NETSOL™

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:05/10/2018

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, 2018**

Dear Sir,

We have to inform you that the Annual Report of the Company for the year ended June 30, 2018 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

SEHRISH
Company Secretary

NetSol Technologies Limited
NetSol IT Village (Software Technology Park) Lahore Ring Road, Ghazi Road Interchange Lahore Cantt ★

NETSOL™

ANNUAL REPORT 2018

NETSOL TECHNOLOGIES LIMITED

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Company **Profile**

BOARD OF DIRECTORS

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

SALIM ULLAH GHAURI
Chief Executive Officer

VASEEM ANVAR
Independent Director

SHAHID JAVED BURKI
Independent Director

ANWAAR HUSSAIN
Independent Director

NAJEEB ULLAH GHAURI
Non-Executive Director

OMAR SHAHAB GHAURI
Executive Director

AUDIT COMMITTEE

VASEEM ANVAR
Chairman

ANWAAR HUSSAIN
Member

NAJEEB ULLAH 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

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, Karachi-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.

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:

Application development & maintenance

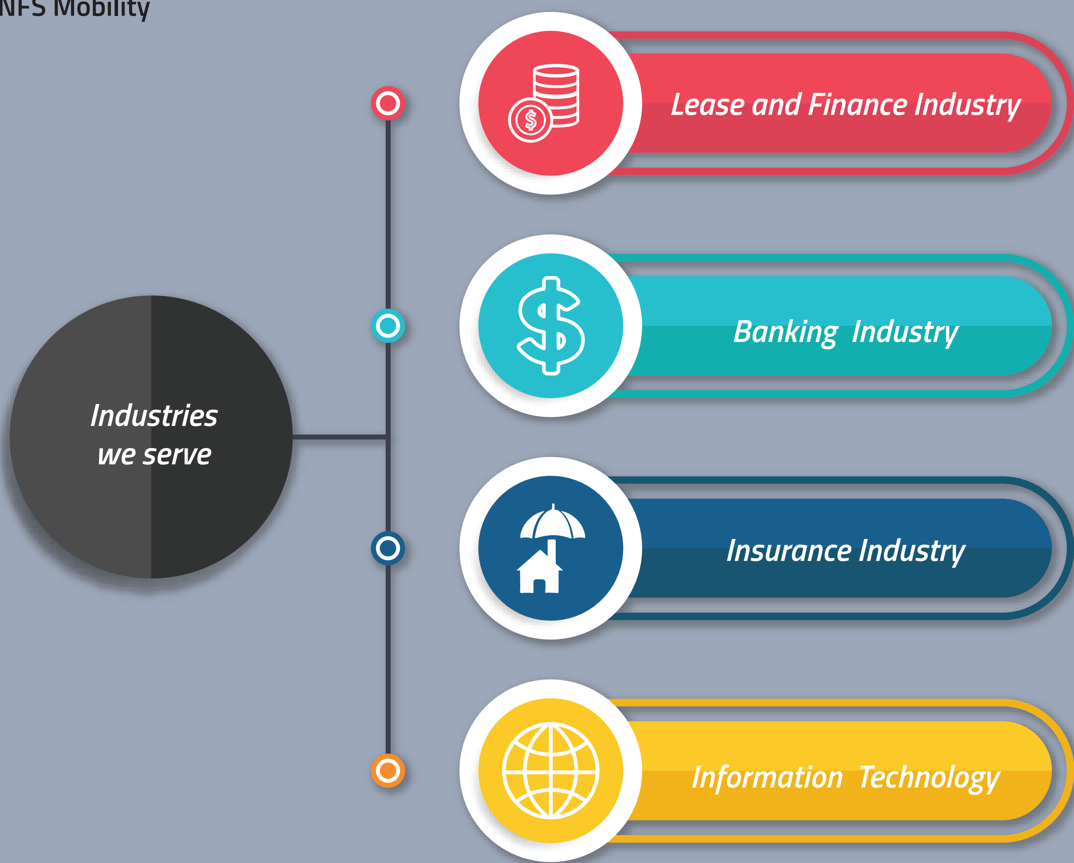
Technology and Business Process Outsourcing

Enterprise solutions:

- NFS Ascent™
- NetSol Financial Suite™
- NFS Mobility

IT consulting and Business Process Reengineering

Business Intelligence



GLOBAL **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
- YuLon 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

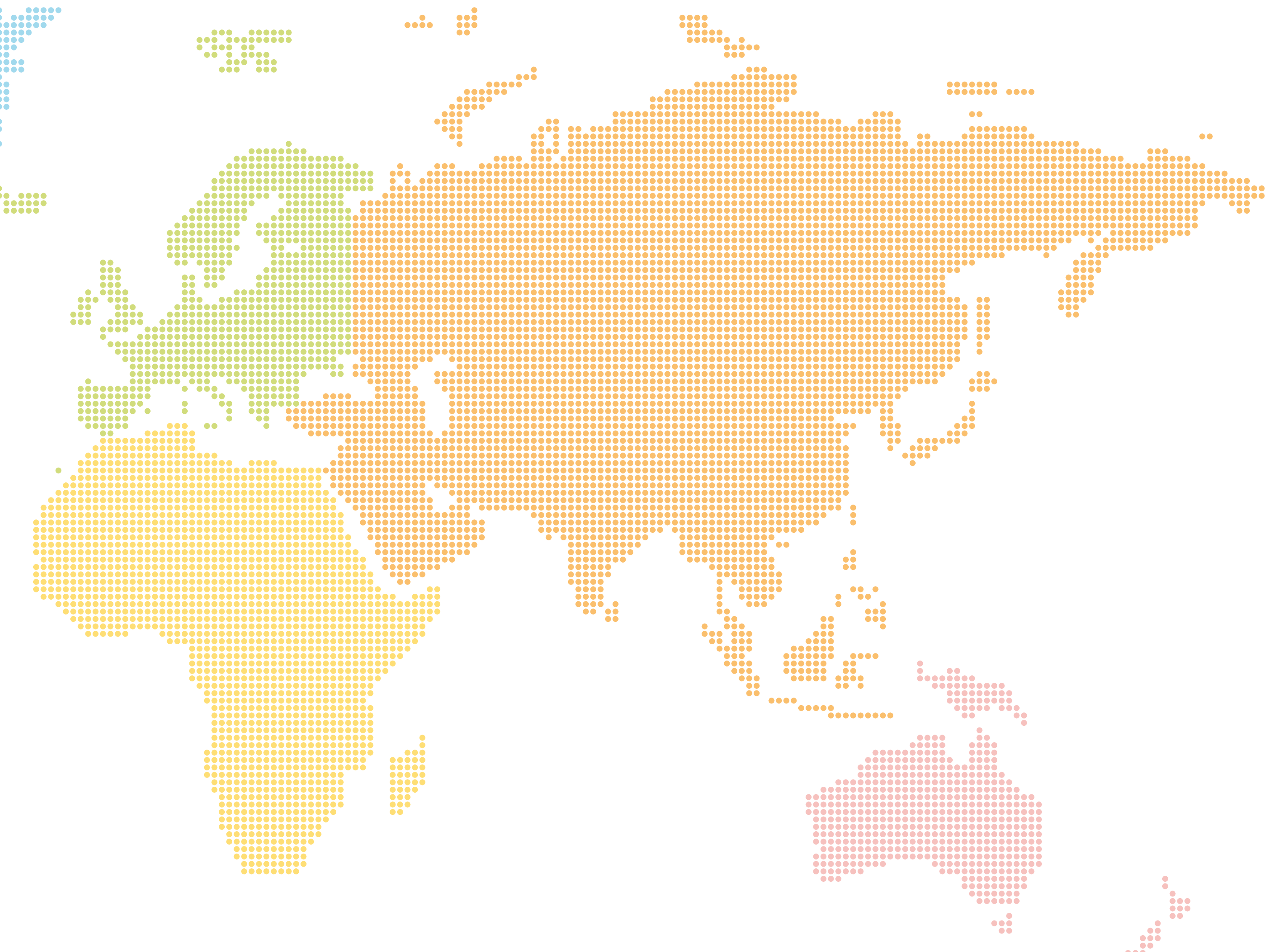
- Mercedes-Benz Financial Services Hong Kong Ltd

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

US
- 1Insurer USA

UK
- 1Insurer UK
- WRLD3D Limited

PAKISTAN
- Excise & Taxation Department, Government of Sind▪

NETSOL **EVENTS**

Mr. Richard Morin, CEO Pakistan Stock Exchange visiting NetSol

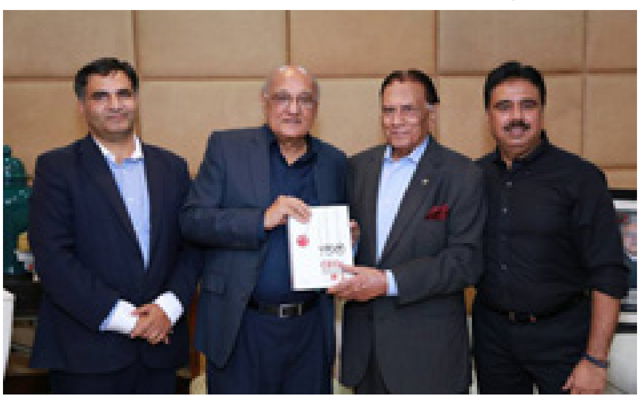
Team of Women on Board Pakistan visiting NetSol

Mr. Salim Ghauri meeting Mr. Masood Khalid, Ambassador to China

Drop in the Ocean - Cancer Support (NGO) visiting NetSol

Mr. Syed Yawar Ali, Chairman Nestle Pakistan visiting NetSol

Mr. Salim Ghauri appointed advisor on Board of Shahid Afridi Foundation



Mr. Salim Ghauri with Mr. Amjad Islam Amjad at 100 Ceo's Book Launch

Mr. Salim Ghauri on the set of "Idea Croron Ka"

FIA Team's Session on Cyber Crimes and Information at NetSol

Punjab Population Innovation Fund Awareness Session at NetSol

Independence Day Celebration

NetSol Premier League 5 - Winning Team

Mr. Salim Ghauri 's experience sharing session

NetSol Premier League 5 - Winning Team

Women Week Celebration in NetSol

SKMCH Pink Ribbon Breast Cancer Session at NetSol

CHAIRMAN'S **REVIEW REPORT**

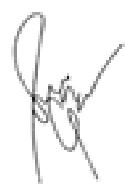
I am pleased to present the review for the financial year ended June 30, 2018 highlighting the Company's performance and the role played by the Board of Directors in guiding the management to carry out its responsibility for the benefit of all its stakeholders.

The year 2017-2018 was another successful year for the company; NETSOL has yet again proven its strength in APAC region as the leading asset finance solution provider in 2018. It has won for the sixth consecutive year, the "First Rate and Best Selling Finance and Leasing Solution Provider" Award at the 2018 Annual China Leasing Summit (CLS), as well as, the "Auto Finance Software System Leading Enterprise" Award at the China International Automotive Finance and Risk Management Summit. We continue to maintain our dominance as a leading global business services and enterprise solutions provider to the asset finance and leasing industry across the world. We remain ahead of the curve and maintain our stronghold in the highly competitive industry we operate in. Our expertise and innovation in the industry has enabled us to maintain the highest quality standards in delivering our services to our diverse client base across the world including blue-chip organizations and Fortune 500 companies. Our core flagship product NFS Ascent™ has been performing exceptionally well across all major regions of the world. There have been a number of implementations and new contracts, as well as closings of previous similar contracts with major global auto captives. The key objectives that we are targeting are enhancements to our existing enterprise solutions plus new innovations in digital technologies of the further for the finance and leasing industry.

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 stakeholder 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 carried out its annual self-evaluation in line with requirements of Code of Corporate Governance and found its performance to be most satisfactory and improved over previous years.

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 25, 2018

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 2017-18 has been paid to Stock Exchange.

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

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.

