



NetSol Technologies Ltd.
NetSol IT Village (Software Technology Park), Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt. 54792, Pakistan.
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FORM-08
Date:30/10/2019

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

Subject: Transmission of Quarterly Report for the Period Ended September 30, 2019

Dear Sir,

We have to inform you that the Quarterly Report of the Company for the period ended September 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





NETSOL Technologies Limited

FINANCIAL STATEMENTS (UN-AUDITED)

For The Quarter Ended

September

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.

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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
SAMBHA 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

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Tel: +92-21-111-638-765
Fax: +92-21-3431-3464

WEB PRESENCE

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Directors' Report

On behalf of the Board of Directors of NetSol Technologies Limited, we are pleased to present the unaudited condensed financial statements of our company together with its consolidated accounts for the quarter ended September 30, 2019.

GENERAL OVERVIEW

The first quarter of the new fiscal year was a good but challenging quarter for the company as country's geo-political situation remained quite challenging. However meaningful progress was made on vital initiatives taken to enhance and streamline our internal processes and further accelerate our growth. In the course of this period, NETSOL further solidified its supremacy in the global asset finance and leasing industry with successful implementations of its premier product NFS Ascent in China.

A major American multinational automaker went live in China with NETSOL's core product NFS Ascent's Retail Platform, which comprises of Omni Point of Sale (Omni-POS) and Contract Management System (CMS). Part of a multi-million dollar contract, this implementation marked the second successful implementation of NETSOL's next-gen, premier product NFS Ascent in China.

The Company, through provisioning of both license as well as major services to the sister concern, has also successfully implemented NFS Ascent Wholesale Platform in China for a tier-one auto captive finance company. This deployment was part of a \$30 million contract for implementations of NETSOL's next-gen solution NFS Ascent's Retail and Wholesale Platforms in China.

NETSOL was the winner of PASHA ICT Awards 2019 in the Corporate Social Responsibility (CSR) category. This prestigious award is a testament of the Company's commendable performance in the area of CSR. NETSOL continues to fulfil its duties as a responsible corporate entity through ongoing involvement in socially beneficial activities tailored for well-being of the environment and local communities. At these awards, NETSOL also received the runners up award in the Internet of Things (IoT) category for the OTOZ Fleet Owner App launched by the company.

FINANCIAL PERFORMANCE

Comparisons of un-audited separate as well as consolidated accounts for the quarter ended September 30, 2019 with the corresponding period of fiscal year 2018 are given below:

Particulars	SEPARATE FINANCIAL STATEMENTS	
	Jul-Sep 2019	Jul-Sep 2018
Revenue (in million)	1,318	1,222
Gross profit (in million)	511	485
Net (loss)/profit (in million)	(190)	135
(LPS)/EPS – diluted (in Rs.)	(2.11)	1.51
EBITDA per share – diluted (in Rs.)	(0.89)	3.07

During the first quarter of new fiscal year, the Company posted net revenue of PKR 1,318 million compared to PKR 1,222 million in the same quarter of last fiscal year. In the current quarter, license revenue of PKR 389 million is generated due to deployment of NFS Ascent at two customers' sites in the asia pacific region in comparison to the license revenue of PKR 471 million which was mainly associated with the provisioning of license to sister concern's client for the implementation of NFS Ascent™ in China in the comparable period. Service revenue increased from PKR 439 million to PKR 463 million. Change request is an ongoing services revenue stream for the company as the customers keep on changing/enhancing the systems under their use. In addition to it, maintenance revenue also grew from PKR 212 million to PKR 393 million during the current quarter. The increase in maintenance revenue is mainly associated with different customers going into maintenance phase after their successful implementation. While comparing revenue with the comparative year, some of the increase in all revenue streams is also due to devaluation of Pakistani Rupee against other currencies. The company also recorded a travel reimbursable revenue amounting PKR 73 million compared to PKR 100 million in the same quarter of last fiscal year. Same amount is also booked as travel cost in the cost of revenue section of the statement of profit and loss. Gross profit increased to PKR 511 million compared to PKR 485 million in the corresponding period. The Company posted a net loss of PKR 190 million compared to net profit of PKR 135 million last year. Included in net loss is PKR 249 million on account of currency exchange loss due to appreciation in Pakistani Rupee in the current quarter compared to an exchange gain of Rs. 7 million in the comparable period. Company also recorded share of loss from associate amounting to PKR 21 million compared to NIL in the corresponding period. Loss per diluted share was PKR 2.11 in comparison of earnings per diluted share of PKR 1.51 in the corresponding period of last fiscal year. Company posted net EBITDA loss of PKR 0.89 per diluted share compared to an EBITDA profit of PKR 3.07 per share in the corresponding period.

CONSOLIDATED FINANCIAL STATEMENTS

Particulars	Continued Operations		Discontinued Operations		Total	
	Jul-Sep 2019	Jul-Sep 2018	Jul-Sep 2019	Jul-Sep 2018	Jul-Sep 2019	Jul-Sep 2018
Revenue (in million)	1,318	1,222	-	8	1,318	1,230
Gross Profit (in million)	511	484	-	(20)	511	464
Net Profit (in million)	(190)	132	(23)	(14)	(213)	118

The Company also consolidates financial results of its subsidiary 'NetSol Innovation (Pvt) Limited'. The subsidiary company has closed all its operations effective July 31, 2018. Net consolidated revenues for the quarter ended September 30, 2019 were PKR. 1,318 million compared to PKR 1,230 million in fiscal 2018. Consolidated gross profit for the quarter was PKR 511 million, up from PKR 464 million in the same period last year. On a consolidated basis, the company posted net consolidated loss of PKR 213 million in the current quarter compared to profit of PKR 118 million in the same period last year.

FUTURE OUTLOOK

Given the signs of global recession, customers are taking financial decisions very cautiously and that's why more time is being taken in finalizing a new deal. NETSOL will, however, continue to promote its next-gen solution across all regions for the global asset finance and leasing industry – NFS Ascent, along with NFS Digital, its suite of digital solutions. There have been requests for information and demos by a number of renowned banks and finance companies in different regions of the world including United Kingdom, Ireland and Thailand.

As an alternate to the traditional license model, we have added subscription-based pricing model. This pricing model applies to all our products and can be availed for cloud or on premises deployment. Subscription-based pricing is offered on a monthly, quarterly and annual basis along with other value-based variants built into the model to decrease buy-in cost for new customers and to provide an alternative to current customers seeking lower software usage & maintenance cost. No upfront license cost enables organizations to expense out usage & maintenance of software under OPEX rather than going through a complex and lengthy procurement cycle to pay heavy licensing. It also provides them with flexibility and the control to scale effortlessly. We believe that in the longer run, this recurring billing model would empower NETSOL through providing substantial and sustained growth as well as higher revenues and customer lifetime values. For high end and first tier customers, license option will still be offered.

Our sales team, in addition to other marketing initiatives, is continually making efforts to educate potential clients regarding the company's products and latest offerings and to generate new leads, NETSOL also sponsors, and exhibits at and attends summits, conferences, conventions, exhibitions, award ceremonies and other networking events across the world. 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 October. We are confident that investment in these events will result in bringing in more leads and subsequent contracts for the company.

With the ferocity of competition in the global asset finance and leasing industry and each region NETSOL operates in, the company does not plan on slowing down the pace of technological evolution and innovation. Innovation lab will continue its imperative role in research and development for company's both new as well as existing clients, by not only modernizing existing products, but generating new products for the future and thereby generating increased revenue streams. This is what enables the company to maintain its position in the finance and leasing industry worldwide and what enables the company's clients to maintain a competitive edge over their competition.

