



ANNUAL  
REPORT  
**2015**



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# COMPANY Profile

## BOARD OF DIRECTORS

**SHAHAB-UD-DIN GHAURI**  
Chairman/Non-Executive Director

**SALIM ULLAH GHAURI**  
Chief Executive Officer

**VASEEM ANVAR**  
Independent Director

**SHAHID JAVED BURKI**  
Independent Director

**FIDA HUSSAIN**  
Independent Director

**NAJEEB ULLAH GHAURI**  
Non-Executive Director

**OMAR SHAHAB GHAURI**  
Executive Director

## AUDIT COMMITTEE

**VASEEM ANVAR**  
Chairman

**FIDA HUSSAIN**  
Member

**NAJEEB ULLAH GHAURI**  
Member

## COMPANY SECRETARY

**BOO-ALI SIDDIQUI**

## CHIEF INTERNAL AUDITOR

**MUHAMMAD ABDUL WAHAB HAFEEZ**

## AUDITORS

**KABANI & CO.**  
Chartered Accountants  
SKP House  
321-Upper Mall, Lahore

## LEGAL ADVISOR

### CORPORATE LAW ASSOCIATES

1str Floor Queen's Centre  
Shahra-e-Fatima Jinnah  
Lahore

## BANKERS

Askari Bank Limited  
MCB Bank Limited  
Summit Bank Limited  
Bank Alfalah Limited  
Bank Al Habib Limited  
First National Bank Modaraba  
First Habib Modaraba

## SHARE REGISTRAR

### VISION CONSULTING LIMITED

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

## 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, 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

Building No. 26 – C, Main Khayaban-e-Jami  
Phase – 7 Extension, Defence, Karachi  
Tel: +92-21-35319401-20

## WEB PRESENCE

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



## 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.

Vision Phrase	Explanation
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.
Great environment for our employees	A caring environment that fosters growth and development, learning, openness, opportunities and creativity.

## Mission Statement

To be the premium solutions provider for 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 mergers and acquisitions.
- We ultimately aim to enhance shareholders' value, incrementally and exponentially, by growing existing streams as well as building new streams through research and development, partnerships, acquisitions and spin-offs.

## QUALITY

# Focus

Our commitment is to continually improve the effectiveness of our quality management system through;

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

Our focus in quality engineering and process improvement has been definitive in ensuring the excellence of operations and customer satisfaction.

We are continuously investing in software processes improvement and ISO/SEI authorized trainings for our teams. Our vigor, experience and experimentation in the quality domain since our inception puts us in an ideal position to assist other companies in areas like Software Process Improvement, ISO Certification, SW - CMM appraisals and other quality related matters.



# SERVICES Portfolio

## Industries we serve



## Services we offer



## GLOBAL

# Customers

### CHINA

Mercedes Benz Auto Finance  
Mercedes Benz Leasing  
Toyota Motor Finance  
Volvo Automotive Finance  
BMW Automotive Finance  
Mercedes Benz Financial Services Taiwan  
Minsheng Financial Leasing  
GAC-Sofinaco  
Great wall Motors  
Fiat Automotive Finance Company Limited  
Fortune Auto Finance Company Limited  
China ZhengTong Auto Services Holdings Limited  
BYD Company Limited  
Volvo Financial Leasing Company

### THAILAND

Mercedes Benz Leasing  
Toyota Leasing Company  
Nissan Leasing

### AUSTRALIA

Mercedes Benz Financial Services  
CNH Capital  
Nissan Motor Company  
Innovation Group Pty. Limited  
Pepper Group



## HONGKONG

Mercedes Benz Finance

## JAPAN

Mercedes Benz Finance Company

## MALAYSIA

Mercedes Benz Financial Services

## SINGAPORE

Mercedes Benz Financial Services

## KOREA

Mercedes Benz Financial Services

## US

Innovation Group Plc

## UK

Innovation Group Plc

## PAKISTAN

State Bank of Pakistan  
Information Technology Department  
Punjab Excise & Taxation Department  
Government of Sind  
Telenor



FROM THE DESK OF  
Chairman



*“NetSol is developing rapidly as an organization, in line with its vision of attaining a global leadership position.”*

I am very pleased to see this financial year close on a very strong note. It strengthens our confidence in the company's operations and long term profitability to emerge as a global leader in the software industry. It also reinforces our belief in following an aggressive growth strategy based on continued investments in product development and market expansion. The excellent market response to our latest offering, the next generation software, Ascent, is a strong signal to keep pushing ahead with an aggressive growth agenda.

NetSol is developing rapidly as an organization, in line with its vision of attaining a global leadership position. Alhamdulillah, the company's product leadership is now getting extended to excellence in other key indicators of corporate strength, including governance, quality control and human capital development. The Company's ICAN program has rapidly evolved into a strong platform for developing IT professionals into the next generation of business leaders. That these efforts are well directed is borne out by the stream of awards that the Company

continues to pick up, regularly, in areas such as export performance, quality of leadership and gender diversity.

I believe that our shareholders have great reason to repose trust and confidence in the Company and its management. I feel indebted to all of you for supporting the Company in the tough choices that it made in recent times to pave way for a better tomorrow, In Shaa Allah.



**Shahab-Ud-Din Ghauri**  
Chairman

Lahore  
September 08, 2015

## NETSOL

# Events



Efforts and hard work of Support Staff being appreciated



NetSol contributed for the rehabilitation of IDP's.  
Salim Ghauri presenting cheque to  
Chief of Army Staff, General Raheel Sharif



Stephane Consalvi  
Cloud & Enterprise Business Group Lead  
Microsoft, at NetSol



Launching Ceremony of Shahid Javed Burki's Institute  
for Public Policy at NetSol



Own a Tree Campaign at NetSol



NetSol Technologies awarded with "Best Selling  
Finance and leasing solution" in China



ExCo 2015 - "Planning the future"



Green Meadows School Shadman gets NetSol lab



Salim Ghauri with Ichiro Yajirma President, Member of Board of Directors Toyota Financial Services China



Launch of Innovative Apps for Good Governance



Michael Folley, President and CEO of Telenor visits NetSol



Najeeb Ghauri receiving award for service to Pakistani American Community from Consul General Pakistan in Los Angeles.

## NETSOL

# Events



Aerial view of NetSol Building



NetSol Australia Team



NetSol China office on Growth spurt



NetSol donates equipment to Rescue 15 Islamabad Safe City Project



NetSol Technologies wins Gender Diversity Award in P@SHA ICT Awards 2014, Karachi



NetSol Premium League 2015 Winners



NetSol cricket team - Winners of FAST Sports Gala



Baroness Noshin Mobarik CBE , House of Lords visits NetSol



World Diabetes Day 2014 walk at NetSol IT Village



Zachary Harkenrder, US Consul General visit NetSol

## SHAREHOLDER'S

# 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, 35727096-7  
Fax: +92-42-35726740, 35701046

### Shares Registrar

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

### Listing on Stock Exchange

Equity shares of NetSol Technologies Limited are listed & traded on Karachi Stock Exchange since August 2005, on Islamabad Stock Exchange since March, 2009 and on Lahore Stock Exchange since March, 2010.

### Listing Fees

Annual listing fees for the financial year 2014-15 has been paid to all the Stock Exchanges.

### Stock Code

The stock code for dealing in equity shares of the company at KSE, LSE and ISE are "NETSOL"

### 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.

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

Sr. No.	Activities	For Request Received through post	Over the Counter
1	Transfer of Shares	30 days after receipt	30 days after receipt
2	Transmission of Shares	30 days after receipt	30 days after receipt
3	Issuance of duplicate share certificates	30 days after receipt	30 days after receipt
4	Issuance of duplicate dividend warrants	5 days after receipt	5 days after receipt
5	Issuance of re-validated dividend warrants	5 days after receipt	5 days after receipt
6	Change of Address	2 days after receipt	15 minutes

## NETSOL TECHNOLOGIES LIMITED

# Share Price/Volume

Monthwise high, low prices of our shares traded at Karachi Stock Exchange along with monthly turnover traded during the financial year 2014-2015 are as under :

Month	Share price on the KSE (Rs.)		Monthly Turnover
	Highest	Lowest	
Jul-14	31.65	28.18	3,455,000
Aug-14	29.45	22.50	5,365,000
Sep-14	30.48	24.01	18,255,000
Oct-14	33.70	27.67	15,542,000
Nov-14	35.69	28.90	22,533,500
Dec-14	39.59	34.40	14,450,500
Jan-15	46.19	37.12	27,452,000
Feb-15	50.54	41.31	25,161,500
Mar-15	44.84	30.66	6,788,000
Apr-15	40.5	33.79	6,080,500
May-15	39.74	34.50	5,327,500
Jun-15	46.70	37.01	11,662,500



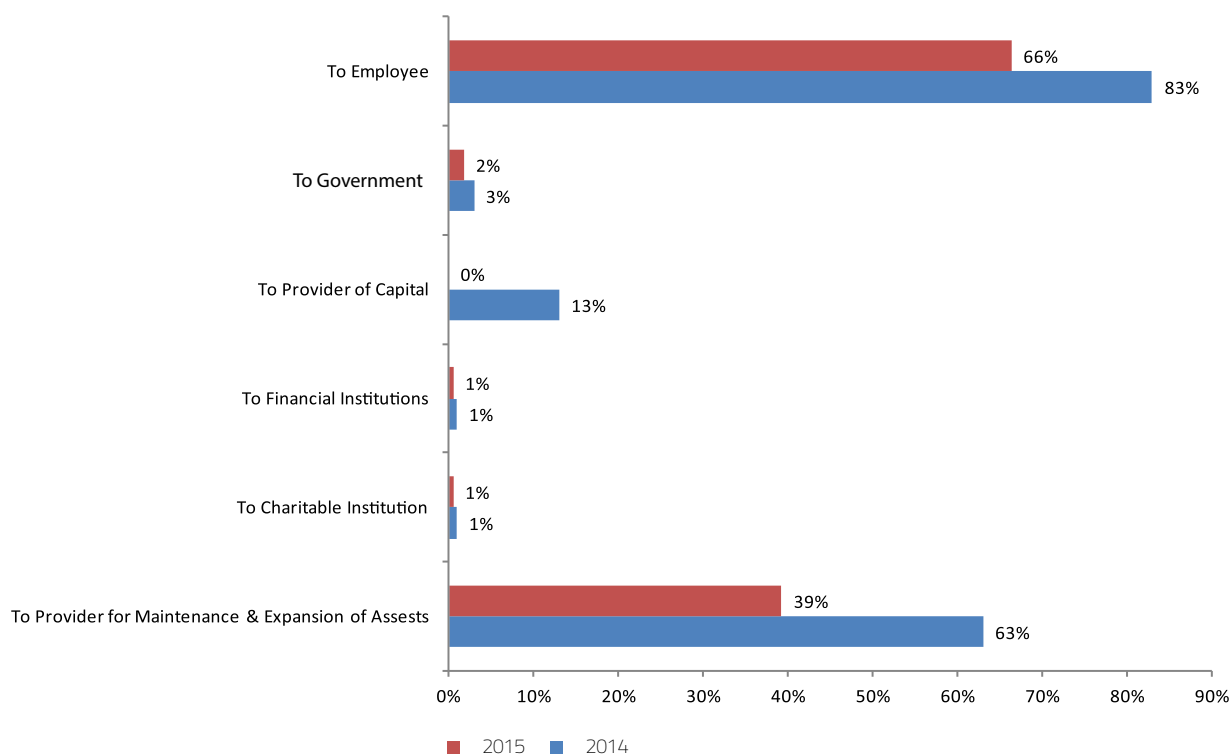


FINANCIAL

# Highlights

# STATEMENT OF Value Addition

	2015	% age	2014	% age
Rupees in '000'				
<b>VALUE ADDITION</b>				
Revenue	2,700,191		1,831,525	
Other Income	121,816		163,749	
	2,822,007		1,995,274	
Less Operation & General Expenses	690,233		785,215	
Value Added	2,131,774	100%	1,210,059	100%
<b>VALUE DISTRIBUTION</b>				
<b>To Employee</b>				
Salaries & other employee benefits	1,414,091	66%	1,008,323	83%
<b>To Government</b>				
Income tax & other taxes	38,810	2%	33,253	3%
<b>To Provider of Capital</b>				
Bonus shares & dividend	-	0%	159,644	13%
<b>To Financial Institutions</b>				
Mark-up on borrowings	11,837	1%	12,076	1%
<b>To Charitable Institution</b>				
	17,470	1%	15,045	1%
<b>To Provider for Maintenance &amp; Expansion of Assets</b>				
Depreciation / Amortization	836,591	39%	759,880	63%
Retained loss	(187,025)	-9%	(778,162)	-64%
	2,131,774		1,210,059	



# SIX YEARS'

# Summary

	2015	2014	2013	2012	2011	2010
<b>FIXED CAPITAL EXPENDITURE</b>						
Tangible	2,412,894	2,704,408	1,894,191	1,361,923	1,240,533	662,257
Intangibles	2,511,297	2,868,568	2,873,958	2,501,052	2,073,091	1,493,810
	4,924,191	5,572,976	4,768,149	3,862,975	3,313,624	2,156,067
<b>DEFERRED EMPLOYEE CONTRIBUTION EXPENSE</b>	-	-	-	54	750	2089
<b>NON-CURRENT ASSETS</b>						
LONG TERM INVESTMENT	15,188	15,188	15,188	15,188	15,188	15,188
WORKING CAPITAL	363,378	135,342	1,534,796	1,277,790	850,929	1,234,983
<b>NET ASSETS EMPLOYED</b>	<b>5,302,757</b>	<b>5,723,506</b>	<b>6,318,133</b>	<b>5,156,007</b>	<b>4,180,491</b>	<b>3,408,327</b>
<b>EQUITY &amp; LIABILITIES</b>						
SHAREHOLDER'S EQUITY	5,280,964	5,466,733	6,125,402	4,954,932	4,033,508	3,337,208
NON-CURRENT LIABILITIES	21,793	256,773	192,731	201,075	146,983	71,119
<b>TOTAL FUNDS INVESTED</b>	<b>5,302,757</b>	<b>5,723,506</b>	<b>6,318,133</b>	<b>5,156,007</b>	<b>4,180,491</b>	<b>3,408,327</b>
<b>REVENUE</b>	<b>2,700,191</b>	<b>1,831,525</b>	<b>2,632,779</b>	<b>2,189,855</b>	<b>1,811,375</b>	<b>1,845,022</b>
<b>COST OF REVENUE</b>	<b>2,167,105</b>	<b>1,814,351</b>	<b>1,087,478</b>	<b>833,842</b>	<b>674,188</b>	<b>529,631</b>
<b>GROSS PROFIT</b>	<b>533,086</b>	<b>17,174</b>	<b>1,545,301</b>	<b>1,356,013</b>	<b>1,137,187</b>	<b>1,315,391</b>
<b>OPERATING EXPENSES</b>	<b>720,111</b>	<b>635,692</b>	<b>385,693</b>	<b>434,589</b>	<b>343,499</b>	<b>363,527</b>
<b>NET (LOSS) / PROFIT FOR THE YEAR</b>	<b>(187,025)</b>	<b>(618,518)</b>	<b>1,159,608</b>	<b>921,424</b>	<b>793,688</b>	<b>951,864</b>
<b>(LOSS) / EARNING PER SHARE</b>	<b>(2.10)</b>	<b>(7.02)</b>	<b>13.48</b>	<b>10.73</b>	<b>9.24</b>	<b>11.08</b>
<b>RESERVES &amp; SHARE CAPITAL</b>						
Reserves	4,390,487	4,577,021	5,339,672	4,175,817	3,254,393	2,558,093
Share Capital	890,464	889,699	785,717	779,102	779,102	779,102

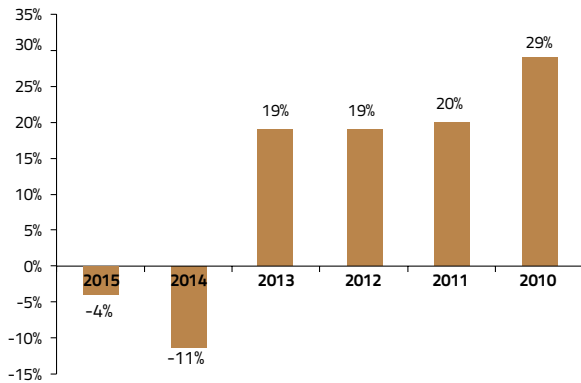
## KEY FINANCIAL

## Ratios

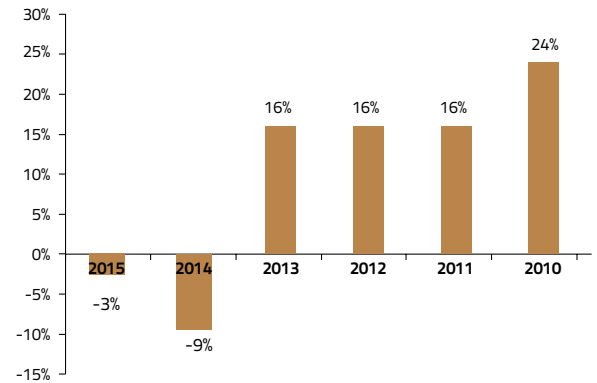
		2015	2014	2013	2012	2011	2010
Working Capital	Rupees in thousand	363,378	166,633	1,534,796	1,277,790	850,929	1,234,983
Gross Profit	%	20%	1%	59%	62%	63%	71%
Net (Loss) / Profit	%	-7%	-34%	44%	42%	44%	52%
Return on Equity	%	-4%	-11%	19%	19%	20%	29%
Return on Assets	%	-3%	-9%	16%	16%	16%	24%
(Loss) / Earning Per Share	Rupees	(2.10)	(7.02)	13.48	10.73	9.24	11.08
Book Value Per Share	Rupees	59.31	61.44	77.96	63.60	51.77	42.83
Outstanding No of Shares	Shares	89,046,423	88,969,923	78,571,703	77,910,203	77,910,203	77,910,203
Debtor Turnover	Times	6.02	5.77	2.73	2.67	2.00	2.15
Current Ratio	Times	1.33	1.20	3.05	2.66	2.08	3.16

# FINANCIAL Summary

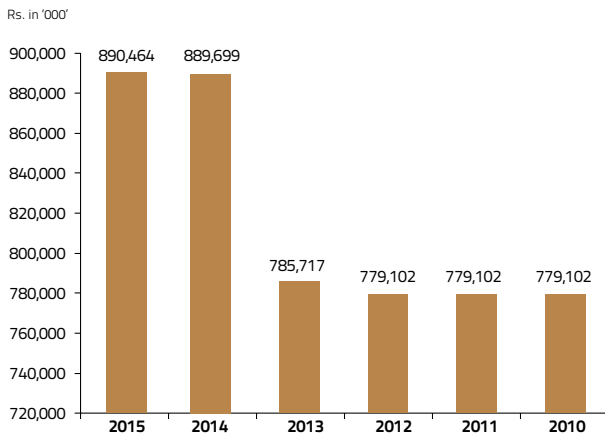
## Return on equity



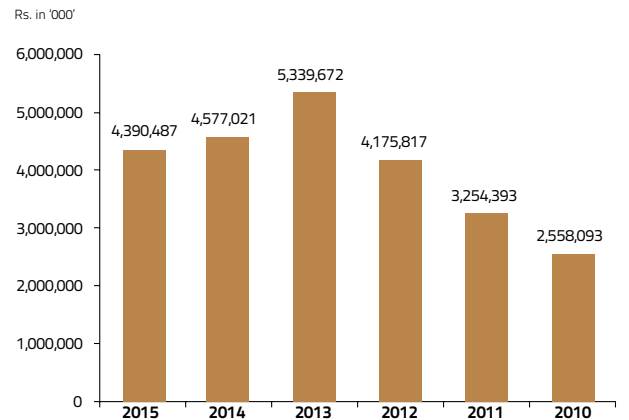
## Return on Assets



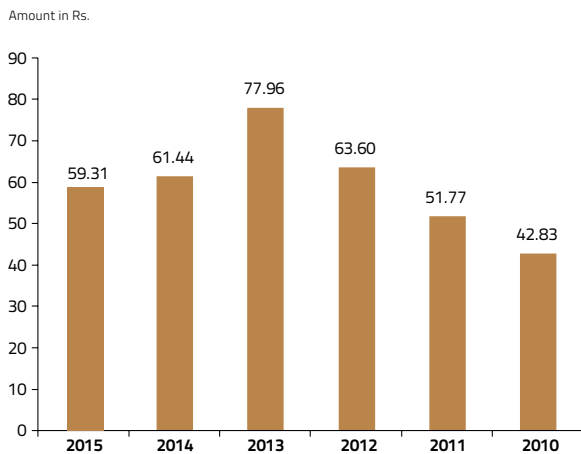
## Share Capital



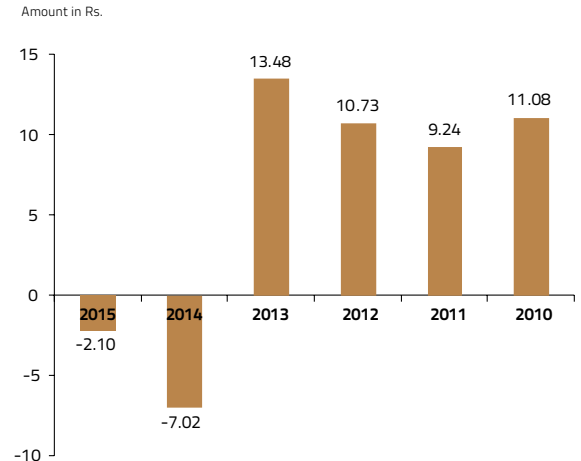
## Reserves



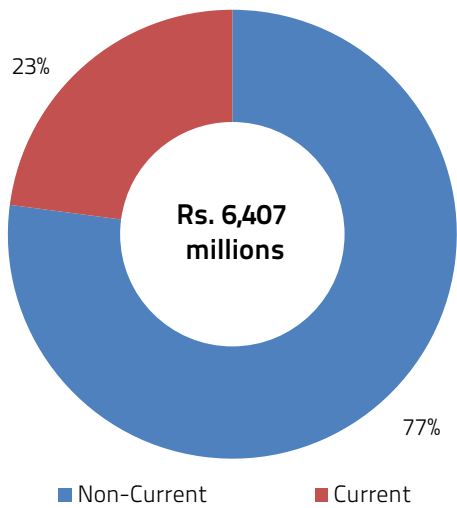
## Book value per Share



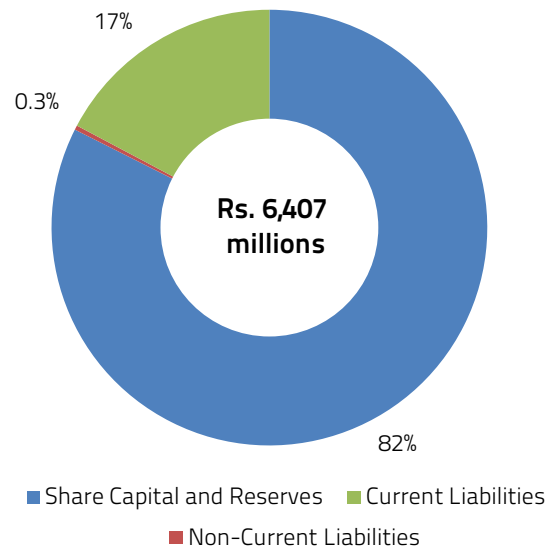
## Earning / (loss) per share



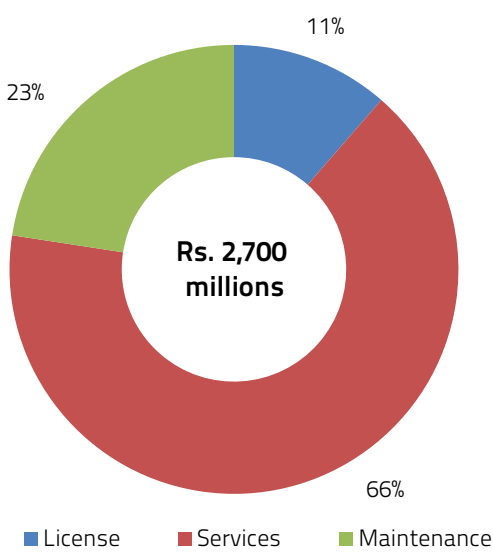
### Assets



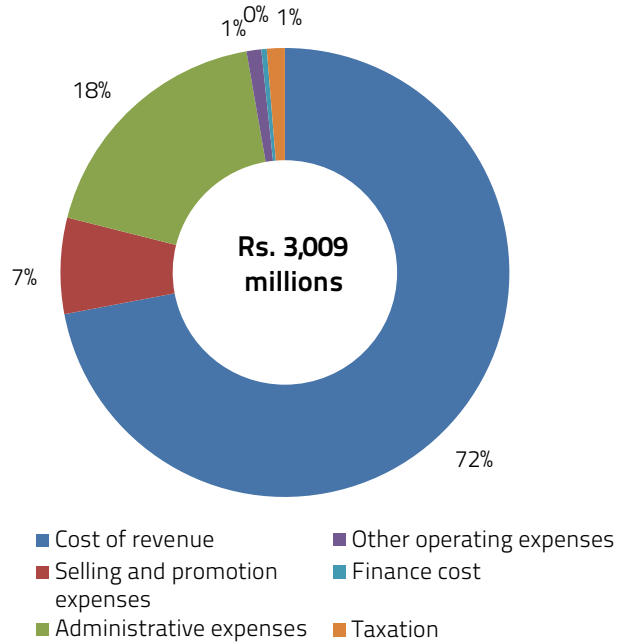
### Equity & Liabilities



### Revenue



### Expenses



# Governance

# Board of Directors

## Shahab-Ud-Din Ghauri Chairman



Shahab-Ud-Din Ghauri joined the board of NetSol Technologies in February 2014. His association with NetSol goes back to its inception when he put in the seed capital in the venture in 1996 and later served NetSol UK, as Managing Director in 2000. Before investing into the vision of NetSol, he was a successful entrepreneur managing his own business of contacting heavy machinery from the USA and Romania for use in Pakistan. Dealing with large multinational oil drillers and construction companies for over a decade he brings invaluable experience to the Board.