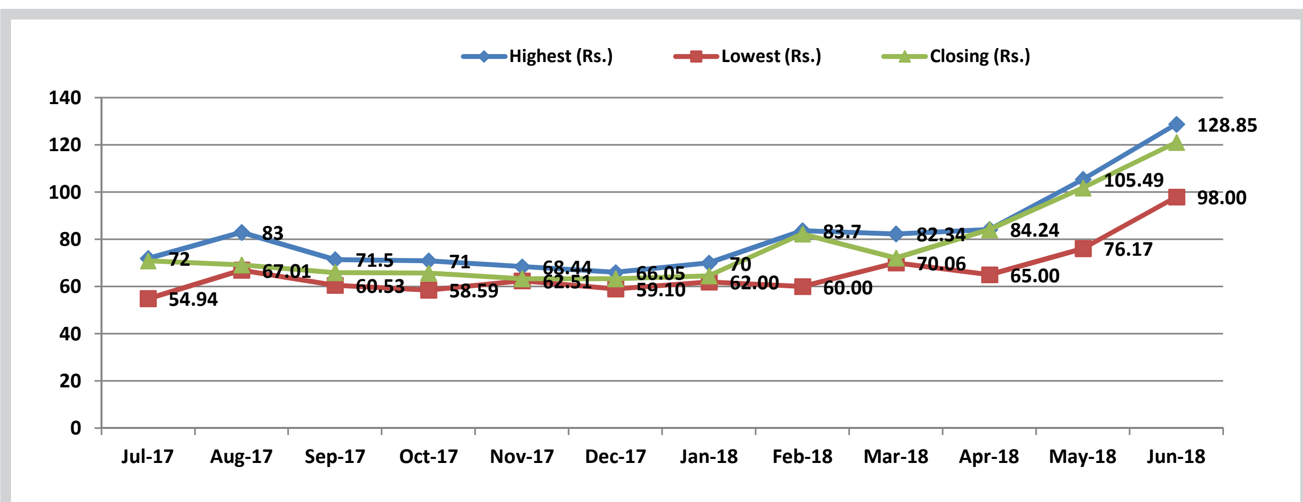
Sr.No.	Activities	For Request Received through post	Over the Counter
1	Transfer of Shares	15 days after receipt	15 days after receipt
2	Transmission of Shares	15 days after receipt	15 days after receipt
3	Issuance of duplicate share certificates	30 days after receipt	30 days after receipt
4	Issuance 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 2018:

Month	Highest (Rs.)	Lowest (Rs.)	Closing (Rs.)	No. of shares traded	Market Capitalization in *Value (Rs. in billion)
Jul-17	72	54.94	70.87	4,130,500	6.45
Aug-17	83	67.01	69.25	6,850,000	7.44
Sep-17	71.5	60.53	66.00	1,153,500	6.41
Oct-17	71	58.59	65.76	1,703,500	6.37
Nov-17	68.44	62.51	63.40	566,500	6.14
Dec-17	66.05	59.10	63.35	881,500	5.92
Jan-18	70	62.00	64.54	1,758,500	6.28
Feb-18	83.7	60.00	82.34	7,081,000	7.51
Mar-18	82.34	70.06	72.13	3,452,000	7.39
Apr-18	84.24	65.00	84.12	11,723,000	7.56
May-18	105.49	76.17	101.77	13,192,000	9.46
Jun-18	128.85	98.00	121.07	15,608,500	11.56

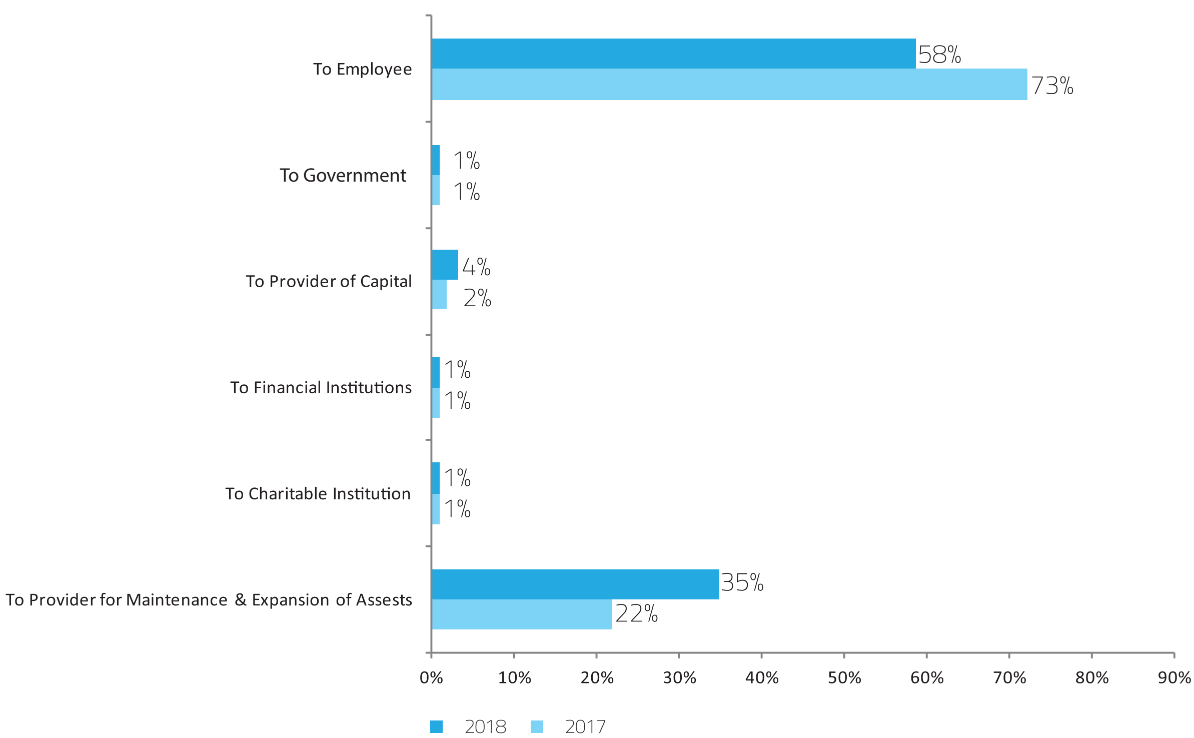
* Based on highest price.



FINANCIAL
HIGHLIGHTS

Statement of **Value Addition**

	2018	% age	2017	% age
		RUPEE IN THOUSAND		
VALUE ADDITION				
Revenue	4,284,800		3,925,697	
Other Income	537,430		290,934	
	4,822,230		4,216,631	
Less Operating & General Expenses	1,087,082		1,232,624	
Value Added	3,735,148	100%	2,984,007	100%
VALUE DISTRIBUTION				
To Employee				
Salaries & other employee benefits	2,182,426	58%	2,183,499	73%
To Government				
Income & other taxes	49,983	1%	41,787	1%
To Provider of Capital				
Cash dividend	130,044	4%	44,622	2%
To Financial Institutions				
As markup on borrowings	44,034	1%	29,669	1%
To Charitable Institution	13,968	1%	27,296	1%
To Provider for Maintenance & Expansion of Assets				
Depreciation / Amortization	248,723		336,838	
Retained Income	1,065,970		320,296	
	1,314,693	35%	657,134	22%
	3,735,148		2,984,007	



Six Years' **Summary**

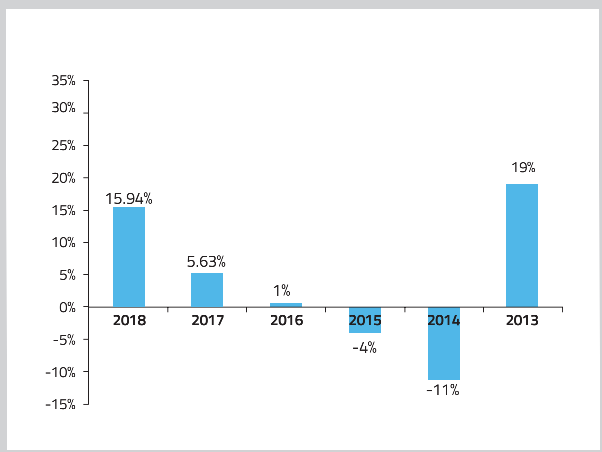
	2018	2017	2016	2015	2014	2013
FIXED CAPITAL EXPENDITURE						
Tangible	1,759,889	1,898,191	2,203,006	2,412,894	2,704,408	1,894,191
Intangibles	1,507,905	1,801,409	2,195,996	2,511,297	2,868,568	2,873,958
	3,267,794	3,699,600	4,399,002	4,924,191	5,572,976	4,768,149
DEFFERED EMPLOYEE CONTRIBUTION EXPENSE	-	-	-	-	-	54
LONG TERM INVESTMENT	308,567	218,873	34,055	15,188	15,188	15,188
LONG TERM ADVANCES	356	446		-	-	-
WORKING CAPITAL	3,148,859	1,796,245	942,853	363,378	135,342	1,534,796
NET ASSETS EMPLOYED	6,725,576	5,715,164	5,375,910	5,302,757	5,723,506	6,318,133
EQUITY & LIABILITIES	-	-	-	-	-	-
SHAREHOLDER'S EQUITY	6,685,950	5,692,513	5,336,416	5,280,964	5,466,733	6,125,402
NON CURRENT LIABILITIES	39,626	22,651	39,494	21,793	256,773	192,731
TOTAL FUNDS INVESTED	6,725,576	5,715,164	5,375,910	5,302,757	5,723,506	6,318,133
REVENUE	4,284,800	3,925,697	3,215,811	2,700,191	1,831,525	2,632,779
COST OF REVENUE	2,346,162	2,685,337	2,282,076	2,167,105	1,814,351	1,087,478
GROSS PROFIT	1,938,638	1,240,360	933,735	533,086	17,174	1,545,301
OPERATING EXPENSES	872,668	920,064	881,533	720,111	635,692	385,693
NET PROFIT / (LOSS) FOR THE YEAR	1,065,970	320,296	52,202	(187,025)	(618,518)	1,159,608
EARNING / (LOSS) PER SHARE	11.89	3.58	0.59	(2.10)	(7.02)	13.48
RESERVES & SHARE CAPITAL						
Reserves	5,788,908	4,796,141	4,443,382	4,390,487	4,577,021	5,339,672
Share Capital	897,029	896,359	891,544	890,464	889,699	785,717
PAYOUT						
Cash Dividend	25%	14.5%	5%	-	-	10%
Bonus Shares		-	-	-	-	10%

Key Financial **Ratios**

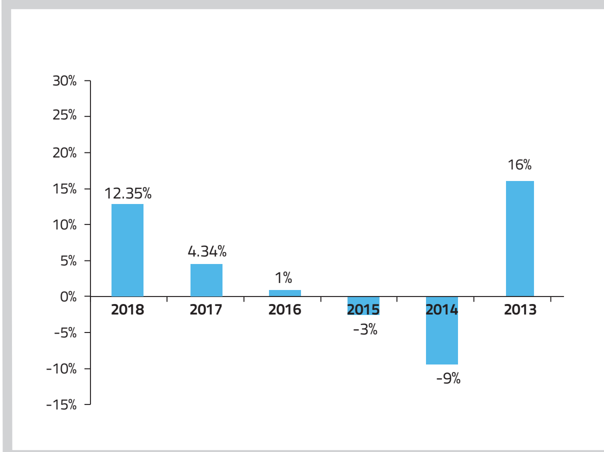
		2018	2017	2016	2015	2014	2013
Working Capital	Rupees in thousand	3,148,859	1,796,245	942,853	363,378	135,342	1,534,796
Gross Profit	%	45.24%	31.60%	29%	20%	1%	59%
Net Profit Margin	%	24.88%	8.16%	2%	-7%	-34%	44%
Return on Equity	%	15.94%	5.63%	1%	-4%	-11%	19%
Return on Assets	%	12.35%	4.34%	1%	-3%	-9%	16%
Debtor Turnover	Times	3.20	5.87	2.68	6.02	5.77	2.73
Current Ratio	Times	2.65	2.08	1.77	1.33	1.2	3.05
Earnings/(Loss) Per Share	Rupees	11.89	3.58	0.59	(2.10)	(7.02)	13.48
Book Value Per Share	Rupees	74.53	63.51	59.86	59.31	61.44	77.96
Outstanding No. of Shares	Number	89,702,923	89,635,923	89,154,423	89,046,423	88,969,923	78,571,703