ACKNOWLEDGEMENT

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

On behalf of the Board


Salim Ullah Ghauri
Chief Executive Officer

October 30, 2019
Lahore


Omar Ghauri
Director

ڈائریکٹر رپورٹ

ہمیں خوشی ہے کہ نیٹ سول ٹیکنالوجیز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کی 30 ستمبر 2019ء کو ختم ہونے والے عرصہ کے لئے غیر آڈٹ شدہ مالیاتی گوشوارے بشمول مجموعی مالیاتی گوشوارے پیش کر رہے ہیں۔

عمومی جائزہ:- (General Overview)

نئے مالی سال کی پہلی سہ ماہی کمپنی کے لئے اچھی بننے کے ساتھ ساتھ خط کی سیاسی صورتحال کی وجہ سے پر آزمائش رہی۔ تاہم کمپنی نے اپنے internal processes کو بڑھانے اور ہموار کرنے اور ہماری ترقی کے عمل کو مزید تیز کرنے کے لئے اٹھائے جانے والے اہم اقدامات پر مبنی تیز پیشرفت کی ہے۔ اس عرصے کے دوران، نیٹ سول نے global asset finance اور ریٹائرمنٹ انڈسٹری میں اپنی اولین مصنوعات NFS Ascent™ کے کامیاب نفاذ سے اپنی بالادستی کو مزید مضبوط کیا ہے۔

جین میں نیٹ سول نے ایک بڑی امریکی ملٹی بینشل کارساز کمپنی کے لئے اپنی بنیادی مصنوعات NFS Ascent's Retail Platform جو کہ Omni Point of Sale (Omni-POS) اور Contract Management System (CMS) پر مشتمل ہے کا نفاذ مکمل کیا ہے۔ جین میں یہ نفاذ ملٹی ملین معاہدے کا ایک حصہ ہے، نیٹ سول کے next-gen پر بیگز مصنوعات NFS Ascent™ کے دوسرے کامیاب نفاذ کی نشاندہی کرتا ہے۔

کمپنی نے جین میں، sister concern کے ذریعہ ایک اعلیٰ درجے کی آٹو کمپیوٹڈ فنانس auto captive finance کمپنی میں انٹرنس کی فراہمی کے ساتھ ساتھ major services مہیا کرنے سے، NFS Ascent Wholesale Platform کو کامیابی کے ساتھ نافذ کیا ہے۔ یہ نفاذ نیٹ سول کے NFS Ascent's next-gen solution Retail اور Wholesale Platforms پر جین میں مل درآمد کے 30 ملین ڈالر کے معاہدے کا حصہ تھا۔

نیٹ سول نے کارپوریٹ سماجی ذمہ داری (CSR) کے زمرے میں PASHA ICT ایوارڈ 2019 حاصل کیا ہے۔ یہ باقار ایوارڈ CSR کے شعبے میں کمپنی کی قابل ستائش کارکردگی کا ثبوت ہے۔ نیٹ سول ماحول اور مقامی communities کے فلاح و بہبود کے لئے موزوں معاشرتی فائدہ مند سرگرمیوں میں جاری مشغولیت کے ذریعہ ایک ذمہ دار کارپوریٹ entity کی حیثیت سے اپنے فرائض کی تکمیل جاری رکھے ہوئے ہے۔ اس کے علاوہ ان ایوارڈز میں نیٹ سول نے کمپنی کے شروع کردہ OTOZ Fleet Owner App کیلئے انٹرنیٹ آف ٹھنجز (IoT) کے زمرے میں ریزرپ ایوارڈ بھی حاصل کیا۔

مالیاتی کارکردگی (Financial performance)

30 ستمبر 2019ء کو ختم ہونے والی سہ ماہی سب سے 2018ء کی اسی مدت کے مالیاتی سال کے غیر آڈٹ شدہ مالیاتی گوشوارے کے نتائج کا موازنہ درج ذیل ہے۔

انفرادی مالیاتی گوشوارے

جولائی تا ستمبر 2019ء	جولائی تا ستمبر 2018ء
1,318	1,222
511	485
(190)	135
(2.11)	1.51
(0.89)	3.07

محصولات (ملین میں)
 خام منافع (ملین میں)
 صائی (نقصان) / فٹج (ملین میں)
 نقصان / منافع فی حصص - تحلیل شدہ (روپوں میں)
 EBITDA فی حصص - تحلیل شدہ (روپوں میں)

نئے مالی سال کی پہلی سہ ماہی کے دوران، کمپنی نے گزشتہ مالی سال کے اسی سہ ماہی میں 1,222 ملین روپے کے مقابلے میں 1,318 ملین روپے کی خالص محصولات درج کی ہیں۔ موجودہ سہ ماہی میں 389 ملین روپے کے انٹرنس محصولات وصول ہوئے جو بنیادی طور پر ایٹیا، پیٹک خطے میں دو صارفین کی NFS Ascent™ sites کے نفاذ سے منسلک ہیں جبکہ گزشتہ مالی سال کے اسی سہ ماہی میں، 471 ملین روپے انٹرنس محصولات وصول ہوئی تھیں جو بنیادی طور پر جین میں sister concern کو لائسنس کی provisioning کے بعد کلائنٹس سائٹ پر NFS Ascent™ کے نفاذ سے منسلک تھیں۔ سروس محصولات 439 ملین روپے سے بڑھ کر 463 ملین روپے ہو گئے ہیں۔ تبدیلی کی درخواست کمپنی کے لیے خدمات کے شعبے میں مسلسل آمدنی کا ذریعہ ہے، کیونکہ سٹریٹوز اپنے زیر استعمال سٹیم کوئڈریل اپریٹوٹی کی ہمیشہ ضرورت دیتی ہے۔ اس کے علاوہ، موجودہ سہ ماہی کے دوران بحالی محصولات بھی 212 ملین روپے سے بڑھ کر 393 ملین روپے ہوئے ہیں۔ بحالی کی محصولات میں اضافہ بنیادی طور پر مختلف صارفین سے منسلک ہے جو کامیاب نفاذ کے بعد بحالی کے مرحلے میں جارہے ہیں۔ جبکہ محصولات کو تقابلی سال کے ساتھ موازنہ کرتے ہوئے، تمام محصولات میں اضافہ دوسری کرنسیوں کے مقابلے میں پاکستانی روپے کی قدر میں کمی کی وجہ سے بھی ہے۔ کمپنی نے گزشتہ مالی سال کی اسی سہ ماہی میں 100 ملین روپے کے مقابلے میں 73 ملین روپے کی travel reimbursable محصولات بھی ریکارڈ کی ہیں۔ فٹج و نقصان کے حسابات کے محصولات کی لاگت کے سیکشن میں ایسی رقم سفر کی لاگت کے طور پر یک ہے۔ خام منافع ای مدت میں 485 ملین روپے کے مقابلے میں 511 ملین روپے تک بڑھ گیا ہے۔ کمپنی نے گزشتہ سال 135 ملین روپے کے خالص منافع کے مقابلے میں 190 ملین روپے کا خالص خسارہ درج کیا ہے۔ رواں سہ ماہی میں 249 ملین روپے پاکستانی روپے میں قدر کی بدولت زرمبادلہ میں خسارے کی وجہ سے خالص خسارے میں شامل ہیں جبکہ اسی موازنہ مدت میں روپے کی زرمبادلہ مدت میں 7 ملین روپے کا فائدہ ہوا تھا۔ اسی مدت میں کمپنی نے 21 ملین روپے سے associate کا خسارہ بھی درج کیا ہے جو گزشتہ سال کی اسی مدت میں NIL درج تھا۔ گزشتہ سال کی اسی مدت میں ملین خالص منافع کی حصص 1.51 روپے کے مقابلے میں موجودہ سہ ماہی میں 2.11 روپے تحلیل شدہ خسارے فی حصص سے کمپنی نے اس عرصے میں 3.07 روپے تحلیل شدہ فی حصص کے EBITDA خالص منافع کے مقابلے میں تحلیل شدہ فی حصص 0.89 روپے کا خالص EBITDA خسارہ درج کیا ہے۔

مجموعی مالیاتی گوشوارے

کل میزبان	Discontinued Operations		Continued Operations	
	جولائی تا ستمبر 2019ء	جولائی تا ستمبر 2018ء	جولائی تا ستمبر 2019ء	جولائی تا ستمبر 2018ء
محصولات (ملین میں)	1,318	8	-	1,222
خام منافع (ملین میں)	511	(20)	-	484
نقد منافع (ملین میں)	(213)	(14)	(23)	132

