



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

FORM-05
Date:27/09/2019

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

Subject: **Transmission of Annual Report For the Year Ended June 30, 2019**

Dear Sir,

We have to inform you that the Annual Report of the Company for the year ended June 30, 2019 have been transmitted through PUCARS and is also available on Company's website.

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

Yours Sincerely,

SEHRISH
Company Secretary





Annual Report

NETSOL Technologies Limited

2019

adaptive

to your business, your growth & the future.

Proudly serving the world's top asset finance & leasing companies with smart software technology for decades.

Table of Contents

01

Business Review

Company Profile	2
Vision & Mission Statement	4
Major Customers	6
Quality Focus	8
Services Portfolio	9
Awards and Accolades	10
NetSol Events	12
Chairman's Review Report	14
Shareholder's Information	15
Share Price & Volume	16

02

Financial Highlights

Statement of Value Addition	18
Six Years' Summary	19
Key Financial Ratios	20
Financial Summary	21

03

Governance

Board of Directors	24
Directors' Report	26
ڈائریکٹرز رپورٹ	31
Corporate Social Responsibility	37
Core Values	40
Code of Conduct	41
Independent Assurance Report to Members on the Statement of Compliance with Employees Share Option Scheme	43
Review Report to the Members on Statement of Compliance with the Code of Corporate Governance	44
Statement of Compliance with Code of Corporate Governance	45
Pattern of Shareholding	46

04

Financials Statements

Financial Statements

Auditors' Report to the Members	51
Statement of Financial Position	59
Statement of Profit or Loss	61
Statement of Other Comprehensive Income	62
Statement of Cash Flows	63
Statement of Changes in Equity	64
Notes to the Accounts	65

Consolidated Financial Statements

Directors' Report	104
ڈائریکٹرز رپورٹ	105
Auditors' Report on Consolidated Financial Statements	106
Consolidated Statement of Financial Position	114
Consolidated Statement of Profit or Loss	116
Consolidated Statement of Other Comprehensive Income	117
Consolidated Statement of Cash Flows	118
Consolidated Statement of Changes in Equity	119
Notes to the Consolidated Accounts	120

05

Annual General Meeting

Notice of Annual General Meeting	166
Form of Proxy	173
پراکسی فارم	175

Company **Profile**

BOARD OF DIRECTORS

SHAHAB-UD-DIN GHAURI

Chairman/Non-Executive Director

SALIM ULLAH GHAURI

Chief Executive Officer/Executive Director

VASEEM ANVAR

Independent Director

ANWAAR HUSSAIN

Independent Director

HAMNA GHAURI

Non-Executive Director

NAJEEB ULLAH GHAURI

Non-Executive Director

OMAR SHAHAB GHAURI

Executive Director

AUDIT COMMITTEE

ANWAAR HUSSAIN

Chairman

VASEEM ANVAR

Member

HAMNA GHAURI

Member

CHIEF FINANCIAL OFFICER

BOO-ALI SIDDIQUI

COMPANY SECRETARY

SEHRISH

CHIEF INTERNAL AUDITOR

MUHAMMAD ABDUL WAHAB HAFEEZ

AUDITORS

H.Y.K & Co.

Chartered Accountants
321-Upper Mall, Lahore

LEGAL ADVISOR

CORPORATE LAW ASSOCIATES

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

BANKERS

Askari Bank Limited
SAMBA Bank Limited
MCB Bank Limited
Summit Bank Limited
Bank Al Habib Limited
Meezan Bank Limited
Dubai Islamic Bank Pakistan Limited

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

RAWALPINDI OFFICE

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

KARACHI OFFICE

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

WEB PRESENCE

www.netsolpk.com
info@netsolpk.com

Vision & Mission **Statement**



Vision Statement

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

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 vendor to the global leasing and finance businesses. We will leverage our market leading position in APAC, and our European and US presence, to continue to drive strong revenues from our current generation of leasing and financing solutions, and successfully grow our next generation platform. We will leverage our world class software development capabilities to develop new IP in business segments where we can add value. We will excite, motivate, train and reward our employees to be the best in their domain. We will tirelessly explore ways to improve the breadth and depth of our offerings, both organically and through M&A. We ultimately aim to enhance shareholder value, incrementally and exponentially, by growing existing streams as well as building new streams through R&D, partnerships, acquisitions and spin-offs.

MAJOR CUSTOMERS

SAUDI ARABIA

- Al-Amthal Financing & Leasing Co. Ltd

CHINA

- Mercedes-Benz Auto Finance China Ltd
- Mercedes-Benz Leasing Co., Ltd
- Toyota Motors Finance China Co., Ltd
- Volvo Automotive Finance, China
- Mercedes Benz Financial Services Taiwan Ltd
- GAC SOFINCO Automobile Finance, Ltd
- Tianjin Great Wall Binyin Automobile Finance Co., Ltd
- FCA Automotive Finance Co. Ltd
- Fortune Auto Finance Co. Ltd
- Shanghai Dongzheng Automotive Finance Co., Ltd
- BYD Company Limited
- Volvo Financial Leasing Company
- YuLun Motor Finance (China) Co., Ltd

THAILAND

- Mercedes-Benz Leasing (Thailand) Co., Ltd
- Nissan Leasing (Thailand) Co., Ltd

AUSTRALIA

- Mercedes Benz Financial Services Australia Pty Ltd
- Mercedes-Benz Financial Services New Zealand Ltd
- CNH Industrial Capital
- Pepper Group Australia

HONG KONG

- Mercedes-Benz Financial Services Hong Kong Ltd

JAPAN

- Mercedes-Benz Finance Co. Ltd

MALAYSIA

- Mercedes-Benz Services Malaysia Sdn Bhd

SOUTH AFRICA

- Mercedes-Benz Financial Services, South Africa

INDONESIA

- PT OTO Multiartha
- PT Summit OTO Finance
- PT Mizuho Balimor Finance

SINGAPORE

- Mercedes-Benz Financial Services Singapore Ltd
- Daimler South East Asia Pte Ltd.

KOREA

- Mercedes-Benz Financial Services Korea, Ltd

UK

- WRLD3D Limited

PAKISTAN

- Excise & Taxation Department, Government of Sindh





Quality **Focus**

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

- effective implementation of software measurement programs
- regular assessments against international standards
- monitoring and enhancing customer satisfaction
- developing and maintaining skilled & motivated resource base
- reviewing and enhancing quality objectives

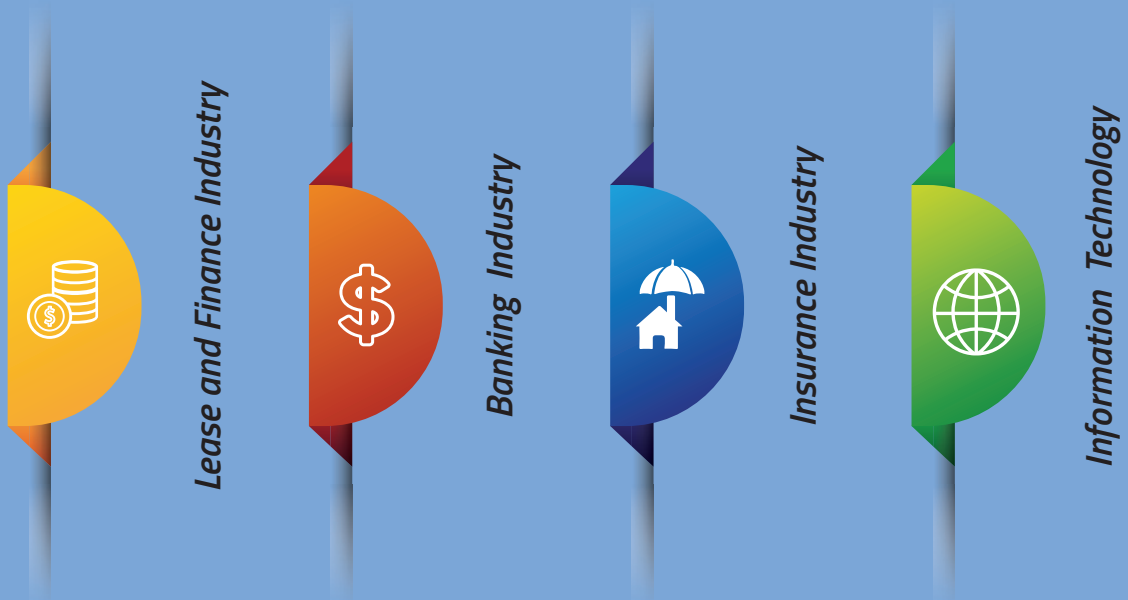
Our focus in quality engineering and process improvement has been definitive in ensuring excellence of operations and customer satisfaction. We are also continuously investing in software processes improvement and ISO authorized trainings for our teams.

Services Portfolio

Currently we are offering following services to our customers:



Industries we serve



AWARDS AND ACCOLADES



NETSOL was awarded the “Top IT Exporter Award” and “Top IT Products and Solutions Exporter Award” from Pakistan Software Export Board. These prestigious awards are a testament to the superiority of our products and services and this recognition further strengthened our position as an industry leader.



The Honorable Homecoming of “Sitara-e-Imtiaz”

A moment of extreme pride and immense honour for NETSOL with Najeeb Ghauri, Chairman/CEO of NETSOL Technologies being nominated to receive one of the highest Civil Award of Pakistan, Sitara-e-Imtiaz for promoting IT based solutions, digitization and bandwidth enhancement in Pakistan. This award was announced on Independence Day, August 14th, 2019 and will be presented at a special ceremony on Pakistan Day falling on March 23rd, 2020.

NETSOL EVENTS



BMW China team visiting NetSol



Mr. Salim Ghauri receiving "Top IT Export" and "IT Product & Solutions" Awards



Mr. Mark Russel, US Commercial Councillor for Pakistan visiting NetSol



Mr. Wang Hua, CEO Zong visiting NetSol



Representatives of British Council visiting NetSol



Group of People from National School of Public Policy visiting NetSol



Prof. Fazal Ahmad Khalid, VC UET Lahore, presenting shield to Mr. Salim Ghauri



NetSol Representation at Male Champion of Change Meetup



Defence Day Celebration at NetSol



Motor Bike Distribution Ceremony at NetSol



Independence Day Celebration at NetSol



Clean and Green Activity at NetSol



NFS R1 Dinner



Pepsi CPL Cup 2018 - NetSol Winning Team



Mango Bash 2019



Womens' Week Celebration at NetSol

CHAIRMAN'S REVIEW REPORT

It gives me immense pleasure in reviewing the fiscal year ended June 30th 2019, which has been another paramount and successful period for NETSOL. The company has continued to maintain its stronghold in the global asset finance and leasing industry. This past fiscal period comprised of several major successful implementations, another multi-million dollar contract signing and a number of notable leads. Due to its unrivaled capabilities and NETSOL's commitment to having delivered a 100% project success rate, our premier, next-gen solution NFS Ascent™ continues to be recognized as the leading solution for the global auto, equipment, banking and big ticket finance and leasing sectors.

Despite the intense competitive environment we operate in globally, our state-of-the-art NFS Ascent™ product alongside NFS Digital and our suite of digital solutions for the global asset finance and leasing industry, enables us to continue to maintain ourselves as leaders in the industry. Our enterprise application solutions continue to enable blue chip organizations and Fortune 500 companies to future proof their business, gain a competitive advantage and achieve business excellence.

Successful implementations for the largest contract in the history of NETSOL for a major German auto captive continued in this fiscal period as well, as the markets of South Africa, China and Japan went live with the company's premier NFS Ascent. These implementations were part of the large contract signed in December 2015 for implementation of various modules of NFS Ascent in twelve countries.

Our innovation department and research and development teams have been working tirelessly to keep up with the rapid technological evolution in our industry. We continue to evolve alongside the industry. A number of technologies, including but not limited to, artificial intelligence, blockchain and fintech, are being leveraged by financial institutions and we are working on these technologies in order to ensure our clients achieve business excellence.

The Board has performed its duties and responsibilities diligently and has contributed effectively in guiding the Company in all its strategic affairs. The Board also played a pivotal role in monitoring of management performance, focusing on major risk areas and achieving the Company's objective. The Board was fully involved in strategic planning process and enhancing the vision of the Company. The Board recognizes that well defined corporate governance processes is vital in enhancing corporate accountability and is committed to ensure high standards of corporate governance to preserve and maintain stakeholders' value. All directors, including the independent and non-executive directors, participated and contributed towards the decision making process of the board. Boards' audit committee also met regularly and strengthened the



functions of the board. The company has also established an independent internal audit department which follows risk based audit methodology. Audit reports were presented at each audit committee meeting and were also made available for the review by the board, where necessary. The Board also carried out its annual self-evaluation in line with requirements of Code of Corporate Governance and found its performance to be satisfactory and improved over previous years.

On behalf of the NETSOL Board of Directors and Management Team, I would like to express my gratitude to our entire global team who are our prized assets. Their commitment and dedication has enabled us to maintain our stronghold of the global asset finance and leasing industry. Further, I would like to also acknowledge all our clients and business partners, who have been on this journey with NETSOL and who continue to place their confidence and trust in us.

In the end, on behalf of the board, I would like to acknowledge the contribution of our employees in the success of the Company. I would also like to thank our shareholders, business partners, customers and suppliers for their continued support and confidence in the Company.

Shahab Ud Din Ghauri
Chairman
Lahore
September 20, 2019

Shareholders' Information

Registered Office

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

Listing and Symbol

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

Listing Fees

Annual listing fee for the financial year 2018-19 has been paid to Stock Exchange.

Dividend

The Board of Directors in their meeting held on 20 September 2019 has proposed a dividend on ordinary shares at Rs. 2.80 per ordinary share.

Book Closure Dates

Share Transfer Books of the Company will remain closed from 15 October 2019 to 21 October 2019 (both days inclusive).

Dividend Remittance

Dividend declared and approved at the Annual General Meeting will be paid within the statutory time limit of 15 working days.

- (i) **For shares held in physical form:** to shareholders whose names appear in the Register of Members of the Company after entertaining all requests for transfer of shares lodged with the Company on or before the book closure date.
- (ii) **For shares held in electronic form:** to shareholders whose names appear in the statement of beneficial ownership furnished by CDC as at end of business on book closure date.

Shares Registrar

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

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

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

Contact Person

Mr. Abdul Ghaffar Ghaffari
Manager Shares

Investor Grievances

Contact Persons

Registrar

Mr. Abdul Ghaffar Ghaffari
Manager Shares

Share Registrar

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

Company

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

Service Standards

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

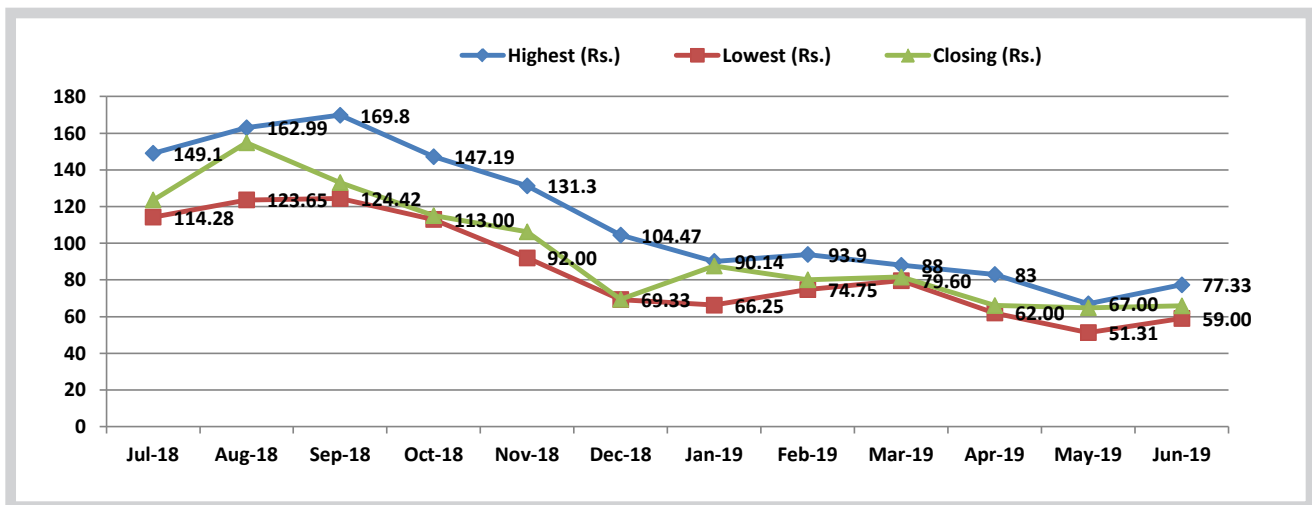
Sr.No.	Activities	For Request Received through post	Over the Counter
1	Transfer of Shares	15 days after receipt	15 days after receipt
2	Transmission of Shares	15 days after receipt	15 days after receipt
3	Issuance of duplicate share certificates	30 days after receipt	30 days after receipt
4	Issuance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

Share Price/Volume

The following table shows the monthly high, low and closing share prices of the Company and the volume of shares traded on the Pakistan Stock Exchange Limited during the financial year ended June 2019:

Month	Highest (Rs.)	Lowest (Rs.)	Closing (Rs.)	No. of shares traded	Market Capitalization in *Value (Rs. in billion)
Jul-18	149.1	114.28	123.65	19,412,600	13.37
Aug-18	162.99	123.65	154.79	13,413,300	14.62
Sep-18	169.8	124.42	133.14	10,318,200	15.23
Oct-18	147.19	113	115.09	9,729,200	13.21
Nov-18	131.3	92	106.26	37,010,000	11.78
Dec-18	104.47	69.33	69.43	32,928,000	9.37
Jan-19	90.14	66.25	87.63	35,663,800	8.09
Feb-19	93.9	74.75	80.11	22,140,000	8.42
Mar-19	88	79.60	81.56	14,146,800	7.90
Apr-19	83	62	66.06	7,023,700	7.45
May-19	67	51.31	64.87	5,731,000	6.01
Jun-19	77.33	59.00	65.89	7,682,400	6.94

* Based on highest price.

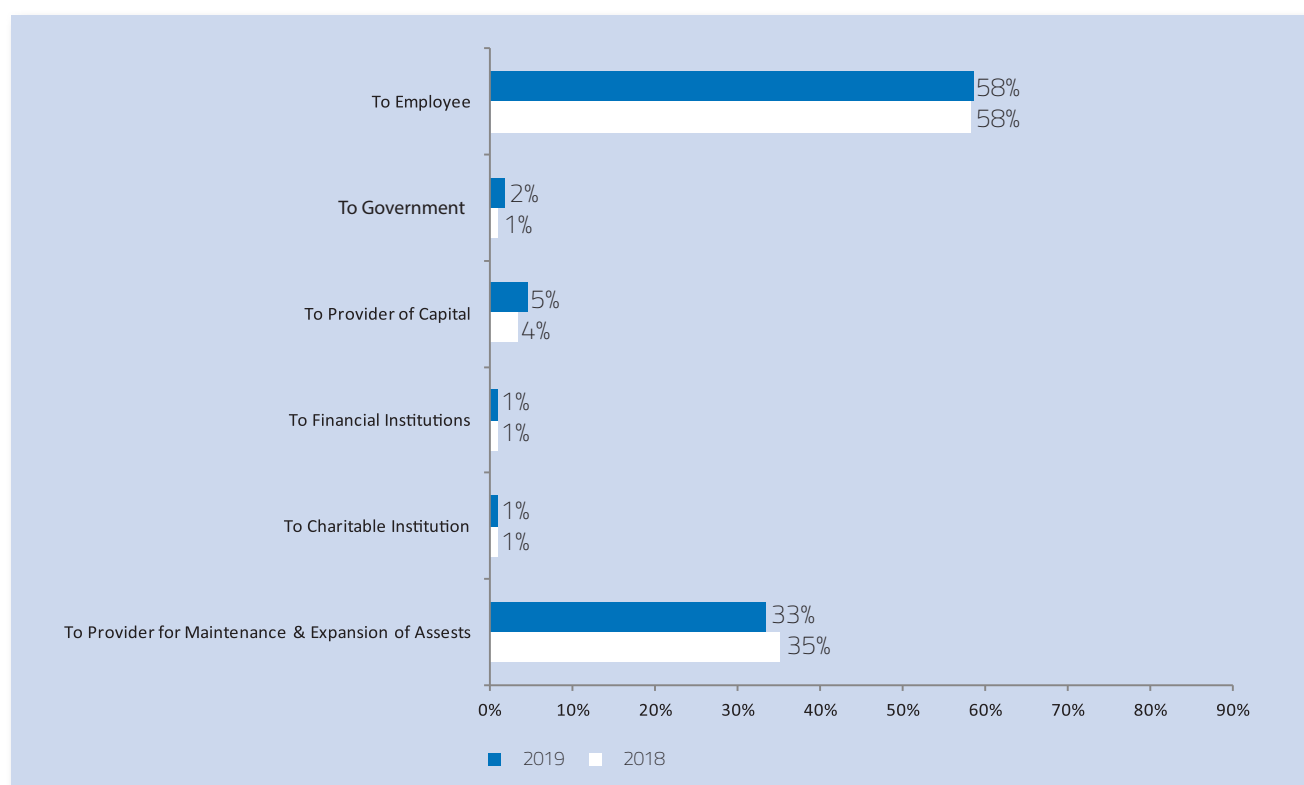




FINANCIAL **HIGHLIGHTS**

Statement of Value Addition

	2019	% age	2018	% age
RUPEE IN THOUSAND				
VALUE ADDITION				
Revenue from Contracts with Customers	5,381,196		4,284,800	
Other Income	945,494		537,430	
	6,326,690		4,822,230	
Less Operating & General Expenses	1,955,002		1,087,082	
Value Added	4,371,688	100%	3,735,148	100%
VALUE DISTRIBUTION				
To Employee				
Salaries & other employee benefits	2,542,746	58%	2,182,426	58%
To Government				
Income & other taxes	75,132	2%	49,983	1%
To Provider of Capital				
Cash dividend	224,307	5%	130,044	4%
To Financial Institutions				
As markup on borrowings	39,779	1%	44,034	1%
To Charitable Institution	22,074	1%	13,968	1%
To Provider for Maintenance & Expansion of Assets				
Depreciation / Amortization	224,166		248,723	
Retained Income	1,243,484		1,065,970	
	1,467,650	33%	1,314,693	35%
	4,371,688		3,735,148	



Six Years' Summary

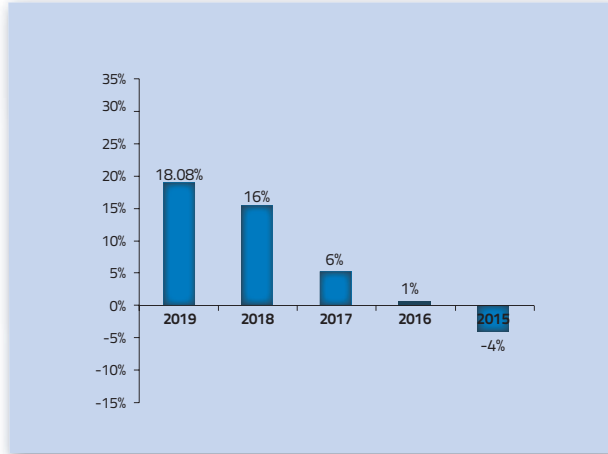
	2019	2018	2017	2016	2015	2014
FIXED CAPITAL EXPENDITURE						
Tangible	1,679,165	1,759,889	1,898,191	2,203,006	2,412,894	2,704,408
Intangibles	1,214,401	1,507,905	1,801,409	2,195,996	2,511,297	2,868,568
	2,893,566	3,267,794	3,699,600	4,399,002	4,924,191	5,572,976
LONG TERM INVESTMENT	308,567	308,567	218,873	34,055	15,188	15,188
LONG TERM ADVANCES	470	356	446	-	-	-
WORKING CAPITAL	3,742,544	3,148,859	1,796,245	942,853	363,378	135,342
NET ASSETS EMPLOYED	6,945,147	6,725,576	5,715,164	5,375,910	5,302,757	5,723,506
EQUITY & LIABILITIES						
SHAREHOLDER'S EQUITY	6,879,460	6,685,950	5,692,513	5,336,416	5,280,964	5,466,733
NON CURRENT LIABILITIES	65,687	39,626	22,651	39,494	21,793	256,773
TOTAL FUNDS INVESTED	6,945,147	6,725,576	5,715,164	5,375,910	5,302,757	5,723,506
REVENUE FROM CONTRACTS WITH CUSTOMERS	5,381,196	4,284,800	3,925,697	3,215,811	2,700,191	1,831,525
COST OF REVENUE	3,290,450	2,346,162	2,685,337	2,282,076	2,167,105	1,814,351
GROSS PROFIT	2,090,746	1,938,638	1,240,360	933,735	533,086	17,174
OPERATING EXPENSES	847,262	872,668	920,064	881,533	720,111	635,692
NET PROFIT / (LOSS) FOR THE YEAR	1,243,484	1,065,970	320,296	52,202	(187,025)	(618,518)
EARNING / (LOSS) PER SHARE	13.86	11.89	3.58	0.59	(2.10)	(7.02)
RESERVES & SHARE CAPITAL						
Reserves	5,982,218	5,788,908	4,796,141	4,443,382	4,390,487	4,577,021
Share Capital	897,229	897,029	896,359	891,544	890,464	889,699
PAYOUT						
Cash Dividend	28%	25%	14.5%	5%	-	-

Key Financial Ratios

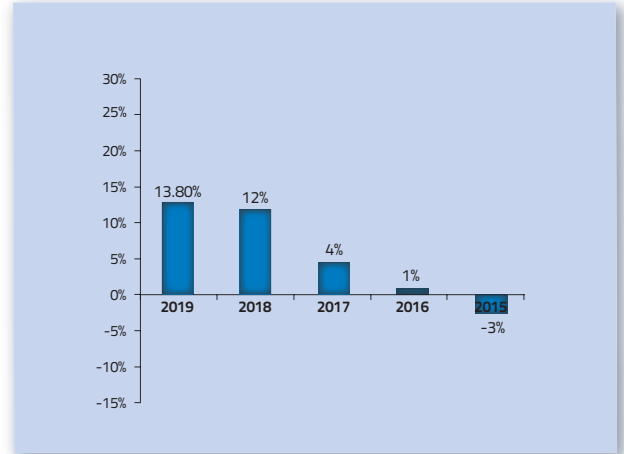
		2019	2018	2017	2016	2015	2014
Working Capital	Rupees in thousand	3,742,544	3,148,859	1,796,245	942,853	363,378	135,342
Gross Profit	%	38.85%	45.24%	32%	29%	20%	1%
Net Profit/(Loss) Margin	%	23.11%	24.88%	8%	2%	-7%	-34%
Return on Equity	%	18.08%	15.94%	6%	1%	-4%	-11%
Return on Assets	%	13.80%	12.35%	4%	1%	-3%	-9%
Debtor Turnover	Times	2.13	3.20	5.87	2.68	6.02	5.77
Current Ratio	Times	2.81	2.65	2.08	1.77	1.33	1.20
Earnings/(Loss) Per Share	Rupees	13.86	11.89	3.58	0.59	(2.10)	(7.02)
Book Value Per Share	Rupees	76.67	74.53	63.51	59.86	59.31	61.44
Outstanding No. of Shares	Number	89,722,923	89,702,923	89,635,923	89,154,423	89,046,423	88,969,923

Financial Summary

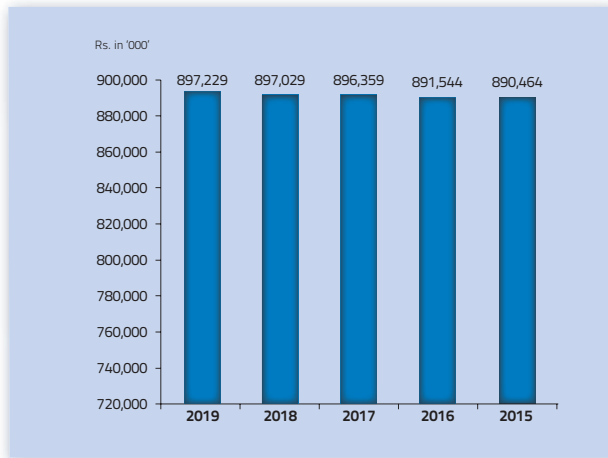
Return on equity



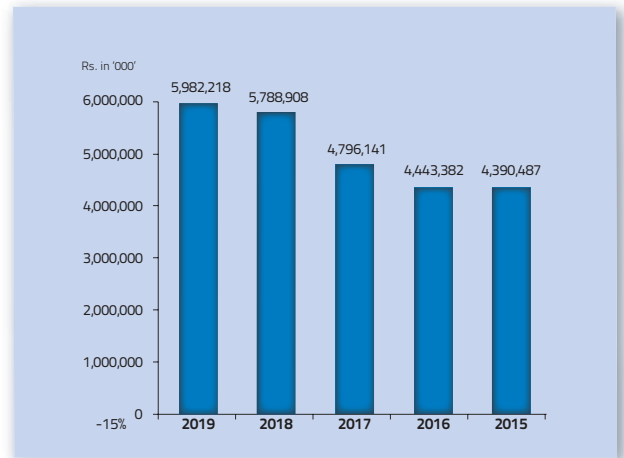
Return on Assets



Share Capital



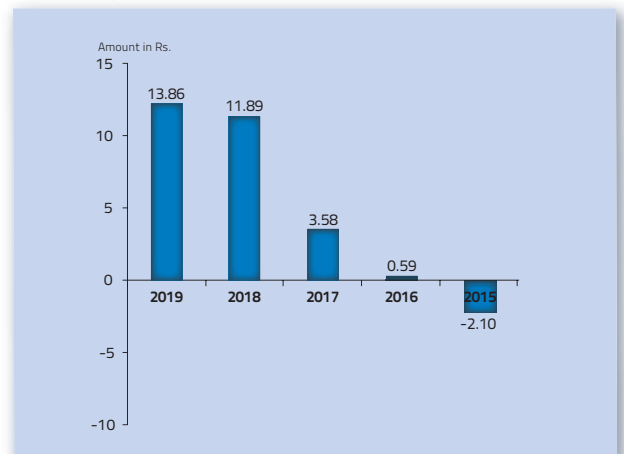
Reserves



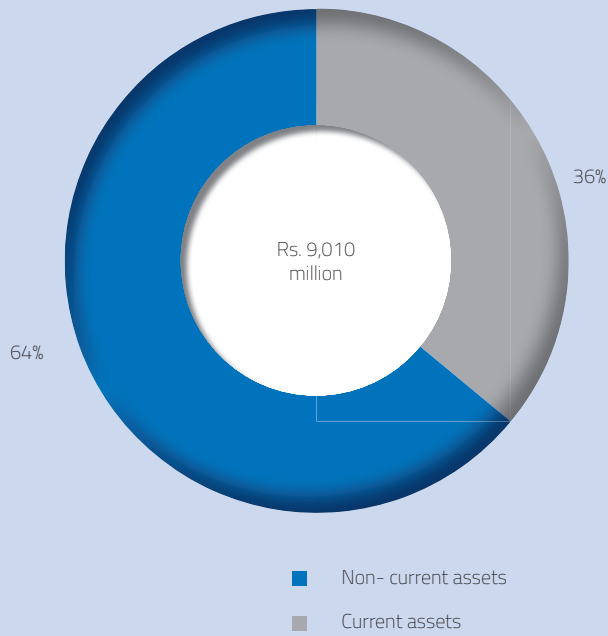
Book value per Share



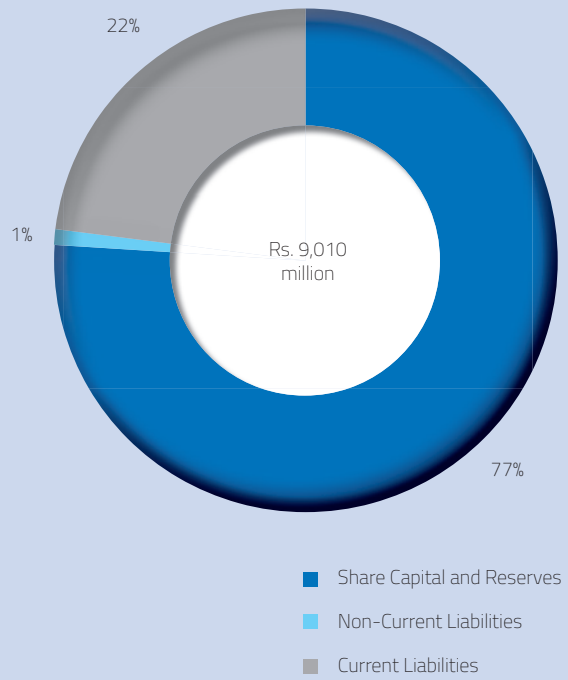
Earning / (loss) per share



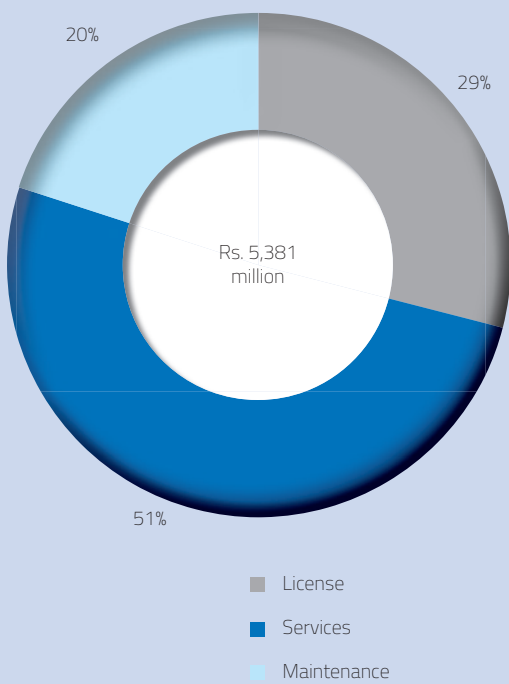
Assets



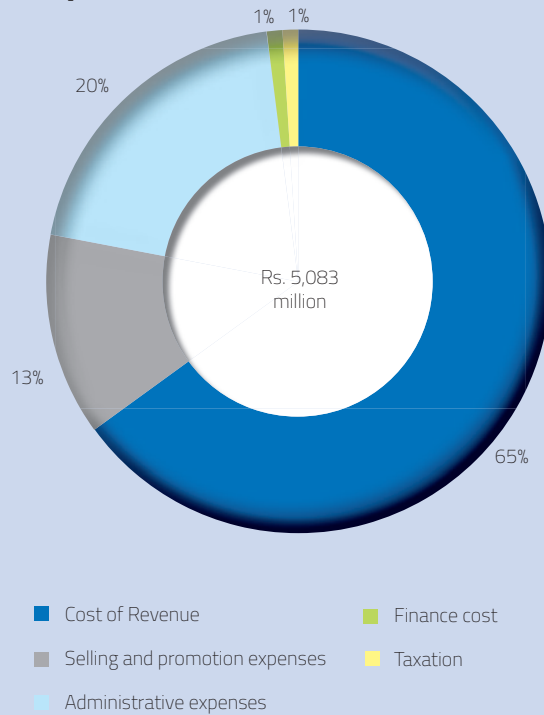
Equity & Liabilities



Revenue



Expenses



The background features a complex network of thin blue lines forming various geometric shapes, primarily triangles and polygons, scattered across the white page. Interspersed among these lines are numerous small, grey circular dots of varying sizes, some appearing as isolated points and others as part of small clusters. The overall aesthetic is clean, modern, and technical.

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 began his entrepreneurial life 38 years ago but his real success came when he started NetSol in 1996, the leading finance and leasing Software Company of Pakistan. He is the founder and CEO of NetSol Technologies (1996). Salim Ghauri is a renowned IT Entrepreneur recognized globally today. His Interest in IT developed at Saudi Arabia and Australia in his previous years, urged an entrepreneurial thrust for his motivation. During his foreign experiences he direly felt a need of his skills for contribution in Pakistani IT sector. This motivation was a sense of patriotism intrinsically found in Salim Ghauri, who envisioned a dream of Pakistan having its own leading IT platform. His patriotic energy led to the founding of NetSol Technologies which became the first company in the country to achieve CMMI Level 5 status. At present, the Honorary Consul of Australia for Punjab and in addition, he has chaired the Federal Government's ICT Task Force. Currently and previously, Salim Ghauri has been called various times by the Prime Ministers and Presidents of Pakistan for his valuable contributions in the IT sector of Pakistan. He has served as a Former Chairman of Pakistan Software Houses Association for IT and ITES (P@SHA). Another major contribution includes American Business Forum (ABF). He has also served as the President of TIE Lahore. He is also a board member for British Business Centre.



