds of fixed asset		15,575	18,120
Advances against capital expenditure		(1,080)	(3,000)
Interest received		280,145	148,424
<i>Net cash (used in) investing activities</i>		(52,649)	(153,355)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repurchase of shares		(184,739)	-
Paid against lease liabilities		(19,288)	(39,065)
Received against lease liabilities		9,093	4,273
Long term loan		(50,602)	51,976
Deferred grant		-	8,021
Short term borrowing		-	200,000
Long term advances		7,975	(3,328)
<i>Net cash (used in) / generated from financing activities</i>		(237,561)	221,878
<i>Net increase in cash and cash equivalents</i>		26,890	1,676,962
<i>Cash and cash equivalents at the beginning of the year</i>	16	3,758,821	2,081,859
<i>Cash and cash equivalents at the end of the year</i>	16	3,785,711	3,758,821

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

# Statement of Changes in Equity

For the year ended June 30, 2022

	Issued, sub-scribed and paid-up capital	Share deposit money	Capital Reserve			Revenue Reserve	Total
			Employee share option compensation reserve	Share premium	Foreign currency translation reserve	Unappropriated profit	
<b>Rupees In '000'</b>							
<b>Balance as at June 30, 2020</b>	898,369	13	205,897	304,167	(16,830)	5,505,882	<b>6,897,498</b>
Net profit for the year	-	-	-	-	-	191,587	<b>191,587</b>
Other comprehensive loss for the year	-	-	-	-	(4,042)	-	<b>(4,042)</b>
<b>Total comprehensive (loss)/income for the year</b>	-	-	-	-	(4,042)	191,587	<b>187,545</b>
Contribution of parent on account of employee share options	-	-	18,773	-	-	-	<b>18,773</b>
	-	-	18,773	-	(4,042)	191,587	<b>206,319</b>
<b>Balance as at June 30, 2021</b>	898,369	13	224,670	304,167	(20,872)	5,697,470	<b>7,103,817</b>
<b>Balance as at June 30, 2021</b>	898,369	13	224,670	304,167	(20,872)	5,697,470	<b>7,103,817</b>
Net profit for the year	-	-	-	-	-	913,211	<b>913,211</b>
Other comprehensive (loss) for the year	-	-	-	-	(12,815)	-	<b>(12,815)</b>
<b>Total comprehensive (loss)/income for the year</b>	-	-	-	-	(12,815)	913,211	<b>900,396</b>
Amortization of employee share options	-	-	7,553	-	-	-	<b>7,553</b>
	-	-	7,553	-	(12,815)	913,211	<b>907,949</b>
<b>Transactions with owners of the company recorded directly in equity</b>							
Treasury shares	(20,000)					(164,739)	<b>(184,739)</b>
<b>Balance as at June 30, 2022</b>	<b>878,369</b>	<b>13</b>	<b>232,223</b>	<b>304,167</b>	<b>(33,687)</b>	<b>6,445,942</b>	<b>7,827,027</b>

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

# Notes to the Financial Statements

For the year ended June 30, 2022

## 1. LEGAL STATUS AND NATURE OF BUSINESS

NetSol Technologies Limited ("the Company"), incorporated in Pakistan on August 22, 1996 under the repealed Companies Ordinance, 1984, (Now Companies Act 2017) as a private company limited by shares, was later on converted into public limited company and subsequently listed on Pakistan Stock Exchange on August 26, 2005. Principal activities of the Company is the development and sale of computer software and allied services in Pakistan as well as abroad.

Geographical location and addresses of business units:

Address/Location	Purpose
1 NetSol IT Village,(Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt. Pakistan.	Registered office and business unit
2 43/1/Q, Amna Villa 1, Block-6, PECHS Housing Society Karachi.	Branch office
3 House No. 4, Safari villas 1, Bahria town, Rawalpindi. Pakistan.	Branch office
4 Central Senayan 2 Building, 16th Floor, Asia Afrika Street, No. 8, Senayan, Kebayoran Baru, South Jakarta, DKI Jakarta, 12190	Branch office

The Company is a majority owned subsidiary of NetSol Technologies Inc., USA.

## 2. BASIS OF PREPARATION

### 2.1 Separate financial statements

These are separate financial statements of the company. Consolidated financial statements are prepared separately.

### 2.2 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

-International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

-Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ from requirements of any IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

### 2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for revaluation of certain financial instruments at fair value as disclosed in respective accounting notes.

### 2.4 Functional and presentation currency

These financial statements are presented in Pak Rupee, which is Company's functional currency. All financial information presented in Pak Rupee has been rounded off to the nearest thousand unless stated otherwise.

### 2.5 Accounting policies

The accounting policies adopted for the preparation of these financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the company for the year ended June 30, 2021.

### 2.6 Standards and interpretations that became effective

There are certain standards, amendments and interpretations to the accounting and reporting standards which are mandatory for accounting periods beginning on or after July 1, 2021. These are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements.

## 2.7 Standards and interpretations issued but not yet effective for the current financial year

There are standards and certain other amendments to accounting and reporting standards that are not yet effective and are considered either not to be relevant or to have any significant impact on the Company's financial statements and operations and, therefore, have not been disclosed in these financial statements.

## 3. USE OF ESTIMATES AND JUDGMENT

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. During the year below change in accounting estimate is made:

The areas involving higher degree of judgement or complexity are as follows:

- i. Provision for expected credit losses on accounts receivable / contract assets.
- ii. Provision for taxation
- iii. Useful life and recoverable amounts of depreciable assets
- iv. Useful life of intangible assets
- v. Contingencies
- vi. Leases
- vii. Revenue recognition
- viii. Long term investment in associate
- ix. Fair value of employee share options

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented except otherwise stated.

### 4.1 Property, plant and equipment

#### (i) Owned assets

Property, plant and equipment except for free hold land are stated at cost less accumulated depreciation and any impairment losses. Free hold land is stated at cost less any identified impairment loss.

Depreciation is charged by applying straight line method to write off the cost over the remaining useful life of the assets. Rates of depreciation are stated in note 5.1.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases when the asset is derecognized. Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Subsequent costs are included in the asset's carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Maintenance and normal repairs are charged to statement of profit or loss as and when incurred. Major repairs and improvements are capitalized.

The carrying amount of property and equipment is removed from the statement of financial position upon scrapping or disposal or when no future economic benefit is expected from its use, scrapping or disposal.

Gain or loss on scrapping or disposal of assets, if any, is charged to statement of profit or loss.

# Notes to the Financial Statements

For the year ended June 30, 2022

## **(ii) Right of use assets**

The company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated over the shorter of its estimated useful life and the lease term. Right-of-use assets are amortized over the useful life of the assets using straight line method at the rates given in note 5.4. Amortization on additions is charged for the month in which an asset is acquired under the finance lease while no amortization is charged for the month in which the asset is disposed off. Right-of-use assets are also subject to impairment.

## **(iii) Capital work in progress**

Capital work in progress is stated at cost less any identified impairment losses. It represents expenditure incurred on property, plant and equipment during construction and installation. Cost also includes applicable borrowing costs under IAS 23. These expenditures are transferred to relevant assets' category as and when assets are available for use.

## **4.2 Intangible assets**

### **Research and software products development**

Research costs are expensed as incurred. Software product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, it is probable that future economic benefits will flow to the Company, the Company has an intention and ability to complete and use or sell the software and cost can be measured reliably.

There are two components of intangible assets:

- a. In-house developed intangible assets
- b. Intangible assets acquired from market

### **(a) In-house developed intangible assets**

The Company may capitalize certain computer software development costs in accordance with IAS 38 Intangible Assets. Costs incurred internally to create a computer software product or to develop an enhancement to an existing product are charged to expense when incurred as research and development expense until technological feasibility for the respective product is established. Thereafter, all software development costs may be capitalized and reported at the lower of unamortized cost or recoverable amount. Capitalization will cease when the product or enhancement is available for general release to customers.

Amortization is charged on straight line basis over the useful life of the intangible assets. All intangible assets with an indefinite useful life are tested for impairment at each statement of financial position date. Rates of amortization are stated in note 6.

### **(b) Intangible assets acquired from market**

Intangible assets acquired from market are stated at cost less accumulated amortization and impairment losses, if any.

Subsequent costs are included in the asset's carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other expenses are charged to statement of profit or loss when they occur.

Amortization is charged by applying straight line method to write off the cost over the remaining useful life of the intangible assets unless such lives are indefinite. All intangible assets with an indefinite useful life are tested for impairment at each statement of financial position date. Amortization on additions to acquired intangible assets is charged for the month in which an asset is acquired while no amortization is charged for the month in which the asset is disposed off. Rates of amortization are stated in note 6.

#### **4.3 Impairment of non financial asset**

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

#### **4.4 Foreign currency translation**

Transactions denominated in foreign currencies are translated in Pak Rupees at the foreign exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the foreign exchange rates prevailing at the statement of financial position date. Non-monetary assets and liabilities measured at historical cost are translated at the exchange rate prevailing at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the exchange rate prevailing at the date when fair values were determined. All exchange differences are charged to statement of profit or loss.

#### **4.5 Staff benefits**

##### **(i) Retirement benefits**

The Company operates a defined contributory provident fund for its permanent employees. Contributions are made equally by the company and the employee at 8% of basic salary in the provident fund on monthly basis. Company's contribution is recognized as a cost in the statement of profit or loss. The fund is administrated by the Trustees.

##### **(ii) Short-term benefits**

Short-term benefits to employees are calculated without discounting and are recognized as cost when related services are received.

##### **(iii) Employees' share option scheme**

The company operates an equity settled share based Employee' Share Option Scheme ('Scheme'). The fair value of options granted is determined at the grant date and is recognized as employee compensation expense on a straight line basis over the vesting period in P&L with corresponding credit to equity as employee compensation reserve. Fair value of options is arrived at using black scholes pricing model.

When the options are exercised, the proceeds received equivalent to the face value of related shares is credited to share capital and any amount above the share capital is credited to share premium account.

#### **4.6 Taxation**

Provision for current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for tax on income is calculated at the current rates of taxation as applicable after taking into account tax credit and tax rebates available, if any. Income tax expense is recognized in statement of profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Charge for tax expense also includes adjustments where necessary, relating to prior years which arise from assessments finalized during the current year.

Deferred tax is accounted for using the statement of financial position method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to other comprehensive income in which case it is included in other comprehensive income.

# Notes to the Financial Statements

For the year ended June 30, 2022

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

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

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

## 4.7 Creditors, accruals, provisions & contingencies

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for the goods and / or services received, whether or not billed to the Company.

Liabilities for creditors and other amounts payable in foreign currency are revalued by applying the exchange rate applicable on statement of financial position date.

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

## 4.8 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and at current or saving accounts held with banks, fixed deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include facilities of running finance that form an integral part of the Company's cash management.

## 4.9 Revenue recognition

The Company follows IFRS 15 for the recognition of revenue for all its revenue streams. The Company determines revenue recognition using the following step wise approach:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, a performance obligation is satisfied

The Company records the amount of revenue and related costs by considering whether the entity is a principal (gross presentation) or an agent (net presentation) by evaluating the nature of its promise to the customer. The company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. Revenue is presented net of sales, value-added and other taxes collected from customers and remitted to government authorities.

The Company has two primary revenue streams: core revenue or non-core revenue.

### Core Revenue:

The Company generates its core revenue from the export of (1) software licenses, (2) services, which include implementation, customization and other consulting services, and (3) subscription and support, which includes subscription and post contract support, of its enterprise software solutions for the lease and finance industry. The Company offers its software using both traditional on-premises licensing model and Software as a Service (SaaS) model. The on-premises model involves the sale or license of software on a perpetual basis to customers who take possession of the software and install and maintain the software on their own hardware.

**Non-Core Revenue:**

The Company generates its non-core revenue by providing business process outsourcing (“BPO”) services and other services (including support services to its local customers)

**Performance Obligations**

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied by transferring the promised good or service to the customer. The Company identifies the performance obligations at contract inception so that the Company can monitor and account for the performance obligations over the life of the contract.

The Company’s contract which contain multiple performance obligations generally consists of the initial sale of licenses and a professional services engagement. Contract generally have multiple performance obligations as customers purchase maintenance support and services in addition to the licenses. The Company’s single performance obligation arrangements are typically maintenance renewals, and professional services engagements.

For contracts with multiple performance obligations where the contracted price differs from the standalone selling price (“SSP”) for any distinct good or service, the Company may be required to allocate the contract’s transaction price to each performance obligation using its best estimate for the SSP.

Information about company’s performance obligations are summarized below:

**a) Software licenses:**

Performance obligation is satisfied and revenue from software licenses is recognized at the point in time when transfer of control for software is occurred either upon physical delivery of license through CD, USB or electronically using FTP or delivery of the license key by other electronic methods which provides immediate availability of the product to the customer. The Company’s typical payment terms tend to vary by region, but its standard payment terms are within 30-120 days of invoice.

**b) Subscription and support:**

Subscription revenue is recognized ratably over the initial subscription period committed to by the customer commencing when the product is made available to the customer. The initial subscription period is typically 12 to 60 months. The Company generally invoices its customers in advance in quarterly or annual installments and typical payment terms provide that customers make payment within 30 days of invoice. Performance obligation against support revenue is recognized ratably over the term of the support period, which in most instances is one year. Software license updates provide customers with rights to unspecified software product updates, maintenance releases and patches released during the term of the support period on a when-and-if available basis. The Company’s customers purchase both product support and license updates when they acquire new software licenses. In addition, a majority of customers renew their support services contracts annually and typical payment terms provide that customers make payment within 30-120 days of invoice.

**c) Professional services:**

Performance obligation is satisfied and revenue from professional services is recognized over the time and typically comprised of implementation, development, customization, enhancements, data migration, training or other consulting services. Consulting services are generally sold on a time-and-materials or fixed fee basis and can include services ranging from software installation to data migration and building non-complex interfaces to allow the software to operate in integrated environments. The Company recognizes revenue from time-and-material arrangements as the services are performed. In fixed fee arrangements, revenue is recognized as services are performed as measured by efforts incurred to date, compared to total estimated efforts to complete the services project. Management applies judgment while estimating efforts to complete the services projects. A number of internal and external factors can affect these estimates, including utilization and efficiency variances and specification and testing requirement changes. Services are generally invoiced upon milestones as agreed in the contract and payments are typically due 30-120 days after invoice.

# Notes to the Financial Statements

For the year ended June 30, 2022

## d) BPO services:

Revenue from BPO services is recognized when earned. Company recognizes revenue on issuance of billing to the customer. Payment terms are 90 days after invoice.

### Miscellaneous

Interest on bank deposits is recognized and received on a time proportion basis on the principal amount outstanding and at the rate applicable.

Rental income is recognized on time proportion basis. Payment terms are 30 days.

Dividend is recognized as income when the right of receipt is established. Payment terms are 15 working days after declaration of dividend.

Miscellaneous income is recognized on receipt basis.

### Significant Judgments

More judgments and estimates are required under IFRS 15 than were required under IAS 18 and other previous pronouncements. Due to the complexity of certain contracts, the actual revenue recognition treatment required under IFRS 15 for the Company's arrangements may be dependent on contract-specific terms and may vary in some instances.

Judgment is required to determine the stand alone selling price (SSP) for each distinct performance obligation. The Company rarely licenses or sells products on a stand-alone basis, so the Company is required to estimate the range of SSPs for each performance obligation. In instances where SSP is not directly observable because the Company does not sell the license, product or service separately, the Company determines the SSP using information that may include market conditions and other observable inputs. In making these judgments, the Company analyzes various factors, including its pricing methodology and consistency, size of the arrangement, length of term, customer demographics and overall market and economic conditions. Based on these results, the estimated SSP is set for each distinct product or service delivered to customers.

The most significant inputs involved in the Company's revenue recognition policies are: The (1) stand-alone selling prices of the Company's software license, and the (2) method of recognizing revenue for installation/customization and other services.

The stand-alone selling price of the licenses was measured primarily through an analysis of pricing that management evaluated when quoting prices to customers. Although the Company has no history of selling its software separately from support and other services, the Company does have historical experience with amending contracts with customers to provide additional modules of its software or providing those modules at an optional price. This information guides the Company in assessing the stand-alone selling price of the Company's software, since the Company can observe instances where a customer had a particular component of the Company's software that was essentially priced separate from other goods and services that the Company delivered to that customer.

The Company recognized revenue from implementation and customization services using percentage of estimated 'man-days' that the work requires. The Company believes the level of effort to complete the services is best measured by the amount of time (measured as an employee working for one day on implementation/customization work) that is required to complete the implementation or customization work. The Company continuously reviews its estimate of man-days required to complete implementation and customization services.

Revenue is recognized over time for the Company's subscription, support and fixed fee professional services that are separate performance obligations. For the Company's professional services, revenue is recognized over time, generally using man-days expended to measure progress. Judgement is required in estimating project status and efforts necessary to complete projects. A number of internal and external factors can affect these estimates, including man-day rates, utilization, specification variances and testing requirement changes.

If a group of agreements are entered at or near the same time and so closely related that they are, in effect, part of a single arrangement, such agreements are deemed to be combined as one arrangement for revenue recognition purposes. The Company exercises significant judgment to evaluate the relevant facts and circumstances in determining whether agreements should be accounted for separately or as a single arrangement. The Company's judgments about whether a group of contracts comprise a single arrangement can affect the allocation of consideration to the distinct performance obligations, which could have an effect on results of operations for the periods involved.

If a contract includes variable consideration, the Company exercises judgment in estimating the amount of consideration to which the entity will be entitled in exchange for transferring the promised goods or services to a customer. When estimating variable consideration, the Company will consider all relevant facts and circumstances. Variable consideration will be estimated and included in the contract price only when it is probable that a significant reversal in the amount of revenue recognized will not occur.

#### **Practical Expedients and Exemptions**

There are several practical expedients and exemptions allowed under IFRS 15 that impact timing of revenue recognition and the Company's disclosures. Below is a list of practical expedients the Company applied in the adoption and application of IFRS 15:

- a) The Company does not evaluate a contract for a significant financing component if payment is expected within one year or less from the transfer of the promised items to the customer.
- b) The Company generally expenses sales commissions and sales agent fees when incurred when the amortization period would have been one year or less or the commissions are based on cash received. These costs are recorded within sales and marketing expense in the statement of profit or loss.
- c) The Company does not disclose the value of unsatisfied performance obligations for contracts that have an original expected duration of one year or less.
- d) The Group does not disclose the value of unsatisfied performance obligations for contracts for which the Group recognizes revenue at the amount to which it has the right to invoice for services performed (applies to time-and-material engagements).

#### **Costs to obtain a contract**

The Company does not have a material amount of costs to obtain a contract capitalized at any statement of financial position date. In general, we incur few direct incremental costs of obtaining new customer contracts. We rarely incur incremental costs to review or otherwise enter into contractual arrangements with customers. In addition, our sales personnel receive fees that we refer to as commissions, but that are based on more than simply signing up new customers. Our sales personnel are required to perform additional duties beyond signing of new deals, including account management of customers and cash collection efforts.

#### **Contract balances**

##### **Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company has satisfied the performance obligation, either in full or partially, by transferring goods or services to a customer before the invoice is issued or payment is due, a contract asset is recognized for the earned consideration that is conditional.

##### **Trade receivables**

A receivable represents the company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section 4.12 (i) Financial instruments – initial recognition and measurement.

##### **Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the company has received consideration from the customer in advance or an amount of consideration is due. If a customer pays consideration before the company transfers goods or services to the customer, a contract liability is recognized when the amount is received or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the company performs under the contract.

# Notes to the Financial Statements

For the year ended June 30, 2022

## 4.10 Borrowing costs

Borrowing costs directly attributable to the construction /acquisition of qualifying assets are capitalized up to the date, including the period when technical and administrative work is carried on; the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the statement of profit or loss currently. Qualifying assets are assets that necessarily take substantial period of time to get ready for their intended use.

## 4.11 Off-setting of financial asset and liability

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amount and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

## 4.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### (i) Financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them.

Company initially measures a financial asset at its fair value plus transaction cost. In the case of a financial asset not at fair value through profit or loss at its fair value.

#### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

#### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the company's statement of financial position) when rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

#### Impairment

The company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## **(ii) Financial liabilities**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

### **Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in the unconsolidated statement of profit or loss when liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Other financial liabilities are also subsequently measured at amortized cost using the EIR method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss.

### **Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as DE recognition of the original liability and recognition of a new liability. Difference in the respective carrying amounts is recognized in the statement of profit or loss.

## **4.13 Investments**

### **a) Investment in subsidiary**

Investment in subsidiary is initially recognized at cost. At subsequent reporting date, recoverable amounts are estimated to determine the extent of impairment loss, if any, and carrying amount of investment is adjusted accordingly. Impairment losses are recognized as expense in the statement of profit or loss. Where impairment loss is subsequently reversed, the carrying amounts of investment are increased to its revised recoverable amount, limited to the extent of initial cost of investment. Reversal of impairment losses are recognized in the statement of profit or loss.

# Notes to the Financial Statements

For the year ended June 30, 2022

## b) Investment in associates

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

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

Under the equity method, investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Company's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the company's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the company recognizes its share of any changes, when applicable, in the statement of changes in equity.

The financial statements of the associate are not prepared for the same reporting period as the company. Reporting period of financial statements of associate used to apply equity method lags behind three months from company's reporting period. The associate's financial statements prepared for reporting period ended March 31, 2022 are used for this purpose. Reason for using a different reporting period is the non-availability of latest financial statements of the associate.

The company periodically determines whether it is necessary to recognize any impairment loss on its investment in its associate or not. The company determines on annual basis whether there is any objective evidence that the investment in associate is impaired. If there is such evidence, the company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss within 'Share of profit or loss of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

### Significant judgements:

The company has made significant judgements in determining significant influence over the associated company. Company has considered below factors in determining significant influence:

- i) Ownership interest in associate.
- ii) Representation on the board of directors of the associate.
- iii) Participation by company in policy-making processes, including participation in decisions about dividends or other distributions of associate.
- iv) Material transactions between the company and its associate.
- v) Provision of essential technical information.

The Company also had agreements with the associate that empower the company to participate in policy making processes, decisions about dividend, borrowing, change in associate's capital structure etc. Due to these reasons, the Company has concluded that, even though its ownership interest in associate is less than 20% but because of the above reasons, significant influence is established and hence it is considered as an associate.

## 4.14 Lease liabilities

At the commencement date of the lease, the company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### **4.15 Short-term leases and leases of low-value assets**

The company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

#### **4.16 Significant judgement in determining the lease term of contracts with renewal options**

The company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

#### **4.17 Deferred grant**

Deferred grant is recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income and presented as deduction from the related expense on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

#### **4.18 Advances and deposits**

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

#### **4.19 Dividend and appropriation to reserves**

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

#### **4.20 Related party transactions**

The Company enters into transactions with related parties at an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods, except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the Company to do so.

#### **4.21 Fair value**

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transaction; reference to the current market value of another instrument, which has substantially similar characteristics, discounted cash flow analysis or other valuation models.