کمپنی کے ماتحت ادارہ 'نیٹ سول انویشن (پرائیویٹ) لمیٹڈ' کے مجموعی مالیاتی گوشوارے شامل کر دیے ہیں۔ ماتحت ادارے کی تمام سرگرمیاں 31 جولائی 2018ء سے بند کردی گئی تھیں۔ 30 ستمبر 2019ء کو ختم ہونے والی سہ ماہی کیلئے نقد مجموعی محصولات اسی سہ ماہی 2018ء کے 1,230 ملین روپے کے مقابلے میں 1,318 ملین روپے سے درج کی ہیں۔ مجموعی خام منافع گزشتہ مالی سال کی اسی سہ ماہی کے 464 ملین روپے کے مقابلے میں موجودہ سہ ماہی میں 511 ملین روپے سے درج کی ہیں۔ مجموعی بنیاد پر گزشتہ مالی سال کی اسی سہ ماہی، 118 ملین روپے نقد مجموعی منافع کے مقابلے میں 213 ملین روپے کا نقد مجموعی خسارہ موجودہ سہ ماہی میں درج کیا ہے۔

مستقبل کا نقطہ نظر Future Outlook

عالمی کساد بازاری کی علامات کے پیش نظر، صارفین بہت محتاط انداز میں مالی فیصلے لے رہے ہیں اور اسی وجہ سے کسی بھی نئے معاہدے کو حتمی شکل دینے میں مزید وقت لیا جا رہا ہے۔ تاہم، نیٹ سول اپنی next-gen solution NFS Ascent™ کے ساتھ NFS Digital، اس کے suite of digital solutions کو عالمی فنانس اور لیونگ انڈسٹری کے لئے تمام علاقوں میں اس کا فروغ دینا جاری رکھے گا۔ دنیا کے مختلف خطوں میں برطانیہ، آئرلینڈ اور تھائی لینڈ سمیت متعدد شہر نیٹ سول اور فنانس کمپنیوں سے معلومات اور demos کیلئے درخواستیں وصول ہوئی ہیں۔

روایتی لائسنس ماڈل کے متبادل کے طور پر، ہم نے رکنیت پر مبنی قیمتوں کا طریقہ کار (subscription based pricing model) متعارف کروایا ہے۔ قیمتوں کا یہ طریقہ کار ہماری تمام مصنوعات پر لاگو ہوگا اور cloud اور premises deployment کے لئے دستیاب ہوگا۔ اس کے علاوہ قدر پر مبنی قیمتوں کے تعین کا طریقہ کار بھی وضع کیا گیا ہے جو کہ نئے صارفین کے خرچے کو کم کرے گا یہ تبادلے کا طریقہ کار موجودہ صارفین جو کہ کم قیمت سہولتیں چاہتے ہیں کو مدد فراہم کرے گا۔ لائسنس کی ابتدائی قیمت ختم کرنے سے صارفین ادارے سوئٹ و ٹریڈ پر خرچے کو سیدھا منافع نقصان کے میزان کو چارج کر دیں گے اور بھاری قیمت کے لائسنس کی خریداری کے لئے اور پیچیدہ عمل سے بچ جائیں گے۔ یہ خرچے کو کنٹرول کرنے کا flexible اور آسان طریقہ کار ہے۔ ہمیں یقین ہے کہ یہ طویل مدت میں یہ میٹروپولیٹن کا طریقہ کار نیٹ سول کو موقع فراہم کرے گا کہ وہ تحقیقی اور مسلسل نمو حاصل کرنے کے ساتھ ساتھ زیادہ محصولات اور صارفین کا اعتماد حاصل کرے اور اعلیٰ درجے کے صارفین کے لئے لائسنس کے لئے انتخاب کا اختیار حاصل رہے گا۔

ہماری بیلڈ ٹیم، مارکیٹنگ کے دیگر اقدامات کے علاوہ، کمپنی کی مصنوعات اور تازہ ترین پیش کشوں کے بارے میں potential clients کو مطلع کرنے اور نئی leads پیدا کرنے کے لئے مسلسل کوششیں کر رہی ہے۔ نیٹ سول دنیا بھر میں تقاریب اور ریزرونگ کے دیگر پروگرامات کو اپنا سر کرنے کے علاوہ اجلاسوں، کانفرنسوں، کنونشنز، نمائندوں اور ایوارڈز میں بھی شرکت کرتا ہے۔ ہم نے عالمی سطح پر ریاستہائے متحدہ، برطانیہ، چین، تھائی لینڈ اور انڈونیشیا میں ہونے والے پروگراموں میں اپنی موجودگی برقرار رکھنے کے لئے شیڈول تیار کیا ہے۔ ہماری شمولیت، asset finance اور لیونگ شیڈ کے عالمی رہنما کی حیثیت سے، ادارے کی کچھ مکمل leads تک رسائی ہوتی ہے۔ اس اکتوبر میں نیٹ سول آئیون فنانس سمٹ (Auto Finance Summit) جو امریکا کا سب سے premium events میں سے ایک ہے، کا افتتاحی اسپانسر ہوگا، ہم بڑے اعتماد ہیں کہ ان ایونٹ میں سرمایہ کاری کے نتیجے میں مستقبل میں کمپنی کیلئے مزید leads اور اس کے بعد معاہدے کرنے کا سلسلہ جاری رہے گا۔

عالمی فنانس اور لیونگ انڈسٹری میں اور ان علاقوں میں جہاں نیٹ سول کی سرگرمیاں ہیں، ان میں شدید مقابلہ بازی کے پیش نظر کمپنی اپنے ٹیکنالوجی اور جدت پسندی کی رفتار میں کمی کا کافی منصوبہ نہیں کر سکتی۔ کمپنی کی Innovation Lab میں اس نئے اور موجودہ کلائنٹس کے لئے تحقیق اور ترقی کی تناظر میں اپنا کردار جاری رکھے گی، انویسٹمنٹ لیڈ نہ صرف موجودہ مصنوعات کو جدید بنا کر، بلکہ مستقبل کے لئے نئی مصنوعات بھی تیار کرے گی اور اس سے محصولات میں اضافہ ہوگا۔ یہی چیز کمپنی کو فنانس اور لیونگ کی صنعت میں دنیا بھر میں اپنی پوزیشن برقرار رکھنے اور کمپنی کے کلائنٹس کو مقابلے پر مسابقتی برتری برقرار رکھنے کے قابل بناتی ہے۔

اعتراف (Acknowledgement)

بورڈ آف ڈائریکٹرز کمپنی کے حصص یافتگان، قابل قدر صارفین، سرکاری اداروں اور مالیاتی اداروں کی جانب سے حمایت و معاونت کے لیے ان کی تعریف کرتا ہے اور خراج تحسین پیش کرتا ہے۔ بورڈ کمپنی کے تمام ایگزیکٹوز اور اسٹاف ممبرز کا ان کی قابل قدر خدمات و وفاداری اور ان کی مسلسل کوششوں کو قدرتی نگاہ سے دیکھتا ہے اور انہیں بھی خراج تحسین پیش کرتا ہے اور امید کرتا ہے کہ مستقبل میں بھی ان کی تخلصانہ کوششیں جاری و ساری رہیں گی۔

از طرف بورڈ آف ڈائریکٹرز

ہلال

عمرووری
(ڈائریکٹر)

80

سلیم اللہ خوری
(چیف ایگزیکٹو آفیسر)

لاہور

130 اکتوبر 2019ء

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 data or connectivity. The text is centered in the lower half of the page, overlaid on this pattern.