Omar Shahab Ghauri
Executive Director

Omar Ghauri is the COO of NetSol Technologies Ltd. As COO, he is managing and leading all of company's operations and delivery of NetSol's Flagship product NFS. With 13 years of vast and extensive experience in the IT industry, Omar is committed to driving an innovative, impactful and diligent team of engineers. Omar's journey with NetSol started off as a Business Analyst in 2004 where he analyzed and refined the business and functional requirements of new projects. In 2007, he became the Service Manager for NFS where his prime responsibility was to ensure customer satisfaction and bridge the gap between customers and development teams. From 2008 onwards, he has progressed over the career ladder with utmost zeal and determination until finally becoming in charge of NFS. His experience in both senior and junior roles, over his career history, is a testament to the fact that he has a vast set of skills ranging from leadership to strategic thinking. Omar earned a Bachelor's degree in Computer Information Systems (CIS) from James Madison University, USA.



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.



Anwaar Hussain

Independent Director

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



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.



Hamna Ghauri

Non Executive Director

Hamna Ghauri is the Director of Nadoz Greenz. She is managing and leading all of company's operations. Hamna Ghauri wanted to build a brand with an aim to provide natural, nutritious food; food grown without synthetic & potentially harmful pesticides, herbicides & fertilizers. Hamna's dedication, hard work and sheer passion turned this dream come true, when she first started "nadoz greenz" in 2011.

After successfully running the farming venture, Hamna Ghauri extensively started researching on Organic Makeup products and formatted a brand Name "Amayl" in 2016, her rigorous working nature & commitment to give back to Community brought "ORGANIC GREEN EARTH" Into existence, which truly serves the community by planting trees.

Directors' Report to the Members

On behalf of the Board of Directors, we are pleased to present the 23rd Annual Report of NetSol Technologies Limited ('NETSOL' or the 'Company') along with the Audited Financial Statements for the year ended June 30, 2019 and the Auditors' Report thereon.

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

For NETSOL, the fiscal year 2019 has been quite eventful in multiple dimensions. With multiple system demonstrations and continued successful global implementations, primarily of flagship, premier product NFS Ascent™, alongside securing multi-million dollar contracts with leading blue-chip organizations, NETSOL continued to maintain a leading and powerful role in the global asset finance and leasing industry.

The Company has successfully implemented its next-generation NFS Ascent™ platform in South Africa, China and Japan for a leading German auto captive. The contract, originally signed in December 2015, includes implementations, licenses, maintenance, services and customization fees for the platform covering deployments in twelve countries. This implementation in China, is the largest component of the overall contract and the single biggest implementation to-date for NETSOL and its NFS Ascent Next-Gen product. Japan marks the seventh deployment to "Go Live" following successful implementations of different modules in China, South Africa, Thailand, New Zealand, Australia and South Korea.

The Company's sister company signed a five-year contract with a tier-one auto captive finance company for the implementation of both Ascent Retail and Wholesale platforms in China. Through provisioning of both license as well as major services to the sister concern for the implementation of NFS Ascent™ at client site, the Company directly benefits with the generation of an impressive revenue.

Our new initiative, the innovation lab, continues its imperative role in research and development for the Company, constantly working on and experimenting with different technologies in order to ensure that our clients have a future-proof business while always a step ahead of the market.

FINANCIAL PERFORMANCE

RESULTS	SEPARATE ACCOUNTS	
	June 30 2019	June 30 2018
	Rupees in '000'	
Revenue (in 000)	5,381,196	4,284,800
Gross Profit (in 000)	2,090,746	1,938,638
Net Profit (in 000)	1,243,484	1,065,970
Earnings per share – basic (Rs.)	13.86	11.89
Earnings per share – diluted (Rs.)	13.84	11.87
Adjusted EBITDA per share – diluted (Rs.)	19.95	18.68

Net revenues for the year ended June 30, 2019 were Rs. 5,381 million compared to Rs. 4,285 million in fiscal 2018. The increase in revenue stream is mainly associated with license revenue for the provision of a license to sister concern's client for the implementation of NFS Ascent™ in China. In addition to it, deployment of NFS Ascent™ at client sites in Hong Kong, Singapore and Australia lead to increase in license revenue from PKR 651 million to PKR 1,573 million. Change request is an ongoing services revenue stream for the



company as the customers keep on changing/enhancing the systems under their use. Decent amount of customization and change request revenue has also been recognized during the year. Furthermore, maintenance revenue also grew from PKR 757 million in the previous fiscal year to PKR 1,057 million in the current year. Due to adoption of new IFRS 15, the Company also recorded a travel reimbursable revenue amounting to PKR 549 million during the year. Previously no such amount was being recognized as revenue. Same amount is also booked as travel cost in the cost of revenue section of the statement of Profit or Loss.

Gross profit for the year was Rs. 2,091 million, up from Rs. 1,939 million in the same period last year. The Company posted net profit of Rs. 1,243 million in the current year compared to a net profit of Rs. 1,066 million in the

previous year. Basic and diluted earnings per share were Rs. 13.86 and Rs. 13.84 respectively in comparison with last year's basic and diluted earnings per share of Rs. 11.89 and Rs. 11.87 respectively.

Adjusted EBITDA profit was Rs. 19.95 per share in the current fiscal year compared to Rs. 18.68 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. The financial results of the Company are a reflection of the unrelenting commitment and contribution of its people and the trust placed in the Company by its customers, suppliers, service providers and shareholders.

	Un-appropriated profit (PKR) Rupees in '000'
Balance as at June 30, 2018	5,354,598
Less: Restatement on initial application of IFRS 15	(785,377)
Less: Restatement on initial application of IFRS 9	(75,812)
Add: Total comprehensive income for the year ended June 30, 2019	1,243,484
	5,736,893
Less: Final cash dividend for the year ended June 30, 2018 at the rate of PKR 2.5 per share	(224,307)
Balance as at June 30, 2019	5,512,585

DIVIDEND

The Board of Directors in their meeting held on September 20, 2019 has recommended 28% cash dividend for the fiscal year ended June 30, 2019.

FUTURE OUTLOOK

Besides current ongoing projects and significant implementations to take place for our diverse clientele, we will continue the promotion and selling of our flagship, premier product NFS Ascent™ alongside focusing on our state-of-the-art enterprise digitization applications suite. NFS Digital is an ecosystem which augments and enhances finance and leasing operations and it has also gained considerable traction in various regions across the globe. The recent successful implementation of next-generation NFS Ascent™ platform is likely to cause an upsurge in demand for our products in the region. A number of system demonstrations have been scheduled for NFS Ascent™ as well as for our digital products.

NETSOL remains at the top of the auto finance and leasing sector in China, with a 75% share of the auto finance market. While already capturing a large share of top tier auto captives and finance and leasing companies in China, the Company now plans to target tier-two companies as well through partner program i.e., providing cloud based system, thereby increasing its penetration in China. Once successful, we plan to launch this initiative worldwide thus creating a long term predictive revenue stream for the Company.

In addition to other marketing initiatives for this coming period, we are scheduled to maintain our presence at events globally, including United States, United Kingdom, Australia, China, Thailand and Indonesia. Our presence, as a global leader of asset finance and leasing sector, at these prominent and foremost industry events has resulted in certain qualified leads and increase in organization's outreach. NETSOL will be the Diamond Sponsor at the Auto Finance Summit, one of the most premium events in the United States this coming October and will continue to maintain its presence at international summits, conferences and events across the world. We are confident that the future will continue to bring in more leads and subsequent contracts, enabling the company to maintain its supremacy in the industry.

The Innovation lab will continue its essential and imperative role in research and development for the Company, by not only modernizing existing products, but generating new products for the future and thereby generating increased revenue streams. We will continue maintain our position as a leader in providing innovative solutions to the global asset finance and leasing industry.

AWARDS & RECOGNITION

NETSOL was awarded the "Top IT Exporter Award" and "Top IT Products

and Solutions Exporter Award" from Pakistan Software Export Board. These prestigious awards are a testament to the superiority of our products and services and this recognition further strengthened our position as an industry leader.

PRINCIPAL RISK AND UNERTAINTIES FACING THE COMPANY

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

RISK FACTORS

A) CYBER SECURITY THREATS

Owing to the rise in cyber-crimes globally, the Company's ICT infrastructure is susceptible to certain threats. To ensure privacy/confidentiality and integrity of the Company and its employee's data, the Company has implemented different security measures/controls including Intrusion Prevention System, data encryption at rest and in transit, data access on need to know basis and secure transmission protocols for client and server communications. The Company has also implemented ISO 27001 which deals with the Information Security.

B) FOREIGN EXCHANGE RISK

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

C) LIQUIDITY RISK

Liquidity risk reflects an enterprise's inability in raising funds to meet its commitments. The Company's exposure to liquidity risk arises primarily from mismatch of the maturities of financial assets and liabilities. We however follow an effective cash management and planning policy to ensure ready availability of funds and to take appropriate actions for any new requirements.

D) CREDIT RISK

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

E) INTEREST RATE RISK

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

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

Technological advancements that are impacting the asset finance and leasing industry are increasing rapidly around the globe. In order to grow, the Company has to evolve alongside the industry by providing innovative solutions for the global asset finance and leasing industry. The Company has to capitalize in establishing proficiencies and competencies. Moreover, product development and extensive efforts in acquiring entry into fresh markets will have significant impact on future performance and position of the Company's business.

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

There has been no change in the nature of business of the Company. However, the Company adopted IFRS 15, revenue from contracts with customer, by applying modified retrospective approach effective July 1, 2018. There is a major shift in revenue recognition under the revised IFRS and the cumulative impact of the first time adoption of this IFRS is charged to opening retained earnings without restating prior period results. For details, please see note No. 4.1.1 to the attached separate financial statements.

IMPACT OF COMPANY BUSINESS ON THE ENVIRONMENT

The Company is not a manufacturing concern but a software house involved

in the software development. Therefore, it doesn't have any adverse impact on the environment. Our products NFS Ascent and NFS Digital, its suite of digital solutions, enable the Company's clients to eliminate the use of paper. Complete automation and digitization allows for a paperless environment which has a positive impact on the environment. We are, however, very conscious of the environment and follow a go green policy religiously.

NSPIRE

NSPIRE has been considered as one of the leading incubator in Pakistan, it's the only corporate incubator launched by NETSOL Technologies in 2016 and currently playing its active role towards strengthening of entrepreneurial ecosystem. During the year 2018-19 NSPIRE successfully completed its 5th cycle, launched its 6th batch with the maximum number of startups incubated ever at NSPIRE and gained momentum due to its strong outreach and vigorous leadership.

In July 2018, NSPIRE hosted its annual public event with the name "Tales of Thrust & Crust", where successful entrepreneurs were invited to share their enthusiasm and determination that took them to the skies of success despite facing hardships. NSPIRE also participated as a sponsor at WCCI 14th Lifestyle Expo - A Pak China Industrial Forum and set up its stall and gave another chance to emerging startups to give their live pitch and selected an additional startup through Wild Card Entry in September.

In November, NSPIRE celebrated Global Entrepreneurship Week 2018 under the theme of "Women Entrepreneurship Empowerment and Inclusion" by arranging two different open sessions on "Challenges faced by Women in their Entrepreneurial Journey" and "Role of Entrepreneurship in Lifting Pakistan's economic growth". Moreover, in order to give a chance to the young talent to showcase tech skills, NSPIRE co-organized the "Innovation Hackfest 2018" in partnership with Telenor Velocity & Telenor Microfinance. In January 2019, Team NSPIRE organized a futsal match where different startup teams and incubation centers from Lahore became part of the exciting event "Startup Futsal Cup 2019". NSPIRE also got featured in "Startup Insider", Pakistan's premium magazine for entrepreneurs.

During the year 2018-19, NSPIRE signed number of MOU's with different stakeholder to make a collaborative efforts for strong startup ecosystem, which includes an MOU with Women Chamber of Commerce and Industry to promote Women Entrepreneurship & Economic Empowerment. NSPIRE also signed an MOU with TABA Youth Force for future collaborations regarding youth development projects like Cradle program to empower youth with entrepreneurial skills and mindset. NSPIRE also partnered with Amazon web services AWS to provide free cloud services, mentorship and trainings to NSPIRE startups.

INSTITUTE FOR CORPORATE ADVANCEMENT AT NETSOL (ICAN)

NETSOL firmly believes in continuous learning and has a dedicated group called ICAN (Institute for Corporate Advancement at NETSOL) which runs all required trainings and professional development programs for new and existing employees. ICAN is responsible for designing, developing and executing all training programs within the company. Training need assessment is conducted on continuous basis with the Human Capital Department and other Department Heads to ensure required development gaps are addressed through effective training programs.

The Company has also implemented a state of the art in-house Learning Management System (LMS) which is upgraded every six to eight months to ensure we use latest features. Three training rooms, a recording studio and the necessary training infrastructure for a high quality training experience have also been set up. Every new-hire has to go through a specially designed program which covers business ethics, domain knowledge, development methodology, software programming as well as NFS application training. Training programs for existing employees are conducted on need basis. LMS is configured in such a way that it has been made easier to see competency of each employee and hence devise a learning path for them. An exclusive community forum is also available for knowledge sharing as we strongly believe in a culture where a platform is provided to our employees where they can impart their wisdom and train their colleagues to achieve one common goal, which is excellence.

In the fiscal year 2018-19, ICAN focused on delivering NetSol's product based training which not only caters to the need of new joiners but also facilitates other stakeholders to learn more about the product. These training cover technical and business aspect of the product and will eventually bridge the gap between an in-depth understanding of the product and its usage. The team is committed to delivering a professional level product guide at the end of this year which will be a stepping stone towards launching compre-

hensive professional guides for our NFS product.

ICAN has also procured access to the global knowledge pool via an online arrangement with one of the world's leading learning platforms. In fiscal 2016-2017, NETSOL attained the status of an ACCA approved employer. The relationship with ACCA has enriched the knowledge and network of our business analysts, accounts and finance experts.

CORPORATE SOCIAL RESPONSIBILITY

A detailed report on corporate social responsibility is annexed herewith.

ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The Board has the ultimate responsibility to establish and maintain adequate internal controls over financial reporting. At NetSol, Internal Audit is an independent department functionally reporting to the Board Audit Committee and administratively to the CEO. The Board Audit Committee approves the audit plan, based on an annual assessment of the operating areas.

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

Internal Audit provides recommendations which are taken up by the Management to remediate control lapses. The observations are shared on a quarterly basis with the Board Audit Committee, Chief Executive Officer and the concerned Divisional Management. The role of Internal Audit Function continues to change in reaction to events, risk & regulation affecting the Company whilst ensuring that its mandate is aligned with the organizational objectives and risks.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The Company is fully compliant with the requirements of the Listed Companies (Code of Corporate Governance), Regulations 2017. A statement to this effect is annexed with this report.

STATEMENT OF COMPLIANCE

The statement of compliance under the Listed Companies (Code of Corporate Governance), Regulations 2017 is attached with this report.

ELECTION OF DIRECTORS

Election of Board of Directors of The Company was held on December 10, 2018 in the Extra-Ordinary General Meeting. In accordance with the provisions of section 159 & 161 of the Companies Act, 2017 and Articles of Associations of the Company, the Board had fixed the number of directors to be seven (7). Since the number of members who provided their consent for contesting the election were same as fixed by the Board of directors, the extraordinary general meeting was called off as per opinion obtained from the Securities and Exchange Commission and all the seven contestants were deemed to be elected as Board members. As a result, the following board was constituted for a term of three years commencing from January 01, 2019.

1. Mr. Shahab-Ud-Din Ghauri
2. Mr. Salim Ullah Ghauri
3. Mr. Anwaar Hussain
4. Mr. Vaseem Anvar
5. Ms. Hamna Ghauri
6. Mr. Najeeb Ullah Ghauri
7. Mr. Omar Ghauri

Mr. Salim Ullah Ghauri was re-appointed as Chief Executive of the Company for the term of three years in accordance with the provisions of the Listed Companies (Code of Corporate Governance) Regulations, 2017 and Section 187 of the Companies Act, 2017.

COMPOSITION OF THE BOARD

Composition of the Board of Directors is in compliance with the requirement of Listed Companies (Code of Corporate Governance), Regulations 2017 which is given below:

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

Gender	Number
Male	06
Female	01

Composition of the Board is given below:

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

NAME OF THE DIRECTORS

Following are the board members of the Company as at June 30, 2019:

- Mr. Shahab-Ud-Din Ghauri
- Mr. Salim Ullah Ghauri
- Mr. Vaseem Anvar
- Mr. Anwaar Hussain
- Ms. Hamna Ghauri
- Mr. Najeeb Ullah Ghauri
- Mr. Omar Ghauri

During the year ended June 30, 2019, five (05) board meetings were held.

Mr. Shahid Javed Burki retired during the year due to reconstitution of the Board.

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

AUDIT COMMITTEE

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

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

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

During the year ended June 30, 2019, four (04) meetings of the Audit Committee were held.

HUMAN RESOURCE AND REMUNERATION COMMITTEE

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

Names of Members	Designation
Vaseem Anvar	Chairman – Independent director
Najeeb Ullah Ghauri	Member – Non-executive director
Salim Ullah Ghauri	Member – Executive director
Anwaar Hussain	Member – Independent director

During the year ended June 30, 2019, the Committee held one (01) meeting to discuss & approve the matters falling under the terms of reference of the Committee.

PERFORMANCE EVALUATION OF BOARD OF DIRECTORS AND THE BOARD COMMITTEES

The Listed Companies (Code of Corporate Governance) Regulations 2017, mandatorily requires evaluation of the Board of Directors as a whole, its

Committees and the contribution of each Director to the strategic direction of the Company. The purpose of this performance evaluation is to define competencies required within the Board of Directors, taking into account the contribution of the individual members, and to identify future areas of focus. Human Resource and Remuneration Committee circulated a comprehensive questionnaire among all members of the Board for the performance evaluation of Board of Directors and Board Committees. Core area of focus included:

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

Individual purposive feedback is obtained from all Board members and overall performance of the Board was found satisfactory.

DIRECTORS' REMUNERATION

The Company does not pay remuneration to non-executive directors including the independent director except fee for attending the meetings.

DIRECTORS' TRAINING PROGRAM

BOARD OF DIRECTORS

During the year, Ms. Hamna Ghauri has obtained certification under Directors Training program conducted by Pakistan Institute of Corporate Governance. All the board members have either completed Directors Training Program or are exempt as per criteria specified in Listed Companies (Code of Corporate Governance) Regulations, 2017.

HEADS OF DEPARTMENTS & FEMALE EXECUTIVES

Pursuant to the requirement of the Listed Companies (Code of Corporate Governance) Regulations, 2017 regarding training of at least one head of department and one female executive every year, under the Directors' Training Program, appropriate measures have been taken to ensure that the Company complies with the requirement within the time period stipulated by the Code.

REVIEW OF RELATED PARTIES TRANSACTIONS

All the related party transactions in the ordinary course of business are entered on arm's length basis and are in compliance with the applicable provisions of the Companies Act, 2017. There are no materially significant related party transactions made by the Company with Directors or Key Managerial Personnel etc. which may have potential conflict with the interest of the Company at large or which warrants the approval of the shareholders.

All related party transactions during the current financial year were placed before the Board Audit Committee for its review and then to the Board for their approval.

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 2019, the granted options had become 100% exercisable.

According to the requirements of the Companies (Further Issue of Shares) Regulations 2018, the following disclosure is made regarding options granted, vested or exercised during the financial year ended June 30, 2019:

1. The Company had granted 4,350,000 options to its employees.
2. Exercise price of options was determined by taking one month's average share price of Company's share at Pakistan Stock Exchange (the then Karachi Stock Exchange) on the date of grant of the options discounted by 20%.
3. 100% of the options granted had vested by the end of financial year ended June 30, 2019.
4. Till June 30, 2019, 3,830,500 options were exercised by the employees and Rs. 62.90 Million was received by the Company on this account.
5. 20,000 fresh shares were issued during the fiscal year ended June 30, 2019 due to exercise of options by the employees. Total shares issued against the employees' stock option scheme till June 30, 2019 were 3,830,500.
6. 392,000 options have lapsed till June 30, 2019.
7. Following options were granted to the senior managerial cadre em-

employees of the Company on August 01, 2009:

DESIGNATION	OPTIONS GRANTED
Chief Executive Officer	250,000
Chief Operating Officer	100,000
Chief Financial Officer	100,000

8. Except the figures disclosed above, no employee was granted five percent or more of options during one year or one percent or more of the issued capital of the Company.
9. Certain amendments to Employees Stock Option Scheme 2009 were approved by Securities and Exchange Commission of Pakistan vide letter dated June 10, 2016. The same amendments were also approved by the shareholders of the Company through a special resolution passed on October 27, 2015. Major amendments are narrated below:
 - a. Vesting period for the options to be granted by the Company from the year 2016 onwards would be three years instead of seven years.
 - b. Options to be granted by the Company in the year 2016 onwards may be exercised in the following manner:
 - 50% of the options granted to an employee may be exercised any time during the exercise period but one year after the date of grant.
 - Up to 80% (inclusive of 50% above) of the options granted to an employee may be exercised any time during the exercise period but after completion of two years from the date of grant.
 - Up to 100% (inclusive of 80% above) of the options granted to an employee may be exercised any time during the exercise period but after completion of three years from the date of grant.

HOLDING COMPANY

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

APPOINTMENT OF AUDITORS

The present external auditors' Messrs H.Y.K & CO., Chartered Accountants retire and being eligible, offer themselves for reappointment. The Board of Directors has endorsed the recommendation of the Audit Committee for the re-appointment of Messrs H.Y.K & CO., as the auditors for the financial year ending June 30, 2020 on such terms and conditions and remuneration as may be decided.

The external auditors have confirmed that they have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP). 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.

KEY OPERATING AND FINANCIAL DATA

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

PATTERN OF SHAREHOLDING

A statement of the general pattern of shareholding as at June 30, 2019 along with pattern of shareholding of certain classes of shareholders whose disclosure is required under the reporting framework and the statement of purchase and sale of shares by directors, executives and their spouse including minor children during the fiscal year 2019 is annexed herewith.

SUBSEQUENT EVENTS

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

ACKNOWLEDGEMENT

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

On behalf of the Board



Salim Ullah Ghauri
Chief Executive Officer

Lahore



Omar Ghauri
Director

ڈائر یکنز کی رپورٹ

ہمیں خوشی ہے کہ اڈر طرف بورڈ آف ڈائریکٹرز نے سول ٹیکنالوجیز لمیٹڈ ("نیٹ سول" یا "دی کمپنی") کی تیسویں سالانہ آڈٹ شدہ مالیاتی گواہی کے ساتھ ساتھ 30 جون 2019ء کو ہوا، مع آڈیٹرز رپورٹ پیش کر رہے ہیں۔

کمپنی کے کاروبار کی کارکردگی اور ترقی کی بنیادی سرگرمیاں

نیٹ سول کے لیے، مالی سال 2019ء متعدد چیزوں میں کافی اہمیت کا حامل رہا۔ کثیر system demonstrations اور کمپنی کی اعلیٰ مصنوعات NFS Ascent™ کے مسلسل کامیاب عالمی نفاذ کے ساتھ ساتھ معروف میلو چیپ (blue-chip) اداروں کے ساتھ کثیر ملین ڈالر کے معاہدوں کو محفوظ کیا ہے، نیٹ سول نے عالمی asset finance اور لیزنگ کی صنعت میں مسلسل ایک معروف اور نمونہ کردار کو برقرار رکھا۔

کمپنی نے ساتھ ساتھ افریقہ، چین اور جاپان میں ایک معروف جرمن آٹو کمپنی (German auto) کے لئے اپنے next-generation NFS Ascent™ کے پلیٹ فارم (Retail and Wholesale) کا میاں سے نفاذ کیا۔ یہ معاہدہ اصل میں 2015ء میں دستخط کیا گیا، جس میں 12 ممالک میں NFS Ascent™ پلیٹ فارم کے لائسنس، اس کا نفاذ اس کی دیکھ بھال اور customization فیس شامل ہیں۔ چین میں یہ نفاذ مجموعی معاہدے کا سب سے بڑا عنصر اور نیٹ سول کے next-generation NFS Ascent™ مصنوعات میں آج تک کا سب سے بڑا انفرادی نفاذ ہے۔ چین، جنوبی افریقہ، تھائی لینڈ، آسٹریلیا اور جنوبی کوریا میں مختلف ماڈلز modules کے کامیاب نفاذ کے بعد جاپان میں "Go Live" ساتویں نفاذ کا ہدف ہے۔

کمپنی کی sister concern نے China میں Retail Ascent اور Wholesale دونوں پلیٹ فارم کے نفاذ کے لیے ایک اعلیٰ درجے کی آٹو کمپنیوں کو فنانس اور captive finance کے ساتھ ساتھ ایک پانچ سالہ معاہدہ کیا۔ sister concern کے ذریعے دونوں لائسنس اور خدمات کو استعمال کرتے ہوئے کلائنٹ کی جگہ پر NFS Ascent™ کے نفاذ سے، کمپنی براہ راست فائدہ حاصل کرنے کے ساتھ ساتھ متاثر کن محصولات بھی پیدا کرے گی۔

ہمارا نیا اقدام، انوشن لیب Innovation lab، کمپنی کے لئے تحقیق اور ترقی میں اپنا لازمی کردار جاری رکھے ہوئے مستقل طور پر کام کر رہا ہے اور مختلف ٹیکنالوجیز کے ساتھ تجربہ کر رہا ہے تاکہ یہ یقینی بنایا جاسکے کہ ہمارے کلائنٹس clients کا کاروبار مستقبل کے تقاضوں سے ہم آہنگ ہو اور وہ ہمیشہ مارکیٹ سے ایک قدم آگے رہیں۔

مالیاتی کارکردگی (Financial Performance)

مالیاتی گواہی

30 جون 2019ء	30 جون 2018ء	محصولات (000 میں)
5,381,196	4,284,800	خام منافع (000 میں)
2,090,746	1,938,638	نقد منافع (000 میں)
1,243,484	1,065,970	منافع فی حصص (بنیادی روپے)
13.86	11.89	منافع فی حصص (تحلیل شدہ روپے)
13.84	11.87	EBITDA فی حصص (تحلیل شدہ روپے)
19.95	18.68	

30 جون 2019ء کو ختم ہونے والے مالی سال کی صافی محصولات 5,381,196 ملین روپے تھی جبکہ مالی سال 2018ء میں یہی محصولات 4,285,285 ملین روپے تھی۔ بنیادی طور پر محصولات میں اضافے کا تعلق لائسنس محصولات سے ہے جس میں sister concern کا چین میں کلائنٹ کی جگہ پر NFS Ascent™ کا نفاذ ہے اس کے علاوہ، ہانگ کانگ، سنگا پور اور آسٹریلیا میں کلائنٹ کی جگہ پر NFS Ascent™ کے نفاذ کے نتیجے میں لائسنس محصولات میں 651 ملین روپے سے 1,573 ملین روپے تک اضافہ ہوا ہے۔ تبدیلی کی درخواست کمپنی کے لئے خدمات کی محصولات کا ایک جاری سلسلہ ہے کیونکہ صارفین اپنے استعمال کے تحت سسٹم کو تبدیل یا بہتر کرتے رہتے ہیں۔

موجودہ سال کے دوران customization اور درخواست تبدیلی کی مدد میں مناسب آمدن موصول ہوئی ہے۔ اس کے علاوہ، موجودہ مالی سال کے دوران بحالی محصولات 757 ملین روپے سے بڑھ کر 1,057 ملین روپے ہو گئی۔ کمپنی نے نئے IFRS 15 کے اختیار کی وجہ سے موجودہ سال کے دوران 549 ملین روپے کی Travel reimburable محصولات کی رقم کو قلمبند کیا۔ ماضی میں ایسی کسی رقم

کو محصولات کی مدد میں تسلیم نہیں کیا جا رہا تھا۔ نفع و نقصان کے حسابات کے محصولات کی لاگت کے کٹیشن میں ایسی رقم سفر کی لاگت کے طور پر درج ہے۔

خام منافع گزشتہ سال میں 1,939 ملین روپے سے بڑھ کر موجودہ سال میں 2,091 ملین روپے رہا۔ کمپنی نے گزشتہ سال کی اس مدت میں نقد منافع 1,066 ملین روپے کے مقابلے میں 1,243 ملین روپے نقد منافع موجودہ مالی سال میں درج کیا۔ بنیادی اور تحلیل شدہ (Basic & Diluted) آمدنیاں فی حصص بالترتیب 13.86 روپے اور 13.84 روپے فی حصص رہی، جبکہ اس کے مقابلے میں گزشتہ سال بنیادی اور تحلیل شدہ آمدنیاں بالترتیب فی حصص 11.89 روپے اور 11.87 روپے فی حصص ملز تیب رہیں۔

رواں مالی سال میں EBITDA منافع 19.95 روپے فی حصص کے مقابلے میں گزشتہ مالی سال میں 18.68 روپے تھا۔ EBITDA ایک Non-IFRS اقدام ہے۔ جو کہ عام طور پر کسی بھی کمپنی کی مالی حالت کا تجزیہ کرنے کے لیے سرمایہ کاروں اور تجزیہ کاروں کی طرف سے استعمال کیا جاتا ہے۔ EBITDA سود، ٹیکس، فرسودگی اور سودا بازی سے پہلے کی آمدنی ہے۔ کمپنی کے مالی نتائج اس کے ملازمین کی مضبوط کمٹمنٹ اور ان کے عزم اور گاموں، سپلائرز، سروس پرووائڈرز اور شیئرز ہولڈرز کے کمپنی پر اعتماد کا اظہار ہے۔

غیر تصفیاتی منافع ('000 روپے)

5,354,598	بیلنس برعناں 30 جون 2018ء
(785,377)	کی ری سٹیٹمنٹ (Restatement) ایچ 15 IFRS
(75,812)	کی ری سٹیٹمنٹ (Restatement) ایچ 9 IFRS
1,243,484	جمع: سالانہ کل مجموعی آمدنی
5,736,893	کی: 30 جون 2018ء ختم ہونے والے سال کا حتمی منافع منقسم بہ
(224,307)	نصاب 2.50 روپے فی شیئر
5,512,585	بیلنس برعناں 30 جون 2019ء

ڈیویڈنڈ (Dividend)

20 ستمبر 2019ء کو منعقد ہونے والے اجلاس میں بورڈ آف ڈائریکٹرز نے 30 جون 2019ء کو ختم ہونے والے مالی سال کے لیے 28 فیصد نقد منافع کی سفارش کی ہے۔

مستقبل کا نقطہ نظر (Future Outlook)

موجودہ جاری متعدد منصوبوں اور اپنی diverse clientele کے مخصوص نفاذ کے ساتھ ساتھ، ہم اپنی اعلیٰ flagship مصنوعات NFS Ascent™ کے فروغ اور فروخت کو جاری رکھیں گے۔ اور اس کے ساتھ اپنی state-of-the-art ڈیجیٹائزیشن suite پر خاص توجہ مرکوز رکھیں گے جس نے دنیا بھر کے مختلف خطوں میں خاطر خواہ توجہ حاصل کی ہے۔ NFS Digital ایک ایسا ecosystem ہے جس سے فنانس اور لیزنگ کے آپریشن میں اضافہ ہونے کے باعث ہے اور حالیہ NFS Ascent™ next-generation پلیٹ فارم کے کامیابی سے نفاذ میں ہماری مصنوعات کی طلب خطے میں مکمل طور پر بڑھادی ہے۔ NFS Ascent™ کے ساتھ ساتھ ہماری digital products کے لئے system demonstrations شیفڈ یول کئے گئے ہیں۔

چین میں، نیٹ سول آٹو فنانس مارکیٹ میں 75 فیصد حصص کے ساتھ آٹو فنانس اور لیز کے شعبے میں سرفہرست ہے۔ کمپنی کا پہلے سے ہی چین کی Top tier auto captives اور فنانس اور لیزنگ کمپنیوں میں ایک بڑا حصہ ہے اور اب کمپنی tier-two کمپنیوں کو ٹارگٹ کرنے کی منصوبہ بندی کے علاوہ شراکت داری پروگرام شروع کرنے کا منصوبہ بنا رہی ہے مثال کے طور پر cloud based system کی فراہمی تاکہ چین میں اس کے کردار میں اضافہ ہو۔ یہ منصوبہ ایک بار کامیاب ہو جاتا ہے تو ہم یہ منصوبہ دنیا بھر میں launch کرنے کا ارادہ رکھتے ہیں جس سے کمپنی کے لیے طویل مدتی تناظر میں مالی وسائل پیدا ہوں گے۔

آنے والے عرصہ کے دوران مارکیٹنگ کے دیگر اقدامات کے علاوہ، ہم عالمی سطح پر امریکا، برطانیہ، آسٹریلیا، چین، تھائی لینڈ اور انڈونیشیا میں ہونے والے پروگراموں میں اپنی موجودگی کو برقرار رکھنے کے لئے تیار ہیں، جن میں ریاستہائے متحدہ، شامل ہیں۔ ان اہم ترین صنعتی events میں ہماری شمولیت، asset finance اور لیزنگ کے شعبے کے عالمی رہنما کی حیثیت سے، ادارے کی کچھ کلید leads تک رسائی ہوتی ہے۔ آئندہ اکتوبر میں نیٹ سول آٹو فنانس سمٹ (Auto Finance Summit) میں ڈائریکٹس سپر ہوگا، جو امریکا کا سب سے premium events میں سے ایک ہے، اور ادارہ پوری دنیا میں بین الاقوامی اجلاس، کانفرنسوں اور ایپس میں اپنی موجودگی برقرار رکھے گا۔ ہم پر اعتماد ہیں کہ مستقبل میں مزید leads اور اس کے نتیجے

ڈائریکٹرز کے انتخابات (Elections of Directors)

10 دسمبر 2018ء کو غیر معمولی اجلاس عام میں نیٹ سول کے بورڈ آف ڈائریکٹرز کے الیکشن کا انعقاد ہوا کیونکہ ایکٹ 2017ء کی سیکشن 159 اور 161 اور کمپنی کے آرٹیکلز آف ایسوسی ایشن کے مطابق بورڈ نے ڈائریکٹرز کی تعداد 7 مقرر کی تھی چونکہ ارکان کی تعداد جنہوں نے انتخاب میں حصہ لینے کے لئے اپنی رضامندی ظاہر کی وہ بورڈ آف ڈائریکٹرز کی مقرر کردہ تعداد کے برابر ہیں، سیکورٹیز اینڈ ایکسچینج کمیشن سے حاصل کردہ رائے کے مطابق غیر معمولی اجلاس عام کو منسوخ کر دیا گیا اور ساتوں امیدواران کو منتخب ارکان بورڈ تصور کیا گیا۔ اس کے نتیجے میں مندرجہ ذیل بورڈ تین سال کی مدت کے لیے جو کہ یکم جولائی 2019ء سے تشکیل پایا۔

- 1- جناب شہاب الدین غوری
- 2- جناب سلیم اللہ غوری
- 3- جناب انوار حسین
- 4- جناب وسیم انور
- 5- محترمہ حمزہ غوری
- 6- جناب نجیب اللہ غوری
- 7- جناب عمر غوری

جناب سلیم اللہ غوری کو ایک بار پھر لسنڈ کمپنیز (ضابطہ برائے کاروباری عملداری) کے ریگولیٹرز 2017 اور کینیڈا ایکٹ 2017ء کی سیکشن 187 کے تحت تین سال کے لیے دوبارہ کینیڈا چیف ایگزیکٹو مقرر کر دیا گیا ہے۔

بورڈ کی تشکیل پزیری (Composition of the Board)

کمپنی لسنڈ کمپنیز (ضابطہ برائے کاروباری عملداری) 2017 کے قواعد و ضوابط کی تعمیل کی ضرورت کے مطابق بورڈ کی تشکیل کی جو نیچے دی جاتی ہے۔

بورڈ کے مجموعی ارکان کی تعداد سات (07) ہے جو ذیل میں دی جا رہی ہے:

تعداد	صنف
06	مرد
01	عورت

بورڈ کی تشکیل پزیری (Composition) درج ذیل ہے:

تعداد	کٹیگری (Category)
02	انڈیپنڈنٹ ڈائریکٹرز
03	نان-ایگزیکٹو ڈائریکٹرز
02	ایگزیکٹو ڈائریکٹرز

ڈائریکٹرز کا نام:

30 جون 2019ء کے مطابق کمپنی کے بورڈ کے ارکان درج ذیل ہیں:

- i- جناب شہاب الدین غوری
- ii- جناب سلیم اللہ غوری
- iii- جناب وسیم انور
- iv- جناب انوار حسین
- v- محترمہ حمزہ غوری
- vi- جناب نجیب اللہ غوری
- vii- جناب عمر غوری

30 جون 2019ء کو ختم ہونے والے سال کے دوران بورڈ کے 05 اجلاس ہوئے۔

رواں سال میں جناب شاہد جاوید برکی بورڈ کی تشکیل نو کی وجہ سے مستعفی ہو گئے۔

بورڈ نے ذیلی کمیٹیاں بھی بنائی ہیں جنہوں نے مطلوبہ مقاصد حاصل کرنے میں نمایاں کردار ادا کیا ان کمیٹیوں میں شامل ہیں:-

آڈٹ کمیٹی (Audit Committee)

بورڈ آف ڈائریکٹرز نے ضابطہ برائے کاروباری عملداری کی تعمیل کے تحت مندرجہ ذیل 3 ارکان پر

مشتمل ایک آڈٹ کمیٹی قائم کی ہے۔

عہدہ جات

- چیئر مین - انڈیپنڈنٹ ڈائریکٹر
ممبر - انڈیپنڈنٹ ڈائریکٹر
ممبر - نان ایگزیکٹو ڈائریکٹر

ارکان کے نام

- جناب انوار حسین
جناب وسیم انور
محترمہ حمزہ غوری

آڈٹ کمیٹی نے تمام سہ ماہی، شش ماہی اور سالانہ مالیاتی گوشوارے بورڈ آف ڈائریکٹرز کو جمع کرانے سے پہلے ان کا جائزہ لیا اور اسے منظوری کے ساتھ ساتھ اشاعت کی منظوری بھی دے دی۔ 30 جون 2019ء کو ختم ہونے والے سال کے دوران آڈٹ کمیٹی کے چار (04) اجلاس ہوئے۔

ہیومن ریسورس اینڈ ریمریٹیشن کمیٹی

(Human Resource and Remuneration Committee)

بورڈ آف ڈائریکٹرز نے ضابطہ برائے کاروباری عملداری کی تعمیل کے تحت ایک ہیومن ریسورس اینڈ ریمریٹیشن کمیٹی بھی قائم کی جو کہ اہم انتظامی عہدوں کے انتخاب، تنفیص اور معاوضے کے حوالے سے اپنی سفارشات دیتی ہے۔ کمیٹی مندرجہ ذیل ارکان پر مشتمل ہے۔

عہدہ جات

- چیئر مین - انڈیپنڈنٹ ڈائریکٹر
ممبر - نان ایگزیکٹو ڈائریکٹر
ممبر - ایگزیکٹو ڈائریکٹر
ممبر - انڈیپنڈنٹ ڈائریکٹر

ارکان کے نام

- جناب وسیم انور
جناب نجیب اللہ غوری
جناب سلیم اللہ غوری
جناب انوار حسین

30 جون 2019ء کو ختم ہونے والے سال کے دوران، کمیٹی کا ایک (01) اجلاس منعقد ہوا جس میں کمیٹی کے ٹرم آف ریفرنس کی اصطلاح کے تحت بات چیت اور معاملات کو منظور کیا۔

بورڈ آف ڈائریکٹرز اور بورڈ کمیٹی کی کارکردگی کا تعین (Performance Evaluation of Board of Directors the board committees)

لسنڈ کمپنیز (ضابطہ برائے کاروباری عملداری) 2017 کے قواعد و ضوابط کے مطابق بورڈ آف ڈائریکٹرز، کمیٹیوں اور کمپنی کی سٹریٹجک سمت میں کردار کے حوالے سے ہر ڈائریکٹر کی کارکردگی کا جائزہ لینا ضروری ہے۔ کارکردگی کا جائزہ لینے کا مقصد استعداد کا تعین کرنا ہے جس کی بورڈ آف ڈائریکٹرز میں ضرورت ہے، ہر انفرادی رکن کے کردار اور مستقبل میں توجہ دینے کے قابل شعبوں کی شناخت ناگزیر ہے۔ بورڈ نے بورڈ آف ڈائریکٹرز کی کارکردگی جانچنے کے لیے ایک جامع سوالنامہ بورڈ کے تمام ارکان میں تقسیم کیا تھا جس کے مرکزی نکات ذیل میں دیے جا رہے ہیں:

- ☆ کمپنی کے نقطہ نظر اور مشن کے ساتھ کارپوریٹ اہداف اور مقاصد کا تعین
- ☆ مستحکم اور پائیدار کارکردگی کے لیے حکمت عملی کی تشکیل
- ☆ بورڈ کی خود نظارتی، اور
- ☆ بورڈ کمیٹیوں کی کارکردگی کے تعین کے سلسلے میں اپنی ذمہ داریوں سے سبکدوش ہونے کے لئے انفرادی

ٹرم آف ریفرنس (Terms of Reference) بنانا۔

اس کے لیے بورڈ کے تمام ارکان سے انفرادی رائے لی گئی تھی اور بورڈ کی مجموعی کارکردگی تسلی بخش پائی گئی۔

ڈائریکٹرز کا معاوضہ (Directors' Remuneration)

کمپنی نان ایگزیکٹو ڈائریکٹرز اور انڈیپنڈنٹ ڈائریکٹرز کو ما سوائے اجلاس میں شرکت کی فیس کے علاوہ کوئی معاوضہ ادا نہیں کرتی۔

ڈائریکٹرز کے تربیتی پروگرام (Director's Training Programme)

بورڈ آف ڈائریکٹرز کی ٹریننگ (Board of Directors)

دوران سال محترمہ حمزہ غوری نے پاکستان انسٹیٹیوٹ آف کارپوریٹ گورننس (PICG) سے ڈائریکٹرز ٹریننگ پروگرام کے تحت ٹریننگ حاصل کی۔ دیگر تمام بورڈ کے ارکان نے یا تو ”غزلیٹ آف ڈائریکٹرز ایجوکیشن“ حاصل کر رکھا ہے یا لسنڈ کمپنیز (ضابطہ برائے کاروباری عملداری) (Listed Companies 2017 [Code of Corporate Governance], Regulation 2017) کے قواعد و ضوابط کے بیان کردہ معیار کے مطابق مستعفی ہیں۔

شعبہ جات کے سربراہ اور خواتین ایگزیکٹوز (HEADS OF DEPARTMENTS & Women Executives)

☆ استعمال کر سکتا ہے۔ لیکن منظوری کے دو سال مکمل ہونے کے بعد۔
ملازم کو دیئے جانے والے آپشنز میں 100 فیصد تک (مندرجہ بالا بشمول 80 فیصد) دوران مدت کسی بھی وقت استعمال کیے جاسکتے ہیں لیکن منظوری کے تین سال مکمل ہونے کے بعد۔

ہولڈنگ کمپنی (Holding Company)

نیٹ سول ٹیکنالوجیز انکارپوریشن 23975 پارک سورنٹو، سویٹ 250، کیلاباسا کیلیفورنیا 91302 امریکہ، کو کمپنی کے حصص کی اکثریت حاصل ہے۔

آڈیٹرز کی تعیناتی (Appointment of Auditors)

موجودہ ایڈیٹرز میسرز راجچ۔ والی۔ کے ایڈیٹرز، چارٹرڈ اکاؤنٹنٹس سبکدوش ہو رہے ہیں اور انہوں نے خود کو دوبارہ تقرری کے لیے پیش کیا ہے۔ بورڈ آف ڈائریکٹرز نے آڈٹ کمپنی میسرز راجچ۔ والی۔ کے ایڈیٹرز کی 30 جون 2020ء کو ختم ہونے والے مالی سال کے لیے پہلے سے طے شدہ شرائط اور مشاہرہ تعیناتی کی تجویز کی توثیق کی ہے۔

ایکسٹرنل آڈیٹرز نے تصدیق کی ہے کہ انہیں انشٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) نے کوائف کنٹرول ریگولیشنز کے تحت تصدیق شدہ ریٹنگ (Rating) دی ہے۔ انہوں نے مزید کہا ہے کہ ان کی فرم انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کی جانب سے منظور شدہ ضابطہ اخلاق پر مشتمل گائیڈ لائنز کی مکمل پاسداری کی ہے جو کہ (ICAP) کی جانب سے راجچ کی گئی تھیں۔ ایکسٹرنل آڈیٹرز کو دیگر خدمات فراہم کرنے پر مامور نہیں کیا گیا ہے، علاوہ اس کے جو سٹاکسٹریٹجی (Listing Regulations) کے مطابق ہیں۔

بنیادی آپریٹنگ اور معاشی ڈیٹا (Key Operating and Financial Data)

گزشتہ چھ برس کا آپریٹنگ اور معاشی ڈیٹا سالانہ رپورٹ کے ساتھ منسلک ہے۔

حصص برداری کا مثالی طریقہ کار (Pattern of Shareholding)

حصص برداری کے عمومی نمونے کے 30 جون 2019ء کے گوشوارے کے ساتھ شیئر ہولڈرز کے مختلف حصص داری نمونے جن کا ظاہر کیا جانار پورٹنگ فریم ورک کے تحت ضروری ہے اور ڈائریکٹرز، ایگزیکٹوز اور ان کے جیون ساتھی بشمول بچوں کی جانب سے مالی سال 2019 میں خریدے اور فروخت کیے گئے شیئرز کی سٹیٹمنٹ منسلک ہے۔

بعد میں رونما ہونے والے واقعات (Subsequent Events)

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

اعتراف (Acknowledgement)

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

از طرف بورڈ آف ڈائریکٹرز:



عمر غوری
(ڈائریکٹر)



سلیم اللہ غوری
(چیف ایگزیکٹو آفیسر)

لاہور

مورخہ: 20 ستمبر 2019ء

FEMALE EXECUTIVES)

لنڈن (ضابطہ برائے کاروباری عملداری) 2017ء کے قواعد و ضوابط کے مطابق ڈائریکٹرز ٹریڈنگ پروگرام کے تحت ہر سال ایک شعبہ کے سربراہ اور ایک خاتون ایگزیکٹو کی تربیت کی شرط عائد کی گئی ہے، اس حوالے سے موزوں اقدامات کیے گئے ہیں تاکہ کمپنی قواعد و ضوابط میں دیے گئے عرصہ میں رہتے ہوئے یہ شرط پوری کرے۔

متعلقہ پارٹیز کی ٹرانزیکشنز کا جائزہ (REVIEW OF RELATED PARTIES TRANSACTIONS)

تمام متعلقہ پارٹی کی ٹرانزیکشنز کاروباری معمول کے مطابق کسی دباؤ کے بغیر کی گئی ہیں اور کیپیٹل ایکٹ 2017 کے مطابق ہیں۔ کمپنی کی جانب سے کوئی بھی نمایاں متعلقہ ٹرانزیکشن ڈائریکٹرز یا مینجمنٹ انتظامی عہدیدار وغیرہ کی جانب سے نہیں کی گئی جس سے بڑے پیمانے پر کمپنی کے حوالے سے مفاد کا ٹکراؤ پیدا ہوتا یا جس کے لیے شیئر ہولڈرز کی اجازت کی ضرورت ہوتی۔

موجودہ مالی سال کے دوران تمام ٹرانزیکشنز جائزے کے لیے بورڈ آڈٹ کمیٹی اور پھر منظوری کے لیے بورڈ میں پیش کی گئیں۔

ایمپلائز سٹاک آپشن اسکیم (Employee Stock Option Scheme)

تیم اگست 2009ء کو Compensation Committee نے 4.35 ملین اسٹاک آپشن اپنے ملازمین کو 16.42 روپے فی گرانٹ آپشن کے حساب سے عطا کیے۔ آپشنز (options) سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے منظور شدہ ایمپلائز اسٹاک آپشن اسکیم کے تحت دیئے گئے۔ مالی سال 2019ء کے آخر تک گرانٹ آف آپشنز کے بعد سے 100 فیصد گرانٹ آف آپشن قابل عمل بن چکے تھے۔

کمپنی کی The Companies (Further Issue of Shares) Regulations 2018 کی ضروریات کے مطابق 30 جون 2019ء کو ختم ہونے والے مالی سال کے دوران آپشنز گرانٹڈ سے متعلق exercised/vested کے حوالے سے درج ذیل اکتشافات دیئے گئے:

- کمپنی اپنے ملازمین کو 4,350,000 آپشنز دے چکی ہیں۔
- آپشنز کی Exercise Price کا تعین 20 فیصد رعایتی آپشن کی گرانٹ کی تاریخ پر پاکستان اسٹاک ایکسچینج (تھریڈ پراجیکٹ) میں کمپنی کے حصص کی ایک ماہ کی اوسط قیمت سے کیا جاتا ہے۔
- 100 فیصد گرانٹڈ آپشنز 30 جون 2019ء کو ختم ہونے والے مالی سال کے آخر تک vested تھے۔
- 30 جون 2019ء تک ملازمین نے 3,830,500 آپشنز استعمال کیے اور کمپنی کو اس مدت سے 62.90 ملین روپے موصول ہوئے تھے۔
- 30 جون 2019ء کو ختم ہونے والے مالی سال کے دوران ملازمین کی جانب سے آپشنز کی ایکسرسائز کے باعث 20 ہزار نئے شیئرز جاری کیے گئے۔ ملازمین کی اسٹاک آپشن اسکیم کے تحت 30 جون 2019ء تک مجموعی طور پر 3,830,500 شیئرز جاری کیے گئے تھے۔
- 392,000 آپشنز (Options) lapse ہوئے۔
- درج ذیل آپشنز کمپنی کے سینئر انتظامی کئیڈر ملازمین کو ایم اگست 2009ء کو دیئے گئے:

گراہڈ آپشنز کی تعداد

عہدہ	تعداد
چیف ایگزیکٹو آفیسر	250,000
چیف آپریٹنگ آفیسر	100,000
چیف فنانسئل آفیسر	100,000

viii- اوپر ظاہر کردہ اعداد و شمار کے علاوہ کسی ملازم کو ایک سال کے دوران پانچ فیصد یا زیادہ کمپنی کی جاری کردہ سرمایہ کے ایک فیصد یا اس سے زیادہ آپشنز نہیں دیئے گئے۔

ix- بذریعہ مورخہ 10 جون 2016ء سیکورٹی اینڈ ایکسچینج کمیشن آف پاکستان نے ملازمین اسٹاک آپشن اسکیم 2009ء میں کچھ تراسیم کی منظوری دی۔ انہی تراسیم کو 127 اکتوبر 2015ء کو ایک خصوصی قرارداد کے ذریعے کمپنی کے حصص داران کی جانب سے بھی منظوری دی گئی۔ اہم تراسیم ذیل میں بیان کی گئی ہیں:

- 2016ء سے آپشنز Vesting کی فراہمی کی مدت سات سال کی بجائے تین سال ہوگی۔
- 2016ء میں کمپنی کی منظور کردہ اختیارات آپشنز (Options) کو مندرجہ ذیل طریقے سے استعمال کیا جاسکتا ہے۔

☆ ملازم کو دیئے جانے والے آپشنز (Options) میں سے 50 فیصد دوران مدت کسی بھی وقت استعمال کر سکتا ہے۔ لیکن منظوری کے ایک سال بعد۔

☆ ملازم کو دیئے جانے والے آپشنز میں 80 فیصد (مندرجہ بالا بشمول 50 فیصد) دوران مدت کسی بھی وقت

Corporate Social Responsibility

NETSOL STANDS FOR A COMPANY WITH A HEART

Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. In the developing countries like Pakistan, there is an intense need to work together to address social issues as effectively and efficiently as possible. NETSOL believes

that its activities contribute in overcoming societal challenges while also creating added value for the Company. NETSOL is fulfilling its responsibilities as a good corporate citizen through ongoing involvement in socially beneficial activities tailored for well-being of local communities. The Company's works with various foundations and trusts to fulfill its commitments & initiatives for society mainly focusing on education, health and safety, women empowerment, economic opportunity, equity of rights, law enforcement, environmental protection and community grants. NETSOL undertook various projects for community welfare during the year, some of which are described here under:

CORPORATE PHILANTHROPY

NETSOL EDUCATION SUPPORT PROGRAM

The NESP program is principally designed to support the education of children of eligible employees from Grade I - XII. NESP encompasses 421 kids of all permanent employees, working in "Admin Support Function" of NETSOL along with deserving individuals of the community. These children are attaining quality education from schools across the country through this program. NESP assures children of our support staff go to English medium schools and get the best education. This is our humble contribution to provide them an opportunity to attain a better life and a success future.

Extending its goodwill in education, NetSol donated to Farooq Charity Trust School, Khanqah, Bahawalpur which is backward area and the school itself required immense attention for its infrastructure and development.



Amongst many charitable projects, NetSol also contributed and supported the growth of Development in Literacy, DIL School System based in Khuda ki Basti, Sheikhpura, Punjab which encompasses state-of-the-art education for the underprivileged living in poor villages. In addition, NetSol arranged an annual event to gather all the families along with their children enrolled in this program.

PAID INTERNSHIPS:

The Company's internship program offers an opportunity to undergraduate students which helps them in building their career foundations. Such programs give hands-on experience to interns which cannot be obtained in

classrooms and is a great way for them to acquaint themselves with the field of their interest. This also helps the Company to discover quality employees for future. During the year, almost 113 students from different reputable universities successfully completed their internships.

INDUSTRIAL VISITS:

The Company facilitates students and officials from various institutes and allows them to visit its offices premises. This year almost 400 students from NUML, Sharif College of engineering & Technology, Army Public College of Management Sciences, Gujrat Institute of Management Sciences, TAABA Cradle program, LGS visited the office.

EMPLOYMENT OF SPECIAL NEEDS PEOPLE

Equal opportunity is of great importance to the company especially when it comes skillset. At NetSol, we believe in hiring resources irrespective of being differently abled and accommodate them by considering their knowledge and skills. Currently, 8 special need employees are working at NetSol in diverse roles. These include both males and females. In addition to this, the company has a quota fixed for people living in the rural and less privileged areas who do not get many opportunities as compared to people in urban areas.

ENERGY CONSERVATION

As a responsible corporate citizen and aligned with global imperatives, the Company continued to strengthen its energy conservation efforts and promoted the use of energy efficient products, awareness about reducing energy use in operations. Benefits include mitigating rapidly rising costs of fuel, shortage of electricity and the organizational resilience. We took the following measures for energy conservation during official hours:

- Switch off all unnecessary devices
- Operate AC's at 26°C
- Switch off all AC's & lights during lunch break (01:00 PM -02:00 PM)
- Switch off ACs & lights while stepping out of rooms or halls
- Make sure to shut down computer systems at the end of the day
- Green Office Program, involving promotion of green IT use practices, such as judicious use of equipment and virtualization of services
- Replacement of all energy savers and other lights currently used in the office with LED lights
- Data center and server rooms, being large consumers of energy in an IT landscape, have been standardized using an eco-friendly room design that incorporates power and cooling best practices
- Video and Audio Conferencing (VC and AC) usage is promoted steadily
- Minimizing the use of paper to promote a greener environment

CEO'S EXPERIENCE SHARING

CEO & Founder NetSol, Mr. Salim Ghauri continues imparting his wisdom on various platforms. For a man whose years of hard work gave him a well-deserved success, for him sharing his experiences become pertinent. Mr. Salim Ghauri is playing his vital role of giving back to his people by sharing his life journey. Every week he receives numerous invites from various institutes and forums which he wholeheartedly accepts even though, being a CEO, time is most precious. But even in his extremely caught up routine, Mr. Salim Ghauri takes out approx. 4-5 hours a month to give talks in-house while he takes out approx. 8-9 hours in a month to attend the forums to deliver talks and lectures giving notes of positivity, of courage, of determination and of will-power. The major chunk of the audience remains the young minds for whom, most certainly inspiration matters a lot. And for the same, NetSol's doors are open for students who come to meet their idol Salim Ghauri, listen to his talk and are given a tour of the campus. Indeed, they leave with a great deal of inspiration and aspiration

RELATIONSHIP WITH EMPLOYEES

WOMEN EMPOWERMENT AT NETSOL

NetSol has always given utmost importance to female hiring at every pos-

sible level. These women go through NetSol's developed training program which focuses on grooming, refining and developing skills to achieve the level of excellence. For our female workforce, a conducive work environment has been created which gives career growth, mentorship, trainings and values which they will always carry with them. NetSol also provides equal opportunity to handicap females with comfortable seating space, equal career



growth opportunities, dedicated parking space, caring support staff and much more. Here is a Harassment Policy especially formulated to ensure the safety of NetSol's female staff.

MALE CHAMPION OF CHANGE AT NETSOL

At NetSol, we are committed to bridge the gender gap, provide opportunities, equip our female workforce to compete and put their best foot forward in the corporate world. NetSol collaborates with MCC (Male Champion of Change) Australia to achieve better gender balance, and elevate women leaders within the organization.

N-WOMEN

NetSol being the equal opportunity employer is always supporting and helping females to step up and take leadership roles. Under MCC, N-Women is an initiative to encourage our female staff, identify the problem areas, remove the road blocks, and put them up at a senior position. Sessions having female strength led by Mr. Salim Ghauri took place with the ground given to the females to speak up while Mr. Salim Ghauri encouraged them to step up and take charge.

IN-HOUSE CLINIC

While all other things are taken care, health and any emergency linked to it are most important to us. To cater to first-aid needs, regular check-ups and all possible medical treatments, our in-house physician and trained nurse are available during work hours on daily basis. In addition, this is an effort to curb health care costs and provide employees with more convenience. NetSol's clinic is equipped with all the modern equipment, first aid treatment, medicines, injections etc.

COMPLIMENTARY LUNCH AND GYMNASIUM SERVICES

Employee's needs are very important to the company. During the employee's complete day of work, the company has set-up the best of services for their ease and comfort. One being a substantially spaced cafeteria where employees are served fresh food on the house. The café offers three varieties of menu's which have regular dishes to organic meals. Such an arrangement creates oneness as all tiers of the company consume the same food.

Another convenience catering to health and fitness includes the Gymnasium. The NetSol Gym has all the state of the art exercise machines and trained instructors. The facility is for both males and females with different timings. Many employees have been able to get into an active lifestyle while beating stress and anxiety. Along with the Gym, the company felt the need to place indoor sports such as table tennis, arm wrestling, foosball etc. for the



employees for quick relaxation through healthy activities and to release any work stress & pressure.

PICK & DROP AND DAY CARE FACILITY

Females play an integral part in the development of the company. Their diversified roles require them to be facilitated for a productive working day. A Pick & Drop service is provided for the female staff at subsidized rates which operates around Lahore from their doorstep to the office. Those with children, get to leave their little ones at NetSol's Day Care where children are looked after in a clean, safe and secure environment. Trained administration and assisting staff make sure all the needs of the child is taken care of and



fulfilled. Through these facilities, NetSol shares the responsibilities of females to provide them with a conducive work environment.

BIKE DISTRIBUTION

The male strength plays a significant role in the company progress with their expertise and skillset. Every year, a bike distribution takes place at NetSol where a 100 or more male employees are given bikes at subsidized rates. It is made sure that bikes are handed over with helmets, safety jackets and instructions for a safe ride. NetSol makes sure its employees are following vehicle safety rules

FIRE & SAFETY SUPPORT

At NetSol, it is made sure all measures are strictly taken to protect the employees and the property from any form of accident. NetSol's fire and safety team works through the day not only providing safety support but also educating the employees by conducting safety drills and sessions regularly.

UMRAH DRAW

Blessed are those who are called to the holy house. Every year NetSol holds computerized balloting for the employees through which three lucky employees avail the opportunity of performing Umrah along with one family member.

EIDI AT NETSOL

Believing in celebration, every year NetSol distributes sweets, henna and bangles before employees left for Eid. The halls of NetSol can be seen busy with the HCD team distributing colorful Eidi bags all across the building. Undoubtedly, the Eid joy raises and happiness spreads around.

BUSINESS ETHICS AND ANTI-CORRUPTION MEASURES

INTELLECTUAL PROPERTY RIGHTS AND CYBER CRIME

NETSOL holds frequent activities to ensure that the employees are working within the Company's Code of Conduct (Code). The Code is thoroughly observed throughout the organization. Employees are also required to sign off on the Code. There is zero tolerance towards corruption in the Company. Employees are encouraged to contact the audit committee directly whether anonymously or otherwise in case they come to know about any monetary irregularities or suspicious activities taking place in the Company. For this purpose, drop boxes have been placed at prominent places within the Company's office. More so, an awareness session took place on Intellectual Property Rights (IPR) and Cyber Crime by a well-experienced team from Federal Investigation Authority (FIA). The objective was to alert the employees of social media stalking, trespassing and legal actions of such an act.

OCCUPATIONAL SAFETY AND HEALTH

Economic progress of a country is highly dependent on healthy individuals. We take it as our responsibility to provide a safe and healthy workplace to our employees and other stakeholders. The provision of a safe working

environment is paramount at NETSOL. The Company realizes its responsibility towards keeping the environment disease, infection and allergen free. Fumigation activities are periodically carried out within and around the office campus to make sure that harmful diseases are eradicated for the safety of our staff members.

HEALTH TALKS

Health matters not only physically but also mentally and emotionally. At NetSol, it is a continuous process to ensure the employees are aware of a healthy lifestyle. For the same, the company goes an extra mile for the employees and for the welfare of the society as a whole as well, regular talks and lectures are held in the office premises encircling important subjects for a healthy lifestyle.

SAFETY DRILLS

A very important implementation regularly takes place at NetSol. These are the safety drills which are made mandatory in the premises. Through these drills, the staff is taught how to operate during any unforeseen disasters. In addition, they are given trainings of evacuation, firefighting, cardiopulmonary resuscitation and first aid methods.

POPULATION AWARENESS

NetSol and Punjab Population Innovation Fund (PPIF), a non-profit, public sector company, came together for an awareness session on population planning which was given to the company's staff. A dedicated team from PPIF, spoke to the staff for purpose of spreading awareness of population control and benefits of family planning. We believe, such a topic must be discussed on all levels and not only in rural areas, but in urban areas as well. These sessions shall continue in the future for female and male staff as well.

GHAR PAR AT OFFICE- STRESS RELEASE SITTINGS

Long hours of working, bad posture and eyes on the screen leads to extreme physical and mental tiredness. To provide ease to our employees and give them comfort, team of Ghar Par visited NetSol for stress release sessions. A good number of employees took benefit from these sessions and left them truly rejuvenated.

BLOOD DONATION CAMPAIGN

Through volunteerism, the Company engages and supports its employees in efforts to give back to the society. A two-day blood donation camp was organized in collaboration with Fatimid Foundation wherein employees volunteered and donated blood to help sick children and patients.

CLEAN & GREEN PAKISTAN

With the mission of clean & green Pakistan, NetSolians took an oath to contribute in this noble cause. A good number of NetSolians led by Mr. Salim Ghauri set out with cleaning utensils to clean the surrounding areas of NetSol. NetSolians then proceeded for planting trees to make Pakistan a greener Pakistan to go a long way in making this beautiful country greener and more environment-friendly.

AWARENESS & MOTIVATION

Company puts utmost focus on its employees learning and growth, for which it has been continuously creating awareness and motivating them. It conducted various awareness sessions for its employees during this year. Few of them are:

SUPPORT STAFF MOTIVATIONAL SESSIONS

SADIA SIPRA

Work ethics and company principals ought to be translated all across the board of the organization. NetSol invited Sadia Sipra, a trainer and coach to teach work ethics to the support staff of the company. The sessions turned out to be very successful and informative, teaching the support staff the basics of how to work in an organization followed by motivation and encouragement.

ABDULLAH SAMEEN

A big share of credit goes to the support staff for the daily running of the organization. For their motivation and encouragement, Abdullah Sameen took over the stage to conduct sessions. With Abdullah's imparted knowledge, these sessions taught about ethics at work, gave them positivity and encouraged them to work harder in their domains.

NETSOL STRATEGY WORKSHOP

Organizational Development remains a vital fragment of any organization

and the knowledge of which every tier must gain. Beginning from the top, a 2-day Organizational Development Workshop was held for the Senior Leadership of NetSol. Following the theme, "How Might We", Simplicity Thinking Level IV certified consultant/trainer, Mr. Nausherwan Akram from Basadur Applied Creativity North America conducted the workshop with integrated activities and learning processes.

INNOVATION HACK FEST

As NETSOL states, Innovation is in our Blueprint; we believe Innovation has no boundaries. Today, the world of innovation talks about nothing less than emerging technologies like Artificial Intelligence and Block chain. For the same, NetSol's Innovation Division held Pakistan's Premium Hackathon, Innovation Hack Fest . 25+ teams from Lahore, Karachi, Islamabad, Sialkot and Peshawar were shortlisted out of more than a 100 registrations. The Innovation Hack Fest 2018 powered by Telenor Velocity and Telenor Microfinance Bank and Co-organized with NSPIRE was a power packed hackathon of 48 hours on Artificial Intelligence and Block chain. Teams were given 5 problem statements to choose from and a fully equipped work space to find their solutions. After 48 hours, the winner and runners up were decided upon. Addressing the occasion, Mr. Salim Ghauri Founder & CEO NETSOL Technologies praised and acknowledged the skillful individuals and assured the youngsters that the doors of NetSol are always open for such talent who are set out to make a difference.

WOMEN IN BUSINESS AND LEADERSHIP CONFERENCE:

Women on Boards is an initiative of South Asian Federation of Exchanges, with the aim to influence a higher gender balance on corporate boards, increase women's readiness for top management and board positions and develop economic empowerment capabilities of women professionals. WOB organized its 'Board Talks' Lahore Session in which the Company participated and motivated its female employees to take part in such activities. The aim of the conference is to bring successful women from all over Pakistan and engage them in initiatives to uplift women and encourage them to rise to their full potential.

COLLABORATION WITH THE FIRST STEP- COMMUNITY FOR TRANSGENDER

The greatest goodwill there always will be is giving back to the people. And people are all equal. NetSol's collaboration with The First Step, Transgender Community is a humble step towards helping them with their lives. Every year The First Step sets up a kiosk at NetSol to collect funds. NetSolians have surely stepped up when needed.

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, 2019 we made our humble contribution to the National Exchequer by way of general sale tax, income tax and other government levies.

Description	Rupees (000s)
Income Tax	19,495
Sales Tax	1,760
Withholding Tax	153,264

**WE ALL WANT A
BETTER FUTURE.
TOGETHER
WE CAN MAKE
A DIFFERENCE**

Our Core Value



Empathy and Respect

We believe in co-existence with complete harmony. It begins with respect for others and understanding of different perspectives. Our decisions reflect that we care about the consequences they have on people around us. We believe in maintaining highest ethical standards and we value diversity of thoughts and individuals.



Excellence

We are committed to excellence through the systematic and disciplined management of our operations. We follow and uphold the rules and standards we set for our company. We commit to quality outcomes, have a thirst to learn and to improve. If something is not right, we correct it!



Customer First

We at NETSOL strive to understand the people who use our product and then adapt according to their needs and requirements. Our products, services, customer care and overall strategy is defined with the customer in mind.



Honesty & Integrity

A Netsolian speaks the truth and acts right under any circumstance. We never compromise on moral or ethical convictions.



Innovation

Innovation is in our blueprint! We thrive to continuously improve ourselves; be it our processes, skill set or customer offerings. A forward-thinking mindset is key to NETSOL's longevity and growth.

Code of Conduct

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

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

The Code affirms our six principles of conduct:

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



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, 2019. 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, 2019.

H.Y.K and Co.

Chartered Accountants

Lahore: September 20, 2019

Engagement Partner: Younus Kamran



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

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **NetSol Technologies Limited** (the Company) for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.


H.Y.K. & Co.

Chartered Accountants
Lahore: September 20, 2019

Engagement Partner: Younus Kamran

Statement of Compliance with the Code of Corporate Governance

For the Year Ended June 30, 2019

The statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulation, 2017 for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Gender	Number
Male	06
Female	01

2. Composition of the Board is as follows:

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

3. The Directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding listed subsidiaries of listed holding companies where applicable).
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. Meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.
9. During the year, Ms. Hamna Ghauri has obtained certification under Directors Training program conducted by Pakistan Institute of Corporate Governance. All the board members have either completed Directors Training Program or they have the prescribed qualification and experience required for exemption from the Training program.
10. During the year, there was no change in the position of CFO, Company Secretary and Head of Internal Audit and their remuneration and terms and conditions of employment.
11. CFO and CEO duly endorsed the financial statements before their approval by the Board.
12. The Board has formed committees comprising of members given below:
- 12.1. Audit Committee

Names of Directors	Designation
Anwaar Hussain	Chairman – Independent director

Vaseem Anvar	Member – Independent director
Hamna Ghauri	Member – Non-executive director
12.2. Human Resource & Remuneration Committee (HR&RC)	

Names of Directors	Designation
--------------------	-------------

Vaseem Anvar	Chairman – Independent director
Najeeb Ullah Ghauri	Member – Non-executive director
Salim Ullah Ghauri	Member – Executive director
Hamna Ghauri	Member – Non-executive director

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the Committee for compliance.
14. The frequency of meetings of the Committees were as per following:

Committee	Meeting Frequency
Audit Committee	Quarterly
HR&RC	Yearly

15. The Board has set up an effective internal audit function, comprising of professionals who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, 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.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.



SHAHAB UD DIN GHAURI
Chairman

Lahore
September 20, 2019

Pattern of Shareholding

As at June 30, 2019

No. Of Shareholders	From	To	Total
720	1	100	32,320
875	101	500	293,710
528	501	1000	444,192
904	1001	5000	2,116,099
181	5001	10000	1,395,364
55	10001	15000	691,781
42	15001	20000	771,186
20	20001	25000	451,240
15	25001	30000	414,919
10	30001	35000	333,220
9	35001	40000	346,300
7	40001	45000	308,242
6	45001	50000	293,600
3	50001	55000	159,754
1	55001	60000	55,500
4	60001	65000	255,900
4	65001	70000	274,000
3	70001	75000	220,899
4	80001	85000	328,100
2	85001	90000	173,000
2	90001	95000	187,200
5	95001	100000	492,900
1	100001	105000	101,500
1	105001	110000	110,000
1	115001	120000	120,000
2	120001	125000	246,345
1	125001	130000	130,000
4	135001	140000	548,000
1	145001	150000	146,100
1	155001	160000	158,200
3	160001	165000	489,700
2	170001	175000	345,600

No. Of Shareholders	From	To	Total
1	175001	180000	178,700
1	185001	190000	185,800
1	190001	195000	194,000
2	195001	200000	399,500
2	200001	205000	409,000
2	205001	210000	416,900
1	210001	215000	210,500
1	215001	220000	220,000
1	230001	235000	234,500
1	250001	255000	252,900
1	255001	260000	260,000
1	295001	300000	300,000
1	310001	315000	313,400
1	360001	365000	360,200
1	425001	430000	428,495
1	535001	540000	538,000
1	675001	680000	676,200
1	690001	695000	692,409
1	750001	755000	753,900
1	985001	990000	987,100
1	1015001	1020000	1,018,400
1	1225001	1230000	1,228,210
1	1380001	1385000	1,384,200
1	1495001	1500000	1,500,000
1	1525001	1530000	1,529,300
1	1550001	1555000	1,554,900
1	2355001	2360000	2,357,290
1	16445001	16450000	16,450,000
1	42254001	42255000	42,254,248
3,449			89,722,923

Information required as per Code of Corporate Governance

As at June 30, 2019
Incorporation No. 0037024

S.No.	Categories of Share Holders	Number of Shareholders	Shares Held	% of Capital	Total
1	Directors, CEO & their Spouse and minor children:				
	Mr. Salim Ullah Ghauri	1	966,495	1.08	
	Mr. Shahab-ud-Din Ghauri	1	509	0.00	
	Mr. Najeeb Ullah Ghauri	1	234,609	0.26	
	Mr. Vaseem Anvar	1	550	0.00	
	Mr. Omar Shahab Ghauri	1	509	0.00	
	Mr. Anwaar Hussain	1	526	0.00	
	Ms. Hamna Ghauri	1	600	0.00	
	Ms. Tahira Salim Ghauri	1	110,000	0.12	1,313,798
2	Associated Companies, undertakings and related parties				
	NetSol Technologies Inc.	1	59,396,657	66.20	59,396,657
3	Banks, DFI & NBFC, Insurance Co.,Takaful, Modaraba and Pension Funds/Other Funds				
	Banks and Financial Institutions	7	3,354,372	3.74	
	Modarabas	2	10,000	0.01	
	Investment Companies	1	1,018,400	1.14	
	Pension Funds	2	334,600	0.37	
	Other Funds	11	47,200	0.05	4,764,572
4	Public Sector Cos. & Corporation	68	4,721,140	5.26	4,721,140
5	Mutual Funds				
	CDC - TRUSTEE MEEZAN BALANCED FUND	1	3,600	0.00	
	CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	987,100	1.10	
	CDC - TRUSTEE NAFA STOCK FUND	1	1,554,900	1.73	
	CDC- TRUSTEE NBP BALANCED FUND	1	185,800	0.21	
	CDC - TRUSTEE MEEZAN TAHAFUZ PENSION FUND-EQUITY SUB FUND	1	15,000	0.02	
	CDC - TRUSTEE NBP ISLAMIC SARMAYA IZAFI FUND	1	676,200	0.75	
	CDC - TRUSTEE ABL STOCK FUND	1	360,200	0.40	
	CDC - TRUSTEE NBP SARMAYA IZAFI FUND	1	210,500	0.23	
	MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	1	40,000	0.04	
	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	21,000	0.02	
	CDC - TRUSTEE ABL PENSION FUND-EQUITY SUB FUND	1	20,000	0.02	
	CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	1	753,900	0.84	
	CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	1	252,900	0.28	
	CDC - TRUSTEE FAYSAL MTS FUND-MT	1	10,500	0.01	
	CDC TRUSTEE-MEEZAN DEDICATED EQUITY FUND	1	206,900	0.23	
	MCBFSL - TRUSTEE ALLIED CAPITAL PROTECTED FUND	1	10,000	0.01	5,308,500
6	General Public				
	a. Local	3,332	14,217,147	15.85	14,217,147
	b. Foreign	1	1,109	0.00	1,109
	Total	3,449		100	89,722,923

Shareholders holding five percent or more voting interest in the Company

NetSol Technologies Inc.	59,396,657	66.20
--------------------------	------------	-------

Trading in shares during the year 2019

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

Directors & Spouses

Mr. Salim Ullah Ghauri,CEO/Executive Director purchased 92,300 shares.