## Salim Ullah Ghauri Chief Executive Officer



Salim Ullah Ghauri is the sponsor and founder member of NetSol Technologies Ltd. He has been a software developer since early 1980s, and between 1981 and 1995 he designed and developed financial applications for large size databases. Before establishing NetSol Technologies, He was a successful IT consultant in Australia. His last assignment was with BHP Steel in Sydney. As a system integrator he was responsible for software and hardware solutions. His main achievement was the introduction of a PC-based network in BHP Steel. From 1988-89, He consulted with the State Rail Authority of NSW Australia for its MIS reporting. Before moving to Australia, he was in Saudi Arabia, where he started his IT career at Citibank, Riyadh in 1979. After leaving Citibank, he started his first venture with the help of local funding. He is credited with setting up the first IT-based training institute and a software house in Dammam, Saudi Arabia. He is also the Honorary Consul of Australia for Punjab, Pakistan.

## Vaseem Anvar Independent Director



Vaseem Anvar 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 Anvar in the areas of design, planning, construction, construction management, real estate development, the firm has experienced consolidated growth in Pakistan and International markets.

## Shahid Javed Burki

Independent Director



Prior to joining as board member, Shahid Javed Burki had a distinguished career with the World Bank where he held a number of senior positions. In 1996-1997, He took a leave of absence from the World Bank to act as Finance Minister of Pakistan. Upon early retirement from the World Bank, He acted as CEO of the Washington-based investment firm EMP Financial Advisors from 1992-2002. He also spends some time each year as Senior Visiting Research Fellow at the Institute of South Asian Studies, National Singapore University. He also has a distinguished academic background. He was educated at Government College, Lahore where he received his M.Sc. in Physics, Oxford University as a Rhodes Scholar where he received his MA (Hons) in Economics, and Harvard University as a Mason Fellow where he received an MPA.

## Fida Hussain

Independent Director



Fida Hussain was born in Karachi and after completing his Bachelors in business from Karachi University, he moved to Saudi Arabia where he worked for various multinational companies including CitiBank and LM Ericsson and held the senior management positions. He had the opportunity to attend various administration and operational management training programs from Sweden. After coming back to Pakistan, he established first bread plant in Karachi, the enterprise which made a humble beginning in 1981 has, within a decade, grown to capture 35% of the consolidated market share of all bread products in the country. Major driving force for this rapid growth was his ability to manage things independently and make teams who could accomplish their assigned tasks in line with overall strategic objectives of company.

## Najeeb Ullah Ghauri

Non Executive Director



Najeeb Ullah Ghauri is Pakistani born US national and a resident in California. His career spans over 25 years of academic, corporate and entrepreneurial accomplishments. His most dynamic, can do and versatile attributes led him to successfully manage senior divisional roles in fortune 500 companies such as Unilever and Atlantic Richfield Corporation, or Arco for short, prior to embarking on a most successful and challenging venture of his career to date. He received his bachelor's degree from Eastern Illinois University, and earned an MBA in marketing from the Drucker School of Management at The Claremont Graduate School. In 1982, He was a nominee for the Ernst & Young 'Entrepreneur of the Year' award in California. He is very active in various educational non-governmental organizations (NGOs) worldwide. He is a founding board member of the Pakistan Human Development Fund. He is a board member at the U.S. Pakistan Business Council in Washington, D.C. (a U.S. Chamber of Commerce Body), and is also on the board of M4 International, Inc., a California-based executive consulting firm.

## Omar Shahab Ghauri

Executive Director



Omar Shahab Ghauri joined NetSol in 2005, as a Business Development Executive. He quickly moved up the ladder and assumed the position of Vice President in 2008, until finally becoming in charge of NFS - NetSol's flagship product in 2010. He envisioned NFS as an established global product, spearheaded its development and streamlined processes for its global delivery. He played a vital role in transforming the product portfolio philosophy to a well-managed product line. He completed his Bachelors in Computer Science from James Madison University, USA in 2002.

## DIRECTORS' REPORT TO THE Members

*“By the grace of Almighty Allah, the company has started its journey back to profitability in the fiscal fourth quarter.”*



## GENERAL OVERVIEW

Businesses are adapting and reshaping their strategies and increasingly using technology to establish a stronger customer connect, create competitive differentiation and address new opportunities. In particular, the adoption of the digital five forces namely mobility, cloud, big data analytics, social media and artificial intelligence continues apace resulting in reimagined business models, business processes, systems and workplaces, disrupting the old ways of doing business in multiple industries and opening up entirely new, often unconventional, revenue sources for those who have imaginatively leveraged these forces.

During the fiscal year ended June 30, 2015 Pakistan's IT exports shown a reasonable pace of growth. Despite many challenges and issues to industry players, Pakistan continues to show great promise as a flourishing technology hub to the world with its growing pool of talented and highly motivated engineers. Pakistan's partnerships with countries such as China, as well as investments from the UK and Saudi Arabia are encouraging signs of its geopolitical and economic turnaround. Similarly, the US is Pakistan's largest trading partner with many Fortune 500 companies doing business in the country for decades. These types of investments are expected to increase in future, bringing more opportunities for businesses across the world to expand in Pakistan as the country continues its economic resurgence and local entrepreneurial endeavors into larger companies with new technologies and new products and services.

From NetSol perspective, the fiscal 2015 had started with a number of challenges. After the announcement of our next generation product "NFS Ascent™" in the fiscal year 2014, the company experienced severe pressure on the sale of its legacy system "NetSol Financial Suite™" as lot of traction was recorded from the customers for the next generation product. As a result, a decline was

noticed in the overall revenues of the company in the fiscal year 2014 and even in the first half of the fiscal 2015. However, by the grace of Almighty Allah, the company has started its journey back to profitability in the fiscal fourth quarter. The revenues numbers have increased to be the ever highest in the history of the company. Main contributors toward revenue were the demand of the legacy product particularly in China as well as signing of new deals of NFS Ascent™. The overall improved revenues have resultantly contributed towards the profitability of the company, hence reducing the overall losses which were posted during the first nine months of the fiscal year.

## NFS ASCENT™

Ever since its launch nearly two years ago, our next generation product, NFS Ascent™, has seen a meteoric rise in popularity in the global finance and leasing industry. Despite being in infancy, Ascent saw a successful finalization of the implementation of its wholesale system this year for a leading Japanese automobile manufacturer. In addition to it, the implementation of its Contract Management System as well as the Credit Application Process is at final stages at a renowned captive finance company in Indonesia. Additionally, a major existing auto captive client is now in negotiations with NetSol to upgrade the old legacy system to NFS Ascent™. This promising rise garnered even more interest from other parts of the world where, in addition to drawing preliminary inquiries from an eminent Australian lending and financial services group, it also gained traction with numerous customers in China, requesting to provide them an upgrade to the NFS Ascent™ platform.

NFS Ascent™, has managed to create a solid momentum, showing promise of future spurs of growth. The product has drawn interest from companies of different business volume levels as it is purposed to be highly scalable to match requirements of businesses of all sizes. NetSol

designed its next generation product suite with the current and forecasted needs of the leasing and finance industry in mind, with provisions in place to cater to any variances that might occur over time in those requirements.

## NETSOL FINANCIAL SUITE™ (NFS)

NetSol continues to dominate the global finance and leasing industry, specifically the Asia Pacific region, through its flagship legacy product, the NetSol Financial Suite™. The software streamlines asset-based finance operations from contract origination through completion. NFS is the leading solution of its type in the Chinese market, holding the largest market share. NFS has also continued to do exceptionally well in the country for which it was awarded the "First Rate and Best Selling Finance and Leasing Solution Provider" for the third year running. This year was even better than last year bringing in several new implementations. NFS Wholesale Finance System was sold to a joint venture between Geely Automobile Holdings Limited and BNP Paribas Personal Finance, providing auto dealers with a software platform to manage their operations and financing activities. Another joint venture DongZheng, between ZhengTong Auto Services Holding Limited, a premium dealership group in China, and DongFeng Motors Corporation, went live with the NetSol Financial Suite.

## ENTERPRISE MOBILITY

NFS Enterprise Mobility being one of the first of its kind in the asset finance and leasing market has created a lead against its competitions and new industry entrants. The product enables both finance and leasing businesses to mobilize their operations, giving remote operational abilities throughout the leasing lifecycle and also gives the end customer a means to monitor their accounts. NetSol has launched its mobility suite in all the major regions of the world, using key industry

events as the main channel to spread awareness of the product and create need realization amongst finance and leasing companies. NFS Mobility has demonstrated a lot of cross selling appeal as various existing customers have shown interest in the product.

## IT CONSULTING AND SERVICES

Like all spheres NetSol made considerable developments in the services sector, excelling in consulting and services across many information technology sub disciplines like product development, information security, process improvement and maintenance protocols. We have the highest quality IT consultants and services experts, with unique problem solving abilities and decades of exclusive experience under their belt. Many projects were carried out during the current fiscal year, making NetSol's services operations a valuable source of revenue for the company, supplementing the core business. Furthermore, the information security group continued to provide services in the information security management domain, offering services, assessments, penetration and vulnerability testing, consultancy and product implementations.

## OUTSOURCING

One of the prominent areas in the information technology industry is the outsourcing business and one of the stable businesses that currently we have, is the outsourcing joint venture with Innovation Group plc, UK, known as NetSol Innovation (Pvt) Ltd. Since its inception, the number of its resources are increasing at a reasonable pace. The company has its clientele in all three major regions of the world i.e., Europe, Australia and the North America. The growing number of resources shows the confidence of the customers in our professionalism and the quality of our services.

## FINANCIAL PERFORMANCE

	For the Year ended June 30, 2015	For the Year ended June 30, 2014
Revenue	2,700,191	1,831,525
Gross profit	533,086	17,174
Net loss	(187,025)	(618,518)
Weighted average No. of outstanding shares	88,999	88,069
Loss per share – basic	(2.10)	(7.02)
Loss per share – diluted	(2.09)	(6.98)
Adjusted EBITDA per share – diluted	7.54	1.79

Fiscal 2015 though started at a negative note for the company, but concluded positively. Though the Company has still posted loss for the current year yet it has reduced to a great extent compared with the previous year results. More importantly, the company is back to profitability in the fourth quarter of the fiscal 2015.

Net revenues for the year ended June 30, 2015 were Rs. 2,700 million compared to Rs. 1,832 million in fiscal 2014. License revenue remained comparable with the last fiscal year reported numbers. However Services revenues improved to Rs. 1,785 million in the current fiscal year compared to Rs. 978 million in the same period last year. The additional enhancement as well as customization requests from the existing customers coupled with the implementation of both the legacy and next generation products at various customers sites have resulted in such an increase in the overall services revenues. Maintenance revenue also increased from Rs. 478 million in the fiscal 2014 to Rs. 609 million in the current fiscal year. The increase in maintenance revenue is mainly attributable to the implementations which were completed during the previous year but for which maintenance income has started coming from the current year.

Gross profit for the year was Rs. 533 million, up from Rs. 17 million in the same period last year. The company posted net loss of Rs. 187 million in

the current year compared with a net loss of Rs. 619 million in the comparative year. Basic and diluted loss per share was Rs. 2.10 and Rs. 2.09 in comparison with last year's basic and diluted loss per share of Rs. 7.02 and Rs. 6.98 respectively.

Adjusted EBITDA profit was Rs. 7.54 per share in the current fiscal year compared to Rs. 1.79 in the last fiscal year. EBITDA is a non-IFRS measure which is commonly used by the investors and analysts to analyze the financial health of any company. EBITDA is earnings before interest, tax, depreciation and amortization. Due to better realization of accounts receivables, the Company is also showing improved trends in its cash flows. The management believes that the Company is back on its track and the loss for the period was primarily due to the non-cash expense of depreciation and amortization of NFS Ascent™ which was earlier capitalized.

## DIVIDEND AND BONUS ISSUE

The Company is currently focused on the marketing of NFS Ascent™ along with enhancing the development capacity. The enhancement of development capacity is cost intensive as it requires finance to develop physical facility and infrastructure as well as hire, train and retain best human resources. All these initiatives require a handsome amount of investment to

make. Therefore the Board of Directors has not recommended any pay-out for the fiscal year ended June 30, 2015.

## FUTURE OUTLOOK

Now that, to a great extent, we have settled into regular incremental development, the teams are now focused at finding and developing markets for both the new and existing products. With a well-rounded product portfolio, NetSol now has the capability to target any market of the world, with some customizations to adapt the products to the unique localization needs of any given marketplace. NetSol has also ventured into two new markets, the MENA region and Indonesia. As a strategic move, NetSol has also located its service and support center in Dubai. Although data is scant for the region, research shows that leasing and financing activities are on the rise in comparison to outright purchasing, especially in the Middle East and the auto sector. The African countries that fall in the larger region are mainly underdeveloped and don't hold a significant direct business share. However, even then this region has demonstrated steady but stable growth in terms of leasing and financing. Indonesia is another market of interest and NetSol is in the process of setting up operations on ground in the country. NetSol already has a client in the country and is following other high value leads over there. Establishing a dedicated center in the country would allow NetSol to maximize efficiency by reducing response times and increasing market awareness.

A strong team of IT professionals who have the zeal and potential to excel further have always been the driving force behind NetSol's success. It is certain that with such a talented team, we will keep bringing business into our country and will soon become world's largest IT hub. We believe that as the economic outlook improves, coupled by the decisive campaign to improve internal security, NetSol will benefit from an improved perception

and a greater recognition of the country's competitive advantage and technology talent.

Additionally our flagship legacy product, the NetSol Financial Suite™ continues to do well in APAC region particularly China. We will continue to make every effort in the future to keep our pristine track record of 100% successful implementations, while dedicating resources to research and development to continually innovate our business through new and ground-breaking products.

## PROMOTIONAL AND AWARENESS ACTIVITIES

Promotional activities peaked last year, however NetSol carried out considerable awareness activities making its presence felt in career fairs and other such events at all the top universities of the country. Moreover, many top students and graduates were invited to visit NetSol's purpose built facility where they were put through several skill assessment activities and got the opportunity to interact with the top IT authorities of the country. NetSol also held an idea generation/ incubation competition called Throwathon at the Lahore University of Management Sciences (LUMS), one of the leading institutes in Pakistan. More than 100 individuals, in 50 plus teams participated in the competition which was also covered by the mainstream media. As the top employer of the country in the information technology sphere, we believe in carrying out such competitive activities to encourage the growth of the whole system.

## AWARDS & RECOGNITION

During the fiscal year 2014-15, the Company was honored with the following awards & laurels:

- First Rate and Best Selling Finance and Leasing Solution Provider in China for the third year running

- NetSol Technologies won Gender Diversity Award I P@SHA ICT Award 2014, Karachi
- NetSol received P@SHA's ICT awards for Best IT/ITES Employer Award as well as Best Revenue Growth Award
- NetSol was ranked in Forbes in Top 500 software companies to work for in 2015

## CORPORATE SOCIAL RESPONSIBILITY

There comes different changes in the market every time, which create different trends in the market; nobody knows the market trends in the future. Corporate Social Responsibility (CSR) can be use as a tool for companies to implement in their strategy and can improve public relation and economic performance. Particularly in the Pakistani context, the companies can create a consumer market by adopting sustainable practices in their strategy. The company with sustainable practices can sustain its presence in the market for longer period of time. CSR allows the companies to adopt the triple bottom line approach by considering the environment, the social, and the economic aspect of the business. This makes companies to behave ethically and act as responsible citizen in the society. Adopting sustainable practices can make strategic strength. CSR can also bind the workers in the company and maintain positive relationship with the stakeholders and create security for the business owner and shareholders. NetSol is a firm believer in sustainability and for the company sustainability implies that they should act responsibly on behalf of the future generations or the fulfillment of economic, environmental and social progress. NetSol takes this responsibility as an early adopter of CSR initiatives. Alongwith sustained economic performance, environmental and social stewardship is a key factor for holistic business growth. The Company works with different Foundations and Trusts towards improving healthcare infrastructure, supporting

primary education, rehabilitating abandoned women and children, and preserving Pakistani art and culture.

NetSol takes this CSR program in various sectors requiring foremost attention, including education, healthcare, poverty alleviation and environmental protection. As a responsible corporate citizen, NetSol undertook various projects for community welfare during the year, some of which are described hereunder:

## RELATIONSHIP WITH EMPLOYEES

### Gamification

NetSol initiated the concept of Gamification in 2014, providing an opportunity for our employees to complete mundane tasks in a challenging way. Gamification is the use of critical thinking and game mechanics in non-game contexts to engage users in solving problems at workplace. These techniques strive to leverage their natural desires for competition, achievement and status. The concept of gamification helps managers in evaluating their resources' problem solving, quick thinking, time management and many other leadership-essential qualities over time.

### In-house Doctor

In an effort to curb health care costs and provide employees with more convenient means of addressing urgent chronic health needs, NetSol has an in-house medical doctor and professional staff available from 9:00 am to 5:00 pm on daily basis.

### Fire and Safety Staff

NetSol is dedicated to protecting its employees and property from accidents at all times. Keeping this in mind, our fire and safety staff provides quality life-safety education to our employees.

### Umrah Draws

Every year employees are sent to perform Umrah through random balloting. In 2015, four

company employees along with their one family member were sent to perform Umrah through computerized draw on Company's expenses.

### **Free Lunch and Gymnasium**

The Company is also maintaining a cafeteria at its premises where complementary lunch is provided to all the staff members. Same food is served both for the management and other employees including support staff. This facility is also available at other regional offices of the Company. The Company has also invested in a sports complex for indoor games such as table tennis, snooker and football etc. A Gymnasium with state of the art fitness equipment is also maintained for the employees.

### **Pick & Drop and Day Care Facility**

To encourage the female population to take part in the development of the country, the Company also provide pick and drop facility to its female staff members. The facility is provided from their doorstep at a very subsidized rate. Additionally day care facility is also provided to female employees at subsidized rates.

## **SAFETY AND HEALTH**

### **Fire Drills**

Frequent life-safety trainings are conducted at NetSol by the fire and safety staff. In addition to trainings, fire drills were also conducted in 2015 where all employees were and are encouraged to participate and learn for any future accident that might occur on the premises. Also, employees are made aware during these drills of their exit options, in case there ever is an emergency situation.

### **Hygiene Campaign**

A month long hygiene awareness campaign was held at NetSol in August 2014. Around 1400 employees participated in the campaign and competed for being the cleanest employees in the company. The main idea behind this campaign was to create awareness

regarding the importance of hygiene and health through constant reinforcement.

## **ENVIRONMENT CONSERVATION AND PROTECTION**

### **Own a Tree**

An environment conservation campaign was conducted by the name of 'Own a Tree'. The campaign was all about educating employees of how important clean environment is for a healthy living – for that, more than 100 employees of NetSol planted trees in the outskirts of Lahore.

### **Critical Human Needs and Disaster Response**

NetSol helps communities meet their basic human needs and recover from disasters by supporting charitable and public service organizations. In recent past, we donated technical equipment (LEDs, laptops, etc.) to Rescue 15 to aid them in their service delivery. Moreover, we encourage our employees to support local causes that they are passionate about. We believe employee engagement is one of the most effective ways for NetSol to support and build relationships with communities. It gives our employees the opportunity to help others as well as become more socially responsible and aware of global issues. In July 2014, NetSol employees raised a reasonable amount of money for the assistance of internally displaced people who were uprooted from their homes in North Waziristan. Moreover, a Noble Cause fund, where employee contributions are matched by the company, is used to support disadvantaged people meet urgent needs.

## **CORPORATE PHILANTHROPY**

### **NetSol Education Support Program (NESP)**

NESP program is primarily designed to support the education of children of eligible employees up to Grade XII. It covers all permanent employees, working in "Admin Support Function" of NetSol and its subsidiaries. The employees who are covered under this program will be privileged to educate their children and provide them with a

better future.

### Energy Conservation

As a responsible corporate citizen and aligned with global imperatives, the Company continued to strengthen our energy conservation efforts and promoting the use of energy efficient products, awareness about reducing energy use in operations and producing electricity from cheaper sources. Benefits include mitigating rapidly rising costs of fuel, shortage of electricity and the organizational resilience.

### Employment of Special Persons

The Company believes in equal opportunity hiring. We facilitate and accommodate the special people who have relevant knowledge and skill but ignored by the society. In addition to it, we have a quota fixed for people living in the rural and less privileged areas who do not get much opportunities likes others.

### Contribution to National Exchequer

We have always showed our responsibility by paying all government taxes in time and without any delay. For the year ended June 30, 2015 we made our humble contribution to the National Exchequer by way of general sale tax, income tax and other government levies.

Description	Rupees (000)
Income Tax	19,082
Sales Tax	14,291
With Holding Tax	125,918

## INSTITUTE FOR CORPORATE ADVANCEMENT AT NETSOL (ICAN)

The year 2014-15 is a milestone in ICAN's history as NetSol founders strengthen the culture of learning for better productivity and efficiency by hiring local and international experts in Higher Education and technical training. This dedicated team has implemented a state of the art in-house

Learning Management System. Three training rooms, a recording studio and the necessary training infrastructure for a high quality training experience have been set up. A reservations process for optimum utilization of available resources is also rolled out. A pool of twenty two Subject Matter Experts (SMEs) supports the learning framework by contributing in content development, teaching, mentoring and problem solving. In this year, 13,638 hours of training was imparted to 1,024 employees. The hybrid modes of learning included instructor led in-person classes, self-paced online courses, and video-based classes coupled with SME knowledge sharing sessions. In addition to these trainings, ICAN also processed external certifications and exams of 46 senior employees including ITIL, PMP and CMMI related trainings.

## COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

We are committed to maintain high standards of good corporate governance without any exception. The directors are pleased to inform that your company is compliant with the provisions of the Code of Corporate Governance as introduced by the Securities & Exchange Commission of Pakistan and adopted by the Karachi, Lahore & Islamabad Stock Exchanges. Statement of compliance with the Code of Corporate Governance is also annexed with the annual report.

## CORPORATE & FINANCIAL REPORTING FRAMEWORK

- The financial statements, prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the company have been maintained.

- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practice of corporate governance, as detailed in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges.
- Key operating and financial data of the last six years, in summarized form, is annexed herewith.
- There are no statutory payments on account of taxes, duties, levies and charges outstanding as on June 30, 2015 except those as disclosed in the financial statements.
- Value of the provident fund investments as on June 30, 2015 was Rs. 315.6 million (June 30, 2014: Rs. 223.46 million).
- No material changes and commitments affecting the financial position of the company have occurred between the end of the financial year to which this balance sheet relates and the date of the directors' report.

## CODE OF CONDUCT

The management has prepared a code of conduct which is duly adopted by the Board. All directors,

senior management and employees have signed this code and are required to observe these rules of conduct in relation to customers, suppliers and regulators.

## 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:

Name of Director	Name of Alternate Director	Designation
Vaseem Anvar	N/A	Chairman/ Independent Director
Fida Hussain	N/A	Member/ Independent Director
Najeeb Ullah Ghauri	Rehmat Ullah Ghauri	Member/ Non- Executive Director

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

## HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Board of Directors in compliance with the Code of Corporate Governance has established a Human Resource and Remuneration Committee comprising of the following three (03) members:

Name of Director	Designation
Shahid Javed Burki	Chairman/ Independent Director
Vaseem Anvar	Member/ Independent Director
Salim Ullah Ghauri	Member/ Executive Director

The committee gives recommendations to the board regarding selection, evaluation and compensation of key management positions.