FINANCIAL
STATEMENTS
For the Quarter Ended September
30, 2019

Condensed Interim Statement of Financial Position - Unaudited

As at September 30, 2019

	NOTE	Sep-19 Unaudited	Jun-19 Audited
Rupees in '000'			
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	5	1,671,502	1,679,165
Intangible assets	6	1,141,025	1,214,401
		2,812,527	2,893,566
Long term investments	7	286,343	308,567
Long term loans to employees	8	728	470
		3,099,598	3,202,603
CURRENT ASSETS			
Trade debts	9	1,619,589	2,531,603
Contract assets		1,498,281	1,167,646
Loans and advances	10	57,513	52,261
Trade deposits & short term prepayments		46,814	20,948
Other receivables		7,174	7,219
Due from related parties		193,448	23,117
Taxation - net		48,367	52,716
Cash & bank balances		1,974,521	1,951,746
		5,445,707	5,807,256
TOTAL ASSETS		8,545,305	9,009,859
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital 150,000,000 ordinary shares of Rs.10/- each	11	1,500,000	1,500,000
Issued, subscribed and paid-up capital	11	898,369	897,229
Share deposit money		13	13
Reserves	12	5,799,152	5,982,218
		6,697,534	6,879,460
NON-CURRENT LIABILITIES			
Lease liabilities		45,828	55,404
Deferred income		4,469	5,140
Long term advances		5,817	5,143
		56,114	65,687
CURRENT LIABILITIES			
Trade and other payables	13	438,039	491,754
Contract liabilities		249,878	468,828
Short term borrowings		1,053,000	1,053,000
Current portion of long term liabilities		46,595	46,947
Unclaimed dividend		4,145	4,183
		1,791,657	2,064,712
CONTINGENCIES & COMMITMENTS	14	-	-
TOTAL EQUITY AND LIABILITIES		8,545,305	9,009,859

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Condensed Interim Statement of Profit or Loss - Unaudited

For The Quarter Ended September 30, 2019

	NOTE	Jul-Sep 2019	Jul-Sep 2018
Rupees in '000'			
Revenue from contracts with customers - net	15	1,317,583	1,221,875
Cost of revenue		(806,943)	(737,169)
Gross profit		510,640	484,706
Selling and promotion expenses		(142,600)	(118,263)
Administrative expenses		(301,740)	(227,493)
Other operating expenses		(248,768)	-
Other income		46,942	33,805
		(646,166)	(311,951)
Operating (Loss) / Profit		(135,526)	172,755
Finance cost		(9,238)	(12,079)
Share of loss of Associate		(20,787)	-
(Loss) / Profit before taxation		(165,551)	160,676
Taxation			
Current Period	16	(23,991)	(25,364)
(Loss) / Profit after taxation for the period		(189,542)	135,312
(Loss) / Earnings per share			
Basic - In Rupees	18	(2.11)	1.51
Diluted - In Rupees	18	(2.11)	1.51

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Condensed Interim Statement of other Comprehensive Income - Unaudited

For The Quarter Ended September 30, 2019

	Jul-Sep 2019	Jul-Sep 2018
	Rupees in '000'	
(Loss) / Profit after taxation for the period	(189,542)	135,312
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):		
Share of other comprehensive loss of an associate	(1,437)	
Total comprehensive (loss)/income for the period	(190,979)	135,312

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Condensed Interim Statement of Cash Flows - Unaudited
For The Quarter Ended September 30, 2019

	2019	2018
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation for the period	(165,551)	160,676
Adjustments for non cash charges and other items:		
Depreciation - own assets	41,351	46,581
Amortization of right of use assets	7,383	5,556
Amortization of intangible assets	73,376	73,376
(Gain)/Loss on disposal of fixed assets	46	(2,327)
Amortization of deferred revenue	(671)	(671)
Foreign exchange loss/(gain)	248,722	(6,765)
Interest expense	8,907	11,740
Interest income	(46,046)	(22,548)
Deferred employee compensation expense	7,200	11,673
Provision for impairment	15,403	-
Share of loss of Associate	20,787	-
	376,458	116,615
Cash generated from operations before working capital changes	210,907	277,291
Working Capital Changes		
Trade debts & Contract Assets/Liabilities	98,304	(407,967)
Loans and advances	(5,510)	(35,261)
Trade deposits & short term prepayments	(25,866)	(11,218)
Other receivables	45	18,132
Due from related parties	(170,331)	(89,807)
Trade and other payables	(47,105)	(54,454)
Cash (used in) operations	(150,463)	(580,575)
Interest paid	(15,517)	(14,522)
Income taxes paid	(19,642)	(26,104)
Dividend paid	(38)	(15)
Net cash generated from/(used in) operations	25,247	(343,925)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment's purchased	(64,120)	(40,954)
Sales proceeds of fixed asset	152	16,468
Advances against capital expenditure	22,854	(19,252)
Interest received	46,046	22,548
Net cash generated from/(used in) investing activities	4,929	(21,191)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	1,140	200
Share premium	714	129
Paid against lease liabilities	(10,280)	(12,442)
Received against lease liabilities	-	17,908
Long term advances	1,026	1,689
Net cash (used in) /generated from financing activities	(7,400)	7,484
Net Increase / (Decrease) in cash and cash equivalents	22,775	(357,633)
Cash and cash equivalents at the beginning of the period	1,951,746	2,123,337
Cash and cash equivalents at the end of the period	1,974,521	1,765,704

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Condensed Interim Statement of Changes in Equity - Unaudited

For The Quarter Ended September 30, 2019

	Issued, sub-scribed and paid-up capital	Share de-posit mon-ey	Capital Reserve			Revenue Reserve	Total
			Employ-ee share option com-pen-sation reserve	Share premi-um	Foreign cur-rcy trans-lation reserve	Unappropri-ated profit	
Rupees In '000'							
Balance as at June 30, 2018	897,029	13	131,202	303,108	-	5,354,598	6,685,950
Restatement on initial application of IFRS 15						(785,377)	(785,377)
Net profit for the quarter ended September 30, 2018	-	-	-	-	-	135,312	135,312
Shares issued against options exercised (20,000 shares at Rs. 10 each)	200	(328)	(30)	158	-		
Amount received against options exercised		328					328
Contribution of parent on account of employee share options			11,673				11,673
	200	-	11,643	158	-	(650,065)	(638,064)
Balance as at September 30, 2018	897,229	13	142,845	303,266	-	4,704,533	6,047,886
Balance as at June 30, 2019	897,229	13	166,367	303,266	-	5,512,585	6,879,460
Net loss for the period						(189,542)	(189,542)
Other comprehensive loss for the period					(1,437)		(1,437)
Total comprehensive loss for the period	-	-	-	-	(1,437)	(189,542)	(190,979)
Shares issued against options exercised (114,000 shares at Rs. 10 each)	1,140	(1,872)	(168)	900			-
Amount received against option exercised		1,872					1,872
Lapse of 13,500 share options			(20)	-		-	(20)
Contribution of parent on account of employee share options	-	-	7,200	-		-	7,200
	1,140	0	7,012	900	(1,437)	(189,542)	(181,927)
Balance as at September 30, 2019	898,369	13	173,379	304,166	(1,437)	5,323,043	6,697,534

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

Notes to the Condensed Interim Financial Statements - Unaudited

For The Quarter Ended September 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 condensed interim financial statements are separate condensed interim financial statements of the Company. Condensed consolidated interim financial statements of the company are prepared separately.

2.2 Statement of compliance

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

-International Accounting Standard (IAS) 34, Interim Financial Reporting, 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 with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed."

These condensed interim financial statements are unaudited and do not include all the disclosures and information required in the annual financial statements and should be read in conjunction with the preceding annual published financial statements of the company for the year ended June 30, 2019.

2.3 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention, except for revaluation of certain financial instruments at fair value. These accounts have been prepared under accrual basis of accounting.

2.4 Functional and presentation currency

These condensed interim financial statements are presented in Pakistani Rupee, which is the Company's functional currency as well its presentation currency.

3. ACCOUNTING POLICIES

3.1. The accounting policies adopted for the preparation of these condensed interim 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, 2019 except for change in accounting policies for leases detailed below.

3.2. Standards, amendments and interpretations to approved accounting standards that are effective in the current period

(i) IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Company implemented the new standard IFRS 16 Leases as of July 1, 2019. The company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

a) The effect of adoption IFRS 16 is as follows:

The company has lease contracts for various vehicles and computer equipments. Before the adoption of IFRS 16, the company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the company; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased asset was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. On Initial application date, company had lease contracts in place which were previously classified as finance lease or operating lease under IAS 17, There is no material change in accounting for leases previously classified as finance lease under IAS 17 and for all leases previously classified as operating leases management has assessed and concluded these to be short term leases which under new IFRS 16 will continue to be accounted for as expense on a straight line basis.