Ms. Hamna Ghauri,Non-Executive Director purchased 600 shares.

The background of the page is a complex, abstract geometric pattern. It consists of numerous thin, light blue lines that intersect to form a variety of irregular polygons and shapes. Scattered throughout this network of lines are small, solid grey dots of varying sizes. The overall effect is that of a digital or network-based structure, possibly representing a data visualization or a modern architectural design. The lines and dots are distributed across the entire page, creating a sense of depth and connectivity.

FINANCIAL
STATEMENTS

For the Year Ended June 30, 2019

Independent Auditor's Report

To the members of NetSol Technologies Limited

Report on the audit of financial statements

Opinion

We have audited the annexed financial statements of **NetSol Technologies Limited** (the Company), which comprise the statement of financial position as at **June 30, 2019**, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **June 30, 2019** and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

S. No.	Key audit matters	How the matters were addressed in our audit
1.	Contract Revenue and Application of IFRS 15.	

<p>Refer notes 4.1.1, 4.10 and 27 to the financial statements.</p> <p>The Company transitioned to IFRS 15 for its revenue from contracts with customers, in the financial year ended 30 June, 2019. The approach to revenue recognition as set out under IFRS 15 is complex and can be judgmental especially where contracts with customers have variable consideration.</p> <p>The revenue standard establishes a comprehensive framework for determining whether, how much and when revenue is recognized. This involves certain key judgments relating to identification of distinct performance obligations, determination of transaction price of identified performance obligation, the appropriateness of the basis used to measure revenue recognized over a period.</p> <p>The Company has adopted IFRS 15 using the allowed modified retrospective approach and made adjustment of Rs 785.4 million in opening retained earnings as at July 1, 2018.</p> <p>Risk of inappropriate revenue recognition on inappropriate application of the company revenue recognition policy and IFRS 15 (Revenue) for license revenue recognition, could result in, for example, revenue being recorded when performance obligations have not been satisfied, incorrect deferral of revenue for support and maintenance and other obligation.</p>	<p>Our audit procedures on adoption of IFRS 15, Revenue from contracts with Customers, which is the new revenue accounting standard, include</p> <ul style="list-style-type: none"> • Understanding how management performed their impact assessment over the transition to IFRS 15, and the key judgments involved. • Evaluated the detailed analysis performed by management on revenue streams by selecting samples for the existing contracts with customers and considered revenue recognition policy in the current period in respect of those revenue streams. • Evaluated the cumulative effect of adjustments made as at 1 July, 2018 for compliance with respect to IFRS-15. • We have walked through and assessed the design effectiveness of key management controls over data input and IT. • Evaluated the changes made to IT systems to reflect the changes required in revenue recognition as per the new accounting standard IFRS-15. • For a sample of customer contracts, determined whether the correct judgment was exercised in recognizing revenue according to the five-step revenue recognition approach set out by IFRS 15. • Reviewing contract terms for any conditions that would impact the timing of revenue recognition and in turn the completeness of contract liabilities. • For a sample of customer contracts with deferred revenue (contract liability) at the year-end, we assessed management’s judgments used in estimating the amounts deferred.
--	--

<p>Additionally, the standard mandates robust disclosures in respect of revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date.</p> <p>The application and transition to this accounting standard is complex and is an area of focus in the audit. Due to its material impact on the Company, we deem the adoption of IFRS 15 as a key audit matter.</p> <p>Revenue recognized during the year ended June 30, 2019 includes Rs. 1,066.58 Million (2018: Rs. 282.75 Million) from related parties.</p> <p>Revenue is derived from a number of revenue streams, and key streams include license, rendering of services and maintenance. Each stream has its own revenue recognition policies based on the nature of the revenue and underlying contractual arrangements. Management judgment is required around the degree to which revenue has been earned as at the year-end date.</p> <p>Large contracts are typically bundled, and often include license, rendering of services and maintenance revenues.</p> <p>Inappropriate revenue recognition in relation to cut off, as revenue may not have been recognized in the correct accounting period</p> <p>In light of the multiple revenue streams, complexity of accounting and crucial nature of this number to stakeholders, we have identified revenue recognition</p>	<ul style="list-style-type: none"> • Obtaining an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period. • Assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards. • Selecting a sample of transactions recognized in revenue during the year and recalculating the revenue recognized with underlying contracts. • Checking evidence to support that software license has been delivered to customers prior to revenue recognition. • For the license element of contracts, particularly those in close proximity to the year end, we obtained evidence such as FTP that the software license had been delivered to the customer prior to the end of the financial year. • Agreeing license revenues to signed contracts or software license agreements. • Agreeing the revenue to subsequent payment as evidence of collectability. • Assessing the split of contracts to challenge and gain sufficient comfort around the level of software license revenue being recognized under bundled contracts. • We agreed a sample of revenue transactions and, where relevant, underlying time costs to supporting contracts and other documentation, including user acceptance evidence, statements of works and time records. • Comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to
--	--

	<p>as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>assess whether revenue has been recognized in the appropriate accounting period;</p> <ul style="list-style-type: none"> • Evaluated the appropriateness of the disclosures provided under the new revenue standard IFRS-15 and assessed the completeness and mathematical accuracy of the relevant disclosures.
2.	<p>Application of IFRS-9 and Valuation of Trade Debts and Contract Assets</p> <p>Refer notes 4.1.2, 4.13, 9 and 10 to the financial statements.</p> <p>IFRS 9 'Financial Instruments' is effective for the Company for the first time during the current year and replaces the financial instruments standard IAS 39 'Financial Instruments: Recognition and Measurement'.</p> <p>In relation to financial assets, IFRS 9 requires the recognition of expected credit losses ('ECL') rather than incurred credit losses under IAS 39 and is therefore a fundamentally different approach. Management is required to determine the expected credit loss that may occur over either a 12-month period or the remaining life of an asset, depending on the categorization of the individual asset.</p> <p>In accordance with IFRS 9, the measurement of ECL reflect a range of unbiased and probability-weighted outcomes, time value of money, reasonable and supportable information based on the consideration of historical events, current conditions and forecasts of future economic conditions. The calculation of ECLs in accordance with</p>	<p>We reviewed and understood the requirements of the IFRS 9. Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Considered the management's process to assess the impact of adoption of IFRS 9 on the Company's financial statements. • Reviewed the appropriateness of the assumptions used (future and historical), the methodology and policies applied to assess the ECL in respect of financial assets of the Company. • Reviewed the working of management for expected credit losses. • Evaluated the changes made to IT systems to reflect the changes required in trade debts and contract assets recognition as per the new accounting standards. • Obtained understanding of the recorded trade receivables by discussing with the management and making inquiries on the entire accounting process associated with the recording of trade receivables and contract assets. • Evaluated the cumulative effect of adjustments as at 1 July, 2018 for compliance with respect to IFRS-9. • We reviewed and assessed the impact and disclosures made in the financial statements with regard to the effect of adoption of IFRS 9.

	<p>IFRS 9 is therefore complex and involves a number of judgmental assumptions.</p> <p>The Company has adopted IFRS 9 using the allowed modified retrospective approach and recognized expected credit loss of Rs 75.812 million in opening retained earnings as at July 1, 2018 and Rs 24.243 million for year ended June 30, 2019.</p> <p>We considered first time application of IFR-9 as key audit matter due to the significant amounts involved and significant judgments made by management regarding the matter.</p> <p>Further the company has a significant balance of trade debts. We identified recoverability of trade debts as a key audit matters as it involves significant management judgment in determining the recoverable amount of trade debts.</p>	<ul style="list-style-type: none"> • for a sample of trade debts, tested the adequacy of the provisions for doubtful debts recorded against trade debts by taking into account the aging of receivables at the year end and cash received after year end, as well as assessing the judgments made by the management in relation to the credit worthiness of the debtors. • We sought external confirmations from selected debtors of their balances that remained outstanding at the year end and compared replies to the request. • Where response to the external confirmations were not received, we have checked subsequent receipts/traced the receivables balances to the invoices. • Testing the accuracy of the data on a sample basis extracted from the Company’s accounting system which is used to calculate aging of trade receivables; and • Assessed the relevant disclosures made in the financial statements to determine whether they are complied with the accounting and reporting standards as applicable in Pakistan.
--	---	--

Information Other than the Financial Statements and Auditor’s Report Thereon

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- (a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

(b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

(c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

(d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Younus Kamran



H.Y.K and Co.
Chartered Accountants
Lahore

Date: September 20, 2019

Statement of Financial Position

As at June 30, 2019

	NOTE	2019	2018
		Rupees in '000'	
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	5	1,679,165	1,759,889
Intangible assets	6	1,214,401	1,507,905
		2,893,566	3,267,794
Long term investments	7	308,567	308,567
Long term loans to employees	8	470	356
		3,202,603	3,576,717
CURRENT ASSETS			
Trade debts	9	2,531,603	1,340,024
Contract assets	10	1,167,646	1,428,321
Loans and advances	11	52,261	38,489
Trade deposits & short term prepayments	12	20,948	17,756
Other receivables	13	7,219	25,908
Due from related parties	14	23,117	25,878
Taxation - net	15	52,716	53,879
Cash & bank balances	16	1,951,746	2,123,337
		5,807,256	5,053,592
TOTAL ASSETS		9,009,859	8,630,309

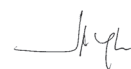
The annexed notes from 1 to 46 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

	NOTE	2019	2018
		Rupees in '000'	
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital			
150,000,000 ordinary shares of Rs.10/- each	17	1,500,000	1,500,000
Issued, subscribed and paid-up capital	17	897,229	897,029
Share deposit money		13	13
Reserves	18	5,982,218	5,788,908
		6,879,460	6,685,950
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	19	55,404	31,115
Deferred income	20	5,140	7,826
Long term advances	21	5,143	685
		65,687	39,626
CURRENT LIABILITIES			
Trade and other payables	22	491,754	503,417
Contract liabilities	23	468,828	371,243
Short term borrowings	24	1,053,000	1,000,000
Current portion of long term liabilities	25	46,947	27,124
Unclaimed dividend		4,183	2,949
		2,064,712	1,904,733
CONTINGENCIES & COMMITMENTS			
	26	-	-
TOTAL EQUITY AND LIABILITIES		9,009,859	8,630,309

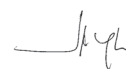
The annexed notes from 1 to 46 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Statement of Profit or Loss

For the year ended June 30, 2019

	NOTE	2019 Rupees in '000'	2018
Revenue from contracts with customers - net	27	5,381,196	4,284,800
Cost of revenue	28	(3,290,450)	(2,346,162)
Gross profit		2,090,746	1,938,638
Selling and promotion expenses	29	(669,419)	(571,810)
Administrative expenses	30	(1,008,426)	(739,967)
Other operating expenses	31	-	(4,304)
Other income	32	945,494	537,430
Operating Profit		1,358,395	1,159,987
Finance cost	33	(39,779)	(44,034)
Profit before taxation		1,318,616	1,115,953
Taxation			
Current year	34	(76,490)	(49,014)
Prior year		1,358	(969)
		(75,132)	(49,983)
Profit after taxation for the year		1,243,484	1,065,970
Earnings per share			
Basic - In Rupees	35	13.86	11.89
Diluted - In Rupees	35	13.84	11.87

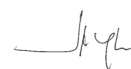
The annexed notes from 1 to 46 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Statement of Other Comprehensive Income

For the year ended June 30, 2019

	2019	2018
	Rupees in '000'	
Profit after taxation for the year	1,243,484	1,065,970
Other comprehensive income	-	-
Total comprehensive Income for the year	1,243,484	1,065,970

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Statement of Cash Flows

For the year ended June 30, 2019

	NOTE	2019	2018
		Rupees in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation for the year		1,318,616	1,115,953
Adjustments for non cash charges and other items:			
Depreciation - own assets		194,406	232,496
Amortization of leased assets		29,760	16,227
Amortization of intangible assets		293,504	293,504
(Gain)/Loss on disposal of fixed assets		(10,077)	4,304
Amortization of deferred revenue		(2,686)	(231)
Foreign exchange (gain)		(846,888)	(497,081)
Interest expense		38,426	42,803
Interest income		(83,675)	(24,411)
Deferred employee compensation expense		35,195	56,410
Provision for doubtful debts		24,243	35,303
		(327,792)	159,324
Cash generated from operations before working capital changes		990,824	1,275,277
Working Capital Changes			
Trade debts and contract assets/liabilities		(871,864)	380,046
Loans and advances		(13,886)	(6,989)
Trade deposits & short term prepayments		(3,192)	(4,237)
Other receivables		18,689	(6,516)
Due from related parties		2,761	(9,823)
Trade and other payables		(10,799)	125,715
Cash (used in) / generated from operations		(878,291)	478,196
Interest paid		(39,290)	(47,357)
Income taxes paid		(73,969)	(54,339)
Dividend paid		(223,073)	(129,695)
Net cash (used in) / generated from operations		(223,799)	1,522,082
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment's purchased		(294,240)	(144,561)
Sales proceeds of fixed asset		152,731	61,930
Advances against capital expenditure		8,143	(24,036)
Long term investment		-	(89,694)
Interest received		83,675	24,411
Net cash (used in) investing activities		(49,691)	(171,950)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of share capital		200	670
Share premium		129	430
Paid against obligation under finance lease		(60,393)	(46,450)
Received against obligation under finance lease		102,858	61,823
Short term borrowing		53,000	(113,713)
Long term advances		6,105	(4,497)
Net cash generated from / (used in) financing activities		101,899	(101,737)
Net (Decrease)/Increase in cash and cash equivalents		(171,591)	1,248,395
Cash and cash equivalents at the beginning of the year		2,123,337	874,942
Cash and cash equivalents at the end of the year	16	1,951,746	2,123,337

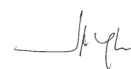
The annexed notes from 1 to 46 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Statement of Changes in Equity

For the year ended June 30, 2019

	Issued, subscribed and paid- up capital	Share deposit money	Capital Reserve		Revenue Reserve	Total
			Employee share op- tion com- pensation reserve	Share pre- mium	Unappropri- ated profit	
Rupees In '000'						
Balance as at June 30, 2017	896,359	13	74,890	302,579	4,418,672	5,692,513
Total comprehensive income for the year						
Net profit for the year ended June 30, 2018	-	-	-	-	1,065,970	1,065,970
Shares issued against options exercised (67,000 shares at Rs. 10 each)	670	(1,100)	(99)	529	-	-
Amount received against options exercised	-	1,100	-	-	-	1,100
Dividend paid					(130,044)	(130,044)
Contribution of parent on account of employee share options			56,411			56,411
	670	-	56,312	529	935,926	993,437
Balance as at June 30, 2018	897,029	13	131,202	303,108	5,354,598	6,685,950
Balance as at June 30, 2018	897,029	13	131,202	303,108	5,354,598	6,685,950
Total comprehensive income for the year						
Restatement on initial application of IFRS 15 (Note 4.1.1)					(785,377)	(785,377)
Restatement on initial application of IFRS 9 (Note 4.1.2)					(75,812)	(75,812)
Net profit for the year ended June 30, 2019	-	-	-	-	1,243,484	1,243,484
Shares issued against options exercised (20,000 shares at Rs. 10 each)	200	(328)	(30)	158	-	-
Amount received against options exercised	-	328	-	-	-	328
Dividend paid	-	-	-	-	(224,307)	(224,307)
Contribution of parent on account of employee share options	-	-	35,195	-	-	35,195
	200	-	35,165	158	157,987	193,510
Balance as at June 30, 2019	897,229	13	166,367	303,266	5,512,585	6,879,460

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

Notes to the Accounts

For the year ended June 30, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

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

Geographical location and addresses of business units:

Address/Location	Purpose
1 NetSol IT Village,(Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt. Pakistan.	Registered office and business unit
2 43/1/Q, Amna Villa 1, Block-6, PECHS Housing Society Karachi.	Branch office
3 House No. 4, Safari villas 1, Bahria town, Rawalpindi. Pakistan.	Branch office

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

2. BASIS OF PREPARATION

2.1 Separate financial statements

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

2.2 Statement of compliance

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

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

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

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

2.3 Basis of measurement

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

2.4 Functional and presentation currency

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

2.5 Accounting policies

Except for changes in accounting policies described in note 4.1, 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, 2018.

2.6 Standards and interpretations that became effective


There are new standards (revised or amended) and interpretations that became effective for the current financial year other than those disclosed in note 4.1 but either they are not relevant or do not have any material impact on the financial statements of the Company



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

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

	Effective for periods beginning on or after
IFRS 16 Leases	Jan-01 2019
IFRS 9 Financial Instruments - Prepayment features with negative compensation (Amendments)	Jan-01 2019
IAS 28 Investment in Associates and Joint Ventures - Long term interests in associates and joint ventures (Amendments)	Jan-01 2019
IFRIC 23 Uncertainty over Income Tax Treatments	Jan-01 2019
IAS 19 Employee benefits - Plan Amendment, curtailment or settlement (Amendments)	Jan-01 2019
IFRS 3 Business combinations - Definition of business (Amendments)	Jan-01 2020
IAS 1 Presentation of Financial Statements (Amendments)	Jan-01 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	Jan-01 2020
IFRS 3 Business combinations - Annual improvements to IFRS standards 2015-2017 cycle (Amendments)	Jan-01 2019
IFRS 11 Joint arrangements - Annual improvements to IFRS standards 2015-2017 cycle (Amendments)	Jan-01 2019
IAS 12 Income taxes - Annual improvements to IFRS standards 2015-2017 cycle (Amendments)	Jan-01 2019
IAS 23 Borrowing costs - Annual improvements to IFRS standards 2015-2017 cycle (Amendments)	Jan-01 2019
Conceptual framework of financial reporting (Revised)	Jan-01 2020

The above standards and amendments are not expected to have any material impact on Company's financial statements in the period of initial application.

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/Contract Assets
- ii. Provision for taxation
- iii. Useful life and recoverable amounts of depreciable assets
- iv. Useful life of intangible assets
- v. Contingencies

Notes to the Accounts

For the year ended June 30, 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the significant accounting policies consistently applied in the preparation of these financial statements are the same as those applied in earlier periods presented.

4.1 Changes in significant accounting policies

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' which are effective from annual periods beginning on or after 01 July 2018 and for reporting period / year ending on or after 30 June 2019 respectively.

Details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

4.1.1 IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

Company implemented IFRS 15 "Revenue from Contracts with Customers" as of July 1, 2018. The new standard amends revenue recognition requirements and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard replaces IAS 18 Revenue, IAS 11 Construction contracts and their related interpretations.

The core principle of IFRS 15 is that revenue should be recognized for the amount that is the expected equivalent value of the performance obligation. The new standard employs a five-step model framework for determining the amount and timing of revenue in order to implement this principle.

The Company applied modified retrospective approach while adopting IFRS 15. This method requires recognition of the cumulative effect of initially applying IFRS 15 to retained earnings and not to restate prior years. The cumulative effect recorded on July 1, 2018 was a decrease to retained earnings by PKR 785.4 million and comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

The adjustments made to items in the statement of financial position as of July 1, 2018 and attributable to IFRS 15 are as follows:

	Carrying amount in accordance with old IFRS As on June 30, 2018	Adjustment	Carrying amount in accordance with IFRS 15 As on July 01, 2018
ASSETS			
CURRENT ASSETS			
Contract assets	1,428,321	(759,372)	668,949
Current Assets	5,053,592	(759,372)	4,294,221
Total Assets	8,630,309	(759,372)	7,870,937
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Revenue reserve			
Un-appropriated profits	5,354,598	(785,377)	4,569,221
SHARE CAPITAL & RESERVES	6,685,950	(785,377)	5,900,573
CURRENT LIABILITIES			
Contract liabilities	371,243	26,005	397,248
Current Liabilities	1,904,733	26,005	1,930,738
TOTAL EQUITY AND LIABILITIES	8,630,309	(759,372)	7,870,937

Following tables provide comparison of carrying values of relevant items from the financial statements as of June 30, 2019 in accordance with IFRS 15 as compared to the old accounting standard IAS 18 and related interpretations:

	Carrying amount in accordance with IFRS 15 As on June 30, 2019	Adjustment	Carrying amount in accordance with old IFRS As on June 30, 2019
ASSETS			
CURRENT ASSETS			
Trade debts	2,531,603	(1,025)	2,530,578
Contract assets	1,167,646	994,444	2,162,089
Other receivable-Reimbursable cost	-	74,138	74,138
Current assets	5,807,256	1,067,557	6,874,813
Total assets	9,009,859	1,067,557	10,077,416
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Revenue reserve			
Un-appropriated profits	5,512,585	1,180,056	6,692,641
CURRENT LIABILITIES			
Contract liabilities	468,827	(112,499)	356,328
Current liabilities	2,064,711	(112,499)	1,952,212
Total equity and liabilities	9,009,859	1,067,557	10,077,416

	IFRS 15 2019	Adjustment	Old IFRS 2019
REVENUE FROM CONTRACTS WITH CUSTOMERS			
License revenue	1,572,775	70,666	1,643,441
Maintenance revenue	1,045,894	78,533	1,124,427
Revenue against reimbursable cost	548,612	(548,612)	-
Revenue	5,381,196	(399,413)	4,981,783
COST OF REVENUE			
Travelling & Conveyance-Reimbursable cost	548,612	(548,612)	-
Gross profit	2,090,746	149,199	2,239,945
OTHER INCOME			
Gain on foreign currency translation	846,888	245,480	1,092,368
Operating Profit	1,358,395	394,679	1,753,074
Profit before taxation	1,318,616	394,679	1,713,295
Profit after taxation for the year	1,243,484	394,679	1,638,163
Earnings per share			
Basic - In Rupees	13.86	4.40	18.26
Diluted - In Rupees	13.84	4.39	18.24

Notes to the Accounts

For the year ended June 30, 2019

The nature of adjustments as at 1 July 2018 and the reasons for significant changes in the statement of financial position as at 30 June 2019 and the statement of profit or loss for the year ended 30 June 2019 are described below:

Most significant impact to the company, upon adoption of IFRS 15, relates to the identification of contracts with customers, identification of distinct performance obligations and allocation of transaction price to the distinct performance obligations (based on their standalone selling prices).

In case of a multiple element arrangements (e.g. contract to deliver various performance obligations to a single customer in various markets), the total transaction price of the bundled contract is allocated amongst the individual distinct performance obligations based on their relative standalone selling prices.

Company's contracts with customers' entail three separate performance obligations as follows:

1. Software licenses
2. Implementation, customization and consulting services
3. Maintenance services

Company identified all material and significant contracts in hand and not closed or completed by June 30, 2018 and applied IFRS 15 on those contracts to evaluate and analyze the impact IFRS 15 would have made on the revenue recognition from those contracts. These contracts outline a fixed fee for the software license and maintenance services and provision of some other related services to the same customer. Total transaction price for these items was allocated to each of these performance obligations based on the relative standalone selling prices. Additionally, each performance obligation by geography is considered a distinct performance obligation. Accordingly, the transaction price was allocated based on the relative standalone selling price by performance obligation and geography.

Accounting policies that apply on revenue are stated in note 4.10 to these financial statements.

4.1.2 IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Changes in accounting policies resulting from adoption of IFRS 9 have been applied prospectively with the initial application date of June 30, 2019 as notified by the Securities and Exchange Commission of Pakistan. The Company has assessed impact on items of financial statements affected by the application of IFRS 9 on the initial application date. The Company has not restated comparative information, which continues to be reported under IAS 39. Differences arising from adoption of IFRS 9 have been recognized directly in opening retained earnings at the beginning of the annual reporting period i.e. 1 July 2018.

The effect of adopting IFRS 9 as at 1 July 2018 was, as follows:

	Note	Carrying amount in accordance with IAS 39 As on June 30, 2018	Adjustment	Carrying amount in accordance with IFRS 9 As on July 01, 2018
ASSETS				
CURRENT ASSETS				
Accounts receivable	(a),(b)	1,340,024	9,874	1,349,898
Contract assets	(a),(b)	1,428,321	(85,686)	1,342,635
EQUITY & LIABILITIES				
SHARE CAPITAL & RESERVES				
Revenue reserve				
Un-appropriated profits	(a),(b)	5,354,598	(75,812)	5,278,786

The nature of these adjustments are described below:

a) Classification and measurement

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available for sale. IFRS 9, classifies financial assets in the following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The classification is based on two criteria: the company’s business model for managing the assets; and whether the instruments’ contractual cash flows represent ‘solely payments of principal and interest’ on the principal amount outstanding.

Assessment of the company’s business model was made as of the date of initial application of IFRS 9. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the company. Following are the changes in the classification of the company’s financial assets:

Trade receivables, Other non-current/current financial assets (i.e., Loans and advances, trade deposits & short term prepayments, other receivables, due from related party etc.) classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest, if any. These are classified and measured as Debt instruments at amortized cost on initial application of IFRS 9.

The company has not designated any financial liabilities at fair value through profit or loss. There are no changes in classification and measurement for the Company’s financial liabilities.

In summary, upon the adoption of IFRS 9, the Company had the following required or elected reclassifications as at 1 July 2018.

IAS 39 measurement category	Rupees in '000	IFRS 9 measurement category		
		Fair value through profit or loss	Amortized cost	Fair value through OCI
		Rupees in '000		
Loans and receivables				
Trade debts*	1,340,024	-	1,349,898	-
Loans and advances	38,489	-	38,489	-
Trade deposits & short term prepayments	17,756	-	17,756	-
Other receivables	25,908	-	25,908	-
Due from related parties	25,878	-	25,878	-
Cash & bank balances	2,123,337	-	2,123,337	-
			3,581,266	

Notes to the Accounts

For the year ended June 30, 2019

*The change in carrying amount is a result of change in impairment allowance. See the discussion on impairment below.

b) Impairment

The adoption of IFRS 9 has fundamentally changed Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the company to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss including contract assets.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Impairment losses related to trade and other receivables, are presented separately in the statement of profit or loss. Trade and other receivables are written off when there is no reasonable expectation of recovery. The Company applied a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Upon adoption of IFRS 9, the Company recognized additional impairment on the company's trade receivables and contract assets by Rs. 75.8 million which resulted in a decrease in retained earnings as at 1 July 2018.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

	Allowance for impairment under IAS 39 as at 30 June 2018	Remeasurement	ECL under IFRS 9 as at 1 July 2018
	Rupees in '000		
Loans and receivables under IAS 39/Financial assets at amortized cost under IFRS 9 and contract assets	70,528	75,812	146,340

The accounting policies that apply to financial instruments are stated in note 4.13 to the financial statements.

4.2 Property, plant and equipment

(i) Owned assets

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

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

Depreciation on additions to property, plant 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 statement of profit or loss as and when incurred. Major repairs and improvements are capitalized.

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

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

(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 interest 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, plant and equipment during construction and installation. Cost also includes applicable borrowing costs under IAS 23. These expenditures are transferred to relevant assets' category as and when assets are available for use.

4.3 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 statement of financial position date. Rates of amortization are stated in note 6.

(b) Intangible assets acquired from market

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

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

Amortization is charged by applying 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 statement of financial position date. Amortization on additions to acquired intangible assets is charged for the month in which an asset is acquired while no amortization is charged for the month in which the asset is disposed off. Rates of amortization are stated in note 6.

Notes to the Accounts

For the year ended June 30, 2019

4.4 Impairment of non financial asset

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

4.5 Foreign currency translation

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

4.6 Staff benefits

(i) Retirement benefits

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

(ii) Short-term benefits

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

(iii) Employees' share option scheme

The company operates an equity settled share based Employee' Share Option Scheme ("Scheme"). 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 statement of profit or loss, employee compensation expense in statement of profit or loss will be reversed equal to the amortized portion with a corresponding effect to deferred employee compensation reserve in the statement of financial position. 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 statement of financial position. 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.

4.7 Taxation

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

4.8 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 statement of financial position date.

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

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

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

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

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

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

Core Revenue:

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

Non-Core Revenue:

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

Performance Obligations

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

Notes to the Accounts

For the year ended June 30, 2019

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

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

Information about company's performance obligations are summarized below:

a) Software Licenses:

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

b) Maintenance:

Performance obligation is satisfied and maintenance revenue is recognized ratably over the term of the maintenance period, which in most instances is one year. Software license updates provide customers with rights to unspecified software product updates, maintenance releases and patches released during the term of the support period on a when-and-if available basis. The Company's customers purchase both product support and license updates when they acquire new software licenses. In addition, a majority of customers renew their support services contracts annually and typical payment terms provide that customers make payment within 30-120 days of invoice.

c) Professional Services:

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

d) BPO Services:

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

Miscellaneous

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

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

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

Miscellaneous income is recognized on receipt basis.

Significant Judgments

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

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

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

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

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

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

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

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

Practical Expedients and Exemptions

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

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

Notes to the Accounts

For the year ended June 30, 2019

e) Modified Retrospective Transition Adjustments

For contract modifications, the Company reflected the aggregate effect of all modifications that occurred prior to the adoption date when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to satisfied and unsatisfied performance obligations for the modified contract at transition.

Costs to Obtain a Contract

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

Contract balances

Contract Assets

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

Trade receivables

A receivable represents the company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section 4.23 (i) Financial instruments – initial recognition and measurement.

Contract liabilities

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

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 statement of profit or loss currently. Qualifying assets are assets that necessarily take substantial period of time to get ready for their intended use.

4.12 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

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

(i) Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

Derecognition

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

Impairment

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

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

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

(ii) Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

Loans and borrowings

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

Notes to the Accounts

For the year ended June 30, 2019

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

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

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

Derecognition

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

4.14 Investments

a) Investment in subsidiary

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

b) Investment in associates

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

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

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

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

The aggregate of the company's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit.

The financial statements of the associate are not prepared for the same reporting period as the company. When necessary, adjustments are made to bring the accounting policies in line with those of the company.

After application of the equity method, the company determines whether it is necessary to recognize an impairment loss on its investment in its associate. The company determines annually whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss within 'Share of profit of an associate' in the statement of profit or loss.

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

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.

4.19 Earnings Per Share

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

		2019	2018
		Rupees in '000'	
5. PROPERTY PLANT & EQUIPMENT			
Net book value of owned assets	5.1	1,506,400	1,635,901
Net book value of leased assets	5.4	149,911	92,991
Advances against capital expenditure	5.6	22,854	30,997
		1,679,165	1,759,889

Notes to the Accounts

For the year ended June 30, 2019

5.1 Following is the statement of owned assets

Particulars	2019								
	COST			DEPRECIATION					Net book value as at Jun 30, 2019
	As at Jul 01, 2018	Additions / (Deletions)	As at Jun 30, 2019	Rate %	As at Jul 01, 2018	Adjustment during the year	Charge for the year	As at Jun 30, 2019	
Rupees In '000'									
Tangible Assets									
Land - freehold	254,229	-	254,229	-	-	-	-	-	254,229
Building on freehold land	952,561	-	952,561	5	235,299	-	35,863	271,162	681,399
Furniture & fixture	65,393	4,598 (1,563)	68,428	10	22,512	- (755)	4,486	26,243	42,185
Vehicles	92,264	177,741 (165,142)	104,863	20	58,612	16,321 (24,302)	10,401	61,033	43,830
Office equipment	58,328	4,065 (87)	62,306	10	21,137	- (46)	3,945	25,036	37,270
Computers	1,469,408	31,817 (4,574)	1,496,651	20 ~ 33	1,132,424	- (3,624)	93,387	1,222,187	274,464
Air conditioners	58,370	5,659 (42)	63,987	10	18,648	- (29)	4,198	22,817	41,170
Electric fittings	49,371	-	49,371	10	14,232	-	3,514	17,746	31,625
Generator	52,812	-	52,812	10	21,490	-	3,132	24,622	28,190
		-							
Intangible Assets									
Computer software	886,276	-	886,276	33	778,757	-	35,481	814,238	72,038
	3,939,012	223,881 (171,409)	3,991,484		2,303,111	16,321 (28,755)	194,407	2,485,084	1,506,400

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

Particulars	2018								
	COST			DEPRECIATION					Net book value as at Jun 30, 2018
	As at Jul 01, 2017	Additions / (Deletions)	As at Jun 30, 2018	Rate %	As at Jul 01, 2017	Adjustment during the year	Charge for the year	As at Jun 30, 2018	
Rupees In '000'									
Tangible Assets									
Land - freehold	254,229	-	254,229	-	-	-	-	-	254,229
Building on freehold land	952,561	-	952,561	5	197,548	-	37,751	235,299	717,262
Furniture & fixture	67,664	775 (3,046)	65,393	10	19,652	- (1,913)	4,773	22,512	42,881
Vehicles	84,510	86,773 (79,019)	92,264	20	54,108	23,110 (27,029)	8,423	58,612	33,652
Office equipment	55,153	5,620 (2,445)	58,328	10	18,942	- (1,619)	3,814	21,137	37,191
Computers	1,452,419	41,485 (24,496)	1,469,408	20 ~ 33	1,035,475	6,302 (22,765)	113,412	1,132,424	336,984
Air conditioners	58,042	3,712 (3,384)	58,370	10	16,704	- (2,322)	4,266	18,648	39,722
Electric fittings	49,371	-	49,371	10	10,327	-	3,905	14,232	35,139
Generator	40,579	17,045 (4,812)	52,812	10	16,507	4,986 (3,389)	3,386	21,490	31,322
Intangible Assets									
Computer software	885,199	1,077	886,276	33	725,991	-	52,766	778,757	107,519
	3,899,727	156,487 (117,202)	3,939,012		2,095,254	34,398 (59,037)	232,496	2,303,111	1,635,901

	2019	2018
	Rupees in '000'	
5.2 Depreciation is allocated in the following manner		
Cost of revenue	28	145,774
Administrative expenses	30	48,632
		194,407
		232,496

Notes to the Accounts

For the year ended June 30, 2019

5.3 Particulars of fixed assets exceeding book value of Rs. 5 million in aggregate and 0.5 million individually are as follows:

2019						
Particulars	Cost	Net Book Value	Sales Proceeds	Gain/ (Loss)	Mode of Disposal	Particulars of Purchaser
	Rupees In '000'					
Vehicle	3,471	1,080	2,870	1,790	Open market	Naeem Ur Rehman
Vehicle	2,070	1,263	1,850	587	Insurance claim	Askari General Insurance
Vehicle	1,760	551	1,192	641	Company Policy	Saqib Sardar (Employee)
Vehicle	1,848	579	1,314	735	Company Policy	Tanzeer Mirza (Employee)
Vehicle	2,269	1,084	1,350	266	Company Policy	Abdul Wahab (Employee)
Vehicle	16,660	8,316	14,025	5,709	Open market	Mujtaba Hassan
Vehicle	8,505	3,856	5,100	1,244	Company Policy	Asad Ghauri (Employee)
Vehicle	51,418	50,561	49,285	(1,276)	Sale & Lease back	Askari bank limited
Vehicle	29,041	28,073	29,000	927	Open market	Asad Bukhari

2018						
Particulars	Cost	Net Book Value	Sales Proceeds	Gain/ (Loss)	Mode of Disposal	Particulars of Purchaser
	Rupees In '000'					
Vehicle	2,518	984	1,440	456	Company Policy	Wajih Ur Rehman (employee)
Vehicle	23,800	23,800	22,500	(1,300)	Sale & Lease back	First Habib Modarba
Vehicle	25,316	9,880	17,800	7,920	Sale & Lease back	Askari Bank Limited
Vehicle	2,438	775	1,350	575	Company Policy	Ahsan Mustafa (employee)
Vehicle	8,250	8,113	8,250	138	Sale & Lease back	Askari Bank Limited
Vehicle	1,896	927	1,408	481	Company Policy	Khurram Iqbal (employee)
Vehicle	1,776	706	1,015	309	Company Policy	Majid Bashir (employee)

5.4 Following is statement of leased assets

Particulars	2019								
	COST			Rate %	DEPRECIATION			As at Jun 30, 2019	Net book value as at Jun 30, 2019
	As at Jul 01, 2018	Additions / (Deletions)	As at Jun 30, 2019		As at Jul 01, 2018	Adjustment during the year	Charge for the year		
Rupees In '000'									
Vehicles	120,031	96,550	184,082	20	27,040		27,678	38,397	145,685
		(32,499)				(16,321)			
Computers	-	6,308	6,308	20-33	-		2,082	2,082	4,226
	120,031	102,858	190,390		27,040	-	29,760	40,479	149,911
		(32,499)				(16,321)			

Particulars	2018								
	COST			DEPRECIATION					Net book value as at Jun 30, 2018
	As at Jul 01, 2017	Additions / (Deletions)	As at Jun 30, 2018	Rate %	As at Jul 01, 2017	Adjustment during the year	Charge for the year	As at Jun 30, 2018	
Rupees In '000'									
Vehicles	106,003	61,823 (47,795)	120,031	20	34,154	- (23,110)	15,996	27,040	92,991
Computers	8,908	- (8,908)	-	20-33	6,229	- (6,302)	73	-	-
Generator	17,045	- (17,045)	-	10	4,816	- (4,974)	158	-	-
	131,956	61,823 (73,748)	120,031		45,199	- (34,386)	16,226	27,040	92,991

	2019	2018
	Rupees in '000'	
5.5 Amortization is allocated in the following manner		
Cost of revenue	28	12,170
Administrative expenses	30	4,056
	29,760	16,226

5.6 Advance against capital expenditure represent advances paid for purchase of fixed assets but delivery of assets are not made to the company till June 30, 2019.