## ATTENDANCE AT BOARD MEETING

During the year ended June 30, 2015, Five (05) board meetings were held and attended as follows:

Name of Director	Name of Alternate Director	No. of Meetings
Shahab-ud-Din Ghauri	N/A	04
Salim Ullah Ghauri	N/A	04
Vaseem Anvar	N/A	04
Najeeb Ullah Ghauri	Rehmat Ullah Ghauri	05
Shahid Javed Burki	N/A	02
Omar Ghauri	N/A	05
Fida Hussain	N/A	00

Leave of absence was granted to the members not able to attend the board meetings.

## ATTENDANCE AT AUDIT COMMITTEE MEETING

During the year ended June 30, 2015, five (05) meetings of the Audit Committee were held and attended as given hereunder:

Name of Director	Name of Alternate Director	No. of Meetings
Najeeb Ullah Ghauri	Rehmat Ullah Ghauri	05
Vaseem Anvar	N/A	05
Fida Hussain	N/A	00

Leave of absence was granted to the members who could not attend the meetings.

## DIRECTOR'S TRAINING PROGRAM

Three of our board members are exempt from directors' training program as per clause (xi) of the code of corporate governance having more than fourteen years of education and over fifteen year of experience on the board of listed companies. Besides this, one of our directors, namely Mr. Omar Ghauri has already qualified Directors' Training Program conducted by Pakistan Institute of Corporate Governance (PICG). The Company will ensure that the remaining directors acquire the certification under the directors training program

within the timeframe specified in the Code.

## EMPLOYEE STOCK OPTION SCHEME

On August 01, 2009, the compensation committee granted 4.35 million stock options to the employees at a grant price of Rs.16.42 per option. The options were granted under employee stock option scheme duly approved by the Securities and Exchange Commission of Pakistan. Since the grant of options till the end of fiscal year 2015, 90% of the granted option had become exercisable.

According to the requirements of Section 12 of Employees Stock Option Rules 2001, following disclosure is made regarding options granted, vested or exercised during the financial year ended June 30, 2015:

1. The company had granted 4,350,000 options to its employees.
2. Exercise price of options is determined by taking one month's average share price of company's share at Karachi Stock Exchange on the date of grant of an option discounted by 20%.
3. 90% of the options granted had vested by the end of financial year ended June 30, 2015.
4. Till June 30, 2015, 3,154,000 options were exercised by the employees and Rs. 51.79 million were received by the company on this account.
5. 76,500 fresh shares were issued during the fiscal year ended June 30, 2015 due to exercise of options by the employees. Total shares issued against the employees' stock option scheme till June 30, 2015 are 3,154,000.
6. No options lapsed during the year.
7. There was no variation in the scheme as approved by the shareholders and the SECP.
8. Following options were granted to the senior managerial cadre employees of the company:

Name of Director	No. of options granted
Chief Executive Officer	250,000
Chief Operating Officer	100,000
Chief Financial Officer	100,000

Both the CEO and COO have already exercised 90% of the granted options whereas no option has been exercised by the CFO of the company. Except the figures disclosed above, no employee was granted option amounting to five percent or more of options granted during one year or one percent or more of the issued capital of the Company.

## HOLDING COMPANY

NetSol Technologies Inc., 24025 Park Sorrento, Suite 410, Calabasas CA 91302, USA holds majority of shareholding of the company.

## AUDITORS

The present external auditors' Messrs Kabani & Company, Chartered Accountants retire and being eligible, offer themselves for reappointment.

The external auditors have confirmed that have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP). They have further confirmed that their firm is in compliance with International Federation of Accountants' (IFAC) guidelines 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.

As suggested by the Audit Committee, The Board recommends their reappointment for the year ending June 30, 2016.

## KEY OPERATING AND FINANCIAL DATA

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

## PATTERN OF SHAREHOLDING

Pattern of shareholding as at June 30, 2015 as required by section 236 of the Companies

Ordinance 1984 including the information under the Code of Corporate Governance is annexed herewith.

## ACKNOWLEDGEMENT

The Board of Directors places on record its appreciation for the support by its shareholders, valued customers, government agencies and financial institutions. The board would also like to express its appreciation for the services, loyalty and efforts being continuously rendered by the executives and all the staff members of the company and hope that they will continue with these efforts in future.

On behalf of the Board



**Salim Ullah Ghauri**  
Chief Executive Officer

Lahore  
September 08, 2015

## CORE

# Value

Our core values are the key principles that guide our conduct and our relationships. They define how we engage with each other as well as with our customers, how we deliver value and how we

behave. They connect us to each other and make our successes possible. Each of us is accountable to align our conduct with our core values.

## 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.



# KABANI & COMPANY

CHARTERED ACCOUNTANTS

## INDEPENDENT ASSURANCE REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH EMPLOYEES SHARE OPTION SCHEME

### Scope of our work

We have performed an independent assurance engagement of Netsol Technologies Limited (the Company) to express an opinion on the annexed Statement of Compliance (the Statement) with the requirements of Employees Share Option Scheme (the Scheme), as approved by the shareholders of the Company, and the Public Companies (Employees Stock Option Scheme) Rules, 2001 (the Rules) as of June 30, 2015. Our engagement was carried out as required under Rule 14 of the Rules issued by the Securities and Exchange Commission of Pakistan vide SRO 300(I) 2001 dated May 11, 2001.

### Responsibility of Company's Management

The responsibility for the preparation of the Statement (the Subject matter information) and for compliance with the requirements of the Scheme and the Rules is that of the Management of the company. This responsibility includes designing, implementing and maintaining internal control to ensure compliance with the requirements of the Scheme, as approved by the shareholders of the Company, and the Rules (Scheme and rules together being the 'Criteria').

### Responsibility of Independent Assurance Provider

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagements 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' (ISAE 3000). This standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance whether the annexed Statement reflects the status of Company's compliance with the Scheme and the Rules (the Criteria).

The procedures selected depend on our judgment, including an assessment of the risks of material non-compliances with the requirements of the Scheme and the Rules. In making those risk assessments; we have considered internal controls relevant to the company's compliance with the Scheme and the Rules in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Company was not materially non-compliant with the Scheme and the Rules. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the company's internal control. Our procedures applied to the selected data primarily comprised:

- Verifying that only permanent employees have participated in the Scheme in compliance with the Rules.
- Verifying that variation, if any, in the terms of Scheme has been approved by passing a special resolution in the general meeting.
- Verifying that the share options granted, vested, lapsed, surrendered or exercised under the Scheme have been recorded in the books of accounts in accordance with the requirements of the Rules.
- Ensuring that adequate disclosures have been made in respect of the Scheme in the Annual report as required under the Rules.

### Conclusion

In our opinion, the annexed Statement, in all material respects, presents fairly the status of the Company's compliance with the Scheme and the Rules as of June 30, 2015.

*Kabani & Company*

**Kabani & Company**

**Chartered Accountants**

**Engagement Partner: Muhammad Yousaf**

**Lahore**

**Dated: September 08, 2015**

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# KABANI & COMPANY

CHARTERED ACCOUNTANTS

## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed statement of compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Netsol Technologies Limited ("the Company") for the year ended June 30, 2015, to comply with the requirements of Listing Regulations No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges where the company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

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 Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, placed before the Board of Directors for their review and approval of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2015.

**Kabani & Company**  
Chartered Accountants  
Engagement Partner: Muhammad Yousaf  
Lahore  
Dated: September 08, 2015

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# STATEMENT OF COMPLIANCE WITH THE Code of Corporate Governance

For the Year Ended June 30, 2015

The Statement is being presented to comply with the Code of Corporate Governance contained in clause 5.19.23 of the KSE Rule Book of Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited respectively, 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 applied the principles contained in the Code of Corporate Governance (CCG) in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:


Category	Names
Independent Directors	1. Mr. Vaseem Anvar 2. Mr. Fida Hussain 3. Mr. Shahid Javed Burki
Non-Executive Directors	1. Mr. Najeeb Ullah Ghauri 2. Mr. Shahab-ud-Din Ghauri
Executive Directors	1. Mr. Salim Ullah Ghauri 2. Mr. Omar Shahab Ghauri

The independent directors meet the criteria of independence under clause 5.19.1.(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident directors of the company are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFI or, being a broker of a stock exchange, has been declared as defaulter by that stock exchange.
4. No casual vacancy occurred on the Board of Directors of the Company during the year 2014-2015.
5. 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.
6. The Board has developed a vision/mission

statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. 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 and the Board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Three board members are exempted from directors' training program as per clause (xi) of the Code having more than 14 years of education and over 15 year of experience on the board of listed companies. The Company will ensure that the remaining directors acquire the certification under the directors training program within the timeframe specified in the Code.
10. There were no new appointments of CFO, Company Secretary or Head of Internal Audit, or any change in the terms and conditions of their employment during the year.
11. The directors' report for this year has been prepared in compliance with the requirements

- of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval by the board.
  13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
  14. The company has complied with all the corporate and financial reporting requirements of the CCG.
  15. The Board has formed an Audit Committee. It comprises of three members, of whom two are independent and one non-executive director. The Chairman of the committee is an independent director.
  16. The meetings of the audit committee were held at least once in every quarter prior to approval of interim and final results of the company, as required by the CCG.. The terms of reference of the committee have been formed and advised to the committee for compliance.
  17. The board has formed an HR and Remuneration Committee. It comprises of three members, including the chief executive. Two members are independent directors. Chairman of the committee is also a independent director.
  18. The board has set up an effective internal audit function. The members of the internal audit department are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
  19. Statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP) and that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
  20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
  21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to the directors, relevant employees and stock exchanges.
  22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
  23. We confirm that all other material principles enshrined in the CCG have been complied with.
- For and on behalf of the Board of Director:
- 
- Salim Ullah Ghauri**  
Chief Executive Officer
- Lahore  
September 08, 2015

# PATTERN OF Shareholding

As at June 30, 2015

No. Of Shareholders	From	To	Total
518	1	100	16,303
526	101	500	162,817
409	501	1,000	327,903
804	1,001	5,000	1,822,057
150	5,001	10,000	1,174,808
51	10,001	15,000	640,771
40	15,001	20,000	738,435
18	20,001	25,000	429,173
13	25,001	30,000	360,257
14	30,001	35,000	470,445
7	35,001	40,000	269,580
3	40,001	45,000	131,000
18	45,001	50,000	889,920
8	50,001	55,000	427,861
4	55,001	60,000	230,601
1	60,001	65,000	62,000
5	65,001	70,000	336,120
4	70,001	75,000	295,899
4	75,001	80,000	315,117
1	80,001	85,000	85,000
4	95,001	100,000	398,000
1	100,001	105,000	100,500
2	105,001	110,000	216,700
4	110,001	115,000	443,899
1	115,001	120,000	116,000
3	120,001	125,000	371,111
3	135,001	140,000	417,500
1	140,001	145,000	145,000
3	145,001	150,000	446,500
1	150,001	155,000	151,000
1	155,001	160,000	158,000
1	160,001	165,000	165,000
2	190,001	195,000	383,250
2	195,001	200,000	400,000
1	215,001	220,000	220,000
3	220,001	225,000	671,745
1	230,001	235,000	231,500
3	245,001	250,000	750,000
1	290,001	295,000	293,500

No. Of Shareholders	From	To	Total
1	295,001	300,000	300,000
1	300,001	305,000	301,500
2	395,001	400,000	799,500
1	485,001	490,000	485,109
1	520,001	525,000	521,840
1	945,001	950,000	949,195
1	1,225,001	1,230,000	1,228,210
1	2,035,001	2,040,000	2,037,650
1	2,510,001	2,515,000	2,512,700
1	2,955,001	2,960,000	2,957,290
1	3,720,001	3,725,000	3,721,000
1	5,260,001	5,265,000	5,262,909
1	10,445,001	10,450,000	10,450,000
1	42,250,001	42,255,000	42,254,248
<b>2,651</b>			<b>89,046,423</b>

## INFORMATION REQUIRED AS PER CODE OF

## Corporate Governance

As at June 30, 2015

S. No.	Categories of Share Holders	Number of Shareholders	Shares Held	% of Capita	Total
<b>1</b>	<b>Directors, CEO &amp; their Spouse and minor children:</b>				
	Mr. Salim Ullah Ghauri	1	949,195	1.07	
	Mr. Shahab-ud-Din Ghauri	1	509	0.00	
	Mr. Najeeb Ullah Ghauri	1	485,109	0.54	
	Mr. Shahid Javed Burki	1	56,764	0.06	
	Mr. Vaseem Anvar	1	550	0.00	
	Mr. Omar Shahab Ghauri	1	99,559	0.11	
	Mr. Fida Hussain	1	550	0.00	1,592,236
<b>2</b>	<b>Holding Company</b>				
	NetSol Technologies Inc.	1	57,967,157	65.10	57,967,157
<b>3</b>	<b>Banks, DFI &amp; NBFIs</b>	2	80,000	0.09	80,000
<b>4</b>	<b>Public Sector Cos. &amp; Corporation</b>	50	3,698,121	4.15	3,698,121
<b>5</b>	<b>Modarabas, Mutual Funds &amp; Trust</b>				
	Funds	6	8,808,190	9.89	8,808,190
	Trust	2	258,611	0.29	258,611
	Modarabas	1	5,000	0.01	5,000
<b>6</b>	<b>Insurance Companies</b>				
	Premier Insurance Limited.	1	7,150	0.01	7,150
<b>7</b>	<b>Investment Companies</b>	3	413,172	0.46	413,172
<b>8</b>	<b>General Public</b>				
	Local	2,578	16,216,786	18.21	16,216,786
	<b>Total</b>	<b>2,651</b>		<b>100</b>	<b>89,046,423</b>

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

1. Mr. Salim Ullah Ghauri, CEO of the Company purchased 40,500 shares during the year.

FINANCIAL

# Statements

For the Year Ended June 30, 2015





# KABANI & COMPANY

CHARTERED ACCOUNTANTS

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **NetSol Technologies Limited** as at **June 30, 2015** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that -

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion -
- (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
- (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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, 2015 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

*Kabani & Company*

**Kabani & Company**  
Chartered Accountants  
Engagement Partner: **Muhammad Yousaf**  
Lahore  
Dated: **September 08, 2015**

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# Balance Sheet

As at June 30, 2015

	NOTE	2015	2014
		Rupees in '000'	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property & equipment	5	2,412,894	2,704,408
Intangible assets	6	2,511,297	2,868,568
		<b>4,924,191</b>	5,572,976
Deferred employee compensation expense	7	-	-
Long term investments	8	15,188	15,188
		<b>4,939,379</b>	5,588,164
<b>CURRENT ASSETS</b>			
Trade debts	9	448,668	317,226
Excess of revenue over billing	10	367,994	138,261
Loans and advances	11	9,308	6,612
Trade deposits & short term prepayments	12	25,682	24,921
Other receivables	13	25,270	23,824
Due from related parties	14	107,508	89,729
Taxation - net		36,168	45,803
Cash & bank balances	15	447,595	339,858
		<b>1,468,193</b>	986,234
<b>TOTAL ASSETS</b>		<b>6,407,572</b>	6,574,398

The annexed notes from 1 to 44 form an integral part of these financial statements.

	NOTE	2015	2014
		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	16	1,500,000	1,500,000
Issued, subscribed and paid-up capital	16	890,464	889,699
Share deposit money		13	13
Reserves	17	4,390,487	4,577,021
		5,280,964	5,466,733
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	18	-	212,862
Liabilities against assets subject to finance lease	19	20,730	43,689
Deferred Income	20	10	29
Long term advances	21	1,053	193
		21,793	256,773
<b>CURRENT LIABILITIES</b>			
Trade and other payables	22	415,556	522,801
Unearned revenue	23	237,995	60,064
Short term borrowings	24	412,645	200,000
Current portion of long term liabilities	25	38,619	68,027
		1,104,815	850,892
<b>CONTINGENCIES &amp; COMMITMENTS</b>			
	26	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,407,572</b>	<b>6,574,398</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.

# Profit and Loss Account

For the year ended June 30, 2015

	NOTE	2015	2014
		Rupees in '000'	
Revenue - net	27	2,700,191	1,831,525
Cost of revenue	28	(2,167,105)	(1,814,351)
<b>Gross profit</b>		<b>533,086</b>	17,174
Selling and promotion expenses	29	(208,081)	(183,448)
Administrative expenses	30	(551,405)	(551,716)
Other operating expenses	31	(31,794)	(18,948)
Other income	32	121,816	163,749
<b>Operating loss</b>		<b>(136,378)</b>	(573,189)
Finance cost	33	(11,837)	(12,076)
<b>Loss before taxation</b>		<b>(148,215)</b>	(585,265)
Taxation			
Current	34	(26,640)	(33,253)
Prior		(12,170)	-
		<b>(38,810)</b>	(33,253)
<b>Loss after taxation for the year</b>		<b>(187,025)</b>	(618,518)

The annexed notes from 1 to 44 form an integral part of these financial statements.

# Statement of Comprehensive Income

For the year ended June 30, 2015

	2015	2014
	Rupees in '000'	
<b>Loss after taxation for the year</b>	<b>(187,025)</b>	(618,518)
Other comprehensive income	-	-
<b>Total comprehensive loss for the year</b>	<b>(187,025)</b>	(618,518)

*The annexed notes from 1 to 44 form an integral part of these financial statements.*

# Statement of Cash Flows

For the year ended June 30, 2015

	NOTE	2015	2014
		Rupees in '000'	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation for the year		(148,215)	(585,265)
Adjustments for non cash charges and other items:			
Depreciation - own assets		451,490	378,654
Amortization of leased assets		27,830	26,483
Amortization of intangible assets		357,271	347,311
Loss on disposal of fixed assets		2,486	19,744
Bad debt		8,103	-
Amortization of deferred revenue		(19)	(30)
Exchange loss / (gain) on debtors		29,953	(32,783)
Interest expense		11,009	10,795
Interest income		(25,675)	(19,257)
Dividend Income		(77,978)	(74,189)
Deferred employee compensation expense		-	54
Provision for doubtful trade debts		(44,371)	26,060
		<b>740,099</b>	<b>682,842</b>
<i>Cash generated from operations before working capital changes</i>		<b>591,884</b>	<b>97,577</b>
<b>Working Capital Changes</b>			
Trade debts		(168,826)	1,383,783
Loans and advances		(2,696)	(15,885)
Trade deposits & short term prepayments		(761)	(9,981)
Other receivables		(1,446)	2,046
Due from related parties		(25,882)	(75,158)
Trade and other payables		(105,455)	125,164
<i>Cash (used in) / generated from operations</i>		<b>(305,066)</b>	<b>1,409,969</b>
Interest paid		(31,527)	(37,865)
Income taxes paid		(29,175)	(24,241)
Dividend paid		(17)	(78,821)
<i>Net cash generated from operations</i>		<b>226,099</b>	<b>1,366,619</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Property and equipments purchased		(190,201)	(1,093,109)
Sales proceeds of fixed asset		96,073	11,238
Intangible assets		-	(334,488)
Capital work in progress		(77,419)	(102,942)
Interest received		25,675	18,792
Dividend received		77,978	74,189
<i>Net cash (used in) investing activities</i>		<b>(67,894)</b>	<b>(1,426,320)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of share capital		765	24,160
Share premium		491	15,511
Paid against obligation under finance lease		(50,166)	(58,348)
Received against obligation under finance lease		21,572	97,468
Short term finance		212,645	-
Long term advances		2,087	-
Long term payable		(237,862)	15,197
<i>Net cash (used in) / generated from financing activities</i>		<b>(50,468)</b>	<b>93,988</b>
<i>Net increase in cash and cash equivalents</i>		<b>107,737</b>	<b>34,287</b>
<i>Cash and cash equivalents at the beginning of the year</i>		<b>339,858</b>	<b>305,571</b>
<i>Cash and cash equivalents at the end of the year</i>	15	<b>447,595</b>	<b>339,858</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

# Statement of Changes in Equity

For the year ended June 30, 2015

	Issued, subscribed and paid- up capital	Share deposit money	Employee share op- tion com- pensation reserve	Capital Reserve  Share premium	Revenue Reserve  Unappro- priated profit	Total
	Rupees In '000'					
<b>Balance as at June 30, 2013</b>	785,717	13	5,449	278,240	5,055,983	6,125,402
Total comprehensive income for the year						
Net (loss) for the year ended June 30, 2014	-	-	-	-	(618,518)	(618,518)
Other comprehensive income	-	-	-	-	-	-
	-	-	-	-	(618,518)	(618,518)
Shares issued against options exercised (2,416,000 shares at Rs. 10 each)	24,160	-	-	-	-	24,160
Amount transferred to share premium on issuance of shares against options exercised (2,416,000 shares at Rs. 1.48 each)	-	-	(3,569)	-	-	(3,569)
Share premium on shares issued against options exercised	-	-	-	19,080	-	19,080
<b>Distribution to owners</b>						
Final dividend for the year ended June 30, 2013						
Cash dividend of 10% (Rs. 1 per share)	-	-	-	-	(79,822)	(79,822)
Bonus shares issued (10%) one for every ten ordinary shares held	79,822	-	-	-	(79,822)	-
<b>Balance as at June 30, 2014</b>	<b>889,699</b>	<b>13</b>	<b>1,880</b>	<b>297,320</b>	<b>4,277,821</b>	<b>5,466,733</b>
<b>Balance as at June 30, 2014</b>	<b>889,699</b>	<b>13</b>	<b>1,880</b>	<b>297,320</b>	<b>4,277,821</b>	<b>5,466,733</b>
Total comprehensive income for the year						
Net (loss) for the year ended June 30, 2015	-	-	-	-	(187,025)	(187,025)
Other comprehensive income	-	-	-	-	-	-
	-	-	-	-	(187,025)	(187,025)
Shares issued against options exercised (76,500 shares at Rs. 10 each)	765	-	-	-	-	765
Amount transferred to share premium on issuance of shares against options exercised (76,500 shares at Rs. 1.48 each)	-	-	(113)	-	-	(113)
Share premium on shares issued against options exercised	-	-	-	604	-	604
<b>Balance as at June 30, 2015</b>	<b>890,464</b>	<b>13</b>	<b>1,767</b>	<b>297,924</b>	<b>4,090,796</b>	<b>5,280,964</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.

# Notes to the Accounts

For the year ended June 30, 2015

## 1. LEGAL STATUS AND NATURE OF BUSINESS

NetSol Technologies Limited ("the Company") incorporated in Pakistan on August 22, 1996 under the Companies Ordinance, 1984 as a private company limited by shares was later on converted into public limited company on November 05, 2004. The Company was listed on Karachi Stock Exchange on August 26, 2005 and subsequently also got listed on Lahore and Islamabad Stock Exchanges. The business of the Company is development and sale of computer software and its related services in Pakistan as well as abroad. The registered office of the Company is situated NetSol IT Village (Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt. Pakistan.

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

## 2. BASIS OF PREPARATION

### 2.1 Separate financial statements

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

### 2.2 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards issued by the International Accounting Standards Board as notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan (the SECP) differ with the requirements of these standards, requirements of the Ordinance or the requirements of the said directives take precedence.

### 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 the 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, 2014.

### 2.6 Standards and interpretations that became effective

The following standards (revised or amended) and interpretations became effective for the current financial year but either they are not relevant or do not have any material effect on the financial statements of the Company:

IFRS 7	Financial Instruments: Disclosures (Amendments)
IFRS 10	Consolidated Financial Statements (Amendments)
IAS 19	Employee Benefits (Amendments)
IAS 32	Offsetting Financial Assets and Financial Liabilities (Amendments)
IAS 36	Impairment of Assets (Amendments)
IFRIC 21	Levies

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

	<b>Effective for periods beginning on or after</b>
IFRS 5 Non-current Assets Held for Sale and discontinued operations (Amendments)	Jul-01 2016
IFRS 7 Financial Instruments: Disclosures (Amendments)	Jul-01 2016
IFRS 14 Regulatory Deferral Accounts	Jan-01 2016
IFRS 15 Revenue from Contracts with Customers	Jan-01 2017
IAS 1 Presentation of Financial Statements (Amendments)	Jan-01 2016
IAS 16 Property, Plant and Equipment (Amendments)	Jan-01 2016
IAS 19 Employee Benefits (Amendments)	Jan-01 2016
IAS 27 Separate Financial Statements (Amendments)	Jan-01 2016
IAS 28 Investments in Associates and Joint Ventures (Amendments)	Jan-01 2016
IAS 34 Interim Financial Statements (Amendments)	Jan-01 2016
IAS 38 Intangible Assets (Amendments)	Jan-01 2016
IAS 41 Agriculture	Jan-01 2016

The Company expects that the adoption of the above revisions, amendments and interpretations of the Standards will not affect the Company's financial statements except enhanced disclosures.

**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.

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

- i. Provision for doubtful debts
- ii. Provision for taxation
- iii. Useful life of depreciable assets
- iv. Useful life of intangible assets
- v. Contingencies

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****4.1 Property and equipment****(i) Owned assets**

Property 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 reducing balance method to write off the cost over the remaining useful life of the assets. Rates of depreciation are provided in note 5.1.