#### **4.22 Earnings per share**

The Company presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit attributable to ordinary share holders of the company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	NOTE	2022	2021
		Rupees in '000'	
<b>5. PROPERTY PLANT &amp; EQUIPMENT</b>			
Net book value of owned assets	5.1	1,576,393	1,515,963
Net book value of right of use assets	5.4	32,739	80,475
Advances against capital expenditure	5.6	4,080	3,000
		<b>1,613,212</b>	<b>1,599,438</b>

#### 5.1 Following is the statement of owned assets

Particulars	2022								Net book value as at Jun 30, 2022
	COST			DEPRECIATION					
	As at Jul 01, 2021	Additions / (Deletions)	As at Jun 30, 2022	Rate %	As at Jul 01, 2021	Adjustment during the year	Charge for the year	As at Jun 30, 2022	
	Rupees In '000'								
<b>Tangible Assets</b>									
Land - freehold	254,229	-	254,229	-	-	-	-	-	254,229
Building on freehold land	952,561	-	952,561	5	337,598	-	32,367	369,965	582,596
Furniture & fixture	72,185	1,852 (2,382)	71,655	10	41,425	- (1,851)	8,242	47,816	23,839
Vehicles	237,136	243,862 (13,745)	467,253	20	94,461	47,794 (9,346)	48,868	181,777	285,476
Office equipment	75,843	1,940 -	77,783	10	39,794	- -	7,673	47,467	30,316
Computers	1,703,110	149,229 (626,436)	1,225,903	20 ~ 33	1,384,382	4,499 (593,617)	133,716	928,980	296,923
Air conditioners	66,165	2,418	68,583	10	34,156	-	8,281	42,437	26,146
Electric fittings	49,371	-	49,371	10	26,767	-	5,651	32,418	16,953
Generator	52,812	2,090 -	54,902	10	36,268	-	6,130	42,398	12,504
<b>Intangible Assets</b>									
Computer software	337,425	33,290 (301,346)	69,369	33	290,023	- (292,998)	24,933	21,958	47,411
	<b>3,800,837</b>	<b>434,681 (943,909)</b>	<b>3,291,609</b>		<b>2,284,874</b>	<b>52,293 (897,812)</b>	<b>275,861</b>	<b>1,715,216</b>	<b>1,576,393</b>

The detail for the assets disposed off during the year is given in note 5.3

Particulars	2021									
	COST			DEPRECIATION					Net book value as at Jun 30, 2021	
	As at Jul 01, 2020	Additions / (Deletions)	As at Jun 30, 2021	Rate %	As at Jul 01, 2020	Adjustment during the year	Charge for the year	As at Jun 30, 2021		
Rupees In '000'										
<b>Tangible Assets</b>										
Land - freehold	254,229	-	254,229	-	-	-	-	-	-	254,229
Building on freehold land	952,561	-	952,561	5	305,232	-	32,366	337,598	614,963	
Furniture & fixture	71,859	326	72,185	10	30,684	-	10,741	41,425	30,760	
Vehicles	163,245	100,591 (26,700)	237,136	20	85,989	2,677 (18,590)	24,385	94,461	142,675	
Office equipment	66,882	8,994 (33)	75,843	10	29,085	- (19)	10,728	39,794	36,049	
Computers	1,546,921	173,248 (17,059)	1,703,110	20 ~ 33	1,303,181	- (16,100)	97,301	1,384,382	318,728	
Air conditioners	65,514	651	66,165	10	25,797	-	8,359	34,156	32,009	
Electric fittings	49,371	-	49,371	10	20,908	-	5,859	26,767	22,604	
Generator	52,812	- -	52,812	10	27,441	- -	8,827	36,268	16,544	
<b>Intangible Assets</b>										
Computer software	886,910	34,369 (583,854)	337,425	33	838,133	- (565,745)	17,635	290,023	47,402	
	4,110,304	318,179 (627,646)	3,800,837		2,666,450	2,677 (600,454)	216,201	2,284,874	1,515,963	
							NOTE	<b>2022</b>	2021	
								<b>Rupees in '000'</b>		
<b>5.2 Depreciation is allocated in the following manner</b>										
Cost of revenue							27	<b>206,880</b>	162,150	
Administrative expenses							29	<b>68,981</b>	54,051	
								<b>275,861</b>	216,201	

# Notes to the Financial Statements

For the year ended June 30, 2022

## 5.3 Particulars of fixed assets disposed off during the year exceeding book value of Rs. 5 million in aggregate and 0.5 million individually are as follows:

2022						
Particulars	Cost	Net Book Value	Sales Proceeds	Gain/ (Loss)	Mode of Disposal	Particulars of Purchaser
	Rupees In '000'					
Vehicle	2,825	1,086	1,668	582	Company Policy	Wajih Ur Rehman (Employee)
Vehicle	2,725	859	2,400	1,541	Company Policy	Kamran Khalid (Employee)
Vehicle	5,390	1,487	5,100	3,613	Company Policy	Ayub Rehmat (Employee)
Vehicle	2,728	891	1,500	609	Company Policy	Majid Bashir (Employee)

2021						
Particulars	Cost	Net Book Value	Sales Proceeds	Gain/ (Loss)	Mode of Disposal	Particulars of Purchaser
	Rupees In '000'					
Vehicle	2,453	826	1,531	705	Company Policy	Sajid Mukhtar (Employee)
Vehicle	2,478	820	2,518	1,698	Open Market	Muhammad Asad Dogar
Vehicle	2,800	724	2,250	1,526	Open Market	Nauman Aslam
Vehicle	2,612	546	2,100	1,554	Company Policy	Shahid Iqbal (Employee)

## 5.4 Following is statement of right of use assets

Particulars	2022								
	COST			DEPRECIATION					Net book value as at Jun 30, 2022
	As at Jul 01, 2021	Additions / (Deletions)	As at Jun 30, 2022	Rate %	As at Jul 01, 2021	Adjustment during the year	Charge for the year	As at Jun 30, 2022	
	Rupees In '000'								
Vehicles	143,734	9,093	62,651	20	65,147		12,559	29,912	32,739
		(90,176)				(47,794)			
Computers	6,308	-	-	20-33	4,420		79	-	-
		(6,308)				(4,499)			
	150,042	9,093	62,651		69,567	-	12,638	29,912	32,739
		(96,484)				(52,293)			

Particulars	2021								
	COST			DEPRECIATION					Net book value as at Jun 30, 2021
	As at Jul 01, 2020	Additions / (Deletions)	As at Jun 30, 2021	Rate %	As at Jul 01, 2020	Adjustment during the year	Charge for the year	As at Jun 30, 2021	
Rupees In '000'									
Vehicles	145,014	4,273 (5,553)	143,734	20	48,908	- (2,677)	18,916	65,147	78,587
Computers	6,308	-	6,308	20-33	3,476	-	944	4,420	1,888
	151,322	4,273 (5,553)	150,042		52,384	- (2,677)	19,860	69,567	80,475

	NOTE	2022	2021
		Rupees in '000'	
<b>5.5 Depreciation is allocated in the following manner</b>			
Cost of revenue	27	9,478	14,895
Administrative expenses	29	3,160	4,965
		12,638	19,860

**5.6** Advance against capital expenditure represent advances paid for purchase of fixed assets but delivery of assets are not made to the company till June 30.

**5.7** Particulars of Immovable assets of the company are as follows:

Location	Address	Land Area (Sq Ft)	Covered Area (Sq Ft)
Lahore	NetSol IT Village (Software Technology Park), Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt.	149,738	140,631
Lahore	House No. 4, Cricketers Colony, NetSol IT Village (Software Technology Park), Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt.	1,750	2,430
Lahore	House No. 5, Cricketers Colony, NetSol IT Village (Software Technology Park), Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt.	1,750	2,430
Lahore	House No. 6, Cricketers Colony, NetSol IT Village (Software Technology Park), Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt.	1,750	2,430
Lahore	House No. 56-A, Cricketers Colony, NetSol IT Village (Software Technology Park), Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt.	1,575	2,095
Karachi	43/1/Q, Amna Villa 1, Block-6, PECHS Housing Society Karachi	4,500	13,500

#### 6. INTANGIBLE ASSETS

Particulars	2022							
	COST			AMORTIZATION				Net book value as at Jun 30, 2022
	As at Jul 01, 2021	Additions / (Deletions)	As at Jun 30, 2022	Rate %	As at Jul 01, 2021	Charge for the year	As at Jun 30, 2022	
Rupees In '000'								
<b>In-house Developed Software</b>								
NFS - Ascent	2,935,038	-	2,935,038	10	2,307,645	293,504	2,601,149	333,889
	2,935,038	-	2,935,038		2,307,645	293,504	2,601,149	333,889

# Notes to the Financial Statements

For the year ended June 30, 2022

Particulars	2021							
	COST			AMORTIZATION				Net book value as at Jun 30, 2021
	As at Jul 01, 2020	Additions / (Deletions)	As at Jun 30, 2021	Rate %	As at Jul 01, 2020	Charge for the year	As at Jun 30, 2021	
Rupees In '000'								
In-house Developed Software								
NFS - Ascent	2,935,038	-	2,935,038	10	2,014,141	293,504	2,307,645	627,393
	2,935,038	-	2,935,038		2,014,141	293,504	2,307,645	627,393

	NOTE	2022	2021
		Rupees in '000'	
<b>6.1 Amortization is allocated in the following manner</b>			
Cost of revenue	27	293,504	293,504
<b>6.2</b> Remaining amortization period for NFS - Ascent is 1 year 2 months.			
<b>6.3</b> NetSol Financial Suite has been fully amortized but the company is still generating revenues from its sale.			
<b>7. LONG TERM INVESTMENTS</b>			
<b>Investment in subsidiary - at cost</b>			
NetSol Innovation (Pvt.) Limited (Unquoted wholly owned subsidiary company)	7.1	30,063	30,063
<b>Investment in associate</b>			
WRLD3D Inc. (Unquoted company)	7.2	-	178,519
		<b>30,063</b>	<b>208,582</b>

7.1 The subsidiary is incorporated in Pakistan. The principal place of business of subsidiary is situated at NetSol IT Village, (Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt. Pakistan. The Company holds 3,006,305 (2021 : 3,006,305) fully paid ordinary shares of Rs. 10/- each i.e. 100% of Equity held (2021 : 100%).

7.2 Investment in associate-foreign company

This represents investment in WRLD3D Inc., a US based entity having its principal place of business at 800 W. El Camino Real, Suite 320, Mountain View, California 94040 and engaged in gaming and 3D mapping business. DCD Holdings Limited Carlton Services Ltd, second floor, The Quadrant, Manglier Street, PO Box 1312, Victoria, Mahe, Seychelles is the beneficial owner of the company. The Company owns 4,092,189 preference BB shares of WRLD3D Inc. (12.2% ownership interest) originally valued at \$2.77 million and uses equity method to account for investment in associate.

As a result of significant decline in fair value of the investment, the company carried out a review of the recoverable amount of the investment at the year end. The management estimates the recoverable amount of the investment based on its fair value. The group has engaged an external, independent and qualified valuer to determine the fair value of the investment. They have determined the fair value by using market based approach which is a level 2 measurement as per the fair value hierarchy set out in IFRS 13. Significant decline in fair value is due to financial difficulty faced by WRLD3D from the ongoing impact of COVID-19 & difficulty in attracting the market for sale of its coreproducts due to rapid technological changes. The management concluded that due to the lack of active market for the WRLD3D shares, it will not be able to recover its current value. Since the recoverable amount of the investment is less than the current value (i.e. Rs 120.45 million after incorporating the share of loss from associate for FY2022) hence, the investment is impaired in full. The Company recognized an impairment loss of Rs 120.45 million (included in the share of loss of associate amount) through the profit or loss in the current financial year.

## 8. LONG TERM LOANS TO EMPLOYEES

Loan to employees	14,845	5,897
Less: current maturity	(6,955)	(2,345)
	<b>7,890</b>	<b>3,552</b>

8.1. These are carried at cost as the effect of carrying these balances at amortized cost would not be material in the overall context of these financial statements.

	NOTE	2022	2021		
		Rupees in '000'			
<b>9. TRADE DEBTS</b>					
Considered good - unsecured	9.2	2,500,049	1,649,836		
Considered doubtful - unsecured		190,782	329,874		
		<b>2,690,831</b>	1,979,710		
Less: Provision against expected credit losses	9.3	(190,782)	(329,874)		
		<b>2,500,049</b>	1,649,836		
<b>9.1 Amount receivable from related parties included in trade debts are as under:</b>					
NetSol Technologies (Thailand) Limited		77,578	73,609		
NetSol Technologies (Beijing) Company Limited		1,231,368	873,748		
NetSol Technologies Australia Pty. Limited		224,471	111,747		
NetSol Technologies America		315,913	247,042		
Ascent Europe Limited		37,439	19,441		
OTOZ Thailand Ltd		84,521	77,876		
WRLD3D Inc.		-	242,029		
		<b>1,971,290</b>	1,645,493		
Less: Provision for expected credit losses		(187,446)	(327,852)		
		<b>1,783,844</b>	1,317,641		
<b>9.2</b> It represents amount receivable from customers. It is unsecured but considered good by the management.					
<b>9.3</b> This is a provision created for any future credit losses. The amount due from WRLD3D is adjusted against this provision during the year.					
<b>9.4</b> Movement in provision against expected credit losses is given below:					
Balance as at July 1		329,874	233,499		
Provision made during the year		97,403	96,375		
Write off during the year		(236,495)	-		
Balance as at June 30		<b>190,782</b>	329,874		
<b>9.5 Aging of trade debts at June 30 is as follows:</b>					
		2022		2021	
		Rupees in '000'		Rupees in '000'	
		Gross	Impaired	Gross	Impaired
Not past due		491,020	-	298,688	-
Past due 1-180 days		947,554	-	806,199	-
Past due 181 days -1 year		429,778	-	470,320	-
More than one year		822,479	-	404,502	-
Total		<b>2,690,831</b>	-	1,979,710	-
<b>9.6 Aging of trade debts due from related parties at June 30 is as follows:</b>					
		Gross	Impaired	Gross	Impaired
Not past due		310,551	-	127,956	-
Past due 1-180 days		549,128	-	647,134	-
Past due 181 days -1 year		362,716	-	466,002	-
More than one year		748,895	-	404,401	-
Total		<b>1,971,290</b>	-	1,645,493	-

# Notes to the Financial Statements

For the year ended June 30, 2022

9.7 Maximum aggregate amount outstanding from related party-AR at the end of any month during the year was Rs. 1,971.29 million (2021 : Rs. 2,253.7 million).

## 10. CONTRACT ASSETS

It represents unbilled debtors arising due to recognition of revenue as per IFRS 15 'Revenue from contracts with customers'.

	NOTE	2022 Rupees in '000'	2021
Considered good - unsecured		1,756,374	1,163,155
Considered doubtful - unsecured	10.1	28,097	21,628
		1,784,471	1,184,783
Less: Provision for expected credit losses	10.1	(28,097)	(21,628)
		1,756,374	1,163,155

### 10.1 Movement in provision for future doubtful contract assets is given below:

Balance as at July 1		21,628	19,215
Provision made during the year		6,469	2,413
Balance as at June 30		28,097	21,628

10.2 There is a net increase of Rs. 593 million in contract assets as compared to last fiscal year (2021: decrease of Rs. 489.48 million). Explanation of significant changes are as follows:

Opening balance-contract assets		1,163,155	1,652,633
Add: Revenue recognized		4,696,409	3,453,533
Less: Invoices raised		(4,364,266)	(3,930,099)
Forex gain / (loss)		267,546	(10,499)
Provision for expected credit losses		(6,470)	(2,413)
Closing balance-contract assets		1,756,374	1,163,155

## 11. LOANS AND ADVANCES

Current maturity of loans to employees	8	6,955	2,345
<b>Advances</b>			
- to employees		-	525
- against expenses	11.1	25,343	13,493
		32,298	16,363

11.1 The advances against expenses are given to meet business expenses and are settled as and when the expenses are incurred.

## 12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits		3,118	4,240
Prepayments		50,481	80,386
		53,599	84,626

## 13. OTHER RECEIVABLES

Guarantee margin		7,747	2,340
Other receivable - considered good		6,065	4,786
		13,812	7,126

	2022	2021
	Rupees in '000'	
<b>14. DUE FROM RELATED PARTIES</b>		
<b>Considered good - unsecured</b>		
<b>Parent</b>		
NetSol Technologies Inc.	186,323	181,368
<b>Associates</b>		
NetSol Connect (Pvt.) Ltd.	22,725	25,870
NetSol Technologies America	26,408	10,883
NetSol Technologies Beijing Ltd.	64,176	28,795
NetSol Technologies (Thailand) Limited	121,403	157,893
OTOZ Thailand Ltd	29,967	40,928
<b>Subsidiary</b>		
NetSol Innovation (Pvt.) Ltd	22,964	-
	<b>473,966</b>	<b>445,737</b>

**14.1** These relate to normal course of business of the Company and are interest free.

**14.2** Maximum aggregate amount outstanding from related party at any month-end during the year was Rs. 475.3 million (2021 : Rs. 561.4 million).

**14.3** Aging of due from related parties at June 30 is as follows:

	2022		2021	
	Rupees in '000'		Rupees in '000'	
	Gross	Impaired	Gross	Impaired
Not past due	58,437	-	26,894	-
Past due 1-180 days	93,974	-	90,676	-
Past due 181 days -1 year	41,338	-	212,534	-
More than one year	280,217	-	115,634	-
Total	<b>473,966</b>	<b>-</b>	<b>445,737</b>	<b>-</b>

	2022	2021
	Rupees in '000'	
<b>15. TAXATION - NET</b>		
Tax receivable as at 1 July	16,676	16,490
Tax payments	54,535	29,673
Provision for taxation	(70,281)	(29,487)
	<b>930</b>	<b>16,676</b>

	2022	2021
	Rupees in '000'	
<b>16. CASH AND BANK BALANCES</b>		
<b>With banks</b>		
Saving accounts-Local currency	3,125,989	3,384,470
Saving accounts-Foreign currency	382,308	171,566
Current accounts-Local currency	165	4,407
Current accounts-Foreign currency	262,315	188,396
	<b>3,770,777</b>	<b>3,748,839</b>
<b>In hand</b>	<b>14,934</b>	<b>9,982</b>
	<b>3,785,711</b>	<b>3,758,821</b>

**16.1** The balances in savings accounts bear mark up at 5.50% to 14.38% per annum. (2021 : 5.44% to 7.25% per annum). Balances in saving accounts include Rs. 1,954.56 million maintained in Shariah compliant bank accounts (2021: Rs. 2,008.18 million).

**16.2** Balances in current accounts include Rs. 0.11 million maintained in Shariah compliant bank accounts (2021: Rs. 188.186 million).

## 17. SHARE CAPITAL

### 17.1 Authorized share capital

2022	2021		2022	2021
Number of shares			Rupees in '000'	
150,000,000	150,000,000	Ordinary Shares of Rs. 10 each.	1,500,000	1,500,000

### 17.2 Issued, subscribed & paid-up capital

2022	2021		2022	2021
Number of shares			Rupees in '000'	
42,686,191	42,686,191	Ordinary Shares of Rs. 10 each fully paid in cash	426,862	426,862
47,150,732	47,150,732	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	471,507	471,507
(2,000,000)	-	Treasury Shares of Rs. 10 each as fully paid in cash	(20,000)	-
87,836,923	89,836,923		878,369	898,369

### 17.3 Reconciliation of number of shares issued, subscribed & paid-up

	Number of shares
Number of shares outstanding as at July 1	89,836,923
Treasury Shares of Rs. 10 purchased at market value	(2,000,000)
Number of shares outstanding as at June 30	87,836,923

17.4 Owners of ordinary shares are entitled to distributions approved by the Company, and the shareholding entitles the owners to vote at the general meetings, with one vote per share. All shares have the same right to Company's remaining net assets.

17.5 There are 3m outstanding options to subscribe for ordinary shares of the Company granted under the employee share option plan as disclosed in Note 18.1.1

17.6 NetSol Technologies Inc. 23975, Park Sorrento, Suite 250, Calabasas CA 91302, is the parent company holding 67.62% (2021 : 66.12%) of issued capital of the Company.

17.7 The Company is not subject to any externally imposed capital requirements for the financial years 2022 and 2021.

17.8 During the fiscal year 2022, the Company announced and bought back 2.23% of its outstanding ordinary shares through Pakistan Stock Exchange at the market price during the purchase period. The shares purchased are held as 'treasury shares' as at 30 June 2022. The buy-back exercise was carried out in compliance with the requirements of Companies Act 2017 and Listed Companies (Buy-back of Shares) Regulations, 2019 after obtaining approval from the shareholders of the Company in their Extraordinary General Meeting held on May 10, 2022. As of June 30, 2022, these treasury shares are held in CDC blocked account in freeze form. These are not entitled to any voting right, cash dividend or any other distribution made by the company.

## 18. RESERVES

	NOTE	2022	2021
		Rupees in '000'	
<b>Capital reserve</b>			
Premium on issue of ordinary shares		304,167	304,167
Employee share option compensation reserve	18.1	232,223	224,670
Foreign currency translation reserve		(33,687)	(20,872)
<b>Revenue reserve</b>			
Un - appropriated profit		6,445,942	5,697,470
		6,948,645	6,205,435
<b>18.1 Employee share option compensation reserve</b>			
Balance as at the beginning of the year		224,670	205,897
Contribution of parent on account of employee share options		-	18,773
Compensation expense booked during the year		7,553	-
<b>Balance at the end of the year</b>		<b>232,223</b>	<b>224,670</b>

### 18.1.1 Employee stock option scheme

As per the approved employee stock option scheme, the board and the compensation committee granted three million stock options to its employees on December 27, 2021 at a grant price of Rs. 77.84 per option. No amount is paid or payable by any employee on receipt of the option. No option carries the right to vote or dividend. According to the scheme, 50% of the options will become exercisable after completion of 12 months from date of grant, another 30% of the granted option after completion of 24 months from the grant date and the remaining 20% of the granted option will become exercisable after completion of 36 months from the date of grant. The options are exercisable within a period of 10 years with un-exercised options to lapse on December 27, 2031.