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

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

6. INTANGIBLE ASSETS

Particulars	2019							
	COST			AMORTIZATION				Net book value as at Jun 30, 2019
	As at Jul 01, 2018	Additions / (Deletions)	As at Jun 30, 2019	Rate %	As at Jul 01, 2018	Charge for the year	As at Jun 30, 2019	
Rupees In '000'								
In-house Developed Software								
NFS - Ascent	2,935,038	-	2,935,038	10	1,427,133	293,505	1,720,637	1,214,401
	2,935,038	-	2,935,038		1,427,133	293,505	1,720,637	1,214,401

Notes to the Accounts

For the year ended June 30, 2019

Particulars	2018							
	COST			AMORTIZATION				Net book value as at Jun 30, 2018
	As at Jul 01, 2017	Additions / (Deletions)	As at Jun 30, 2018	Rate %	As at Jul 01, 2017	Charge for the year	As at Jun 30, 2018	
Rupees In '000'								
In-house Developed Software								
NFS Ascent	2,935,038	-	2,935,038	10	1,133,629	293,504	1,427,133	1,507,905
	2,935,038	-	2,935,038		1,133,629	293,504	1,427,133	1,507,905
							2019	2018
							Rupees in '000'	
6.1 Amortization is allocated in the following manner								
Cost of revenue						28	293,504	293,504
6.2 Remaining amortization period for NFS - Ascent is 4 years 2 months.								
6.3 NetSol Financial Suite has been fully amortized but the company is still generating revenues from its sale.								
7. LONG TERM INVESTMENTS								
Investment in subsidiary - at cost								
NetSol Innovation (Pvt) Limited (Unquoted subsidiary company)						7.1	15,188	15,188
Investment in associate								
WRLD3D Inc (Unquoted company)						7.2	293,379	293,379
							308,567	308,567

7.1 The subsidiary is incorporated in Pakistan. The principal place of business of subsidiary is situated at NetSol IT Village, (Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt. Pakistan The Company holds 1,518,785 (2018 : 1,518,785) fully paid ordinary shares of Rs. 10/- each i.e. 50.52% of Equity held (2018 : 50.52%).

7.1.1 On June 21, 2018, the company publicly announced the decision of its Board of Directors made in a board meeting held on June 20, 2018 to discontinue the operations of its subsidiary NetSol Innovation (Pvt) Limited. Subsidiary's outsourcing business partner in UK, Innovation Group had witnessed change in its management in last couple of years and the new management was not much interested in the insurance business and had decided to consolidate and reduce these operations across the globe. As a result of this decision, the subsidiary's outsourcing business was negatively impacted as they were the sole customers of the services provided by the joint venture. Moreover, they had expressed their willingness to close the operations of NetSol Innovation (Pvt) Limited and as per mutual agreement last date of business operations of NetSol Innovation (Pvt) Limited was agreed to be July 31, 2018.

7.2 Investment in associate-Foreign company

During the fiscal year 2016, the Company entered into an agreement with WRLD3D Inc a USA based gaming and 3D mapping Company (a Delaware Corporation) to purchase 4,092,189 preference BB shares for \$2,777,778 which was to be earned over the period partly by providing IT and enterprise software solutions and partly in cash. Per agreement, the Company had to provide a minimum of \$200,000 of services in each three-month period and the entire balance was required to be provided within three years of the date of the agreement and the company has successfully complied with the terms and conditions of the agreement. As of June 30, 2019, the Company had provided services valued at \$2,777,778 (PKR 293,378,850) which is recorded as investment and 4,092,189 shares are issued to the company.

WRLD3D Inc is incorporated in USA whose beneficial owner's name and address is DCD Holdings Limited Carlton Services Ltd Second Floor, The Quadrant, Manglier Street, PO Box 1312, Victoria, Mahe, Seychelles. As on June 30, 2019 there is no litigation/Default/Breach exists related to WRLD3D. Amount of return received and Gain/loss on disposal of investment Rs. Nil (2018: Nil). Principal place of business of WRLD3D is 800 W. El Camino Real, Suite 320, Mountain View, California 94040, USA. Company holds 12.2% ownership interest in WRLD3D. The company uses equity method to account for investment in associate.

		2019	2018
		Rupees in '000'	
8. LONG TERM LOANS TO EMPLOYEES			
Loan to employees		5,237	3,975
Less: current maturity		(4,767)	(3,619)
		470	356

8.1. Long term loans have been carried at cost as the effect of carrying these balances at amortised cost would not be material in the overall context of these financial statements

		2019	2018
9. TRADE DEBTS			
Considered good - unsecured	9.2	2,531,603	1,340,024
Considered doubtful - unsecured	9.3	116,629	70,528
		2,648,232	1,410,552
Less: Provision against doubtful recovery		(116,629)	(70,528)
		2,531,603	1,340,024
9.1 Amount receivable from related parties included in trade debts are as under:			
NetSol Technologies (Thailand) Limited		179,957	167,661
NetSol Technologies (Beijing) Company Limited		604,477	74,807
NetSol Australia Pty. Limited		14,156	7,571
Netsol Technologies America		139,767	49,071
NetSol Technologies Europe		-	496
WRLD3D Inc.		166,417	57,605
		1,104,774	357,211

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

9.3 This is a provision for doubtful debts created by the Company for any future doubtful trade debts.

9.4 Movement in provision against future doubtful trade debts is given below:

Balance as at July 1		70,528	35,225
Adjustment in opening balance on initial application of IFRS 9		(9,874)	-
Provision made during the year		78,185	35,303
Write offs during the year*		(22,210)	-
Balance as at June 30		116,629	70,528

* This is against export receivable balance from the customer Minsheng Finance Leasing Company.

9.5 Aging of trade debts at June 30 is as follows:

	2019		2018	
	Rupees in '000'		Rupees in '000'	
	Gross	Impaired	Gross	Impaired
Not past due	1,122,331	-	496	-
Past due 1-180 days	917,084	-	1,049,579	-
Past due 181 days -1 year	440,051	-	203,327	-
More than one year	168,766	-	157,150	-
Total	2,648,232	-	1,410,552	-

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

	2019		2018	
	Gross	Impaired	Gross	Impaired
Not past due	110,175	-	496	-
Past due 1-180 days	436,593	-	188,760	-
Past due 181 days -1 year	426,612	-	64,215	-
More than one year	131,394	-	103,740	-
Total	1,104,774	-	357,211	-

Notes to the Accounts

For the year ended June 30, 2019

9.7 Maximum aggregate amount outstanding due from trade debts due from related party at the end of any month during the year was Rs. 1,104.8 million (2018 : Rs. 357.2 million).

10. Contract Assets

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

		2019	2018
Rupees in '000'			
Considered good - unsecured		1,167,646	1,428,321
Considered doubtful - unsecured	10.1	31,745	-
		1,199,391	1,428,321
Less: Provision against doubtful recovery	10.1	(31,745)	-
		1,167,646	1,428,321

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

Balance as at July 1	-	-
Adjustment in opening balance on initial application of IFRS 9	85,686	-
Provision reversed during the year	(53,941)	-
Balance as at June 30	31,745	-

10.2 There is a net decrease of Rs. 260.6 million in contract assets as compared to last fiscal year. Explanation of significant changes are as follows:

The Company applied the modified retrospective method upon adoption of IFRS 15 on July 1, 2018. Due to this adoption cumulative effect recorded at July 1, 2018 was a decrease of PKR 759.3 million to Contract assets.

Due to delivery of new licenses as well as their implementation, contract assets increased with amount of PKR 249.3 million. During the current fiscal year due to devaluation of local currency forex rates increased quite significantly. Resultantly there is a cumulative increase of PKR 281 million in contract assets.

11. LOANS AND ADVANCES

Current maturity of loans to employees	8	4,767	3,619
Advances			
- to employees		33	153
- against expenses	11.1	47,461	34,717
		52,261	38,489

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

12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits		4,499	4,222
Prepayments		16,449	13,534
		20,948	17,756

13. OTHER RECEIVABLES

Guarantee margin		1,093	873
Sales tax Refundable		-	222
Other receivable - considered good	13.1	6,126	24,813
		7,219	25,908

13.1 Other receivable include travel expenses amounting to Rs. Nil (2018: Rs. 22.4 million) to be invoiced to the customers.

	2019	2018
	Rupees in '000'	
14. DUE FROM RELATED PARTIES		
Considered good - unsecured		
Associates		
NetSol Connect (Pvt) Ltd.	23,117	19,215
NetSol Technologies (Thailand) Limited	-	6,663
	23,117	25,878

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

14.2 Maximum aggregate amount due from related party at the end of any month during the year was Rs. 137.181 million (2018 : Rs. 224.18 million).

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

	2019		2018	
	Rupees in '000'		Rupees in '000'	
	Gross	Impaired	Gross	Impaired
Not past due	730	-	2,110	-
Past due 1-180 days	18,855	-	22,676	-
Past due 181 days -1 year	3,532	-	1,090	-
Total	23,117	-	25,878	-

15. TAXATION - NET

Tax receivable as at 1 July	53,879	49,523
Tax payments	18,590	15,082
Tax adjustments	1,907	(969)
Provision for taxation	(21,660)	(9,757)
	52,716	53,879

16. CASH AND BANK BALANCES

With banks				
Saving accounts-Local currency	16.1	1,570,222	1,051,732	
Saving accounts-Foreign currency	16.1	196,203	218,071	
Current accounts-Local currency		978	667,889	
Current accounts-Foreign currency		172,320	183,039	
		1,939,723	2,120,731	
In hand		12,023	2,606	
		1,951,746	2,123,337	

16.1 The balances in savings accounts bear mark up at 4.5% to 12% per annum. (2018 : 3.5% to 4.5% per annum)

17. SHARE CAPITAL

17.1 Authorised share capital

2019	2018		2019	2018
Number of shares			Rupees in '000'	
150,000,000	150,000,000	Ordinary Shares of Rs. 10 each.	1,500,000	1,500,000

17.2 Issued, subscribed & paid-up capital

2019	2018		2019	2018
Number of shares			Rupees in '000'	
42,572,191	42,552,191	Ordinary Shares of Rs. 10 each fully paid in cash	425,722	425,522
47,150,732	47,150,732	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	471,507	471,507
89,722,923	89,702,923		897,229	897,029

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

Number of shares outstanding as at July 1	89,702,923	89,635,923
Ordinary Shares of Rs. 10 issued against options exercised	20,000	67,000
Number of shares outstanding as at June 30	89,722,923	89,702,923

Notes to the Accounts

For the year ended June 30, 2019

- 17.4** Owners of ordinary shares are entitled to distributions approved by the Company, and the shareholding entitles the owners to vote at the general meetings, with one vote per share. All shares have the same right to Company's remaining net assets.
- 17.5** There are outstanding options to subscribe for ordinary shares of the Company granted under the employee share option plan as disclosed in Note 18.1.1
- 17.6** NetSol Technologies Inc. 23975, Park Sorrento, Suite 250, Calabasas CA 91302, is the parent company holding 66.20% (2018 : 66.21%) of issued capital of the Company.
- 17.7** The Company is not subject to any externally imposed capital requirements for the financial years 2018 and 2019.
- 17.8** During the year 20,000 shares were issued against options exercised. Weighted average share price at the date of exercise of options was Rs. 126.10 per share.

18. RESERVES	2019	2018
	Rupees in '000'	
Capital reserve		
Premium on issue of ordinary shares	303,266	303,108
Employee share option compensation reserve 18.1	166,367	131,202
Revenue reserve		
Un - appropriated profit	5,512,585	5,354,598
	5,982,218	5,788,908
18.1 EMPLOYEE SHARE OPTION COMPENSATION RESERVE		
Balance as at the beginning of the year	131,202	74,890
Amount transferred to Capital reserve on exercise of options	(30)	(99)
Contribution of parent on account of employee share options	35,195	56,411
Balance at the end of the year	166,367	131,202

18.1.1 Employee Stock Option Scheme

The board and the compensation committee had granted 4.35 million stock options to its core employees on August 01, 2009 at a grant price of Rs. 16.42 per option. The stock option scheme was duly approved by the SECP. The granted options do not carry 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% became exercisable after completion of 24 months from the grant date and 20% became exercisable after completion of 36 months from the grant date. The balance of 10% became exercisable after completion of 84 months from the grant date. The options will lapse after 10 years of grant date i.e., on July 31, 2019, if not exercised.

The Company used Black Scholes pricing model to determine the fair value of options at the grant date. Following were the underlying assumptions while calculating fair value of the options granted:

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%

	2019	2018
	Number of Options	
Options outstanding at the beginning of the year	147,500	214,500
Options exercised during the year	(20,000)	(67,000)
Options outstanding at the end of the year	127,500	147,500

	2019	2018
	Rupees in '000'	
19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	99,079	56,614
Less: Current portion of obligations shown under current liabilities	(43,675)	(25,499)
	55,404	31,115

Present value of minimum lease payments have been discounted at an implicit interest rate ranging between 7.81 % to 12.45% (2018 : 7.79 % to 11%) 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:

	2019		
	Minimum Lease Payment	Future Finance Charges	Present Value of Lease Liability
Not later than one year	53,543	9,867	43,675
Later than one year but not later than five years	60,507	5,103	55,404
	114,050	14,970	99,079
	2018		
	Minimum Lease Payment	Future Finance Charges	Present Value of Lease Liability
Not later than one year	29,002	3,504	25,498
Later than one year but not later than five years	33,395	2,280	31,115
	62,397	5,784	56,614

	2019	2018
	Rupees in '000'	
20. DEFERRED INCOME		
Opening balance	7,826	-
Addition during the year	-	8,058
	7,826	8,058
Amortized during the year	(2,686)	(232)
	5,140	7,826

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	8,415	2,310
Less: Current portion	(3,272)	(1,625)
	5,143	685

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 to them.

Notes to the Accounts

For the year ended June 30, 2019

		2019	2018
		Rupees in '000'	
22	TRADE AND OTHER PAYABLES		
	Creditors	41,680	27,908
	Accrued liabilities	368,899	330,167
	Interest accrued - secured	6,782	7,646
	Due to related parties	26,855	99,359
	Withholding tax	13,275	16,883
	Sales Tax Payable	1,215	-
	Provident fund payable	25,610	21,013
	Other payables	7,438	441
		491,754	503,417

22.1 Creditors include PKR 0.3M payable to a related party Nadoz greenz.

22.2	DUE TO RELATED PARTIES		
	Parent		
	NetSol Technologies Inc.	19,779	92,962
	Associated		
	NetSol Technologies Europe Limited	7,076	6,397
		26,855	99,359

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

23. CONTRACT LIABILITIES

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

There is an increase of Rs. 97.5 million in contract liabilities as compared to last fiscal year. Explanation of significant changes are as follows:

The Company applied the modified retrospective method upon adoption of IFRS 15 on July 1, 2018. Due to this adoption cumulative effect recorded in contract liabilities at July 1, 2018 was increase by PKR 26 million. During the current fiscal year due to devaluation of local currency forex rates increased quite significantly. Resultantly there is a cumulative increase of PKR 71.5 million in contract liabilities.

24. SHORT TERM BORROWINGS

	Export refinance - ERF - II secured	24.1	880,000	850,000
	RF - secured	24.1	173,000	-
	LAPC - secured	24.1	-	150,000
			1,053,000	1,000,000
24.1	EXPORT REFINANCE/LAPC/RF - SECURED			
	Askari Bank Limited - ERF - II	24.1.1	500,000	500,000
	Askari Bank RF	24.1.1	53,000	-
	Samba Bank Limited - ERF - II	24.1.2	380,000	350,000
	Samba Bank Limited - RF	24.1.2	120,000	-
	Samba Bank Limited - LAPC	24.1.2	-	150,000
			1,053,000	1,000,000

24.1.1 The facility for export refinance (ERF) is available from Askari Bank Limited amounting upto Rs 500 million (2018 : Rs 500 million), availed Rs. 500 million (2018 : 500 million) It carries mark-up of State Bank Refinance Rate+1% per annum (2018 : State Bank Refinance Rate+1% per annum). The interest rate charged for fiscal year 2019 was 3% (2018 : 3%). The due balance is payable bi-annually.

A sublimit of export refinance amounting to \$ 3 million under FE 25 is available from Askari Bank Limited (2018 : \$ 3 million)

The company has a running finance facility from Askari Bank Limited upto Rs. 75 million (2018 : 75 million) for working capital requirement. It carries markup at the rate of 3 month Kibor + 2%. (2018 : 3 month Kibor + 2%). As at June 30, 2019, 53 million was outstanding against this facility. (2018: Nil).

A facility for issuance of guarantees (LG) is a sublimit of Running Finance (RF) from Askari Bank Limited. LG facility Limit is available upto Rs. 40 million (2018 : Rs. 100 million), availed Rs. 11.488 million. (2018 : Rs. 9.289 million)

A sublimit of RF is available from Askari Bank Limited for corporate credit cards upto Rs. 10 million (2018 : Rs. 6 million)

Unused running finance facility including its sublimit as at June 30, 2019 is Rs. 0.512 million (2018: 85 million)

The facilities from Askari Bank Limited are secured by way of 1st ranking Pari Passu charge over the Company's all present and future current assets amounting to Rs. 767 million (2018: Rs. 767 million) and 1st ranking Pari Passu charge of Rs. 767 million over fixed assets of the company (2018: Rs. 767 million).

The facilities from Askari bank are also secured by way of 1st equitable mortgage over 9 Kanal, 2 Kanal and 16 Marla properties, all located at Ghazi road, Lahore Cantt.

These facilities from Askari bank are also secured by way of Personal Guarantees (PG's) of Salim Ullah Ghauri, Omar Shahab Ghauri and Najeeb Ullah Ghauri.

- 24.1.2** The facility for ERF/LAPC/RF is available from SAMBA bank Limited amounting upto total Rs. 650 million (2018 : 650 million), availed ERF Rs. 380 million (2018 : 350 million), LAPC Rs. Nil (2018 : 150 million) and RF Rs. 120 million (2018: Rs. Nil). ERF carries mark-up at State Bank Refinance Rate+1% per annum (2018: State Bank Refinance Rate+1%). Interest rate charged for the fiscal year 2019 for ERF was 3% (2018 : 3%), LAPC/RF carries markup at the rate of 1 month Kibor+1.5% (2018 : 3 month Kibor+1.5%). The due balance of ERF/LAPC is payable bi-annually.

The unused ERF/LAPC/RF facility as at June 30, 2019 is Rs. 150M (2018: Rs. 150M)

The facilities from SAMBA bank limited are secured by way of 1st Pari Passu charge over Company's all present and future current assets amounting to Rs. 667 million (2018: 667 million) and 1st Pari Passu charge of Rs. 667 million over fixed assets of the company (2018: 667 million).

The facilities from SAMBA bank are secured by way of 2nd ranking equitable mortgage over 9 Kanal, 2 Kanal and 16 Marla properties, all located at Ghazi road, Lahore Cantt.

The facilities from SAMBA bank are also secured by way of Personal Guarantees (PG's) of Salim Ullah Ghauri, Omar Shahab Ghauri and Najeeb Ullah Ghauri.

- 24.1.3** The short term borrowings from Askari Bank Limited and Samba Bank Limited contain certain loan covenants. Any future breach of covenants may require the Company to repay the loan earlier than agreed. The Company monitors the compliance with covenants on regular basis. As on June 30, 2019, the company is fully compliant with all loan covenants.

		2019	2018
		Rupees in '000'	
25. CURRENT PORTION OF LONG TERM LIABILITIES			
Current portion of lease liability	19	43,675	25,499
Current portion of long term advances	20	3,272	1,625
		46,947	27,124

26. CONTINGENCIES & COMMITMENTS

26.1 Contingencies

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

- 26.1.2** While disposing off a show cause notice issued by FBR under section 161 of the Income Tax Ordinance, 2001 for the tax year 2015, the assessing authority, in its judgement dated 26th July 2016 contended and considered the commission paid to a non-resident as fee for technical services and imposed a tax of Rs. 1,516,535 u/s 152 of the Income Tax Ordinance, 2001. The company filed an appeal u/s 127 of the said Ordinance before the Commissioner Inland Revenue (Appeals), Lahore dated 24th August 2016 on the grounds that amount paid to non resident is in respect of commission and cannot be considered fee for technical services, hence exempt from tax. The decision is currently pending with the competent authority. The company is confident that final outcome will be in its favor and accordingly no provision has been made in these financial statements in this respect.

Notes to the Accounts

For the year ended June 30, 2019

26.2 Commitments

- 26.2.1** The Company has issued worth Rs. 11.488 million (2018: 9.289 million) bank guarantees to LESCO and Standard Chartered Bank against its corporate credit cards.
- 26.2.2** The Company has capital commitments of Rs. 16.8 million under capital purchase agreements as at June 30, 2019. (2018: 41.75)

		2019	2018
		Rupees in '000'	
27. REVENUE FROM CONTRACTS WITH CUSTOMERS			
DISAGGREGATION OF REVENUE:			
Export Revenue			
License		1,572,775	650,820
Services		2,202,638	2,876,907
Maintenance		1,045,894	747,075
Reimbursable expenses		548,612	-
		5,369,919	4,274,802
Local Revenue			
Services		325	-
Maintenance		12,757	11,598
		13,082	11,598
Sales tax		(1,804)	(1,600)
		5,381,196	4,284,800
27.1	Amount of revenue recognized from beginning balance of contract liabilities:		
	opening balance	371,243	-
	Add: impact of IFRS 15	26,005	-
	Restated Opening balance	397,248	-
	Revenue recognized	380,357	-
27.2	The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June are, as follows:		
	Within one year	1,213,941	-
	More than one year	7,571,310	-
	Total	8,785,251	-
28. COST OF REVENUE			
Salaries & benefits	28.1	1,826,789	1,582,667
Consultancy charges		-	17,764
Software licenses		21,445	-
Staff training		6,724	1,553
Rent, rates & taxes		-	2,405
Travelling & conveyance		709,325	66,047
Communication		38,729	31,309
Utilities		22,102	23,070
Printing & stationery		1,411	1,744
Entertainment		50,075	49,366
Insurance		793	2,218
Vehicle running & maintenance		54,037	34,010
Repair & maintenance		82,628	49,742
Fee & subscription		14,794	3,887
Depreciation	5.2	145,774	174,706
Amortization of leased assets	5.5	22,320	12,170
Amortization of intangible assets	6.1	293,504	293,504
		3,290,450	2,346,162

28.1 Salaries and benefits include Rs. 82.72 million (2018 : Rs. 61.359 million) in respect of retirement benefits.

		2019	2018
		Rupees in '000'	
29. SELLING AND PROMOTION EXPENSES			
Salaries & benefits	29.1	280,513	215,373
Staff training		538	25
Rent, rates & taxes		11,509	11,827
Travelling and conveyance		64,285	57,556
Communication		3,050	2,089
Utilities		1,633	1,085
Printing & stationery		1,796	611
Entertainment		5,318	3,193
Insurance		1,595	843
Vehicle running expenses		11,389	6,956
Repairs and maintenance		13,517	1,716
Commission on sales		255,199	267,769
Advertisement		1,793	913
Sale promotional expenses		17,284	1,854
		669,419	571,810

29.1 Salaries and benefits include Rs. 7.07 million (2018 : Rs. 3.778 million) in respect of retirement benefits.

30. ADMINISTRATIVE EXPENSES			
Salaries and benefits	30.1	435,444	384,387
Staff training		2,095	1,457
Rent, rates and taxes		27,209	24,320
Travelling and conveyance		42,622	24,505
Communication & postage		15,807	11,045
Printing and stationery		1,814	1,371
Utilities		15,452	14,447
Entertainment		30,472	28,607
Insurance		5,369	3,489
Advertisement		1,711	1,440
Vehicle running expenses		21,246	10,346
Repairs and maintenance		27,539	15,921
Legal and professional charges		6,438	5,301
Auditors remuneration	30.2	3,500	3,000
News papers & periodicals		-	72
Office supplies		5,838	4,650
Charity & donation	30.3	22,074	13,968
Fee & subscription		25,893	8,285
Miscellaneous expenses		-	100
Research and development cost		237,589	86,107
Provision for doubtful debts		24,243	35,303
Depreciation	5.2	48,632	57,790
Amortization of leased assets	5.5	7,440	4,056
		1,008,426	739,967

30.1 Salaries and benefits include Rs. 17.38 million (2018 : Rs. 10.885 million) in respect of retirement benefits.

		2019	2018
		Rupees in '000'	
30.2 Auditors remuneration			
Audit fee		2,200	1,700
Certifications of group reporting		650	700
Professional services		350	300
Out-of-pocket expenses		300	300
		3,500	3,000
30.3 Charity & donation			
Detail of names of the donee along with amount of donation in case amount of donation exceeds higher of Rs. 1 million or 10% of total amount of donation is given below:			
Name of Donee			
DIL Foundation		4,095	2,352
Farooq Trust School		2,496	2,694
NUST		3,000	-
BIPP Institute		3,543	-
		13,133	5,046
Interest of the Directors or their spouses in the donations made during the year is as follows:			
Name of Donee and address	Name of interested directors and nature of interest		
Shahid Javed Burki Institute of Public Policy at NetSol (126-B Ahmad Block, New Garden Town, Lahore)	Salim Ghauri - Member Board of Directors	3,543	-
31. OTHER OPERATING EXPENSES			
Loss on disposal of assets		-	4,304
		-	4,304
32. OTHER INCOME			
Income from financial assets			
Profit on bank deposits	32.1	83,653	24,394
Mark up on loan to related party	32.1	22	17
		83,675	24,411
Income from non-financial assets			
Gain on foreign currency translation		846,888	497,081
Gain on disposal of assets		10,077	-
Amortization of deferred revenue	20	2,686	231
Rental income		2,168	15,707
		861,819	513,019
		945,494	537,430
32.1	Income is earned under both conventional mark-up arrangement and Shariah compliant arrangement.		
33. FINANCE COST			
Lease finance charges		8,014	3,154
Mark up on loans		30,412	39,649
Lease documentation charges		22	23
Bank charges		1,331	1,208
		39,779	44,034
34. TAXATION			
Income of the Company from export of computer software and its related services developed in Pakistan is exempt from tax up to June 30, 2025 provided that eighty per cent of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels as per clause 133 of part 1 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 core business activities.			

	2019	2018
	Rupees in '000'	
Reconciliation of income tax expense for the year		
Accounting Profit	1,318,616	1,115,953
Enacted tax rate	29%	30%
Tax on accounting profit at enacted rate	382,399	334,786
Tax effect on income exempt from tax	(357,674)	(323,981)
Tax effect of income taxed at different rates	(3,065)	(1,048)
Prior year tax effect	(1,358)	969
International taxation effect	54,830	39,256
	75,132	49,983

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.

35. EARNINGS PER SHARE

Basic			
Profit after taxation for the year		1,243,484	1,065,970
Average number of ordinary shares in issue during the year	35.1	89,723	89,679
Basic - In Rupees		13.86	11.89
Diluted			
Profit after taxation for the year		1,243,484	1,065,970
Average number of ordinary shares in issue during the year	35.2	89,830	89,812
Diluted - In Rupee		13.84	11.87
35.1 Weighted average number of ordinary shares (basic)			
Issued ordinary shares as at July 1		89,703	89,636
Weighted average of shares issued during the year		20	43
Weighted average number of ordinary shares (basic) as at June 30		89,723	89,679
35.2 Weighted average number of ordinary shares (diluted)			
Weighted average number of ordinary shares (basic)	35.1	89,723	89,679
Effect of exercise of share options		107	133
Weighted average number of ordinary shares (diluted) as at June 30		89,830	89,812

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	Rupees in '000'					
Managerial remuneration	8,000	8,000	7,200	5,600	943,396	631,115
Retirement benefits	640	640	576	448	58,071	36,015
Rent and house maintenance	3,200	3,200	2,880	2,240	356,068	252,446
Utilities	800	800	720	560	89,017	63,112
Medical expenses	1,139	1,022	2,665	976	32,902	24,715
Commission	-	-	-	-	110,137	79,721
Total	13,779	13,662	14,041	9,824	1,589,591	1,087,124
No. of Persons	1	1	1	1	389	311

Notes to the Accounts

For the year ended June 30, 2019

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

During the current year certain executives of the company exercised stock options under employee stock option scheme according to which 20,000 shares (2018: 67,000) were allotted to them.

Nothing is paid to any non-executive director (including independent directors) in form of remuneration or other benefits except a fee approved by the board for attending the board and other committee meetings amounting Rs. 980,000

37. CAPITAL MANAGEMENT

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

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

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

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

		2019	2018
Rupees in '000'			
Total debt			
Less : Cash and cash equivalent	37.1	1,152,079	1,056,614
Net debt		(1,951,746)	(2,123,337)
Total equity	37.2	6,879,460	6,685,950
Gearing ratio (In percentage)		0.0%	0.0%

37.1. Total debt includes liabilities against assets subject to finance lease and short term borrowing.

37.2. Total equity includes share capital and reserves of the Company.

38. TRANSACTION WITH RELATED PARTIES

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

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

		2019	2018
Rupees in '000'			
Relationship with the Company	Nature of transactions		
(i) Subsidiary	Rental income	1,268	14,537
	Provision of services	1,581	5,739
	Mark-up expense	-	512
	Mark-up income	22	17
(ii) Associated undertaking	Rental income	900	900
	Provision of services	1,066,580	282,750
	Purchase of services	29,305	22,089
(iii) Parent	Commission	97,836	96,065
	Dividend	118,793	68,836
	Loan	-	113,713
(iv) Post Employment benefit	Contribution to defined contribution plan	107,181	76,022

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

Company Name	Country of Incorporation	Basis of association	Aggregate %age of Shareholding
NetSol Technologies (Thailand) Limited	Thailand	Sister concern	Nil
NetSol Technologies (Beijing) Co., Limited	China	Sister concern	Nil
NetSol Technologies Australia Pty Limited	Australia	Sister concern	Nil
NetSol Technologies Americas	USA	Sister concern	Nil
NetSol Technologies Europe Limited	UK	Sister concern	Nil
NetSol Technologies Inc	USA	Parent company	66.20%
WRLD3D	USA	Associate	Nil

38.2 Details of associated Company with whom the Company had entered into transaction or had agreements other than already disclosed in note 38.1 above are as follows:

Company Name	Basis of Relationship	Common directorship	Percentage of shareholding
NetSol Innovation (Pvt) Limited	Subsidiary	Yes	Nil
NetSol Connect (Pvt) Limited	Associated company	Yes	Nil
Nadoz Green	Associated undertaking	Yes	Nil

39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial Risk Management

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

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

(a) Credit Risk

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

		2019	2018
		Rupees in '000	
Financial Assets			
Amortized cost			
Trade debts	39.1	2,531,603	1,340,024
Loans and advances		5,270	4,128
Trade deposits & short term prepayments		4,499	4,222
Other receivables		7,219	25,686
Due from related parties		23,117	25,878
Bank balances	39.2	1,939,723	2,120,731
		4,511,431	3,520,669

Notes to the Accounts

For the year ended June 30, 2019

39.1 The Company does not have significant exposure to any individual customer. The Company has made allowances, where necessary, for potential losses on credits extended.