Financial **Summary**

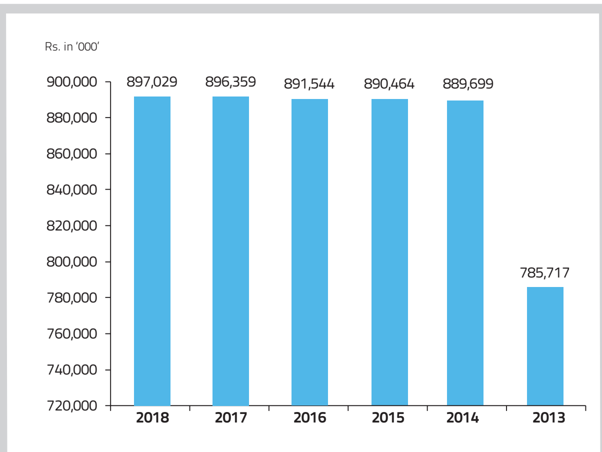
Return on equity



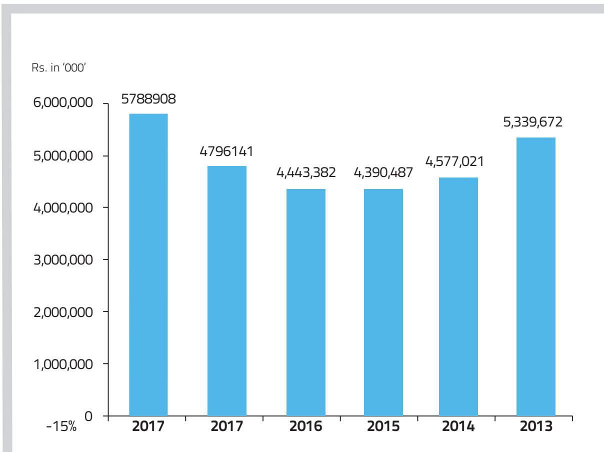
Return on Assets



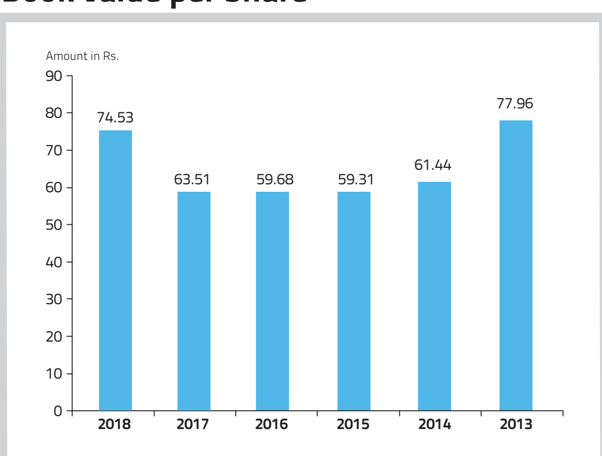
Share Capital



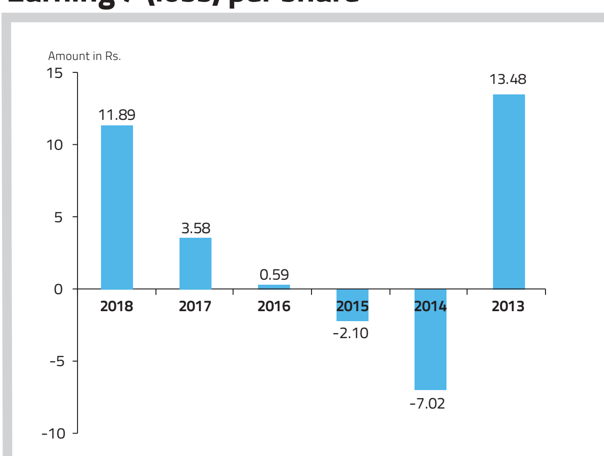
Reserves



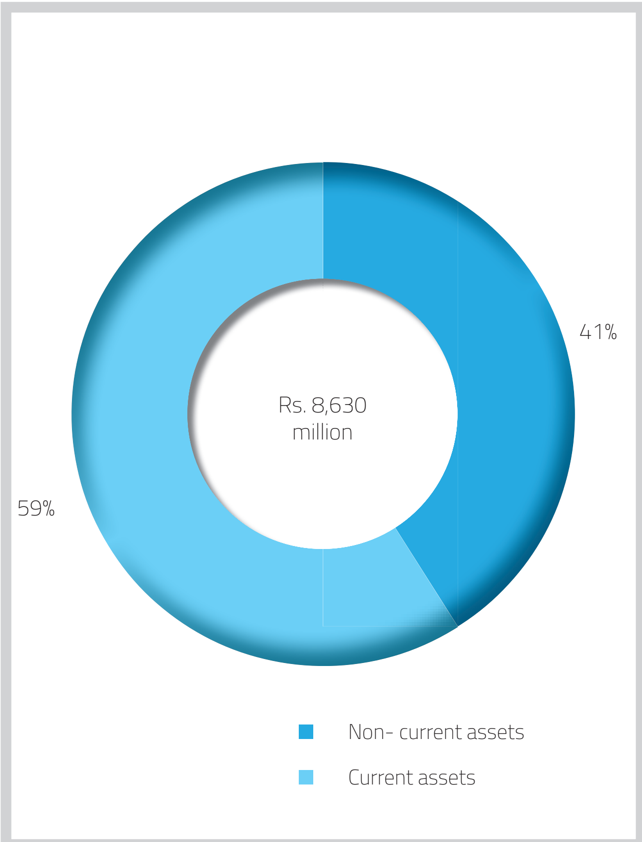
Book value per Share



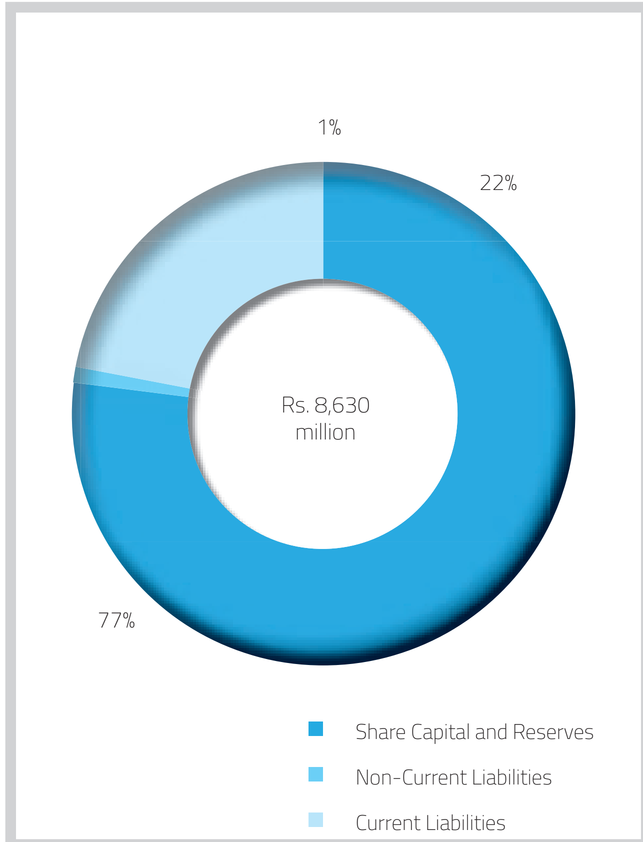
Earning / (loss) per share



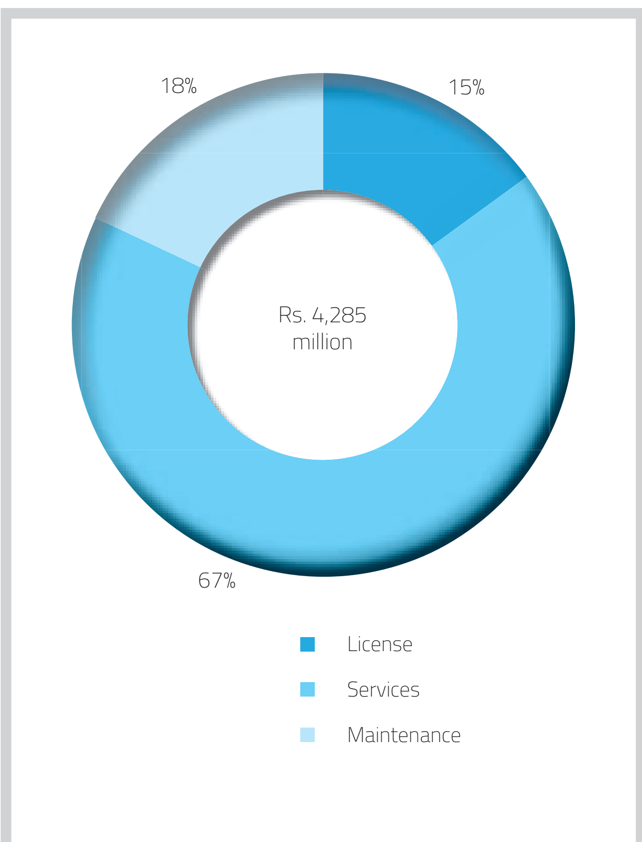
Assets



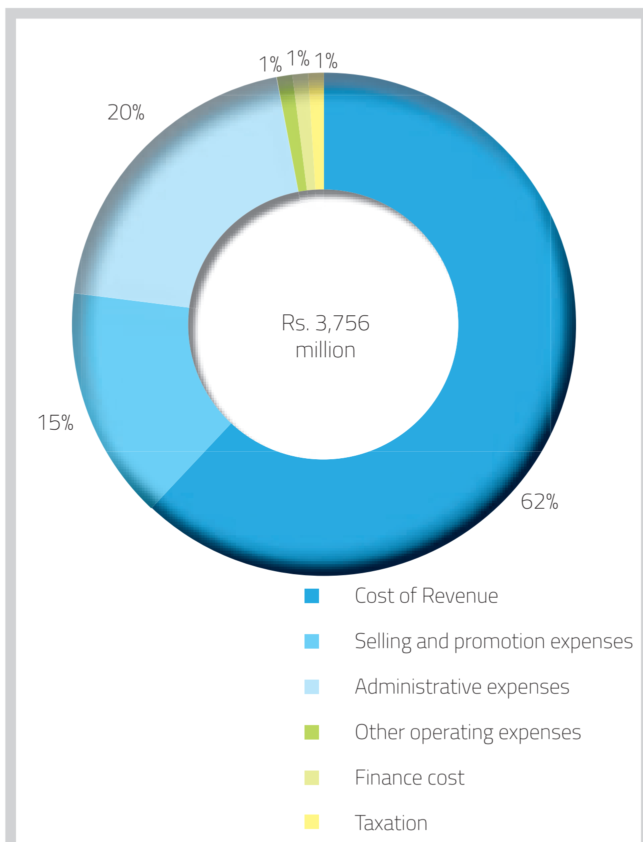
Equity & Liabilities



Revenue



Expenses



GOVERNANCE

Board of **Directors**

Shahab-Ud-Din Ghauri
Chairman

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

Salim Ullah Ghauri
Chief Executive Officer

Salim Ullah Ghauri 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.

Vaseem Anvar
Independent Director

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

Shahid Javed Burki
Independent Director

Shahid Javed Burki has served as a Director since 2003. Prior to joining the Board, Mr. Burki had a distinguished career with the World Bank where he held a number of senior positions. In 1996-1997, Mr. Burki took a leave of absence from the World Bank to act as Finance Minister of Pakistan. Upon early retirement from the World Bank, Mr. Burki acted as CEO of the Washington-based investment firm EMP Financial Advisors from 1992-2002. Presently, he is the Chairman of the Institute of Public Policy. He also spends some time each year as Senior Visiting Research Fellow at the Institute of South Asian Studies, National Singapore University. Mr. Burki also has a distinguished academic background. He was educated at Government College, Lahore where he received his M.Sc. in Physics, Oxford University as a Rhodes Scholar where he received his M.A. (Hons) in Economics, and Harvard University as a Mason Fellow where he received an M.P.A.

Anwaar Hussain
Independant 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.

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.

Directors' Report **to the Members**

On behalf of the Board of Directors, we are pleased to present the 22nd Annual Report of NetSol Technologies Limited ("NETSOL" or "the Company") along with audited financial statements for the year ended June 30, 2018 and the Auditors' Report thereon.

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

During the current fiscal year, NETSOL continued to grow with noteworthy successful implementations and a healthy number of potential leads. Fiscal 2018 closed with a multi-million-dollar agreement with a leading Asian auto captive finance company to deploy NFS Ascent platform, specifically Loan Origination System along with the Contract Management System for the company's auto finance operations.

The Company also secured an agreement with a top tier multi-finance company in Indonesia to deploy its mobile origination Point of Sale system. The new contract includes product license, multiple-year maintenance agreement and agreed rates for any additional customizations of the mPOS application. The client will be leveraging NETSOL's system to originate credit applications and provide quick turnaround to customers seeking finance and leasing products.

NETSOL's evergreen commitment to innovation leads the management to constitute a department, Innovation Lab, with the directive to generate new and future focused products. The management tasked a high-profile innovation expert from Deloitte to head the dynamic team. In the short while the team has been working, several novel prospects have been conceived. This initiative is expected to usher in an era of innovation and take the company in exciting new directions in the days ahead.

FINANCIAL PERFORMANCE

RESULTS	SEPARATE ACCOUNTS June 30 2018	June 30 2017
	Rupees in '000'	
Revenue (in 000)	4,284,800	3,925,697
Gross Profit (in 000)	1,938,638	1,240,360
Net Profit (in 000)	1,065,970	320,296
Earnings per share – basic (Rs.)	11.89	3.58
Earnings per share – diluted (Rs.)	11.87	3.56
Adjusted EBITDA per share – diluted (Rs.)	18.68	12.37

Net revenues for the year ended June 30, 2018 were Rs. 4,285 million compared to Rs. 3,926 million in fiscal 2017. License revenue decreased from Rs. 1,236 million to Rs. 651 million. During the last year, implementation at four different customer sites were started parallel out of which couple of implementations have already been completed and products gone live resulting in less license revenue in current fiscal year. Service revenue increased from Rs. 1,874 million in the previous fiscal year to Rs. 2,877 million in the current year.

The increase in services revenue is mainly due to services associated with the implementation of NFS Ascent™ at different client sites both in China and South Africa. In addition to it, certain additional services revenue was also recorded from a code split activity for a customer in China. Maintenance revenue slightly decreased from Rs. 816 million in the previous fiscal year to Rs. 757 million in the current year.