Therefore, the adoption of IFRS 16 at 01 July 2019 did not have any monetary impact on the recognition and measurement of leases and thus didn't affect the financial statements of the Company.

b) Summary of new accounting policies

Right-of-use assets

The company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated over the shorter of its estimated useful life and the lease term. Right-of-use assets are also subject to impairment.

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

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

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

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

- (ii) Certain other standards, amendments and interpretations to approved accounting standards are also effective for accounting periods beginning on July 01, 2019, but are neither relevant nor have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in this condensed interim financial information.

4. USE OF ESTIMATES AND JUDGMENT

The preparation of condensed interim 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.

In preparing these condensed interim financial statements, the judgments, estimates and assumptions made by the management were the same as those that were applied to the preceding annual published financial statements of the Company for the year ended June 30, 2019.

		Sep-19 Unaudited	Jun-19 Audited			
Rupees in '000'						
5. PROPERTY, PLANT & EQUIPMENT						
Net book value of owned assets	5.1	1,536,368	1,506,400			
Net book value of right of use assets	5.2	135,134	149,911			
Advances against capital expenditure		-	22,854			
		1,671,502	1,679,165			
5.1 PROPERTY, PLANT & EQUIPMENT						
Opening Balance - net book value		1,506,400	1,635,901			
Additions	5.1.1	71,515	207,560			
		1,577,915	1,843,461			
Less:						
Disposals - net book value	5.1.2	(198)	(142,654)			
Depreciation & amortization		(41,350)	(194,407)			
		1,536,368	1,506,400			
5.1.1 Following is the detail of addition / (transfer)						
Furniture & fixture		1,328	4,598			
Vehicles		47,688	161,420			
Office equipment		2,240	4,065			
Computers		18,685	31,817			
Air conditioners		1,575	5,659			
Total		71,515	207,560			
5.1.2 Following is the detail of deletions						
	Cost	Sep-19 Unaudited Accumulated Depreciation	Written down Value	Cost	Jun-19 Audited Accumulated Depreciation	Written down Value
	Rupees in '000'					
Furniture & fixture	-	-	-	1,563	755	809
Vehicles	56	17	40	165,142	24,302	140,840
Office equipment	-	-	-	87	46	41
Computers	996	838	158	4,574	3,624	950
Air conditioners	-	-	-	42	29	13
Total	1,052	854	198	171,409	28,755	142,654
5.2 RIGHT OF USE ASSETS						
Opening Balance - net book value					149,911	92,991
Additions			5.2.1		-	102,858
					149,911	195,849
Less:						
Disposals - net book value					(7,395)	(16,177)
Amortization					(7,382)	(29,760)
					135,134	149,911
5.2.1 Following is the detail of addition / (transfer) :						
Vehicles					-	96,550
Computers					-	6,308
Total					-	102,858

5.2.2 Following is the detail of deletions	Cost	Sep-19 Unaudited Accumulated Depreciation	Written down Value	Cost	Jun-19 Audited Accumulated Depreciation	Written down Value
Vehicles	13,843	6,448	7,395	32,499	16,321	16,177
Total	13,843	6,448	7,395	32,499	16,321	16,177

		Sep-19 Unaudited	Jun-19 Audited
Rupees in '000'			
6. INTANGIBLE ASSETS			
Opening Balance - net book value		1,214,401	1,507,905
Less:			
Amortization		(73,376)	(293,505)
		1,141,025	1,214,401
7. LONG TERM INVESTMENTS - at cost			
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	271,155	293,379
		286,343	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 (2019 : 1,518,785) fully paid ordinary shares of Rs. 10/- each i.e. 50.52% of Equity held (2019 : 50.52%)

7.2 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. The company had successfully complied with the terms and conditions of the agreement and 4,092,189 shares are issued to the company. Company holds 12.2% ownership interest in WRLD3D. The Company uses equity method to account for investment in associate.

8. LONG TERM LOANS TO EMPLOYEES-Unsecured

Loan to employees	8.1	8,442	5,237
Less: current maturity		(7,714)	(4,767)
		728	470

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

9. TRADE DEBTS

Considered good - unsecured	9.1	1,619,589	2,531,603
Considered doubtful - unsecured	9.2	132,031	116,629
		1,751,620	2,648,232
Less: Provision for impairment		(132,031)	(116,629)
		1,619,589	2,531,603

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

9.2 This is a general provision created by the Company for any future doubtful trade debts

9.3 Amount receivable from related parties included in trade debts are as under:

		Sep-19 Unaudited	Jun-19 Audited
Rupees in '000'			
NetSol Technologies (Thailand) Limited		165,097	179,957
NetSol Technologies (Beijing) Company Limited		583,837	604,477
NetSol Australia Pty. Limited		9,281	14,156
NetSol Technologies Americas		151,408	139,767
WRLD3D Inc		183,130	166,417
		1,092,753	1,104,774
10. LOANS AND ADVANCES - Unsecured			
Current maturity of loans to employees	8	7,714	4,767
Advances			
- to executives		146	33
- against expenses	10.1	49,653	47,461
		57,513	52,261
10.1	Advances to employees are given to meet business expenses and are settled as and when the expenses are incurred.		
11. SHARE CAPITAL			
11.1	Authorised share capital		
		Sep-19 Unaudited	Jun-19 Audited
		Number of shares	
		150,000,000	150,000,000
		Ordinary Shares of Rs. 10 each.	
		1,500,000	1,500,000
11.2	Issued, subscribed & paid-up capital		
		42,686,191	42,572,191
		Ordinary Shares of Rs. 10 each fully paid in cash	
		47,150,732	47,150,732
		Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	
		89,836,923	89,722,923
		898,369	897,229
NetSol Technologies Inc. 23975, Park Sorrento, Suite 250, Calabasas CA 91302, is the parent company holding 66.12% (2019: 66.20%) of issued capital of the Company.			
12. RESERVES			
Capital reserve			
Premium on issue of ordinary shares		304,167	303,266
Employee share option compensation reserve		173,379	166,367
Foreign currency translation reserve		(1,437)	-
Revenue reserve			
Un - appropriated profit		5,323,043	5,512,585
		5,799,152	5,982,218
13. Trade and other payables also include payable to related parties, detail of which is given below:			
13.1 DUE TO RELATED PARTIES			
Parent			
NetSol Technologies Inc.	13.1.1	-	19,779
Associated			
NetSol Technologies Europe Limited	13.1.1	3,793	7,076
		3,793	26,855

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

14. CONTINGENCIES & COMMITMENTS**14.1 Contingencies**

14.1.1 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.

14.1.2 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.

14.2 Commitments

The Company has issued worth Rs. 11.488 million (2019: 11.488 million) bank guarantees to LESCO and Standard Chartered Bank against its corporate credit cards.

The Company has capital commitments of Rs. Nil under capital purchase agreements as at September 30, 2019. (2019: 16.8 million)

15. REVENUE FROM CONTRACTS WITH CUSTOMERS	Jul-Sep 2019	Jul-Sep 2018
DISAGGREGATION OF REVENUE:	Rupees in '000'	
Export Revenue		
License	389,129	470,736
Services	463,105	439,076
Maintenance	389,658	209,621
Reimbursable expenses	72,667	99,693
	1,314,559	1,219,126
Local Revenue		
Maintenance	3,508	3,189
Sales tax	(484)	(440)
	3,024	2,749
	1,317,583	1,221,875

16. 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.

17. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**Financial risk factors**

The Company's activities expose it to a variety of financial risks namely market risk (including currency risk, price risk and interest rate risk), credit risk, foreign exchange risk and liquidity risk. There has been no change in the risk management policies during the period, consequently this condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements.

Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in this condensed interim financial information approximate their fair value.