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

	Short term	Long Term	Rating Agency
Askari Bank Limited	A-1+	AA+	PACRA
MCB Bank Limited	A-1+	AAA	PACRA
Standard Chartered Bank Limited	A-1+	AAA	PACRA
Meezan Bank Limited	A-1+	AA+	VIS
Dubai Islamic Bank Pakistan Limited	A-1+	AA	VIS
Samba Bank Limited	A-1	AA	VIS
Summit Bank Limited	A-3	BBB-	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:

	2019				
	Carrying amount	Contractual cash flows	One year or less	Two to five years	More than five years
	Rupees in '000'				
Non-derivative financial liabilities					
Finance lease liability	99,079	114,050	53,543	60,507	-
Trade and other payables	481,447	481,447	481,447	-	-
Short-term borrowings	1,053,000	1,145,144	1,145,144	-	-
	1,633,526	1,740,641	1,680,134	60,507	-
	2018				
	Carrying amount	Contractual cash flows	One year or less	Two to five years	More than five years
	Rupees in '000'				
Non-derivative financial liabilities					
Finance lease liability	56,614	62,398	29,002	33,395	-
Trade and other payables	489,483	489,483	489,483	-	-
Short-term borrowings	1,000,000	1,038,205	1,038,205	-	-
	1,546,097	1,590,086	1,556,690	33,395	-

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

(c) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short term borrowings from bank, term deposits and deposits in profit and loss/saving accounts with banks and investments in mutual funds. At the statement of financial position date profile of the Company's interest-bearing financial instrument is:

	2019	2018
	Rupees in '000'	
Financial assets		
Bank balances	1,766,425	1,269,803
Financial Liabilities		
Finance lease liability	99,079	56,614
Short-term borrowings	1,053,000	1,000,000
	1,152,079	1,056,614

Sensitivity analysis

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

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

As at 30 June

100 bps increase will result in increase in profit by	8,004	7,350
100 bps decrease will result in decrease in profit by	8,004	7,350

(d) Foreign Currency Risk

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

Exposure to currency risk

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

Trade Debts	2,531,603	1,340,024
Cash & bank balances	379,629	402,070
Due from related parties	-	25,878
Due to related parties	(26,855)	(99,359)
Net Exposure	2,884,377	1,668,613

Sensitivity analysis

The following analysis demonstrates the impact of a 5% strengthening/weakening of the Pak Rupee against other currencies which include UK£, US\$, AUS\$, RMB¥, THBB & UAED at 30 June on equity and statement of profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

Impact on statement of Profit or loss account (net of tax)

As at 30 June

Strengthening	993,446	1,510,623
Weakening	(993,446)	(1,510,623)

(e) Fair Value of Financial Assets and Liabilities

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

39.3 Financial Instruments By Category

Financial Assets at amortised cost

Notes to the Accounts

For the year ended June 30, 2019

	2019	2018
	Rupees in '000'	
Trade debts	2,531,603	1,340,024
Loans and advances	5,270	4,128
Trade deposits & short term prepayments	4,499	4,222
Other receivables	7,219	25,686
Due from related parties	23,117	25,878
Cash and Bank balances	1,939,723	2,120,731
	4,511,431	3,520,669
Financial liabilities at amortised cost		
Finance lease liability	99,079	56,614
Trade and other payables	481,447	489,483
Short-term borrowings	1,053,000	1,000,000
	1,633,526	1,546,097

40. PROVIDENT FUND RELATED DISCLOSURE

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

	2019 (Unaudited)	2018 (Audited)
	Rupees in '000'	
Size of the fund - Total Assets	820,865	648,973
Cost of investment made	665,384	553,575
Percentage of investment as size of fund	81.1%	85.3%
Fair value of investments	668,908	556,609

40.1 The breakup of fair value of investments is

	2019		2018	
	Investments Rupees in '000'	Percentage of investment as size of fund	Investments Rupees in '000'	Percentage of investment as size of fund
Bank Balances	665,376	81.1%	243,229	37.5%
Mutual Funds	-	0.0%	150,000	23.1%
Others	8	0.0%	160,346	24.7%
	665,384	81.1%	553,575	85.3%

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

41. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at June 30, 2019 and 2018 respectively as follows:

	2019	2018
	No of Employees	
Average number of employees during the year	1,201	1,165
Number of employees as at year end	1,236	1,134

42. 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.

43. CORRESPONDING FIGURES

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

44. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 20, 2019 by the Board of Directors.

45. NON ADJUSTING EVENT AFTER STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors in their meeting held on September 20, 2019 have recommended a final cash dividend of 28% (2018: 25%) i.e., Rs. 2.8 per share (2018: Rs. 2.5 per share). The above recommendations of cash dividend are subject to the approval of the members at the Annual General Meeting to be held on October 21, 2019. These financial statements do not include the effect of the above recommendations and they will be accounted for in the period in which they are approved by the members.

46. FIGURES

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

The background of the page is a complex, abstract geometric pattern. It consists of numerous thin, light blue lines that intersect to form a variety of irregular polygons and shapes. Scattered throughout this network of lines are small, solid grey dots of varying sizes. The overall effect is that of a digital or network-based structure, possibly representing a data visualization or a modern architectural design. The lines and dots are distributed across the entire page, creating a sense of depth and connectivity.

CONSOLIDATED FINANCIAL
STATEMENTS
For the Year Ended June 30, 2019

DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, we are pleased to present their report together with the audited consolidated financial statements for the year ended June 30, 2019 and the Auditors' Report thereon.

The Directors' Report, which provides a commentary on the performance of NetSol Technologies Limited for the year ended June 30, 2019 and other relevant information, has been presented separately.

The Company also consolidates financial results of its subsidiary "NetSol Innovation (Pvt) Limited". The subsidiary company was incorporated in 2005 in collaboration with UK based partner Innovation Group. The Company is involved in BPO business providing outsourcing support to its customers in UK and USA. The consolidated results of the Company are

FINANCIAL PERFORMANCE

	Continued Operations		Discontinued Operations		Total	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
	Rupees in '000'					
Revenue (in 000)	5,381,196	4,284,800	8,339	361,104	5,389,535	4,645,904
Gross Profit (in 000)	2,090,153	1,936,486	(20,407)	46,014	2,069,746	1,982,500
Net Profit (in 000)	1,240,616	1,045,917	50,036	98,183	1,290,652	1,144,100
Earnings per share – basic (Rs.)	13.83	11.66	0.3	0.67	14.13	12.33
Earnings per share – diluted (Rs.)	13.81	11.65	0.3	0.66	14.11	12.31

Net consolidated revenues for the year ended June 30, 2019 were Rs. 5,390 million compared to Rs. 4,646 million in fiscal 2018. As NetSol Innovation (Pvt) Limited 's operations have been closed w.e.f. 31st July 2018, net consolidated revenues include only one month's revenue i-e July 18 of Rs. 8.3 million. Despite closure of business operations and decrease in revenue of subsidiary, consolidated gross profit for the year was Rs. 2,070 million, up from Rs. 1,983 million in the same period last year. On a consolidated basis, the company posted net consolidated profit of Rs. 1,291 million in the current year of which Rs.23.3 million is attributable to non-controlling interest.

EARNINGS PER SHARE

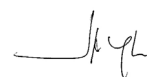
Consolidated basic and diluted earnings per share were Rs. 14.13 and Rs. 14.11 respectively (2018: Rs. 12.33 and Rs. 12.31).

On behalf of the Board



Salim Ullah Ghauri

Chief Executive Officer



Omar Ghauri

Director

Lahore

September 20, 2019

ڈائر یکٹرز کی رپورٹ

ہمیں خوشی ہے کہ از طرف بورڈ آف ڈائریکٹرز اپنی رپورٹ ساتھ آڈٹ شدہ مجموعی مالیاتی گوشوارے جس کا اختتام 30 جون 2019ء کو ہوا مع آڈیٹر رپورٹ پیش کر رہے ہیں۔
ختم شدہ سال 30 جون 2019ء کیلئے نیٹ سول ٹیکنالوجیز لمیٹڈ کی کارکردگی کی وضاحت اور دوسری متعلقہ معلومات پر مشتمل ڈائریکٹرز رپورٹ علیحدہ سے پیش کی جا چکی ہے۔
کمپنی نے اپنے ماتحت ادارہ ”نیٹ سول انویشن پرائیویٹ لمیٹڈ (NetSol Innovation (Pvt.) Ltd.) کے مجموعی مالیاتی گوشوارے بھی شامل کر دیئے ہیں۔ برطانوی پائٹرن انویشن گروپ کے تعاون سے ایک ماتحت ادارہ 2005ء میں قائم کیا گیا تھا۔ کمپنی USA اور UK کے کسٹمز کو BPO کاروبار کے حوالے سے Outsourcing Support فراہم کرتی ہے۔ ماتحت ادارے کی کاروباری سرگرمیاں بند ہونے کی وجہ سے کمپنی کے مجموعی نتائج Continued Operation اور Discontinued Operation کے ساتھ پیش کئے جا رہے ہیں۔

مالیاتی کارکردگی (Financial Performance)

کل میزبان		مجموعی مالیاتی گوشوارے				
2018 جون 30	2019 جون 30	Discontinued Operation 2018 جون 30	Operation 2019 جون 30	Continued 2018 جون 30	Operation 2019 جون 30	
روپے میں "000"						
4,645,904	5,389,535	361,104	8,339	4,284,800	5,381,196	محصولات (000 میں)
1,982,500	2,069,746	46,014	(20,407)	1,936,486	2,090,153	خام منافع (000 میں)
1,144,100	1,290,652	98,183	50,036	1,045,917	1,240,616	نقد منافع (000 میں)
12.33	14.13	0.67	0.3	11.66	13.83	منافع فی حصص (بنیادی روپے)
12.31	14.11	0.66	0.3	11.65	13.81	منافع فی حصص (تخلیل شدہ روپے)

30 جون 2019ء کے اختتامی سال کے لئے نقد مجموعی محصولات مالی سال 2018 کے 4,646 ملین روپے کے مقابلے میں 5,390 ملین روپے تھے۔ جیسا کہ نیٹ سول انویشن پرائیویٹ لمیٹڈ کے بزنس آف آپریشنز مورخہ 30 جولائی 2018ء سے بند ہو گئے ہیں نقد مجموعی محصولات میں صرف ایک مہینہ جولائی کا 8.3 ملین محصول شامل ہیں۔ بزنس آپریشن بند ہونے اور محصولات میں کمی کے باوجود، مجموعی خام منافع گذشتہ سال اس عرصے میں 1,983 ملین روپے سے بڑھ کر رواں سال 2,070 ملین روپے تھا۔ مجموعی بنیاد پر کمپنی نے اس سال 1,291 ملین روپے کا نقد مجموعی منافع کمایا ہے جس میں سے 23.3 ملین روپے non-controlling مفاد سے منسوب ہے۔

منافع فی حصص (Earning Per Share)

مجموعی بنیادی اور تخلیل شدہ (Basic and Diluted) آمدنیاں رواں سال 14.13 روپے اور 14.11 روپے فی حصص بالترتیب رہی۔ (2018ء میں 12.33 روپے اور 12.31 روپے)

از طرف بورڈ آف ڈائریکٹرز:-



عمر فاروق
(ڈائریکٹر)



سلیم اللہ غوری
(چیف ایگزیکٹو آفیسر)

لاہور

مورخہ: 20 ستمبر 2019ء

Independent Auditor's Report

To the members of NetSol Technologies Limited

Opinion

We have audited the annexed consolidated financial statements of **NetSol Technologies Limited** and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at **June 30, 2019**, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Emphasis of matter

We draw attention to note 17 to the financial statements where company has disclosed discontinuance of operations of its subsidiary company. At June 30, 2018, subsidiary company was classified as discontinued operation with effect from July 31, 2018 and its operations remained discontinued during the current year ended June 30, 2019. However, our report is not qualified in this respect.

Key Audit Matters

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

S. No.	Key audit matters	How the matters were addressed in our audit
1.	<p>Contract Revenue and Application of IFRS 15.</p> <p>Refer notes 4.1.1, 4.10 and 28 to the financial statements.</p> <p>The Company transitioned to IFRS 15 for its revenue from contracts with customers, in the financial year ended 30 June, 2019. The approach to revenue recognition as set out under IFRS 15 is complex and can be judgmental especially where contracts with customers have variable consideration.</p> <p>The revenue standard establishes a comprehensive framework for determining whether, how much and when revenue is recognized. This involves certain key judgments relating to identification of distinct performance obligations, determination of transaction price of identified performance obligation, the appropriateness of the basis used to measure revenue recognized over a period.</p> <p>The Company has adopted IFRS 15 using the allowed modified retrospective approach and made adjustment of Rs 785.4 million in opening retained earnings as at July 1, 2018.</p> <p>Risk of inappropriate revenue recognition on inappropriate application of the company revenue recognition</p>	<p>Our audit procedures on adoption of IFRS 15, Revenue from contracts with Customers, which is the new revenue accounting standard, include</p> <ul style="list-style-type: none"> • Understanding how management performed their impact assessment over the transition to IFRS 15, and the key judgments involved. • Evaluated the detailed analysis performed by management on revenue streams by selecting samples for the existing contracts with customers and considered revenue recognition policy in the current period in respect of those revenue streams. • Evaluated the cumulative effect of adjustments made as at 1 July, 2018 for compliance with respect to IFRS-15. • We have walked through and assessed the design effectiveness of key management controls over data input and IT. • Evaluated the changes made to IT systems to reflect the changes required in revenue recognition as per the new accounting standard IFRS-15. • For a sample of customer contracts, determined whether the correct judgment was exercised in recognizing revenue according to the five-step revenue recognition approach set out by IFRS 15. • Reviewing contract terms for any conditions that would impact the timing of revenue recognition and in turn the completeness of contract liabilities.

<p>policy and IFRS 15 (Revenue) for license revenue recognition, could result in, for example, revenue being recorded when performance obligations have not been satisfied, incorrect deferral of revenue for support and maintenance and other obligation.</p> <p>Additionally, the standard mandates robust disclosures in respect of revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date.</p> <p>The application and transition to this accounting standard is complex and is an area of focus in the audit. Due to its material impact on the Company, we deem the adoption of IFRS 15 as a key audit matter.</p> <p>Revenue recognized during the year ended June 30, 2019 includes Rs. 1,066.58 Million (2018: Rs. 282.75 Million) from related parties.</p> <p>Revenue is derived from a number of revenue streams, and key streams include license, rendering of services and maintenance. Each stream has its own revenue recognition policies based on the nature of the revenue and underlying contractual arrangements. Management judgment is required around the degree to which revenue has been earned as at the year-end date.</p> <p>Large contracts are typically bundled, and often include license, rendering of services and maintenance revenues.</p> <p>Inappropriate revenue recognition in relation to cut off, as revenue may not have been recognized in the correct accounting period</p>	<ul style="list-style-type: none"> • For a sample of customer contracts with deferred revenue (contract liability) at the year-end, we assessed management's judgments used in estimating the amounts deferred. • Obtaining an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period. • Assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards. • Selecting a sample of transactions recognized in revenue during the year and recalculating the revenue recognized with underlying contracts. • Checking evidence to support that software license has been delivered to customers prior to revenue recognition. • For the license element of contracts, particularly those in close proximity to the year end, we obtained evidence such as FTP that the software license had been delivered to the customer prior to the end of the financial year. • Agreeing license revenues to signed contracts or software license agreements. • Agreeing the revenue to subsequent payment as evidence of collectability. • Assessing the split of contracts to challenge and gain sufficient comfort around the level of software license revenue being recognized under bundled contracts. • We agreed a sample of revenue transactions and, where relevant, underlying time costs to supporting contracts and other documentation, including user acceptance evidence, statements
--	--



	<p>In light of the multiple revenue streams, complexity of accounting and crucial nature of this number to stakeholders, we have identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>of works and time records.</p> <ul style="list-style-type: none"> • Comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period; • Evaluated the appropriateness of the disclosures provided under the new revenue standard IFRS-15 and assessed the completeness and mathematical accuracy of the relevant disclosures.
<p>2.</p>	<p>Application of IFRS-9 and Valuation of Trade Debts and Contract Assets</p> <p>Refer notes 4.1.2, 4.13, 9 and 10 to the financial statements.</p> <p>IFRS 9 ‘Financial Instruments’ is effective for the Company for the first time during the current year and replaces the financial instruments standard IAS 39 ‘Financial Instruments: Recognition and Measurement’.</p> <p>In relation to financial assets, IFRS 9 requires the recognition of expected credit losses (‘ECL’) rather than incurred credit losses under IAS 39 and is therefore a fundamentally different approach. Management is required to determine the expected credit loss that may occur over either a 12-month period or the remaining life of an asset, depending on the categorization of the individual asset.</p> <p>In accordance with IFRS 9, the measurement of ECL reflect a range of unbiased and probability-weighted outcomes, time value of money,</p>	<p>We reviewed and understood the requirements of the IFRS 9. Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Considered the management’s process to assess the impact of adoption of IFRS 9 on the Company’s financial statements. • Reviewed the appropriateness of the assumptions used (future and historical), the methodology and policies applied to assess the ECL in respect of financial assets of the Company. • Reviewed the working of management for expected credit losses. • Evaluated the changes made to IT systems to reflect the changes required in trade debts and contract assets recognition as per the new accounting standards. • Obtained understanding of the recorded trade receivables by discussing with the management and making inquiries on the entire accounting process associated with the recording of trade receivables and contract assets. • Evaluated the cumulative effect of adjustments as at 1 July, 2018 for compliance with respect to

<p>reasonable and supportable information based on the consideration of historical events, current conditions and forecasts of future economic conditions. The calculation of ECLs in accordance with IFRS 9 is therefore complex and involves a number of judgmental assumptions.</p> <p>The Company has adopted IFRS 9 using the allowed modified retrospective approach and recognized expected credit loss of Rs 75.812 million in opening retained earnings as at July 1, 2018 and Rs 24.243 million for year ended June 30, 2019.</p> <p>We considered first time application of IFR-9 as key audit matter due to the significant amounts involved and significant judgments made by management regarding the matter.</p> <p>Further the company has a significant balance of trade debts. We identified recoverability of trade debts as a key audit matters as it involves significant management judgment in determining the recoverable amount of trade debts.</p>	<p>IFRS-9.</p> <ul style="list-style-type: none"> • We reviewed and assessed the impact and disclosures made in the financial statements with regard to the effect of adoption of IFRS 9. • for a sample of trade debts, tested the adequacy of the provisions for doubtful debts recorded against trade debts by taking into account the aging of receivables at the year end and cash received after year end, as well as assessing the judgments made by the management in relation to the credit worthiness of the debtors. • We sought external confirmations from selected debtors of their balances that remained outstanding at the year end and compared replies to the request. • Where response to the external confirmations were not received, we have checked subsequent receipts/traced the receivables balances to the invoices. • Testing the accuracy of the data on a sample basis extracted from the Company's accounting system which is used to calculate aging of trade receivables; and • Assessed the relevant disclosures made in the financial statements to determine whether they are complied with the accounting and reporting standards as applicable in Pakistan.
--	--

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

The engagement partner on the audit resulting in this independent auditor's report is Younus Kamran

A handwritten signature in blue ink, appearing to read 'HyK+Co'.

H.Y.K and Co.
Chartered Accountants
Lahore

Date: September 20, 2019

Consolidated Statement of Financial Position

As at June 30, 2019

	NOTE	2019	2018
		Rupees in '000'	
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	5	1,679,165	1,759,889
Intangible assets	6	1,214,401	1,507,905
		2,893,566	3,267,794
Long term investment	7	293,379	293,379
Long term loans to employees	8	470	356
		3,187,415	3,561,529
CURRENT ASSETS			
Trade debts	9	2,531,603	1,340,024
Contract assets	10	1,167,646	1,428,320
Loans and advances	11	52,261	38,489
Trade deposits & short term prepayments	12	20,948	17,756
Other receivables	13	7,219	25,908
Due from related parties	14	23,117	25,878
Taxation - net	15	52,716	53,879
Cash & bank balances	16	1,951,746	2,123,337
		5,807,256	5,053,591
Assets-Discontinued operations	17	455,976	441,866
TOTAL ASSETS		9,450,647	9,056,986

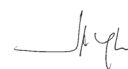
The annexed notes from 1 to 49 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

	NOTE	2019	2018
		Rupees in '000'	
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital			
150,000,000 ordinary shares of Rs.10/- each	18	1,500,000	1,500,000
Issued, subscribed and paid up capital	18	897,229	897,029
Share deposit money		13	13
Reserves	19	6,197,317	5,980,176
		7,094,559	6,877,218
Non - controlling Interest		225,035	201,697
		7,319,594	7,078,915
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	20	55,404	31,115
Deferred income	21	5,140	7,826
Long term advances	22	5,143	686
		65,687	39,627
CURRENT LIABILITIES			
Trade and other payables	23	491,754	503,417
Contract liabilities	24	468,827	371,243
Short term borrowings	25	1,053,000	1,000,000
Current portion of long term liabilities	26	46,947	27,124
Unclaimed dividend		4,183	2,949
		2,064,711	1,904,733
Liabilities-Discontinued operations	17	655	33,711
CONTINGENCIES & COMMITMENTS			
	27	-	-
TOTAL EQUITY AND LIABILITIES		9,450,647	9,056,986


The annexed notes from 1 to 49 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Consolidated Statement of Profit or Loss

For the year ended June 30, 2019

	NOTE	2019	2018
Rupees in '000'			
Continuing operations			
Revenue from contracts with customers - net	28	5,381,196	4,284,800
Cost of revenue	29	(3,291,043)	(2,348,314)
Gross Profit		2,090,153	1,936,486
Selling and promotion expenses	30	(669,419)	(571,810)
Administrative expenses	31	(1,009,414)	(743,554)
Other operating expenses	32	-	(4,304)
Other income	33	944,203	522,603
Operating profit		1,355,523	1,139,421
Finance cost	34	(39,775)	(43,521)
Profit before taxation from continuing operations		1,315,748	1,095,900
Taxation			
Current	35	(76,490)	(49,014)
Prior		1,358	(969)
		(75,132)	(49,983)
Profit after taxation for the year from continuing operations		1,240,616	1,045,917
Discontinued operations:			
Profit after tax for the year from discontinued operations	17	50,036	98,183
Profit for the year		1,290,652	1,144,100
Attributable to:			
Equity holders of NetSol Technologies Limited		1,267,314	1,105,441
Non - controlling interest		23,338	38,659
		1,290,652	1,144,100
Earnings per share			
Basic - In Rupees	36	14.13	12.33
Diluted - In Rupees	36	14.11	12.31
Earnings per share for continuing operations			
Basic - In Rupees	36	13.83	11.66
Diluted - In Rupees	36	13.81	11.65

The annexed notes from 1 to 49 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Consolidated Statement of Other Comprehensive Income

For the year ended June 30, 2019

	2019	2018
	Rupees in '000'	
Profit after taxation for the year	1,290,652	1,144,100
Other comprehensive income	-	-
Total comprehensive income for the year	1,290,652	1,144,100
Attributable to:		
Equity holders of NetSol Technologies Limited	1,267,314	1,105,441
Non - controlling interest	23,338	38,659
	1,290,652	1,144,100

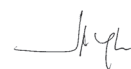
The annexed notes from 1 to 49 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Consolidated Statement of Cash Flows

For the year ended June 30, 2019

	NOTE	2019	2018
		Rupees in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation from continuing operations		1,315,748	1,095,900
Profit before taxation from discontinued operations		52,431	100,088
Profit before taxation for the year		1,368,179	1,195,988
Adjustments for non cash charges and other items:			
Depreciation - own assets		194,406	240,241
Amortization of leased assets		29,760	19,853
Amortization of intangible assets		293,504	293,504
(Gain) on disposal of fixed assets		(15,250)	(766)
Amortization of deferred revenue		(2,686)	(231)
Foreign exchange (gain)		(936,852)	(541,545)
Interest expense		38,485	43,976
Interest income		(89,381)	(25,169)
Deferred employee compensation expense		35,195	56,410
(Gain) on short term investment		-	(3,566)
Bad debts		24,243	35,303
Impairment of fixed assets		145	18,953
		(428,431)	136,963
Cash generated from operations before working capital changes		939,748	1,332,951
Working Capital Changes			
Trade debts and contract assets/liabilities		(822,281)	270,616
Loans and advances		(13,886)	(6,776)
Trade deposits & short term prepayments		(3,192)	(2,630)
Other receivables		18,719	(6,049)
Due from related parties		3,715	(7,086)
Trade and other payables		(29,794)	86,752
Cash (used in) /generated from operations		(846,719)	334,827
Interest paid		(39,349)	(48,530)
Income taxes paid		(75,156)	(55,955)
Dividend paid		(223,073)	(129,695)
Net cash (used in) /generated from operations		(244,549)	1,433,598
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		(294,240)	(145,475)
Sales proceeds of fixed asset		170,133	75,826
Advances against capital expenditure		8,143	(24,036)
Long Term Investment		-	(89,694)
Gain on investments		1,201	3,566
Interest received		88,180	25,169
Net cash (used in) investing activities		(26,583)	(154,644)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of share capital		200	670
Share premium		129	430
Paid against obligation under finance lease		(65,533)	(52,904)
Received against obligation under finance lease		102,858	61,823
Short term borrowing		53,000	(113,713)
Long term advances		(1,692)	(10,892)
Net cash generated from / (used in) financing activities		88,962	(114,586)
Net (decrease) /increase in cash and cash equivalents		(182,170)	1,164,368
Cash and cash equivalents at the beginning of the year		2,235,272	1,070,904
Cash and cash equivalents at the end of the year	16.2	2,053,102	2,235,272


The annexed notes from 1 to 49 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended June 30, 2019

	Attributable to equity holders of the Parent						Non Controlling Interest	Total Equity
	Issued, sub-scribed and paid-up capital	Share deposit money	Capital reserve		Revenue reserve	Total		
			Employee share option compensation reserve	Share premium	Unappropriated profit			
	Rupees In '000'							
Balance as at June 30, 2017	896,359	13	75,549	302,579	4,569,812	5,844,312	163,038	6,007,350
Total comprehensive income for the year								
Net profit for the year ended June 30, 2018	-	-	-	-	1,105,441	1,105,441	38,659	1,144,100
Shares issued against options exercised (67,000 shares at Rs. 10 each)	670	(1,100)	(99)	529	-	-	-	-
Amount received against options exercised	-	1,100				1,100	-	1,100
cash dividend					(130,045)	(130,045)		(130,045)
Contribution of parent on account of employee share options			56,410			56,410		56,410
	670	-	56,311	529	975,396	1,032,906	38,659	1,071,565
Balance as at June 30, 2018	897,029	13	131,860	303,108	5,545,208	6,877,218	201,697	7,078,915
Balance as at June 30, 2018	897,029	13	131,860	303,108	5,545,208	6,877,218	201,697	7,078,915
Restatement on initial application of IFRS 15 (Note 4.1.1)	-	-	-	-	(785,377)	(785,377)		(785,377)
Restatement on initial application of IFRS 9 (Note 4.1.2)					(75,812)	(75,812)		(75,812)
Net profit for the year ended June 30, 2019					1,267,314	1,267,314	23,338	1,290,652
Shares issued against options exercised (20,000 shares at Rs. 10 each)	200	(328)	(30)	158	-	-	-	-
cash dividend	-	-	-	-	(224,307)	(224,307)	-	(224,307)
Contribution of parent on account of employee share options	-	-	35,195	-		35,195	-	35,195
Amount received against option exercised	-	328	-	-	-	328	-	328
	200	-	35,165	158	181,818	217,341	23,338	240,679
Balance as at June 30, 2019	897,229	13	167,025	303,266	5,727,026	7,094,559	225,035	7,319,594

The annexed notes from 1 to 49 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Notes to the Consolidated Accounts

For the year ended June 30, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

NetSol Group ("the Group") consists of:

- NetSol Technologies Limited
- NetSol Innovation (Private) Limited

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

Geographical location and addresses of business units:

Address/Location	Purpose
1 NetSol IT Village,(Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt. Pakistan.	Registered office and business unit
2 43/1/Q, Amna Villa 1, Block-6, PECHS Housing Society Karachi.	Branch office
3 House No. 4, Safari villas 1, Bahria town, Rawalpindi. Pakistan.	Branch office

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 at NetSol IT Village, Lahore Ring Road, Main Ghazi Interchange, Lahore Cantt. Pakistan.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Accounting policies

Except for changes in accounting policies described in note 4.1, 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, 2018.

2.5 Standards and interpretations that became effective

There are new standards (revised or amended) and interpretations that became effective for the current financial year other than those disclosed in note 4.1 but either they are not relevant or do not have any material effect on the financial statements of the Group

Notes to the Consolidated Accounts

For the year ended June 30, 2019

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

	Effective for periods beginning on or after
IFRS 16 Leases	Jan-01 2019
IFRS 9 Financial Instruments - Prepayment features with negative compensation (Amendments)	Jan-01 2019
IAS 28 Investment in Associates and Joint Ventures - Long term interests in associates and joint ventures (Amendments)	Jan-01 2019
IFRIC 23 Uncertainty over Income Tax Treatments	Jan-01 2019
IAS 19 Employee benefits-Plan Amendment, curtailment or settlement (Amendments)	Jan-01 2019
IFRS 3 Business combinations - Definition of business (Amendments)	Jan-01 2020
IAS 1 Presentation of Financial Statements (Amendments)	Jan-01 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	Jan-01 2020
IFRS 3 Business combinations - Annual improvements to IFRS standards 2015-2017 cycle (Amendments)	Jan-01 2019
IFRS 11 Joint arrangements - Annual improvements to IFRS standards 2015-2017 cycle (Amendments)	Jan-01 2019
IAS 12 Income taxes - Annual improvements to IFRS standards 2015-2017 cycle (Amendments)	Jan-01 2019
IAS 23 Borrowing costs - Annual improvements to IFRS standards 2015-2017 cycle (Amendments)	Jan-01 2019
Conceptual framework of financial reporting (Revised)	Jan-01 2020

The above standards and amendments are not expected to have any material impact on the Group's financial statements in the period of initial application.

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, liabilities and results of the subsidiary have been consolidated in accordance with IFRS 5, the carrying values of the investment held by the holding Company is eliminated against the subsidiary's share capital and pre-acquisition reserves, if any in the consolidated financial statements. Material intra-group balances and transactions are eliminated.

Subsidiaries are all entities (including special purpose entities) over which the group has the control generally accompanying a shareholding of more than one half of the voting rights.

Subsidiary companies are consolidated from the date on which the Group obtains the control and continue to be consolidated until the date when such control ceases. Generally it is presumed that when more than 50% voting rights are transferred to the holding Company control of the subsidiary is established.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to the holding Company.

3. USE OF ESTIMATES AND JUDGMENT

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

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

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

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

- i. Provision for doubtful debts / contract assets
- ii. Provision for taxation
- iii. Useful life and recoverable amounts of depreciable assets
- iv. Useful life of intangible assets
- v. Contingencies

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the significant accounting policies consistently applied in the preparation of these financial statements are the same as those applied in earlier periods presented.

4.1 Changes in significant accounting policies

The Group has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' which are effective from annual periods beginning on or after 01 July 2018 and for reporting period / year ending on or after 30 June 2019 respectively.

The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

4.1.1 IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

Group implemented IFRS 15 'Revenue from Contracts with Customers' as of July 1, 2018. The new standard amends revenue recognition requirements and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard replaces IAS 18 Revenue, IAS 11 Construction contracts and their related interpretations.

The core principle of IFRS 15 is that revenue should be recognized for the amount that is the expected equivalent value of the performance obligation. The new standard employs a five-step model framework for determining the amount and timing of revenue in order to implement this principle.

The Group applied modified retrospective approach while adopting IFRS 15. This method requires recognition of the cumulative effect of initially applying IFRS 15 to retained earnings and not to restate prior years. The cumulative effect recorded on July 1, 2018 was a decrease to retained earnings by PKR 785.4 million and comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

The adjustments made to items in the statement of financial position as of July 1, 2018 and attributable to IFRS 15 are as follows:

Notes to the Consolidated Accounts

For the year ended June 30, 2019

	Carrying amount in accordance with old IFRS As on June 30, 2018	Adjustment	Carrying amount in accordance with IFRS 15 As on July 01, 2018
ASSETS			
CURRENT ASSETS			
Contract assets	1,428,320	(759,372)	668,948
Current Assets	5,053,591	(759,372)	4,294,220
Total Assets	9,056,986	(759,372)	8,297,614
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Revenue reserve			
Un-appropriated profits	5,545,208	(785,377)	4,759,831
SHARE CAPITAL & RESERVES	7,078,915	(785,377)	6,293,539
CURRENT LIABILITIES			
Contract liabilities	371,243	26,005	397,248
Current Liabilities	1,904,733	26,005	1,930,738
TOTAL EQUITY AND LIABILITIES	9,056,986	(759,372)	8,297,615

The following tables provide comparison of carrying values of relevant items from the financial statements as of June 30, 2019 in accordance with IFRS 15 as compared to the old accounting standard IAS 18 and related interpretations:

	Carrying amount in accordance with IFRS 15 As on June 30, 2019	Adjustment	Carrying amount in accordance with old IFRS As on June 30, 2019
ASSETS			
CURRENT ASSETS			
Trade debts	2,531,603	(1,025)	2,530,578
Contract assets	1,167,646	994,444	2,162,089
Other receivable-Reimbursable cost	-	74,138	74,138
Current assets	5,807,256	1,067,557	6,874,813
Total assets	9,450,647	1,067,557	10,518,204
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Revenue reserve			
Un-appropriated profits	5,727,026	1,180,056	6,907,082
CURRENT LIABILITIES			
Contract liabilities	468,827	(112,499)	356,328
Contract liabilities	2,064,711	(112,499)	1,952,212
Total equity and liabilities	9,450,647	1,067,557	10,518,204

	IFRS 15		Old IFRS
	2019	Adjustment	2019
REVENUE FROM CONTRACTS WITH CUSTOMERS			
License revenue	1,572,775	70,666	1,643,441
Maintenance revenue	1,045,894	78,533	1,124,427
Revenue against reimbursable cost	548,612	(548,612)	-
Revenue	5,381,196	(399,413)	4,981,783
COST OF REVENUE			
Travelling & Conveyance-Reimbursable cost	548,612	(548,612)	-
Gross profit	2,090,153	149,199	2,239,945
OTHER INCOME			
Gain on foreign currency translation	846,887	245,480	1,092,367
Operating Profit	1,355,523	394,679	1,750,202
Profit before taxation from continuing operations	1,315,748	394,679	1,710,427
Profit after taxation for the year from continuing operations	1,240,616	394,679	1,635,295
Profit for the year	1,290,652	394,679	1,685,331
Attributable to:			
Equity holders of NetSol Technologies Limited	1,267,314	394,679	1,661,993
Non - controlling interest	23,338	-	23,338
	1,290,652	394,679	1,685,331
Earnings per share			
Basic - In Rupees	14.13	4.40	18.53
Diluted - In Rupees	14.11	4.39	18.50
Earnings per share for continuing operations			
Basic - In Rupees	13.83	4.40	18.23
Diluted - In Rupees	13.81	4.39	18.20

The nature of adjustments as at 1 July 2018 and the reasons for significant changes in the statement of financial position as at 30 June 2019 and the statement of profit or loss for the year ended 30 June 2019 are described below:

Most significant impact to the group, upon adoption of IFRS 15, relates to the identification of contracts with customers, identification of distinct performance obligations and allocation of transaction price to the distinct performance obligations (based on their standalone selling prices).

In case of a multiple element arrangements (e.g. contract to deliver various performance obligations to a single customer in various markets), the total transaction price of the bundled contract is allocated amongst the individual distinct performance obligations based on their relative standalone selling prices.

Group's contracts with customers' entail three separate performance obligations as follows:

1. Software licenses
2. Implementation, customization and consulting services
3. Maintenance services

Group identified all material and significant contracts in hand and not closed or completed by June 30, 2018 and applied IFRS 15 on those contracts to evaluate and analyze the impact IFRS 15 would have made on the revenue recognition from those contracts. These contracts outline a fixed fee for the software license and maintenance services and provision of some other related services to the same customer. Total transaction price for these items was allocated to each of these performance obligations based on the relative standalone selling prices. Additionally, each performance obligation by geography is considered a distinct performance obligation. Accordingly, the transaction price was allocated based on the relative standalone selling price by performance obligation and geography.

Notes to the Consolidated Accounts

For the year ended June 30, 2019

Accounting policies that apply on revenue are stated in note 4.10 to these consolidated financial statements.

4.1.2 IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Changes in accounting policies resulting from adoption of IFRS 9 have been applied prospectively with the initial application date of June 30, 2019 as notified by the Securities and Exchange Commission of Pakistan. The Group has assessed impact on items of financial statements affected by the application of IFRS 9 on the initial application date. The Company has not restated comparative information, which continues to be reported under IAS 39. Differences arising from adoption of IFRS 9 have been recognized directly in opening retained earnings at the beginning of the annual reporting period i.e. 1 July 2018.

The effect of adopting IFRS 9 as at 1 July 2018 was, as follows:

	Note	Carrying amount in accordance with IAS 39 As on June 30, 2018	Adjustment	Carrying amount in accordance with IFRS 9 As on July 01, 2018
ASSETS				
CURRENT ASSETS				
Accounts receivable	(a),(b)	1,340,024	9,874	1,349,898
Contract assets	(a),(b)	1,428,320	(85,686)	1,342,634
EQUITY & LIABILITIES				
SHARE CAPITAL & RESERVES				
Revenue reserve				
Un-appropriated profits	(a),(b)	5,545,208	(75,812)	5,469,396

The nature of these adjustments are described below:

a) Classification and measurement

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available for sale. IFRS 9, classifies financial assets in the following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The classification is based on two criteria: the group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

Assessment of the group's business model was made as of the date of initial application of IFRS 9. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the group. Following are the changes in the classification of the group's financial assets:

Trade receivables, Other non-current/current financial assets (i.e., Loans and advances, trade deposits & short term prepayments, other receivables, due from related party etc.) classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest, if any. These are classified and measured as Debt instruments at amortized cost on initial application of IFRS 9.

The Group has not designated any financial liabilities at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon the adoption of IFRS 9, the Group had the following required or elected reclassifications as at 1 July 2018.