Gross profit for the year was Rs. 1,939 million, up from Rs. 1,240 million in the same period last year. The company posted net profit of Rs. 1,066 million in the current year compared to a net profit of Rs. 320 million in the previous year. Basic and diluted earnings per share were Rs. 11.89 and Rs. 11.87 respectively in comparison with last year's basic and diluted earnings per share of Rs. 3.58 and Rs. 3.56 respectively.

Adjusted EBITDA profit was Rs. 18.68 per share in the current fiscal year compared to Rs. 12.37 in the last fiscal year. EBITDA is a non-IFRS measure which is commonly used by the investors and analysts to analyze the financial health of any company. EBITDA is earnings before interest, tax, depreciation and amortization. Due to better realization of accounts receivables, the Company is also showing improved trends in its cash flows.

The 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.

DIVIDEND

The Board of Directors in their meeting held on September 25, 2018 has recommended 25% cash dividend for the fiscal year ended June 30, 2018.

FUTURE OUTLOOK

The company will continue to promote its flagship, premier product, NFS Ascent™, and NetSol Financial Suite in the coming quarters alongside focusing on its state-of-the-art enterprise digitization applications suite (NFS Mobility) which has gained considerable traction in various regions across the globe.

We will also continue to maintain our presence at international summits, conferences and events across the world. The Company will continue to sponsor and attend industry events that could possibly result in qualified leads and increase the organization's reach. Being a leader in the finance and leasing industry, NETSOL has already signed up to attend/sponsor certain upcoming leasing summits and events in the United States, United Kingdom, Europe, China and other countries in the region.

Besides, the Innovation Lab will leap forward for the company, taking it past its competition. It will not only modernize existing products and generate new products for the future and in turn create new revenue streams but the initiative will incubate a corporate culture of innovation as well.

AWARDS & RECOGNITION

NETSOL was awarded the First Rate and Best Selling Finance and Leasing Solution Provider Award at the 2018 Annual China Leasing Summit (CLS) for the sixth consecutive year. This recognition, for being the most superior software solution provider to finance and leasing companies across the country further strengthened NETSOL's position as an industry leader in China.

The Company also received the "Auto Finance Software System Leading Enterprise Award" at the China International Automotive Finance and Risk Management Summit held in Shanghai on March 22nd and March 23rd 2018.

PRINCIPAL RISK AND UNERTAINTIES FACING THE COMPANY

Despite the fact that the Company's financial performance is outstanding for the past few years and the Company successfully crossed all the barriers in its way to continue to write its journey of success, still 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 and confidentiality of the Company and its employee's data, the Company has taken different measures including Intrusion Prevention System (IPS), encryption, and access control mechanism and using secure transmission protocols for client and server communications.

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 around the globe are increasing rapidly. In order to grow, 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

NETSOL had established a subsidiary company called NetSol Innovation (Pvt) Limited in collaboration of a UK based partner Innovation Group. The Company is involved in providing outsourcing services to the joint venture partner. Innovation Group was bought out couple of years ago and due to major shift in the new owners' business strategy, they decided to consolidate and reduce their insurance business operations across the globe. As a result of this decision, the Company's outsourcing business was negatively impacted as they are the sole customers of the services provided by the joint venture. As a result of this change, the operating and net margins of the subsidiary became unfeasible for the operation to continue. Therefore, with the consent of the partner, the Board made a decision to provide any future services to the customer from the platform of NetSol Technologies Limited effective August 1, 2018. As a result, the subsidiary company's business operations would be closed by the end of July 2018. The Company, however believes that there would be no material impact of this transition on the overall business, operations and cash flows of the Company.

IMPACT OF COMPANY BUSINESS ON THE ENVIRNOMENT

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. We are, however, very conscious of the environment and follow a go green policy religiously.

CORPORATE SOCIAL RESPONSIBILTY

A detailed report on corporate social responsibility is annexed herewith.

NSPIRE

The foundation laid in 2015 and availed the first mover advantage in industry being first IT Company in Pakistan who took initiative for start-up eco-system. NETSOL played an active role to bring industry experts who have been there, done that and set success examples for young generation. During the year July 2017 - June 2018, NSPIRE successfully completed its cycle 3rd and 4th and organized number of events including 'Startup GIG' - A carefully designed series of workshops comprised on 5 days for budding entrepreneurs from different universities.

In Oct 2017, NSPIRE in collaboration with 'DaftarKhawn' conducted learning sessions where founders of successful startups shared their journeys and do's and don'ts with the aspiring entrepreneurs to motivate them. In first half of 2018, NSPIRE organized two events under name of Gigspire and Communication 360 where knowledgeable industry experts delivered their insights and inspired the young entrepreneurs. In addition to that, NSPIRE has done collaboration with Telenor Velocity to help startups in acceleration. Nspire also collaborated with "Women Chamber of Commerce & Industry" signed an MOU for escalation of entrepreneurship and women empowerment. For providing legal services to startups Nspire signed an MOU with "StartupLawnch" who facilitates startups in initial legal help to assist and guide them. Further, Nspire signed an MOU with "Emagine" who are providing training to future entrepreneurs for skill development. Currently Nspire is receiving applications for 5th Cycle. Customized curriculum has been designed and diverse experts will be mentoring the startups. Nspire is collaborating with educational institutes and universities who are producing knowledge brain, researchers and innovators of future, to take their potential and convert them in overall Pakistan's growth.

At Nspire the whole team is committed to deliver the best what an incubation center can do for building the eco-system and entrepreneurial development.

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 to design, develop and execute all training programs within the company. Training need assessment is conducted on continuous basis with HR and department heads to ensure required development gaps are addressed through effective training programs.

The company has 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 as required.

In the fiscal year 2017-2018, ICAN delivered more than 1000 hours of training in about 180 different sessions (in-class plus e-Learning) and covered about 30 distinct topics. The topics ranged from very specific areas such as software programming in different technologies to general areas such as business communication, presentation skills and personal effectiveness. More than 500 participants attended at least one or more sessions. Additionally, ICAN also facilitated external trainings, certifications and examinations of 100+ people across different departments.

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. NETSOL also encourages its employees to take global trainings and certifications (PMP, MCP, ACP, CCEI, CCNA, etc.) to enhance their knowledge base by providing with necessary sponsorship.

ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The Board has the ultimate responsibility to establish and maintain adequate internal controls over financial reporting. 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, management acknowledges that there may be limitations as to the effectiveness of internal controls over financial reporting and therefore recognizes that only reasonable assurance can be gained from any internal control system. The Company, however, maintains an effective internal control framework comprising of clear structures, authority limits and accountabilities and well understood policies and procedures for review processes.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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

STATEMENT OF COMPLAINCE

The statement of compliance under the Companies Act, 2017 has not been notified. The statement of compliance under the Listed Companies (Code of Corporate Governance), Regulations 2017 is attached with this report.

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	07
Female	Applicable from next term of Board

Composition of the Board is given below:

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

NAME OF THE DIRECTORS

Following are the board members of the Company as at June 30, 2018:

- Mr. Shahab-Ud-Din Ghauri
- Mr. Salim Ullah Ghauri
- Mr. Vaseem Anvar
- Mr. Shahid Javed Burki
- Mr. Anwaar Hussain
- Mr. Najeeb Ullah Ghauri
- Mr. Omar Ghauri

ATTENDANCE AT THE BOARD MEETING

There was no change in the constitution of the Board during the fiscal year 2018. During the year ended June 30, 2018, five (05) board meetings were held and attended as follows:

Names of Directors	Attendance at meetings
Shahab-ud-Din Ghauri	Five (05)
Salim Ullah Ghauri	Five (05)
Vaseem Anvar	Five (05)
Najeeb Ullah Ghauri	Four (04)
Shahid Javed Burki	Three (03)
Anwaar Hussain	Three (03)
Omar Ghauri	Five (05)

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

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
Vaseem Anvar	Chairman – Independent director
Anwaar Hussain	Member – Independent director
Najeeb Ullah 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, 2018, five (05) meetings of the Audit Committee were held and attended as given hereunder:

Names of Members	Attendance at meetings
Vaseem Anvar	Five (05)
Anwaar Hussain	Three (03)
Najeeb Ullah Ghauri	Three (03)

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

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 three (03) members:

Names of Members	Designation
Shahid Javed Burki	Chairman – Independent director
Najeeb Ullah Ghauri	Member – Non-executive director
Salim Ullah Ghauri	Member – Executive director

During the year ended June 30, 2018, the Committee held two (02) meeting to discuss & approve the matters falling under the terms of reference of the Committee.

Names of Members	Attendance at meetings
Shahid Javed Burki	Two (02)
Salim Ullah Ghauri	Two (02)
Najeeb Ullah Ghauri	One (01)

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

PERFORMANCE EVALUATION OF BOARD OF DIRECTORS AND THE BOARD COMMITTEES

Complying with Listed Companies Code of Corporate Governance, 2017, the Board through Human Resource and Remuneration Committee has developed a mechanism for evaluation of performance of the Board of Directors and board committees. A comprehensive questionnaire was circulated among all members of the board for evaluation of performance of the Board of Directors. Core area of focus included:

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

Individual feedback was obtained and on the basis of that feedback the average rating of the performance of the board was found satisfactory. Improvement is an ongoing process and the board has identified the areas of improvement in line with the global best practices.

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

The Company is fully compliant with regard to "Director Training Program". All the board members have either completed their "Certificate of Directors Education" or are exempt as per criteria specified in Listed Companies (Code of Corporate Governance) Regulations, 2017.

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 2018, the granted options had become 100% exercisable.

According to the requirements of Section 12 of Employees Stock Option Rules 2001, following disclosure is made regarding options granted, vested or exercised during the financial year ended June 30, 2018:

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, 2018.
4. Till June 30, 2018, 3,810,500 options were exercised by the employees and Rs. 62.57 Million was received by the Company on this account.

5. 67,000 fresh shares were issued during the fiscal year ended June 30, 2018 due to exercise of options by the employees. Total shares issued against the employees' stock option scheme till June 30, 2018 were 3,810,500.
6. 392,000 options have lapsed.
7. Following options were granted to the senior managerial cadre 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, 2019 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.

PATTERN OF SHAREHOLDING

A statement of the pattern of shareholding as at June 30, 2018 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.

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
Cheif Executive Officer

Omar Ghauri
Director

Lahore
September 25, 2018

ڈائریکٹرز کی رپورٹ

ہمیں خوشی ہے کہ از طرف بورڈ آف ڈائریکٹرز نیٹ سول ٹیکنالوجیز لمیٹڈ (''نیٹ سول'' یا ''دی کمپنی'') کی بائیسویں سالانہ آڈٹ شدہ مالیاتی گوشوارے جس کا اختتام 30 جون 2018ء کو ہوا، مع آڈیٹرز رپورٹ پیش کر رہے ہیں۔

کمپنی کے کاروبار کی کارکردگی اور ترقی کی بنیادی سرگرمیاں

موجودہ مالی سال کے دوران نیٹ سول (Netsol) نے مسلسل قابلِ ذکر کامیابیاں حاصل کیں اور ممکنہ لیڈز (Leads) کی صحت مند تعداد کے ساتھ ترقی جاری رکھی۔ مالیاتی سال 2018ء ایک ملٹی ملین ڈالر کے معاہدے کے ساتھ ایک اہم ایشیائی آٹو کیپٹو فنانس کمپنی (Asian Auto Captive Finance Company) میں NFS Ascent پلیٹ فارم کے نفاذ پر اختتام پذیر ہوا جن میں خاص طور پر کمپنی کے آٹو فنانس آپریشن کے لئے Loan Origination System کے ساتھ Contract Management System بھی شامل ہے۔

کمپنی نے انڈونیشیا میں اپنے mobile origination Point of Sale System کے نفاذ کے ساتھ اعلیٰ درجے کی ملٹی فنانس کمپنی کے ساتھ معاہدہ بھی کیا ہے۔ نئے معاہدے میں مصنوعات کے لائسنس، ایک سے زائد سال کی بحالی کے معاہدے اور mPOS کی ایپلی کیشن کے کسی بھی اضافی اصلاحات کے لیے متفقہ شرح شامل ہے۔ کلائنٹ کو نیٹ سول سسٹم سے کریڈٹ اپلیکیشنز کی شروعات کا leveraging ہوگا اور فنانس اور لیز کی مصنوعات کی تلاش والے گاہکوں کو فوری حل فراہم ہوگا۔