# Notes to the Accounts

For the year ended June 30, 2015

Depreciation on additions to property and equipment is charged for the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed off.

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 profit and loss account as and when incurred. Major repairs and improvements are capitalized.

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

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

## (ii) Assets subject to finance lease

Assets acquired under finance leases are capitalized and are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations of the leases are accounted for as current and non-current liabilities. Leasing payments are recognized as markup and repayment of liability.

Assets acquired under finance lease are amortized over the useful life of the assets using reducing balance 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.

## (iii) Capital work in progress

Capital work in progress is stated at cost less any identified impairment losses. It represents expenditure incurred on property and equipment during construction and installation. Cost also includes applicable borrowing costs under IAS 23 Borrowing Cost. These expenditures are transferred to relevant asset's 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 capitalizes 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 are capitalized and reported at the lower of unamortized cost or recoverable amount. Capitalization ceases 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 balance sheet 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 profit and loss account when they occur.

Amortization is charged by applying reducing balance 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 balance sheet 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

#### (a) Financial Asset

The Company assesses at each balance date whether there is any objective evidence that a financial asset or a group of financial asset is impaired. A financial asset is deemed to be impaired if and only if there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Any impairment loss on financial assets, including the financial assets carried at amortized cost, is recognized in profit and loss account.

#### (b) Non Financial Asset

The Company continually assesses at each balance sheet 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 profit and loss account for the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's 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 balance sheet 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 profit and loss account.

### 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 in the provident fund on monthly basis. Company's contribution is recognized as a cost in the profit and loss account. 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) Employee's share option scheme

The company operates an equity settled share based Employee's Share Option Scheme ("Scheme"). At the grant date of share options ("Options") to the employees, the company initially recognizes "Deferred" Employee Compensation Expense" with corresponding credit to equity as "Deferred" Employee Compensation Reserve" at the fair value of option at the grant date. The fair value of options determined at the grant date is recognized as an employee compensation expense on a straight line basis over the vesting period. Fair value of options is arrived at using Black Scholes pricing model.

When an unvested option lapses by virtue of an employee not conforming to the vesting conditions after recognition of an employee compensation expense in profit or loss, employee compensation expense in profit or loss will be reversed equal to the amortized portion with a corresponding effect to deferred employee compensation reserve in the balance sheet. When a vested option lapses on expiry of the exercise period, employee compensation expense already recognized in the profit or loss is reversed with a corresponding reduction to deferred employee compensation reserve in the balance sheet. When the options are exercised, deferred employee compensation reserve relating to these options is transferred to share capital and share premium account. An amount equivalent to the face value of related shares is transferred to share capital. Any amount over and above the share capital is transferred 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 profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

# Notes to the Accounts

For the year ended June 30, 2015

## 4.7 Creditors, accruals and provisions

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 balance sheet 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 balance sheet date and adjusted to reflect the current best estimate.

## 4.8 Trade debts

Trade debts from local customers are stated at invoice value while foreign debtors are stated at re-valued amount by applying exchange rate applicable on balance sheet date. An estimate is made for doubtful receivables when collection of amount is not probable and the amount of trade debts is reduced by such provision. The provision for doubtful debt is recognized in profit and loss account. Debts considered irrecoverable are written off against provision.

## 4.9 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.

## 4.10 Revenue recognition

### (i) License sale

The Company recognizes revenue from license contracts without major customization when a non-cancellable, non-contingent license agreement has been signed, delivery of the software has occurred, fee is fixed or determinable, and collectability is probable.

Revenue from sale of license with major customization, modification, and development is recognized on percentage of completion basis.

### (ii) Rendering of services

Revenue from software services is recognized in accordance with the percentage of completion method. An output measure i.e. Unit Completion Method is used to determine the percentage of completion. Unit completed are certified by the Chief Financial Officer and Chief Operating Officer.

### (iii) Maintenance

Revenue from maintenance is recognized on time proportion basis.

### (iv) Sale of hardware and third party software

Revenue from sale of hardware and third party software is recognized when delivery has occurred and invoices are raised to customers.

The Company's revenue recognition policies are in compliance with all applicable accounting regulations including IAS 18 "Revenue".

### (v) Miscellaneous

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

Gains or losses resulting from re-measurement of investment at fair value through profit or loss are recognized in the profit and loss account.

Rental income is recognized on time proportion basis.

Dividend income is recognized as income when the right of receipt is established.

Miscellaneous income is recognized on receipt basis.

#### 4.11 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 profit and loss account currently. Qualifying assets are assets that necessarily take substantial period of time to get ready for their intended use.

#### 4.12 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.

#### 4.13 Financial instruments

##### (i) Financial assets

All financial assets have been stated in accordance with the requirements of IAS-39 (Financial Instruments: Recognition and Measurement). Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially recognized at cost, which is the fair value of the consideration given at initial recognition. Subsequent to initial recognition, financial assets are carried at fair value except for any financial assets whose fair value cannot be estimated reliably. Financial assets are derecognized when the Company loses control of the contractual rights that comprises the financial asset.

The Company classifies its financial assets in the following categories: held to maturity investments, loans and receivables, available for sale investments and investments at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Regular purchases and sales of financial assets are recognized on the trade date, the date on which the Company commits to purchase or sell the asset.

##### *(a) Held to maturity investments*

Investments with fixed payments and maturity that the Company has the intent and ability to hold to maturity are classified as held to maturity investments and are carried at amortized cost less impairment losses. These are classified as current and non-current assets in accordance with criteria set out by IFRSs.

##### *(b) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially measured at fair value plus directly attributable transaction costs. After initial measurement loans and receivables are subsequently measured at amortized cost using the effective interest rate method less any impairment. These are classified as current and non-current assets in accordance with criteria set out by IFRSs.

##### *(c) Available for sale investments*

Available for sale financial assets are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Available for sale investments are initially recognized at cost and carried at fair value at the balance sheet date. Fair value of a quoted investment is determined in relation to its market value (current bid prices) at the balance sheet date. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. Adjustment arising from re-measurement of investment to fair value is recorded in other comprehensive income and taken to profit and loss account on disposal of investment or when the investment is determined to be impaired.

##### *(d) Financial assets at fair value through profit or loss*

This category consists of two subcategories: (i) financial assets held for trading and (ii) financial assets that the company initially chooses to put in this category. A financial asset is classified as held for trading if it is acquired with the aim of being sold in the short term. Assets in this category are measured continually at fair value, and the changes in value are recognized directly in the profit and loss account.

# Notes to the Accounts

For the year ended June 30, 2015

## **(ii) Financial liabilities**

All financial liabilities have been stated in accordance with the requirements of IAS-39 (Financial Instruments: Recognition and Measurement). Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. All financial liabilities are initially recognized at cost, which is the fair value of the consideration received at initial recognition. Subsequent to initial recognition financial liabilities are carried at fair value, amortized cost or cost as the case may be. Financial liabilities are removed from the balance sheet when the obligation is extinguished, discharged, cancelled or expired. Any gain or loss on subsequent re-measurement or derecognizing is included in the profit and loss account for the period in which it arises.

### **4.14 Investment in subsidiary**

Investment in subsidiary is stated at cost less any impairment losses.

### **4.15 Dividend and appropriation to reserves**

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

### **4.16 Leasing**

#### **(i) Operating Leases**

Leases where a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating lease. Expenses for operating leases are recognized in the profit and loss account over the leasing period on a straight-line basis. Variable expenses are recognized in the periods when they arise.

#### **(ii) Finance Leases**

Finance leases transfers to the Company substantially all the risks and rewards incidental to ownership of the leased assets. The minimum lease payments are divided between interest costs and repayment of the outstanding liability. Interest costs are distributed over the period of the lease so that each accounting period includes an amount corresponding to a fixed interest rate for the liability recognized in each period. Variable payments are recognized in the periods when they arise.

### **4.17 Related party transactions**

The Company 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 Company to do so.

### **4.18 Fair value**

The fair value of financial instruments that are actively traded in organized financial markets is determined but 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.

		2015	2014
Rupees in '000'			
<b>5. PROPERTY &amp; EQUIPMENT</b>			
Net book value of owned assets	5.1	2,287,271	2,288,637
Net book value of leased assets	5.4	101,972	122,739
Capital work in progress	5.6	23,651	293,032
		<b>2,412,894</b>	<b>2,704,408</b>

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

Particulars	2015								
	COST			DEPRECIATION					Net book value as at Jun 30, 2015
	As at Jul 01, 2014	Additions / (Deletions)	As at Jun 30, 2015	Rate %	As at Jul 01, 2014	Adjustment during the year	Charge for the year	As at Jun 30, 2015	
Rupees In '000'									
<i>Tangible Assets</i>									
Land - freehold	331,144	-	254,229		-	-	-	-	254,229
		(76,915)							
Building on freehold land	618,480	288,183	906,663	5	90,046	-	27,623	117,669	788,994
Furniture & fixture	40,963	15,664	55,278	10	7,146	-	3,746	10,187	45,091
		(1,349)				(705)			
Vehicles	72,503	28,457	69,278	20	39,378	6,351	7,433	37,596	31,682
		(31,682)				(15,566)			
Office equipment	31,397	10,523	41,751	10	9,057	-	2,811	11,796	29,955
		(169)				(72)			
Computers	1,244,455	131,338	1,366,793	20-50	441,040	13,582	236,517	683,076	683,717
		(9,000)				(8,063)			
Air conditioners	12,767	20,658	33,372	10	3,478	-	1,233	4,676	28,696
		(53)				(35)			
Electric fittings	1,118	48,253	49,371	10	728	-	441	1,169	48,202
Generator	33,207	-	33,207	10	8,632	-	2,457	11,089	22,118
<i>Intangible Assets</i>									
software	892,123	25,540	885,143	33	390,015	-	169,229	530,556	354,587
		(32,520)				(28,688)			
	<b>3,278,157</b>	<b>568,616</b>	<b>3,695,085</b>		<b>989,520</b>	<b>19,933</b>	<b>451,490</b>	<b>1,407,814</b>	<b>2,287,271</b>
		<b>(151,688)</b>				<b>(53,129)</b>			

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

# Notes to the Accounts

For the year ended June 30, 2015

Particulars	2014								
	COST			DEPRECIATION					Net book value as at Jun 30, 2014
	As at Jul 01, 2013	Additions / (Deletions)	As at Jun 30, 2014	Rate %	As at Jul 01, 2013	Adjustment during the year	Charge for the year	As at Jun 30, 2014	
Rupees In '000'									
<b>Tangible Assets</b>									
Land - freehold	248,229	82,915	331,144		-	-	-	-	331,144
Building on freehold land	241,307	377,173	618,480	5	75,347	-	14,699	90,046	528,434
Furniture & fixture	20,937	21,659 (1,633)	40,963	10	5,327	- (650)	2,469	7,146	33,817
Vehicles	49,950	35,919 (13,366)	72,503	20	28,372	10,450 (6,105)	6,661	39,378	33,125
Office equipment	22,294	9,103	31,397	10	7,143	27	1,887	9,057	22,340
Computers	812,598	559,515 (127,658)	1,244,455	20~33	356,541	12,877 (113,607)	185,229	441,040	803,415
Air conditioners	8,779	3,988	12,767	10	2,749	-	729	3,478	9,289
Electric fittings	1,118	-	1,118	10	684	-	44	728	390
Generator	24,217	8,990	33,207	10	6,734	-	1,898	8,632	24,575
<b>Intangible Assets</b>									
software	682,750	310,256 (100,883)	892,123	33	310,246	- (92,196)	171,965	390,015	502,108
	2,112,179	1,409,518 (243,540)	3,278,157		793,143	23,354 (212,558)	385,581	989,520	2,288,637

2015      2014  
Rupees in '000'

## 5.2 Depreciation is allocated in the following manner

Cost of revenue	28	338,617	282,259
Administrative expenses	30	112,873	96,395
Intangible assets		-	6,927
		451,490	385,581

### 5.3 The detail of operating assets disposed off during the year is as follows

Particulars	Cost	Accumulated Depreciation	Net Book Value	Sales Proceeds	Mode of Disposal	Particulars of Purchaser
	Rupees In '000'					
Land	76,915	-	76,915	79,000	Negotiation	Dine Developers
Furniture & fixture	621	321	300	56	Negotiation	Zaheer Furniture Work
Furniture & fixture	160	67	93	39	Negotiation	Mughal Store
Furniture & fixture	568	317	251	173	Negotiation	Innovation Business
Vehicle	51	10	41	38	Company Policy	Employee
Vehicle	1,880	988	892	892	Company Policy	Employee
Vehicle	810	651	159	600	Company Policy	Employee
Vehicle	55	6	49	53	Company Policy	Employee
Vehicle	40	9	31	29	Company Policy	Employee
Vehicle	40	9	31	26	Company Policy	Employee
Vehicle	51	12	39	30	Company Policy	Employee
Vehicle	7,150	2,518	4,632	4,500	Negotiation	Mr. Taseer Aslam
Vehicle	40	11	29	20	Company Policy	Employee
Vehicle	40	12	28	27	Company Policy	Employee
Vehicle	850	716	134	800	Company Policy	Employee
Vehicle	825	698	127	675	Negotiation	Mr. Muhammad Shahid
Vehicle	1,454	824	630	575	Company Policy	Employee
Vehicle	2,268	113	2,155	2,100	Company Policy	Employee
Vehicle	1,454	836	618	680	Company Policy	Employee
Vehicle	1,125	547	578	775	Negotiation	Mr. Khalid Mehmood
Vehicle	11,252	7,551	3,701	2,500	Negotiation	Mr. Nouman Rashid
Vehicle	2,216	-	2,216	2,216	Sale and lease back	First Habib Modaraba
Vehicle	81	55	26	18	Negotiation	Mr. Zaheer Ali
Office Equipment	169	72	97	67	Negotiation	Innovation Business
Computer	146	108	38	15	Company Policy	Employee
Computer	323	83	240	150	Company Policy	Employee
Computer	67	53	14	7	Company Policy	Employee
Computer	8,464	7,819	645	-	Donation	SAR School, Green Meadows School, Roshan Umeed-e-Sehar Foundation
Air conditioner	53	35	18	12	Negotiation	Mr. Zubair Abbas
Software	32,520	28,688	3,832	-	Assets written off	-
<b>2015</b>	<b>151,688</b>	<b>53,129</b>	<b>98,559</b>	<b>96,073</b>		
2014	243,540	212,558	30,982	11,238		

### 5.4 Following is detail of leased assets

Particulars	2015								
	COST			DEPRECIATION					Net book value as at Jun 30, 2015
	As at Jul 01, 2014	Additions / (Deletions)	As at Jun 30, 2015	Rate %	As at Jul 01, 2014	Adjustment during the year	Charge for the year	As at Jun 30, 2015	
Rupees In '000'									
Vehicles	76,712	4,165 (15,026)	65,851	20	14,904	- (6,351)	11,965	20,518	45,333
Computers	56,548	8,907 (19,416)	46,039	20-33	21,758	- (13,582)	12,543	20,719	25,320
Air conditioners	19,140	-	19,140	10	1,117	-	1,802	2,919	16,221
Generator	8,545	8,500	17,045	10	427	-	1,520	1,947	15,098
	<b>160,945</b>	<b>21,572 (34,442)</b>	<b>148,075</b>		<b>38,206</b>	<b>- (19,933)</b>	<b>27,830</b>	<b>46,103</b>	<b>101,972</b>

# Notes to the Accounts

For the year ended June 30, 2015

Particulars	2014								
	COST			DEPRECIATION					Net book value as at Jun 30, 2014
	As at Jul 01, 2013	Additions / (Deletions)	As at Jun 30, 2014	Rate %	As at Jul 01, 2013	Adjustment during the year	Charge for the year	As at Jun 30, 2014	
Rupees In '000'									
Vehicles	59,939	39,205 (22,432)	76,712	20	13,724	- (10,450)	11,630	14,904	61,808
Office equipment	96	- (96)	-	10	22	- (27)	5	-	-
Computers	45,809	32,157 (21,418)	56,548	20-33	20,826	- (12,877)	13,809	21,758	34,790
Air conditioners	-	19,140	19,140	10	-	-	1,117	1,117	18,023
Generator	-	8,545	8,545	10	-	-	427	427	8,118
	105,844	99,047 (43,946)	160,945		34,572	- (23,354)	26,988	38,206	122,739

	2015	2014
	Rupees in '000'	
<b>5.5 Amortization is allocated in the following manner</b>		
Cost of revenue	28	19,736
Administrative expenses	30	6,747
Intangible assets	-	505
	<b>27,830</b>	<b>26,988</b>
<b>5.6 Capital work-in-progress</b>		
Civil works for leasehold improvements	1,732	217,061
Advance against assets	7,919	75,971
Advance against leasehold improvements	14,000	-
	<b>23,651</b>	<b>293,032</b>
<b>5.6.1 The movement in capital work-in-progress during the year is as under:</b>		
Opening Balance	293,032	503,883
Additions during the year	96,163	160,659
Transfers:		
Building	288,182	371,510
Furniture and Fixtures	10,755	-
Air conditioners	18,354	-
Electric fittings	48,253	-
	<b>(365,544)</b>	<b>(371,510)</b>
Closing balance	<b>23,651</b>	<b>293,032</b>

**5.6.2** Extension of existing building is under construction. Major portion of building has been completed during the financial year 2014-15 and is now in use by the Company.

**5.6.3** During the year borrowing cost amounting to Rs. 18.745 million using capitalization rate of 12.76% pa (2014 : Rs. 26.33 million using capitalization rate 12.9% p.a) has been capitalized in the capital work in progress pertaining to construction of building.

## 6. INTANGIBLE ASSETS

Particulars	2015							
	COST			AMORTISATION				Net book value as at Jun 30, 2015
	As at Jul 01, 2014	Additions / (Deletions)	As at Jun 30, 2015	Rate %	As at Jul 01, 2014	Charge for the year	As at Jun 30, 2015	
Rupees In '000'								
<b>In-house Developed Software</b>								
NetSol Financial Suite	213,225	-	213,225	10-20	171,254	41,971	213,225	-
SMART	137,149	-	137,149	10	68,575	13,715	82,290	54,859
NFS - Ascent	2,935,038	-	2,935,038	10	253,118	293,503	546,621	2,388,417
HMIS	35,146	-	35,146	10	2,050	3,515	5,565	29,581
Business Intelligence Scoring Model & Risk Management	45,671	-	45,671	10	2,664	4,567	7,231	38,440
	<b>3,366,229</b>	<b>-</b>	<b>3,366,229</b>		<b>497,661</b>	<b>357,271</b>	<b>854,932</b>	<b>2,511,297</b>

Particulars	2014							
	COST			AMORTISATION				Net book value as at Jun 30, 2014
	As at Jul 01, 2013	Additions / (Deletions)	As at Jun 30, 2014	Rate %	As at Jul 01, 2013	Charge for the year	As at Jun 30, 2014	
Rupees In '000'								

**In-house Developed Software**

NetSol Financial Suite	213,225	-	213,225	10-20	135,488	35,766	171,254	41,971
LRMIS	71,826	-	71,826	20	36,511	35,315	71,826	-
SMART	137,149	-	137,149	10	54,860	13,715	68,575	68,574
NFS Ascent	549,793	2,385,245	2,935,038	10	99,856	153,262	253,118	2,681,920
HMIS	-	35,146	35,146	10	-	2,050	2,050	33,096
Business Intelligence Scoring Model & Risk Management	-	45,671	45,671	10	-	2,664	2,664	43,007
<b>Under Development</b>								
Fleet Management System	982,701	205,778 (1,188,479)	-	-	-	-	-	-
Blue Star	1,038,823	120,687 (1,159,510)	-	-	-	-	-	-
LSS	100,251	4,288	104,539	-	-	104,539	104,539	-
HMIS	32,761	2,385 (35,146)	-	-	-	-	-	-
Loan Origination System	33,781	3,475 (37,256)	-	-	-	-	-	-
Business Intelligence Scoring Model & Risk Management	40,364	5,307 (45,671)	-	-	-	-	-	-
	<b>3,200,674</b>	<b>341,920</b>	<b>3,542,594</b>		<b>326,715</b>	<b>347,311</b>	<b>674,026</b>	<b>2,868,568</b>

# Notes to the Accounts

For the year ended June 30, 2015

		2015 Rupees in '000'	2014
<b>6.1 Amortization is allocated in the following manner</b>			
Cost of revenue	28	357,271	347,311
<b>6.2</b>	NetSol Financial Suite has been fully amortized during the year but the company is still generating revenues from its sale.		
<b>7. DEFERRED EMPLOYEE COMPENSATION EXPENSE</b>			
Balance as at the beginning of the year		-	54
Fair value of options issued during the year		-	-
Options lapsed due to employee resignation		-	-
Amortization for the year		-	(54)
Balance as at the end of the year		-	-
Current portion shown under current assets		-	-
Long term portion of deferred employee compensation expense		-	-

The Company used Black Scholes pricing model to determine the fair value of options at the grant date. The fair value of the options as per model used and underlying assumptions are as follows.

Total number of options granted	4,350,000
Per option fair value at the grant date	Rs. 1.48
Average 30 days per share price preceding the date of grant	Rs. 26.80
Exercise price per option	Rs. 16.42
Annual volatility	64.82%

	2015	2014
	Number of Options	
Options outstanding at the beginning of the year	1,272,500	3,688,500
Options issued during the year	-	-
Options lapsed during the year	-	-
Options exercised during the year	(76,500)	(2,416,000)
Options outstanding at the end of the year	1,196,000	1,272,500

## 7.1 Employee Stock Option Scheme

After getting approval of the Employee Stock Option Scheme from the Securities and Exchange Commission of Pakistan, the board and the compensation committee granted 4.35 million stock options to its core team of employees on August 01, 2009 at a grant price of Rs. 16.42 per option. No Amount is paid or payable by employee on receipt of the option. No option carries the right to vote or dividend. According to the scheme, 40% of the options became exercisable after completion of 12 months from date of grant, 30% of the granted option became exercisable after completion of 24 months from the grant date and 20% of the granted option became exercisable after completion of 36 months from the grant date. The balance of 10% of the granted option will become exercisable after completion of eighty four months from the grant date. The options will lapse after 10 years of grant date, if not exercised.

		2015	2014		
		Rupees in '000'			
<b>8. LONG TERM INVESTMENTS - at cost</b>					
NetSol Innovation (Private) Limited (Unquoted subsidiary company)		15,188	15,188		
<b>8.1</b>	The subsidiary is incorporated in Pakistan. The Company holds 1,518,785 (2014 : 1,518,785) fully paid ordinary shares of Rs. 10/- each i.e. 50.52% of Equity held (2014 : 50.52%). Based on audited accounts for the year ended June 30, 2015, break-up value per share is Rs. 140.17. (2014 : Rs. 101.79).				
<b>8.2</b>	Mr. Salim Ullah Ghauri is the Chief Executive Officer of the subsidiary company.				
<b>9. TRADE DEBTS</b>					
Considered good - unsecured	9.2	448,668	317,226		
Considered doubtful - unsecured	9.3	51,850	96,221		
		500,518	413,447		
Less: Provision against doubtful trade debts	9.4	(51,850)	(96,221)		
		448,668	317,226		
<b>9.1</b>	Amount receivable from related parties included in trade debts are as under:				
NetSol Technologies (Thailand) Limited		116,573	-		
NetSol Technologies (Beijing) Company Limited		73,567	-		
		190,140	-		
<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 general provision created by the Company for any future doubtful trade debts.				
<b>9.4</b>	Movement in provision against future doubtful trade debts is given below:				
Balance as at July 1		96,221	80,610		
Provision made during the year		-	26,060		
Provision reversed during the year		(44,371)	-		
Write offs during the year		-	(10,449)		
Balance as at June 30		51,850	96,221		
<b>9.4.1</b>	The amount written off against provision in FY 2014 relates to Atheeb Netsol Saudi Company Limited.				
<b>9.5</b>	Aging of trade debts at June 30 is as follows:				
		2015		2014	
		Rupees in '000'		Rupees in '000'	
		Gross	Impaired	Gross	Impaired
Not past due		92,943	-	-	-
Past due 1-180 days		384,007	-	332,320	-
Past due 181 days -1 year		10,866	-	80,321	-
More than one year		12,702	-	806	-
Total		500,518	-	413,447	-

# Notes to the Accounts

For the year ended June 30, 2015

**9.6** Aging of trade debts due from related parties at June 30 is as follows:

	2015		2014	
	Rupees in '000'		Rupees in '000'	
	Gross	Impaired	Gross	Impaired
Not past due	36,828	-	-	-
Past due 1-180 days	153,312	-	-	-
<b>Total</b>	<b>190,140</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 10. EXCESS OF REVENUE OVER BILLING

It represents unbilled debtors arising due to recognition of revenue on the basis of percentage of completion as per IAS 18 'Revenue'. It is unsecured but considered good by the management.