	IFRS 9 measurement category		
	Fair value through profit or loss	Amortized cost	Fair value through OCI
Rupees in '000	Rupees in '000		
IAS 39 measurement category			
Loans and receivables			
Trade debts*	1,340,024	-	1,349,898
Loans and advances	38,489	-	38,489
Trade deposits & short term prepayments	17,756	-	17,756
Other receivables	25,908	-	25,908
Due from related parties	25,878	-	25,878
Cash & bank balances	2,123,337	-	2,123,337
			3,581,266

*The change in carrying amount is a result of change in impairment allowance. See the discussion on impairment below.

b) Impairment

The adoption of IFRS 9 has fundamentally changed Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the group to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss including contract assets.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Impairment losses related to trade and other receivables, are presented separately in the statement of profit or loss. Trade and other receivables are written off when there is no reasonable expectation of recovery. The Group applied a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Upon adoption of IFRS 9, the Group recognized additional impairment on the group's trade receivables and contract assets by PKR. 75.8 million which resulted in a decrease in retained earnings as at 1 July 2018.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

	Allowance for impairment under IAS 39 as at 30 June 2018	Remeasurement	ECL under IFRS 9 as at 1 July 2018
	Rupees in '000		
Loans and receivables under IAS 39/Financial assets at amortized cost under IFRS 9 and contract assets	70,528	75,812	146,340

Notes to the Consolidated Accounts

For the year ended June 30, 2019

The accounting policies that apply to financial instruments are stated in note 4.13 to the financial statements.

4.2 Property, plant and equipment

(i) Owned assets

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

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

Depreciation on additions to property, plant 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 statement of profit or loss as and when incurred. Major repairs and improvements are capitalized.

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

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

(ii) 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 interest 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, plant and equipment during construction and installation. Cost also includes applicable borrowing costs under IAS 23. These expenditures are transferred to relevant assets' category as and when assets are available for use.

4.3 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 net realizable value. 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 statement of financial position date. Rates of amortization are stated in note 6.

(b) Intangible assets acquired from market

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

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

Amortization is charged by applying 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 statement of financial position date. Amortization on additions to acquired intangible assets is charged for the month in which an asset is acquired while no amortization is charged for the month in which the asset is disposed off. Rates of amortization are stated in note 6.

4.4 Impairment of Non Financial Asset

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

4.5 Foreign currency translation

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

4.6 Staff benefits

(i) Retirement benefits

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

(ii) Short-term benefits

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

Notes to the Consolidated Accounts

For the year ended June 30, 2019

(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 statement of profit or loss, employee compensation expense in statement of profit or loss will be reversed equal to the amortized portion with a corresponding effect to deferred employee compensation reserve in the statement of financial position. 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 statement of financial position. 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.

4.7 Taxation

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

4.8 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 statement of financial position date.

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

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

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

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

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

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

Core Revenue:

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

Non-Core Revenue:

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

Performance Obligations

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

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

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

Information about Group’s performance obligations are summarized below:

a) Software Licenses:

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

b) Maintenance:

Performance obligation is satisfied and maintenance revenue is recognized ratably over the term of the maintenance period, which in most instances is one year. Software license updates provide customers with rights to unspecified software product updates, maintenance releases and patches released during the term of the support period on a when-and-if available basis. The Group’s customers purchase both product support and license updates when they acquire new software licenses. In addition, a majority of customers renew their support services contracts annually and typical payment terms provide that customers make payment within 30-120 days of invoice.

Notes to the Consolidated Accounts

For the year ended June 30, 2019

c) Professional Services:

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

d) BPO Services:

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

Miscellaneous

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

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

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

Miscellaneous income is recognized on receipt basis.

Significant Judgments

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

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

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

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

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

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

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

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

Practical Expedients and Exemptions

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

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

For contract modifications, the Group reflected the aggregate effect of all modifications that occurred prior to the adoption date when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to satisfied and unsatisfied performance obligations for the modified contract at transition.

Costs to Obtain a Contract

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

Notes to the Consolidated Accounts

For the year ended June 30, 2019

Contract balances

Contract Assets

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

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section 4.23 (i) Financial instruments – initial recognition and measurement.

Contract liabilities

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

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

4.12 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

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

(i) Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

Derecognition

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

Impairment

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

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

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

(ii) Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

Loans and borrowings

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

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

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

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

Derecognition

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

Notes to the Consolidated Accounts

For the year ended June 30, 2019

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 statement of profit or loss 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 statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transaction; reference to the current market value of another instrument, which has substantially similar characteristics, discounted cash flow analysis or other valuation models.

4.18 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.

4.19 Investments in Associates

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

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

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

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

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit.

The financial statements of the associate are not prepared for the same reporting period as the Group. Reporting period of financial statements of associate used to apply equity method lags behind 3 months from Group's reporting period. Group has used associate's financial statements prepared for reporting period as on March 31, 2019. Reason for using a different reporting period is the availability of latest financial statements of associate which becomes available for last quarter end i-e 3 months old. When necessary, adjustments are made to bring the accounting policies in line with those of the group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on investment in its associate. The Group determines annually whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss within 'Share of profit of an associate' in the statement of profit or loss.

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

Significant judgements:

The group has made significant judgements in determining significant influence over the associated company.

Group has considered below factors in determining significant influence:

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

Other than holding 12.2% interest in Associate, Group also has agreements with associate that empower the group to participate in policy making processes, decisions about dividend, borrowing, change in associate's capital structure etc. Group is also providing technical services to associate which are critical to its business operations. The Group also has interchange of managerial personnel with associate. Based on these facts, even though group's ownership interest in associate is less than 20% but it has concluded that significant influence does exist and relationship of associate is established.

4.20 Earnings Per Share

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

4.21 Discontinued operations

A component of the Group is classified as "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area or operations.

When an operation is classified as a discontinued operation, the comparative profit or loss is restated as if the operation had been discontinued from the start of the comparative period. In the statement of profit or loss and other comprehensive income of the current financial, and of the comparative period, all income and expenses from discontinued operation are reported separately from income and expenses from continuing operations, down to the level of profit after tax.

Notes to the Consolidated Accounts

For the year ended June 30, 2019

	Note	2019	2018
		Rupees in '000'	
5. PROPERTY, PLANT & EQUIPMENT			
Net book value of owned assets	5.1	1,506,400	1,635,901
Net book value of leased assets	5.4	149,911	92,991
Advances against capital expenditure	5.6	22,854	30,997
		1,679,165	1,759,889

5.1 Following is statement of owned assets

Particulars	2019								
	COST			DEPRECIATION					Net book value as at June 30, 2019
	As at Jul 01, 2018	Additions / (Deletions)	As at June 30, 2019	Rate %	As at Jul 01, 2018	Adjustment during the year	Charge for the year	As at June 30, 2019	
Rupees In '000'									
Tangible Assets									
Land - freehold	254,229	-	254,229	-	-	-	-	-	254,229
Building on free hold land	952,561	-	952,561	5	235,299	-	35,863	271,162	681,399
Furniture & fixtures	65,393	4,598 (1,563)	68,428	10	22,512	- (755)	4,486	26,243	42,185
Vehicles	92,264	177,741 (165,142)	104,863	20	58,612	16,321 (24,302)	10,401	61,033	43,830
Computers	1,469,408	31,817 (4,574)	1,496,651	20-33	1,132,424	- (3,624)	93,386	1,222,187	274,464
Air conditioners	58,370	5,659 (42)	63,987	10	18,648	- (29)	4,198	22,817	41,170
Office equipment	58,328	4,065 (87)	62,306	10	21,137	(46)	3,945	25,036	37,270
Electric fittings	49,371	-	49,371	10	14,232	-	3,514	17,746	31,625
Generator	52,812	-	52,812	10	21,490	-	3,132	24,622	28,190
Intangible Assets									
Software	886,276	-	886,276	33	778,757	-	35,481	814,238	72,038
	3,939,012	223,881	3,991,484		2,303,111	16,321	194,406	2,485,084	1,506,400
		(171,409)				(28,755)			

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

Particulars	2018								
	COST			DEPRECIATION					Net book value as at Jun 30, 2018
	As at Jul 01, 2017	Additions / (Deletions)	As at Jun 30, 2018	Rate %	As at Jul 01, 2017	Adjustment during the year	Charge for the year	As at Jun 30, 2018	
Rupees In '000'									
Tangible Assets									
Land - freehold	254,229	-	254,229	-	-	-	-	-	254,229
Building on free hold land	952,561	-	952,561	5	197,548	-	37,751	235,299	717,262
Furniture & fixtures	67,664	775 (3,046)	65,393	10	19,652	- (1,913)	4,773	22,512	42,881
Vehicles	84,510	86,773 (79,019)	92,264	20	54,108	23,110 (27,029)	8,423	58,612	33,652
Computers	1,452,419	41,485 (24,496)	1,469,408	20-33	1,035,475	6,302 (22,764)	113,411	1,132,424	336,984
Air conditioners	58,042	3,712 (3,384)	58,370	10	16,704	- (2,322)	4,266	18,648	39,722
Office equipment	55,153	5,620 (2,445)	58,328	10	18,942	- (1,619)	3,814	21,137	37,191
Electric fittings	49,371	-	49,371	10	10,327	-	3,905	14,232	35,139
Generator	40,579	17,045 (4,812)	52,812	10	16,507	4,986 (3,390)	3,387	21,490	31,322
Leasehold improvements	-	-	-	-	-	-	-	-	-
Intangible Assets									
Software	885,199	1,077	886,276	33	725,991	-	52,766	778,757	107,519
	3,899,727	156,487 (117,202)	3,939,012		2,095,254	34,398 (59,037)	232,496	2,303,111	1,635,901

	Note	2019	2018
Rupees in '000'			
5.2 Depreciation is allocated in the following manner			
Cost of revenue	29	145,774	174,706
Administrative expenses	31	48,632	57,790
		194,406	232,496

Notes to the Consolidated Accounts

For the year ended June 30, 2019

5.3 Particulars of fixed assets exceeding book value of Rs. 5 million in aggregate and 0.5 million individually are as follows:

Particulars	2019					
	Cost	Net Book Value	Sales Proceeds	Gain/ (Loss)	Mode of Disposal	Particulars of Purchaser
	Rupees In '000'					
Vehicle	3,471	1,080	2,870	1,790	Open market	Naeem Ur Rehman
Vehicle	2,070	1,263	1,850	587	Insurance claim	Askari General Insurance
Vehicle	1,760	551	1,192	641	Company Policy	Saqib Sardar (Employee)
Vehicle	1,848	579	1,314	735	Company Policy	Tanzeer Mirza (Employee)
Vehicle	2,269	1,084	1,350	266	Company Policy	Abdul Wahab (Employee)
Vehicle	16,660	8,316	14,025	5,709	Open market	Mujtaba Hassan
Vehicle	8,505	3,856	5,100	1,244	Company Policy	Asad Ghauri (Employee)
Vehicle	51,418	50,561	49,285	(1,276)	Sale & Lease back	Askari bank limited
Vehicle	29,041	28,073	29,000	927	Open market	Asad Bukhari

Particulars	2018					
	Cost	Net Book Value	Sales Proceeds	Gain/ (Loss)	Mode of Disposal	Particulars of Purchaser
	Rupees In '000'					
Vehicle	2,518	984	1,440	456	Company Policy	Wajih Ur Rehman (employee)
Vehicle	23,800	23,800	22,500	(1,300)	Sale & Lease back	First Habib Modarba
Vehicle	25,316	9,880	17,800	7,920	Sale & Lease back	Askari Bank Limited
Vehicle	2,438	775	1,350	575	Company Policy	Ahsan Mustafa (employee)
Vehicle	8,250	8,113	8,250	138	Sale & Lease back	Askari Bank Limited
Vehicle	1,896	927	1,408	481	Company Policy	Khurram Iqbal (employee)
Vehicle	1,776	706	1,015	309	Company Policy	Majid Bashir (employee)

5.4 Following is statement of leased assets

Particulars	2019								
	COST			DEPRECIATION					Net book value as at June 30, 2019
	As at Jul 01, 2018	Additions / (Deletions)	As at June 30, 2019	Rate %	As at Jul 01, 2018	Adjustment during the year	Charge for the year	As at June 30, 2019	
Rupees In '000'									
Vehicles	120,031	96,550 (32,499)	184,082	20	27,040	- (16,321)	27,678	38,397	145,685
Computers	-	6,308	6,308	33	-	-	2,082	2,082	4,226
Generator	-	-	-	10	-	-	-	-	-
	120,031	102,858 (32,499)	190,390		27,040	(16,321)	29,760	40,479	149,911

Particulars	2018								
	COST			DEPRECIATION					Net book value as at Jun 30, 2018
	As at Jul 01, 2017	Additions / (Deletions)	As at Jun 30, 2018	Rate %	As at Jul 01, 2017	Adjustment during the year	Charge for the year	As at Jun 30, 2018	
Rupees In '000'									
Vehicles	106,003	61,823 (47,795)	120,031	20	34,154	- (23,110)	15,996	27,040	92,991
Computers	8,908	- (8,908)	-	33	6,229	- (6,302)	73	-	-
Generator	17,045	- (17,045)	-	10	4,816	- (4,974)	158	-	-
	131,956	61,823 (73,748)	120,031		45,199	- (34,386)	16,227	27,040	92,991

	Note	2019 Rupees in '000	2018
5.5 Amortization is allocated in the following manner			
Cost of revenue	29	22,320	12,170
Administrative expenses	31	7,440	4,056
		29,760	16,227

5.6 Advance against capital expenditure represent advances paid for purchase of fixed assets but delivery of assets are not made to the company till June 30, 2019.

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

Notes to the Consolidated Accounts

For the year ended June 30, 2019

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

6. INTANGIBLE ASSETS

Particulars	2019							Net book value as at June 30, 2019
	COST			A M O R T I S A T I O N				
	As at Jul 01, 2018	Additions / (Deletions)	As at June 30, 2019	Rate %	As at Jul 01, 2018	Charge for the year	As at June 30, 2019	
Rupees In '000'								
In-house Developed Software								
NFS Ascent	2,935,038	-	2,935,038	10	1,427,133	293,504	1,720,637	1,214,401
	2,935,038	-	2,935,038		1,427,133	293,504	1,720,637	1,214,401

Particulars	2018							Net book value as at Jun 30, 2018
	COST			A M O R T I S A T I O N				
	As at Jul 01, 2017	Additions / (Deletions)	As at Jun 30, 2018	Rate %	As at Jul 01, 2017	Charge for the year	As at Jun 30, 2018	
Rupees In '000'								
In-house Developed Software								
NFS Ascent	2,935,038	-	2,935,038	10	1,133,629	293,504	1,427,133	1,507,905
	2,935,038	-	2,935,038		1,133,629	293,504	1,427,133	1,507,905

		2019	2018
Rupees in '000'			
6.1 Amortization is allocated in the following manner			
Cost of revenue	29	293,504	293,504
6.2 Remaining amortization period for NFS - Ascent is 4 years 2 months.			
6.3 NetSol Financial Suite has been fully amortized but the company is still generating revenues from its sales.			
7. LONG TERM INVESTMENTS			
Investment in associate			
WRLD3D Inc. (Unquoted company)	7.1	293,379	293,379

7.1 Investment in associate-Foreign company

During the fiscal year 2016, the Company entered into an agreement with WRLD3D Inc a USA based gaming and 3D mapping Company (a Delaware Corporation) to purchase 4,092,189 preference BB shares for \$2,777,778 which was to be earned over the period partly by providing IT and enterprise software solutions and partly in cash. Per agreement, the Company had to provide a minimum of \$200,000 of services in each three-month period and the entire balance was required to be provided within three years of the date of the agreement and the company has successfully complied with the terms and conditions of the agreement. As of June 30, 2019, the Company had provided services valued at \$2,777,778 (PKR 293,378,850) which is recorded as investment and 4,092,189 shares are issued to the company.

WRLD3D Inc is incorporated in USA whose beneficial owner's name and address is DCD Holdings Limited Carlton Services Ltd Second Floor, The Quadrant, Manglier Street, PO Box 1312, Victoria, Mahe, Seychelles. As on June 30, 2019 there is no litigation/Default/Breach exists related to WRLD3D. Amount of return received and Gain/loss on disposal of investment Rs. Nil (2018: Nil). Principal place of business of WRLD3D is 800 W. El Camino Real, Suite 320, Mountain View, California 94040, USA. Company holds 12.2% ownership interest in WRLD3D. The Group uses equity method to account for investment in associate.

The following table illustrates the summarized financial information of associate and its reconciliation with carrying value of the Group's investment in WRLD3D:

		2019
		Rupees in '000'
Non-current assets		26,205
Current assets		130,484
Non-current liabilities		(186,119)
Current liabilities		(1,191,033)
Equity		(1,220,464)
Group's share in equity – 12.2%		(148,897)
Goodwill		442,276
Group's carrying amount of the investment		293,379
Revenue from contracts with customers	7.1.1	213,336
Loss for the year	7.1.1	(723,510)
7.1.1 Being pre acquisition results of the associate, these are not included in carrying amount of investment in associate as WRLD3D was classified as Associate under IAS 28 on June 30, 2019.		

		2019	2018
		Rupees in '000'	
8. LONG TERM LOANS TO EMPLOYEES			
Loan to employees		5,237	3,975
Less: current maturity		(4,767)	(3,619)
		470	356

8.1. Long term loans have been carried at cost as the effect of carrying these balances at amortised cost would not be material in the overall context of these financial statements

		2019	2018
9 TRADE DEBTS			
Considered good - unsecured	9.2	2,531,603	1,340,024
Considered doubtful - unsecured	9.3	116,629	70,528
		2,648,232	1,410,552
Less: provision for doubtful debts		(116,629)	(70,528)
		2,531,603	1,340,024

Notes to the Consolidated Accounts

For the year ended June 30, 2019

	2019	2018
	Rupees in '000'	
9.1 Amount receivable from related parties included in trade debts are as under:		
NetSol Technologies (Thailand) Limited	179,957	167,661
NetSol Technologies (Beijing) Company Limited	604,477	74,807
NetSol Australia Pty. Limited	14,156	7,571
NetSol Technologies Americas	139,767	49,071
NetSol Technologies Europe	-	496
WRLD3D Inc	166,417	57,605
	1,104,774	357,211

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

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

9.4 Movement in provision against future doubtful trade debts is given below:

Balance as at July 1	70,528	35,225
Adjustment in opening balance on initial application of IFRS 9	(9,874)	-
Provision made during the year	78,185	35,303
Write offs during the year*	(22,210)	-
Balance as at June 30	116,629	70,528

* This is against export receivable balance from the customer Minsheng Finance Leasing Company.

9.5 The aging of trade debts at June 30 is as follows:

	2019		2018	
	Rupees in '000'		Rupees in '000'	
	Gross	Impaired	Gross	Impaired
Not past due	1,122,331	-	496	-
Past due 1-180 days	917,084	-	1,049,579	-
Past due 181 days -1 year	440,051	-	203,327	-
More than one year	168,766	-	157,150	-
Total	2,648,232	-	1,410,552	-

9.6 The aging of trade debts due from related parties at June 30 is as follows:

	2019		2018	
	Rupees in '000'		Rupees in '000'	
	Gross	Impaired	Gross	Impaired
Not past due	110,175	-	496	-
Past due 1-180 days	436,593	-	188,760	-
Past due 181 days -1 year	426,612	-	64,215	-
More than one year	131,394	-	103,740	-
Total	1,104,774	-	357,211	-

9.7 Maximum aggregate amount outstanding due from trade debts due from related party at the end of any month during the year was Rs. 1,104.8 million (2018 : Rs. 357.2 million).

10. CONTRACT ASSETS

It represents unbilled debtors arising due to recognition of revenue as per IFRS 15 'Revenue from contracts with customers'.		2019	2018
		Rupees in '000'	
Considered good - unsecured		1,167,646	1,428,320
Considered doubtful - unsecured	10.1	31,745	-
		1,199,391	1,428,320
Less: Provision against doubtful recovery	10.1	(31,745)	-
		1,167,646	1,428,320

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

Balance as at July 1		-	-
Adjustment in opening balance on initial application of IFRS 9		85,686	-
Provision reversed during the year		(53,941)	-
Balance as at June 30		31,745	-

10.2 There is a net decrease of Rs. 260.6 million in contract assets as compared to last fiscal year. Explanation of significant changes are as follows:

The Company applied the modified retrospective method upon adoption of IFRS 15 on July 1, 2018. Due to this adoption cumulative effect recorded at July 1, 2018 was a decrease of PKR 759.3 million to Contract assets.

Due to delivery of new licenses as well as their implementation, contract assets increased with amount of PKR 249.3 million. During the current fiscal year due to devaluation of local currency forex rates increased quite significantly. Resultantly there is a cumulative increase of PKR 281 million in contract assets.

11. LOANS AND ADVANCES - Unsecured -Considered good

Current maturity of loans to employees	8	4,767	3,619
Advances			
- employees		33	153
- against expenses	11.1	47,461	34,717
		52,261	38,489

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

12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposit		4,499	4,222
Prepayments		16,449	13,534
		20,948	17,756

13. OTHER RECEIVABLES

Guarantee margin		1,093	873
Sales Tax Refundable		-	222
Other receivable - considered good	13.1	6,126	24,813
		7,219	25,908

13.1 Other receivable include travel expenses amounting to Rs. Nil (2018: Rs. 22.4 million) to be invoiced to the customers.

Notes to the Consolidated Accounts

For the year ended June 30, 2019

		2019	2018
		Rupees in '000'	
14. DUE FROM RELATED PARTIES			
Considered good - unsecured			
Associates:			
NetSol Connect (Pvt) Ltd.		23,117	19,215
NetSol Technologies (Thailand) Limited		-	6,663
		23,117	25,878
14.1	These relate to normal business of the Group and are interest free.		
14.2	Maximum aggregate amount due from related party at the end of any month during the year was Rs. 137.181 million (2018 : Rs. 224.18 million).		
14.3	Aging of due from related parties at June 30 is as follows:		
		2019	2018
		Rupees in '000'	
		Gross	Impaired
		Gross	Impaired
	Not past due	730	-
	Past due 1-180 days	18,855	-
	Past due 181 days -1 year	3,532	-
	Total	23,117	-
		25,878	-
15. TAXATION - NET			
Tax receivable as at 1 July		53,879	49,523
Tax payments		18,590	15,082
Tax adjustments		1,907	(969)
Provision for taxation		(21,660)	(9,757)
		52,716	53,879
16. CASH AND BANK BALANCES			
With banks			
Saving accounts-Local currency	16.1	1,570,222	1,051,732
Saving accounts-Foreign currency	16.1	196,203	218,071
Current accounts-Local currency		978	667,889
Current accounts-Foreign currency		172,320	183,039
		1,939,723	2,120,731
In hand		12,023	2,606
		1,951,746	2,123,337
16.1	The balances in savings accounts bear mark up at 4.5% to 12% per annum. (2018 : 3.5% to 4.5% per annum)		
16.2	For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:		
	Cash and bank balances-Continued operations	16	1,951,746
	Cash and bank balances-Discontinued operations	17	101,356
			2,053,102
			2,235,272

17. DISCONTINUED OPERATIONS

On June 21, 2018, the company publicly announced the decision of its Board of Directors made in a board meeting held on June 20, 2018 to discontinue the operations of its subsidiary NetSol Innovation (Pvt) Limited. Subsidiary's outsourcing business partner in UK, Innovation Group had witnessed change in its management in last couple of years and the new management was not much interested in the insurance business and had decided to consolidate and reduce these operations across the globe. As a result of this decision, the subsidiary's outsourcing business was negatively impacted as they were the sole customers of the services provided by the joint venture. Moreover, they had expressed their willingness to close the operations of NetSol Innovation (Pvt) Limited and as per mutual agreement last date of business operations of NetSol Innovation (Pvt) Limited was agreed to be July 31, 2018. At June 30, 2019, classification of subsidiary NetSol Innovation (Pvt) Limited was discontinued operation.

The major classes of assets and liabilities of NetSol Innovation (Pvt) Limited classified as discontinued operation are as follows:

	2019	2018
	Rupees in '000'	
Assets		
Property, plant and equipment	7,296	19,670
Trade debts	347,324	306,946
Other receivables	-	30
Income tax	-	2,332
Due from related parties	-	954
Cash & bank balances	101,356	111,935
Assets classified as discontinued operations	455,976	441,866
Liabilities		
Trade and other payables	655	19,650
Liabilities against assets subject to finance lease	-	5,140
Advances from employees against vehicles	-	7,797
Provision for taxation	-	1,124
Liabilities classified as discontinued operations	655	33,711
The results of NetSol Innovation (Pvt) Limited for the year are presented below:		
Revenue-Export	8,339	361,104
Cost of revenue	(28,746)	(315,090)
Gross (Loss)/ Profit	(20,407)	46,014
Administrative expenses	(27,969)	(3,672)
Other operating expenses	-	-
Other income	100,844	58,493
Operating profit	52,468	100,835
Finance cost	(37)	(747)
Profit before taxation for the year from discontinued operations	52,431	100,088
Taxation		
Current year	(2,469)	(1,124)
Prior year	74	(781)
Profit after taxation for the year from discontinued operations	50,036	98,183

The net cash flows incurred by NetSol Innovation (Pvt) Limited are, as follows:

	2019	2018
	Rupees in '000'	
Operating	(20,750)	(89,198)
Investing	23,107	18,020
Financing	(12,937)	(12,849)
Net Cash (outflow)	(10,579)	(84,027)
Earning per share		
Profit after taxation for the year from discontinued operations	50,036	98,183
Less Non controlling interest	23,338	38,659
Profit from discontinued operations attributable to ordinary shareholders of NetSol Technologies Limited	26,698	59,524
Basic earning per share from discontinued operations	0.30	0.67
Diluted earning per share from discontinued operations	0.30	0.66

Write down of property, plant and equipment

At reporting date i-e June 30, 2019, the recoverable amount was estimated for all items of property, plant and equipment and impairment loss of Rs. 0.145 million was identified and charged to Cost of sales expenses of discontinued operations and carrying values of property, plant and equipment were reduced to reflect fair value less costs to sell.

Non Recurring Fair Value Measurements

Non-current assets held for sale

Property, plant and equipment	7,296	19,670
-------------------------------	-------	--------

Valuation techniques and inputs used

The group has engaged an external, independent and qualified valuer to determine the fair value of the Property Plant and Equipment. They have determined the fair value by using Market based approach as described in IFRS 13.

The inputs used to develop those measurements are Purchase date, Useful life of asset, Present condition, location and Market value of the similar items.

Level of the fair value hierarchy

This is a level 2 measurement as per the fair value hierarchy set out in IFRS 13.

18. SHARE CAPITAL

18.1 Authorised share capital

	2019	2018		2019	2018
	Number of shares			Rupees in '000'	
	150,000,000	150,000,000	Ordinary Shares of Rs. 10 each.	1,500,000	1,500,000

18.2 Issued, subscribed & paid-up capital

	42,572,191	42,552,191	Ordinary Shares of Rs. 10 each fully paid in cash	425,722	425,522
	47,150,732	47,150,732	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	471,507	471,507
	89,722,923	89,702,923		897,229	897,029

18.3 Reconciliation of number of shares issued, subscribed & paid-up

Number of shares outstanding as at July 1				89,702,923	89,635,923
Ordinary Shares of Rs. 10 issued against options exercised				20,000	67,000
Number of shares outstanding as at June 30				89,722,923	89,702,923

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

18.5 There are outstanding options granted to subscribe for ordinary shares of the holding Company granted under the employee share option plan as disclosed in Note 19.1.1

18.6 NetSol Technologies Inc. 23975, Park Sorrento, Suite 250, Calabasas CA 91302, is the parent company holding 66.20% (2018 : 66.21%) of issued capital of the Company.

18.7 The holding Company is not subject to any externally imposed capital requirements for the financial years 2018 and 2019

18.8 During the year 20,000 shares were issued against options exercised. Weighted average share price at the date of exercise of options was Rs. 126.10 per share.

		2019	2018
		Rupees in '000'	
19. RESERVES			
Capital reserve			
Premium on issue of ordinary shares		303,266	303,108
Employee share option compensation reserve	19.1	167,025	131,860
Revenue reserve			
Un - appropriated profit		5,727,026	5,545,208
		6,197,317	5,980,176
19.1 EMPLOYEE SHARE OPTION COMPENSATION RESERVE			
Balance at the beginning of the year		131,860	75,549
Amount transferred to Capital reserve on exercise of options		(30)	(99)
Contribution of parent on account of employee share options		35,195	56,410
Balance at the end of the year		167,025	131,860

19.1.1 Employee Stock Option Scheme

The board and the compensation committee had granted 4.35 million stock options to its core employees on August 01, 2009 at a grant price of Rs. 16.42 per option. The stock option scheme was duly approved by the SECP. The granted options do not carry 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% became exercisable after completion of 24 months from the grant date and 20% became exercisable after completion of 36 months from the grant date. The balance of 10% became exercisable after completion of 84 months from the grant date. The options will lapse after 10 years of grant date i.e., on July 31, 2019, if not exercised.

The Group used Black Scholes pricing model to determine the fair value of options at the grant date. Following were the underlying assumptions while calculating fair value of the options granted:

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%

	2019	2018
	Number of Options	
Options outstanding at the beginning of the year	147,500	214,500
Options exercised during the year	(20,000)	(67,000)
Options outstanding at the end of the year	127,500	147,500

	2019	2018
	Rupees in '000'	
20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	99,079	56,614
Current portion of obligations shown under current liabilities	(43,675)	(25,499)
	55,404	31,115

Present value of minimum lease payments have been discounted at an implicit interest rate ranging between 7.81 % to 12.45% (2018: 7.79 % to 11%) 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:

	2019		
	Minimum Lease Payment	Future Finance Charges	Present Value of Lease Liability
Not later than one year	53,543	9,867	43,675
Later than one year but not later than five years	60,507	5,103	55,404
	114,050	14,970	99,079

Notes to the Consolidated Accounts

For the year ended June 30, 2019

	Minimum Lease Payment	2018 Future Finance Charges	Present Value of Lease Liability
Not later than one year	29,003	3,504	25,499
Later than one year but not later than five years	33,395	2,280	31,115
	62,398	5,784	56,614

	2019	2018
	Rupees in '000'	
21. DEFERRED INCOME		
Opening balance	7,826	-
Addition during the year	-	8,058
	7,826	8,058
Amortized during the year	(2,686)	(232)
	5,140	7,826

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.

	2019	2018
	Rupees in '000'	
22. LONG TERM ADVANCES		
Long term advances	8,415	2,311
Less: Current portion	(3,272)	(1,625)
	5,143	686

22.1 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 to them.

23. TRADE AND OTHER PAYABLES			
Creditors	23.1	41,680	27,908
Accrued liabilities		368,899	330,167
Interest accrued - secured		6,782	7,646
Due to related party	23.2	26,855	99,359
Withholding tax		13,275	16,883
Provident fund payable		25,610	21,013
Other payables		7,438	441
Sales tax payable		1,215	-
		491,754	503,417
23.1 Creditors include PKR 0.3M payable to a related party Nadoz greenz.			
23.2 Due to related party			
Parent			
NetSol Technologies Inc.	23.2.1	19,779	92,962
Associated			
NetSol Technologies Europe Ltd	23.2.1	7,076	6,397
		26,855	99,359

23.2.1 This relates to normal course of business of the Group and is interest free.

24. CONTRACT LIABILITIES

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

There is an increase of Rs. 97.5 million in contract liabilities as compared to last fiscal year. Explanation of significant changes are as follows:

The Company applied the modified retrospective method upon adoption of IFRS 15 on July 1, 2018. Due to this adoption cumulative effect recorded in contract liabilities at July 1, 2018 was increase by PKR 26 million

During the current fiscal year due to devaluation of local currency forex rates increased quite significantly. Resultantly there is a cumulative increase of PKR 71.5 million in contract liabilities.

		2019	2018
		Rupees in '000'	
25. SHORT TERM BORROWINGS			
Export refinance - ERF - II secured	25.1	880,000	850,000
RF - secured	25.1	173,000	-
LAPC - secured	25.1	-	150,000
		1,053,000	1,000,000
25.1 EXPORT REFINANCE/LAPC/RF - SECURED			
Askari Bank Limited - ERF - II	25.1.1	500,000	500,000
Askari Bank RF	25.1.1	53,000	-
Samba Bank Limited - ERF - II	25.1.2	380,000	350,000
Samba Bank Limited - RF	25.1.2	120,000	-
Samba Bank Limited - LAPC	25.1.2	-	150,000
		1,053,000	1,000,000

25.1.1 The facility for export refinance (ERF) is available from Askari Bank Limited amounting upto Rs 500 million (2018 : Rs 500 million), availed Rs. 500 million (2018 : 500 million) It carries mark-up of State Bank Refinance Rate+1% per annum (2018 : State Bank Refinance Rate+1% per annum). The interest rate charged for fiscal year 2019 was 3% (2018 : 3%). The due balance is payable bi-annually.

A sublimit of export refinance amounting to \$ 3 million under FE 25 is available from Askari Bank Limited (2018 : \$ 3 million)

The company has a running finance facility from Askari Bank Limited upto Rs. 75 million (2018 : 75 million) for working capital requirement. It carries markup at the rate of 3 month Kibor + 2%. (2018 : 3 month Kibor + 2%). As at June 30, 2019, 53 million was outstanding against this facility. (2018: Nil).

A facility for issuance of guarantees (LG) is a sublimit of Running Finance (RF) from Askari Bank Limited. LG facility Limit is available upto Rs. 40 million (2018 : Rs. 100 million), availed Rs. 11.488 million. (2018 : Rs. 9.289 million)

A sublimit of RF is available from Askari Bank Limited for corporate credit cards upto Rs. 10 million (2018 : Rs. 6 million)

Unused running finance facility including its sublimit as at June 30, 2019 is Rs. 0.512 million (2018: 85 million)

The facilities from Askari Bank Limited are secured by way of 1st ranking Pari Passu charge over the Company's all present and future current assets amounting to Rs. 767 million (2018: Rs. 767 million) and 1st ranking Pari Passu charge of Rs. 767 million over fixed assets of the company (2018: Rs. 767 million).

The facilities from Askari bank are also secured by way of 1st equitable mortgage over 9 Kanal, 2 Kanal and 16 Marla properties, all located at Ghazi road, Lahore Cantt.

The facilities from Askari bank are also secured by way of Personal Guarantees (PG's) of Salim Ullah Ghauri, Omar Shahab Ghauri and Najeeb Ullah Ghauri.

Notes to the Consolidated Accounts

For the year ended June 30, 2019

25.1.2 The facility for ERF/LAPC/RF is available from SAMBA bank Limited amounting upto total Rs. 650 million (2018 : 650 million), availed ERF Rs. 380 million (2018 : 350 million), LAPC Rs. Nil (2018 : 150 million) and RF Rs. 120 million (2018: Rs. Nil). ERF carries mark-up at State Bank Refinance Rate+1% per annum (2018: State Bank Refinance Rate+1%). Interest rate charged for the fiscal year 2019 for ERF was 3% (2018 : 3%), LAPC/RF carries markup at the rate of 1 month Kibor+1.5% (2018 : 3 month Kibor+1.5%). The due balance of ERF/LAPC is payable bi-annually.

The unused ERF/LAPC/RF facility as at June 30, 2019 is Rs. 150M (2018: Rs. 150M)

The facilities from SAMBA bank limited are secured by way of 1st Pari Passu charge over Company's all present and future current assets amounting to Rs. 667 million (2018: 667 million) and 1st Pari Passu charge of Rs. 667 million over fixed assets of the company (2018: 667 million).

The facilities from SAMBA bank are secured by way of 2nd ranking equitable mortgage over 9 Kanal, 2 Kanal and 16 Marla properties, all located at Ghazi road, Lahore Cantt.

The facilities from SAMBA bank are also secured by way of Personal Guarantees (PG's) of Salim Ullah Ghauri, Omar Shahab Ghauri and Najeeb Ullah Ghauri.

25.1.3 The short term borrowings from Askari Bank Limited and Samba Bank Limited contain certain loan covenants. Any future breach of covenants may require the Company to repay the loan earlier than agreed. The Company monitors the compliance with covenants on regular basis. As on June 30, 2019, the company is fully compliant with all loan covenants.