	Jul-Sep 2019	Jul-Sep 2018
Rupees in '000'		
18. (LOSS) / EARNINGS PER SHARE		
Basic		
(Loss) / Profit after taxation for the period	(189,542)	135,312
Weighted average number of ordinary shares in issue during the period	89,806	89,722
Basic - In Rupees	(2.11)	1.51
Diluted		
(Loss) / Profit after taxation for the period	(189,542)	135,312
Weighted average number of ordinary shares in issue during the period	89,831	89,835
Diluted - In Rupee	(2.11)	1.51

19. TRANSACTION WITH RELATED PARTIES

Related parties comprise of holding company, subsidiary, associated undertakings, key management personnel of the company and post employment benefits. The Company in its normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Parent, subsidiary and associated undertakings also have some common directorship.

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

	Relationship with the Company	Nature of transactions		
(i)	Subsidiary	Rental income	-	1,268
		Provision of services	-	1,581
		Mark-up income	-	22
(ii)	Associated undertaking	Rental income	225	225
		Provision of services	173,586	406,113
		Purchase of services	7,393	6,273
(iii)	Key management personnels	Salaries and benefits	44,855	39,578
		Retirement benefits	1,237	718
		Commission paid	78,551	57,917
(iv)	Post employment benefit	contribution plan	28,699	24,155

(v) There are no transactions with any key management personnel other than under the terms of employment.

20. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 30, 2019 by the Board of Directors.

21. GENERAL

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 data or a complex system. The text is centered in the lower half of the page, overlaid on this pattern.

CONSOLIDATED FINANCIAL
STATEMENTS
For the Quarter Ended September
30, 2019

Condensed Consolidated Interim statement Of Financial Position - Unaudited

As at September 30, 2019

	NOTE	Sep-19 Unaudited	Jun-19 Audited
Rupees in '000'			
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	5	1,671,502	1,679,165
Intangible assets	6	1,141,025	1,214,401
		2,812,527	2,893,566
Long term Investment	7	271,155	293,379
Long term loans to employees	8	728	470
		3,084,410	3,187,415
CURRENT ASSETS			
Trade debts	9	1,619,589	2,531,603
Contract assets		1,498,281	1,167,646
Loans and advances	10	57,513	52,261
Trade deposits & short term prepayments		46,814	20,948
Other receivables		7,174	7,219
Due from related parties		193,448	23,117
Taxation - net		48,367	52,716
Cash & bank balances	11	1,974,521	1,951,746
		5,445,707	5,807,256
Assets-Discontinued operations	15	432,798	455,976
TOTAL ASSETS		8,962,915	9,450,647
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital			
150,000,000 ordinary shares of Rs.10/- each	12	1,500,000	1,500,000
Issued, subscribed and paid-up capital	12	898,369	897,229
Share deposit money		13	13
Reserves	13	6,002,397	6,197,317
		6,900,779	7,094,559
Non - controlling Interest		213,426	225,035
		7,114,205	7,319,594
NON-CURRENT LIABILITIES			
Lease liabilities		45,828	55,404
Deferred income		4,469	5,140
Long term advances		5,817	5,143
		56,114	65,687
CURRENT LIABILITIES			
Trade and other payables	14	438,039	491,754
Contract liabilities		249,878	468,827
Short term borrowings		1,053,000	1,053,000
Current portion of long term liabilities		46,595	46,947
Unclaimed dividend		4,145	4,183
		1,791,657	2,064,711
Liabilities-Discontinued operations	15	939	655
CONTINGENCIES & COMMITMENTS	16	-	-
TOTAL EQUITY AND LIABILITIES		8,962,915	9,450,647

The annexed notes from 1 to 24 form an integral part of these condensed consolidated interim financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Condensed Consolidated Interim Statement of Profit or Loss - Unaudited
For The Quarter Ended September 30, 2019

	NOTE	Jul-Sep 2019	Jul-Sep 2018
Rupees in '000'			
Continuing operations			
Revenue from contracts with customers - net	17	1,317,583	1,221,875
Cost of revenue		(806,943)	(737,762)
Gross profit		510,640	484,113
Selling and promotion expenses		(142,600)	(118,263)
Administrative expenses		(301,740)	(228,481)
Other operating expenses		(248,768)	-
Other income		46,942	32,513
		(646,166)	(314,231)
Operating (Loss)/profit		(135,526)	169,882
Finance cost		(9,238)	(12,075)
Loss of share from Associate		(20,787)	-
(Loss)/Profit before taxation from continuing operations		(165,551)	157,807
Taxation	18	(23,991)	(25,364)
(Loss)/Profit after taxation for the period from continuing operations		(189,542)	132,443
Discontinued operations:			
(Loss)/Profit after tax for the period from discontinued operations	15	(23,463)	(14,256)
(Loss)/Profit for the period		(213,005)	118,187
Attributable to:			
Equity holders of NetSol Technologies Limited		(201,396)	126,661
Non - controlling interest		(11,609)	(8,474)
		(213,005)	118,187
(Loss)/Earning per share			
Basic - In Rupees	20	(2.24)	1.41
Diluted - In Rupees	20	(2.24)	1.41
(Loss)/Earning per share for continuing operations			
Basic - In Rupees	20	(2.11)	1.48
Diluted - In Rupees	20	(2.11)	1.47

The annexed notes from 1 to 24 form an integral part of these condensed consolidated interim financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

Condensed Consolidated Interim Statement of Other Comprehensive Income - Unaudited

For The Quarter Ended September 30, 2019

	Jul-Sep 2019	Jul-Sep 2018
	Rupees in '000'	
(Loss) / Profit after taxation for the period	(213,005)	118,187
Other comprehensive income/(loss)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):		
Share of other comprehensive loss of an associate	(1,437)	-
Total comprehensive (loss)/income for the period	(214,442)	118,187
Attributable to:		
Equity holders of NetSol Technologies Limited	(202,833)	126,661
Non - controlling interest	(11,609)	(8,474)
	(214,442)	118,187

The annexed notes from 1 to 24 form an integral part of these condensed consolidated interim financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Condensed Consolidated Interim Statement of Cash Flows - Unaudited

For The Quarter Ended September 30, 2019

NOTE	Jul-Sep 2019	Jul-Sep 2018
Rupees in '000		
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation from continuing operations	(165,551)	157,807
Loss before taxation from discontinued operations	(22,812)	(13,917)
(Loss) / Profit before taxation for the period	(188,363)	143,890
Adjustments for non cash charges and other items:		
Depreciation - own assets	41,351	46,581
Amortization of right of use assets	7,383	5,556
Amortization of intangible assets	73,376	73,376
Loss / (Gain) on disposal of fixed assets	46	(6,481)
Amortization of deferred revenue	(671)	(671)
Foreign exchange Loss / (gain)	273,771	(8,061)
Interest expense	8,907	11,799
Interest income	(48,290)	(23,887)
Deferred employee compensation expense	7,200	11,673
Provision for impairment	15,403	-
Share of loss of Associate	20,787	-
	399,262	109,885
Cash generated from operations before working capital changes	210,899	253,775
Working Capital Changes		
Trade debts & Contract Assets/Liabilities	97,261	(390,063)
Loans and advances	(5,510)	(35,261)
Trade deposits & short term prepayments	(25,866)	(11,218)
Other receivables	45	18,162
Due from related parties	(170,331)	(88,853)
Trade and other payables	(47,135)	(73,300)
Cash (used in) operations	(151,536)	(580,533)
Interest paid	(15,517)	(14,581)
Income taxes paid	(19,979)	(26,572)
Dividend paid	(38)	(15)
Net cash generated from/ (used in) operations	23,830	(367,926)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	(64,120)	(40,954)
Sales proceeds of fixed asset	152	31,067
Advances against capital expenditure	22,854	(19,252)
Interest received	48,290	23,887
Net cash generated from/ (used in) investing activities	7,173	(5,252)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	1,140	200
Share premium	714	129
Paid against lease liabilities	(10,280)	(17,582)
Received against lease liabilities	-	17,908
Long term advances	1,026	(6,108)
Net cash (Used in) financing activities	(7,400)	(5,453)
Net increase / (decrease) in cash and cash equivalents	23,602	(378,631)
Cash and cash equivalents at the beginning of the period	2,053,102	2,235,272
Cash and cash equivalents at the end of the period	2,076,704	1,856,641

The annexed notes from 1 to 24 form an integral part of these condensed consolidated interim financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Notes to the Condensed Consolidated Interim Financial Statements Unaudited

For The Quarter Ended September 30, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

NetSol 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.