The Company uses black scholes pricing model to determine the fair value of options at the grant date. Fair value was calculated using the following assumptions. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome:

Total number of options granted	3,000,000
Per option fair value at the grant date	Rs. 14.82
Average 30 days per share price preceding the date of grant	Rs. 96.79
Exercise price per option	Rs. 77.84
Annual rate of quarterly dividends	13.50%
Discount rate - bond equivalent yield	11.80%
Annual volatility	55.08%

	2022		2021	
	Number of Options	Weighted avg. exercise price	Number of Options	Weighted avg. exercise price
Options outstanding at the beginning of the year	-	-	-	-
Options granted during the year	3,000,000	77.84	-	-
<b>Options outstanding at the end of the year</b>	<b>3,000,000</b>		-	

	NOTE	2022	2021
		Rupees in '000'	
<b>19. LONG TERM FINANCING</b>			
Long term finance facility	19.1	86,175	250,429
Deferred grant	19.2	712	10,249
Loan obligations	19.3	127,140	13,488
<b>Less: Current portion shown under current liabilities:</b>			
Current portion of long term finance facility		(86,175)	(164,254)
Current portion of deferred grant		(712)	(9,537)
Current portion of loan obligations		(38,859)	(4,456)
		<b>(125,746)</b>	<b>(178,246)</b>
		<b>88,281</b>	<b>95,920</b>

**19.1** The company has availed SBP Refinance scheme for salaries and wages which was announced by the State Bank in April 2020. The facility is availed from Askari Bank Limited and the total availed amount under this facility was Rs. 345 million (2021: Rs 345 million). The facility is repayable in two and half years (including six month grace period). Repayment will be made in eight equal quarterly instalments commencing from 1st January 2021. This facility carries 3% per annum mark up rate and is secured against the current and future fixed and current assets of the Company, detail of which is provided in note 24.1.1. Unused facility available under the above arrangement as at 30 June 2022 amounted to Rs. Nil (2021: Rs. NIL).

**19.2 Deferred grant**

Balance as at beginning of the year	10,249	20,102
Received during the year	-	8,021
Amortized to the statement of profit or loss	(9,537)	(17,874)
Balance as at end of the year	712	10,249

To support the economy during Covid-19 pandemic, the State Bank of Pakistan, including other steps, also introduced a refinance scheme for payment of salaries and wages at subsidized rate of borrowing as disclosed in Note 19.1. The company also obtained the said facility from Askari Bank Limited at 3% mark up rate. This amount is repayable till Dec 2022 in 8 quarterly installments. According to the requirements of IAS 20, the company has recognized deferred grant amounting to NIL (2021: Rs. 8.021 million) and Rs. 9.537 million (2021: Rs. 17.874 million) has been amortized during the year.

**19.3** This represents finance facilities obtained from First Habib Modaraba & Askari Bank Limited, from time to time, for purchase of various vehicles (earlier termed as sale & lease back transactions). The facility is repayable in 36 equal monthly installments. This facility carries interest rate ranging between 8.60 % to 16.43 % per annum.

# Notes to the Financial Statements

For the year ended June 30, 2022

	2022	2021
	Rupees in '000'	
<b>20. LEASE LIABILITIES</b>		
Present value of minimum lease payments	7,719	17,913
Less: Current portion of obligations shown under current liabilities	(3,467)	(15,807)
	<b>4,252</b>	<b>2,106</b>

Present value of minimum lease payments have been discounted at an implicit interest rate ranging between 8.60 % to 16.43 % (2021 : 8.49 % to 15.14%) to arrive at their present value. The lessee has the option to purchase the assets after expiry of the lease term.

The amount of future payments of the lease and the year in which these payments will become due are as follows:

	2022		
	Rupees in '000'		
	Minimum Lease Payment	Future Finance Charges	Present Value of Lease Liability
Not later than one year	4,334	867	3,467
Later than one year but not later than five years	4,626	374	4,251
	<b>8,960</b>	<b>1,241</b>	<b>7,718</b>
	2021		
	Rupees in '000'		
	Minimum Lease Payment	Future Finance Charges	Present Value of Lease Liability
Not later than one year	16,482	675	15,807
Later than one year but not later than five years	2,266	160	2,106
	18,749	835	17,913

	NOTE	2022	2021
		Rupees in '000'	
<b>21. TRADE AND OTHER PAYABLES</b>			
Creditors	21.1	77,231	18,608
Accrued liabilities		378,265	300,227
Interest accrued - secured		12,172	13,897
Due to related parties - unsecured	21.2	49,784	4,559
Withholding tax		31,607	21,245
Sales tax payable		3,863	-
Provident fund payable		47,120	40,566
Other payables		2,534	3,559
		<b>602,576</b>	<b>402,661</b>
<b>21.1</b> Creditors include Rs. Nil (2021: 0.28 million) payable to a related party Nadoz Greenz and Rs. 1.10 million payable to a related party HospitAll (Pvt.) Ltd (2021: Rs. 0.38 million).			
<b>21.2 Due to related parties - Unsecured Associated</b>			
NetSol Technologies Europe Limited	21.2.1	49,784	4,559
		<b>49,784</b>	<b>4,559</b>

**21.2.1** This relates to normal course of business of the Company and is interest free.

## 22. CONTRACT LIABILITIES

It represents license, subscription & support and services fee invoiced in advance. The license fee is transferred to revenue at a point in time when transfer of control of software is occurred whereas services fee and subscription and support fee is transferred to revenue over the time.

There is increase of Rs. 160 million in contract liabilities as compared to last fiscal year (2021: decrease of Rs. 113.03 million). Explanation of significant changes are as follows:

	NOTE	2022	2021
		Rupees in '000'	
<b>Opening balance contract liabilities</b>		<b>198,508</b>	311,541
Add: Invoices raised		<b>2,081,920</b>	1,482,624
Less: Revenue recognized		<b>(1,921,924)</b>	(1,595,659)
<b>Closing balance contract liabilities</b>		<b>358,504</b>	198,508
<b>23. SHORT TERM BORROWINGS</b>			
Export refinance - ERF - II secured	23.1	<b>1,580,000</b>	1,580,000
		<b>1,580,000</b>	1,580,000
<b>23.1 Export refinance/LAPC/RF - secured</b>			
Askari Bank Limited - ERF - II	23.1.1	<b>500,000</b>	500,000
Samba Bank Limited - ERF - II	23.1.2	<b>380,000</b>	380,000
Habib Metro Bank Limited - Istisna/ Al Bai - Islamic Banking	23.1.3	<b>700,000</b>	700,000
		<b>1,580,000</b>	1,580,000

**23.1.1** The facility for export refinance (ERF)/FAPC/FAPC(Own Source) is available from Askari Bank Limited amounting to Rs. 500 million (2021 : Rs. 500 million), availed Rs. 500 million (2021 : Rs. 500 million.) It carries mark-up of State Bank Refinance Rate+1% per annum (2021 : State Bank Refinance Rate+1% per annum). The interest rate charged for fiscal year 2022 was 3% (2021 : 3%). The due balance is payable bi-annually.

A sublimit of export refinance under FE 25 is also sanctioned amounting to \$ 3 million (2021 : \$ 3 million)

The company also has a running finance facility/FAPC-I/II of Rs. 75 million (2021 : Rs. 75 million) for meeting working capital requirement. It carries markup at the rate of 3 month Kibor + 2%. (2021 : 3 month Kibor + 2%). As at June 30, 2022, Nil was outstanding against this facility. (2021: Nil).

A facility for issuance of guarantees (LG) as a sublimit of Running Finance (RF) is also available up to Rs. 40 million (2021 : Rs. 40 million), availed Rs. 8 million. (2021 : Rs. 8 million). A sublimit of RF up to Rs. 10 million (2021 : Rs. 10 million) is also available for corporate credit cards.

Unused running finance facility amount (including its sublimit) as at June 30, 2022 is Rs. 57 million (2021: Rs. 57 million)

The facilities from Askari Bank Limited are secured by way of Joint Pari Passu charge over Company's all present and future current assets amounting to Rs. 536.67 million (2021: Joint Pari Passu charge Rs. 536.67 million) and Joint Pari Passu charge of Rs. 690 million over fixed assets of the company (2021: Joint Pari Passu charge of Rs. 690 million). The facilities are also secured by way of equitable mortgage over 9 Kanal, 2 Kanal and 16 Marla properties, all located at Ghazi road, Lahore Cantt. These facilities are also secured by way of personal guarantees of Mr. Salim Ullah Ghauri, Mr. Omar Shahab Ghauri and Mr. Najeeb Ullah Ghauri.

**23.1.2** The facility for ERF/LAPC/RF is available from SAMBA bank Limited amounting to Rs. 530 million (2021 : Rs. 500 million), availed ERF Rs. 380 million (2021 : Rs. 380 million). ERF carries mark-up at State Bank Refinance Rate+1% per annum (2021: State Bank Refinance Rate+1%). Interest rate charged for the fiscal year 2022 for ERF was 3% (2021 : 3%). LAPC/RF carry markup at the rate of 3 month Kibor+1.5% (2021 : 3 month Kibor+1.5%). The due balance of ERF/LAPC is payable bi-annually.

These facilities are secured by way of Pari Passu charge on current assets amounting to Rs. 291.67 million (2021: Joint Pari Passu charge of Rs. 291.67 million) and Pari Passu charge of Rs. 375 million over fixed assets of the company (2021: Joint Pari Passu charge of Rs. 375 million). The facilities are also secured by way of equitable mortgage over 9 Kanal, 2 Kanal and 16 Marla properties, all located at Ghazi road, Lahore Cantt. The facilities are also secured by way of personal guarantees of Mr. Salim Ullah Ghauri, Mr. Omar Shahab Ghauri and Mr. Najeeb Ullah Ghauri.

**23.1.3** The facility for export refinance IERF - I & II (Istisna / Al Bai / Working Capital Musharakah) is available from Habib Metro Bank Limited amounting up to Rs. 900 million (2021 : Rs. 900 million), availed Rs. 700 million (2021 : Rs. 700 million). It carries profit at State Bank Refinance Rate+1% per annum (2021 : State Bank Refinance Rate+1% per annum). The profit charged for fiscal year 2022 was 3% to 5.5% (2021 : 3%). The due balance is payable bi-annually.

A sublimit of export refinance amounting to Rs. 900 million under FE 25 is also sanctioned (2021 : Rs. 900 million) which carries profit of 2.75% (2021: 2.75%). A sublimit of export refinance amounting to Rs. 900 million under Working Capital Musharakah is also available (2021 : Rs. 900 million) and carries profit at the rate of Monthly Kibor+0.25% (2021: Monthly Kibor+0.25%). As a sublimit of export refinance, LG amounting to Rs. 25 million is also available (2021 : Rs. 25 million), availed Rs.3.4 million (2021 : Rs.3.9 million). It carries commission at the rate of 0.10% per quarter (2021: 0.10%).

These facilities are secured by way of Joint Pari Passu charge over Company's present and future current assets amounting to Rs. 525 million (2021: Joint Pari Passu charge of Rs. 525 million) and Joint Pari Passu charge of Rs. 675 million over fixed assets of the company (2021: Joint Pari Passu charge of Rs. 675 million). The facilities are secured by way of equitable mortgage over 9 Kanal, 2 Kanal and 16 Marla properties, all located at Ghazi road, Lahore Cantt and also by way of personal guarantee of Mr. Salim Ullah Ghauri.

	NOTE	2022	2021
		Rupees in '000'	
<b>24. CURRENT PORTION OF LONG TERM LIABILITIES</b>			
Current portion of long term financing	19	86,175	164,254
Current portion of deferred grant	19	712	9,537
Current portion of loan obligations	19	38,859	4,456
Current portion of lease liability	20	3,467	15,807
Current portion of long term advances		7,975	-
		<b>137,188</b>	<b>194,053</b>

## 25. CONTINGENCIES & COMMITMENTS

### 25.1 Contingencies

**25.1.1** Mr. Ahsan Zubair, ex-employee of the Company has filed a case for recovery of damages dated 26th January 2013 for malicious prosecution before the civil court, Lahore and has sought damages to the tune of PKR 500 million. The case was filed five years after a complaint lodged by NETSOL with Federal Investigation Authority pertaining to use of NetSol' s IP without authority by a company formed by Mr. Ahsan Zubair and his partner who was also an ex-employee of the Company. Keeping in view the facts and circumstances of the case, including the nature of evidence of the plaintiff and the laws applicable, it can safely be inferred that, on merits, no case for damages is made out. This is also endorsed by the fact that the case is barred by the laws relating to limitation. Moreover none of the ingredients forming basis for allowing a case of malicious prosecution are attracted. Therefore, on the facts of the case, there appears no chances of the case being allowed and there is no likelihood of this case having any adverse financial impact on the Company.

### 25.2 Commitments

**25.2.1** The Company has issued bank guarantees amounting Rs. 11.4 million (2021: Rs.11.9 million) to LESCO and Standard Chartered Bank against its corporate credit cards.

**25.2.2** The Company has capital commitments of Rs. NIL as at June 30, 2022. (2021: Rs. 6.889 million)

## 26. REVENUE FROM CONTRACTS WITH CUSTOMERS

DISAGGREGATION OF REVENUE:		NOTE	2022	2021
			Rupees in '000'	
<b>Export Revenue</b>				
License			764,213	398,936
Services			1,977,703	2,459,674
Subscription and Support			3,181,568	2,088,949
			<b>5,923,484</b>	4,947,559
<b>Local Revenue</b>				
License			142,093	-
Services			54,923	-
			197,016	-
Sales tax			(3,863)	-
			<b>6,116,637</b>	4,947,559
<b>26.1</b>	<b>Amount of revenue recognized from beginning balance of contract liabilities:</b>			
	Opening balance-contract liabilities:		198,508	311,541
	<b>Revenue recognized</b>		<b>198,508</b>	311,541
<b>26.2</b>	The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June, are as follows:			
	Within one year		1,482,712	1,408,771
	More than one year		3,930,984	4,710,439
			<b>5,413,696</b>	6,119,210
<b>26.3</b>	<b>Timing of revenue recognition:</b>			
	At a point in time		764,213	398,936
	Over the time		5,352,424	4,548,623
			<b>6,116,637</b>	4,947,559
<b>27. COST OF REVENUE</b>				
Salaries & benefits	27.1		2,945,319	2,354,176
Software licenses			182,513	94,869
Staff training			3,777	1,945
Travelling & conveyance			115,410	38,653
Communication			63,156	50,945
Utilities			39,839	24,759
Printing & stationery			1,442	330
Entertainment			36,882	15,064
Insurance			905	590
Vehicle running & maintenance			74,197	48,948
Repair & maintenance			37,308	45,899
Fee & subscription			1,038	420
Depreciation	5.2		206,880	162,150
Amortization of leased assets	5.5		9,478	14,895
Amortization of intangible assets	6.1		293,504	293,504
			<b>4,011,648</b>	3,147,147

**27.1** Salaries and benefits include Rs. 124.02 million (2021 : Rs. 99.08 million ) in respect of retirement benefits.

# Notes to the Financial Statements

For the year ended June 30, 2022

	NOTE	2022 Rupees in '000'	2021
<b>28. SELLING AND PROMOTION EXPENSES</b>			
Salaries & benefits	28.1	312,200	262,157
Rent, rates & taxes	28.2	8,733	9,192
Travelling and conveyance		57,755	5,979
Communication		2,680	4,182
Utilities		1,729	1,479
Printing & stationery		236	30
Entertainment		1,606	705
Insurance		1,470	1,686
Vehicle running expenses		7,577	6,671
Repairs and maintenance		4,280	1,975
Commission on sales		148,367	250,720
Sale promotional expenses		8,742	2,819
		<b>555,375</b>	<b>547,595</b>

**28.1** Salaries and benefits include Rs. 8.71 million (2021 : Rs. 8.43 million ) in respect of retirement benefits.

**28.2** Rent, rates & taxes includes expense in respect of short term leases.

<b>29. ADMINISTRATIVE EXPENSES</b>			
Salaries and benefits	29.1	627,928	506,315
Staff training		201	434
Rent, rates and taxes	29.2	20,881	19,977
Travelling and conveyance		53,333	9,426
Communication & postage		25,957	22,449
Printing and stationery		3,594	1,461
Utilities		21,369	18,428
Entertainment		29,013	19,171
Insurance		25,347	6,681
Advertisement		1,213	712
Vehicle running expenses		31,154	21,963
Repairs and maintenance		29,262	17,856
Legal and professional charges		7,634	9,296
Auditors remuneration	29.3	4,500	4,000
Office supplies		4,838	4,099
Charity & donation	29.4	16,989	24,105
Fee & subscription		15,188	14,797
Depreciation	5.2	68,981	54,051
Amortization of leased assets	5.5	3,160	4,965
		<b>990,542</b>	<b>760,186</b>

**29.1** Salaries and benefits include Rs. 24.16 million (2021: Rs. 24.04 million ) in respect of retirement benefits and Rs 7.55 million in respect of share-based payment transactions .

**29.2** Rent, rates & taxes include expense in respect of short term leases amounted to Rs 15.17 million (2021: Rs. 14.79 million).

	NOTE	2022 Rupees in '000'	2021
<b>29.3 Auditors remuneration</b>			
Audit fee		3,700	3,200
Certifications of group reporting		600	550
Professional services		-	100
Out-of-pocket expenses		200	150
		<b>4,500</b>	<b>4,000</b>
<b>29.4 Charity &amp; donation</b>			
Names of the donee along with amount of donation in case amount of donation exceeds higher of Rs. 1 million or 10% of total amount of donation is given below:			
<b>Name of Donee</b>			
Developments in Literacy Foundation		4,625	6,354
Farooq Trust School		-	1,588
Million Smiles Foundation		2,898	-
		<b>7,523</b>	<b>7,942</b>
Interest of the Directors or their spouses in the donations made during the year is as follows:			
<b>Name of Donee and address</b>	<b>Name of interested directors and nature of interest</b>		
Million Smiles Foundation (89 - Al Hafeez Business Center 2nd Floor, Office 201 Gulberg 3, Lahore 75000)	Zeshan Afzal - Member Board of Directors	2,898	-
<b>30. OTHER INCOME</b>			
<b>Income from financial assets</b>			
Profit on bank deposits & short term investments	30.1	280,145	148,424
<b>Income from non-financial assets</b>			
Gain on foreign currency translation		790,317	-
Amortization of deferred revenue	30.2	-	2,454
Rental income		900	900
		<b>791,217</b>	<b>3,354</b>
		<b>1,071,362</b>	<b>151,778</b>
<b>30.1</b>	Income is earned under both conventional mark-up arrangement and Shariah compliant arrangement. It include Rs. 259.09 million profit earned on Sharia compliant bank deposits & investments (2021: Rs. 40.4 million).		
<b>30.2</b>	This amount represents amortization of gain on sale and leaseback (Finance Lease) of fixed assets transactions entered into before the initial application of IFRS 16 'Leases'.		
<b>31. OTHER OPERATING EXPENSES</b>			
Loss on disposal of assets		30,521	9,072
Loss on foreign currency translation		-	119,655
Research and development cost		218,162	69,652
Provision for expected credit losses		103,873	98,788
		<b>352,556</b>	<b>297,167</b>

	NOTE	2022	2021
		Rupees in '000'	
<b>32. FINANCE COST</b>			
Lease finance charges		3,491	3,674
Mark up on loans	32.1	64,015	71,775
Amortization of deferred grant	19.2	(9,537)	(17,874)
Lease documentation charges		37	15
Bank charges		1,174	1,266
		<b>59,180</b>	<b>58,856</b>

**32.1** Mark up on loans include Rs. 21.93 million (2021: Rs. 17.3 million) paid on Islamic mode of financing.

<b>33. TAXATION</b>			
Current year		139,349	68,071
Prior year		434	1,525
		<b>139,783</b>	<b>69,596</b>

As per Section 65F to the Income Tax Ordinance, 2001 income of the Company from export of computer software or IT services or IT enabled services is allowed a tax credit equal to 100% of tax payable up to June 30, 2022 subject to realization of eighty percent of the export proceeds into Pakistan through normal banking channels and in foreign exchange remitted from outside Pakistan along with fulfilment of other filing requirements. Effective July 01, 2022, 100% tax credit has been withdrawn and export income will become taxable under FTR at a reduced rate of 0.25% of the export remittances realized through normal banking channels for exporters of IT and IT enabled services who are registered with the Pakistan Software Export Board (PSEB). However tax as per applicable rates is charged to the income of the Company generated from other than export income.

Deferred income tax asset has not been recognized in these financial statements as the Company's management believes that sufficient taxable profits will not be probably available in foreseeable future, hence, the temporary differences may not reverse.

**Reconciliation of income tax expense for the year**

Accounting profit		1,052,994	261,183
Enacted tax rate		29%	29%
Tax on accounting profit at enacted rate		305,368	75,743
Tax effect on income exempt from tax		(219,310)	(32,502)
Tax effect of income taxed at different rates		(15,777)	(13,754)
Adjustment against tax demand		-	1,517
Prior year tax effect		434	1,525
International taxation effect		69,068	37,068
		<b>139,783</b>	<b>69,596</b>

The Company has made the provision for taxation based on its understanding of the tax laws and regulations and on the basis of advice from its tax consultant. These provisions may change in case these laws and regulations are interpreted differently by tax authorities and Company's appeals are also not accepted.

	NOTE	2022	2021
		'000'	
<b>34. EARNINGS PER SHARE</b>			
<b>Basic</b>			
Profit after taxation for the year		913,211	191,587
Average number of ordinary shares in issue during the year	34.1	89,640	89,837
Basic - In Rupees		10.19	2.13
<b>Diluted</b>			
Profit after taxation for the year		913,211	191,587
Average number of ordinary shares in issue during the year	34.2	89,721	89,837
Diluted - In Rupee		10.18	2.13

	NOTE	2022 No. in '000'	2021
<b>34.1 Weighted average number of ordinary shares (basic)</b>			
Issued ordinary shares as at July 1		89,837	89,837
Less: weighted average treasury shares held by Company		(197)	-
Weighted average number of ordinary shares (basic) as at June 30		89,640	89,837
<b>34.2 Weighted average number of ordinary shares (Diluted)</b>			
Weighted average number of ordinary shares (Basic)	34.1	89,640	89,837
Effect of exercise of share options		81	-
Weighted average number of ordinary shares (diluted) as at June 30		89,721	89,837

### 35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

The aggregate amounts charged in the accounts for the remuneration, including all benefits, to the Chief Executive, Directors and Executives including key management personnel of the Company were as follows:

	Chief Executive		Directors		Executives	
	2022	2021	2022	2021	2022	2021
	Rupees in '000'					
Managerial remuneration	24,000	13,920	21,600	13,760	1,433,201	1,217,098
Retirement benefits	1,920	1,267	1,728	1,242	114,656	82,417
Rent and house maintenance	9,600	5,568	8,640	5,504	501,621	446,839
Utilities	2,400	1,392	2,160	1,376	214,980	111,710
Medical expenses	3,075	2,031	3,332	1,879	63,271	53,440
Commission / Bonus	-	-	-	-	159,012	174,362
<b>Total</b>	<b>40,995</b>	<b>24,179</b>	<b>37,460</b>	<b>23,761</b>	<b>2,486,741</b>	<b>2,085,866</b>
<b>No. of Persons</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>623</b>	<b>512</b>

The Chief Executive, Executive Directors and some Executives have been provided with company maintained cars.

During the current year CEO and other executives were granted three million share options in aggregate (2021: NIL).

Nothing is paid to any non-executive director (including independent directors) in form of remuneration or other benefits except a fee approved by the board for attending the board and other committee meetings amounting Rs. 5.6 million (2021: Rs. 2 million)

### 36. CAPITAL MANAGEMENT

The primary objective of the Company's management is to ensure that it maintains a strong credit rating and healthy capital ratios while continue as going concern in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholder, issue new shares or sell assets to reduce debts or raise debts, if required.