It includes Rs. 49.045 million ( 2014 : nil) against NetSol Technologies (Beijing) Company Limited.

	2015	2014
	Rupees in '000'	
<b>11. LOANS AND ADVANCES - Unsecured</b>		
Considered good		
Loan to executives	3,096	1,822
Advances		
- to executives	11.1	834
- against expenses	6,049	3,956
	<b>9,308</b>	<b>6,612</b>

**11.1** The advances to executives are given to meet business expenses and are settled as and when the expenses are incurred. Maximum balance outstanding against advances to executives at the end of any month during the year was Rs. 0.782 million (2014 : Rs. 4.21 million)

## 12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits	7,219	5,931
Prepayments	18,463	18,990
	<b>25,682</b>	<b>24,921</b>

## 13. OTHER RECEIVABLES

Guarantee margin	2,741	8,045
Sales tax Refundable	11,700	6,315
Other receivable - considered good	10,829	9,464
	<b>25,270</b>	<b>23,824</b>

		2015	2014
		Rupees in '000'	
<b>14. DUE FROM RELATED PARTIES</b>			
<i>Associated</i>			
NetSol Connect (Private) Limited	14.1	3,435	2,155
NetSol Technologies Australia Pty. Limited	14.1	-	21,980
Atheeb NetSol Saudi Company Limited	30.4	-	9,404
NetSol Technologies North America	14.1	-	42,859
NetSol Technologies (Beijing) Company Limited	14.1	104,073	12,202
<i>Subsidiary</i>			
NetSol Innovation (Private) Limited	14.2	-	1,129
		<b>107,508</b>	<b>89,729</b>

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

**14.2** Interest at the rate of 6 months KIBOR+1.5% (2014 : 6 months KIBOR+1.5%) is chargeable on the outstanding balance.

**14.3** Maximum aggregate amount outstanding due from related party at the end of any month during the year was Rs. 143.62 million (2014 : Rs. 123.42 million).

<b>15. CASH AND BANK BALANCES</b>			
With banks			
Saving accounts	15.1	418,683	288,360
Current accounts		47	47
Foreign currency current account		26,928	47,960
		<b>445,658</b>	<b>336,367</b>
In hand		1,937	3,491
		<b>447,595</b>	<b>339,858</b>

**15.1** The balances in savings accounts bear mark up at 4% per annum. (2014 : 5% to 9% per annum)

## 16. SHARE CAPITAL

### 16.1 Authorized share capital

	2015	2014		2015	2014
Number of shares					
	150,000,000	150,000,000	Ordinary Shares of Rs. 10 each.	1,500,000	1,500,000

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

	41,895,691	41,819,191	Ordinary Shares of Rs. 10 each fully paid in cash	418,957	418,192
	47,150,732	47,150,732	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	471,507	471,507
	<b>89,046,423</b>	<b>88,969,923</b>		<b>890,464</b>	<b>889,699</b>

		2015	2014
		Number of shares	
<b>16.3</b>	Reconciliation of number of shares issued, subscribed & paid-up		
	Number of shares outstanding as at July 1	88,969,923	78,571,703
	Ordinary Shares of Rs. 10 issued against options exercised	76,500	2,416,000
	Ordinary Shares of Rs. 10 issued as fully paid bonus shares	-	7,982,220
	Number of shares outstanding as at June 30	<b>89,046,423</b>	<b>88,969,923</b>

# Notes to the Accounts

For the year ended June 30, 2015

- 16.4** 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.
- 16.5** There are outstanding options to subscribe for ordinary shares of the Company granted under the employee share option plan as disclosed in Note 7.
- 16.6** NetSol Technologies Inc. 24025, Park Sorrento, Suite 410, Calabasas CA 91302, is the parent company holding 65.10% (2014 : 63.38%) of issued capital of the Company. No shares are held by any other related party.
- 16.7** The Company is not subject to any externally imposed capital requirements for the financial years 2015 and 2014.

		2015	2014
		Rupees in '000'	
<b>17. RESERVES</b>			
Capital reserve			
Premium on issue of ordinary shares		297,924	297,320
Revenue reserve			
Un - appropriated profit		4,090,796	4,277,821
Employee share option compensation reserve	17.1	1,767	1,880
		<b>4,390,487</b>	<b>4,577,021</b>
<b>17.1 EMPLOYEE SHARE OPTION COMPENSATION RESERVE</b>			
Balance as at the beginning of the year		1,880	5,449
Options issued during the year		-	-
Options lapsed due to employee resignation		-	-
Amount transferred to Capital reserve on exercise of options		(113)	(3,569)
Balance at the end of the year		<b>1,767</b>	<b>1,880</b>
<b>18. LONG TERM FINANCING</b>			
Term finance - secured	18.1	-	62,500
Loan from related party - unsecured	18.3	-	175,362
		-	237,862
Current portion		-	(25,000)
		-	212,862

- 18.1** This represents term finance available from Askari Bank Limited up to Rs. nil (2014 : Rs. 100 million), availed Rs. nil (2014 : Rs. 100 million) to finance the construction of new building. It carries mark up at the rate of 6 months Kibor + 2.75%, payable in semi-annual installments within a period of 5 years. The first trench of loan was disbursed in October 2011. The outstanding amount against this facility has been fully off paid during the financial year 2014-15.
- 18.2** These facilities were secured by first exclusive charge of Rs. 680 million over the land, building and equipment of the Company.
- 18.3** This represent interest free loan of USD nil (2014 : USD 1,774,743) from the holding Company.

	2015	2014
	Rupees in '000	
<b>19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
Present value of minimum lease payments	57,422	86,016
Less: Current portion of obligations shown under current liabilities	(36,692)	(42,327)
	<b>20,730</b>	43,689

Present value of minimum lease payments have been discounted at an implicit interest rate ranging between 9.18 % to 13.02% (2014 : 10.87 % to 12.99%) 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:

	2015		
	Minimum Lease Payment	Future Finance Charges	Present Value of Lease Liability
Not later than one year	40,911	4,219	36,692
Later than one year but not later than five years	21,788	1,058	20,730
	<b>62,699</b>	<b>5,277</b>	<b>57,422</b>

	2014		
	Minimum Lease Payment	Future Finance Charges	Present Value of Lease Liability
Not later than one year	50,540	8,213	42,327
Later than one year but not later than five years	47,699	4,010	43,689
	<b>98,239</b>	<b>12,223</b>	<b>86,016</b>

## 20. DEFERRED INCOME

	2015	2014
	Rupees in '000'	
Opening balance	29	59
Addition during the year	-	-
	<b>29</b>	59
Amortized during the year	(19)	(30)
Un amortized gain on sale and lease back transaction	10	29

This amount represents gain on sale and lease back of fixed assets. According to IAS 17 'Lease' this gain is deferred and amortized over the lease term.

## 21. LONG TERM ADVANCES

Long term advances	2,980	893
Less: Current portion	(1,927)	(700)
	<b>1,053</b>	193

**21.1** These represent payments received from employees against provision of motor bikes and cars to them as per company policy and will be adjusted against the future sale of motor bikes and cars.

# Notes to the Accounts

For the year ended June 30, 2015

		2015	2014
		Rupees in '000'	
<b>22. TRADE AND OTHER PAYABLES</b>			
Creditors		51,582	48,493
Accrued liabilities		139,098	110,636
Accrued markup - secured		4,309	6,082
Due to related parties	22.1	190,765	339,704
Withholding tax		11,424	4,883
Provident fund payable		12,037	8,716
Unclaimed dividend		2,614	2,631
Other payables		3,727	1,656
		<b>415,556</b>	<b>522,801</b>
<b>22.1 DUE TO RELATED PARTIES</b>			
<i>Parent</i>			
NetSol Technologies Inc.	22.2	113,448	199,193
<i>Subsidiary</i>			
NetSol Innovation (Private) Limited	22.3	12	-
<i>Associated</i>			
NetSol Technologies Europe Limited	22.2	73,174	137,746
NTPK (Thailand) Company Limited	22.2	-	2,765
NetSol Technologies (Thailand) Limited	22.2	4,131	-
		<b>190,765</b>	<b>339,704</b>

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

**22.3** Markup at the rate of 6 months Kibor+ 1.5% (6 months KIBOR+1%) is chargeable on the outstanding information.

**22.4** Maximum aggregate amount outstanding due to related party at the end of any month during the year was Rs. 550.27 million (2014 : Rs. 608.93 million).

## 23. UNEARNED REVENUE

It represents license, maintenance and services fee received in advance. The license and services fee are transferred to revenue on work done basis where as maintenance is transferred to revenue on time proportion basis.

It includes Rs. 0.827 million ( 2014 : 0.974 million) against NetSol Technologies Australia Pty. Limited.

## 24. SHORT TERM BORROWINGS

Export refinance - secured	24.1	300,000	200,000
Loan from related party - unsecured	24.6	112,645	-
		<b>412,645</b>	<b>200,000</b>

**24.1** The facility for export refinance is available from Askari Bank Limited amounting upto Rs 300 million (2014 : Rs 300 million), availed Rs. 300 million (2014 : 200 million) It carries mark-up of State Bank Refinance Rate+1% per annum (2014 : State Bank Refinance Rate+1% per annum per annum). The interest rate ranged between 6% to 7.5% (2014 : 9.2 to 9.4%) during fiscal year 2015. The due balance is payable bi-annually.

- 24.2** A facility for issuance of guarantees (LG) is available from Askari Bank Limited upto Rs. 100 million (2014 : Rs. 100 million), availed Rs. 6.204 million. (2014 : Rs. 15.843 million)
- 24.3** A sublimit of LG is available from Askari Bank Limited for corporate credit cards upto Rs. 4 million (2014 : Rs. 4 million)
- 24.4** The company has a running finance facility from Askari Bank Limited as a sublimit to LG facility upto Rs. 75 million (2014 : 75 million) for working capital requirement. As at June 30, 2015 there is no balance outstanding against this facility. It carries markup at the rate of 3 month Kibor + 2%. (2014 : 3 month Kibor + 2.75%)
- 24.5** The facilities are secured by way of first exclusive charge over the Company's all present and future current assets/receivables of Rs. 536 million. (2014 : Rs. 536 million)
- 24.6** This represent short term interest free loan of USD 1,086,254 (2014: nil) from the holding company.

		2015	2014
		Rupees in '000'	
<b>25. CURRENT PORTION OF LONG TERM LIABILITIES</b>			
Current portion of long term financing	18	-	25,000
Current portion of lease liability	19	36,692	42,327
Current portion of long term advances	21	1,927	700
		<b>38,619</b>	<b>68,027</b>

## 26. CONTINGENCIES & COMMITMENTS

### 26.1 Contingencies

There are no contingencies as at June 30, 2015 (2014 : nil) to which the Company is a party.

### 26.2 Commitments

**26.2.1** The Company has issued worth Rs. 6.204 million (2014 : Rs. 15.843 million) bank guarantees and bid bonds to various customers against sale of software and allied services.

**26.2.2** The Company has no commitment under any capital purchase agreement as at June 30, 2015. (2014 : Rs. 40 million)

	2015		2015	2014
	Domestic	Foreign	Rupees in '000'	
<b>27. REVENUE</b>				
<b>Export Revenue</b>				
License	-	307,698	307,698	377,996
Services	-	1,774,789	1,774,789	957,958
Maintenance	-	590,287	590,287	474,837
		2,672,774	2,672,774	1,810,791
<b>Local Revenue</b>				
Services	10,681	-	10,681	20,763
Maintenance	19,245	-	19,245	3,288
	29,926	-	29,926	24,051
Sales tax	(2,509)	-	(2,509)	(3,317)
	27,417	2,672,774	2,700,191	1,831,525

# Notes to the Accounts

For the year ended June 30, 2015

		2015		2015	2014
		Domestic	Foreign	Rupees in '000'	
<b>28. COST OF REVENUE</b>					
Salaries & benefits	28.1	40,631	1,069,487	<b>1,110,118</b>	762,583
Consultancy charges		2,648	37,617	<b>40,265</b>	119,516
Technical services		-	-	-	647
Hardware and other material cost		519	-	<b>519</b>	464
Software licences		5,525	-	<b>5,525</b>	57,961
Staff training		353	2,394	<b>2,747</b>	1,349
Rent, rates & taxes		-	9,441	<b>9,441</b>	1,954
Travelling & conveyance		2,086	135,615	<b>137,701</b>	73,104
Communication		875	20,168	<b>21,043</b>	15,726
Utilities		1,275	28,592	<b>29,867</b>	27,061
Printing & stationery		218	2,338	<b>2,556</b>	2,147
Entertainment		1,138	33,656	<b>34,794</b>	26,299
Insurance		92	2,446	<b>2,538</b>	2,490
Vehicle running & maintenance		862	14,140	<b>15,002</b>	11,052
Repair & maintenance		1,601	36,584	<b>38,185</b>	47,894
Fee & subscription		2	42	<b>44</b>	14,798
Depreciation	5.2	14,471	324,146	<b>338,617</b>	282,259
Amortization of leased assets	5.5	894	19,978	<b>20,872</b>	19,736
Amortization of intangible assets	6.1	21,797	335,474	<b>357,271</b>	347,311
		94,987	2,072,118	<b>2,167,105</b>	1,814,351

**28.1** Salaries and benefits include Rs. 44.120 million (2014 : Rs. 31.396 million ) in respect of retirement benefits.

## 29. SELLING AND PROMOTION EXPENSES

Salaries & benefits	29.1	514	50,129	<b>50,643</b>	45,872
Staff training		-	-	-	4
Rent, rates & taxes		2,131	1,198	<b>3,329</b>	9,835
Travelling and conveyance		126	12,325	<b>12,451</b>	4,848
Communication		17	1,612	<b>1,629</b>	2,634
Utilities		28	2,753	<b>2,781</b>	2,740
Printing & stationery		2	185	<b>187</b>	127
Entertainment		25	2,481	<b>2,506</b>	2,439
Insurance		2	185	<b>187</b>	229
Vehicle running expenses		23	2,260	<b>2,283</b>	2,297
Repairs and maintenance		22	2,188	<b>2,210</b>	1,609
Commission on sales		-	96,189	<b>96,189</b>	80,926
Advertisement		14	1,328	<b>1,342</b>	10
Tender money		521	-	<b>521</b>	11
Sale promotional expenses		323	31,500	<b>31,823</b>	29,867
		3,748	204,333	<b>208,081</b>	183,448

**29.1** Salaries and benefits include Rs. 1.468 million (2014 : Rs. 1.126 million ) in respect of retirement benefits.

		2015		2015	2014
		Domestic	Foreign	Rupees in '000'	
<b>30. ADMINISTRATIVE EXPENSES</b>					
Salaries and benefits	30.1	2,572	250,758	<b>253,330</b>	173,847
Staff training		3	317	<b>320</b>	315
Management fee		-	-	-	62,353
Rent, rates and taxes		109	10,644	<b>10,753</b>	7,492
Travelling and conveyance		163	15,911	<b>16,074</b>	20,530
Communication & postage		73	7,102	<b>7,175</b>	6,562
Printing and stationery		10	984	<b>994</b>	846
Utilities		121	11,840	<b>11,961</b>	10,445
Entertainment		216	21,092	<b>21,308</b>	20,294
Insurance		111	10,791	<b>10,902</b>	9,155
Advertisement		21	2,041	<b>2,062</b>	1,837
Vehicle running expenses		133	13,009	<b>13,142</b>	14,782
Repairs and maintenance		549	53,557	<b>54,106</b>	31,937
Legal and professional charges		41	3,950	<b>3,991</b>	11,883
Auditors remuneration	30.2	25	2,475	<b>2,500</b>	2,100
News papers & periodicals		3	287	<b>290</b>	361
Office supplies		42	4,069	<b>4,111</b>	2,455
Charity & donation	30.3	177	17,293	<b>17,470</b>	15,045
Fee & subscription		51	4,923	<b>4,974</b>	3,854
Miscellaneous expenses		2	200	<b>202</b>	400
Research and development cost		-	32,177	<b>32,177</b>	26,021
Bad Debt	30.4	-	8,103	<b>8,103</b>	-
Provision for doubtful trade debts		(451)	(43,920)	<b>(44,371)</b>	26,060
Depreciation	5.2	1,146	111,727	<b>112,873</b>	96,395
Amortization of leased assets	5.5	71	6,887	<b>6,958</b>	6,747
		5,188	546,217	<b>551,405</b>	551,716

**30.1** Salaries and benefits include Rs. 8.21 million (2014 : Rs. 6.699 million ) in respect of retirement benefits.

**30.2 Auditors remuneration**

Audit fee				<b>1,200</b>	1,000
Certifications of group reporting				<b>700</b>	600
Professional services				<b>300</b>	300
Out-of-pocket expenses				<b>300</b>	200
				<b>2,500</b>	2,100

**30.3 Charity & donation**

No donations were made to any donee in which a director or his spouse had any interest at any time during the year.

**30.4** This relates to amount receivable from Atheeb NetSol Saudi Company Limited.

# Notes to the Accounts

For the year ended June 30, 2015

	2015		2015	2014
	Domestic	Foreign	Rupees in '000'	
<b>31. OTHER OPERATING EXPENSES</b>				
Loss on disposal of assets	19	1,822	<b>1,841</b>	18,948
Loss on foreign currency translation	-	29,953	<b>29,953</b>	-
	19	31,775	<b>31,794</b>	18,948
<b>32. OTHER INCOME</b>				
<b>Income from financial assets</b>				
Profit on bank deposits	25,241	-	<b>25,241</b>	18,792
Mark up on loan	434	-	<b>434</b>	465
Dividend Income	77,978	-	<b>77,978</b>	74,189
	103,653	-	<b>103,653</b>	93,446
<b>Income from non-financial assets</b>				
Gain on foreign currency translation	-	-	<b>-</b>	32,783
Amortization of deferred revenue	19	-	<b>19</b>	30
Rental income	18,069	-	<b>18,069</b>	19,098
Miscellaneous income	75	-	<b>75</b>	18,392
	18,163	-	<b>18,163</b>	70,303
	121,816	-	<b>121,816</b>	163,749
<b>33. FINANCE COST</b>				
Lease finance charges	-	9,146	<b>9,146</b>	8,636
Mark-up on loans	10	1,573	<b>1,583</b>	1,820
Mark-up on loan from related party	3	277	<b>280</b>	339
Lease documentation charges	-	16	<b>16</b>	41
Bank charges	8	804	<b>812</b>	1,240
	21	11,816	<b>11,837</b>	12,076

## 34. TAXATION

Income of the Company from export of computer software and its related services developed in Pakistan is exempt from tax up to 2016 as per clause 133 of the Second Schedule to the Income Tax Ordinance, 2001. However tax as per applicable rates is charged to the income of the Company generated from other than export business activities.

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 require change in case these laws and regulations are interpreted differently by tax authorities and Company's appeals are not accepted at various forums.

The Company is in loss therefore the reconciliation of accounting profit with tax expense is not provided.

## 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 of the Company were as follows:

	Chief Executive		Directors		Executives	
	2015	2014	2015	2014	2015	2014
	Rupees in '000'					
Managerial remuneration	5,800	4,000	3,600	2,400	512,851	356,470
Retirement benefits	320	-	360	240	41,012	27,563
Rent and house maintenance	2,320	1,600	1,440	960	205,140	142,588
Utilities	580	400	360	240	51,285	35,647
Medical expenses	265	142	178	108	25,763	14,433
Share options	-	3	-	1	-	16
<b>Total</b>	<b>9,285</b>	<b>6,145</b>	<b>5,938</b>	<b>3,949</b>	<b>836,051</b>	<b>576,717</b>
<b>No. of Persons</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>553</b>	<b>420</b>

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

Nothing is paid to any non-executive director of the company in form of remuneration or other benefits except a fee approved by the board for attending the board meetings.

### 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 balance sheet date, the management considers that the capital of the Company is sufficient to meet the requirements of the business.

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

		2015	2014
		Rupees in '000'	
Total debt	36.1.	471,994	524,578
Less : Cash and cash equivalents		(447,595)	(339,858)
Net debt		24,399	184,720
Total equity	36.2.	5,280,964	5,466,733
Gearing ratio (In percentage)		0.5%	3%

**36.1.** The total debt includes the long term financing, liabilities against assets subject to finance lease, short term borrowing and current portion of long term financing.

**36.2.** The total equity includes all the 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 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.

# Notes to the Accounts

For the year ended June 30, 2015

		2015	2014
		Rupees in '000'	
Relationship with the Company	Nature of transactions		
(i) Parent	Management fee	-	62,353
	Dividend paid to parent	-	51,222
	Bonus shares issued to parent	-	51,222
(ii) Subsidiary	Rental income	17,469	18,348
	Provision of services	6,719	6,524
	Dividend received	77,978	74,189
	Mark-up income	434	465
	Mark-up expense	280	339
(iii) Associated undertaking	Rental income	600	750
	Provision of services	413,769	310,325
	Purchase of services	7,757	4,368
	Purchase of assets	47,731	-
	Commission paid to key management personnels	68,676	7,782
(iv) Post Employment benefit	Contribution to defined contribution plan	53,795	39,200
(v)	During the financial year 2015, 76,500 shares (2014 : 2,416,000 shares) were issued to the key management personnel against the exercise of options. There are no transactions with any key management personnel other than the terms of employment.		

## 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 has 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:

		2015	2014
		Rupees in '000'	
<b>Financial Assets</b>			
Loans and receivables			
Trade debts	38.1	448,668	317,226
Loans and advances		3,259	2,656
Security deposits		7,219	5,931
Other receivables		25,270	23,824
Due from related parties		107,508	89,729
Bank balances	38.2	445,658	336,367
		<b>1,037,582</b>	<b>775,733</b>

**38.1** The Company does not have significant exposure to any individual customer. 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:

	Short term	Long Term	Rating Agency
Askari Bank Limited	A-1+	AA	JCR-VIS
MCB Bank Limited	A1+	AAA	PACRA
Summit Bank Limited	A-1	A	JCR-VIS

#### (b) Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company's exposure to liquidity risk arises primarily from mismatches 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. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	2015				
	Carrying amount	Contractual cash flows	One year or less	Two to five years	More than five years
	Rupees in '000'				
<b>Non-derivative financial liabilities</b>					
Finance lease liability	57,422	62,699	40,911	21,788	-
Long term advances	2,980	2,980	1,927	1,053	-
Trade and other payables	415,556	415,556	415,556	-	-
Short-term borrowings	412,645	437,404	437,404	-	-
	<b>888,603</b>	<b>918,639</b>	<b>895,798</b>	<b>22,841</b>	<b>-</b>
	2014				
	Carrying amount	Contractual cash flows	One year or less	Two to five years	More than five years
	Rupees in '000'				
<b>Non-derivative financial liabilities</b>					
Finance lease liability	86,016	98,239	50,540	47,699	-
Long term financing	237,862	247,760	32,672	215,088	-
Long term advances	893	893	700	193	-
Trade and other payables	522,801	522,801	522,801	-	-
Short-term borrowings	200,000	218,800	218,800	-	-
	<b>1,047,572</b>	<b>1,088,493</b>	<b>825,513</b>	<b>262,980</b>	<b>-</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.

# Notes to the Accounts

For the year ended June 30, 2015

## (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 and long term borrowings from bank, term deposits and deposits in profit and loss/saving accounts with banks and investments in mutual funds. At the balance sheet date profile of the Company's interest-bearing financial instrument is:

	2015	2014
	Rupees in '000'	
<b>Financial assets</b>		
Bank balances	<b>418,683</b>	288,360
<b>Financial Liabilities</b>		
Finance lease liability	<b>57,422</b>	86,016
Long term loan	-	237,862
Short-term borrowings	<b>412,645</b>	200,000
	<b>470,067</b>	523,878

## 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 Profit and loss account (net of tax)		
As at 30 June		
100 bps increase will result in decrease in profit by	<b>874</b>	800
100 bps decrease will result in increase in profit by	<b>874</b>	800

## (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.

## Sensitivity analysis

The following analysis demonstrates the impact of a 5% strengthening/weakening of the Pak Rupee against other currencies at 30 June on equity and profit and loss account 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 2014.

Impact on Profit and loss account (net of tax)		
As at 30 June		
Strengthening	<b>271,937</b>	203,717
Weakening	<b>(271,937)</b>	(203,717)

## (e) Fair Value of Financial Assets and Liabilities

The carrying values of financial assets and financial liabilities reported in balance sheet approximate their fair values.