نیٹ سول کا دائمی عزم ہے کہ وہ تخلیق کے لئے ایک Innovation Lab تشکیل دینے کی انتظامی رہنمائی کرے جو کہ مستقبل کی جدید مصنوعات کی تشکیل کے لئے ہدایات فراہم کرے۔ کمپنی کی انتظامیہ نے Deloitte سے ایک اعلیٰ درجہ کے ماہر کو ذمہ داری دی ہے کہ وہ متحرک ٹیم کی بہترین رہنمائی کرے، تھوری مدت میں ٹیم نے اپنا کام جاری رکھتے ہوئے کئی جدید تصورات پر عبور حاصل کیا اور اس اقدام کی توقع ہے کہ کمپنی کو آنے والے دنوں میں جدت طرازی کے شروع ہونے والے دور میں مزید نئی سمت کے تعین میں مدد ملے گی۔

مالیاتی کارکردگی (Financial Performance)

مالیاتی گوشوارے

	30 جون 2018ء	30 جون 2017ء
محصولات (000 میں)	**4,284,800**	3,925,697
خام منافع (000 میں)	**1,938,638**	1,240,360
نقد منافع (000 میں)	**1,065,970**	320,296
منافع فی حصص (بنیادی روپے)	**11.89**	3.58
منافع فی حصص (تحلیل شدہ روپے)	**11.87**	3.56
EBITDA فی حصص۔ (تحلیل شدہ روپے)	**18.68**	12.37

30 جون 2018ء کو ختم ہونے والے مالی سال کی صافی محصولات 4,285 ملین روپے تھی جبکہ مالی سال 2017ء میں یہی محصولات 3,926 ملین روپے تھی۔ لائسنس محصولات 1,236 ملین روپے سے کم ہو کر موجودہ مالی سال میں 651 ملین روپے ہوئی ہے۔ گزشتہ سال کے دوران چار مختلف کسٹمر سائٹس پر سافٹ ویئر کا نفاذ شروع کر دیا گیا تھا۔ جس میں سے کچھ سائٹس پر یہ نفاذ مکمل ہو چکا ہے۔ اور ان سافٹ ویئر کے go live ہونے کی وجہ سے موجودہ سال میں لائسنس محصولات میں کمی آئی ہے۔

سروس محصولات گزشتہ مالی سال 1,874 ملین روپے کے مقابلے موجودہ سال میں 2,877 ملین روپے ہیں۔ سروسز محصولات میں اضافہ بنیادی طور پر چین اور جنوبی افریقہ میں مختلف کلائنٹ کی سائٹس پر NFS Ascent™ کے نفاذ پر عمل درآمد سے حاصل ہوا۔ اس کے علاوہ، چین میں ایک کسٹمر کے code split activity سے کچھ اضافی سروسز محصولات بھی حاصل ہوئی۔ بحالی محصولات معمولی کمی کے ساتھ گزشتہ مالی سال کے 816 ملین روپے کے مقابلے میں موجودہ مالی سال میں 757 ملین روپے ہے۔

خام منافع گزشتہ سال میں 1,240 ملین روپے سے بڑھ کر موجودہ سال میں 1,939 ملین روپے رہا۔ کمپنی نے گزشتہ سال کی اس مدت میں نقد منافع 320 ملین روپے کے مقابلے میں 1,066 ملین روپے نقد منافع موجودہ مالی سال میں درج کیا۔ بنیادی اور تحلیل شدہ (Basic & Diluted) آمدنیاں فی حصص بالترتیب 11.89 روپے اور 11.87 روپے فی حصص رہی، جبکہ اس کے مقابلے میں گزشتہ سال بنیادی اور تحلیل شدہ آمدنیاں بالترتیب فی حصص 3.58 روپے اور 3.56 روپے فی حصص بلترتیب رہیں۔

رواں مالی سال میں EBITDA منافع 18.68 روپے فی حصص کے مقابلے میں گزشتہ مالی سال میں 12.37 روپے تھا۔ EBITDA ایک non-IFRS اقدام ہے۔ جو کہ عام طور پر کسی بھی کمپنی کی مالی حالت کا تجزیہ کرنے کے لیے سرمایۂ کاروں اور تجزیہ کاروں کی طرف سے استعمال کیا جاتا ہے۔ EBITDA سود، ٹیکس، فرسودگی اور کساد بازاری سے پہلے کی آمدنی ہے۔ مالیاتی وصول میں بہتری کی وجہ سے کمپنی میں اس کی نقد رقم کے بہاؤ میں بہتری کے رجحانات کو ظاہر کر رہا ہے۔

ڈیوڈینڈ (Dividend)

25 ستمبر 2018ء کو منعقد ہونے والے اجلاس میں بورڈ آف ڈائریکٹر نے 30 جون 2018ء کو ختم ہونے والے مالی سال کے لیے 25 فیصد نقد منافع کی سفارش کی ہے۔

مستقبل کا نقطۂ نظر (Future Outlook)

کمپنی نے آنے والے سہ ماہیوں میں اپنی flagship، پریمئر مصنوعات NFS Ascent™ اور NetSol Financial Suite کا فروغ جاری رکھے گا۔ اور اس کے ساتھ اپنی اعلیٰ درجے کی digital application (NFS Mobility) پر خاص توجہ دے گا جس نے دنیا بھر کے مختلف علاقوں میں خاطر خواہ توجہ حاصل کی۔

ہم دنیا بھر میں بین الاقوامی اجلاسوں، کانفرنسوں اور تقریبات میں اپنی موجودگی برقرار رکھیں گے۔ مختلف لیزنگ انڈسٹری میں رسائی کے لیے نیٹ سول کمپنی صنعتی تقاریب کو اسپانسر کرنے اور ان میں شرکت کو جاری رکھے گی۔ فنانس اور لیزنگ انڈسٹری میں ایک لیڈر کی حیثیت سے نیٹ سول نے امریکہ، برطانیہ، یورپ، چین اور خطے کے دیگر ممالک میں ہونے والی تقریبات میں شرکت کے لیے پہلے ہی معاہدے کر لئے ہیں۔

اس کے علاوہ انوویشن لیب کمپنی کی آئندہ پیش قدمی ثابت ہوگی اور مقابلے کے میدان میں کمپنی کی برتری ثابت کرے گی۔ یہ نا صرف موجودہ مصنوعات کو جدید بنانے اور مستقبل میں نئی مصنوعات تخلیق کرنے میں مدد کرے گی بلکہ اس کی نتیجے میں نئے آمدنی کے سلسلے کو فروغ ملے گا اور نیا کارپوریٹ کلچر بھی پرورش پائے گا۔

اعزازات و اعتراف (Awards Recognition)

نیٹ سول کو 2018ء کی سالانہ China Leasing Summit (CLS) میں "First Rate and Best Selling Finance and Leasing Solution Provider" کے ایوارڈ سے نوازا گیا جو کہ مسلسل 6 سال سے یہ ایوارڈ حاصل کر رہے ہیں۔ یہ اعتراف پورے چین میں فنانس اور لیزنگ کمپنیوں کو بہترین سافٹ ویئر سلوشن فراہم کرنے کے لیے ہے۔ اس سے نیٹ سول کو صنعتی لیڈر کے طور پر مزید استحکام اور پذیرائی حاصل ہوئی ہے۔

کمپنی نے 22 اور 23 مارچ 2018ء کو شنگھائی میں منعقدہ China International Automotive Finance and Risk Management Summit میں "*Auto Finance Software System Leading Enterprise Award*" بھی حاصل کیا۔

کمپنی کے بنیادی خدشات اور غیر یقینی صورتحال

(Principal Risk and Uncertainties Fcing the Company)

اس حقیقت کے باوجود، کمپنی کی مالیاتی کارکردگی گزشتہ چند سالوں کے دوران شاندار اور غیر معمولی رہی ہے اور کمپنی نے ترقی کے سفر میں حائل تمام رکاوٹوں کو کامیابی سے عبور کیا ہے لیکن اس کے باوجود ممکنہ خدشات موجود ہیں جو مستقبل میں کمپنی کی کارکردگی پر اثر انداز ہو سکتے ہیں۔

ممکنہ خدشات (Risk Factors)

الف۔ سائبر سکیورٹی کا خطرہ (Cyber Security Threats)

عالمی سطح پر سائبر جرائم میں اضافے کی وجہ، کمپنی کے آئی سی ٹی (ICT) کے بنیادی ڈھانچے کو بعض خدشات و خطرات لاحق ہیں۔ کمپنی اور اس کے ملازمین کے اعداد و شمار اور معاملات کی رازداری کو یقینی بنانے کے لیے کمپنی نے کلائنٹ اور server communication میں مداخلت کی روک تھام کے نظام (IPS) Intrusion Prevention System خفیہ کاری، رسائی کنٹرول کا طریقہ کار اور محفوظ ٹرانسمیشن پروٹوکول کا استعمال کرتے ہوئے مختلف اقدامات کیے ہیں۔

ب۔ ذرِ مبادلہ کے خدشات (Foreign Exchange Risk)

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

ج۔ لیکوڈیٹی کا خدشہ (Liquidity Risk)

لیکوڈیٹی کے خدشات اپنے معاشی ارادوں کی تکمیل کے لئے فنڈز اکٹھا کرنے کی ناکامی کو ظاہر کرتا ہے۔ کمپنی میں لیکوڈیٹی کے خدشات بنیادی طور پر مالی اثاثوں اور ذمہ داریوں میں بے ضابطگیوں کی وجہ سے پیدا ہوتے ہیں۔ لہٰذا ہم مؤثر کیش مینجمنٹ اور منصوبہ ساز پالیسی کی پیروی کرتے ہیں تاکہ فنڈز کی دستیابی کو یقینی بنائیں اور کسی بھی نئی ضرورت کے لیے مناسب اقدام کریں۔

د۔ کریڈٹ کا خدشہ (Credit Risk)

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

ح۔ شرح سود کا خدشہ (Interest Rate Risk)

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

کمپنی کے کاروبار، کارکردگی، پوزیشن اور ترقی کے فروغ میں اثر انداز ہونے والے بنیادی عوامل

(Main Trends and Factors Likely to Affect the Futute Development, Performance and Position of the Company Business)

دنیا بھر میں تکنیکی ترقی تیزی سے بڑھ رہی ہے۔ کمپنی کو آگے بڑھنے کے لیے اپنی صلاحیتوں اور قابلیتوں کو بھرپور طریقے سے بروئے کار لانا ہوگا۔ مزید برآں کمپنی کو اپنی مصنوعات کی ترقی کے لیے وسیع پیمانے پر کوششیں کرنا ہوں گی تاکہ نئی مارکیٹوں، کاروبار اور اس کی کارکردگی پر نمایاں اور مثبت اثر پڑے گا۔

کمپنی کے کاروباری نوعیت کے متعلقہ مالی سال کے تحت تبدیلیاں یا اس کے ماتحت اور مشترکہ کاروائیاں

(Changes During Financial Year Concerning Nature of the Company or of its Subsidries and joint Operation)

نیٹ سول نے برطانوی پارٹنر انوویشن گروپ کے تعاون سے ایک ماتحت ادارہ قائم کیا تھا جس کو نیٹ سول انوویشن (پرائیویٹ) لمیٹڈ کہا جاتا ہے۔ کمپنی مشترکہ پارٹنر کو outsourcing کی خدمات فراہم کرتی ہے۔ کم وبیش دو سال قبل ہمارے جوائنٹ وینچر پارٹنر (انوویشن گروپ) کو خرید لیا گیا تھا اور نئے مالکان کی کاروباری حکمتِ عملی میں تبدیلی کی وجہ سے انھوں نے دنیا بھر میں انشورنس کے کاروباری عمل کو اکٹھا اور کم کرنے کا فیصلہ کیا۔ اس فیصلے کے نتیجے میں کمپنی کا outsourcing کا کاروبار منفی طور پر متاثر ہوا تھا کیونکہ مشترکہ منصوبے کے ذریعے فراہم کردہ خدمات کے وہ sole customers ہیں۔ اس تبدیلی کے نتیجے میں، آپریشن جاری رکھنے کے لیے ماتحت ادارے کے آپریٹنگ اور نیٹ مارجن ناقابل قبول بن گئے۔ لہٰذا، پارٹنر کی رضامندی کے ساتھ بورڈ نے یہ فیصلہ کیا کہ یکم اگست 2018 کے بعد اگر مستقبل میں کسٹمرز کو کسی قسم کی سروسز چاہیئے ہوں گی تو وہ نیٹ سول ٹیکنالوجیز کے پلیٹ فارم سے مہیا کی جائیں گی۔ اس کے نتیجہ میں، ماتحت ادارے کی کاروباری سرگرمیاں جولائی 2018ء کے اختتام پر بند ہو جائیں گی۔ تاہم کمپنی کا خیال ہے کہ مجموعی طور پر اس سے اس کے کاروبار، آپریشن اور نقد بہاؤ پر کوئی اثر نہیں پڑے گا۔

کمپنی کے کاروبار کا ماحولیات پر اثر

(Impact of Company Business on Environment)