As of the statement of financial position date, the management considers that the capital of the Company is sufficient to meet the business requirements.

The Company monitors capital on the basis of the gearing ratio. The ratio is calculated as under:

# Notes to the Financial Statements

For the year ended June 30, 2022

	NOTE	2022 Rupees in '000'	2021
Total debt	36.1	1,801,746	1,872,079
Cash and cash equivalents		(3,785,711)	(3,758,821)
Net debt		-	-
Total equity	36.2	7,827,027	7,103,817
<b>Gearing ratio (In percentage)</b>		<b>0.0%</b>	0.0%

**36.1** Total debt includes liabilities against assets subject to finance lease, long term borrowings & short term borrowing.

**36.2** Total equity includes share capital and reserves of the Company.

## 37. TRANSACTION WITH RELATED PARTIES

Related parties comprise of holding company, subsidiary, associated undertakings, directors of the Company, key employees and staff retirement fund. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Parent, subsidiary and associated undertakings also have some common directorship.

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows.

Relationship with the Company	Nature of transactions		
(i) Subsidiary	Provision of services	4,500	-
	Sale of assets	2,488	
(ii) Associated undertaking	Rental income	900	900
	Provision of services	1,668,957	1,936,962
	Purchase of services	36,969	29,609
(iii) Parent	Commission	-	39,575
(iv) Post employment benefit	Contribution to defined contribution plan	156,890	131,554

**37.1** Details of associated Companies incorporated outside Pakistan with whom the Company had entered into transaction or had agreements are as follows:

Company Name	Country of Incorporation	Basis of association	Aggregate %age of Shareholding
NetSol Technologies (Thailand) Limited	Thailand	Associate	Nil
NetSol Technologies (Beijing) Co., Limited	China	Associate	Nil
NetSol Technologies Australia Pty. Limited	Australia	Associate	Nil
NetSol Technologies America	USA	Associate	Nil
NetSol Technologies Europe Limited	UK	Associate	Nil
NetSol Technologies Inc.	USA	Parent company	67.62%
WRLD3D Inc. (Unquoted company)	USA	Associate	Nil
OTOZ Thailand Limited	Thailand	Associate	Nil
Ascent Europe Limited	UK	Associate	Nil

**37.2 Details of associated Companies/related parties with whom the Company had entered into transaction or had agreements other than already disclosed in note 37.1 above are as follows:**

Company Name	Basis of Relationship	Common directorship	Percentage of shareholding
NetSol Innovation (Pvt) Limited	Wholly owned Subsidiary	Yes	Nil
NetSol Connect (Pvt) Limited	Associate	Yes	Nil
Nadoz Greenz	Common directorship	Yes	Nil
HospitAll (Pvt.) Ltd	Related Party	No	Nil

**38. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

**Financial Risk Management**

The Company's activities are exposed to a variety of financial risks. The Board of Directors of the Company have overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's overall risk management strategy seeks to minimize adverse effects from the unpredictability of financial markets on the Company's financial performance. The Company sets policies, strategies and mechanisms, which aim at effective management of these risks within its unique operating environment. The key financial risks include credit risk, liquidity risk, interest rate risk, and foreign currency risk.

Risk management is carried out in accordance with established policies and guidelines approved by the Board of Directors. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management objectives and policies are reviewed regularly to reflect changes in market conditions and the Company's activities.

**(a) Credit risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. Credit risk of the Company arises principally from the trade debts, loans and advances, trade deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	NOTE	2022 Rupees in '000	2021
<b>Financial Assets</b>			
<b>Amortized cost</b>			
Trade debts	38.1	2,500,049	1,649,836
Loans and advances		14,845	6,422
Trade deposits & short term prepayments		3,118	4,240
Other receivables		13,812	7,126
Due from related parties		473,966	445,737
Bank balances	38.2	3,770,777	3,748,839
		<b>6,776,567</b>	<b>5,862,200</b>

**38.1** The Company does not have significant exposure to any individual customer. At 30 June, the company had 29 customers owing more than Rs. 2,000 million and accounted for approximately 80% of the receivables outstanding. The Company has made allowances, where necessary, for potential losses on credits extended.

**38.2** Bank balances are held only with reputable banks. The credit rating of banks holding balances is given below:

# Notes to the Financial Statements

For the year ended June 30, 2022

	Short term	Long Term	Rating Agency
Askari Bank Limited	A1+	AA+	PACRA
MCB Bank Limited	A1+	AAA	PACRA
Samba Bank Limited	AA	A-1	JCR-VIS
Meezan Bank Limited	A-1+	AAA	JCR-VIS
Dubai Islamic Bank Pakistan Limited	AA	A-1+	JCR-VIS
Al Baraka Bank	A-1	A+	JCR-VIS
Habib Metro Bank Limited	A1+	AA+	PACRA
Bank Alfalah	A1+	AA+	PACRA
Faysal Bank	A1+	AA	PACRA
Standard Chartered Bank	A1+	AAA	PACRA

## (b) Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet its commitments. The Company's exposure to liquidity risk arises primarily from mismatch of the maturities of financial assets and liabilities. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate actions for new requirements. Following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	2022			
	Carrying amount	Contractual cash flows	One year or less	Two to five years
	Rupees in '000'			
<b>Non-derivative</b>				
<b>Financial liabilities</b>				
Finance lease liability	7,718	8,959	4,334	4,625
Trade and other payables	571,071	571,071	571,071	-
Short-term borrowings	1,580,000	1,718,826	1,718,826	-
Long term borrowings	214,027	250,068	146,852	103,215
	<b>2,372,816</b>	<b>2,548,924</b>	<b>2,441,083</b>	<b>107,840</b>
	2021			
	Carrying amount	Contractual cash flows	One year or less	Two to five years
	Rupees in '000'			
<b>Non-derivative</b>				
<b>Financial liabilities</b>				
Finance lease liability	17,913	18,749	16,482	2,266
Trade and other payables	385,656	385,656	385,656	-
Short-term borrowings	1,580,000	1,627,400	1,627,400	-
Long term borrowings	274,166	280,835	183,809	97,026
	<b>2,257,735</b>	<b>2,312,640</b>	<b>2,213,347</b>	<b>99,292</b>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at 30 June. Rates of interest / mark - up and their maturities are given in the respective notes.

### (c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term and short term borrowings from bank, lease liabilities, term deposits and deposits in profit and loss/saving accounts with banks and investments in mutual funds. The company mitigates its interest rate risk by investing available cash in mutual funds and bank deposits, generating more return compared to the finance cost. At the statement of financial position date profile of the Company's interest-bearing financial instrument is:

	2022	2021
	Rupees in '000'	
<b>Financial assets</b>		
Bank balances	3,508,297	3,556,036
<b>Financial liabilities</b>		
Finance lease liability	7,718	17,913
Long term loan	214,027	274,166
Short-term borrowings	1,580,000	1,580,000
	<b>1,801,745</b>	<b>1,872,079</b>

### Sensitivity analysis

The company has no instruments subject to fixed interest rate. The following table demonstrates the sensitivity to a reasonably possible change in the floating interest rates, with all other variables held constant, of the Company's profit net of tax.

Impact on statement of profit or loss (net of tax)

As at 30 June

100 bps increase will result in increase in profit by	8,866	3,719
100 bps decrease will result in decrease in profit by	8,866	3,719

### (d) Foreign currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The company is exposed to foreign currency risk on trade debts, payables and revenues which are entered in a currency other than Pak Rupees. Majority of the revenue of the company is in currencies other than Pak Rupees. The company also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

### Exposure to currency risk

The summary quantitative data about the company's exposure to currency risk is as follows:

Trade Debts	2,500,049	1,649,836
Cash & bank balances	657,684	367,314
Due from related parties	428,277	419,867
Due to related parties	(49,784)	(4,559)
<b>Net Exposure</b>	<b>3,536,226</b>	<b>2,432,458</b>

### Sensitivity analysis

The following analysis demonstrates the impact of a 5% strengthening/weakening of the Pak Rupee against other currencies which include UK£, US\$, AUS\$, CNY¥, EURO€, HKD & THB at 30 June on equity and statement of profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2021.

	2022				
	Rupees in '000'				
	USD	CNY	EURO	Others	Total
Impact on statement of profit or loss (net of tax)					
as at 30 June					
Strengthening	(854,763)	(945,448)	(317,956)	(171,434)	(2,289,601)
Weakening	854,763	945,448	317,956	171,434	2,289,601
	2021				
	Rupees in '000'				
	USD	CNY	EURO	Others	Total
Impact on statement of profit or loss (net of tax)					
as at 30 June					
Strengthening	(665,735)	(267,700)	(467,876)	(71,168)	(1,472,479)
Weakening	665,735	267,700	467,876	71,168	1,472,479

# Notes to the Financial Statements

For the year ended June 30, 2022

## (e) Fair value of financial assets and liabilities

The carrying values of financial assets and financial liabilities reported in statement of financial position approximate their fair values.

## f) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The company is not exposed to significant other price risk as its investments are stated at cost.

## 38.3 Financial Instruments By Category

### Financial assets at amortized cost

	2022	2021
	Rupees in '000'	
Trade debts	2,500,049	1,649,836
Loans and advances	14,845	6,422
Trade deposits & short term prepayments	3,118	4,240
Other receivables	13,812	7,126
Due from related parties	473,966	445,737
Bank balances	3,770,777	3,748,839
	<b>6,776,567</b>	<b>5,862,200</b>
<b>Financial liabilities at amortised cost</b>		
Finance lease liability	7,718	17,913
Trade and other payables	571,071	385,656
Long-term borrowings	214,027	274,166
Short-term borrowings	1,580,000	1,580,000
	<b>2,372,816</b>	<b>2,257,735</b>

## 39. DISCLOSURE REQUIREMENT FOR THE COMPANIES LISTED ON ISLAMIC INDEX

Loans/advances obtained as per Islamic mode	Disclosed in Note no. 23
Shariah compliant bank deposits/bank balances	Disclosed in Note no. 16
Profit earned from shariah compliant bank deposits/bank balances;	Disclosed in Note no. 30
Revenue earned from a shariah compliant business segment;	Disclosed in Note no. 26
Gain/loss or dividend earned from shariah compliant investments;	Disclosed in Note no. 30
Exchange gain earned;	N/A
Mark up paid on Islamic mode of financing;	Disclosed in Note no. 32
Relationship with shariah compliant banks	Disclosed in Note no. 23
Profits earned or interest paid on any conventional loan or advance	Disclosed in Note no. 30 & 32

## 40. PROVIDENT FUND RELATED DISCLOSURE

A joint provident fund is maintained by NetSol Group. The following information is based on the latest financial statements of the fund:

	2022 (Unaudited)	2021 (Audited)
	Rupees in '000'	
Size of the fund - Total assets	1,483,421	1,284,757
Cost of investment made	1,034,492	949,975
Percentage of investment as size of fund	70%	74%
Fair value of investments	1,095,135	978,548

**40.1 The breakup of fair value of investments is:**

	2022		2021	
	Investments Rupees in '000'	Percentage of investment as size of fund	Investments Rupees in '000'	Percentage of investment as size of fund
Bank balances	410,588	28%	567,385	44%
Investment in government securities	93,001	6%	-	0%
Investment in listed equity securities	237,870	16%	222,441	17%
Others	293,033	20%	160,149	12%
	<b>1,034,492</b>	<b>70%</b>	<b>949,975</b>	<b>74%</b>

**40.2** The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

**41. NUMBER OF EMPLOYEES**

	2022	2021
	No. of Employees	
Average number of employees during the year	1,322	1,268
Number of employees as at year end	1,456	1,279

**42. ANNUAL SOFTWARE DEVELOPMENT CAPACITY**

The Company is engaged in software development, subscription and support and licensing. Due to complicated nature of the software development process annual development capacity can not be determined.

**43. CORRESPONDING FIGURES**

Corresponding figures have been wherever necessary re-classified for better presentation.

**44. DATE OF AUTHORIZATION FOR ISSUE**

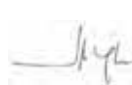
These financial statements were authorized for issue on September 26, 2022 by the Board of Directors.

**45. FIGURES**

Figures have been rounded off to the nearest thousand rupee unless otherwise stated.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

The background features a blurred cityscape with tall buildings under a bright sky. Overlaid on this are various financial data visualizations: a candlestick chart, a line graph with multiple colored lines (blue, orange, green) and 'X' markers, a stack of silver and red coins on the right, and a line graph with white circular markers at the bottom. A green diagonal shape is on the left side, containing the text.

# CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2022

April May June July August September October November December



## Independent Auditor's Report

### To the members of NetSol Technologies Limited

#### Opinion

We have audited the annexed consolidated financial statements of **NetSol Technologies Limited** and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

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

#### Key Audit Matters

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

S. No.	Key audit matters	How the matters were addressed in our audit
1.	<p><b>Revenue Recognition</b></p> <p>Refer notes 4.9 and 27 to the financial statements.</p> <p>Revenue recognized during the year ended June 30, 2022 includes Rs. 1,737.61 Million (2021: 1,936.96 Million) from related parties.</p> <p>Revenue is derived from a number of revenue streams, and key streams include license, rendering of services</p>	<ul style="list-style-type: none"> <li>• Obtained an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period.</li> <li>• Assessed the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards.</li> </ul>

<p>and subscription and support. Each stream has its own revenue recognition policies based on the nature of the revenue and underlying contractual arrangements. Management judgment is required around the degree to which revenue has been earned as at the year-end date.</p> <p>Large contracts are typically bundled, and often include license, rendering of services and subscription and support revenues.</p> <p>Inappropriate revenue recognition in relation to cut off, as revenue may not have been recognized in the correct accounting period</p> <p>In light of the multiple revenue streams, complexity of accounting and crucial nature of this number to stakeholders, we have identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<ul style="list-style-type: none"> <li>• Selected a sample of transactions recognized in revenue during the year and recalculating the revenue recognized with underlying contracts.</li> <li>• Checked evidence to support that software license has been delivered to customers prior to revenue recognition.</li> <li>• For the license element of contracts, particularly those in close proximity to the year end, we obtained evidence such as FTP that the software license had been delivered to the customer prior to the end of the financial year.</li> <li>• Agreed license revenues to signed contracts or software license agreements.</li> <li>• Agreed the revenue to subsequent payment as evidence of collectability.</li> <li>• Assessed the split of contracts to challenge and gain sufficient comfort around the level of software license revenue being recognized under bundled contracts.</li> <li>• Reviewed contract terms for any conditions that would impact the timing of revenue recognition and in turn the completeness of contract liabilities.</li> <li>• For a sample of customer contracts with deferred revenue (contract liability) at the year-end, we assessed management’s basis used in estimating the amounts deferred.</li> <li>• We agreed a sample of revenue transactions and, where relevant, underlying time costs to supporting contracts and other documentation, including user acceptance evidence, statements of works and time records.</li> <li>• Compared, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period;</li> </ul>
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		<ul style="list-style-type: none"> <li>• Evaluated the appropriateness of the disclosures provided under the revenue standard IFRS-15 and assessed the completeness and mathematical accuracy of the relevant disclosures.</li> </ul>
<p><b>2.</b></p>	<p><b>Valuation of Trade Debts and Contract Assets</b></p> <p>Refer notes 4.9, 9 and 10 to the financial statements.</p> <p>The company has a significant balance of trade debts. We identified recoverability of trade debts as a key audit matters as it involves significant management judgment in determining the recoverable amount of trade debts.</p> <p>In relation to financial assets, IFRS 9 requires the recognition of expected credit losses ('ECL') rather than incurred credit loss model. Management is required to determine the expected credit loss that may occur over either a 12-month period or the remaining life of an asset, depending on the categorization of the individual asset.</p> <p>In accordance with IFRS 9, the measurement of ECL reflect a range of unbiased and probability-weighted outcomes, time value of money, reasonable and supportable information based on the consideration of historical events, current conditions and forecasts of future economic conditions. The calculation of ECLs in accordance with IFRS 9 is therefore complex and involves a number of judgmental assumptions.</p> <p>We identified allowance for credit losses as a key audit matter because the Company exercises significant judgment in calculating the expected credit losses</p>	<p>Our audit procedures related to the recoverability of trade debtors and allowance for credit losses for trade receivables and unbilled revenue included the following, among others:</p> <ul style="list-style-type: none"> <li>• Obtained understanding of the recorded trade receivables by discussing with the management and making inquiries on the entire accounting process associated with the recording of trade receivables and contract assets.</li> <li>• We sought external confirmations from selected debtors of their balances that remained outstanding at the year end and compared replies to the request.</li> <li>• Where response to the external confirmations were not received, we have checked subsequent receipts/traced the receivables balances to the invoices.</li> <li>• Reviewed the working of management for expected credit losses.</li> <li>• Reviewed the appropriateness of the assumptions used (future and historical), the methodology and policies applied to assess the ECL in respect of financial assets of the Company.</li> <li>• for a sample of trade debts, tested the adequacy of the amount of expected credit loss recorded against trade debts by taking into account the aging of receivables at the year end and cash received after year end, as well as assessing the judgments made by the management in relation to the credit worthiness of the debtors.</li> <li>• tested the mathematical accuracy and</li> </ul>

		<p>computation of the allowances by using the same input data used by the Company</p> <ul style="list-style-type: none"> <li>• tested the input data such as credit reports and other credit related information used in estimating the probability of default by comparing them to external and internal sources of information</li> <li>• Testing the accuracy of the data on a sample basis extracted from the Company's accounting system which is used to calculate aging of trade receivables; and</li> <li>• Assessed the relevant disclosures made in the financial statements to determine whether they are complied with the accounting and reporting standards as applicable in Pakistan.</li> </ul>
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**Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going

concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

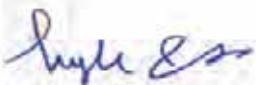
We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Yousaf.



H.Y.K and Co.  
Chartered Accountants  
Lahore  
Date: September 29, 2022

UDIN: AR2022101439vZN1xmH

# Consolidated Statement of Financial Position

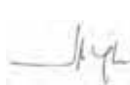
As at June 30, 2022

	NOTE	2022	2021
		Rupees in '000'	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	5	1,619,985	1,605,866
Intangible assets	6	333,889	627,393
		<b>1,953,874</b>	2,233,259
Long term investment	7	-	178,519
Long term loans to employees	8	8,055	3,552
		<b>1,961,929</b>	2,415,330
<b>CURRENT ASSETS</b>			
Trade debts	9	2,515,750	1,649,836
Contract asset	10	1,767,068	1,163,155
Loans and advances	11	32,478	16,363
Trade deposits & short term prepayments	12	54,450	84,626
Other receivables	13	13,812	7,126
Due from related parties	14	449,781	445,737
Taxation - net	15	754	16,455
Cash & bank balances	16	3,794,130	3,795,397
		<b>8,628,223</b>	7,178,695
<b>TOTAL ASSETS</b>		<b>10,590,152</b>	9,594,025

The annexed notes from 1 to 48 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



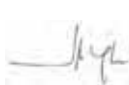
CHIEF FINANCIAL OFFICER

	NOTE	2022	2021
		Rupees in '000'	
<b>EQUITY &amp; LIABILITIES</b>			
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorized share capital			
150,000,000 ordinary shares of Rs.10/- each	18	1,500,000	1,500,000
Issued, subscribed and paid up capital	18	878,369	898,369
Share deposit money		13	13
Reserves	19	6,919,754	6,217,450
		7,798,136	7,115,832
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	20	88,281	95,920
Lease liabilities	21	4,252	2,106
		92,533	98,026
<b>CURRENT LIABILITIES</b>			
Trade and other payables	22	619,826	403,366
Contract liabilities	23	358,504	198,508
Short term borrowings	24	1,580,000	1,580,000
Current portion of long term liabilities	25	137,188	194,053
Unclaimed dividend		3,965	4,240
		2,699,483	2,380,167
<b>CONTINGENCIES &amp; COMMITMENTS</b>			
	26	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,590,152</b>	<b>9,594,025</b>

The annexed notes from 1 to 48 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



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# Consolidated Statement of Profit or Loss

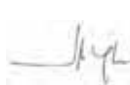
For the year ended June 30, 2022

	NOTE	2022 Rupees in '000'	2021
Revenue from contracts with customers - Net	27	6,185,287	4,947,559
Cost of revenue	28	(4,104,984)	(3,147,147)
<b>Gross Profit</b>		<b>2,080,303</b>	1,800,412
Selling and promotion expenses	29	(561,308)	(547,595)
Administrative expenses	30	(997,818)	(760,438)
		<b>(1,559,126)</b>	(1,308,033)
<b>Operating profit</b>		<b>521,177</b>	492,379
Other income	31	1,073,277	153,664
		<b>1,594,454</b>	646,043
Other operating expenses	32	(357,161)	(296,635)
Finance cost	33	(59,245)	(58,859)
Share of loss of associate		(165,704)	(27,203)
<b>Profit before taxation</b>		<b>1,012,344</b>	263,346
Taxation	34	(140,039)	(70,387)
<b>Profit after taxation for the year attributable to equity holders of parent</b>		<b>872,305</b>	192,959
<b>Earnings per share</b>			
Basic - In Rupees	35	9.73	2.15
Diluted - In Rupees	35	9.72	2.15

The annexed notes from 1 to 48 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

# Consolidated Statement of Other Comprehensive Income

For the year ended June 30, 2022

	2022	2021
	Rupees in '000'	
<b>Profit after taxation for the year</b>	<b>872,305</b>	192,959
<b>Other comprehensive (loss)</b>	-	-
Other comprehensive(loss) that may be reclassified to profit or loss in subsequent periods (net of tax):		
Share of other comprehensive (loss) of an associate	<b>(12,815)</b>	(4,042)
<b>Total comprehensive income for the year attributable to equity holders of parent</b>	<b>859,490</b>	188,917

The annexed notes from 1 to 48 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