## 39. 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:

		2015 (Unaudited)	2014 (Audited)
Rupees in '000'			
Size of the fund - Total Assets		354,473	254,023
Cost of investment made		302,263	208,450
Percentage of investment as size of fund	39.1	89%	88%
Fair value of investments	39.1	315,598	223,460

#### 39.1 The breakup of fair value of investments is:

	2015		2014	
	Investments Rupees in '000'	Percentage of investment as size of fund	Investments Rupees in '000'	Percentage of investment as size of fund
Bank Balances	207,700	59%	160,633	63%
Mutual Funds	107,898	30%	62,827	25%
	<b>315,598</b>	<b>89%</b>	223,460	88%

39.2 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

#### 40. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at June 30, 2015 and 2014 respectively as follows:

	2015	2014
No of Employees		
Average number of employees during the year	1,142	950
Number of employees as at year end	1,203	1,026

#### 41. ANNUAL SOFTWARE DEVELOPMENT CAPACITY

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

				2015	2014
				Rupees in '000'	
<b>42. CORRESPONDING FIGURES</b>					
Corresponding figures have been re-classified for better presentation, in respect of following:					
Note	From	Note	To		
11	Against capital expenditure	5.6	Capital work-in-progress	1,658	31,484
22	Other payables	21	Long term advances	2,980	893
28	Research and development cost	30	Research and development cost	32,177	26,021
28	Certifications	28	Fee & subscription	-	6,108
30	Security expenses	30	Repairs and maintenance	2,132	661
33	Mark-up on loan	33	Mark-up on loan from related party	280	339

#### 43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 08, 2015 by the Board of Directors.

#### 44. FIGURES

Figures have been rounded off to the nearest thousand rupee.



CONSOLIDATED FINANCIAL

# Statements

For the Year Ended June 30, 2015





# KABANI & COMPANY

CHARTERED ACCOUNTANTS

## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of **NetSol Technologies Limited (the Holding Company)** and its subsidiary company NetSol Innovation (Private) Limited, as at **June 30, 2015** and the related consolidated Profit and Loss account, consolidated statement of comprehensive income, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of **NetSol Technologies Limited** and its subsidiary company. These financial statements are the responsibility of the **NetSol Technologies Limited's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the **NetSol Technologies Limited** and its subsidiary company as at **June 30, 2015** and the results of their operations for the year then ended.

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**Kabani & Company**  
Chartered Accountants  
Engagement Partner: **Muhammad Yousaf**  
Lahore  
Dated: **September 08, 2015**

# Consolidated Balance Sheet

As at June 30, 2015

	NOTE	2015 Rupees in '000'	2014
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property & equipment	5	2,477,636	2,749,862
Intangible assets	6	2,511,297	2,868,568
		<b>4,988,933</b>	5,618,430
Deferred employee compensation expense	7	-	-
		<b>4,988,933</b>	5,618,430
<b>CURRENT ASSETS</b>			
Trade debts	8	783,280	537,831
Excess of revenue over billing	9	367,994	138,261
Loans and advances	10	10,227	14,146
Trade deposits & short term prepayments	11	26,138	25,829
Other receivables	12	25,464	23,986
Due from related parties	13	111,312	101,414
Taxation - net		36,618	46,011
Cash & bank balances	14	514,011	389,987
		<b>1,875,044</b>	1,277,465
<b>TOTAL ASSETS</b>		<b>6,863,977</b>	6,895,895

The annexed notes from 1 to 44 form an integral part of these financial statements.

	NOTE	2015	2014
		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	15	1,500,000	1,500,000
Issued, subscribed and paid up capital	15	890,464	889,699
Share deposit money		13	13
Reserves	16	4,588,036	4,716,272
		5,478,513	5,605,984
Non - controlling Interest		208,574	151,491
		5,687,087	5,757,475
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	17	-	212,862
Liabilities against assets subject to finance lease	18	27,743	43,689
Deferred income	19	10	29
Long term advances	20	2,750	193
		30,503	256,773
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21	452,694	553,556
Unearned revenue	22	237,995	60,064
Short term borrowings	23	412,645	200,000
Current portion of long term liabilities	24	43,053	68,027
		1,146,387	881,647
<b>CONTINGENCIES &amp; COMMITMENTS</b>			
	25	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,863,977</b>	<b>6,895,895</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.

# Consolidated Profit and Loss Account

For the year ended June 30, 2015

	NOTE	2015 Rupees in '000'	2014
Revenue - net	26	3,317,243	2,346,996
Cost of revenue	27	(2,484,709)	(2,074,921)
<b>Gross profit</b>		<b>832,534</b>	272,075
Selling and promotion expenses	28	(208,081)	(183,448)
Administrative expenses	29	(558,793)	(559,046)
Other operating expenses	30	(37,787)	(23,393)
Other income	31	28,394	63,350
<b>Operating profit / (loss)</b>		<b>56,267</b>	(430,462)
Finance cost	32	(12,323)	(11,886)
<b>Profit / (loss) before taxation</b>		<b>43,944</b>	(442,348)
Taxation			
Current	33	(27,046)	(33,352)
Prior		(12,170)	-
		<b>(39,216)</b>	(33,352)
<b>Profit / (loss) after taxation for the year</b>		<b>4,728</b>	(475,700)
<b>Attributable to:</b>			
Owners of NetSol Technologies Limited		(128,727)	(583,075)
Non - controlling interest		133,455	107,375
		<b>4,728</b>	(475,700)
<b>Loss per share</b>			
Basic - In Rupees	34	(1.45)	(6.62)
Diluted - In Rupees	34	(1.44)	(6.58)

The annexed notes from 1 to 44 form an integral part of these financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended June 30, 2015

	2015	2014
	Rupees in '000'	
<b>Profit / (loss) after taxation for the year</b>	<b>4,728</b>	(475,700)
Other comprehensive income	-	-
<b>Total comprehensive income / (loss) for the year</b>	<b>4,728</b>	(475,700)
<b>Attributable to:</b>		
Owners of NetSol Technologies Limited	<b>(128,727)</b>	(583,075)
Non - controlling interest	<b>133,455</b>	107,375
	<b>4,728</b>	(475,700)

*The annexed notes from 1 to 44 form an integral part of these financial statements.*

# Consolidated Statement of Cash Flows

For the year ended June 30, 2015

NOTE	2015	2014
	Rupees in '000'	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation for the year	43,944	(442,348)
Adjustments for non cash charges and other items:		
Depreciation - own assets	464,720	387,008
Amortization of leased assets	28,649	26,483
Amortization of intangible assets	357,271	347,311
Loss on disposal of fixed assets	7,261	19,758
Bad debt	8,103	-
Amortization of deferred revenue	(19)	(30)
Exchange loss / (gain) on debtors	31,648	(23,192)
Interest expense	11,284	10,456
Interest income	(25,723)	(19,174)
Deferred employee compensation expense	-	54
(Gain) on short term investment	(1,977)	(1,812)
Provision for doubtful trade debts	(44,371)	26,060
	<b>836,846</b>	<b>772,922</b>
<i>Cash generated from operations before working capital changes</i>	<b>880,790</b>	<b>330,574</b>
<i>Working Capital Changes</i>		
Trade debts	(284,528)	1,347,602
Loans and advances	3,919	(23,264)
Trade deposits & short term prepayments	(309)	(9,488)
Other receivables	(1,478)	2,461
Due from related parties	(18,001)	(72,789)
Trade and other payables	(99,072)	132,032
	<b>(399,469)</b>	<b>1,376,554</b>
<i>Cash (used in) / generated from operations</i>		
Interest paid	(31,799)	(37,859)
Income taxes paid	(29,824)	(24,387)
Dividend paid	(76,389)	(151,482)
	<b>343,309</b>	<b>1,493,400</b>
<i>Net cash generated from operations</i>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property and equipments purchased	(229,379)	(1,123,038)
Sales proceeds of fixed asset	97,137	11,254
Intangible assets	-	(334,488)
Capital work in progress	(77,419)	(102,942)
Gain on investments	1,977	1,812
Interest received	25,723	19,174
	<b>(181,961)</b>	<b>(1,528,228)</b>
<i>Net cash (used in) investing activities</i>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of share capital	765	24,160
Share premium	491	15,511
Paid against obligation under finance lease	(53,824)	(58,348)
Received against obligation under finance lease	36,677	97,468
Short term borrowing	212,645	-
Long term advances	3,784	-
Long term payable	(237,862)	15,197
	<b>(37,324)</b>	<b>93,988</b>
<i>Net cash (used in) / generated from financing activities</i>		
<i>Net increase in cash and cash equivalents</i>	<b>124,024</b>	<b>59,160</b>
<i>Cash and cash equivalents at the beginning of the year</i>	<b>389,987</b>	<b>330,827</b>
<i>Cash and cash equivalents at the end of the year</i>	<b>514,011</b>	<b>389,987</b>

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The annexed notes from 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended June 30, 2015

	Attributable to owners of the NetSol Technologies Limited						Non Controlling Interest	Total Equity
	Issued, subscribed and paid-up capital	Share deposit money	Employee share option compensation reserve	Capital reserve	Revenue reserve	Total		
				Share premium	Unappropriated profit			
Rupees In '000'								
<b>Balance as at June 30, 2013</b>	785,717	13	5,449	278,240	5,159,791	6,229,210	116,777	6,345,987
Total comprehensive income for the year								
Net (loss) / profit for the year ended June 30, 2014	-	-	-	-	(583,075)	(583,075)	107,375	(475,700)
Other comprehensive income	-	-	-	-	-	-	-	-
	-	-	-	-	(583,075)	(583,075)	107,375	(475,700)
Shares issued against options exercised (2,416,000 shares at Rs. 10 each)	24,160	-	-	-	-	24,160	-	24,160
Amount transferred to share premium on issuance of shares against options exercised (2,416,000 shares at Rs. 1.48 each)	-	-	(3,569)	-	-	(3,569)	-	(3,569)
Shares premium on shares issued against options exercised	-	-	-	19,080	-	19,080	-	19,080
<b>Distribution to owners</b>								
Final dividend for the year ended June 30, 2013								
Cash dividend of 10% (Rs. 1 per share)	-	-	-	-	(79,822)	(79,822)	-	(79,822)
Bonus shares issued (10% one for every ten ordinary shares held)	79,822	-	-	-	(79,822)	-	-	-
By subsidiary to non-controlling interest								
Cash dividend (Rs. 48.85 per share)	-	-	-	-	-	-	(72,661)	(72,661)
<b>Balance as at June 30, 2014</b>	889,699	13	1,880	297,320	4,417,072	5,605,984	151,491	5,757,475
<b>Balance as at June 30, 2014</b>	889,699	13	1,880	297,320	4,417,072	5,605,984	151,491	5,757,475
Total comprehensive income for the year								
Net (loss) / profit for the year ended June 30, 2015	-	-	-	-	(128,727)	(128,727)	133,455	4,728
Other comprehensive income	-	-	-	-	-	-	-	-
	-	-	-	-	(128,727)	(128,727)	133,455	4,728
Shares issued against options exercised (76,500 shares at Rs. 10 each)	765	-	-	-	-	765	-	765
Amount transferred to share premium on issuance of shares against options exercised (76,500 shares at Rs. 1.48 each)	-	-	(113)	-	-	(113)	-	(113)
Share premium on shares issued against options exercised	-	-	-	604	-	604	-	604
<b>Distributions to owners</b>								
By subsidiary to non-controlling interest								
Cash dividend (Rs. 51.34 per share)	-	-	-	-	-	-	(76,372)	(76,372)
<b>Balance as at June 30, 2015</b>	890,464	13	1,767	297,924	4,288,345	5,478,513	208,574	5,687,087

The annexed notes from 1 to 44 form an integral part of these financial statements.

# Notes to the Consolidated Accounts

For the year ended June 30, 2015

## 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 Companies Ordinance, 1984 as a private company limited by shares was later on converted into public limited company on November 05, 2004. The Company was listed on Karachi Stock Exchange on August 26, 2005 and subsequently also got listed on Lahore Stock Exchange and Islamabad Stock Exchange. The business of the Company is development and sale of computer software and its related services in Pakistan as well as abroad. The registered office of the Company is situated NetSol IT Village (Software Technology Park) Lahore Ring Road, Main Ghazi Interchange, Lahore Cantt. Pakistan

NetSol Innovation (Private) Limited ("the subsidiary Company" or "Subsidiary" ) is incorporated in Pakistan as a private limited company in which NetSol Technologies Limited has share holding of 50.52%. The subsidiary company is engaged in business of providing online software development services. The registered office of the Company is situated NetSol IT Village (Software Technology Park) Lahore Ring Road, Main Ghazi Interchange, Lahore Cantt. Pakistan.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards issued by the International Accounting Standards Board as notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan (the SECP) differ with the requirements of these standards, requirements of the Ordinance or the requirements of the said directives take precedence.

### 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, 2014.

### 2.5 Standards and interpretations that became effective

The following standards (revised or amended) and interpretations became effective for the current financial year but either not relevant or do not have any material effect on the financial statements of the Group:

IFRS 7	Financial Instruments: Disclosures (Amendments)
IFRS 10	Consolidated Financial Statements (Amendments)
IAS 19	Employee Benefits (Amendments)
IAS 32	Offsetting Financial Assets and Financial Liabilities (Amendments)
IAS 36	Impairment of Assets (Amendments)
IFRIC 21	Levies

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

		<b>Effective for periods beginning on or after</b>
IFRS 5	Non-current Assets Held for Sale and discontinued operations (Amendments)	Jul-01 2016
IFRS 7	Financial Instruments: Disclosures (Amendments)	Jul-01 2016
IFRS 14	Regulatory Deferral Accounts	Jan-01 2016
IFRS 15	Revenue from Contracts with Customers	Jan-01 2017
IAS 1	Presentation of Financial Statements (Amendments)	Jan-01 2016
IAS 16	Property, Plant and Equipment (Amendments)	Jan-01 2016
IAS 19	Employee Benefits (Amendments)	Jan-01 2016
IAS 27	Separate Financial Statements (Amendments)	Jan-01 2016
IAS 28	Investments in Associates and Joint Ventures (Amendments)	Jan-01 2016
IAS 34	Interim Financial Statements (Amendments)	Jan-01 2016
IAS 38	Intangible Assets (Amendments)	Jan-01 2016
IAS 41	Agriculture	Jan-01 2016

The Group expects that the adoption of the above revisions, amendments and interpretations of the Standards will not affect the Group's financial statements except enhanced disclosures.

## 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 power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

Subsidiary companies are consolidated from the date on which more than 50% voting rights are transferred to the holding Company or power to govern the financial and operating policies of the subsidiary is established and is excluded from consolidation from the date of disposal or cessation of control.

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 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.

# Notes to the Consolidated Accounts

For the year ended June 30, 2015

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

- i. Provision for doubtful debts
- ii. Provision for taxation
- iii. Useful life of depreciable assets
- iv. Useful life of intangible assets
- v. Contingencies

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Property and equipment

#### (i) Owned assets

Property 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 reducing balance method to write off the cost over the remaining useful life of the assets. Rates of depreciation are provided in note 5.1.

Depreciation on additions to property and equipment is charged for the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed off.

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 profit and loss account as and when incurred. Major repairs and improvements are capitalized.

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

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

#### (ii) Assets subject to finance lease

Assets acquired under finance leases are capitalized and are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations of the leases are accounted for as current and non-current liabilities. Leasing payments are recognised as markup and repayment of liability.

Assets acquired under finance lease are amortized over the useful life of the assets using reducing balance 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.

#### (iii) Capital work in progress

Capital work in progress is stated at cost less any impairment losses. It represents expenditure incurred on property and equipment during construction and installation. Cost also includes applicable borrowing costs under IAS 23 Borrowing Cost. 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

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

The Group capitalizes 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 are capitalized and reported at the lower of unamortized cost or recoverable amount. Capitalization ceases 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 balance sheet 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 profit and loss account when they occur.

Amortization is charged by applying reducing balance 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 balance sheet 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 5.1.

## 4.3 Impairment

### (a) Financial Asset

At each balance date the company assesses whether there is any objective evidence that a financial asset or a group of financial asset is impaired. A financial asset is deemed to be impaired if and only if there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Any impairment loss on financial assets, including the financial assets carried at amortized cost, is recognized in profit and loss account.

### (b) Non Financial Asset

The Group continually assesses at each balance sheet 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 profit and loss account 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.

# Notes to the Consolidated Accounts

For the year ended June 30, 2015

## 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 balance sheet 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 profit and loss account.

## 4.5 Staff benefits

### (i) Retirement benefits

The Group operates contributory provident fund for its entire permanent staff. Equal contribution is made by the Group companies in the provident fund on monthly basis. Group's contribution is recognized as a cost in the profit and loss account. 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"). At the grant date of share options ("Options") to the employees, the holding Company initially recognizes 'Deferred Employee Compensation Expense" with corresponding credit to equity as 'Deferred Employee Compensation Reserve" at the fair value of option at the grant date. The fair value of options determined at the grant date is recognized as an employee compensation expense on a straight line basis over the vesting period. Fair value of options is arrived at using Black Scholes pricing model.

When an unvested option lapses by virtue of an employee not conforming to the vesting conditions after recognition of an employee compensation expense in profit or loss, employee compensation expense in profit or loss will be reversed equal to the amortized portion with a corresponding effect to deferred employee compensation reserve in the balance sheet. When a vested option lapses on expiry of the exercise period, employee compensation expense already recognized in the profit or loss is reversed with a corresponding reduction to deferred employee compensation reserve in the balance sheet. When the options are exercised, deferred employee compensation reserve relating to these options is transferred to share capital and share premium account. An amount equivalent to the face value of related shares is transferred to share capital. Any amount over and above the share capital is transferred 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 profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

## 4.7 Creditors, accruals and provisions

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 balance sheet 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 balance sheet date and adjusted to reflect the current best estimate.

**4.8 Trade debts**

Trade debts from local customers are stated at invoice value while foreign debtors are stated at re-valued amount by applying exchange rate applicable on balance sheet date. An estimate is made for doubtful receivables when collection of amount is not probable and the amount of trade debts is reduced by such provision. The provision for doubtful debt is recognized in profit and loss account. Debts considered irrecoverable are written off against provision.

**4.9 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.

**4.10 Revenue recognition****(i) License sale**

The Group recognizes revenue from license contracts without major customization when a non-cancellable, non-contingent license agreement has been signed, delivery of the software has occurred, fee is fixed or determinable, and collectability is probable.

Revenue from sale of license with major customization, modification, and development is recognized on percentage of completion basis.

**(ii) Rendering of services**

Revenue from software services is recognized in accordance with the percentage of completion method. An output measure i.e. Unit Completion Method is used to determine the percentage of completion. Unit completed are certified by the Chief Financial Officer and Chief Operating Officer.

**(iii) Maintenance**

Revenue from maintenance is recognized on time proportion basis.

**(iv) Sale of hardware and third party software**

Revenue from sale of hardware and third party software is recognized when delivery has occurred and invoices are raised to customers.

The Group's revenue recognition policies are in compliance with all applicable accounting regulations including IAS 18 "Revenue".

**(v) Miscellaneous**

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

Gains or losses resulting from re-measurement of investment at fair value through profit or loss are recognized in the profit and loss account.

Rental income is recognized on time proportion basis.

Dividend income is recognized as income when the right of receipt is established.

Miscellaneous income is recognized on receipt basis.

**4.11 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 profit and loss account currently. Qualifying assets are assets that necessarily take substantial period of time to get ready for their intended use.

# Notes to the Consolidated Accounts

For the year ended June 30, 2015

## 4.12 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.

## 4.13 Financial instruments

### (i) Financial assets

All financial assets have been stated in accordance with the requirements of IAS-39 (Financial Instruments: Recognition and Measurement). Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets are initially recognized at cost, which is the fair value of the consideration given at initial recognition. Subsequent to initial recognition, financial assets are carried at fair value except for any financial assets whose fair value cannot be estimated reliably. Financial assets are derecognized when the Group loses control of the contractual rights that comprises the financial asset.

The Group classifies its financial assets in the following categories: held to maturity investments, loans and receivables, available for sale investments and investments at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Regular purchases and sales of financial assets are recognized on the trade date, the date on which the Group commits to purchase or sell the asset.

#### *(a) Held to maturity investments*

Investments with fixed payments and maturity that the Group has the intent and ability to hold to maturity are classified as held to maturity investments and are carried at amortized cost less impairment losses. These are classified as current and non-current assets in accordance with criteria set out by IFRSs.

#### *(b) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially measured at fair value plus directly attributable transaction costs. After initial measurement loans and receivables are subsequently measured at amortized cost using the effective interest rate method less any impairment. These are classified as current and non-current assets in accordance with criteria set out by IFRSs.

#### *(c) Available for sale investments*

Available for sale financial assets are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Available for sale investments are initially recognized at cost and carried at fair value at the balance sheet date. Fair value of a quoted investment is determined in relation to its market value (current bid prices) at the balance sheet date. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. Adjustment arising from re-measurement of investment to fair value is recorded in other comprehensive income and taken to profit and loss account on disposal of investment or when the investment is determined to be impaired.

#### *(d) Financial assets at fair value through profit or loss*

This category consists of two subcategories: (i) financial assets held for trading and (ii) financial assets that the Group initially chooses to put in this category. A financial asset is classified as held for trading if it is acquired with the aim of being sold in the short term. Assets in this category are measured continually at fair value, and the changes in value are recognized directly in the profit and loss account.

**(ii) Financial liabilities**

All financial liabilities have been stated in accordance with the requirements of IAS-39 (Financial Instruments: Recognition and Measurement). Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are initially recognized at cost, which is the fair value of the consideration received at initial recognition. Subsequent to initial recognition financial liabilities are carried at fair value, amortized cost or cost as the case may be. Financial liabilities are removed from the balance sheet when the obligation is extinguished, discharged, cancelled or expired. Any gain or loss on subsequent re-measurement or derecognizing is included in the profit and loss account for the period in which it arises.

**4.14 Dividend and appropriation to reserves**

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

**4.15 Leasing****(i) Operating Leases**

Leases where a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating lease. Expenses for operating leases are recognized in the profit and loss account over the leasing period on a straight-line basis. Variable expenses are recognized in the periods when they arise.

**(ii) Finance Leases**

Finance leases transfers to the Group substantially all the risks and rewards incidental to ownership of the leased assets. The minimum lease payments are divided between interest costs and repayment of the outstanding liability. Interest costs are distributed over the period of the lease so that each accounting period includes an amount corresponding to a fixed interest rate for the liability recognized in each period. Variable payments are recognized in the periods when they arise.

**4.16 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.

**4.17 Fair value**

The fair value of financial instruments that are actively traded in organized financial markets is determined but 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.

**4.18 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 Notes, including the factors used to identify the reportable segments and the measurement basis of segment information.