کمپنی کو مینوفیکچرنگ کے حوالے سے کوئی تشویش نہیں ہے کیونکہ کمپنی ایک سافٹ ویئر ہاؤس ہے جو سافٹ ویئر کے بنانے میں اپنا کردار ادا کرتا ہے۔ لہٰذا اس کا ماحولیات پر کوئی منفی اثر نہیں ہے۔ تاہم ماحول کے بارے میں ہم بہت فکرمند اور محتاط رہتے ہیں اور گرین پالیسی کی پیروی کرتے ہیں۔

کارپوریٹ سماجی ذمہ داری (Corporate Social Responsibilty)

کارپوریٹ سماجی ذمہ داری پر ایک تفصیلی رپورٹ منسلک کر دی گئی ہے۔

انسپائر (Nspire)

اس کی بنیاد 2015ء میں رکھی گئی پاکستان کی پہلی آئی ٹی کمپنی ہے جس نے eco-system کے نظام میں پہل کی۔ نیٹ سول نے صنعت کاروں کے ماہرین کو لانے کے لیے ایک فعال کردار ادا کیا اور نوجوان نسل کے لیے کامیابی کی مثال قائم کی۔ جولائی 2017ء۔ جون 2018ء کے دوران 3rd اور 4th cycle, Nspire نے کامیابی سے مکمل کیا اور کئی تقاریب کا انعقاد کیا جس میں 'Startup GIG' شامل ہے۔ یہ مختلف یونیورسٹیوں کے کاروبار دوست لوگوں کی جانب سے 5 دنوں پر مشتمل ورکشاپ کی ایک سیریز تھی۔ اکتوبر 2017ء میں Nspire نے 'دفتر خوان' 'DaftarKhawn' کے اشتراک سے ایک Learining session کا انعقاد کیا جس میں نووارد کاروباری افراد نے اپنے تجربات شیئر کیے۔ 2018ء کے نصف میں Nspire نے Gigspire اور 360 Communication کے نام سے دو تقاریب کا انعقاد کیا جس میں صنعتی ماہرین نے اپنی بصیرت افراز گفتگو سے نووارد کاروباری افراد کو بہت متاثر کیا۔ اس کے علاوہ Nspire نے Telenor velocity کے اشتراک اور معاونت کی۔ Nspire نے ''خواتین چیمبر آف کامرس اینڈ انڈسٹری'' کے تعاون سے کاروباری شراکت اور خواتین کو بااختیار بنانے کے لیے MOU پر دستخط بھی کیے۔ قانونی خدمات فراہم کرنے کے لیے Nspire نے ''StartupLawnch'' کے ساتھ MOU پر دستخط کیے۔ مزید برآں Nspire نے ''Emagine'' کے ساتھ MOU پر دستخط کیے جو مستقبل کے کاروباری افراد کو مہارت کے حصول کے لیے تربیت فراہم کرتا ہے۔

فی الحال Nspire 5th cycle کے لیے درخواستیں وصول کر رہا ہے۔ اس کے لیے حسبِ ضرورت نصاب ڈیزائن کیا گیا ہے اور مختلف ماہرین اس Startups کی نگرانی کریں گے۔ Nspire تعلیمی اداروں اور یونیورسٹیوں کے ساتھ تعاون جاری رکھے ہوئے ہے جو اعلیٰ دماغ محققین اور موجدین پیدا کر رہی ہیں۔ ان کی صلاحیتوں سے پاکستان مجموعی طور پر ترقی کرے گا۔ Nspire کی پوری ٹیم بہترین نظام کی فراہمی کے لیے پرعزم ہے جو ماحولیاتی نظام اور کاروباری ترقی دونوں کے لیے سودمند ہے۔

نیٹ سول میں کارپوریٹ ایڈوانسمنٹ انسٹیٹوٹ

(Institute for Corporate Advoncement at NetSol (ICAN)

نیٹ سول علم کی ترویج وترسیل پر پورا یقین رکھتا ہے اسی مقصد کے لیے پیشہ وارانہ تعلیم وتربیت کی غرض سے نیٹ سول میں ICAN (Institute of Corpotate Advoncement at NetSol) کی بنیاد رکھی گئی جو نئے اور موجودہ ملازمین کو بہترین پیشہ وارانہ تعلیم وتربیت فراہم کرتا ہے۔ ICAN کمپنی کے اندر تمام تربیتی پروگرامز کو نہ صرف ڈیزائن کرتا ہے بلکہ اس کی عملی تربیت بھی فراہم کرتا ہے۔ ہومن ریسورس ڈیپارٹمنٹ (HR) اور دیگر ڈیپارٹمنٹ کے سربراہان مستقبل تربیتی ضروریات کا جائزہ لیتے رہتے ہیں اور اس بات کو یقینی بناتے ہیں۔ Development Gaps کو تربیتی پروگراموں کے ذریعے پورا کیا جائے۔

کمپنی میں اعلیٰ درجے کا in-house Learning Managemnt System (LMS) جو ہر 8-6 ماہ میں Upgrade کیا جاتا ہے۔ تین ٹریننگ رومز، ایک ریکارڈنگ اسٹوڈیو اور ضروری انفراسٹکچر موجود ہے تاکہ بہترین ٹریننگ کے حصول میں کوئی رکاوٹ نہ ہو۔ ہر نیا آنے والا اس پروگرام سے استفادہ کرتا ہے جس میں کاروباری اخلاقیات، ترقیاتی طریقۂ کار، سافٹ ویئر پروگرامنگ اور NFS کی ایپلی کیشن کی تربیت شامل ہے۔ موجودہ ملازمین کی ضرورت کے مطابق ٹریننگ پروگرام تشکیل دیئے جاتے ہیں۔ مالی سال 18-2017ء میں ICAN نے 1000 گھنٹوں پر مشتمل 180 مختلف سیشن (In-class plus e-learning) منعقد کروائے اور تقریباً 30 مختلف موضوعات کا احاطہ کیا۔ یہ پروگرام بہت خصوصی ایریا جیسے مختلف ٹیکنالوجیز میں سافٹ ویئر پروگرامنگ سے لے کر عمومی نوعیت کے موضوعات مثلاً بزنس کمیونیکشن اور Presentation skills پر مشتمل تھا۔ 500 سے زائد شرکاء نے ایک یا ایک سے زیادہ سیشن میں شرکت کی۔ اس کے علاوہ ICAN نے مختلف محکموں میں بیرونی تربیت، سرٹیفکیشن اور 100 سے زائد لوگوں کو امتحانات کی سہولت بھی فراہم کی۔

ICAN معروف علمی پول کا بھی ایک فعال رکن ہے یہ پول ڈیجیٹل ورلڈ میں کلیدی کردار کا حامل ہے۔ مالی سال 17-2016ء میں نیٹ سول نے ACCA سے منظور شدہ آجر (Employer) کی حیثیت حاصل ہے۔ ACCA سے تعلق ہمارے کاروباری تجزیہ کاروں، اکاؤنٹس اور فنانس کے ماہرین کے علم اور نیٹ ورک کو بہتر بناتا ہے۔ نیٹ سول ایسے ملازمین کی حوصلہ افزائی کرتا ہے کہ وہ اپنے علم کے لیے گلوبل ٹریننگ اور سرٹیفکیٹ (PMP,MCP,ACP,CCEI,CCNA وغیرہ) حاصل کریں اور اس کے لیے کمپنی ضروری اسپانسر بھی فراہم کرتی ہے۔

مناسب اندرونی مالیاتی کنٹرولز
(Adequacy of internal Financial controls)

بورڈ کی اپنی ذمہ داری ہے کہ مالیاتی رپورٹنگ سے زیادہ اندرونی کنٹرولز کو مناسب طریقے سے قائم اور برقرار رکھے۔ ہماری مالیاتی رپورٹنگ کی اہلیت اور ہمارے بیرونی مالیاتی گوشواروں کی انٹرنیشنل رپورٹنگ سٹینڈرڈ (International Financial Reporting Standards) کے مطابق تیاری ہمارے طریقے کار کی اندرونی کنٹرولز کی معقول یقین دہانی فراہم کرتا ہے۔ تاہم کمپنی مؤثر داخلی کنٹرول فریم ورک کو برقرار رکھتی ہے جس پر مشتمل واضح ڈھانچے، اتھارٹی کی حدود اور احتساب اور جائزہ لینے کے عمل کے تمام طریقہ کار اور پالیسیوں کو سمجھا جاتا ہے۔

ضابطہ برائے کاروباری عملداری کا تعمیلی اعلامیہ
(Compliance with Code of Corporate Governance)

کمپنی، لسٹڈ کمپنیز (ضابطہ برائے کاروباری عملداری) 2017 کے قواعد وضوابط، کے لوازمات پر پوری طرح عمل پیرا ہے اس حوالے سے ایک تعمیل کا گوشوارہ اس رپورٹ کے ساتھ منسلک ہے۔

تعمیل کا گوشوارہ (Statement of Complaince)

تعمیلی گوشوارے کے بارے میں کمپنیز ایکٹ 2017 میں مطلع نہیں کیا گیا ہے۔ ضابطہ برائے کاروباری عملداری کی تعمیل کا گوشوارہ (Statement) بھی رپورٹ کے ساتھ منسلک ہے۔

بورڈ کی تشکیل پذیری (Composition of the Board)

کمپنی، لسٹڈ کمپنیز (ضابطہ برائے کاروباری عملداری) 2017 کے قواعد وضوابط کی تعمیل کی ضرورت کے مطابق بورڈ کی تشکیل کی جو نیچے دی جاتی ہے۔

درج ذیل ڈائریکٹرز کی کل تعداد سات (07) ہے۔

صنف	تعداد
مرد	07
خواتین	بورڈ کی اگلی ٹرم سے لاگو ہوگا

بورڈ کی تشکیل پذیری (Composition) درج ذیل ہے:

کیٹگری (Category)	تعداد
انڈیپینڈیٹ ڈائریکٹرز	03
نان۔ ایزیکٹوڈائریکٹرز	02
ایگزیکٹوڈائریکٹرز	02

ڈائریکٹرز کا نام:

30 جون 2018ء کے مطابق کمپنی کے بورڈ کے ارکان درج ذیل ہیں:

i۔ محترم شہاب الدین غوری
ii۔ محترم سلیم اللہ غوری
iii۔ محترم وسیم انور
iv۔ محترم شاہد جاوید برکی
v۔ محترم انوار حسین
vi۔ محترم نجیب اللہ غوری
vii۔ محترم عمر غوری

بورڈ کے اجلاس میں حاضری (Attendance at Board Meeting)

مالی سال 2018ء کے دوران بورڈ کی ساخت میں کوئی تبدیلی نہیں ہوئی، رواں 30 جون 2018ء کو ختم ہونے والے سال کے دوران بورڈ کے 05 اجلاس ہوئے۔ شرکاء کی حاضری درج ذیل ہیں:

ڈائریکٹر کا نام	میٹنگز کی تعداد
جناب شہاب الدین غوری	05
جناب سلیم اللہ غوری	05
جناب وسیم انور	05
جناب نجیب اللہ غوری	04
جناب شاہد جاوید برکی	03
جناب انوار حسین	03
جناب عمر غوری	05

ان ممبرز کو رُخصت عنایت کی گئی جو اجلاسوں میں شرکت نہ کر سکے۔

بورڈ نے ذیلی کمیٹیاں بھی بنائی ہیں۔ جنہوں نے مطلوبہ مقاصد حاصل کرنے میں نمایاں طور پر 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۔

ارکان کے نام	عہدہ جات
جناب وسیم انور	چیئرمین - انڈیپینڈنٹ ڈائریکٹر
جناب انوار حسین	ممبر - انڈیپینڈنٹ ڈائریکٹر
جناب نجیب اللہ غوری	ممبر - نان ایگزیکٹوڈائریکٹر

آڈٹ کمیٹی نے تمام سہ ماہی، ششماہی 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 2018 کو ختم ہونے والے سال کے دوران آڈٹ کمیٹی کے پانچ (05) اجلاس ہوئے۔ ان کی حاضری درجہ ذیل ہے۔

ارکان کے نام	میٹنگز کی تعداد
جناب وسیم انور	(05) پانچ
جناب انوار حسین	(03) تین
جناب نجیب اللہ غوری	(03) تین

ان ممبرز کو رُخصت عنایت کی گئی جو اجلاسوں میں شرکت نہ کر سکے۔

ہیومن ریسورس اینڈ ریمونریشن کمیٹی
(Human Resource and Remuneration Committee)

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

ارکان کے نام	عہدہ جات
جناب شاہد جاوید برکی	چیئرمین - انڈیپینڈنٹ ڈائریکٹر
جناب نجیب اللہ غوری	ممبر - نان ایگزیکٹوڈائریکٹر
جناب سلیم اللہ غوری	ممبر - ایگزیکٹوڈائریکٹر

30 جون 2018ء کو ختم ہونے والے سال کے دوران، کمیٹی کے دو (02) اجلاس منعقد ہوئے جس میں کمیٹی کے ٹرم آف ریفرنس کی اصطلاح کے تحت بات چیت اور معاملات کو منظور کیا۔