# Consolidated Statement of Cash Flows

For the year ended June 30, 2022

	NOTE	2022 Rupees in '000'	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation for the year		1,012,344	263,346
Adjustments for non cash charges and other items:			
Depreciation - own assets		277,209	216,201
Amortization of right of use assets		12,638	19,860
Amortization of intangible assets		293,504	293,504
Loss on disposal of fixed assets		35,126	8,540
Amortization of deferred revenue		-	(2,454)
Foreign exchange (gain)/ loss		(790,667)	119,655
Finance cost		67,506	75,449
Interest income		(281,709)	(150,310)
Deferred employee compensation expense		7,553	18,773
Amortization of deferred grant		(9,537)	(17,874)
Provision for expected credit losses		103,873	98,788
Share of loss of associate		165,704	27,203
		(118,800)	707,335
<i>Cash generated from operations before working capital changes</i>		893,544	970,681
<i>Working Capital Changes</i>			
Trade debts		(179,120)	332,654
Contract assets		(603,912)	489,478
Contract liabilities		159,996	(113,033)
Loans and advances		(20,618)	(4,199)
Trade deposits & short term prepayments		30,176	(58,954)
Other receivables		(6,686)	1,546
Due from related parties		(4,044)	(72,118)
Trade and other payables		218,185	201,065
<i>Cash (used in) /generated from operations</i>		(406,023)	776,439
Finance cost		(69,231)	(67,424)
Income taxes paid		(124,338)	(70,309)
Dividend paid		(275)	(1,650)
<i>Net cash generated from operations</i>		293,677	1,607,737
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Property, plant and equipment purchased		(354,709)	(316,899)
Sales proceeds of fixed asset		16,697	19,500
Advances against capital expenditure		(1,080)	(3,000)
Interest received		281,709	150,310
<i>Net cash (used in) investing activities</i>		(57,384)	(150,089)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repurchase of shares		(184,739)	-
Paid against lease liabilities		(19,287)	(39,065)
Received against lease liabilities		9,093	4,273
Long term payable		(50,602)	51,976
Deferred grant		-	8,021
Short term borrowing		-	200,000
Long term advances		7,975	(3,328)
<i>Net cash (Used in) / generated from financing activities</i>		(237,560)	221,877
<i>Net (decrease) / increase in cash and cash equivalents</i>		(1,267)	1,679,524
<i>Cash and cash equivalents at the beginning of the year</i>	16	3,795,397	2,115,872
<i>Cash and cash equivalents at the end of the year</i>	16	3,794,130	3,795,397

The annexed notes from 1 to 48 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

# Consolidated Statement of Changes in Equity

For the year ended June 30, 2022

	Attributable to equity holders of the Parent						
	Issued, subscribed and paid- up capital	Share deposit money	Capital reserve			Revenue reserve	Total Equity
			Employee share op- tion com- pensation reserve	Share premium	Foreign currency translation reserve	Unappro- priated profit	
Rupees In '000'							
<b>Balance as at June 30, 2020</b>	898,369	13	206,555	304,167	(16,830)	5,515,868	6,908,142
Net profit for the year	-	-	-	-	-	192,959	192,959
Other comprehensive (loss) for the year			-	-	(4,042)	-	(4,042)
Total comprehensive (loss) / profit for the year					(4,042)	192,959	188,917
Contribution of parent on account of employee share options			18,773		-	-	18,773
	-	-	18,773	-	(4,042)	192,959	207,690
<b>Balance as at June 30, 2021</b>	898,369	13	225,328	304,167	(20,872)	5,708,827	7,115,832
<b>Balance as at June 30, 2021</b>	898,369	13	225,328	304,167	(20,872)	5,708,827	<b>7,115,832</b>
Net profit for the year			-	-	-	872,305	<b>872,305</b>
Other comprehensive (loss) for the year					(12,815)		<b>(12,815)</b>
Total comprehensive (loss)/profit for the year					(12,815)	872,305	<b>859,490</b>
Amortization of employee share options			7,553				<b>7,553</b>
	-	-	7,553	-	(12,815)	872,305	<b>867,043</b>
<b>Transactions with owners of the company recorded directly in equity</b>							
Treasury shares	(20,000)	-	-	-	-	(164,739)	<b>(184,739)</b>
<b>Balance as at June 30, 2022</b>	<b>878,369</b>	<b>13</b>	<b>232,881</b>	<b>304,167</b>	<b>(33,687)</b>	<b>6,416,393</b>	<b>7,798,136</b>

The annexed notes from 1 to 48 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2022

## 1. LEGAL STATUS AND NATURE OF BUSINESS

NetSol Group ("the Group") consists of:

- NetSol Technologies Limited
- NetSol Innovation (Private) Limited

NetSol Technologies Limited ("the Company"), incorporated in Pakistan on August 22, 1996 under the repealed Companies Ordinance, 1984, (Now Companies Act 2017) as a private company limited by shares, was later on converted into public limited company and subsequently listed on Pakistan Stock Exchange on August 26, 2005. Principal activities of the Company is the development and sale of computer software and allied services in Pakistan as well as abroad.

Geographical location and addresses of business units:

Address/Location	Purpose
1 NetSol IT Village,(Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt. Pakistan.	Registered office and business unit
2 43/1/Q, Amna Villa 1, Block-6, PECHS Housing Society Karachi.	Branch office
3 House No. 4, Safari villas 1, Bahria town, Rawalpindi. Pakistan.	Branch office
4 Central Senayan 2 Building, 16th Floor, Asia Afrika Street, No. 8, Senayan, Kebayoran Baru, South Jakarta, DKI Jakarta, 12190	Branch office

NetSol Innovation (Private) Limited ("the subsidiary Company" or "Subsidiary" ) is incorporated in Pakistan as a private limited company and is a wholly owned 100% (2021: 100%) subsidiary of NetSol Technologies Limited. The subsidiary is engaged in the business of providing software development & allied IT services. Registered office of the subsidiary is situated at NetSol IT Village, Lahore ring road, Ghazi road interchange, Lahore Cantt. Pakistan.

NetSol Technologies Limited is a majority owned subsidiary of NetSol Technologies Inc. USA.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

-International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

-Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ from requirements of any IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

### 2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for revaluation of certain financial instruments at fair value as disclosed in respective accounting notes.

### 2.3 Functional and presentation currency

These consolidated financial statements are presented in Pak Rupee, which is the group's functional currency. All financial information presented in Pak Rupee has been rounded to the nearest thousand unless stated otherwise.

### 2.4 Accounting policies

The accounting policies adopted for the preparation of these consolidated financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the group for the year ended June 30, 2021.

### 2.5 Standards and interpretations that became effective

There are certain standards, amendments and interpretations to the accounting and reporting standards which are mandatory for accounting periods beginning on or after July 1, 2021. These are considered not to be relevant or to have any significant effect on the Group's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2022

## 2.6 Standards and interpretations issued but not yet effective for the current financial year

There are standards and certain other amendments to accounting and reporting standards that are not yet effective and are considered either not to be relevant or to have any significant impact on the company's financial statements and operations and, therefore, have not been disclosed in these financial statements.

## 2.7 Basis of Consolidation

The consolidated financial statements include the financial statement of the holding Company and its subsidiary. The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies.

The assets and liabilities of the subsidiary, have been consolidated on line-by-line basis and the carrying values of the investment held by the holding Company is eliminated against the subsidiary's share capital and pre-acquisition reserves, if any in the consolidated financial statements. Material intra-group balances and transactions are eliminated.

Subsidiaries are all entities (including special purpose entities) over which the group has the control generally accompanying a shareholding of more than one half of the voting rights.

Subsidiary companies are consolidated from the date on which the Group obtains the control and continue to be consolidated until the date when such control ceases. Generally it is presumed that when more than 50% voting rights are transferred to the holding Company control of the subsidiary is established.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to the holding Company.

## 3. USE OF ESTIMATES AND JUDGMENT

The preparation of consolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. During the year below change in accounting estimate is made:

The areas involving higher degree of judgement or complexity are as follows:

- i. Provision for expected credit losses on accounts receivable / contract assets.
- ii. Provision for taxation
- iii. Useful life and recoverable amounts of depreciable assets
- iv. Useful life of intangible assets
- v. Contingencies
- vi. Leases
- vii. Revenue recognition
- viii. Long term investment in associate
- ix. Fair value of employee share options

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented except otherwise stated.

##### 4.1 Property, plant and equipment

###### (i) Owned assets

Property, plant and equipment except for free hold land are stated at cost less accumulated depreciation and any impairment losses. Free hold land is stated at cost less any identified impairment loss.

Depreciation is charged by applying straight line method to write off the cost over the remaining useful life of the assets. Rates of depreciation are stated in note 5.1.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases when the asset is derecognized. Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Subsequent costs are included in the asset's carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Maintenance and normal repairs are charged to statement of profit or loss as and when incurred. Major repairs and improvements are capitalized.

The carrying amount of property, plant and equipment is removed from the statement of financial position upon scrapping or disposal or when no future economic benefit is expected from its use, scrapping or disposal.

Gain or loss on scrapping or disposal of assets, if any, is charged to statement of profit or loss.

###### (ii) Right of use assets

The group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated over the shorter of its estimated useful life and the lease term. Right-of-use assets are amortized over the useful life of the assets using straight line method at the rates given in note 5.4. Amortization on additions is charged for the month in which an asset is acquired under the finance lease while no amortization is charged for the month in which the asset is disposed off. Right-of-use assets are also subject to impairment.

###### (iii) Capital work in progress

Capital work in progress is stated at cost less any identified impairment losses. It represents expenditure incurred on property, plant and equipment during construction and installation. Cost also includes applicable borrowing costs under IAS 23. These expenditures are transferred to relevant assets' category as and when assets are available for use.

##### 4.2 Intangible assets

###### Research and software products development

Research costs are expensed as incurred. Software product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, it is probable that future economic benefits will flow to the Group, the Group has an intention and ability to complete and use or sell the software and cost can be measured reliably.

There are two components of intangible assets:

- a. In-house developed intangible assets
- b. Intangible assets acquired from market

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2022

## **(a) In-house developed intangible assets**

The company may capitalize certain computer software development costs in accordance with IAS 38 Intangible Assets. Costs incurred internally to create a computer software product or to develop an enhancement to an existing product are charged to expense when incurred as research and development expense until technological feasibility for the respective product is established. Thereafter, all software development costs may be capitalized and reported at the lower of unamortized cost or recoverable amount. Capitalization will cease when the product or enhancement is available for general release to customers.

Amortization is charged on straight line basis over the useful life of the intangible assets. All intangible assets with an indefinite useful life are tested for impairment at each statement of financial position date. Rates of amortization are stated in note 6.

## **(b) Intangible assets acquired from market**

Intangible assets acquired from market are stated at cost less accumulated amortization and impairment losses, if any.

Subsequent costs are included in the asset's carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other expenses are charged to statement of profit or loss when they occur.

Amortization is charged by applying straight line method to write off the cost over the remaining useful life of the intangible assets unless such lives are indefinite. All intangible assets with an indefinite useful life are tested for impairment at each statement of financial position date. Amortization on additions to acquired intangible assets is charged for the month in which an asset is acquired while no amortization is charged for the month in which the asset is disposed off. Rates of amortization are stated in note 6.

## **4.3 Impairment of non financial asset**

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

## **4.4 Foreign currency translation**

Transactions denominated in foreign currencies are translated in Pak Rupees at the foreign exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the foreign exchange rates prevailing at the statement of financial position date. Non-monetary assets and liabilities measured at historical cost are translated at the exchange rate prevailing at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the exchange rate prevailing at the date when fair values were determined. All exchange differences are charged to statement of profit or loss.

## **4.5 Staff benefits**

### **(i) Retirement benefits**

The Group operates a defined contributory provident fund for its permanent employees. Contributions are made equally by the group and the employee at 8% of basic salary in the provident fund on monthly basis. Group's contribution is recognized as a cost in the statement of profit or loss. The fund is administrated by the trustees.

### **(ii) Short-term benefits**

Short-term benefits to employees are calculated without discounting and are recognized as cost when related services are received.

### **(iii) Employees' share option scheme**

The holding company operates an equity settled share based Employee' Share Option Scheme ('Scheme'). The fair value of options granted is determined at the grant date and is recognized as employee compensation expense on a straight line basis over the vesting period in P&L with corresponding credit to equity as employee compensation reserve. Fair value of options is arrived at using black scholes pricing model.

When the options are exercised, the proceeds received equivalent to the face value of related shares is credited to share capital and any amount above the share capital is credited to share premium account.

## **4.6 Taxation**

Provision for current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for tax on income is calculated at the current rates of taxation as applicable after taking into account tax credit and tax rebates available, if any. Income tax expense is recognized in statement of profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Charge for tax expense also includes adjustments where necessary, relating to prior years which arise from assessments finalized during the current year.

Deferred tax is accounted for using the statement of financial position method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to other comprehensive income in which case it is included in other comprehensive income.

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

## **4.7 Creditors, accruals, provisions & contingencies**

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for the goods and / or services received, whether or not billed to the group.

Liabilities for creditors and other amounts payable in foreign currency are revalued by applying the exchange rate applicable on statement of financial position date.

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

## **4.8 Cash and cash equivalents**

Cash and cash equivalents comprise of cash in hand and at current or saving accounts held with banks, fixed deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include facilities of running finance that form an integral part of the Group's cash management.

## **4.9 Revenue recognition**

The Group follows IFRS 15 for the recognition of revenue for all its revenue streams. The Group determines revenue recognition using the following step wise approach:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, a performance obligation is satisfied

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2022

The Group records the amount of revenue and related costs by considering whether the entity is a principal (gross presentation) or an agent (net presentation) by evaluating the nature of its promise to the customer. The group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. Revenue is presented net of sales, value-added and other taxes collected from customers and remitted to government authorities.

The Group has two primary revenue streams: core revenue or non-core revenue.

## **Core Revenue:**

The Company generates its core revenue from the export of (1) software licenses, (2) services, which include implementation, customization and other consulting services, and (3) subscription and support, which includes subscription and post contract support, of its enterprise software solutions for the lease and finance industry. The Company offers its software using both traditional on-premises licensing model and Software as a Service (SaaS) model. The on-premises model involves the sale or license of software on a perpetual basis to customers who take possession of the software and install and maintain the software on their own hardware.

## **Non-Core Revenue:**

The Group generates its non-core revenue by providing business process outsourcing ("BPO") services and other services (including support services to its local customers)

## **Performance Obligations**

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied by transferring the promised good or service to the customer. The Group identifies the performance obligations at contract inception so that the Group can monitor and account for the performance obligations over the life of the contract.

The Group's contract which contain multiple performance obligations generally consists of the initial sale of licenses and a professional services engagement. Contract generally have multiple performance obligations as customers purchase maintenance support and services in addition to the licenses. The Group's single performance obligation arrangements are typically maintenance renewals, and professional services engagements.

For contracts with multiple performance obligations where the contracted price differs from the standalone selling price ("SSP") for any distinct good or service, the Group may be required to allocate the contract's transaction price to each performance obligation using its best estimate for the SSP.

Information about Group's performance obligations are summarized below:

### **a) Software Licenses:**

Performance obligation is satisfied and revenue from software licenses is recognized at the point in time when transfer of control for software is occurred either upon physical delivery of license through CD, USB or electronically using FTP or delivery of the license key by other electronic methods which provides immediate availability of the product to the customer. The Group's typical payment terms tend to vary by region, but its standard payment terms are within 30-120 days of invoice.

### **b) Subscription and Support:**

Subscription revenue is recognized ratably over the initial subscription period committed to by the customer commencing when the product is made available to the customer. The initial subscription period is typically 12 to 60 months. The Company generally invoices its customers in advance in quarterly or annual installments and typical payment terms provide that customers make payment within 30 days of invoice. Performance obligation against support revenue is recognized ratably over the term of the support period, which in most instances is one year. Software license updates provide customers with rights to unspecified software product updates, maintenance releases and patches released during the term of the support period on a when-and-if available basis. The Company's customers purchase both product support and license updates when they acquire new software licenses. In addition, a majority of customers renew their support services contracts annually and typical payment terms provide that customers make payment within 30-120 days of invoice.

**c) Professional services:**

Performance obligation is satisfied and revenue from professional services is recognized over the time and typically comprised of implementation, development, customization, enhancements, data migration, training or other consulting services. Consulting services are generally sold on a time-and-materials or fixed fee basis and can include services ranging from software installation to data migration and building non-complex interfaces to allow the software to operate in integrated environments. The Group recognizes revenue from time-and-material arrangements as the services are performed. In fixed fee arrangements, revenue is recognized as services are performed as measured by efforts incurred to date, compared to total estimated efforts to complete the services project. Management applies judgment while estimating efforts to complete the services projects. A number of internal and external factors can affect these estimates, including utilization and efficiency variances and specification and testing requirement changes. Services are generally invoiced upon milestones as agreed in the contract and payments are typically due 30-120 days after invoice.

**d) BPO services:**

Revenue from BPO services is recognized when earned. Group recognizes revenue on issuance of billing to the customer. Payment terms are 90 days after invoice.

**Miscellaneous**

Interest on bank deposits is recognized and received on a time proportion basis on the principal amount outstanding and at the rate applicable.

Rental income is recognized on time proportion basis. Payment terms are 30 days.

Dividend is recognized as income when the right of receipt is established. Payment terms are 15 days after declaration of dividend.

Miscellaneous income is recognized on receipt basis.

**Significant Judgments**

More judgments and estimates are required under IFRS 15 than were required under IAS 18 and other previous pronouncements. Due to the complexity of certain contracts, the actual revenue recognition treatment required under IFRS 15 for the Group's arrangements may be dependent on contract-specific terms and may vary in some instances.

Judgment is required to determine the standalone selling price ("SSP") for each distinct performance obligation. The Group rarely licenses or sells products on a stand-alone basis, so the Group is required to estimate the range of SSPs for each performance obligation. In instances where SSP is not directly observable because the Group does not sell the license, product or service separately, the Group determines the SSP using information that may include market conditions and other observable inputs. In making these judgments, the Group analyzes various factors, including its pricing methodology and consistency, size of the arrangement, length of term, customer demographics and overall market and economic conditions. Based on these results, the estimated SSP is set for each distinct product or service delivered to customers.

The most significant inputs involved in the Group's revenue recognition policies are: The (1) stand-alone selling prices of the Group's software license, and the (2) method of recognizing revenue for installation/customization, and other services.

The stand-alone selling price of the licenses was measured primarily through an analysis of pricing that management evaluated when quoting prices to customers. Although the Group has no history of selling its software separately from support and other services, the Group does have historical experience with amending contracts with customers to provide additional modules of its software or providing those modules at an optional price. This information guides the Group in assessing the stand-alone selling price of the Group's software, since the Group can observe instances where a customer had a particular component of the Group's software that was essentially priced separate from other goods and services that the Group delivered to that customer.

The Group recognized revenue from implementation and customization services using the percentage of completion basis. The output method is used for measuring percentage of completion by taking into account the estimated 'man-days' that the work requires. The Group believes the level of effort to complete the services is best measured by the amount of time (measured as an employee working for one day on implementation/customization work) that is required to complete the implementation or customization work. The Group continuously reviews its estimate of man-days required to complete implementation and customization services.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2022

Revenue is recognized over time for the Group's subscription, support and fixed fee professional services that are separate performance obligations. For the Group's professional services, revenue is recognized over time, generally using man-days expended to measure progress. Judgement is required in estimating project status and efforts necessary to complete projects. A number of internal and external factors can affect these estimates, including man-day rates, utilization, specification variances and testing requirement changes.

If a group of agreements are entered at or near the same time and so closely related that they are, in effect, part of a single arrangement, such agreements are deemed to be combined as one arrangement for revenue recognition purposes. The Group exercises significant judgment to evaluate the relevant facts and circumstances in determining whether agreements should be accounted for separately or as a single arrangement. The Group's judgments about whether a group of contracts comprise a single arrangement can affect the allocation of consideration to the distinct performance obligations, which could have an effect on results of operations for the periods involved.

If a contract includes variable consideration, the Group exercises judgment in estimating the amount of consideration to which the entity will be entitled in exchange for transferring the promised goods or services to a customer. When estimating variable consideration, the Group will consider all relevant facts and circumstances. Variable consideration will be estimated and included in the contract price only when it is probable that a significant reversal in the amount of revenue recognized will not occur.

## **Practical Expedients and Exemptions**

There are several practical expedients and exemptions allowed under IFRS 15 that impact timing of revenue recognition and the Group's disclosures. Below is a list of practical expedients the Group applied in the adoption and application of IFRS 15:

- a) The Group does not evaluate a contract for a significant financing component if payment is expected within one year or less from the transfer of the promised items to the customer.
- b) The Group generally expenses sales commissions and sales agent fees when incurred when the amortization period would have been one year or less or the commissions are based on cash received. These costs are recorded within sales and marketing expense in the statement of profit or loss.
- c) The Group does not disclose the value of unsatisfied performance obligations for contracts that have an original expected duration of one year or less.
- d) The Group does not disclose the value of unsatisfied performance obligations for contracts for which the Group recognizes revenue at the amount to which it has the right to invoice for services performed (applies to time-and-material engagements).

## **Costs to obtain a contract**

The Group does not have a material amount of costs to obtain a contract capitalized at any statement of financial position date. In general, we incur few direct incremental costs of obtaining new customer contracts. We rarely incur incremental costs to review or otherwise enter into contractual arrangements with customers. In addition, our sales personnel receive fees that we refer to as commissions, but that are based on more than simply signing up new customers. Our sales personnel are required to perform additional duties beyond signing of new deals, including account management of customers and cash collection efforts.

## **Contract balances**

### **Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group has satisfied the performance obligation, either in full or partially, by transferring goods or services to a customer before the invoice is issued or payment is due, a contract asset is recognized for the earned consideration that is conditional.

### **Trade receivables**

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section 4.12 (i) Financial instruments – initial recognition and measurement.

### **Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration from the customer in advance or an amount of consideration is due. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the amount is received or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

#### 4.10 Borrowing costs

Borrowing costs directly attributable to the construction /acquisition of qualifying assets are capitalized up to the date, including the period when technical and administrative work is carried on, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the statement of profit or loss currently. Qualifying assets are assets that necessarily take substantial period of time to get ready for their intended use.

#### 4.11 Off-setting of financial asset and liability

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amount and the Group intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

#### 4.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### (i) Financial assets

##### Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Group initially measures a financial asset at its fair value plus transaction cost. In the case of a financial asset not at fair value through profit or loss at its fair value.

##### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon DE recognition (equity instruments)
- Financial assets at fair value through profit or loss

##### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when rights to receive cash flows from the asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

##### Impairment

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2022

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## **(ii) Financial liabilities**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

### **Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in the consolidated statement of profit or loss when liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Other financial liabilities are also subsequently measured at amortized cost using the EIR method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on derecognition is also recognized in the statement of profit or loss.

### **Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as DE recognition of the original liability and recognition of a new liability. Difference in the respective carrying amounts is recognized in the statement of profit or loss.

#### **4.13 Dividend and appropriation to reserves**

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

#### **4.14 Related party transactions**

The Group enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods, except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the group to do so.

#### **4.15 Fair value**

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transaction; reference to the current market value of another instrument, which has substantially similar characteristics, discounted cash flow analysis or other valuation models.

#### 4.16 Segment reporting

The chief operating decision-maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Management Team that makes strategic decisions. The management has determined the operating segments based on the reports reviewed by CODM of the Group. For management purposes, the Group is organized into operating segments based on their products and services. Each operating segment has a manager responsible for the operations who periodically reports to the CODM the outcome of the operating segment's efforts and its resource requirements. Additional disclosures on each of these segments are shown in note # 45, including the factors used to identify the reportable segments and the measurement basis of segment information.

#### 4.17 Investments in associates

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

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

Under the equity method, investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity.

The financial statements of the associate are not prepared for the same reporting period as the company. Reporting period of financial statements of associate used to apply equity method lags behind three months from company's reporting period. The associate's financial statements prepared for reporting period ended March 31, 2022 are used for this purpose. Reason for using a different reporting period is the non-availability of latest financial statements of the associate.