# Notes to the Consolidated Accounts

For the year ended June 30, 2015

		2015	2014
		Rupees in '000'	
<b>5. PROPERTY &amp; EQUIPMENT</b>			
Net book value of owned assets	5.1	2,337,727	2,334,091
Net book value of leased assets	5.4	116,258	122,739
Capital work in progress	5.6	23,651	293,032
		<b>2,477,636</b>	<b>2,749,862</b>

## 5.1 Following is the detail of owned assets

Particulars	2015								Net book value as at Jun 30, 2015
	COST			DEPRECIATION					
	As at Jul 01, 2014	Additions / (Deletions)	As at Jun 30, 2015	Rate %	As at Jul 01, 2014	Adjustment during the year	Charge for the year	As at Jun 30, 2015	
Rupees In '000'									
<b>Tangible Assets</b>									
Land - freehold	331,144	-	254,229	-	-	-	-	-	254,229
		(76,915)							
Building on free hold land	618,480	288,183	906,663	5	90,046	-	27,623	117,669	788,994
		-							
Furniture & fixtures	45,864	19,667	62,613	10	7,856		4,507	11,049	51,564
		(2,918)				(1,314)			
Vehicles	84,751	32,269	83,539	20	44,273	6,351	9,146	43,139	40,400
		(33,481)				(16,631)			
Computers	1,283,688	137,345	1,403,218	20-50	465,664	13,582	242,343	705,247	697,971
		(17,815)				(16,342)			
Air conditioners	16,807	20,658	36,478	10	4,204		1,538	5,204	31,274
		(987)				(538)			
Office equipment	33,693	10,763	44,287	10	10,099		2,957	12,984	31,303
		(169)				(72)			
Electric fittings	1,118	48,253	49,371	10	728	-	441	1,169	48,202
		-							
Generator	34,137	-	34,137	10	9,158	-	2,497	11,656	22,481
Leasehold improvements	22,815	10,011	21,237	20	10,364		4,172	4,547	16,690
		(11,589)				(9,989)			
<b>Intangible Assets</b>									
Software	909,771	25,540	885,465	33	405,785		169,496	530,846	354,619
		(49,846)				(44,436)			
	<b>3,382,268</b>	<b>592,689</b>	<b>3,781,237</b>		<b>1,048,177</b>	<b>19,933</b>	<b>464,720</b>	<b>1,443,510</b>	<b>2,337,727</b>
		<b>(193,720)</b>				<b>(89,322)</b>			

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

Particulars	2014								
	COST			DEPRECIATION					Net book value as at Jun 30, 2014
	As at Jul 01, 2013	Additions / (Deletions)	As at Jun 30, 2014	Rate %	As at July 01, 2013	Adjustment during the year	Charge for the year	As at Jun 30, 2014	
Rupees In '000'									
<b>Tangible Assets</b>									
Land - freehold	248,229	82,915	331,144	-	-	-	-	-	331,144
Building on free hold land	241,307	377,173	618,480	5	75,347	-	14,699	90,046	528,434
Furniture & fixtures	22,800	24,697 (1,633)	45,864	10	5,832	(650)	2,674	7,856	38,008
Vehicles	57,857	40,260 (13,366)	84,751	20	32,296	10,450 (6,105)	7,632	44,273	40,478
Computers	843,712	567,807 (127,831)	1,283,688	20-33	376,125	12,877 (113,750)	190,412	465,664	818,024
Air conditioners	10,053	6,754	16,807	10	3,337	-	867	4,204	12,603
Office equipment	24,323	9,370	33,693	10	8,073	27	1,999	10,099	23,594
Electric fittings	1,118	-	1,118	10	684	-	44	728	390
Generator	25,147	8,990	34,137	10	7,215	-	1,943	9,158	24,979
Leasehold improvements	11,589	11,226	22,815	20	9,589	-	775	10,364	12,451
<b>Intangible Assets</b>									
Software	700,398	310,256 (100,883)	909,771	33	325,091	-	172,890	405,785	503,986
	2,186,533	1,439,448 (243,713)	3,382,268		843,589	23,354 (212,701)	393,935	1,048,177	2,334,091

## 5.2 Depreciation is allocated in the following manner

		2015	2014
		Rupees in '000'	
Cost of revenue	27	351,847	290,613
Administrative expenses	28	112,873	96,395
Intangible assets		-	6,927
		464,720	393,935

# Notes to the Consolidated Accounts

For the year ended June 30, 2015

## 5.3 The detail of operating assets disposed off during the year are as follows

Particulars	Cost	Accumulated Depreciation	Net Book Value	Sales Proceeds	Mode of Disposal	Particulars of Purchaser
	Rupees In '000'					
Land	76,915	-	76,915	79,000	Negotiation	Dine Developers
Furniture & fixture	621	321	300	56	Negotiation	Zaheer Furniture Work
Furniture & fixture	160	67	93	39	Negotiation	Mughal Store
Furniture & fixture	568	317	251	173	Negotiation	Innovation Business
Furniture & fixture	1,569	609	960	115	Negotiation	Mr. Abad Kabrani
Vehicle	51	10	41	38	Company Policy	Employee
Vehicle	1,880	988	892	892	Company Policy	Employee
Vehicle	810	651	159	600	Company Policy	Employee
Vehicle	55	6	49	53	Company Policy	Employee
Vehicle	40	9	31	29	Company Policy	Employee
Vehicle	40	9	31	26	Company Policy	Employee
Vehicle	51	12	39	30	Company Policy	Employee
Vehicle	7,150	2,518	4,632	4,500	Negotiation	Mr. Taseer Aslam
Vehicle	40	11	29	20	Company Policy	Employee
Vehicle	40	12	28	27	Company Policy	Employee
Vehicle	850	716	134	800	Company Policy	Employee
Vehicle	825	698	127	675	Negotiation	Mr. Muhammad Shahid
Vehicle	1,454	824	630	575	Company Policy	Employee
Vehicle	2,268	113	2,155	2,100	Company Policy	Employee
Vehicle	1,454	836	618	680	Company Policy	Employee
Vehicle	1,125	547	578	775	Negotiation	Mr. Khalid Mehmood
Vehicle	11,252	7,551	3,701	2,500	Negotiation	Mr. Nouman Rashid
Vehicle	2,216	-	2,216	2,216	Sale and lease back	First Habib Modaraba
Vehicle	81	55	26	18	Negotiation	Mr. Zaheer Ali
Vehicle	1,746	1,064	678	725	Company Policy	Employee
Vehicle	53	1	51	53	Company Policy	Employee
Office Equipment	169	72	97	67	Negotiation	Innovation Business
Computer	146	108	38	15	Company Policy	Employee
Computer	323	83	240	150	Company Policy	Employee
Computer	67	53	14	7	Company Policy	Employee
Computer	8,464	7,819	645	-	Donation	SAR School, Green Meadows School, Roshan Umeed-e-Sehar Foundation
Computer	67	51	16	7	Company Policy	Employee
Computer	66	51	15	7	Company Policy	Employee
Computer	62	48	14	6	Company Policy	Employee
Computer	62	48	14	6	Company Policy	Employee
Computer	8,558	8,081	477	-	Donation	SAR School
Air conditioner	53	35	18	12	Negotiation	Mr. Zubair Abbas
Air conditioner	934	503	431	145	Negotiation	Faisal AC Works
Leasehold improvements	11,589	9,989	1,600	-	Assets written off	-
Software	49,846	44,436	5,410	-	Assets written off	-
<b>2015</b>	<b>193,720</b>	<b>89,322</b>	<b>104,398</b>	<b>97,137</b>		
2014	243,713	212,701	31,012	11,254		

#### 5.4 Following is the detail of leased assets

Particulars	2015								
	COST			Rate %	DEPRECIATION				Net book value as at Jun 30, 2015
	As at Jul 01, 2014	Additions / (Deletions)	As at Jun 30, 2015		As at Jul 01, 2014	Adjustment during the year	Charge for the year	As at Jun 30, 2015	
Rupees In '000'									
Vehicles	76,712	19,270 (15,026)	80,956	20	14,904	- (6,351)	12,784	21,337	59,619
Computers	56,548	8,907 (19,416)	46,039	33	21,758	- (13,582)	12,543	20,719	25,320
Air conditioners	19,140	-	19,140	10	1,117	-	1,802	2,919	16,221
Generator	8,545	8,500	17,045	10	427	-	1,520	1,947	15,098
	<b>160,945</b>	<b>36,677</b> <b>(34,442)</b>	<b>163,180</b>		<b>38,206</b>		<b>28,649</b>	<b>46,922</b>	<b>116,258</b> <b>(19,933)</b>

Particulars	2014								
	COST			Rate %	DEPRECIATION				Net book value as at Jun 30, 2014
	As at Jul 01, 2013	Additions / (Deletions)	As at Jun 30, 2014		As at Jul 01, 2013	Adjustment during the year	Charge for the year	As at Jun 30, 2014	
Rupees In '000'									
Vehicles	59,939	39,205 (22,432)	76,712	20	13,724	- (10,450)	11,630	14,904	61,808
Computers	45,809	32,157 (21,418)	56,548	33	20,826	- (12,877)	13,809	21,758	34,790
Air conditioners	-	19,140	19,140	10	-	-	1,117	1,117	18,023
Office equipment	96	- (96)	-	10	22	- (27)	5	-	-
Generator	-	8,545	8,545	10	-	-	427	427	8,118
	<b>105,844</b>	<b>99,047</b> <b>(43,946)</b>	<b>160,945</b>		<b>34,572</b>		<b>26,988</b>	<b>38,206</b>	<b>122,739</b> <b>(23,354)</b>

# Notes to the Consolidated Accounts

For the year ended June 30, 2015

		2015	2014
		Rupees in '000'	
<b>5.5 Amortization is allocated in the following manner</b>			
Cost of revenue	27	21,691	19,736
Administrative expenses	29	6,958	6,747
Intangible assets		-	505
		<b>28,649</b>	<b>26,988</b>
<b>5.6 Capital work-in-progress</b>			
Civil works for leasehold improvements		1,732	216,697
Advance against assets		7,919	76,335
Advance against leasehold improvements		14,000	-
		<b>23,651</b>	<b>293,032</b>
<b>5.6.1</b> The movement in capital work-in-progress during the year is as under:			
Opening Balance		293,032	503,883
Additions during the year		96,163	160,659
Transfers:			
Building		288,182	371,510
Furniture and Fixtures		10,755	-
Air conditioners		18,354	-
Electric fittings		48,253	-
		<b>(365,544)</b>	<b>(371,510)</b>
Closing balance		<b>23,651</b>	<b>293,032</b>

**5.6.2** Extension of existing building is under construction. Major portion of building has been completed during the financial year 2014-15 and is now in use by the company.

**5.6.3** During the year borrowing cost amounting to Rs. 18.745 million using capitalisation rate of 12.76% pa (2014 : Rs. 26.33 million using capitalisation rate 12.9% p.a) has been capitalized in the capital work in progress pertaining to construction of building.

**6. INTANGIBLE ASSETS**

Particulars	2015							
	COST			AMORTISATION				Net book value as at Jun 30, 2015
	As at Jul 01, 2014	Additions / (Deletions)	As at Jun 30, 2015	Rate %	As at Jul 01, 2014	Charge for the year	As at Jun 30, 2015	
Rupees In '000'								
<b>In-house Developed Software</b>								
NetSol Financial Suite	213,225	-	213,225	10-20	171,254	41,971	213,225	-
SMART	137,149	-	137,149	10	68,575	13,715	82,290	54,859
NFS - Ascent	2,935,038	-	2,935,038	10	253,118	293,503	546,621	2,388,417
HMIS	35,146	-	35,146	10	2,050	3,515	5,565	29,581
Business Intelligence Scoring Model & Risk Management	45,671	-	45,671	10	2,664	4,567	7,231	38,440
	<b>3,366,229</b>	<b>-</b>	<b>3,366,229</b>		<b>497,661</b>	<b>357,271</b>	<b>854,932</b>	<b>2,511,297</b>

Particulars	2014							
	COST			AMORTISATION				Net book value as at Jun 30, 2014
	As at Jul 01, 2013	Additions / (Deletions)	As at Jun 30, 2014	Rate %	As at Jul 01, 2013	Charge for the year	As at Jun 30, 2014	
Rupees In '000'								

**In-house Developed Software**

NetSol Financial Suite	213,225	-	213,225	10-20	135,488	35,766	171,254	41,971
LRMIS	71,826	-	71,826	20	36,511	35,315	71,826	-
SMART	137,149	-	137,149	10	54,860	13,715	68,575	68,574
NFS Ascent	549,793	2,385,245	2,935,038	10	99,856	153,262	253,118	2,681,920
HMIS	-	35,146	35,146	10	-	2,050	2,050	33,096
Business Intelligence Scoring Model & Risk Management	-	45,671	45,671	10	-	2,664	2,664	43,007
<b>Under Development</b>								
Fleet Management System	982,701	205,778 (1,188,479)	-	-	-	-	-	-
Blue Star	1,038,823	120,687 (1,159,510)	-	-	-	-	-	-
LSS	100,251	4,288	104,539	-	-	104,539	104,539	-
HMIS	32,761	2,385 (35,146)	-	-	-	-	-	-
Loan Origination System	33,781	3,475 (37,256)	-	-	-	-	-	-
Business Intelligence Scoring Model & Risk Management	40,364	5,307 (45,671)	-	-	-	-	-	-
	<b>3,200,674</b>	<b>341,920</b>	<b>3,542,594</b>		<b>326,715</b>	<b>347,311</b>	<b>674,026</b>	<b>2,868,568</b>



		2015	2014
		Rupees in '000'	
<b>8. TRADE DEBTS</b>			
Considered good - unsecured	8.2	783,280	537,831
Considered doubtful - unsecured	8.3	51,850	96,221
		<b>835,130</b>	634,052
Less: provision for doubtful trade debts	8.4	(51,850)	(96,221)
		<b>783,280</b>	537,831
<b>8.1 Amount receivable from related parties included in trade debts are as under:</b>			
The Innovation Group (EMEA) Limited - UK		211,750	103,598
The Innovation Group - US		119,682	104,500
The Innovation Group - AUS		3,180	12,507
NetSol Technologies (Thailand) Limited		116,573	-
NetSol Technologies (Beijing) Company Limited		73,567	-
		<b>524,752</b>	220,605

**8.2** It represents amount receivable from customers. It is unsecured but considered good by the management.

**8.3** This is a general provision created by the Company for any future doubtful trade debts.

**8.4** Movement in provision against doubtful trade debts is given below:

Balance as at July 1		96,221	80,610
Provision made during the year		-	26,060
Provision reversed during the year		(44,371)	-
Write offs during the year		-	(10,449)
Balance as at June 30		<b>51,850</b>	96,221

**8.4.1** The amount written off against provision in FY 2014 relates to Atheeb Netsol Saudi Company Limited.

**8.5** Aging of trade debts at June 30 is as follows:

	2015		2014	
	Rupees in '000'		Rupees in '000'	
	Gross	Impaired	Gross	Impaired
Not past due	160,101	-	45,813	-
Past due 1-180 days	626,317	-	505,405	-
Past due 181 days -1 year	36,010	-	82,028	-
More than one year	12,702	-	806	-
Total	<b>835,130</b>	-	634,052	-

# Notes to the Consolidated Accounts

For the year ended June 30, 2015

	2015		2014	
	Rupees in '000'		Rupees in '000'	
	Gross	Impaired	Gross	Impaired
<b>8.6</b> Aging of trade debts due from related parties at June 30 is as follows:				
Not past due	103,986	-	45,813	-
Past due 1-180 days	420,642	-	173,085	-
Past due 181 days -1 year	124	-	1,707	-
Total	524,752	-	220,605	-

## 9. EXCESS OF REVENUE OVER BILLING

It represents unbilled debtors arising due to recognition of revenue on the basis of percentage of completion as per IAS 18 'Revenue'. It is unsecured but considered good by the management.

It includes Rs. 49.045 million (2014 : nil) against NetSol Technologies (Beijing) Company Limited.

		2015	2014
		Rupees in '000'	
<b>10. LOANS AND ADVANCES - Unsecured</b>			
Considered good			
Loan to executives		3,096	1,822
Advances			
- to executives	10.1	227	834
- against expenses		6,904	11,490
		10,227	14,146

**10.1** The advances to executives are given to meet business expenses and are settled as and when the expenses are incurred. Maximum balance outstanding against advances to executives at the end of any month during the year was Rs. 0.782 million (2014 : Rs. 4.21 million)

## 11. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposit		7,590	6,698
Prepayments		18,548	19,131
		26,138	25,829

## 12. OTHER RECEIVABLES

Guarantee margin		2,741	8,045
Sales Tax Refundable		11,700	6,315
Other receivable - considered good		11,023	9,626
		25,464	23,986

		2015	2014
		Rupees in '000'	
<b>13. DUE FROM RELATED PARTIES</b>			
NetSol Connect (Private) Limited		3,435	2,155
NetSol Technologies Australia Pty. Limited		-	21,980
Atheeb NetSol Saudi Company Limited	29.4	-	9,404
NetSol Technologies (Beijing) Company Limited		104,073	12,202
NetSol Technologies Europe Limited		3,804	12,814
NetSol Technologies North America		-	42,859
		<b>111,312</b>	<b>101,414</b>
<b>13.1</b>	These relate to normal business of the Group and are interest free.		
<b>13.2</b>	Maximum aggregate amount outstanding due from related party at the end of any month during the year was Rs. 155.89 million (2014 : Rs. 111 million).		
<b>14. CASH AND BANK BALANCES</b>			
With banks			
Saving accounts	14.1	473,559	329,675
Current accounts		47	47
Foreign currency current account		38,365	56,547
		<b>511,971</b>	<b>386,269</b>
In hand		2,040	3,718
		<b>514,011</b>	<b>389,987</b>
<b>14.1</b>	The balances in savings accounts bear mark up at 4% per annum. (2014 : 5% to 9% per annum)		
<b>15. SHARE CAPITAL</b>			
<b>15.1 Authorised share capital</b>			
	2015	2014	
	Number of shares		Rupees in '000'
	150,000,000	150,000,000	1,500,000
	Ordinary Shares of Rs. 10 each.		
<b>5.2 Issued, subscribed &amp; paid-up capital</b>			
	41,895,691	41,819,191	418,957
	47,150,732	47,150,732	471,507
	Ordinary Shares of Rs. 10 each fully paid in cash		418,192
	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares		471,507
	<b>89,046,423</b>	<b>88,969,923</b>	<b>890,464</b>
			<b>889,699</b>
		2015	2014
		Number of shares	
<b>15.3</b>	Reconciliation of number of shares issued, subscribed & paid-up		
		88,969,923	78,571,703
	Number of shares outstanding as at July 1		
		76,500	2,416,000
	Ordinary Shares of Rs. 10 issued against options exercised		
		-	7,982,220
	Ordinary Shares of Rs. 10 issued as fully paid bonus shares		
		<b>89,046,423</b>	<b>88,969,923</b>
	Number of shares outstanding as at June 30		

# Notes to the Consolidated Accounts

For the year ended June 30, 2015

- 15.4** 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.
- 15.5** There are outstanding options granted to subscribe for ordinary shares of the holding Company granted under the employee share option plan as disclosed in Note 7.
- 15.6** NetSol Technologies Inc. 24025, Park Sorrento, Suite 410, Calabasas CA 91302, is the parent company holding 65.10 % (2014 : 63.38%) of issued capital of the Company. No shares are held by any other related party.
- 15.7** The holding Company is not subject to any externally imposed capital requirements for the financial years 2015 and 2014.

		2015	2014
		Rupees in '000'	
<b>16. RESERVES</b>			
<b>Capital reserve</b>			
Premium on issue of ordinary shares		297,924	297,320
<b>Revenue reserve</b>			
Un - appropriated profit		4,288,345	4,417,072
Employee share option compensation reserve	16.1	1,767	1,880
		<b>4,588,036</b>	<b>4,716,272</b>
<b>16.1 EMPLOYEE SHARE OPTION COMPENSATION RESERVE</b>			
Balance at the beginning of the period		1,880	5,449
Options issued during the year		-	-
Options lapsed due to employee resignation		-	-
Amount transferred to Capital reserve on exercise of options		(113)	(3,569)
Balance at the end of the period		1,767	1,880
<b>17. LONG TERM FINANCING</b>			
Term finance - secured	17.1	-	62,500
Loan from related party - unsecured	17.3	-	175,362
		-	237,862
Current portion		-	(25,000)
		-	212,862

- 17.1** This represents term finance available from Askari Bank Limited up to Rs. nil (2014 : Rs. 100 million), availed Rs. nil (2014 : Rs. 100 million) to finance the construction of new building. It carries mark up at the rate of 6 months Kibor + 2.75%, payable in semi-annual installments within a period of 5 years. The first trench of loan was disbursed in October 2011. The outstanding amount against this facility has been fully off paid during the financial year 2014-15.
- 17.2** These facilities were secured by first exclusive charge of Rs. 680 million over the land, building and equipment of the Company.
- 17.3** This represent interest free loan of USD nil (2014 : USD 1,774,743) from the holding Company.

	2015	2014
	Rupees in '000'	
<b>18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
Present value of minimum lease payments	68,869	86,016
Current portion of obligations shown under current liabilities	(41,126)	(42,327)
	<b>27,743</b>	43,689

Present value of minimum lease payments have been discounted at an implicit interest rate ranging between 9.18 % to 13.02% (2014 : 10.87 % to 12.99%) 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:

	2015		
	Minimum Lease Payment	Future Finance Charges	Present Value of Lease Liability
Not later than one year	46,285	5,159	41,126
Later than one year but not later than five years	29,384	1,642	27,742
	<b>75,669</b>	<b>6,801</b>	<b>68,868</b>

	2014		
	Minimum Lease Payment	Future Finance Charges	Present Value of Lease Liability
Not later than one year	50,540	8,213	42,327
Later than one year but not later than five years	47,699	4,010	43,689
	<b>98,239</b>	<b>12,223</b>	<b>86,016</b>

	2015	2014
	Rupees in '000'	
<b>19. DEFERRED INCOME</b>		
Opening balance	29	59
Addition during the year	-	-
	<b>29</b>	59
Amortized during the year	(19)	(30)
Un amortized gain on sale and lease back transaction	10	29

This amount represents gain on sale and lease back of fixed assets. According to IAS 17 "Lease" this gain is deferred and amortized over the lease term.

<b>20. LONG TERM ADVANCES</b>		
Long term advances	4,677	893
Less: Current portion	(1,927)	(700)
	<b>2,750</b>	193

**20.1** These represent payments received from employees against provision of motor bikes and cars to them as per company policy and will be adjusted against the future sale of motor bikes and cars.

# Notes to the Consolidated Accounts

For the year ended June 30, 2015

		2015	2014
		Rupees in '000'	
<b>21. TRADE AND OTHER PAYABLES</b>			
Creditors		56,916	51,810
Accrued liabilities		163,010	130,655
Accrued markup- secured		4,309	6,082
Due to related party	21.1	195,800	345,698
Withholding tax		13,314	6,308
Provident fund payable		12,037	8,716
Unclaimed dividend		2,614	2,631
Other payables		4,694	1,656
		<b>452,694</b>	<b>553,556</b>
<b>21.1 Due to related parties</b>			
<i>Parent</i>			
NetSol Technologies Inc.		117,461	203,972
<i>Associated</i>			
NetSol Technologies Europe Limited		73,174	137,746
NTPK (Thailand) Company Limited		-	2,765
NetSol Technologies Australia Pty. Limited		1,034	1,215
NetSol Technologies (Thailand) Limited		4,131	-
		<b>195,800</b>	<b>345,698</b>
<b>21.2</b>	These relate to normal course of business of the Group and is interest free.		
<b>21.3</b>	Maximum aggregate amount outstanding due to related party at the end of any month during the year was Rs. 555.23 million (2014 : Rs. 622 million).		
<b>22. UNEARNED REVENUE</b>			
	It represents license, maintenance and services fee received in advance. The license and services fee are transferred to revenue on work done basis where as maintenance is transferred to revenue on time proportion basis.		
<b>23. SHORT TERM BORROWINGS</b>			
Export refinance - secured	23.1	300,000	200,000
Loan from related party - unsecured	23.6	112,645	-
		<b>412,645</b>	<b>200,000</b>
<b>23.1</b>	The facility for export refinance is available from Askari Bank Ltd amounting upto Rs 300 million (2014 : Rs 300 million), availed Rs. 300 million (2014 : 200 million) It carries mark-up of State Bank Refinance Rate+1% per annum (2014 : State Bank Refinance Rate+1% per annum per annum). The interest rate ranged between 6% to 7.5% (2014 : 9.2 to 9.4%) during fiscal year 2015. The due balance is payable bi-annually.		
<b>23.2</b>	A facility for issuance of guarantees (LG) is available from Askari Bank Ltd upto Rs. 100 million (2014 : Rs. 100 million), availed Rs. 6.204 million. (2014 : Rs. 15.843 million)		
<b>23.3</b>	A sublimit of LG is available from Askari Bank Ltd for corporate credit cards upto Rs. 4 million (2014 : Rs. 4 million)		
<b>23.4</b>	The company has a running finance facility from Askari Bank Ltd as a sublimit to LG facility upto Rs. 75 million (2014 : 75 million) for working capital requirement. As at June 30, 2015 there is no balance outstanding against this facility. It carries markup at the rate of 3 month Kibor + 2%. (2014 : 3 month Kibor + 2.75%)		

**23.5** The facilities are secured by way of first exclusive charge over the Company's all present and future current assets/receivables of Rs. 536 million. (2014 : Rs. 536 million)

**23.6** This represent short term interest free loan of USD 1,086,254 (2014: nil) from the holding company.

		2015	2014
		Rupees in '000'	
<b>24. CURRENT PORTION OF LONG TERM LIABILITIES</b>			
Current portion of long term financing	17	-	25,000
Current portion of lease liability	18	41,126	42,327
Current portion of long term advances	20	1,927	700
		<b>43,053</b>	<b>68,027</b>

## 25. CONTINGENCIES & COMMITMENTS

### 25.1 Contingencies

During the year, the subsidiary has not charged Workers' Welfare Fund(WWF) under the WWF Ordinance, 1971 amounting to Rs.5.4 million, as the amendments made through Finance Act 2006 and 2008 relating to the scope and applicability of the same has been declared unconstitutional by the Honorable Lahore High Court through its judgement number 2011 PLD 2643. The matter is pending before the Honorable Supreme Court of Pakistan, however, management is confident that the decision of Lahore High Court shall prevail; accordingly no provision has been made by the company during the year in this regard.

### 25.2 Commitments

**25.2.1** The Company has issued worth Rs. 6.204 million (2014 : Rs. 15.843 million) bank guarantees and bid bonds to various customers against sale of software and allied services.

**25.2.2** The Company has no commitment under any capital purchase agreement as at June 30, 2015. (2014 : Rs. 40 million)

**25.2.3** The subsidiary shall indemnify Innovation Group (EMEA) Limited up to £2,000,000 (2014 : £2,000,000) in case of physical damage or loss to its tangible property. However at present the subsidiary is not using / in possession of any tangible property of Innovation Group (EMEA) Limited.