ارکان کے نام	اجلاس میں شرکت
جناب شاہد جاوید برکی	(02) دو
جناب سلیم اللہ غوری	(02) دو
جناب نجیب اللہ غوری	(01) ایک

ان ممبرز کو رُخصت عنایت کی گئی جو اجلاسوں میں شرکت نہ کر سکے۔

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

لسٹڈ کمپنیز (ضابطہ برائے کاروباری عملداری) 2017 کے قواعد وضوابط کے مطابق، بورڈ نے ہیومن ریسورس اینڈ ریمونریشن کمیٹی کے توسط سے بورڈ آف ڈائریکٹرز اور بورڈ کمیٹیوں کی کارگردگی کے تعین کے لیے ایک میکانزم تیار کیا۔ بورڈ آف ڈائریکٹرز کی کارکردگی کا جانچنے کے لیے ایک جامع سوالنامہ بورڈ کے تمام ارکان میں تقسیم کیا گیا تھا۔ جس کے مرکزی خلاصہ میں شامل ہے:

☆ کمپنی کے نقطہ نظر اور مشن کے ساتھ کارپوریٹ اہداف اور مقاصد کا تعین
☆ مستحکم اور پائیدار کارکردگی کے لیے حکمتِ عملی کی تشکیل

☆ کارکردگی کی جانچ پڑتال اور نگرانی

☆ 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 انفرادی رائے حاصل کی گئی تھی اور اس رائے (Feedback) کی بنیاد پر بورڈ کی اوسط کارکردگی کو تسلی بخش پایا گیا۔ بہتری ایک مسلسل جاری عمل ہے اور بورڈ نے عالمی معیار کے مطابق ان شعبوں کا تعین کیا ہے کہ جہاں مزید بہتری کی گنجائش موجود ہے۔

ڈائریکٹرز کا معاوضہ (Directors' Remuneration)

کمپنی نان ایگزیکٹو ڈائریکٹرز اور انڈیپینڈنٹ ڈائریکٹرز کو ماسوائے اجلاس میں شرکت کی فیس کے علاوہ کوئی معاوضہ ادا نہیں کرتی۔

ڈائریکٹرز کے تربیتی پروگرام (Director's Tranning Programe)

کمپنی ''ڈائریکٹرز ٹریننگ پروگرام'' کے حوالے سے مکمل طور پر پاسدار ہے۔ تمام بورڈ کے ارکان نے یا تو ''سٹرٹیفکیٹ آف ڈائریکٹرا یجوکیشن'' حاصل کر رکھا ہے یا لسٹڈ کمپنیز (ضابطہ برائے کاروباری عملداری) 2017 [Listed Companies (Code of Corporate Governance), Regulation 2017] کے قواعد وضوابط کے بیان کردہ معیار کے مطابق مستثنٰی ہیں۔

ایمپلائز سٹاک آپشن سکیم (Employee Stock Option Scheme)

یکم 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 2018ء کے آخر تک گرانٹ آف آپشنز کے بعد سے 100 فیصد گرانٹڈ آپشن قابلِ عمل بن چکے تھے۔

ایمپلائز اسٹاک آپشن رولز 2001ء کی دفعہ 12 کی ضروریات کے مطابق 30 جون 2018ء کو ختم ہونے والے مالی سال کے دوران آپشنز گرانٹیڈ سے متعلق vested یا exercised کے حوالے سے درج ذیل انکشافات دیئے گئے:

i۔ کمپنی اپنے ملازمین کو 4,350,000 آپشنز دے چکی ہیں۔

ii۔ آپشنز کی Exercise Price کا تعین 20 فیصد رعایتی آپشن کی گرانٹ کی تاریخ پر پاکستان اسٹاک ایکسچینج (تب کراچی اسٹاک ایکسچینج) میں کمپنی کے حصص کی ایک ماہ کی اوسط حصص سے کیا جاتا ہے۔

iii۔ 100 فیصد گرانٹڈ آپشنز 30 جون 2018ء کو ختم ہونے والے مالی سال کے آخر تک vested تھی۔

iv۔ 30 جون 2018ء تک ملازمین نے 3,810,500 آپشنز استعمال کیے اور کمپنی کو اس مد سے 62.57 ملین روپے موصول ہوئے تھے۔

v۔ ملازمین کی جانب سے آپشنز کے استعمال کی وجہ سے 30 جون 2018ء کو ختم ہونے والے مالی سال کے دوران 67,000 نئے حصص جاری کیے گئے۔ 30 جون 2018ء تک ملازمین کی اسٹاک آپشن سکیم کی مد میں جاری کُل حصص 3,810,500 تھے۔

vi۔ 392,000 آپشنز (Options) lapse ہوئے۔

vii۔ درج ذیل آپشنز کمپنی کے سینئر اِنتظامی کیڈر ملازمین کو یکم اگست 2009 کو دیئے گئے:

عہدہ	گرانٹڈ آپشنز کی تعداد
چیف ایگزیکٹو آفیسر	250,000
چیف آپریٹنگ آفیسر	100,000
چیف فنانشل آفیسر	100,000

viii۔ اوپر ظاہر کردہ اعداد وشمار 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 سکیورٹی اینڈ ایکسچینج کمیشن آف پاکستان نے ملازمین اسٹاک آپشن اسکیم 2009ء میں کچھ ترامیم کی منظوری دی۔ اسی ترامیم 27 اکتوبر 2015ء کو ایک خصوصی قرارداد کے ذریعے کمپنی کے حصص داران کی جانب سے بھی منظوری دی گئی۔ بڑی ترامیم ذیل میں بیان کی گئی ہیں:

الف۔ 2016ء سے آپشنز Vesting کی فراہمی کی مدت سات سال کی بجائے تین سال ہوگی۔

ب۔ 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 ۵۰ فیصد دورانِ مدت کس بھی وقت استعمال کرسکتا ہے۔ لیکن منظوری کے ایک سال بعد۔

☆ ملازم کو دیئے جانے آپشنز میں 80 فیصد (مندرجہ بالابشمول 50 فیصد) دورانِ مدت کسی بھی وقت استعمال کرسکتا ہے۔ لیکن منظوری کے دوسال مکمل ہونے کے بعد۔

☆ ملازم کو دیئے جانے والے آپشنز میں 100 فیصد تک (مندرجہ بالابشمول 80 فیصد) دورانِ 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، کیلا باسس کیلیفورنیا 91302، امریکہ، کو کمپنی کے حصص کی اکثریت حاصل ہے۔

آڈیٹرز کی تعیناتی (Appointment of Auditors)

موجودہ ایکسٹرنل آڈیٹرز میسرز ایچ۔ وائی۔ کے اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹ سبکدوش ہورہے ہیں اور انہوں نے خود کو دوبارہ تقرری کے لیے پیش کیا ہے۔

ایکسٹرنل آڈیٹرز نے تصدیق کی ہے کہ انہیں انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنس آف پاکستان (ICAP) نے کوالٹی کنٹرول ریویو پروگرام کے تحت تسلی بخش ریٹنگ (Rating) دی ہے۔ انھوں نے مزید کہا ہے کہ ان کی فرم اِنٹرنیشنل فیڈرشن آف اکاؤنٹس (IFAC) ICAP کی جانب سے منظور شدہ ضابطہ اخلاق پر مشتمل گائیڈ لائنز کی مکمل پاسداری کی ہے جو کہ (ICAP) کی جانب سے رائج کی گئی تھیں۔ ایکسٹرنل آڈیٹرز کو دیگر خدمات فراہم کرنے پر مامور نہیں کیا گیا ہے، علاوہ اس کے جو لِسٹنگ ضوابط (Listining Regulations) کے مطابق ہیں۔

بورڈ آف ڈائریکٹرز 30 جون 2019ء کو ختم ہونے والے سال کے لیے میسرز ایچ۔ وائی۔ کے اینڈ کمپنی کی ایسی شرائط اور مشاہرے پر دوبارہ تقرری کی سفارش کی جیسا کہ آڈٹ کمیٹی کی جانب سے تجویز کیا گیا ہے۔

حصص برداری کا مثالی طریقہ کار (Pattern of Shareholding)

30 جون 2018 کو حصص برداری کا مثالی طریقہ کار (Pattern of Shareholding) کا گوشوارہ اس رپورٹ کے ساتھ 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۔

اعتراف (Acknowledgement)

بورڈ آف ڈائریکٹرز کمپنی کے حصص داران، قابلِ قدر صارفین، سرکاری اداروں اور مالیاتی اداروں کی طرف سے حمایت کے لیے ان کی تعریف کرتا ہے اور خراجِ تحسین پیش کرتا ہے۔ بورڈ کمپنی کے تمام ملازمین کا ان کی خدمات، وفاداری اور ان کی مسلسل کوششوں کی قدر کرتا ہے اور انھیں بھی خراجِ تحسین پیش کرتا ہے اور اُمید کرتا ہے کہ مستقبل میں بھی ان کی مخلصانہ کوششیں جاری وساری رہیں گی۔

ازطرف بورڈ آف ڈائریکٹرز:۔

سلیم اللہ غوری
(چیف ایگزیکٹو آفیسر)

عمر غوری
(ڈائریکٹر)

لاہور
مورخہ: 25 ستمبر 2018ء

Corporate Social **Responisbility**

Corporate social responsibility (CSR) is an organization's initiatives to assess and take responsibility for the company's effects on environmental and social wellbeing. The term commonly applies to efforts that go beyond what may be required by regulators or environmental protection groups. CSR can also be referred to as corporate citizenship and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change.

NETSOL acts responsibly on behalf of the future generations for the fulfillment of economic, environmental, and social progress. The Company works with various foundations and trusts towards improving healthcare infrastructure, supporting primary education, rehabilitating women and children.

As a responsible corporate citizen, NETSOL undertook various projects for community welfare during the year, some of which are described here under: .

Corporate Philanthropy

1.1 NetSol Education Support Program (NESP)

The NESP program is principally designed to support the education of children of eligible employees from Grade I - XII. It covers all permanent employees, working in "Admin Support Function" of NETSOL and its subsidiary company along with deserving individuals of the community. The employees and external individuals covered under this program are supported to educate their children and provide them with a better future. Currently, this initiative is helping 339 children with their education of 145 employees internally and externally 10 children of 3 families are being educated. These students go to both English and Urdu medium institutions. It is helping students throughout Pakistan; from Karachi to KPK, including the FATA area, Gilgit Baltistan, Chitral, and Azad Kashmir with children enrolled in 172 schools.

With higher education a top priority in the education sector, NetSol has fully supported over 5 students (children of NetSol's permanent staff) with Financial Aid for Bachelors and Masters level education. These students are acquiring education from well-reputed colleges and universities.

Extending its goodwill in education, NetSol is dedicatedly running Farooq Charity Trust School, Khanqah, Bahawalpur which is a 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, Sheikhupura, Punjab which encompasses state-of-the-art education for the underprivileged living in poor villages.

1.2 Employment of Special Needs People

The Company believes in equal opportunity while hiring resources. We facilitate and accommodate the special people who have relevant knowledge and skills. We currently have around 8 special needs employees working at NETSOL in diverse roles. These include both male and female employees. Additionally, we have a quota fixed for people living in the rural and less privileged areas who do not get much opportunities compared to the people in urban areas.

1.3 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

1.4 Wheelchair Distribution

NetSol takes pride in being called "A Company with a Heart," and rightly so the company has never stepped back in providing aids. Keeping up to with the pride, NetSol financed surgery of a patient with a critical back condition which took place in China, later in Pakistan also and also provided the patient with a wheelchair for easy movement. Moreover, fully electric wheelchair was provided to couple of employees for their easy travel. Many such cases come across where NetSol wholeheartedly provides wheelchairs to those who truly need so.

1.5 CEO's Experience Sharing

When years of hard work finally gives you the well-deserved success, there comes a point where one is ready to pass on the experience to others. Such are the sentiments of NetSol's Founder & CEO Mr. Salim Ghauri who after playing his role in building the company, is playing the 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 attend these 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.

2. RELATIONSHIP WITH EMPLOYEES

2.1 Women Empowerment at Netsol

NetSol has always given utmost importance to female hiring at every possible level. From 22% females in 2014, the percentage has arisen to 26% in 2018 with women working in key positions. 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.

2.2 In-house Doctor

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

2.3 Free Lunch and Gymnasium

The Company also maintains a cafeteria at its premises where complementary lunch and dinner is provided to all the staff members. In addition, we also provide a healthier (organic) alternate lunch option to the employees. The same food is served to both, the management and other employees including support staff. This facility is also available at other regional offices of the Company. The Company has also invested in a sports complex for indoor games such as table tennis, snooker, football, etc. A gymnasium with state of the art fitness equipment is also maintained for the employees.

2.4 Pick & Drop and Day Care Facility

To encourage female population to take part in the development of the country, the Company also provides pick and drop facility to its female staff members. The facility runs from their doorstep at a very subsidized rate. Additionally, day care facility is provided to both male and female employees at subsidized rates. A group of skilled instructors trained in child education regularly visits the center for the learning and development of children. NETSOL has assumed shared responsibility for the children of its employees.