The company periodically determines whether it is necessary to recognize any impairment loss on its investment in its associate or not. The company determines on annual basis whether there is any objective evidence that the investment in associate is impaired. If there is such evidence, the company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss within 'Share of profit or loss of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

##### **Significant judgements:**

The group has made significant judgements in determining significant influence over the associated company.

Group has considered below factors in determining significant influence:

- i) Ownership interest in associate.
- ii) Representation on the board of directors of the associate.
- iii) Participation by group in policy-making processes, including participation in decisions about dividends or other distributions of associate.
- iv) Material transactions between the group and its associate.
- v) Provision of essential technical information.

The Company also had agreements with the associate that empower the company to participate in policy making processes, decisions about dividend, borrowing, change in associate's capital structure etc. Due to these reasons, the Company has concluded that, even though its ownership interest in associate is less than 20% but because of the above reasons, significant influence is established and hence it is considered as an associate.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2022

## 4.18 Earnings per share

The Group presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjustment) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

## 4.19 Lease liabilities

At the commencement date of the lease, the group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is premeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

## 4.20 Short-term leases and leases of low-value assets

The group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

## 4.21 Significant judgement in determining the lease term of contracts with renewal options

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

## 4.22 Deferred grant

Deferred grant is recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income and presented as deduction from the related expense on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

## 4.23 Advances and deposits

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

	NOTE	2022	2021
		Rupees in '000'	
<b>5. PROPERTY, PLANT &amp; EQUIPMENT</b>			
Net book value of owned assets	5.1	1,583,166	1,522,391
Net book value of Right of Use Assets	5.4	32,739	80,475
Advances against capital expenditure	5.6	4,080	3,000
		<b>1,619,985</b>	<b>1,605,866</b>

**5.1 Following is statement of owned assets**

Particulars	2022								
	COST			DEPRECIATION					Net book value as at June 30, 2022
	As at Jul 01, 2021	Additions / (Deletions)	As at June 30, 2022	Rate %	As at Jul 01, 2021	Adjustment during the year	Charge for the year	As at June 30, 2022	
Rupees In '000'									
<b>Tangible Assets</b>									
Land - freehold	254,229	-	254,229	-	-	-	-	-	254,229
Building on free hold land	952,561	-	952,561	5	337,598	-	32,367	369,965	582,596
Furniture & fixtures	74,358	1,916 (4,555)	71,719	10	41,425	(1,851)	8,279	47,853	23,866
Vehicles	238,040	243,862 (13,948)	467,954	20	94,461	47,794 (9,346)	48,973	181,882	286,072
Computers	1,704,347	156,585 (627,673)	1,233,259	20-33	1,384,382	4,499 (593,617)	134,922	930,186	303,073
Air conditioners	67,297	2,418 (1,132)	68,583	10	34,156	-	8,281	42,437	26,146
Office equipment	76,560	1,940 (717)	77,783	10	39,794	-	7,673	47,467	30,316
Electric fittings	49,371	-	49,371	10	26,767	-	5,651	32,418	16,953
Generator	53,077	2,090 (265)	54,902	10	36,268	-	6,130	42,398	12,504
<b>Intangible Assets</b>									
Software	337,425	33,290 (301,346)	69,369	33	290,023	(292,998)	24,933	21,958	47,411
	<b>3,807,265</b>	<b>442,100 (949,635)</b>	<b>3,299,730</b>		<b>2,284,874</b>	<b>52,293 (897,812)</b>	<b>277,209</b>	<b>1,716,564</b>	<b>1,583,166</b>

The detail for the assets disposed off during the year is given in note 5.3

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2022

Particulars	2021								
	COST			DEPRECIATION					Net book value as at Jun 30, 2021
	As at Jul 01, 2020	Additions / (Deletions)	As at Jun 30, 2021	Rate %	As at Jul 01, 2020	Adjustment during the year	Charge for the year	As at Jun 30, 2021	
Rupees In '000'									
<b>Tangible Assets</b>									
Land - freehold	254,229	-	254,229	-	-	-	-	-	254,229
Building on free hold land	952,561	-	952,561	5	305,232	-	32,366	337,598	614,963
Furniture & fixtures	74,032	326	74,358	10	30,684	-	10,741	41,425	32,933
Vehicles	164,947	100,591 (27,498)	238,040	20	85,989	2,677 (18,590)	24,385	94,461	143,579
Computers	1,548,208	173,248 (17,109)	1,704,347	20-33	1,303,181	- (16,100)	97,300	1,384,382	319,965
Air conditioners	66,646	651	67,297	10	25,797	-	8,359	34,156	33,141
Office equipment	67,599	8,994 (33)	76,560	10	29,085	- (19)	10,728	39,794	36,766
Electric fittings	49,371	-	49,371	10	20,908	-	5,859	26,767	22,604
Generator	53,077	-	53,077	10	27,441	-	8,827	36,268	16,809
<b>Intangible Assets</b>									
Software	886,910	34,369 (583,854)	337,425	33	838,133	- (565,745)	17,635	290,023	47,402
	4,117,580	318,179 (628,494)	3,807,265		2,666,450	2,677 (600,454)	216,201	2,284,874	1,522,391

	NOTE	2022	2021
		Rupees in '000'	
<b>5.2 Depreciation is allocated in the following manner</b>			
Cost of revenue	28	208,228	162,150
Administrative expenses	30	68,981	54,051
		277,209	216,201

**5.3** Particulars of fixed assets disposed off during the year exceeding book value of Rs. 5 million in aggregate and 0.5 million individually are as follows:

2022						
Particulars	Cost	Net Book Value	Sales Proceeds	Gain/(Loss)	Mode of Disposal	Particulars of Purchaser
	Rupees In '000'					
Vehicle	2,825	1,086	1,668	582	Company Policy	Wajih Ur Rehman (Employee)
Vehicle	2,725	859	2,400	1,541	Company Policy	Kamran Khalid (Employee)
Vehicle	5,390	1,487	5,100	3,613	Company Policy	Ayub Rehmat (Employee)
Vehicle	2,728	891	1,500	609	Company Policy	Majid Bashir (Employee)

2021						
Particulars	Cost	Net Book Value	Sales Proceeds	Gain/(Loss)	Mode of Disposal	Particulars of Purchaser
	Rupees In '000'					
Vehicle	2,453	826	1,531	705	Company Policy	Sajid Mukhtar (Employee)
Vehicle	2,478	820	2,518	1,698	Open Market	Muhammad Asad Dogar
Vehicle	2,800	724	2,250	1,526	Open Market	Nauman Aslam
Vehicle	2,612	546	2,100	1,554	Company Policy	Shahid Iqbal (Employee)
Vehicle	651	651	700	49	Open Market	Iqbal Transport Co.

**5.4** Following is statement of right of use assets

2022									
Particulars	COST			Rate %	DEPRECIATION				Net book value as at June 30, 2022
	As at Jul 01, 2021	Additions / (Deletions)	As at June 30, 2022		As at Jul 01, 2021	Adjustment during the year	Charge for the year	As at June 30, 2022	
	Rupees In '000'								
Vehicles	143,734	9,093	62,651	20	65,147	-	12,559	29,912	32,739
		(90,176)				(47,794)			
Computers	6,308	-	-	33	4,420		79	-	-
		(6,308)				(4,499)			
	150,042	9,093	62,651		69,567	(52,293)	12,638	29,912	32,739
		(96,484)							

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2022

Particulars	2021								
	COST			DEPRECIATION					Net book value as at Jun 30, 2021
	As at Jul 01, 2020	Additions / (Deletions)	As at Jun 30, 2021	Rate %	As at Jul 01, 2020	Adjustment during the year	Charge for the year	As at Jun 30, 2021	
Rupees In '000'									
Vehicles	145,014	4,273	143,734	20	48,908	-	18,916	65,147	78,587
		(5,553)				(2,677)			
Computers	6,308	-	6,308	33	3,476		944	4,420	1,888
		-				-			
		-				-			
	151,322	4,273	150,042		52,384		19,860	69,567	80,475
		(5,553)				(2,677)			

	Note	2022	2021
		Rupees in '000	
<b>5.5 Depreciation is allocated in the following manner</b>			
Cost of revenue	28	9,478	14,895
Administrative expenses	30	3,160	4,965
		12,638	19,860

**5.6** Advance against capital expenditure represent advances paid for purchase of fixed assets but delivery of assets are not made to the company till June 30.

**5.7** Particulars of Immovable assets of the company are as follows:

Location	Address	Land Area (Sq Ft)	Covered Area (Sq Ft)
Lahore	NetSol IT Village (Software Technology Park), Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt.	149,738	140,631
Lahore	House No. 4, Cricketers Colony, NetSol IT Village (Software Technology Park), Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt.	1,750	2,430
Lahore	House No. 5, Cricketers Colony, NetSol IT Village (Software Technology Park), Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt.	1,750	2,430
Lahore	House No. 6, Cricketers Colony, NetSol IT Village (Software Technology Park), Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt.	1,750	2,430
Lahore	House No. 56-A, Cricketers Colony, NetSol IT Village (Software Technology Park), Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt.	1,575	2,095
Karachi	43/1/Q, Amna Villa 1, Block-6, PECHS Housing Society Karachi	4,500	13,500

## 6. INTANGIBLE ASSETS

Particulars	2022							
	COST			AMORTIZATION				Net book value as at June 30, 2022
	As at Jul 01, 2021	Additions / (Deletions)	As at June 30, 2022	Rate %	As at Jul 01, 2021	Charge for the year	As at June 30, 2022	
Rupees In '000'								
<b>In-house Developed Software</b>								
NFS Ascent	2,935,038	-	2,935,038	10	2,307,645	293,504	2,601,149	333,889
	2,935,038	-	2,935,038		2,307,645	293,504	2,601,149	333,889

Particulars	2021							
	COST			A M O R T I Z A T I O N				Net book value as at Jun 30, 2021
	As at Jul 01, 2020	Additions / (Deletions)	As at Jun 30, 2021	Rate %	As at Jul 01, 2020	Charge for the year	As at Jun 30, 2021	
Rupees In '000'								
<b>In-house Developed Software</b>								
NFS Ascent	2,935,038	-	2,935,038	10	2,014,141	293,504	2,307,645	627,393
	2,935,038	-	2,935,038		2,014,141	293,504	2,307,645	627,393

	NOTE	2022	2021
		Rupees in '000'	
<b>6.1 Amortization is allocated in the following manner</b>			
Cost of revenue	28	293,504	293,504
<b>6.2</b> Remaining amortization period for NFS - Ascent is 1 year 2 months.			
<b>6.3</b> NetSol Financial Suite has been fully amortized but the company is still generating revenues from its sales.			
<b>7. LONG TERM INVESTMENTS</b>			
<b>Investment in associate</b>			
WRLD3D Inc. (Unquoted company)	7.1	-	178,519

#### 7.1 Investment in associate-foreign company

This represents investment in WRLD3D Inc., a US based entity having its principal place of business at 800 W. El Camino Real, Suite 320, Mountain View, California 94040 and engaged in gaming and 3D mapping business. DCD Holdings Limited Carlton Services Ltd, second floor, The Quadrant, Manglier Street, PO Box 1312, Victoria, Mahe, Seychelles is the beneficial owner of the company. The Company owns 4,092,189 preference BB shares of WRLD3D Inc. (12.2% ownership interest) originally valued at \$2.77 million and uses equity method to account for investment in associate.

As a result of significant decline in fair value of the investment, the company carried out a review of the recoverable amount of the investment at the year end. The management estimates the recoverable amount of the investment based on its fair value. The group has engaged an external, independent and qualified valuer to determine the fair value of the investment. They have determined the fair value by using market based approach which is a level 2 measurement as per the fair value hierarchy set out in IFRS 13. Significant decline in fair value is due to financial difficulty faced by WRLD3D from the ongoing impact of COVID-19 & difficulty in attracting the market for sale of its coreproducts due to rapid technological changes. The management concluded that due to the lack of active market for the WRLD3D shares, it will not be able to recover its current value. Since the recoverable amount of the investment is less than the current value (i.e. Rs 120.45 million after incorporating the share of loss from associate for FY2022) hence, the investment is impaired in full. The Company recognized an impairment loss of Rs 120.45 million (included in the share of loss of associate amount) through the profit or loss in the current financial year.

The following table illustrates the summarized financial information of associate and its reconciliation with carrying value of the Group's investment in WRLD3D:

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For the year ended June 30, 2022

	2022 (Unaudited)	2021 (Audited)
	Rupees in '000'	
Non-current assets	48,931	38,092
Current assets	9,820	35,323
Non-current liabilities	(507,755)	(355,262)
Current liabilities	(2,702,041)	(1,847,624)
<b>Equity</b>	<b>(3,151,045)</b>	<b>(2,129,471)</b>
Group's share in equity – 12.2% (2021: 12.2%)	(384,428)	(259,796)
Goodwill	384,428	442,276
Impact of foreign currency translation	-	(3,961)
<b>Group's carrying amount of the investment</b>	<b>-</b>	<b>178,519</b>
Revenue from contracts with customers	44,464	84,359
Loss for the year (Adjusted)	(370,931)	(222,975)

## 8. LONG TERM LOANS TO EMPLOYEES

Loan to employees	15,010	5,897
Less: current maturity	(6,955)	(2,345)
	<b>8,055</b>	<b>3,552</b>

8.1 These are carried at cost as the effect of carrying these balances at amortized cost would not be material in the overall context of these financial statements.

## 9. TRADE DEBTS

	NOTE	2022	2021
		Rupees in '000'	
Considered good - unsecured	9.2	2,515,750	1,649,836
Considered doubtful - unsecured	9.3	190,782	329,874
		<b>2,706,532</b>	1,979,710
Less: Provision for expected credit losses		(190,782)	(329,874)
		<b>2,515,750</b>	<b>1,649,836</b>

### 9.1 Amount receivable from related parties included in trade debts are as under:

NetSol Technologies (Thailand) Limited	77,578	73,609
NetSol Technologies (Beijing) Company Limited	1,231,368	873,748
NetSol Australia Pty. Limited	224,471	111,747
NetSol Technologies America	315,913	247,042
NetSol Technologies Europe Limited	15,701	-
Ascent Europe Limited	37,439	19,441
OTOZ Thailand Ltd	84,521	77,876
WRLD3D Inc.	-	242,029
	<b>1,986,991</b>	<b>1,645,492</b>
Less: Provision for expected credit losses	(187,446)	(327,852)
	<b>1,799,545</b>	<b>1,317,640</b>

9.2 It represents amount receivable from customers. It is unsecured but considered good by the management.

9.3 This is a provision created for any future credit losses. The amount due from WRLD3D is adjusted against this provision during the year.

9.4 Movement in provision for expected credit losses is given below:

	2022	2021
	Rupees in '000'	
Balance as at July 1	329,874	233,499
Provision made during the year	97,403	96,375
Write offs during the year	(236,495)	-
<b>Balance as at June 30</b>	<b>190,782</b>	<b>329,874</b>

9.5 The aging of trade debts at June 30 is as follows:

	2022		2021	
	Rupees in '000'		Rupees in '000'	
	Gross	Impaired	Gross	Impaired
Not past due	506,721	-	298,688	-
Past due 1-180 days	947,554	-	806,199	-
Past due 181 days -1 year	429,778	-	470,320	-
More than one year	822,479	-	404,502	-
<b>Total</b>	<b>2,706,532</b>	<b>-</b>	<b>1,979,709</b>	<b>-</b>

9.6 The aging of trade debts due from related parties at June 30 is as follows:

	2022		2021	
	Rupees in '000'		Rupees in '000'	
	Gross	Impaired	Gross	Impaired
Not past due	326,252	-	127,956	-
Past due 1-180 days	549,128	-	647,134	-
Past due 181 days -1 year	362,716	-	466,002	-
More than one year	748,895	-	404,401	-
<b>Total</b>	<b>1,986,991</b>	<b>-</b>	<b>1,645,493</b>	<b>-</b>

9.7 Maximum aggregate amount outstanding from trade debts due from related party at the end of any month during the year was Rs. 1,990.89 million (2021 : Rs. 2,253.7 million).

10. CONTRACT ASSETS

It represents unbilled debtors arising due to recognition of revenue as per IFRS 15 'Revenue from contracts with customers'.

	2022	2021
	Rupees in '000'	
Considered good - unsecured	1,767,068	1,163,155
Considered doubtful - unsecured	10.1	21,628
	<b>1,795,165</b>	<b>1,184,783</b>
Less: Provision for expected credit losses	10.1	(21,628)
	<b>1,767,068</b>	<b>1,163,155</b>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2022

	NOTE	2022	2021
		Rupees in '000'	
<b>10.1 Movement in provision for future doubtful contract assets is given below:</b>			
Balance as at July 1		21,628	19,215
Provision made during the year		6,469	2,413
Balance as at June 30		28,097	21,628
<b>10.2</b> There is a net increase of Rs. 603.91 million in contract assets as compared to last fiscal year (2021: decrease of Rs. 489.48 million). Explanation of significant changes are as follows:			
Opening balance-contract assets		1,163,155	1,652,633
Add: Revenue recognised		4,707,103	3,453,533
Less: Invoices raised		(4,364,267)	(3,930,099)
Forex gain / (loss)		267,546	(10,499)
Provision for expected credit losses		(6,469)	(2,413)
Closing balance-contract assets		1,767,068	1,163,155
<b>11. LOANS AND ADVANCES - unsecured -considered good</b>			
Current maturity of loans to employees	8	6,955	2,345
Advances			
- employees		180	525
- against expenses	11.1	25,343	13,493
		32,478	16,363
<b>11.1</b> The advances against expenses are given to meet business expenses and are settled as and when the expenses are incurred.			
<b>12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Security deposit		3,118	4,240
Prepayments		51,332	80,386
		54,450	84,626
<b>13. OTHER RECEIVABLES</b>			
Guarantee margin		7,747	2,340
Other receivable - considered good		6,065	4,786
		13,812	7,126

	2022	2021
	Rupees in '000'	
<b>14. DUE FROM RELATED PARTIES</b>		
<b>Considered good - unsecured</b>		
<b>Parent</b>		
NetSol Technologies Limited Inc.	185,839	181,368
<b>Associates:</b>		
NetSol Connect (Pvt) Ltd.	22,725	25,870
OTOZ Thailand Ltd.	29,967	40,928
NetSol Technologies (Beijing) Ltd.	64,176	28,795
NetSol Technologies America	25,671	10,883
NetSol Technologies (Thailand) Limited	121,403	157,893
	<b>449,781</b>	<b>445,737</b>

**14.1** These relate to normal business of the Group and are interest free.

**14.2** Maximum aggregate amount outstanding from related party at any month-end during the year was Rs. 451.16 million (2021 : Rs. 561.4 million).

**14.3** Aging of due from related parties at June 30 is as follows:

	2022		2021	
	Rupees in '000'		Rupees in '000'	
	Gross	Impaired	Gross	Impaired
Not past due	43,026	-	26,894	-
Past due 1-180 days	85,200	-	90,676	-
Past due 181 days -1 year	41,338	-	212,534	-
More than one year	280,217	-	115,634	-
<b>Total</b>	<b>449,781</b>	<b>-</b>	<b>445,737</b>	<b>-</b>

	NOTE	2022	2021
		Rupees in '000'	
<b>15. TAXATION - NET</b>			
Tax receivable as at 1 July		16,455	16,533
Tax payments		55,008	29,956
Provision for taxation		(70,709)	(30,034)
		<b>754</b>	<b>16,455</b>

<b>16. CASH AND BANK BALANCES</b>			
<b>With banks</b>			
Saving accounts-Local currency	16.1	3,134,324	3,421,001
Saving accounts-Foreign currency	16.1	382,308	171,566
Current accounts-Local currency	16.2	165	4,407
Current accounts-Foreign currency	16.2	262,315	188,396
		<b>3,779,112</b>	<b>3,785,370</b>
<b>In hand</b>		<b>15,018</b>	<b>10,027</b>
		<b>3,794,130</b>	<b>3,795,397</b>

**16.1** The balances in savings accounts bear mark up at 5.50% to 14.38% per annum. (2021 : 5.44% to 7.25% per annum). Balances in saving accounts include Rs. 1,954.57 million maintained in shariah compliant bank accounts (2021: Rs. 2,043.26 million).

**16.2** Balances in current accounts include Rs. 0.11 million maintained in shariah compliant bank accounts (2021: Rs.188.186 million).

## 17. BASIS OF FAIR VALUE MEASUREMENT

The transfer of asset to subsidiary company is made on fair value.

### Fair value of items

During the period the exchange of assets (i.e non-recurring items) between related parties is made at fair value.

	2022	2021
	Rupees in '000'	
<b>Non recurring fair value measurements</b>		
IT Equipments	2,488	-

### Valuation techniques and inputs used

The group has engaged an external, independent and qualified valuer to determine the fair value of the equipments. They have determined the fair value by using market based approach as described in IFRS 13.

The inputs used to develop those measurements are purchase date, useful life of asset, present condition, location and market value of the similar items.

### Level of the fair value hierarchy

This is a level 2 measurement as per the fair value hierarchy set out in IFRS 13.

## 18. SHARE CAPITAL

### 18.1 Authorized share capital

	2022	2021		2022	2021
	Number of shares			Rupees in '000'	
	150,000,000	150,000,000	Ordinary Shares of Rs. 10 each.	1,500,000	1,500,000

### 18.2 Issued, subscribed & paid-up capital

	42,686,191	42,686,191	Ordinary Shares of Rs. 10 each fully paid in cash	426,862	426,862
	47,150,732	47,150,732	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	471,507	471,507
	(2,000,000)	-	Treasury Shares of Rs. 10 each as fully paid in cash	(20,000)	-
	87,836,923	89,836,923		878,369	898,369

### 18.3 Reconciliation of number of shares issued, subscribed & paid-up

	Number of shares	
Number of shares outstanding as at July 1	89,836,923	89,836,923
Treasury shares of Rs. 10 purchased at market value	(2,000,000)	-
Number of shares outstanding as at June 30	87,836,923	89,836,923

**18.4** Owners of ordinary shares of the holding company are entitled to distributions approved by the holding Company, and the shareholding entitles the owners to vote at the general meetings, with one vote per share. All shares have the same right to holding Company's remaining net assets.

**18.5** There are 3 million outstanding options to subscribe for ordinary shares of the Company granted under the employee share option plan as disclosed in Note 19.1.1

**18.6** NetSol Technologies Inc. 23975, Park Sorrento, Suite 250, Calabasas CA 91302, is the parent company holding 67.62% (2021 : 66.12%) of issued capital of the Company.

**18.7** The holding Company is not subject to any externally imposed capital requirements for the financial years 2021 and 2022.

**18.8** During the fiscal year 2022, the company announced and bought back 2.23% of its outstanding ordinary shares through Pakistan Stock Exchange at the market price during the purchase period. The shares purchased are held as 'treasury shares' as at 30 June 2022. The buy-back exercise was carried out in compliance with the requirements of Companies Act 2017 and Listed Companies (Buy-back of Shares) Regulations, 2019 after obtaining approval from the members of the Company in their extraordinary general meeting held on May 10, 2022.