## 26. REVENUE - NET

### Export Revenue

License	307,698	377,996
Services	2,392,350	1,473,429
Maintenance	590,287	474,837
	<b>3,290,335</b>	<b>2,326,262</b>

### Local Revenue

Services	10,172	20,763
Maintenance	19,245	3,288
	<b>29,417</b>	<b>24,051</b>
Sales tax	(2,509)	(3,317)
	<b>3,317,243</b>	<b>2,346,996</b>

# Notes to the Consolidated Accounts

For the year ended June 30, 2015

		2015	2014
		Rupees in '000'	
<b>27. COST OF REVENUE</b>			
Salaries & benefits	27.1	1,310,788	920,253
Consultancy charges		84,863	146,511
Technical services		-	647
Hardware and other material cost		519	464
Software licences		5,525	57,961
Staff training		3,021	2,188
Rent, rates & taxes		9,441	1,954
Travelling & conveyance		163,687	108,140
Communication		28,407	22,287
Utilities		36,598	35,126
Printing & stationery		3,234	2,702
Entertainment		43,372	32,955
Insurance		2,941	2,734
Vehicle running & maintenance		21,079	18,409
Repair & maintenance		40,359	50,126
Fee & subscription		66	14,804
Depreciation	5.2	351,847	290,613
Amortization of leased assets	5.5	21,691	19,736
Amortization of intangible assets	6.1	357,271	347,311
		<b>2,484,709</b>	<b>2,074,921</b>

**27.1.** Salaries and benefits include Rs. 53.811 million (2014 : Rs. 38.387 million ) in respect of retirement benefits.

## 28. SELLING AND PROMOTION EXPENSES

Salaries & benefits	28.1	50,643	45,872
Staff training		-	4
Rent, rates & taxes		3,329	9,835
Travelling and conveyance		12,451	4,848
Communication		1,629	2,634
Utilities		2,781	2,740
Printing & stationery		187	127
Entertainment		2,506	2,439
Insurance		187	229
Vehicle running expenses		2,283	2,297
Repairs and maintenance		2,210	1,609
Commission on sales		96,189	80,926
Tender money		521	11
Sale promotional expenses		33,165	29,877
		<b>208,081</b>	<b>183,448</b>

**28.1** Salaries and benefits include Rs. 1.468 million (2014 : Rs. 1.126 million ) in respect of retirement benefits.

		2015	2014
		Rupees in '000'	
<b>29. ADMINISTRATIVE EXPENSES</b>			
Salaries and benefits	29.1	257,212	177,924
Staff training		320	315
Management fee		-	62,353
Rent, rates and taxes		10,753	7,492
Travelling and conveyance		16,122	20,581
Communication & postage		7,175	6,562
Printing and stationery		994	846
Utilities		11,961	10,445
Entertainment		21,308	20,294
Insurance		10,902	9,155
Advertisement		2,062	1,843
Vehicle running expenses		13,162	14,812
Repairs and maintenance		54,106	31,937
Legal and professional charges		4,196	12,743
Auditors remuneration	29.2	4,500	3,400
News papers & periodicals		300	603
Office supplies		4,769	3,122
Charity & donation	29.3	18,035	15,142
Fee & subscription		4,974	3,854
Miscellaneous expenses		202	400
Bad debt	29.4	8,103	-
Provision for doubtful trade debts		(44,371)	26,060
Research and development cost		32,177	26,021
Depreciation	5.2	112,873	96,395
Amortization of leased assets	5.5	6,958	6,747
		<b>558,793</b>	559,046

**29.1** Salaries and benefits include Rs. 8.21 million (2014 : Rs. 6.69 million ) in respect of retirement benefits.

**29.2 Auditors remuneration**

Audit fee	2,200	1,500
Certifications of group reporting	1,100	800
Professional services	600	600
Out-of-pocket expenses	600	500
	<b>4,500</b>	3,400

**29.3 Charity & donation**

No donations were made to any donee in which a director or his spouse had any interest at any time during the year.

**29.4** This relates to amount receivable from Atheeb NetSol Saudi Company Limited.

# Notes to the Consolidated Accounts

For the year ended June 30, 2015

	2015	2014
	Rupees in '000'	
<b>30. OTHER OPERATING EXPENSES</b>		
Loss on disposal of assets	6,139	18,962
Loss on foreign currency translation	31,648	-
Others	-	4,431
	<b>37,787</b>	<b>23,393</b>
<b>31. OTHER INCOME</b>		
<b>Income from financial assets</b>		
Profit on bank deposits	25,723	19,174
Profit on short term investment	1,977	1,812
	<b>27,700</b>	<b>20,986</b>
<b>Income from non-financial assets</b>		
Gain on foreign currency translation	-	23,192
Amortization of deferred revenue	19	30
Rental income	600	750
Miscellaneous income	75	18,392
	<b>694</b>	<b>42,364</b>
	<b>28,394</b>	<b>63,350</b>
<b>32. FINANCE COST</b>		
Lease finance charges	9,701	8,636
Markup on loans	1,583	1,820
Lease documentation charges	28	41
Bank charges	1,011	1,389
	<b>12,323</b>	<b>11,886</b>

### 33. TAXATION

Income of the Group from export of computer software and its related services developed in Pakistan is exempt from tax up to 2016 as per clause 133 of the Second Schedule to the Income Tax Ordinance, 2001. However tax as per applicable rates is charged to the income of the Group generated from other than core business activities.

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.

		2015	2014
		Rupees in '000'	
<b>34. LOSS PER SHARE</b>			
<b>Basic</b>			
Loss attributable to owners of NetSol Technologies Limited		<b>(128,727)</b>	(583,075)
Average number of ordinary shares in issue during the period	34.1	<b>88,999</b>	88,069
Basic - In Rupees		<b>(1.45)</b>	(6.62)
<b>Diluted</b>			
Loss attributable to owners of NetSol Technologies Limited		<b>(128,727)</b>	(583,075)
Average number of ordinary shares in issue during the period	34.2	<b>89,394</b>	88,559
Diluted - In Rupee		<b>(1.44)</b>	(6.58)

		2015	2014
		Number in '000'	
<b>34.1 Weighted average number of ordinary shares (basic)</b>			
Issued ordinary shares as at July 1		<b>88,970</b>	78,572
Effect of bonus shares issued		-	7,982
Weighted average of shares issued during the year		<b>29</b>	1,515
Weighted average number of ordinary shares (basic) as at June 30		<b>88,999</b>	88,069
<b>34.2 Weighted average number of ordinary shares (diluted)</b>			
Weighted average number of ordinary shares (basic)	34.1	<b>88,999</b>	88,069
Effect of exercise of share options		<b>395</b>	490
Weighted average number of ordinary shares (diluted) as at June 30		<b>89,394</b>	88,559

### 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 of the Group were as follows:

	Chief Executive		Directors		Executives	
	2015	2014	2015	2014	2015	2014
Rupees in '000'						
Managerial remuneration	<b>5,800</b>	4,000	<b>3,600</b>	2,400	<b>668,482</b>	471,834
Retirement benefits	<b>320</b>	-	<b>360</b>	240	<b>49,894</b>	34,572
Rent and house maintenance	<b>2,320</b>	1,600	<b>1,440</b>	960	<b>246,642</b>	173,352
Utilities	<b>580</b>	400	<b>360</b>	240	<b>61,660</b>	43,338
Medical expenses	<b>265</b>	142	<b>178</b>	108	<b>29,887</b>	17,013
Share options	-	3	-	1	-	16
<b>Total</b>	<b>9,285</b>	6,145	<b>5,938</b>	3,949	<b>1,056,565</b>	740,125
No. of Persons	<b>1</b>	1	<b>1</b>	1	<b>680</b>	517

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

Nothing is paid to any non-executive director of the company in form of remuneration or other benefits except a fee approved by the board for attending the board meetings.

# Notes to the Consolidated Accounts

For the year ended June 30, 2015

## 36. 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 balance sheet date, the management considers that the capital of the Group is sufficient to meet the requirements of the business.

The Group monitors capital on the basis of the gearing ratio. The ratio is calculated as follows:

		2015	2014
		Rupees in '000'	
Total debt	36.1	483,441	524,578
Less : Cash and cash equivalents		(514,011)	(389,987)
Net debt		(30,570)	134,591
Total equity	36.2	5,687,087	5,757,475
Gearing ratio (In percentage)		0%	2%

**36.1.** The total debt includes the long term financing, liabilities against assets subject to finance lease, short term borrowing and current portion of long term financing.

**36.2.** The total equity includes all the 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 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.

	Relationship with the Group	Nature of transactions		
(i)	Parent	Management fee	-	62,353
		Dividend paid to parent	-	51,222
		Bonus shares issued to parent	-	51,222
(ii)	Associated undertaking	Rental Income	600	750
		Provision of services	1,031,330	825,796
		Purchase of services	10,755	4,368
		Purchase of assets	47,731	-
		Commission paid to key management personnels	68,676	7,782
(iii)	Post Employment benefit	Contribution to defined contribution plan	63,486	46,197

(iv) During the financial year 2015, 76,500 shares (2014 : 2,416,000 shares) were issued to the key management personnel against the exercise of options. There are no transactions with any key management personnel other than the terms of employment.

### 38. 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 minimise 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 recognised 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:

		2015	2014
		Rupees in '000'	
<b>Financial Assets</b>			
Trade debts	38.1	835,130	634,052
Loans and advances		3,323	2,656
Security deposits		7,590	6,698
Other receivables		11,023	9,626
Due from related parties		111,312	101,414
Bank balances	38.2	511,971	386,269
		<b>1,480,349</b>	<b>1,140,715</b>

**38.1** The Group does not have significant exposure to any individual customer. The Group 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:

	Short term	Long Term	Rating Agency
Askari Bank Limited	A-1+	AA	JCR-VIS
MCB Bank Limited	A1+	AAA	PACRA
Summit Bank Limited	A-1	A	JCR-VIS

#### (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. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

# Notes to the Consolidated Accounts

For the year ended June 30, 2015

	2015				
	Carrying amount	Contractual cash flows	One year or less	Two to five years	More than five years
	Rupees in '000'				
<b>Non-derivative financial liabilities</b>					
Finance lease liability	68,868	75,669	46,285	29,384	-
Long term advances	4,677	4,677	1,927	2,750	-
Trade and other payables	452,694	452,694	452,694	-	-
Short-term borrowings	412,645	437,404	437,404	-	-
	<b>938,884</b>	<b>970,444</b>	<b>938,310</b>	<b>32,134</b>	<b>-</b>

	2014				
	Carrying amount	Contractual cash flows	One year or less	Two to five years	More than five years
	Rupees in '000'				
<b>Non-derivative financial liabilities</b>					
Finance lease liability	86,016	98,239	50,540	47,699	-
Long term financing	237,862	247,760	32,672	215,088	-
Long term advances	893	893	700	193	-
Trade and other payables	553,556	553,556	553,556	-	-
Short-term borrowings	200,000	218,800	218,800	-	-
	<b>1,078,327</b>	<b>1,119,248</b>	<b>856,268</b>	<b>262,980</b>	<b>-</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 and long term borrowings from bank, term deposits and deposits in profit and loss/saving accounts with banks and investments in mutual funds. At the balance sheet date profile of the Group's interest-bearing financial instrument is:

	2015	2014
	Rupees in '000'	
<b>Financial assets</b>		
Bank balances	<b>473,559</b>	329,675
<b>Financial Liabilities</b>		
Finance lease liability	<b>68,869</b>	86,016
Long term loan	-	237,862
Short-term borrowings	<b>412,645</b>	200,000
	<b>481,514</b>	523,878

### Sensitivity analysis

The Group 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 Group's profit net of tax.

	2015	2014
	Rupees in '000'	
Impact on Profit and loss account (net of tax)		
As at 30 June		
100 bps increase will result in decrease in profit by	896	761
100 bps decrease will result in increase in profit by	896	761

### (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.

### Sensitivity analysis

The following analysis demonstrates the impact of a 5% strengthening/weakening of the Pak Rupee against other currencies at 30 June on equity and profit and loss account 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 2014.

Impact on Profit and loss account (net of tax)		
As at 30 June		
Strengthening	347,503	205,978
Weakening	(347,503)	(205,978)

### (e) Fair Value of Financial Assets and Liabilities

The carrying values of financial assets and financial liabilities reported in balance sheet approximate their fair values.

## 39. 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:

	2015 (Unaudited)	2014 (Audited)
	Rupees in '000'	
Size of the fund - Total Assets	354,473	254,023
Cost of investment made	302,263	208,450
Percentage of investment as size of fund	39.1	88%
Fair value of investments	315,598	223,460

### 39.1 The breakup of fair value of investments is

	2015		2014	
	Investments Rupees in '000	Percentage of investment as size of fund	Investments Rupees in '000	Percentage of investment as size of fund
Bank Balances	207,700	59%	160,633	63%
Mutual Funds	107,898	30%	62,827	25%
	315,598	89%	223,460	88%

# Notes to the Consolidated Accounts

For the year ended June 30, 2015

**39.2** The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

## 40. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at June 30, 2015 and 2014 respectively as follows:

	2015	2014
	No of Employees	
Average number of employees during the year	1,316	1,101
Number of employees as at year end	1,393	1,183

## 41. SEGMENT REPORTING

For Management purposes, the Group's operating businesses are organised 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. Following are identified segments.

#### (i) Global Leasing and Financial Solutions (NFS)

The Group is primarily engaged in the selling of licences of its state-of-the-art NetSol Financial Suit (NFS), its customisation and maintenance. This segment mainly operates in Asia Pacific region.

#### (ii) Information Security (IS)

The Group globally offers a full range of Information Security services to help companies safeguard the confidentiality, veracity, and accessibility of information regarding their valuable assets.

#### (iii) Software Services and Solutions (SSS)

The Group is globally engaged in providing customised solutions as well as other IT Products.

#### (iv) 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.

#### 41.1 SEGMENT REVENUES AND RESULTS

Following is an analysis of the Group's revenue and results by reportable segment.

	2015				Total
	NFS	IS	SSS	BPO	
	Rupees in '000'				
Revenue - net					
External sales					
Licence	307,698	-	-	-	307,698
Services	1,682,761	7,663	128	709,461	2,400,013
Maintenance	590,287	19,245	-	-	609,532
Inter-segment sales					-
Total revenue	2,580,746	26,908	128	709,461	3,317,243
Cost of revenue	(1,990,635)	(29,807)	(105,687)	(358,580)	(2,484,709)
Segment results	590,111	(2,899)	(105,559)	350,881	832,534
Unallocated corporate expenses:					
Selling and promotion expenses					(208,081)
Administrative expenses					(558,793)
Other operating expenses					(37,787)
Other income					28,394
Finance cost					(12,323)
Taxation					(39,216)
<b>Profit after taxation</b>					<b>4,728</b>
Depreciation & amortisation	665,525	4,580	39,452	21,252	730,809

# Notes to the Consolidated Accounts

For the year ended June 30, 2015

	NFS	IS	2014		Total
			SSS	BPO	
Rupees in '000'					
Revenue - net					
External sales					
Licence	377,996	-	-	-	377,996
Services	865,014	17,446	556	607,859	1,490,875
Maintenance	474,837	-	3,288	-	478,125
Inter-segment sales					-
Total revenue	1,717,847	17,446	3,844	607,859	2,346,996
Cost of revenue	(1,447,723)	(40,232)	(264,708)	(322,258)	(2,074,921)
Segment results	270,124	(22,786)	(260,864)	285,601	272,075
Unallocated corporate expenses:					
Selling and promotion expenses					(183,448)
Administrative expenses					(559,046)
Other operating expenses					(23,393)
Other income					63,350
Finance cost					(11,886)
Taxation					(33,352)
<b>(Loss) after taxation</b>					<b>(475,700)</b>
Depreciation & amortisation	428,000	12,872	197,750	19,038	657,660

\*Key

NFS = NetSol Financial Solutions

SSS = Software Services and Solutions

IS = Information Security

BPO = Business Process Outsourcing

## 41.2 Revenue by geographic regions

The revenue is generated from clients in following geographical regions:

	Pakistan	Asia Pacific	Australia & USA	Others	Total
	Rupees in '000'				
Year ended 2015	26,908	2,198,164	735,002	357,169	3,317,243
Year ended 2014	20,735	1,555,334	444,097	326,830	2,346,996

Asia Pacific includes: China, Thailand, Japan, Taiwan & Korea, Australia & USA includes Australia, New Zealand & USA; Others include Europe & Middle East

**41.3 Revenue from major customers**

The revenue from major customer during the year was Rs. 257 million (2014 : 232 million).

**41.4 Non current assets**

Net book value of non-current assets held in foreign countries is Rs. 5.85 million (2014 : Rs. 8.515 million).

**2015**      2014  
**Rupees in '000'**

**42. CORRESPONDING FIGURES**

Corresponding figures have been re-classified for better presentation, in respect of following:

<b>Note</b>	<b>From</b>	<b>Note</b>	<b>To</b>		
10	Against capital expenditure	5.6	Capital work-in-progress	<b>1,658</b>	31,484
21	Other payables	20	Long term advances	<b>4,677</b>	893
27	Research and development cost	29	Research and development cost	<b>32,177</b>	26,021
27	Certifications	27	Fee & subscription	-	6,108
29	Security expenses	29	Repairs and maintenance	<b>2,132</b>	661

**43. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on September 08, 2015 by the Board of Directors.

**44. FIGURES**

Figures have been rounded off to the nearest thousand rupee.



**NOTICE OF**

# Annual General Meeting

## NOTICE OF

## Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 19<sup>th</sup> Annual General Meeting of the shareholders of NetSol Technologies Limited will be held on Tuesday October 27, 2015 at 11:00 A.M at Faletties Hotel, 24-Egerton Road, Lahore, to transact the following business:

**Ordinary Business**

1. To receive, consider and adopt the Reports of Directors and Auditors together with Audited Annual Separate and Consolidated Financial Statements for the year ended 30 June 2015.
2. To appoint auditors for the year ending June 30, 2016 and fix their remuneration.

**Special Business**

3. To consider and approve the changes proposed by the Board of Directors in the Employees Stock Option Scheme by passing the following resolution as Special Resolution, with or without any modification, addition or deletion:

**RESOLVED THAT:**

"Subject to the permission of the Securities and Exchange Commission of Pakistan, approval of the Company be and is hereby granted to change the vesting period of stock options to be granted by the Company in future pursuant to the Employees Stock Option Scheme 2009 as under:"

Immediately after grant	Initial 50% of options would vest
After 24 months of grant	Additional 30% of options would vest
After 36 months of grant	Remaining 20% of options would vest

**RESOLVED FURTHER THAT:**

"The Company Secretary be and is hereby authorized to complete all legal formalities, file application to the Securities and Exchange Commission of Pakistan for requisite permission and to execute all documents required in this regard and to implement the above resolution."

4. To consider and approve delisting of the Company from Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited, while retaining the listing on Karachi Stock Exchange Limited by passing the following resolution as Special Resolution, with or without any modification, addition or deletion:

**RESOLVED THAT:**

"The Company be de-listed from the Lahore Stock Exchange Limited ("LSE"), and the Islamabad Stock Exchange Limited ("ISE") under Section 9(5) of the Securities & Exchange Ordinance, 1969 while the Company shall remain listed on the Karachi Stock Exchange Limited."

**RESOLVED FURTHER THAT:**

"That the Chief Executive Officer and /or the Company Secretary, be and are hereby singly authorized to complete all requisite legal and procedural formalities for accomplishing the de-listing of the Company from LSE and ISE and to make application, sign and submit requisite documents as may be reasonably required by LSE and ISE so as to effectuate the de-listing of the Company and to take all actions and do necessary acts, deeds and things for implementation of this resolution including filing of appeals before the appropriate forum, if need be."

5. To transact any other business with the permission of the Chair.

A statement under Section 160(1)(b) of the Companies Ordinance, 1984 pertaining to the special business is being sent to the members along with the notice.

By Order of the Board

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**Boo-Ali Siddiqui**  
 Company Secretary

Lahore  
 October 05, 2015

**NOTE:**

1. Share transfer books of the Company will remain closed from October 21, 2015 to October 27, 2015 (both days inclusive).
2. Shareholders are requested to notify the change of addresses, if any, to our Shares Registrar, *M/s Vision Consulting Ltd.*, 3-C, LDA Flats, Lawrence Road, Lahore Tel: (92 42) 36283096, 36283097 and Fax: (+92 42) 36312550 maximum by the close of business hours on October 20, 2015. This will be treated in time for attending the annual general meeting.
3. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. 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.
4. CDC account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:

**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 produce his/ her original CNIC or original passport at the time of the meeting.
- 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 (unless it has been provided earlier) along with proxy form to the Company.

**5. Notice to Shareholders who have not provided CNIC:**

The Company has made several requests through advertisements in Urdu and English newspapers having circulation throughout the country and Independent Share Registrar of the Company has also sent letters through Registered Post to the shareholders who have not yet provided valid copies of their Computerized National Identity Card (CNIC), requesting them to provide their CNIC's. The directive of the Securities and Exchange Commission of Pakistan contained in S.R.O. 831(I)/2012 dated 5 July 2012 requires that the dividend warrants should bear the Computerized National Identity Card Numbers (CNIC) of the registered shareholders or the authorized person except in the case of minor(s) and corporate shareholders.

CNIC number of the shareholders is, therefore, mandatory for the issuance of future dividend warrants and in the absence of such information, payment of dividend may be withheld in term of SECP's above mentioned directive. Therefore, the shareholders who have not yet provided their CNICs are once again advised to provide the attested copies of their CNICs directly to our Independent Share Registrar at the address given herein above without any further delay.

**6. Mandate for E-DIVIDENDS for shareholders:**

In order to make process of payment of cash dividend more efficient, e-dividend mechanism has been envisaged where shareholders can get amount of dividend credited into their respective bank accounts electronically without any delay. In this way, dividends may be instantly credited to respective bank accounts and there are no chances of dividend warrants getting lost in the post, undelivered or delivered to the wrong address, etc. The Securities and Exchange Commission of Pakistan (SECP) through Notice No. 8(4) SM/CDC 2008 dated 5 April 2013 has advised all Listed Companies to adopt e-dividend mechanism due to the benefits it entails for shareholders. In view of the above, you are hereby encouraged to provide a dividend mandate in favour of e-dividend by providing dividend mandate form duly filled in and signed.

**7. Placement of Financial Statements:**

The Company has placed the Audited Annual Separate and Consolidated Financial Statements for the year ended 30 June 2015 along with Auditors and Directors Reports thereon on its website: [www.netsolpk.com](http://www.netsolpk.com)

## EXPLANATORY STATEMENT ACCOMPANYING NOTICE TO THE MEMBERS UNDER SECTION 160(1) (b) OF THE COMPANIES ORDINANCE, 1984

### Agenda Item No.3:

As per the current structure of employees stock option scheme, the options granted to any employee would take seven years to become 100% vested in his name. The below table explain how the granted options become exercisable:

After 12 months of grant	Initial 40% of options would vest
After 24 months of grant	Additional 30% of options would vest
After 36 months of grant	Additional 20% of options would vest
After 84 months of grant	Balance 10% of options would vest

The main purpose of introducing the Stock Option Scheme is to retain the employees but such a long vesting period has reduced the charm of ownership for any employee. Moreover, due to huge volatility in the stock market, there is a big uncertainty factor as to whether the stock price after three or four years would be attractive enough to buy shares at that time or not. The board reviewed the vesting period and proposed that it should be reduced to three years with the following revised structure:

Immediately after grant	Initial 50% of options would vest
After 12 months of grant	Additional 30% of options would vest
After 24 months of grant	Remaining 20% of options would vest

The Directors have no personal interest, directly or indirectly, in the proposed special business except in their capacities as shareholders and directors of the company.

The change in the vesting period under the Employees Stock Option Scheme 2009 shall be subject to approval of the Securities and Exchange Commission of Pakistan.

### Agenda Item No.4:

The Company is listed on all the three stock exchanges of Pakistan i.e., Karachi, Lahore and Islamabad. The Board of Directors of the Company is of the view that there is no need to keep the Company listed on Lahore Stock Exchange and Islamabad Stock Exchange as it involves unnecessary expenditure (including annual listing fees, additional listing fees, printing cost etc.) which is not in the interest of the Company and its shareholders. These expenditures would also continue to increase in future. In addition to it, the Company is not getting any benefit of being listed on LSE or ISE as the trading in the Company's share on these stock exchanges is minimal. That's why it is proposed that the company should retain only one listing on The Karachi Stock Exchange Limited.

The Directors have no personal interest, directly or indirectly, in the proposed special business except in their capacities as shareholders and directors of the company.



# 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 Faletties Hotel, 24-Egerton Road, Lahore on Tuesday October 27, 2015 at 11:00 a.m. and at any adjournment thereof.

Signed at \_\_\_\_\_ this \_\_\_\_\_ Day of \_\_\_\_\_ 2015.

Witness 1:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC or  
Passport No. \_\_\_\_\_

Five 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.

Third Fold and Tuck In

First Fold





# NetSol Technologies Limited

NetSol IT Village (Software Technology Park)  
Lahore Ring Road, Ghazi Road Interchange  
Lahore Cantt. 54792, Pakistan

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