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

-International Accounting Standard (IAS) 34, Interim Financial Reporting, 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 with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed."

These condensed interim financial statements are unaudited and do not include all the disclosures and information required in the annual financial statements and should be read in conjunction with the preceding annual published financial statements of the company for the year ended June 30, 2019.

2.2 Basis of measurement

These condensed consolidated interim 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. These accounts have been prepared under accrual basis of accounting.

2.3 Functional and presentation currency

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

3. ACCOUNTING POLICIES

3.1. The accounting policies adopted for the preparation of these condensed interim 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, 2019 except for change in accounting policies for leases detailed below.

3.2. Standards, amendments and interpretations to approved accounting standards that are effective in the current period

(i) IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Group implemented the new standard IFRS 16 Leases as of July 1, 2019. The group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

a) The effect of adoption IFRS 16 is as follows:

The group has lease contracts for various vehicles and computer equipments. Before the adoption of IFRS 16, the group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased asset was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. On Initial application date, group had lease contracts in place which were previously classified as finance lease or operating lease under IAS 17, There is no material change in accounting for leases previously classified as finance lease under IAS 17 and for all leases previously classified as operating leases management has assessed and concluded these to be short term leases which under new IFRS 16 will continue to be accounted for as expense on a straight line basis.

Therefore, the adoption of IFRS 16 at 01 July 2019 did not have any monetary impact on the recognition and measurement of leases and thus didn't affect the financial statements of the Group.

b) Summary of new accounting policies

Right-of-use assets

The group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated over the shorter of its estimated useful life and the lease term. Right-of-use assets are also subject to impairment.

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

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

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

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

- (ii) Certain other standards, amendments and interpretations to approved accounting standards are also effective for accounting periods beginning on July 01, 2019, but are neither relevant nor have any significant effect on the group's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in this condensed interim financial information.

4. USE OF ESTIMATES AND JUDGMENT

The preparation of condensed consolidated interim 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.

In preparing these condensed consolidated interim financial statements, the judgements, estimates and assumptions made by the management were the same as those that were applied to the preceding annual published financial statements of the company for the year ended June 30, 2019.

		Sep-19 Unaudited	Jun-19 Audited			
Rupees in '000'						
5. PROPERTY, PLANT & EQUIPMENT						
Net book value of owned assets	5.1	1,536,368	1,506,400			
Net book value of right of use assets	5.2	135,134	149,911			
Advances against capital expenditure		-	22,854			
		1,671,502	1,679,165			
5.1 PROPERTY, PLANT & EQUIPMENT						
Opening Balance - net book value		1,506,400	1,635,901			
Additions	5.1.1	71,515	207,560			
		1,577,915	1,843,461			
Less:						
Disposals - net book value	5.1.2	(198)	(142,654)			
Depreciation & amortization		(41,350)	(194,407)			
		1,536,368	1,506,400			
5.1.1 Following is the detail of addition / (transfer)						
Furniture & fixture		1,328	4,598			
Vehicles		47,688	161,420			
Office equipment		2,240	4,065			
Computers		18,685	31,817			
Air conditioners		1,575	5,659			
Total		71,515	207,560			
5.1.2 Following is the detail of deletions						
	Cost	Sep-19 Unaudited Accumulated Depreciation	Written down Value	Cost	Jun-19 Audited Accumulated Depreciation	Written down Value
Rupees in '000'						
Furniture & fixture	-	-	-	1,563	755	809
Vehicles	56	17	40	165,142	24,302	140,840
Office equipment	-	-	-	87	46	41
Computers	996	838	158	4,574	3,624	950
Air conditioners	-	-	-	42	29	13
Total	1,052	854	198	171,409	28,755	142,654
5.2 RIGHT OF USE ASSETS						
Opening Balance - net book value		149,911	92,991			
Additions	5.2.1	-	102,858			
		149,911	195,849			
Less:						
Disposals - net book value	5.2.2	(7,395)	(16,177)			
Amortization		(7,382)	(29,760)			
		135,134	149,911			
5.2.1 Following is the detail of addition / (transfer):						
Vehicles		-	96,550			
Computers		-	6,308			
Total		-	102,858			

5.2.2 Following is the detail of deletions	Cost	Sep-19	Written down Value	Cost	Jun-19	Written down Value	
		Unaudited Accumulated Depreciation			Audited Accumulated Depreciation		
Rupees in '000'							
Vehicles	13,843	6,448	7,395	32,499	16,321	16,177	
Total	13,843	6,448	7,395	32,499	16,321	16,177	
Rupees in '000'							
					Sep-19	Jun-19	
					Unaudited	Audited	
6. INTANGIBLE ASSETS							
Opening Balance - net book value						1,214,401	1,507,905
Additions						-	-
						1,214,401	1,507,905
Less:							
Amortization						(73,376)	(293,504)
						1,141,025	1,214,401
7. LONG TERM INVESTMENTS - at cost							
Investment in associate							
WRLD3D inc. (Unquoted company)				7.1	271,155	293,379	
						271,155	293,379
7.1	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. The company had successfully complied with the terms and conditions of the agreement and 4,092,189 shares are issued to the company. Company holds 12.2% ownership interest in WRLD3D. The Company uses equity method to account for investment in associate.						
8. LONG TERM LOANS TO EMPLOYEES-Unsecured							
Loan to employees				8.1	8,442	5,237	
Less: current maturity						(7,714)	(4,767)
						728	470
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						
9. TRADE DEBTS							
Considered good - unsecured				9.3	1,619,589	2,531,603	
Considered doubtful - unsecured				9.2	132,031	116,629	
						1,751,620	2,648,232
Less: Provision for impairment						(132,031)	(116,629)
						1,619,589	2,531,603
9.1	It represents amount receivable from customers. It is unsecured but considered good by the management.						
9.2	This is a general provision created by the Company for any future doubtful trade debts.						
9.3	Amount receivable from related parties included in trade debts are as under:						
NetSol Technologies (Thailand) Limited						165,097	179,957
NetSol Technologies (Beijing) Company Limited						583,837	604,477
NetSol Australia Pty. Limited						9,281	14,156
Netsol Technologies North Americas						151,408	139,767
WRLD3D Inc						183,130	166,417
						1,092,753	1,104,774

	NOTE	Sep-19 Rupees in '000'	Jun-19
10. LOANS AND ADVANCES - Unsecured			
Current maturity of loans to employees	8	7,714	4,767
Advances			
- to executives		146	33
- against expenses	10.1	49,653	47,461
		57,513	52,261

10.1 Advances to employees are given to meet business expenses and are settled as and when the expenses are incurred.

11. For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 30 Sep:

	NOTE	Sep-19 Rupees in '000'	Sep-18
Cash and bank balances		1,974,521	1,765,704
Cash and bank balances-Discontinued operations	15	102,183	90,937
		2,076,704	1,856,641

12. SHARE CAPITAL

12.1 Authorised share capital

	Sep-19 Unaudited	Jun-19 Audited		Sep-19 Unaudited	Jun-19 Audited
	Number of shares			Rupees in '000'	
	150,000,000	150,000,000	Ordinary Shares of Rs. 10 each.	1,500,000	1,500,000

12.2 Issued, subscribed & paid-up capital

	42,686,191	42,572,191	Ordinary Shares of Rs. 10 each fully paid in cash	426,862	425,722
	47,150,732	47,150,732	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	471,507	471,507
	89,836,923	89,722,923		898,369	897,229

NetSol Technologies Inc. 23975, Park Sorrento, Suite 250, Calabasas CA 91302, is the parent company holding 66.12% (2019 : 66.20%) of issued capital of the Company.