The shares held by the company as treasury shares are held in CDC blocked account in freeze form. These are not entitled to any voting right, cash dividend or other distribution made by the company.

19. RESERVES	NOTE	2022	2021
Rupees in '000'			
<b>Capital reserve</b>			
Premium on issue of ordinary shares		304,167	304,167
Employee share option compensation reserve	19.1	232,881	225,328
Foreign currency translation reserve		(33,687)	(20,872)
<b>Revenue reserve</b>			
Un - appropriated profit		6,416,393	5,708,827
		<b>6,919,754</b>	<b>6,217,450</b>

<b>19.1 Employee share option compensation reserve</b>			
Balance at the beginning of the year		225,328	206,555
Compensation expense booked during the year		7,553	-
Contribution of parent on account of employee share options		-	18,773
Balance at the end of the year		<b>232,881</b>	<b>225,328</b>

#### 19.1.1 Employee stock option scheme

As per the approved employee stock option scheme, the board and the compensation committee granted three million stock options to its employees on December 27, 2021 at a grant price of Rs. 77.84 per option. No amount is paid or payable by any employee on receipt of the option. No option carries the right to vote or dividend. According to the scheme, 50% of the options will become exercisable after completion of 12 months from date of grant, another 30% of the granted option after completion of 24 months from the grant date and the remaining 20% of the granted option will become exercisable after completion of 36 months from the date of grant. The options are exercisable within a period of 10 years with un-exercised options to lapse on December 27, 2031.

The Group uses Black Scholes pricing model to determine the fair value of options at the grant date. The Group calculated fair value of options at the grant date using the following assumptions. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome:

Total number of options granted	3,000,000
Per option fair value at the grant date	Rs. 14.82
Average 30 days per share price preceding the date of grant	Rs. 96.79
Exercise price per option	Rs. 77.84
Annual Rate of Quarterly Dividends	13.50%
Discount Rate - Bond Equivalent Yield	11.80%
Annual volatility	55.08%

	2022		2021	
	Number of Options	Weighted avg. exercise price	Number of Options	Weighted avg. exercise price
Options outstanding at the beginning of the year	-	-	-	-
Options granted during the year	3,000,000	77.84	-	-
Options outstanding at the end of the year	3,000,000		-	

20. LONG TERM FINANCING	NOTE	2022	2021
Rupees in '000'			
Long term finance facility	20.1	86,175	250,429
Deferred grant	20.2	712	10,249
Loan liability	20.3	127,140	13,488
<b>Less: Current portion shown under current liabilities:</b>			
Current portion of long term finance facility		(86,175)	(164,254)
Current portion of deferred grant		(712)	(9,537)
Current portion of loan liability		(38,859)	(4,456)
		<b>(125,746)</b>	<b>(178,246)</b>
		<b>88,281</b>	<b>95,920</b>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2022

- 20.1** The Company has availed SBP Refinance scheme for salaries and wages which was announced by the State Bank in April 2020. The facility is availed from Askari Bank Limited and the total availed amount under this facility was Rs. 345 million (2021: Rs 345 million). The facility is repayable in two and half years (including six month grace period). Repayment has to be made in eight equal quarterly instalments commencing from 1st January 2021. This facility carries 3% per annum mark up rate and is secured against the current and future fixed and current assets of the Company, detail of which is provided in note 24.1.1. Unused facility available under the above arrangement as at 30 June 2022 amounted to Rs. Nil (2021: Rs. Nil).

	2022	2021
	Rupees in '000'	
<b>20.2 Deferred grant</b>		
Balance as at beginning of the year	10,249	20,102
Received during the year	-	8,021
Amortized to the statement of profit or loss	(9,537)	(17,874)
Balance as at end of the year	712	10,249

To support the economy during Covid-19 pandemic, the State Bank of Pakistan, including other steps, also introduced a refinance scheme for payment of salaries and wages at subsidized rate of borrowing as disclosed in Note 19.1. The company also obtained the said facility from Askari Bank Limited at 3% mark up rate. This amount is repayable till Dec 2022 in 8 quarterly installments. According to the requirements of IAS 20, the company has recognized deferred grant amounting to Nil (2021: Rs. 8.021million) and Rs. 9.537 million has been amortized during the year (2021: Rs.17.874 million).

- 20.3** This represents finance facilities obtained from First Habib Modaraba & Askari Bank Limited, from time to time, for purchase of various vehicles (earlier termed as sale & lease back transactions). The facility is repayable in 36 equal monthly installments. This facility carries interest rate ranging between 8.60 % to 16.43 %per annum.

## 21. LEASE LIABILITIES

Present value of minimum lease payments	7,719	17,913
Current portion of obligations shown under current liabilities	(3,467)	(15,807)
	4,252	2,106

Present value of minimum lease payments have been discounted at an implicit interest rate ranging between 8.60 % to 16.43 % (2021 : 8.49 % to 15.14%) to arrive at their present value. The lessee has the option to purchase the assets after expiry of the lease term.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

	2022		
	Minimum Lease Payment	Future Finance Charges	Present Value of Lease Liability
Not later than one year	4,334	867	3,467
Later than one year but not later than five years	4,626	374	4,252
	8,960	1,241	7,719
	2021		
	Minimum Lease Payment	Future Finance Charges	Present Value of Lease Liability
Not later than one year	16,482	675	15,807
Later than one year but not later than five years	2,266	160	2,106
	18,749	835	17,913

	NOTE	2022	2021
		Rupees in '000'	
<b>22. TRADE AND OTHER PAYABLES</b>			
Creditors	22.1	78,412	18,633
Accrued liabilities		391,596	300,907
Interest accrued - secured		12,172	13,897
Due to related party - unsecured	22.2	49,784	4,559
Withholding tax		32,703	21,245
Sales tax payable		3,863	-
Provident fund payable		48,739	40,566
Other payables		2,557	3,559
		<b>619,826</b>	<b>403,366</b>
<b>22.1</b>	Creditors include Rs. Nil (2021: Rs. 0.28 million) payable to a related party Nadoz greenz and Rs. 1.10 million payable to a related party HospitAll (Pvt.) Ltd. (2021: Rs. 0.38 million).		
<b>22.2 Due to related party - unsecured</b>			
<b>Associated</b>			
NetSol Technologies Europe Ltd.	22.2.1	49,784	4,559
		<b>49,784</b>	<b>4,559</b>
<b>22.2.1</b>	This relates to normal course of business of the Group and is interest free.		
<b>23. CONTRACT LIABILITIES</b>			
It represents license, subscription and support and services fee invoiced in advance. The license fee is transferred to revenue at a point in time when transfer of control of software is occurred whereas services fee and subscription and support fee is transferred to revenue over the time.			
There is increase of Rs. 160 million in contract liabilities as compared to last fiscal year (2021: decrease of Rs. 113.03 million). Explanation of significant changes are as follows:			
<b>Opening balance Contract Liabilities</b>		<b>198,508</b>	311,541
Add: Invoices raised		2,081,920	1,482,624
Less: Revenue recognized		(1,921,924)	(1,595,659)
<b>Closing balance Contract Liabilities</b>		<b>358,504</b>	198,508
<b>24. SHORT TERM BORROWINGS</b>			
Export refinance - ERF - II secured	24.1	1,580,000	1,580,000
		<b>1,580,000</b>	<b>1,580,000</b>
<b>24.1 EXPORT REFINANCE/LAPC/RF - SECURED</b>			
Askari Bank Limited - ERF - II	24.1.1	500,000	500,000
Samba Bank Limited - ERF - II	24.1.2	380,000	380,000
Habib Metro Bank Limited - Istisna/ Al Bai - Islamic Banking	24.1.3	700,000	700,000
		<b>1,580,000</b>	<b>1,580,000</b>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2022

**24.1.1** The facility for export refinance (ERF)/FAPC/FAPC(Own Source) is available from Askari Bank Limited amounting to Rs. 500 million (2021 : Rs. 500 million), availed Rs. 500 million (2021 : Rs. 500 million.) It carries mark-up of State Bank Refinance Rate+1% per annum (2021 : State Bank Refinance Rate+1% per annum). The interest rate charged for fiscal year 2022 was 3% (2021 : 3%). The due balance is payable bi-annually.

A sublimit of export refinance under FE 25 is also sanctioned amounting to \$ 3 million (2021 : \$ 3 million)

The company also has a running finance facility/FAPC-I/II of Rs. 75 million (2021 : Rs. 75 million) for working capital requirement. It carries markup at the rate of 3 month Kibor + 2%. (2021 : 3 month Kibor + 2%). As at June 30, 2022, Nil was outstanding against this facility. (2021: Nil).

A facility for issuance of guarantees (LG) as a sublimit of Running Finance (RF) is also available up to Rs. 40 million (2021 : Rs. 40 million), availed Rs. 8 million. (2021 : Rs. 11.488 million). A sublimit of RF up to Rs. 10 million (2021 : Rs. 10 million) is also available for corporate credit cards.

Unused running finance facility amount (including its sublimit) as at June 30, 2022 is Rs. 57 million (2021: Rs. 57 million).

The facilities from Askari Bank Limited are secured by way of Joint Pari Passu charge over Company's all present and future current assets amounting to Rs. 536.67 million (2021: Joint Pari Passu charge Rs. 536.67 million) and Joint Pari Passu charge of Rs. 690 million over fixed assets of the company (2021: Joint Pari Passu charge of Rs. 690 million). The facilities are also secured by way of equitable mortgage over 9 Kanal, 2 Kanal and 16 Marla properties, all located at Ghazi road, Lahore Cantt. These facilities are also secured by way of personal guarantees of Mr. Salim Ullah Ghauri, Mr. Omar Shahab Ghauri and Mr. Najeeb Ullah Ghauri.

**24.1.2** The facility for ERF/LAPC/RF is available from SAMBA bank Limited amounting to Rs. 530 million (2021 : Rs. 500 million), availed ERF Rs. 380 million (2021 : Rs. 380 million), LAPC Rs. Nil (2021 : Nil) and RF Rs. Nil (2021: NIL). ERF carries mark-up at State Bank Refinance Rate+1% per annum (2021: State Bank Refinance Rate+1%). Interest rate charged for the fiscal year 2022 for ERF was 3% (2021 : 3%). LAPC/RF carry markup at the rate of 3 month Kibor+1.5% (2021 : 3 month Kibor+1.5%). The due balance of ERF/LAPC is payable bi annually.

These facilities are secured by way of Joint Pari Passu charge over Company's all present and future current assets amounting to Rs. 291.67 million (2021: Joint Pari Passu charge of Rs. 291.67 million) and Joint Pari Passu charge of Rs. 375 million over fixed assets of the company (2021: Joint Pari Passu charge of Rs. 375 million). The bank also has equitable mortgage over 9 Kanal, 2 Kanal and 16 Marla properties, all located at Ghazi road, Lahore Cantt. The facilities are also secured by way of personal guarantees of Mr. Salim Ullah Ghauri, Mr. Omar Shahab Ghauri and Mr. Najeeb Ullah Ghauri.

**24.1.3** The facility for export refinance IERF - I & II (Istisna / Al Bai / Working Capital Musharakah) is available from Habib Metro Bank Limited amounting up to Rs. 900 million (2021 : Rs. 900 million), availed Rs. 700 million (2021 : Rs. 700 million). It carries profit at State Bank Refinance Rate+1% per annum (2021 : State Bank Refinance Rate+1% per annum). The profit charged for fiscal year 2021 was 3% to 5.5% (2021 : 3%). The due balance is payable bi-annually.

A sublimit of export refinance amounting to Rs. 900 million under FE 25 is also sanctioned (2021 : Rs. 900 million) which carries profit at the rate of 2.75% (2021: 2.75%). A sublimit of export refinance amounting to Rs. 900 million under Working Capital Musharakah is also available (2021 : Rs. 900 million) and carries profit at the rate of Monthly Kibor+0.25% (2021: Monthly Kibor+0.25%). As a sublimit of export refinance, LG amounting to Rs. 25 million is also available (2021 : Rs. 25 million), availed Rs.3.4 million (2021 : Rs.3.9 million). It carries commission at the rate of 0.10% per quarter (2021: 0.10%).

These facilities are secured by way of Joint Pari Passu charge over Company's all present and future current assets amounting to Rs. 525 million (2021: Joint Pari Passu charge of Rs. 525 million) and Joint Pari Passu charge of Rs. 675 million over fixed assets of the company (2021: Joint Pari Passu charge of Rs. 675 million).

The facilities are secured by way of equitable mortgage over 9 Kanal, 2 Kanal and 16 Marla properties, all located at Ghazi road, Lahore Cantt and also by way of personal guarantee of Mr. Salim Ullah Ghauri.

	NOTE	2022	2021
Rupees in '000'			
<b>25. CURRENT PORTION OF LONG TERM LIABILITIES</b>			
Current portion of long term financing	20	86,175	164,254
Current portion of deferred grant	20	712	9,537
Current portion of Loan Obligations	20	38,859	4,456
Current portion of lease liability	21	3,467	15,807
Current portion of long term advances		7,975	-
		<b>137,188</b>	194,053

## 26. CONTINGENCIES & COMMITMENTS

### 26.1 Contingencies

**26.1.1** Mr. Ahsan Zubair, ex-employee of the Company has filed a case for recovery of damages dated 26th January 2013 for malicious prosecution before the civil court, Lahore and has sought damages to the tune of PKR 500 million. The case was filed five years after a complaint lodged by NETSOL with Federal Investigation Authority pertaining to use of NetSol' s IP without authority by a company formed by Mr. Ahsan Zubair and his partner who was also an ex-employee of the Company. Keeping in view the facts and circumstances of the case, including the nature of evidence of the plaintiff and the laws applicable, it can safely be inferred that, on merits, no case for damages is made out. This is also endorsed by the fact that the case is barred by the laws relating to limitation. Moreover none of the ingredients forming basis for allowing a case of malicious prosecution are attracted. Therefore, on the facts of the case, there appears no chances of the case being allowed and there is no likelihood of this case having any adverse financial impact on the Company.

### 26.2 Commitments

**26.2.1** The Company has issued bank guarantees worth Rs. 11.4 million (2021: Rs.11.9 million) to LESCO and Standard Chartered Bank against its corporate credit cards.

**26.2.2** The Company has capital commitments of Rs. Nil under capital purchase agreements as at June 30, 2022. (2021: Rs. 6.889 million)

## 27. REVENUE FROM CONTRACTS WITH CUSTOMERS

<b>DISAGGREGATION OF REVENUE:</b>			
<b>Export Revenue</b>			
License		764,213	398,936
Services		2,046,353	2,459,674
Subscription and Support		3,181,568	2,088,949
		<b>5,992,134</b>	4,947,559
<b>Local Revenue</b>			
License		142,093	-
Services		54,923	-
		<b>197,016</b>	-
Sales tax		(3,863)	-
		<b>6,185,287</b>	4,947,559

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2022

	Note	2022	2021
		Rupees in '000'	
<b>27.1 Amount of revenue recognized from beginning balance of contract liabilities:</b>			
Opening balance-Contract Liabilities:		198,508	311,541
<b>Revenue recognized</b>		<b>198,508</b>	<b>311,541</b>
<b>27.2</b> The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June, are as follows:			
Within one year		1,482,712	1,408,771
More than one year		3,930,984	4,710,439
		<b>5,413,696</b>	<b>6,119,210</b>
<b>27.3 Timing of revenue recognition:</b>			
At a point in time		764,213	398,936
Over the time		5,421,074	4,548,623
		<b>6,185,287</b>	<b>4,947,559</b>
<b>28. COST OF REVENUE</b>			
Salaries & benefits	28.1	3,032,568	2,354,176
Software licenses		182,513	94,869
Staff training		3,777	1,945
Travelling & conveyance		115,845	38,653
Communication		63,328	50,945
Utilities		39,839	24,759
Printing & stationery		1,462	330
Entertainment		37,590	15,064
Insurance		2,294	590
Vehicle running & maintenance		75,870	48,948
Repair & maintenance		37,308	45,899
Fee & subscription		1,380	420
Depreciation	5.2	208,228	162,150
Amortization of leased assets	5.5	9,478	14,895
Amortization of intangible assets	6.1	293,504	293,504
		<b>4,104,984</b>	<b>3,147,147</b>

**28.1.** Salaries and benefits include Rs. 127.52 million (2021 : Rs. 99.08 million ) in respect of retirement benefits.

	NOTE	2022	2021
		Rupees in '000'	
<b>29. SELLING AND PROMOTION EXPENSES</b>			
Salaries & benefits	29.1	312,200	262,157
Rent, rates & taxes	29.2	8,733	9,192
Travelling and conveyance		57,755	5,979
Communication		2,680	4,182
Utilities		1,729	1,479
Printing & stationery		236	30
Entertainment		1,606	705
Insurance		1,470	1,686
Vehicle running expenses		7,577	6,671
Repairs and maintenance		4,280	1,975
Commission on sales		148,367	250,720
Sale promotional expenses		14,675	2,819
		<b>561,308</b>	<b>547,595</b>

**29.1** Salaries and benefits include Rs. 8.71 million (2021 : Rs. 8.43 million ) in respect of retirement benefits.

**29.2** Rent, rates & taxes includes expense in respect of short term leases.

<b>30. ADMINISTRATIVE EXPENSES</b>			
Salaries and benefits	30.1	631,078	506,315
Staff training		201	434
Rent, rates and taxes	30.2	20,910	19,977
Travelling and conveyance		53,333	9,426
Communication & postage		25,957	22,449
Printing and stationery		3,597	1,461
Utilities		21,369	18,428
Entertainment		29,033	19,171
Insurance		25,347	6,797
Advertisement		1,213	712
Vehicle running expenses		31,154	21,963
Repairs and maintenance		29,262	17,856
Legal and professional charges		11,124	9,332
Auditors remuneration	30.3	5,008	4,100
Office supplies		4,838	4,099
Charity & donation	30.4	16,995	24,105
Fee & subscription		15,258	14,797
Depreciation	5.2	68,981	54,051
Amortization of leased assets	5.5	3,160	4,965
		<b>997,818</b>	<b>760,438</b>

**30.1** Salaries and benefits include Rs. 24.16 million (2021 : Rs. 24.04 million ) in respect of retirement benefits and Rs 7.55 million in respect of share-based payment transactions.

**30.2** Rent, rates & taxes include expense in respect of short term leases amounted to Rs 15.17 million (2021: Rs. 14.79 million).

**30.3 Auditors remuneration**

Audit fee		4,200	3,300
Certifications of group reporting		600	550
Professional services		-	100
Out-of-pocket expenses		208	150
		<b>5,008</b>	<b>4,100</b>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2022

## 30.4 Charity & donation

Names of the donee along with amount of donation in case amount of donation exceeds higher of Rs. 1 million or 10% of total amount of donation is given below:

Name of Donee	NOTE	2022 Rupees in '000'	2021
Developments in Literacy Foundation		4,625	6,354
Farooq Trust School		-	1,588
Million Smiles Foundation		2,898	-
		<b>7,523</b>	<b>7,942</b>

Interest of the Directors or their spouses in the donations made during the year is as follows:

Name of donee and address	Name of interested directors and nature of interest		
Million Smiles Foundation (89 - Al Hafeez Business Center 2nd Floor, Office 201 Gulberg 3, Lahore 75000)	Zeshan Afzal - Member Board of Directors	2,898	-
<b>31. OTHER INCOME</b>			
<i>Income from financial assets</i>			
Profit on bank deposits & short term investments	31.1	281,709	150,310
Gain on foreign currency translation		790,668	-
Amortization of deferred revenue	31.2	-	2,454
Rental income		900	900
		<b>791,568</b>	<b>3,354</b>
		<b>1,073,277</b>	<b>153,664</b>

**31.1** Income is earned under both conventional mark-up arrangement and Shariah compliant arrangement. It include Rs. 259.91 million profit earned on Sharia compliant bank deposits & Investments (2021: Rs. 42.2 million).

**31.2** This amount represents amortization of gain on sale and leaseback (Finance Lease) of fixed assets transactions entered into before the initial application of IFRS 16 'Leases'.

## 32. OTHER OPERATING EXPENSES

Loss on disposal of assets		35,126	8,540
Loss on foreign currency translation		-	119,655
Research and development cost		218,162	69,652
Provision for expected credit losses		103,873	98,788
		<b>357,161</b>	<b>296,635</b>

## 33. FINANCE COST

Lease finance charges		3,491	3,674
Mark up on loans	33.1	64,015	71,775
Less: Amortization of govt. grant	20.2	(9,537)	(17,874)
Lease documentation charges		37	15
Bank charges		1,239	1,269
		<b>59,245</b>	<b>58,859</b>

**33.1** Mark up on loans include Rs. 21.93 million paid on Islamic mode of financing (2021: Rs.17.3 million).

## 34. TAXATION

Current year		139,803	68,618
Prior year		236	1,769
		<b>140,039</b>	<b>70,387</b>

As per Section 65F of the Income Tax Ordinance, 2001 income of the Company from export of computer software or IT services or IT enabled services is allowed a tax credit equal to 100% of tax payable up to June 30, 2022 subject to realization of eighty percent of the export proceeds into Pakistan through normal banking channels and in foreign exchange remitted from outside Pakistan along with fulfilment of other filing requirements. After June 30, 2022, 100% tax credit has been withdrawn and export income is taxable under FTR at reduced rate of 0.25% for exporters of IT and IT enabled services who are registered with the Pakistan Software Export Board (PSEB). However tax as per applicable rates is charged to the income of the Company generated from other than core business activities.

Deferred income tax asset has not been recognized in these financial statements as the Company's management believes that sufficient taxable profits will not be probably available in foreseeable future, hence, the temporary differences may not reverse.

	NOTE	2022	2021
		Rupees in '000'	
<b>Reconciliation of income tax expense for the year</b>			
Accounting profit		1,012,344	263,346
Enacted tax rate		29%	29%
Tax on accounting profit at enacted rate		293,580	76,370
Tax effect of income exempt from tax		(207,068)	(32,582)
Tax effect of income taxed at different rates		(15,777)	(13,754)
Prior year tax effect		236	1,769
FBR Tax demand		-	1,517
International taxation effect		69,068	37,068
		140,039	70,387

The Group has made the provision for taxation based on its understanding of the tax laws and regulations and on the basis of advice from its tax consultant. These provisions may require change in case these laws and regulations are interpreted differently by tax authorities and the Group's appeals are not accepted at various forums.