		2019	2018
		Rupees in '000'	
26. CURRENT PORTION OF LONG TERM LIABILITIES			
Current portion of lease liability	20	43,675	25,499
Current portion of long term advances	22	3,272	1,625
		46,947	27,124

27. CONTINGENCIES & COMMITMENTS

27.1 Contingencies

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

27.1.2 While disposing off a show cause notice issued by FBR under section 161 of the Income Tax Ordinance, 2001 for the tax year 2015, the assessing authority, in its judgement dated 26th July 2016 contended and considered the commission paid to a non-resident as fee for technical services and imposed a tax of Rs.1,516,535 u/s 152 of the Income Tax Ordinance, 2001. The company filed an appeal u/s 127 of the said Ordinance before the Commissioner Inland Revenue (Appeals), Lahore dated 24 Aug 2016 on the grounds that amount paid to non resident is in respect of commission and cannot be considered fee for technical services, hence exempt from tax. The decision is currently pending with the competent authority. The company is confident that final outcome will be in its favor and accordingly no provision has been made in these financial statements in this respect.

27.2 Commitments

- 27.2.1** The Company has issued worth Rs. 11.488 million (2018: 9.289 million) bank guarantees to LESCO and Standard Chartered Bank against its corporate credit cards.
- 27.2.2** The subsidiary shall indemnify Innovation Group (EMEA) Limited up to £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.
- 27.2.3** The Company has capital commitments of Rs. 16.8 million under capital purchase agreements as at June 30, 2019. (2018: 41.75 million)

28. REVENUE FROM CONTRACTS WITH CUSTOMERS	Note	2019	2018
		Rupees in '000'	
DISAGGREGATION OF REVENUE:			
Export Revenue			
License		1,572,775	650,820
Services		2,202,638	2,876,907
Maintenance		1,045,894	747,075
Reimbursable expenses		548,612	-
		5,369,919	4,274,802
Local Revenue			
Services		325	-
Maintenance		12,757	11,598
		13,082	11,598
Sales tax		(1,804)	(1,600)
		5,381,196	4,284,800
28.1 Amount of revenue recognized from beginning balance of contract liabilities:			
opening balance		371,243	-
Add: impact of IFRS 15		26,005	-
Restated Opening balance		397,248	-
Revenue recognized		380,357	-
28.2 The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June are, as follows:			
Within one year		1,213,941	-
More than one year		7,571,310	-
Total		8,785,251	-

Notes to the Consolidated Accounts

For the year ended June 30, 2019

	Note	2019 Rupees in '000'	2018
29. COST OF REVENUE			
Salaries & benefits	29.1	1,827,382	1,584,819
Consultancy charges		-	17,764
Software licenses		21,445	-
Staff training		6,724	1,553
Rent, rates & taxes		-	2,405
Travelling & conveyance		709,325	66,047
Communication		38,729	31,309
Utilities		22,102	23,070
Printing & stationery		1,411	1,744
Entertainment		50,075	49,366
Insurance		793	2,218
Vehicle running & maintenance		54,037	34,010
Repair & maintenance		82,628	49,742
Fee & subscription		14,794	3,887
Depreciation	5.2	145,774	174,706
Amortization of leased assets	5.5	22,320	12,170
Amortization of intangible assets	6.1	293,504	293,504
		3,291,043	2,348,314
29.1. Salaries and benefits include Rs. 82.72 million (2018 : Rs. 61.359 million) in respect of retirement benefits.			
30. SELLING AND PROMOTION EXPENSES			
Salaries & benefits	30.1	280,513	215,373
Staff training		538	25
Rent, rates & taxes		11,509	11,827
Travelling and conveyance		64,285	57,556
Communication		3,050	2,089
Utilities		1,633	1,085
Printing & stationery		1,796	611
Entertainment		5,318	3,193
Insurance		1,595	843
Vehicle running expenses		11,389	6,956
Repairs and maintenance		13,517	1,716
Commission on sales		255,199	267,769
Sale promotional expenses		19,077	2,767
		669,419	571,810
30.1 Salaries and benefits include Rs. 7.07 million (2018 : Rs. 3.778 million) in respect of retirement benefits.			

	Note	2019 Rupees in '000'	2018
31. ADMINISTRATIVE EXPENSES			
Salaries and benefits	31.1	436,432	387,974
Staff training		2,095	1,457
Rent, rates and taxes		27,209	24,320
Travelling and conveyance		42,622	24,505
Communication & postage		15,807	11,045
Printing and stationery		1,814	1,371
Utilities		15,452	14,447
Entertainment		30,472	28,607
Insurance		5,369	3,489
Advertisement		1,711	1,440
Vehicle running expenses		21,246	10,346
Repairs and maintenance		27,539	15,921
Legal and professional charges		6,438	5,301
Auditors remuneration	31.2	3,500	3,000
News papers & periodicals		-	72
Office supplies		5,838	4,650
Charity & donation	31.3	22,074	13,968
Fee & subscription		25,893	8,285
Miscellaneous expenses		-	100
Research and development cost		237,589	86,107
Provision for doubtful debts		24,243	35,303
Depreciation	5.2	48,632	57,790
Amortization of leased assets	5.5	7,440	4,056
		1,009,414	743,554
31.1 Salaries and benefits include Rs. 17.38 million (2018 : Rs. 10.885 million) in respect of retirement benefits.			
31.2 Auditors remuneration			
Audit fee		2,200	1,700
Certifications of group reporting		650	700
Professional services		350	300
Out-of-pocket expenses		300	300
		3,500	3,000
31.3 Charity & donation			
Detail of names of the donee along with amount of donation in case amount of donation exceeds higher of Rs. 1 million or 10% of total amount of donation is given below:			
Name of Donee			
DIL Foundation		4,095	2,352
Farooq Trust School		2,496	2,694
NUST		3,000	-
BIPP Institute		3,543	-
		13,133	5,046
Interest of the Directors or their spouses in the donations made during the year is as follows:			
Name of Donee and address	Name of interested directors and nature of interest		
Shahid Javed Burki Institute of Public Policy at NetSol (126-B Ahmad Block, New Garden Town, Lahore)	Salim Ghauri - Member Board of Directors	3,543	-
32. OTHER OPERATING EXPENSES			
Loss on disposal of assets		-	4,304

Notes to the Consolidated Accounts

For the year ended June 30, 2019

	Note	2019 Rupees in '000'	2018
33. OTHER INCOME			
<i>Income from financial assets</i>			
Profit on bank deposits	33.1	83,653	24,394
		83,653	24,394
<i>Income from non-financial assets</i>			
Gain on foreign currency translation		846,887	497,078
Gain on disposal of assets		10,077	-
Amortization of deferred revenue		2,686	231
Rental income		900	900
		860,550	498,209
		944,203	522,603

33.1 Income is earned under both conventional mark-up arrangement and shariah compliant arrangement.

34. FINANCE COST			
Lease finance charges		8,014	3,154
Mark up on loans		30,408	39,137
Lease documentation charges		22	23
Bank charges		1,331	1,207
		39,775	43,521

35. TAXATION			
Income of the Group from export of computer software and its related services developed in Pakistan is exempt from tax up to June 30, 2025 provided that eighty per cent of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels as per clause 133 of part 1 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.			
Reconciliation of income tax expense for the year			
Accounting Profit from continuing operations		1,315,748	1,095,900
Enacted tax rate		29%	30%
Tax on accounting profit at enacted rate		381,567	328,771
Tax effect on income exempt from tax		(356,842)	(317,966)
Tax effect of income taxed at different rates		(3,065)	(1,048)
International taxation effect		54,830	39,256
Prior year adjustment		(1,358)	969
		75,132	49,983

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.

36. EARNINGS PER SHARE			
Basic			
Profit attributable to ordinary shareholders of NetSol Technologies Limited		1,267,579	1,105,441
Profit from continuing operations attributable to ordinary shareholders of NetSol Technologies Limited		1,240,616	1,045,917
Weighted average number of ordinary shares in issue during the year	36.1	89,723	89,679
Basic - In Rupees		14.13	12.33
Basic - In Rupees Continued operations		13.83	11.66
Diluted			
Profit attributable to ordinary shareholders of NetSol Technologies Limited		1,267,579	1,105,441
Profit from continuing operations attributable to ordinary shareholders of NetSol Technologies Limited		1,240,616	1,045,917
Weighted average number of ordinary shares in issue during the year	36.2	89,830	89,812
Diluted - In Rupees		14.11	12.31
Diluted - In Rupees Continued operations		13.81	11.65

36.1 Weighted average number of ordinary shares (basic)

		2019	2018
		Rupees in '000'	
Issued ordinary shares as at July 1		89,703	89,636
Weighted average of shares issued during the year		20	43
Weighted average number of ordinary shares (basic) as at June 30		89,723	89,679
36.2 Weighted average number of ordinary shares (diluted)			
Weighted average number of ordinary shares (basic)	36.1	89,723	89,679
Effect of exercise of share options		107	133
Weighted average number of ordinary shares (diluted) as at June 30		89,830	89,812

37. 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	
	2019	2018	2019	2018	2019	2018
Rupees in '000'						
Managerial remuneration	8,000	8,000	7,200	5,600	943,396	715,035
Retirement benefits	640	640	576	448	58,071	41,918
Rent and house maintenance	3,200	3,200	2,880	2,240	356,068	286,014
Utilities	800	800	720	560	89,017	71,504
Medical expenses	1,139	1,022	2,665	976	32,902	27,919
Commission	-	-	-	-	110,137	79,721
Total	13,779	13,662	14,041	9,824	1,589,591	1,222,111
No. of Persons	1	1	1	1	389	352

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

During the current year certain executives of the company exercised stock options under employee stock option scheme according to which 20,000 shares (2018: 67,000) were allotted to them.

Nothing is paid to any non-executive director (including independent directors) in form of remuneration or other benefits except fee approved by the board for attending the board and other committee meetings amounting Rs. 980,000

38. CAPITAL MANAGEMENT

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

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

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

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

		2019	2018
		Rupees in '000'	
Total debt	38.1	1,152,079	1,056,614
Less : Cash and cash equivalents		(1,951,746)	(2,123,337)
Net debt		-	-
Total equity	38.2	7,320,119	7,078,915
Gearing ratio (In percentage)		0%	0%

Notes to the Consolidated Accounts

For the year ended June 30, 2019

38.1 Total debt includes liabilities against assets subject to finance lease and short term borrowing.

38.2 The total equity includes all the capital and reserves of the Group.

39. TRANSACTION WITH RELATED PARTIES

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

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

		2019 2018	
		Rupees in '000'	
Relationship with the Group	Nature of transactions		
(i) Associated undertaking	Rental Income	900	900
	Provision of services	1,074,920	643,854
	Purchase of services	29,305	22,090
(ii) Parent	Commission	97,836	96,065
	Dividend	118,793	68,836
	Loan	-	113,713
(iii) Post Employment benefit	Contribution to defined contribution plan	-	-
		107,181	86,091

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

Company Name	Country of Incorporation	Basis of association	Aggregate %age of Shareholding
NetSol Technologies (Thailand) Limited	Thailand	Sister concern	Nil
NetSol Technologies (Beijing) Co., Limited	China	Sister concern	Nil
NetSol Technologies Australia Pty Limited	Australia	Sister concern	Nil
NetSol Technologies Americas	USA	Sister concern	Nil
NetSol Technologies Europe Limited	UK	Sister concern	Nil
NetSol Technologies Inc	USA	Parent company	66.20%
WRLD3D Inc	USA	Associate	Nil

39.2 Details of associated Company with whom the group had entered into transaction or had agreements other than already disclosed in note 39.1 above are as follows:

Company Name	Basis of Relationship	Common directorship	Percentage of shareholding
NetSol Connect (Pvt) Limited	Associated company	Yes	Nil
Nadoz Greenz	Associated undertaking	Yes	Nil

40. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial Risk Management

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

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

(a) Credit Risk

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

		2019	2018
Rupees in '000'			
Financial Assets			
Amortized cost			
Trade debts	40.1	2,531,603	1,340,024
Loans and advances		5,270	4,128
Security deposits		4,499	4,222
Other receivables		7,219	25,686
Due from related parties		23,117	25,878
Bank balances	40.2	1,939,723	2,120,731
		4,511,431	3,520,669

40.1 The Group does not have significant exposure to any individual customer. The Group has made allowances, where necessary, for potential losses on credits extended.

40.2 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+	PACRA
MCB Bank Limited	A-1+	AAA	PACRA
Standard Chartered Bank Limited	A-1+	AAA	PACRA
Meezan Bank Limited	A-1+	AA+	VIS
Dubai Islamic Bank Pakistan Limited	A-1+	AA	VIS
Samba Bank Limited	A-1	AA	VIS
Summit Bank Limited	A-3	BBB-	VIS

Notes to the Consolidated Accounts

For the year ended June 30, 2019

(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:

	2019				
	Carrying amount	Contractual cash flows	One year or less	Two to five years	More than five years
	Rupees in '000'				
Non-derivative financial liabilities					
Finance lease liability	99,079	114,050	53,543	60,507	-
Trade and other payables	481,447	481,447	481,447	-	-
Short-term borrowings	1,053,000	1,145,144	1,145,144	-	-
	1,633,526	1,740,641	1,680,134	60,507	-
	2018				
	Carrying amount	Contractual cash flows	One year or less	Two to five years	More than five years
	Rupees in '000'				
Non-derivative financial liabilities					
Finance lease liability	56,614	62,398	29,002	33,395	-
Trade and other payables	489,483	489,483	489,483	-	-
Short-term borrowings	1,000,000	1,038,205	1,038,205	-	-
	1,546,097	1,590,086	1,556,690	33,395	-

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

(c) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short term borrowings from bank, term deposits and deposits in profit and loss/saving accounts with banks and investments in mutual funds. At the statement of financial position date profile of the Group's interest-bearing financial instrument is:

	2019	2018
	Rupees in '000'	
Financial assets		
Bank balances	1,766,425	1,269,803
Financial Liabilities		
Finance lease liability	99,079	56,614
Short-term borrowings	1,053,000	1,000,000
	1,152,079	1,056,614

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates, with all other variables held constant, of the Group's profit net of tax.

	2019	2018
	Rupees in '000'	
Impact on Statement of Profit or Loss (net of tax)		
As at 30 June		
100 bps increase will result in decrease in profit by	8,004	7,429
100 bps decrease will result in increase in profit by	8,004	7,429

(d) Foreign Currency Risk

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

Exposure to currency risk

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

Trade Debts	2,531,603	1,340,024
Cash & bank balances	379,629	402,070
Due from related parties	-	25,878
Due to related parties	(26,855)	(99,359)
Net Exposure	2,884,377	1,668,613

Sensitivity analysis

The following analysis demonstrates the impact of a 5% strengthening/weakening of the Pak Rupee against other currencies which include UK , US\$ AUS\$, RMB¥, THB & UAED at 30 June on equity and statement of profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

Impact on Statement of Profit or Loss (net of tax)		
As at 30 June		
Strengthening	993,446	1,683,594
Weakening	(993,446)	(1,683,594)

(e) Fair Value of Financial Assets and Liabilities

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

40.3 Financial Instruments By Category

Financial Assets at amortised cost

Trade debts	2,531,603	1,340,024
Loans and advances	5,270	4,128
Security deposits	4,499	4,222
Other receivables	7,219	25,686
Due from related parties	23,117	25,878
Cash and Bank balances	1,939,723	2,123,337
	4,511,431	3,523,275

Notes to the Consolidated Accounts

For the year ended June 30, 2019

	2019	2018
	Rupees in '000'	
Financial liabilities at amortised cost		
Finance lease liability	99,079	56,614
Trade and other payables	481,447	489,483
Short-term borrowings	1,053,000	1,000,000
	1,633,526	1,546,097

41. PROVIDENT FUND RELATED DISCLOSURE

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

Size of the fund - Total Assets	820,865	648,973
Cost of investment made	665,384	553,575
Percentage of investment as size of fund	81.1%	85.3%
Fair value of investments	668,908	556,609

41.1 The breakup of fair value of investments is

	2019		2018	
	Investments Rupees in '000	Percentage of investment as size of fund	Investments Rupees in '000	Percentage of investment as size of fund
Bank Balances	665,376	81.1%	243,229	37.5%
Mutual Funds	-	0.0%	150,000	23.1%
Others	8	0.0%	160,346	24.7%
	665,384	81.1%	553,575	85.3%

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

42. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at June 30, 2019 and 2018 respectively as follows:

	2019	2018
	No of Employees	
Average number of employees during the year	1,201	1,277
Number of employees as at year end	1,236	1,206

43. ANNUAL SOFTWARE DEVELOPMENT CAPACITY

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

44. SEGMENT REPORTING

For Management purposes, the Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different to industries.

The Group measures the performance of its operating segments through a measure of segment's gross profit or loss referred to as segment results. Segment results are determined by deducting directly attributable segment expenses from segment revenues. The accounting policies of the reportable segments are the same as that of the Group's accounting policies. This measure is reported to the CODM for the purposes of resource allocation and assessment of performance. All other expenses are reported separately to CODM.

Intersegment revenue is recorded at fair market price.

Segment assets and liabilities are not regularly provided to the CODM. The Group has elected as provided under IFRS 8 'Operating Segments' (amended) not to disclose a measure of segment assets or liabilities where these amounts are not regularly provided to the CODM.

With respect to geographical regions, revenue is generally allocated to regions based on the location where the products and services are provided.

Fixed assets used in the business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. Accordingly, no disclosure relating to total segment assets and liabilities are made.

Reportable Segments

The CODM has identified the segments which may earn revenues and incur expenses and whose operating results are subject to regular monitoring. Following are identified segments.

(i) Global Leasing and Financial Solutions (NFS)

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

(ii) Information Security (IS) and Software Services and Solutions (SSS)

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

(iii) Business Process Outsourcing (BPO)

The Group provides IT Related Outsourcing services mainly in the USA and European regions.

Except as indicated above, no operating segments have been aggregated to form the above reportable.

Notes to the Consolidated Accounts

For the year ended June 30, 2019

45. SEGMENT REVENUES AND RESULTS

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

	2019					
	Continued operations				Discontinued operations	Total
	NFS	IS & SSS	BPO	Total	BPO	
	Rupees in '000					
Revenue - net						
External sales						
Licence	1,572,775	-	-	1,572,775	-	1,572,775
Services	2,040,583	280	162,055	2,202,918	8,339	2,211,257
Maintenance	1,045,894	10,997	-	1,056,891	-	1,056,891
Reimbursable expenses	515,821	-	32,791	548,612	-	548,612
Total revenue	5,175,072	11,277	194,846	5,381,196	8,339	5,389,535
Cost of revenue	(3,086,340)	(5,262)	(199,440)	(3,291,043)	(28,746)	(3,319,789)
Segment results	2,088,732	6,015	(4,594)	2,090,153	(20,407)	2,069,746
Unallocated corporate expenses:						
Selling and promotion expenses				(669,419)	-	(669,419)
Administrative expenses				(1,009,414)	(27,969)	(1,037,383)
Other income				944,203	100,844	1,045,047
Finance cost				(39,775)	(37)	(39,812)
Taxation				(75,132)	(2,395)	(77,527)
Profit after taxation				1,240,616	50,036	1,290,652
Depreciation & amortization	446,284	371	14,943	461,598	-	461,598
	2018					
	Continued operations				Discontinued operations	Total
	NFS	IS & SSS	BPO	Total	BPO	
	Rupees in '000					
Revenue - net						
External sales						
Licence	650,820	-	-	650,820	-	650,820
Services	2,686,050	-	190,857	2,876,907	361,104	3,238,011
Maintenance	747,075	9,998	-	757,074	-	757,074
Total revenue	4,083,945	9,998	190,857	4,284,800	361,104	4,645,904
Cost of revenue	(2,217,372)	(7,901)	(123,041)	(2,348,314)	(315,090)	(2,663,404)
Segment results	1,866,573	2,097	67,816	1,936,486	46,014	1,982,500
Unallocated corporate expenses:						
Selling and promotion expenses				(571,810)	-	(571,810)
Administrative expenses				(743,553)	(3,672)	(747,225)
Other operating expenses				(4,304)	-	(4,304)
Other income				522,603	58,493	581,096
Finance cost				(43,522)	(747)	(44,269)
Taxation				(49,983)	(1,905)	(51,888)
Profit after taxation				1,045,917	98,183	1,144,100
Depreciation & amortization	470,149	448	9,783	480,380	11,371	491,751

*Key

NFS = NetSol Financial Suite & NFS Ascent

IS = Information Security and other services

BPO = Business Process Outsourcing

SSS = Software Services and Solutions

45.1. Revenue by geographic regions

The revenue is generated from clients in following geographical regions:

Continued operations						Discontinued Operations		
Pakistan	Asia Pacific	Australia & USA	UK	Others	Total	Australia & USA	UK	Total

2019	11,277	4,264,369	775,746	30,539	299,265	5,381,196	-	8,339	5,389,535
2018	9,998	3,519,636	472,382	29,591	253,193	4,284,800	25,831	335,273	4,645,904

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

45.2 Revenue from major customers

The revenue from major customer during the year was Rs. 1,519 million (2018: 1,646 million).

45.3 Non current assets

Net book value of non-current assets held in foreign countries is Rs. Nil (2018 : Rs. Nil).

46. CORRESPONDING FIGURES

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

47. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 20, 2019 by the Board of Directors.

48. NON ADJUSTING EVENT AFTER STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors in their meeting held on September 20, 2019 have recommended a final cash dividend of 28% (2018: 25%) i.e., Rs. 2.8 per share (2018: Rs. 2.5 per share). The above recommendations of cash dividend are subject to the approval of the members at the Annual General Meeting to be held on October 21, 2019. These financial statements do not include the effect of the above recommendations and they will be accounted for in the period in which they are approved by the members.

49. GENERAL

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

The background features a complex network of thin blue lines forming various geometric shapes, primarily triangles and polygons, scattered across the white page. Interspersed among these lines are numerous small, grey dots of varying sizes, creating a starry or network-like effect.

ANNUAL
**GENERAL
MEETING**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 23rd Annual General Meeting of the shareholders of NetSol Technologies Limited (the "Company") will be held on October 21, 2019 at 11:00 A.M at the Registered Office of the Company situated at NetSol IT Village (Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt., to transact the following ordinary business:

1. To receive, consider and adopt the Reports of Directors, Chairman and Auditors together with audited annual separate and consolidated financial statements for the year ended June 30, 2019.
2. To approve the payment of final cash dividend of Rs.2.80 per share (i.e., @28%) as recommended by the board of directors.
3. To appoint Auditors and fix their remuneration. The members are hereby notified that the Audit Committee and the Board of directors have recommended the name of retiring auditors M/s H.Y.K & Co. Chartered Accountants for appointment as auditors of the Company.

By Order of the Board

SEHRISH

Company Secretary

Lahore

September 27, 2019

NOTE:

1. Share transfer books of the Company will remain closed from October 15, 2019 to October 21, 2019 (both days inclusive). Physical/ CDC transfers received in order at the Shares Registrar, M/s Vision Consulting Ltd., 3-C, LDA Flats, Lawrence Road, Lahore Tel: (92 42) 36283096, 36283097 and Fax: (+92 42) 36312550 by the close of business on October 14, 2019 will be treated in time for determining the entitlement of cash dividend to the transferees and to attend, speak and vote at the meeting.
2. Shareholders are requested to notify the change of address, if any.
3. A member entitled to attend and vote at the general meeting may appoint another member as his/her proxy to attend and vote on his/her behalf and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the Annual General Meeting as are available to the Member. In order to be effective, proxies, complete in all respect, must be received at the registered office of the Company not less than 48 hours before the scheduled time of the meeting. Proxy Form in English and Urdu languages is attached herewith.
4. CDC account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan in Circular 1 dated 26 January 2000 :
 - A) **For Attending the Meeting:**
 - a) In case of individuals, the account holder or sub-account holder and/or the persons whose shares are in group accounts and their registration details are uploaded as per CDC regulations shall authenticate their identity by showing their original computerized national identity cards (CNICs) or original passport at the time of attending the meeting.
 - b) In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
 - B) **For Appointing Proxies:**
 - a) In case of individuals, the account holder or sub-account holder and/or persons whose shares are in group accounts and their registration details are uploaded as per CDC regulations, shall submit the proxy form as per the above requirements.
 - b) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - c) Attested copies of CNICs or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - d) The proxy shall 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.

ATTENTION OF THE MEMBERS ARE DRAWN TO THE FOLLOWING MATTERS:**5. CNIC, IBAN for E-Dividend & Zakat**

- a) As per Section 242 of the Companies Act 2017, in case of a Public listed company, any dividend payable in cash shall only be remitted through electronic mode directly into the bank account designated by the entitled shareholders. Therefore, through this notice, all shareholders are requested to update their bank account No. (IBAN), CNIC & details in the Central Depository System through respective participants. In case of physical shares, to provide bank account (IBAN) details to our Share Registrar, M/s Vision Consulting Ltd. Please ensure an early update of your particulars to avoid any inconvenience in future. E-Dividend mandate form is enclosed in the annual report and also available on the website of the Company, www.netsolpk.com. In case of non-submission, all future dividend warrants may be withheld.
- b) Members are requested to submit declaration (CZ-50) as per Zakat & Ushr Ordinance 1980 for zakat exemption and to advise change in address, if any.

6. Unclaimed Shares / Dividends to vest with the Federal government

Members of the Company are informed that in compliance with the provisions of Section 244 of the Companies Act, 2017, shares / dividend which remain unclaimed or unpaid for a period three years from the date it is due and payable will be vested with the Federal Government after the lapse of the time period as prescribed by the Securities and Exchange Commission of Pakistan (SECP), if no claim is made by respective members. Accordingly, all those members whose shares/dividend remain unclaimed or unpaid for the mentioned period are once again requested to lodge their claims as the Company has already dispatched notices in this respect to all such shareholders at their last known addresses, where available with the Company.

7. Deduction of Income Tax from Dividend at Revised Rates

- i) Pursuant to the provision of Finance Act, 2019, effective July 01, 2019, applicable rates on payment of dividend have been amended and the rates of deduction of income tax, under Section 150 of Income Tax Ordinance, 2001 have been revised as follows:

- a) Rate of tax deduction for persons whose name appearing in Active Taxpayer List (ATL) - 15%
- b) Rate of tax deduction for persons whose name not appearing in Active Taxpayer List (ATL) - 30%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, all the shareholders whose names are not entered into the Active Tax payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL on or before the date of approval of cash dividend at the Annual General Meeting of October 21, 2019 otherwise tax on their cash dividend will be deducted @ 30% instead of @ 15%.

In the case of shares registered in the name of two or more shareholders, each joint-holder is to be treated individually as either a filer or non-filer and tax will be deducted by Company accordingly on the basis of shareholding of each joint-holder as may be notified to the Company in writing. The joint-holders are, therefore, requested to submit their shareholdings otherwise each joint holder shall be presumed to have an equal number of shares.

The CNIC number/NTN detail is now mandatory and is required for checking the tax status as per the Active Taxpayers List (ATL) issued by Federal Board of Revenue (FBR) from time to time.

- ii) For any query/problem/information, the investors may contact the Company and /or the Share Registrar at the following phone Numbers, email address:

The Manager Shares
M/s Vision Consulting Ltd.,
3-C, LDA Flats, Lawrence Road, Lahore
Tel: (92 42) 36283096, 36283097
Fax: (+92 42) 36312550
E-mail: shares@vcl.com.pk

- iii) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate members having physical shares should send a copy of their NTN certificate to the Company or its Share Registrar i.e. M/s Vision Consulting Ltd. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name their respective folio numbers.

8. Dissemination of Annual Audited Accounts and Notice of Annual General Meeting

The Company has placed a copy of the Notice of AGM, the Audited Annual Separate and Consolidated Financial Statements for the year ended June 30, 2019 along with Auditors' and Directors' Reports thereon and Chairman's Review Report on Company's website i.e. <http://www.netsolpk.com/investor-information.php>.

Further, in accordance with SRO 470(I)/2016 dated May 31, 2016, through which SECP has allowed companies to circulate the annual audited accounts to its members through CD/DVD/USB instead of transmitting the hard copies at their registered addresses, subject to the consent of shareholders and compliance with certain other conditions, the Company had obtained shareholder's approval in its Annual General Meeting held on October 25, 2016. Accordingly, annual audited accounts of the Company for the year ended June 30, 2019 are being dispatched to the shareholders through CD. The shareholders may request a hard copy of annual audited accounts, which shall be provided free of cost within seven days of receipt of such request.

Further, in terms of SRO No.787(I)/2014 dated September 8, 2014, shareholders can also opt to obtain annual balance sheet and profit and loss accounts, auditors' report and directors' report etc., along with the Notice of the Annual General Meeting through email. For this purpose, we hereby give you the opportunity to send us your written request along with your valid email ID to provide you the same via email.

For the convenience of shareholders, a Standard Request Form (for the provision of annual audited accounts) is enclosed and also available at the company's website: i.e. www.netsolpk.com

9. Deposit of Physical Shares into CDC Account

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

10. Video Conference Facility

The Company shall provide video conference facility to its members for attending the Annual General Meeting, at places other than the town in which the Annual General Meeting is taking place, after considering the geographical dispersal of its members: provided that if members, collectively holding 10% or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video conference at least 10 days prior to date of the meeting, the Company shall arrange video conference facility in that city subject to availability of such facility in that city.

In this regard, please fill the following form and submit to the registered address of the Company 10 days before holding of the Annual General Meeting:-

I/We, _____ of _____ being a member of NetSol Technologies Limited, holder of _____ Ordinary shares as per Register Folio No. _____ hereby opt for video conference facility at _____ _____ Signature of member

NETSOL TECHNOLOGIES LIMITED

STANDARD REQUEST FORM

for dispatch of Annual Audited Financial Through email or post

The Company Secretary
NetSol Technologies Limited
NetSol IT Village (Software Technology Park)
Lahore Ring Road, Ghazi Road Interchange
Lahore Cantt.

I/We _____ hereby give my/our written consent to NetSol Technologies Limited to send me/us the annual audited financial statements along with the notice of Annual General Meeting of the Company electronically and I understand that the electronic transmission shall meet the requirements of the provisions of the Companies Act, 2017:

OPTION 1

a. Through email on below mentioned email address:

E-mail address on which I wish to receive Annual Financial Statements along with the Notice of AGM.	
---	--

OR

OPTION 2

b. Hard copy through post/courier at my below mentioned registered address:

Address on which I wish to receive hard copy of Annual Financial Statements along with the Notice of AGM instead of CD/DVD/USB	
--	--

Shareholder's Detail	
Name of the Shareholder	
Folio No/CDC Participant ID & A/C No.	
CNIC No.	
Passport No. (In case of Foreign Shareholder)	
Landline Telephone No.	
Cell Phone No.	
Email Address	

It is Stated that the above mentioned information is correct and any change therein will be intimated to the Company according to the instructions as mentioned below.

Signature of the shareholder

Instructions

In case of any change in above mentioned information, scanned copy of duly filled-in and signed form may be sent through email to info@netsolpk.com or in writing through post/courier either to the Company or to the Company's Share Registrar, M/s Vision Consulting Limited, 3-C, LDA Flats, Lawrence Road, Lahore. Phone: 042-36283069-97 Fax:042-36312550, Email: shares@vcl.com.pk

NETSOL TECHNOLOGIES LIMITED

E-Dividend Mandate Letter

To:

Subject: Bank Account details for Payment of Dividend through Electronic Mode

Dear Sir/Madam

I/We/Messrs., _____ being a/the shareholder(s) of NetSol Technologies Limited [the "Company"], hereby, authorize the Company, to directly credit cash dividends declared by it, in my bank account as detailed below:

(i) Shareholder's details:	
Name of the Shareholder	
Folio No./CDC Participant ID & Sub-Account No./CDC IAS	
CNIC/NICOP/Passport/NTN No. (please attach copy)	
Contact Number (Landline & Cell Nos.)	
Shareholder's Address	
Email Address	
(ii) Shareholder's Bank account details:	
Title of Bank Account	
IBAN (See Note 1 below)	
Bank's Name	
Branch Name & Code No.	
Branch Address	

It is stated that the above particulars given by me are correct and I shall keep the Company, informed in case of any changes in the said particulars in future.

Your truly

Signature of the shareholder/authorized signatories
(Please affix company stamp in case of corporate entity)

Notes:

1. Please provide complete IBAN, after checking with your concerned Bank branch to enable electronic credit directly into your bank account
2. This letter must be sent to shareholder's participant/CDC Investor Account Services which maintain his/her CDC account for incorporation of bank account details for direct credit of cash dividend declared by the Company from time to time. In case of physical shares, the form must be sent to the Company's Share Registrar.
3. Pursuant to the directives of the Securities and Exchange Commission of Pakistan (SECP) your Computerized National Identity Card (CNIC) is mandatorily required to be mentioned on your dividend warrant and if your CNIC number is not available in our records, your dividend warrant will not be issued / dispatched to you. In order to comply with this regulatory requirement, you are requested to kindly send a photocopy of your valid CNIC to the registered office of NetSol Technologies Limited or to the 'Share Registrar Department, Central Depository Company of Pakistan Limited, CDC House, 99-B, Block 'B' , S.M.C.H.S., Main Shakra-e-Faisal, Karachi-74400, Pakistan' . Kindly ignore if you have already provided your CNIC number to us.

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 NetSol IT Village (Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt., on Monday October 21, 2019 at 11:00 a.m. and at any adjournment thereof.

Signed at _____ this _____ Day of _____ 2019.

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.

First Fold

Third Fold and Tuck In

پراکسی فارم

میں مسٹی / مسماة

(نام)

ساکن

(جگہ)

بحیثیت **نیٹ سول ٹیکنالوجیز لمیٹڈ** کا ایک ممبر یہاں

میں مسٹی / مسماة

(نام اور فوئیو نمبر / پارٹیسپنٹ اکاؤنٹ نمبر اور سب اکاؤنٹ نمبر)

ساکن

(جگہ)

جو کہ کمپنی کا ایک ممبر بھی ہے، کو بطور مختار (پراکسی) مقرر کرتا کرتی ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے سالانہ اجلاس عام جو مورخہ 21 اکتوبر 2019ء بروز پیر صبح 11:00 بجے بمقام نیٹ سول ٹیکنالوجیز لمیٹڈ، آئی ٹی ویلج، (سافٹ ویئر ٹیکنالوجی پارک) لاہور رنگ روڈ، غازی روڈ انٹر چینج، لاہور کینٹ میں منعقد یا کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

دستخط کی جگہ _____ تاریخ _____ دن _____ 2019ء۔

گواہی نمبر

دستخط:

نام:

پتہ:

کمپیوٹرائزڈ قومی شناختی کارڈ

یا پاسپورٹ نمبر:

گواہی نمبر ۲

دستخط:

نام:

پتہ:

کمپیوٹرائزڈ قومی شناختی کارڈ

یا پاسپورٹ نمبر:

نوٹ:-

۱) پراکسی فارم ہر لحاظ سے مکمل اور موثر ہونی چاہئے اور اسے کمپنی کے رجسٹرڈ آفس واقع نیٹ سول ٹیکنالوجیز لمیٹڈ سول آئی ٹی ویلج (سوفٹ ویئر ٹیکنالوجی پارک) لاہور رنگ روڈ، غازی روڈ انٹر چینج لاہور کینٹ میں کم از کم اجلاس سے ۴۸ گھنٹے قبل جمع کرانا ہوگا۔

۲) پراکسی کمپنی کا ممبر ہوں۔ دستخط کمپنی کے ریکارڈ شدہ نمونہ سے تصدیق ہو۔

پانچ روپے کی
رسیدی ٹکٹ

Second Fold

Affix Revenue
Stamp

The Company Secretary

NetSol Technologies Limited

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

First Fold

Third Fold and Tuck In

INVESTOR'S AWARENESS

With reference to SRO 924(1) / 2015 dated September 9, 2015 issued by the Securities and Exchange Commission of Pakistan (SECP), the following informational message has been added for investor's awareness.

www.jamapunji.pk

**Be aware, Be alert,
Be safe**
Learn about investing at
www.jamapunji.pk

Key features:

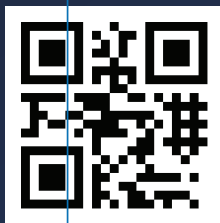
- Licensed Entities Verification
- Scam meter*
- Jamapunji games*
- Tax credit calculator*
- Company Verification
- Insurance & Investment Checklist
- FAQs Answered
- Stock trading simulator (based on live feed from KSE)
- Knowledge center
- Risk profiler*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes

Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

jamapunji.pk

[@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices



NETSOL Technologies Limited

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

www.netsolpk.com
Email: info@netsolpk.com