13. RESERVES

Capital reserve					
Premium on issue of ordinary shares				304,167	303,266
Employee share option compensation reserve				174,037	167,025
Foreign currency translation reserve				(1,437)	-
Revenue reserve					
Un - appropriated profit				5,525,630	5,727,026
				6,002,397	6,197,317

14. Trade and other payables also include payable to related parties, detail of which is given below:

14.1 Due to related party

Parent					
NetSol Technologies Inc.	14.1.1	-			19,779
Associated					
NetSol Technologies Europe Ltd	14.1.1	3,793			7,076
		3,793			26,855

14.1.1 This relates to normal course of business of the Group and is interest free.

15. 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 September 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:

	Sep-19	Jun-19
	Rupees in '000'	
Assets		
Property, plant and equipment	7,296	7,296
Trade debts	323,319	347,324
Cash & bank balances	102,183	101,356
Assets classified as discontinued operations	432,798	455,976
Liabilities		
Trade and other payables	625	655
Provision for taxation	314	-
Liabilities classified as discontinued operations	939	655

The results from operations of NetSol Innovation (Pvt) Limited for the year are presented below:

	Jul-Sep 2019	Jul-Sep 2018
	Rupees in '000'	
Revenue-Export	-	8,339
Cost of revenue	-	(28,669)
Gross Loss	-	(20,330)
Administrative expenses	-	(334)
Other operating expenses	(25,049)	-
Other income	2,244	6,784
Operating Loss	(22,805)	(13,880)
Finance cost	(7)	(37)
Loss before taxation for the period from discontinued operations	(22,812)	(13,917)
Taxation		
Current period	(651)	(339)
Loss after taxation for the period from discontinued operations	(23,463)	(14,256)
Loss per share		
Loss after taxation for the year from discontinued operations	(23,463)	(14,256)
Less Non controlling interest	(11,609)	(8,474)
Loss from discontinued operations attributable to ordinary shareholders of NetSol Technologies Limited	(11,854)	(5,782)
Basic loss per share from discontinued operations	(0.13)	(0.07)
Diluted loss per share from discontinued operations	(0.13)	(0.06)

16. CONTINGENCIES & COMMITMENTS

16.1 Contingencies

16.1.1 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.

16.1.2 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.

16.2 Commitments

- 16.2.1** The Company has issued worth Rs. 11.488 million (2019: 11.488 million) bank guarantees to LESCO and Standard Chartered Bank against its corporate credit cards.
- 16.2.2** The Company has capital commitments of Rs. Nil under capital purchase agreements as at September 30, 2019. (2019: 16.8 million)

	Jul-Sep 2019	Jul-Sep 2018
	Rupees in '000'	
17. REVENUE FROM CONTRACTS WITH CUSTOMERS		
DISAGGREGATION OF REVENUE:		
Export Revenue		
License	389,129	470,736
Services	463,105	439,076
Maintenance	389,658	209,621
Reimbursable expenses	72,667	99,693
	1,314,559	1,219,126
Local Revenue		
Services	-	3,189
Maintenance	3,508	-
	3,508	3,189
Sales tax	(484)	(440)
	1,317,583	1,221,875

18. 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.

19. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial risk factors

The Company's activities expose it to a variety of financial risks namely market risk (including currency risk, price risk and interest rate risk), credit risk, foreign exchange risk and liquidity risk. There has been no change in the risk management policies during the period, consequently this condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements.

Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in this condensed interim financial information approximate their fair value.

20. (LOSS) / EARNINGS PER SHARE		
Basic		
Loss / Earning attributable to ordinary shareholders of NetSol Technologies Limited	(201,396)	126,661
(Loss) / Profit from continuing operations attributable to ordinary shareholders of NetSol Technologies Limited	(189,542)	132,443
Weighted average number of ordinary shares in issue during the period	89,806	89,722
Basic - In Rupees	(2.24)	1.41
Basic - In Rupees Continued operations	(2.11)	1.48
Diluted		
(Loss) / Profit attributable to ordinary shareholders of NetSol Technologies Limited	(201,396)	126,661
(Loss) / Profit from continuing operations attributable to ordinary shareholders of NetSol Technologies Limited	(189,542)	132,443
Weighted average number of ordinary shares in issue during the period	89,831	89,835
Diluted - In Rupee	(2.24)	1.41
Diluted - In Rupees Continued operations	(2.11)	1.47

21. TRANSACTION WITH RELATED PARTIES

Related parties comprise of holding company, subsidiary, associated undertakings, key management personnel of the company and post employment benefits. The Company in its normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Parent, subsidiary and associated undertakings also have some common directorship.

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

Relationship with the Company		Nature of transactions	Jul-Sep 2019	Jul-Sep 2018
			Rupees in '000'	
(i)	Associated undertaking	Rental Income	225	225
		Provision of services	173,586	414,452
		Purchase of services	7,393	6,273
(ii)	Key management personnels	Salaries and benefits	44,855	39,578
		Retirement benefits	1,237	718
		Commission paid	78,551	57,917
(iii)	Post employment benefit	Contribution to defined contribution plan	28,669	24,846
(vi)	There are no transactions with any key management personnel other than under the terms of employment.			

22. SEGMENT REVENUES AND RESULTS

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

	Sep-19					Discontinued operations	Total	
	Continued operations			Total	BPO			Total
	NFS	IS & SSS	BPO					
Rupees in '000'								
Revenue - net								
External sales								
License	389,129	-	-	389,129	-	-	389,129	
Services	425,913	-	37,193	463,106	-	-	463,106	
Maintenance	389,657	3,024	-	392,681	-	-	392,681	
Reimbursable expenses	68,384	-	4,283	72,667	-	-	72,667	
Total revenue	1,273,083	3,024	41,476	1,317,583	8,339	8,339	1,317,583	
Cost of revenue	(760,798)	(1,190)	(44,956)	(806,943)	(28,626)	(28,626)	(806,943)	
Segment results	512,286	1,834	(3,480)	510,640	(20,287)	(20,287)	510,640	
Unallocated corporate expenses:								
Selling and promotion expenses				(142,600)	-	-	(142,600)	
Administrative expenses				(301,740)	-	-	(301,740)	
Other operating expenses				(248,768)	(25,049)	(25,049)	(273,817)	
Other income				46,942	2,244	2,244	49,186	
Finance cost				(9,238)	(7)	(7)	(9,245)	
Loss of share from Associate				(20,787)			(20,787)	
Taxation				(23,991)	(651)	(651)	(24,642)	
Loss after taxation				(189,542)	(23,463)	(23,463)	(213,005)	

Sep-18

Continued operations				Discontinued operations	
NFS	IS & SSS	BPO	Total	BPO	Total

Rupees in '000

Revenue - net						
External sales						
Licence	470,736	-	-	470,736	-	470,736
Services	397,097	-	41,979	439,076	8,339	447,415
Maintenance	209,621	2,749	-	212,370	-	212,370
Reimbursable expenses	99,693	-	-	99,693	-	99,693
Total revenue	1,177,146	2,749	41,979	1,221,875	8,339	1,230,214
Cost of revenue	(688,163)	(1,923)	(47,674)	(737,762)	(28,669)	(766,431)
Segment results	488,983	826	(5,695)	484,113	(20,330)	463,783
Unallocated corporate expenses:						
Selling and promotion expenses	-	-	-	(118,263)	-	(118,263)
Administrative expenses	-	-	-	(228,481)	(334)	(228,814)
Other operating expenses	-	-	-	-	-	-
Other income	-	-	-	32,513	6,784	39,296
Finance cost	-	-	-	(12,075)	(37)	(12,112)
Taxation	-	-	-	(25,364)	(339)	(25,703)
Profit after taxation				132,443	(14,256)	118,187

*Key

NFS = NetSol Financial Suite & NFS Ascent

IS = Information Security and other services

BPO = Business Process Outsourcing

SSS = Software Services and Solutions

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.

23. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 30, 2019 by the Board of Directors.

24. GENERAL

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR



NETSOL Technologies Limited

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