<b>35. EARNINGS PER SHARE</b>		2022	2021
		('000')	
<b>Basic</b>			
Profit attributable to ordinary shareholders of NetSol Technologies Limited		872,305	192,959
Weighted average number of ordinary shares in issue during the year	35.1	89,640	89,837
Basic - In Rupees		9.73	2.15
<b>Diluted</b>			
Profit attributable to ordinary shareholders of NetSol Technologies Limited		872,305	192,959
Weighted average number of ordinary shares in issue during the year	35.2	89,721	89,837
Diluted - In Rupees		9.72	2.15

		2022	2021
		No. in '000'	
<b>35.1 Weighted average number of ordinary shares (basic)</b>			
Issued ordinary shares as at July 1		89,837	89,837
Weighted average of shares/(buyback) issued during the year		(197)	-
Weighted average number of ordinary shares (basic) as at June 30		89,640	89,837
<b>35.2 Weighted average number of ordinary shares (diluted)</b>			
Weighted average number of ordinary shares (basic)	35.1	89,640	89,837
Effect of exercise of share options		81	-
Weighted average number of ordinary shares (diluted) as at June 30		89,721	89,837

### 36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

The aggregate amounts charged in the accounts for the remuneration, including all benefits, to the Chief Executive, Directors and Executives including key management personnel of the Group were as follows:

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2022

	Chief Executive		Directors		Executives	
	2022	2021	2022	2021	2022	2021
	Rupees in '000'					
Managerial remuneration	24,000	13,920	21,600	13,760	1,469,691	1,217,098
Retirement benefits	1,920	1,267	1,728	1,242	117,575	82,417
Rent and house maintenance	9,600	5,568	8,640	5,504	514,392	446,839
Utilities	2,400	1,392	2,160	1,376	220,454	111,710
Medical expenses	3,075	2,031	3,332	1,879	64,218	53,440
Commission / Bonus	-	-	-	-	159,012	174,362
<b>Total</b>	<b>40,995</b>	<b>24,178</b>	<b>37,460</b>	<b>23,761</b>	<b>2,545,342</b>	<b>2,085,866</b>
<b>No. of Persons</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>637</b>	<b>512</b>

The Chief Executive, Executive Directors and some Executives have been provided with company maintained cars.

During the current year CEO and other executives were granted 3 million share options in aggregate. (2021: NIL shares).

Nothing is paid to any non-executive director (including independent directors) in form of remuneration or other benefits except a fee approved by the board for attending the board and other committee meetings amounting Rs. 5.6 million (2021: Rs. 2 million)

## 37. CAPITAL MANAGEMENT

The primary objective of the Group's management is to ensure that it maintains a strong credit rating and healthy capital ratios while continue as going concern in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholder, issue new shares or sell assets to reduce debts or raise debts, if required.

As of the statement of financial position date, the management considers that the capital of the Company is sufficient to meet the business requirements.

The Group monitors capital on the basis of the gearing ratio. The ratio is calculated as follows:

	NOTE	2022	2021
		Rupees in '000'	
Total debt	37.1	1,801,746	1,872,079
Cash and cash equivalents		(3,794,130)	(3,795,397)
Net debt		-	-
Total equity	37.2	7,798,138	7,115,832
Gearing ratio (In percentage)		0%	0%

**37.1** Total debt includes liabilities against assets subject to finance lease, long term borrowings & short term borrowing.

**37.2** The total equity includes all the capital and reserves of the Group.

## 38. TRANSACTION WITH RELATED PARTIES

Related parties comprise of holding company, associated undertakings, directors of the Company, key employees and staff retirement fund. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Parent, subsidiary and associated undertakings also have some common directorship.

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows.

		2022	2021
		Rupees in '000'	
Relationship with the Group	Nature of transactions		
(i) Associated undertaking	Rental Income	900	900
	Provision of services	1,737,607	1,936,962
	Purchase of services	29,609	29,609
(ii) Parent	Commission	-	39,575
(iii) Post Employment benefit	Contribution to defined contribution plan	160,393	131,554

**38.1. Details of associated Companies incorporated outside Pakistan with whom the Company had entered into transaction or had agreements are as follows:**

Company Name	Country of Incorporation	Basis of association	Aggregate %age of Shareholding
NetSol Technologies (Thailand) Limited	Thailand	Associate	Nil
NetSol Technologies (Beijing) Co., Limited	China	Associate	Nil
NetSol Technologies Australia Pty. Limited	Australia	Associate	Nil
NetSol Technologies America	USA	Associate	Nil
NetSol Technologies Europe Limited	UK	Associate	Nil
NetSol Technologies Inc	USA	Parent company	67.62%
WRLD3D	USA	Associate	Nil
OTOZ Thailand Limited	Thailand	Associate	Nil
Ascent Europe Limited	UK	Associate	Nil

**38.2 Details of associated companies/related parties with whom the group had entered into transaction or had agreements other than already disclosed in note 38.1 above are as follows:**

Company Name	Basis of Relationship	Common directorship	Percentage of shareholding
NetSol Connect (Pvt) Limited	Associate	Yes	Nil
Nadoz Greenz	Common directorship	Yes	Nil
HospitAll (Pvt.) Ltd	Related Party	No	Nil

### 39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### Financial Risk Management

The Group's activities are exposed to a variety of financial risks. The Board of Directors of the holding company has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's overall risk management strategy seeks to minimize adverse effects from the unpredictability of financial markets on the Group's financial performance. The holding Company sets policies, strategies and mechanisms, which aim at effective management of these risks within its unique operating environment. The key financial risks include credit risk, liquidity risk, interest rate risk, and foreign currency risk.

Risk management is carried out in accordance with established policies and guidelines approved by the Board of Directors of the holding Company. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management objectives and policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

#### (a) Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. To reduce exposure to credit risk the Group has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. Credit risk of the Group arises principally from the trade debts, loans and advances, trade deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2022

	NOTE	2022	2021
		Rupees in '000'	
<b>Financial assets</b>			
<b>Amortized cost</b>			
Trade debts	39.1	2,515,750	1,649,836
Loans and advances		15,190	6,422
Security deposits		3,118	4,240
Other receivables		13,812	7,126
Due from related parties		449,781	445,737
Bank balances	39.2	3,779,112	3,785,370
		<b>6,776,763</b>	<b>5,898,731</b>

**39.1** The Group does not have significant exposure to any individual customer. At 30 June, the company had 30 customers owing more than Rs. 2,000 million and accounted for approximately 80% of the receivables outstanding. The Group has made allowances, where necessary, for potential losses on credits extended.

**39.2** Bank balances are held only with reputable banks. The credit rating of banks holding balances is given below:

	Short term	Long term	Rating Agency
Askari Bank Limited	A1+	AA+	PACRA
MCB Bank Limited	A1+	AAA	PACRA
Samba Bank Limited	AA	A-1	JCR-VIS
Meezan Bank Limited	A-1+	AAA	JCR-VIS
Dubai Islamic Bank Pakistan Limited	AA	A-1+	JCR-VIS
Al Baraka Bank	A-1	A+	JCR-VIS
Habib Metropolitan Bank	A1+	AA+	PACRA
Bank Alfalah	A1+	AA+	PACRA
Faysal Bank	A1+	AA	PACRA
Standard Chartered Bank	A1+	AAA	PACRA

## (b) Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group follows an effective cash management and planning policy to ensure availability of funds and to take appropriate actions for new requirements. Following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	2022			
	Carrying amount	Contractual cash flows	One year or less	Two to five years
Rupees in '000'				
<b>Non-derivative</b>				
<b>Financial liabilities</b>				
Finance lease liability	7,719	8,960	4,334	4,626
Trade and other payables	587,225	587,225	587,225	-
Short-term borrowings	1,580,000	1,718,826	1,718,826	-
Long term borrowings	214,027	250,068	146,852	103,216
		<b>2,388,971</b>	<b>2,565,079</b>	<b>2,457,237</b>
			<b>107,842</b>	

	2021			
	Carrying amount	Contractual cash flows	One year or less	Two to five years
	Rupees in '000'			
<b>Non-derivative</b>				
<b>Financial liabilities</b>				
Finance lease liability	17,913	18,749	16,482	2,266
Trade and other payables	386,361	386,361	386,361	-
Short-term borrowings	1,580,000	1,627,400	1,627,400	-
Long term borrowings	274,166	280,835	183,809	97,026
	<b>2,258,440</b>	<b>2,313,345</b>	<b>2,214,052</b>	<b>99,292</b>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at 30 June. Rates of interest / mark - up and their maturities are given in the respective notes.

#### (c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short term borrowings from bank, lease liabilities, term deposits and deposits in profit and loss/saving accounts with banks and investments in mutual funds. The company mitigates its interest rate risk by investing available cash in mutual funds and bank deposits, generating more return compared to the finance cost. At the statement of financial position date profile of the Group's interest-bearing financial instrument is:

	2022	2021
	Rupees in '000'	
<b>Financial assets</b>		
Bank balances	3,516,632	3,592,567
<b>Financial liabilities</b>		
Finance lease liability	7,718	17,913
Long term loan	214,027	274,166
Short-term borrowings	1,580,000	1,580,000
	<b>1,801,745</b>	<b>1,872,079</b>

#### Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates, with all other variables held constant, of the Group's profit net of tax.

Impact on Statement of Profit or Loss (net of tax)		
As at 30 June		
100 bps increase will result in increase in profit by	8,866	3,719
100 bps decrease will result in decrease in profit by	8,866	3,719

#### (d) Foreign currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Group is exposed to foreign currency risk on trade debts, payables and revenues which are entered in a currency other than Pak Rupees. Majority of the revenue of the Group is currencies other than Pak Rupees. The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes.

## Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk is as follows:

	2022	2021
	Rupees in '000'	
Trade Debts	2,515,750	1,649,836
Cash & bank balances	657,684	367,314
Due from related parties	427,056	419,867
Due to related parties	(49,784)	(4,559)
<b>Net Exposure</b>	<b>3,550,706</b>	<b>2,432,457</b>

## Sensitivity analysis

The following analysis demonstrates the impact of a 5% strengthening/weakening of the Pak Rupee against other currencies which include UK£, US\$, AUS\$, CNY¥, EURO€, HKD & THBB at 30 June on equity and statement of profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2021.

	2022				
	Rupees in '000'				
	USD	CNY	EURO	Others	Total
Impact on statement of profit or loss (net of tax) as at 30 June					
Strengthening	(854,763)	(945,448)	(317,956)	(171,434)	(2,289,601)
Weakening	854,763	945,448	317,956	171,434	2,289,601

	2021				
	Rupees in '000'				
	USD	CNY	EURO	Others	Total
Impact on statement of profit or loss (net of tax) as at 30 June					
Strengthening	(665,735)	(267,700)	(467,876)	(71,168)	(1,472,479)
Weakening	665,735	267,700	467,876	71,168	1,472,479

## (e) Fair value of financial assets and liabilities

The carrying values of financial assets and financial liabilities reported in statement of financial position approximate their fair values.

## (f) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The Group is not exposed to significant other price risks as its investments are stated at cost.

## 39.3 Financial Instruments By category

	NOTE	2022	2021
		Rupees in '000'	
<b>Financial assets at amortized cost</b>			
Trade debts		2,515,750	1,649,836
Loans and advances		15,190	6,422
Security deposits		3,118	4,240
Other receivables		13,812	7,126
Due from related parties		449,781	445,737
Bank balances		3,779,112	3,785,370
		<b>6,776,763</b>	<b>5,898,731</b>
<b>Financial liabilities at amortized cost</b>			
Finance lease liability		7,719	17,913
Trade and other payables		587,225	386,361
Long-term borrowings		214,027	274,166
Short-term borrowings		1,580,000	1,580,000
		<b>2,388,971</b>	<b>2,258,440</b>

#### 40. DISCLOSURE REQUIREMENT FOR THE COMPANIES LISTED ON ISLAMIC INDEX

Loans/advances obtained as per Islamic mode	Disclosed in Note no. 24
Shariah compliant bank deposits/bank balances	Disclosed in Note no. 16
Profit earned from shariah compliant bank deposits/bank balances;	Disclosed in Note no. 31
Revenue earned from a Shariah compliant business segment;	Disclosed in Note no. 27
Gain/loss or dividend earned from shariah compliant investments;	Disclosed in Note no. 31
Exchange gain earned;	N/A
Mark up paid on Islamic mode of financing;	Disclosed in Note no. 33
Relationship with shariah compliant banks	Disclosed in Note no. 24
Profits earned or interest paid on any conventional loan or advance	Disclosed in Note no. 31 & 33

#### 41. PROVIDENT FUND RELATED DISCLOSURE

A joint provident fund is maintained by NetSol Group. The following information is based on the latest financial statements of the fund:

	2022 (Unaudited)	2021 (Audited)
	Rupees in '000'	
Size of the fund - Total assets	1,483,421	1,284,757
Cost of investment made	1,034,492	949,975
Percentage of investment as size of fund	70%	74%
Fair value of investments	1,095,135	978,548

##### 41.1 The breakup of fair value of investments is:

	2022		2021	
	Investments Rupees in '000	Percentage of investment as size of fund	Investments Rupees in '000	Percentage of investment as size of fund
Bank Balances	410,588	28%	567,385	44%
Investment in Government Securities	93,001	6%	-	0%
Investment in Listed Equity Securities	237,870	16%	222,441	17%
Others	293,033	20%	160,149	12%
	1,034,492	70%	949,975	74%

41.2 The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

#### 42. NUMBER OF EMPLOYEES

	2022	2021
	No. of Employees	
Average number of employees during the year	1,349	1,268
Number of employees as at year end	1,520	1,279

#### 43. ANNUAL SOFTWARE DEVELOPMENT CAPACITY

The Group is engaged in Software development, subscription and support and licensing. Due to complicated nature of the software development process annual development capacity can not be determined.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2022

## 44. SEGMENT REPORTING

For Management purposes, the Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different to industries.

The Group measures the performance of its operating segments through a measure of segment's gross profit or loss referred to as segment results. Segment results are determined by deducting directly attributable segment expenses from segment revenues. The accounting policies of the reportable segments are the same as that of the Group's accounting policies. This measure is reported to the CODM for the purposes of resource allocation and assessment of performance. All other expenses are reported separately to CODM.

Intersegment revenue is recorded at fair market price.

Segment assets and liabilities are not regularly provided to the CODM. The Group has elected as provided under IFRS 8 'Operating Segments' (amended) not to disclose a measure of segment assets or liabilities where these amounts are not regularly provided to the CODM.

With respect to geographical regions, revenue is generally allocated to regions based on the location where the products and services are provided.

Fixed assets used in the business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. Accordingly, no disclosure relating to total segment assets and liabilities are made.

### Reportable Segments

The CODM has identified the segments which may earn revenues and incur expenses and whose operating results are subject to regular monitoring. Following are identified segments:

#### (i) Product Based Solutions and Ancillary Services (PBS)

The Group is primarily engaged in the selling of licenses of its state-of-the-art NetSol Financial Suite Ascent and NFS Digital, its customization and subscription and support. This segment provides worldwide services but mainly operates in Asia Pacific region.

#### (ii) Professional Services (PS)

The Group globally offers a technical consultancy, web development, app development, digital marketing & cloud services to organizations in different regions in order to enable them to meet their business objectives.

#### (iii) Business Process Outsourcing (BPO)

The Group provides IT Related Outsourcing services mainly in the USA and European regions.

Except as indicated above, no operating segments have been aggregated to form the above reportable.

#### 45. SEGMENT REVENUES AND RESULTS

Following is an analysis of the Group's revenue and results by reportable segment.

	2022			Total
	PBS	PS	BPO	
	Rupees in '000			
Revenue from contracts with customers - Net				
External sales				
License	903,521	-	-	903,521
Services	1,869,537	99,968	131,232	2,100,737
Subscription and Support	3,181,029	-	-	3,181,029
<b>Total revenue</b>	<b>5,954,087</b>	<b>99,968</b>	<b>131,232</b>	<b>6,185,287</b>
Cost of revenue	(3,901,408)	(104,536)	(99,040)	(4,104,984)
<b>Segment results</b>	<b>2,052,679</b>	<b>(4,568)</b>	<b>32,192</b>	<b>2,080,303</b>
Unallocated corporate expenses:				
Selling and promotion expenses				(561,308)
Administrative expenses				(997,818)
Other income				1,073,277
Other operating expenses				(357,161)
Finance cost				(59,245)
Share of loss from associate				(165,704)
Taxation				(140,039)
<b>Profit after taxation</b>				<b>872,305</b>

	2021			Total
	PBS	PS	BPO	
	Rupees in '000			
Revenue from contracts with customers - Net				
External sales				
License	398,936	-	-	398,936
Services	2,186,936	65,057	207,681	2,459,674
Subscription and Support	2,088,949	-	-	2,088,949
<b>Total revenue</b>	<b>4,674,821</b>	<b>65,057</b>	<b>207,681</b>	<b>4,947,559</b>
Cost of revenue	(2,965,701)	(32,558)	(148,888)	(3,147,147)
<b>Segment results</b>	<b>1,709,120</b>	<b>32,499</b>	<b>58,793</b>	<b>1,800,412</b>
Unallocated corporate expenses:				
Selling and promotion expenses				(547,595)
Administrative expenses				(760,438)
Other income				153,664
Other operating expenses				(296,635)
Finance cost				(58,859)
Share of loss from associate				(27,203)
Taxation				(70,387)
<b>Profit after taxation</b>				<b>192,959</b>

\*Key

PBS = Product Based Solutions and Ancilliary Services

PS = Professional Services

BPO = Business Process Outsourcing

Segment assets and liabilities are not regularly provided to the CODM. The Group has elected as provided under IFRS 8 'Operating Segments' (amended) not to disclose a measure of segment assets or liabilities where these amounts are not regularly provided to the CODM.

#### 45.1. Revenue by geographic regions

The revenue is generated from clients in following geographical regions:

	Pakistan	Asia Pacific	Australia & USA	UK	Others	Total
2022	197,016	4,320,402	1,078,350	232,506	360,876	6,189,150
2021	-	3,868,531	757,782	175,598	145,648	4,947,559

Asia Pacific includes: China, Thailand, Japan, Taiwan & Korea; Australia & USA includes Australia, New Zealand & USA; Others include Middle East and South Africa

#### 45.2 Revenue from major customers

The revenue from major customer during the year was Rs. 2,931 million (2021: Rs.1,353 million).

#### 45.3 Non current assets

Net book value of non-current assets held in foreign countries is Rs. Nil (2021 : Rs. Nil).

#### 46. CORRESPONDING FIGURES

Corresponding figures have been wherever necessary re-arranged/re-classified for better presentation, however no significant re-classification or re-arrangements have been made except for operating segments of the Group based on the revised allocation basis in these consolidated financial statements

#### 47. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 26, 2022 by the Board of Directors.

#### 48. GENERAL

Figures have been rounded off to the nearest thousand rupee unless otherwise stated.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

# Form of Proxy

I/We \_\_\_\_\_  
(Name)

Of \_\_\_\_\_  
(Place)

being a member(s) of *NETSOL TECHNOLOGIES LIMITED* hereby appoint

\_\_\_\_\_

(Name and Folio No. / Participant Account No. & Sub-Account No.)

Of \_\_\_\_\_  
(Place)

who is also a member of the Company, as my/our proxy to attend and vote on my/our behalf at the Annual General Meeting of the Company to be held at the Registered Office of the Company situated at NetSol IT Village (Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt., and virtually on Tuesday October 25, 2022 at 11:00 a.m. and at any adjournment thereof.

Signed at \_\_\_\_\_ this \_\_\_\_\_ Day of \_\_\_\_\_ 2022.

Witness 1:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC or  
Passport No. \_\_\_\_\_

Fifty Rupees  
Revenue Stamp

Witness 2 :

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC or  
Passport No. \_\_\_\_\_

Signature of Member(s)

Shareholder's Folio No. \_\_\_\_\_

and/or Participant I.D. No. \_\_\_\_\_

Note:

- 1) This form of proxy, in order to be effective, must be deposited duly completed, at the Company's registered Office at NetSol Technologies Limited, NetSol IT Village (Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt. not less than 48 hours before the time of holding the meeting.
- 2) A Proxy must be a member of the Company. Signature should agree with the specimen registered with the Company.

Second Fold

Affix Revenue  
Stamp

The Company Secretary

**NetSol Technologies Limited**

NetSol IT Village (Software Technology Park)  
Lahore Ring Road, Ghazi Road Interchange  
Lahore Cantt. 54792, Pakistan.

First Fold

Third Fold and Tuck In

# پراکسی فارم

میں مسٹی / مسماة

(نام)

ساکن

(جگہ)

بحیثیت **نیٹ سول ٹیکنالوجیز لمیٹڈ** کا ایک ممبر یہاں

مستی / مسماة

(نام اور فوٹیو نمبر / پارٹنر شپ نمبر / اکاؤنٹ نمبر اور سب اکاؤنٹ نمبر)

ساکن

(جگہ)

جو کہ کمپنی کا ایک ممبر بھی ہے، کو بطور مختار (پراکسی) مقرر کرتا کرتی ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے سالانہ اجلاس عام جو مورخہ 25 اکتوبر 2022ء بروز منگل صبح 11:00 بجے بمقام کمپنی کے رجسٹرڈ آفس واقع نیٹ سول ٹیکنالوجیز لمیٹڈ نیٹ سول آئی ٹی ویلیج (سوفٹ ویئر ٹیکنالوجی پارک) لاہور رنگ روڈ، غازی روڈ انٹر چینج لاہور کینٹ اور بذریعہ ویڈیو لنک منعقد یا کسی ملتی شدہ اجلاس میں ووٹ ڈالے۔

دستخط کی جگہ \_\_\_\_\_ تاریخ \_\_\_\_\_ دن \_\_\_\_\_ 2022ء۔

گواہی نمبر

دستخط:

نام:

پتہ:

پچاس روپے کی  
رسیدی ٹکٹ

کمپیوٹرائزڈ قومی شناختی کارڈ

یا پاسپورٹ نمبر:

گواہی نمبر ۲

دستخط:

نام:

پتہ:

ممبر کے دستخط:

فوٹیو نمبر:

اور یا پارٹنر شپ نمبر آئی۔ ڈی نمبر:

کمپیوٹرائزڈ قومی شناختی کارڈ

یا پاسپورٹ نمبر:

نوٹ:-

(۱) پراکسی فارم ہر لحاظ سے مکمل اور موثر ہونی چاہئے اور اسے کمپنی کے رجسٹرڈ آفس واقع نیٹ سول ٹیکنالوجیز لمیٹڈ نیٹ سول آئی ٹی

ویلیج (سوفٹ ویئر ٹیکنالوجی پارک) لاہور رنگ روڈ غازی روڈ انٹر چینج لاہور کینٹ میں کم از کم اجلاس سے ۲۸ گھنٹے قبل جمع کرانا ہوگا۔

(۲) پراکسی کمپنی کا ممبر ہوں۔ دستخط کمپنی کے ریکارڈ شدہ نمونہ سے تصدیق ہو۔

Second Fold

Affix Revenue  
Stamp

The Company Secretary

**NetSol Technologies Limited**

NetSol IT Village (Software Technology Park)  
Lahore Ring Road, Ghazi Road Interchange  
Lahore Cantt. 54792, Pakistan.

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# NETSOL Technologies Limited

NetSol IT Village (Software Technology Park) Lahore Ring Road, Ghazi  
Road Interchange, Lahore Cantt. 54792, Pakistan  
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Email: [info@netsolpk.com](mailto:info@netsolpk.com)