2.5 Bikes for Male Employees

A bike purchase program has been initiated for male employees. Through this program, employees are facilitated to purchase bikes through easy installments, with major percentage of payment contributed by the Company.

2.6 Fire and Safety Staff

NETSOL is dedicated to protecting its employees and property from accidents at all times. Keeping this in mind, our fire and safety staff provides quality life-safety education to our employees Our Fire and Safety staff conduct regular drills to ensure that employees are well versed in methods of safety.

2.7 Umrah Draws

Every year employees are awarded Umrah through random balloting. In 2018, three Company employees along with one family member each went to perform Umrah through computerized draw on the company's expenses.

3. BUSINESS ETHICS AND ANTI-CORRUPTION MEASURES

3.1 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 and 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.

3.2 Social Media Essential

With the times advancing, it has become necessary to stay updated with the social media norms as well. For this purpose, a two days workshop was held for the employees to learn the essentials of social media and how these fundamentals can be and cannot be implemented at workplace.

4. OCCUPATIONAL SAFETY AND HEALTH

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. NetSol 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.

4.1 Health Talks

NetSol is always willing to go the extra mile in making sure that its employees are healthy, both physically and mentally. To ensure that it does the best for its employees and for the welfare of the society as a whole, talks and lectures are held in the office premises encircling important subjects for a healthy lifestyle such as stress, anxiety, depression, less pain more gain and keeping fit etc.

4.2 Population Awareness

Our government with its newly formed units and reforms, is spreading awareness on various fronts. NetSol committedly supports the initiatives of the government including Punjab Population Innovation Fund (PPIF). NetSol and PPIF came together for an awareness session on population planning which was given to the support staff of the company. 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. The fundamental cause of which is to spread awareness of population control and benefits of family planning.

4.3 Safety Drills

We also operate disaster prevention and recovery plan and periodically conduct various safety drills for complete evacuation, firefighting, cardiopulmonary resuscitation and first aid methods and various awareness campaigns including dengue precautions

4.4 Tree Plantation Drive

We believe that one of its responsibilities is to be environment friendly and recognize the global climate change as a cause for concern. Keeping these views in mind, the Company organized a tree plantation drive and planted 1,000 trees in the outskirts of Lahore for a greener and healthier environment.

5. 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:

5.1 Pink Ribbon, Breast Cancer Awareness Campaign

Joining hands with Shaukat Khanum Cancer Hospital, NetSol organized an awareness campaign representing breast cancer in Pakistan and supporting SKMCH to eradicate it. Director Marketing at SKMCH graced the event and spoke to the female staff of the Company regarding this subject which has unfortunately widely grown in Pakistan.

5.2 World Women's Day

To celebrate the being of an important figure in everybody's lives, NetSol celebrated Women's Day as Women's Week with four days of talks by inspirational women from all walks of life. These speakers included Hamna - CEO of Organic Green Earth and Amayl (Organic make-up), Ainee Faisal – Fashion Designer, Dr. Shaheena Asif – Consultant Obstetrics & Gynaecologist and Ramma Saad – Founder Khouj Women. The week dedicated to their hard work and role they play both at home and work, ended with the male staff giving motivational messages to the females around them and discount packages for the male staff.

5.3 Cancer Combat Cricket League

NetSol came together with Lahore CPS Club Pvt Ltd for a Tape Ball Tournament to support Cancer Combat and to spread cancer awareness through cricket. The membership fee for this club went as donation from the Company.

Motivation is an everyday and an on-going practice. Company persistently motivates its employees by various initiatives. Some of them in this year were:

1. 'Main na manon haar' sessions with former Olympian cyclist Muhammad Ashiq
2. 'Moms back to work', an activity for working mothers to step-back in their career.

6. 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, 2018 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	16,488
Sales Tax	1,906
Withholding Tax	224,615

"NetSol is always a step ahead in goodwill."

Our Core Values

LEADERSHIP

Every one of you can be a leader.

PEOPLE

We value the best people, second to none.

RESPECT AND HUMILITY

As we are a global Company, we respect every culture, race, gender, religion, and embrace the challenges that come with such diversity. We always demonstrate humility and respect with our colleagues.

TEAMWORK

We work together, building strong partnerships and relationships with our colleagues. We believe in proactively seeking out different perspectives and breaking down silos. This is our biggest asset to Teamwork.

EMPLOYEES FIRST CULTURE

As an organization, the employees' well-being is our first priority and our pride.

CLIENT INTERESTS

Our clients' success is our success. We take care of our clients and partners as our top priority.

ONE GLOBAL TEAM

We work with our global subsidiaries and employees as one team, one goal, and one vision.

HONESTY AND INTEGRITY

Our value of honesty and integrity is the foundation of our reputation and of the way we do business. These are given and assumed core values in our employees. In addition to the personal integrity that each of us brings to our work, we need to demonstrate organizational integrity – ensuring that all of our combined efforts align with our values and commitments.

Definitions

"Honesty" – telling the truth and acting without stealing, fraud or breach of laws.

"Integrity" – adherence to the Code of Business Ethics.

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

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H.Y.K & Co.
CHARTERED ACCOUNTANTS

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

Scope of our work

We have performed an independent assurance engagement of Netsol Technologies Limited (the Company) to express an opinion on the annexed Statement of Compliance (the Statement) with the requirements of Employees Share Option Scheme (the Scheme) , as approved by the shareholders of the Company , and the Public Companies (Employees Stock Option Scheme) Rules, 2001 (the Rules) as of June 30, 2018. 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, 2018.

H.Y.K and Company
Chartered Accountants
Lahore: September 25, 2018

Engagement Partner: Younus Kamran

H.Y.K & Co.
CHARTERED ACCOUNTANTS

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, 2018 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, 2018.

H.Y.K and Company
Chartered Accountants

Lahore: September 25, 2018

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Statement of Compliance with the Code of Corporate Governance

For the Year Ended June 30, 2018

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	07
Female	Applicable from next term of the Board

2. Composition of the Board is as follows:

Category	Number
Independent Directors	03
Non-executive Directors	02
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. The Company is fully compliant with "Directors Training program". 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. The Board has duly approved appointment of Company Secretary, including remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. There was no change in the position of CFO and Head of Internal Audit.
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
Vaseem Anvar	Chairman – Independent director
Anwaar Hussain	Member – Independent director
Najeeb Ullah Ghauri	Member – Non-executive director

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

Names of Directors	Designation
Shahid Javed Burki	Chairman – Independent director
Najeeb Ullah Ghauri	Member – Non-executive director
Salim Ullah Ghauri	Member – Executive director

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

Committee	Meeting Frequency
Audit Committee	Five – during FY 2017-2018
HR&RC	Two – during FY 2017-2018

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 25, 2018

Pattern of **Shareholding**

As at June 30, 2018

No. Of Shareholders	From	To	Total
505	1	100	12,131
414	101	500	132,853
274	501	1000	227,675
602	1001	5000	1,395,327
104	5001	10000	824,063
34	10001	15000	430,695
25	15001	20000	449,897
14	20001	25000	320,240
13	25001	30000	366,319
10	30001	35000	330,500
5	35001	40000	187,000
4	40001	45000	168,500
8	45001	50000	391,942
6	50001	55000	326,854
4	55001	60000	236,220
4	60001	65000	254,500
3	65001	70000	205,000
3	70001	75000	220,399
1	75001	80000	76,000
3	80001	85000	251,800
3	95001	100000	292,000
3	105001	110000	329,000
3	120001	125000	368,956
1	135001	140000	137,500
1	140001	145000	145,000
1	145001	150000	150,000
1	150001	155000	152,500
1	155001	160000	159,000

No. Of Shareholders	From	To	Total
1	160001	165000	165,000
1	185001	190000	190,000
1	195001	200000	200,000
1	210001	215000	211,000
1	215001	220000	220,000
2	230001	235000	469,500
1	235001	240000	239,000
1	260001	265000	264,000
1	275001	280000	276,500
1	295001	300000	300,000
1	335001	340000	336,195
1	350001	355000	351,000
1	535001	540000	538,000
1	690001	695000	692,409
1	830001	835000	833,500
1	895001	900000	896,000
1	1035001	1040000	1,040,000
1	1225001	1230000	1,228,210
1	1380001	1385000	1,384,200
1	1395001	1400000	1,400,000
1	1645001	1650000	1,650,000
1	2505001	2510000	2,510,000
1	2955001	2960000	2,957,290
1	4100001	4105000	4,105,000
1	16445001	16450000	16,450,000
1	42250001	42255000	42,254,248
2,077			**89,702,923**

Information required as per **Code of Corporate Governance**

As at June 30, 2018
Incorporation No. 0037024

S.No.	Categories of Share Holders	Number of Share-holders	Shares Held	% of Capital	Total
1	Directors, CEO & their Spouse and minor childern:				
	Mr. Salim Ullah Ghauri	1	874,195	0.97	
	Mr. Shahab-ud-Din Ghauri	1	509	0.00	
	Mr. Najeeb Ullah Ghauri	1	234,609	0.26	
	Mr. Shahid Javed Burki	1	26,764	0.03	
	Mr. Vaseem Anvar	1	550	0.00	
	Mr. Omar Shahab Ghauri	1	509	0.00	
	Mr. Anwaar Hussain	1	526	0.00	
	Mrs. Tahira Salim Ghauri	1	110,000	0.12	1,247,662
2	Associated Companies, undertakings and related parties				
	NetSol Technologies Inc.	1	59,396,657	66.21	59,396,657
3	Banks, DFI & NBFC, Insurance Co.,Takaful, Modaraba and Pension Funds				
	Banks and Financial Institutions	5	1,763,372	1.97	
	Insurance Companies	3	7,500	0.01	
	Modarabas	1	5,000	0.01	
	Investment Companies	1	4,500	0.01	
	Pension Funds	3	310,500	0.35	
	Other Funds	4	14,500	0.02	2,105,372
4	Public Sector Cos. & Corporation	46	4,183,521	4.66	4,183,521
5	Mutual Funds				
	CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	896,000	1.00	
	CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	1	239,000	0.27	
	CDC - TRUSTEE DAWOOD ISLAMIC FUND	1	2,000	0.00	
	CDC - TRUSTEE ABL STOCK FUND	1	211,000	0.24	
	MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	1	5,000	0.01	
	CDC - TRUSTEE ABL PENSION FUND-EQUITY SUB FUND	1	5,000	0.01	
	CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	1	833,500	0.93	
	CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	1	276,500	0.31	2,468,000
6	General Public				
	a. Local	1,996	20,300,602	22.63	20,300,602
	b. Foreign	1	1,109	0.00	1,109
	Total	2,077		100	89,702,923

Shareholders holding five percent or more voting interest in the Company

NetSol Technologies Inc.	59,396,657	66.21

Trading in shares during the year 2018

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 Ghaurii,CEO/Executive Director sold 100,000 shares.
Mr. Najeeb Ullah Ghauri, Non-Executive Director purchased 50,000 shares.
Mr. Omar Shahab Ghaurii,COO/Executive Director sold 99,050 shares.
Mr. Shahid Javed Burki,Independent Director sold 30,000 shares.

Executives

Mr. Boo-Ali, CFO/Director Finance sold 10,000 shares.

FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

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H.Y.K & Co.
CHARTERED ACCOUNTANTS

Independent Auditor's Report

To the members of NetSol Technologies Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of NetSol Technologies Limited (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 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.	**Revenue recognition** Refer notes 4.10 and 27 to the financial statements. Revenue recognized during the year ended June 30, 2018 is Rs. 4,284.8	Our audit procedures to assess the recognition of revenue, amongst others, included the following: • obtaining an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is

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CHARTERED ACCOUNTANTS

	million (2017: Rs. 3,925.697 million). 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. Large contracts are typically bundled, and often include license, rendering of services and maintenance revenues. 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.	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. • For the license element of contracts, particularly those in close proximity to the year end, we obtained evidence that the software had been delivered to the customer prior to the end of the financial year. • assessing the split of contracts to challenge and gain sufficient comfort around the level of software recognition 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; and • 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;
2.	**Valuation of Trade Debts** Refer notes 4.8 and 9 to the financial statements. The company has a significant balance of trade debts. Provision against doubtful trade debts is based on management's judgment to determine the appropriate level of provision against balances which may not ultimately be recovered.	Our audit procedures to assess the valuation of trade debts, amongst others, included the following: • obtaining an understanding of the management's basis for determination of the trade debts and receivables collection process. • 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

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CHARTERED ACCOUNTANTS

	We identified recoverability of trade debts as a key audit matter as it involves significant management judgment in determining the recoverable amount of trade debts.	assessing the judgments made by the management in relation to the credit worthiness of the debtors; • Obtaining direct confirmation of balances from customers. • 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. • evaluating the subsequent recovery of trade debts at year end. • obtaining an understanding of the management's basis for determination of the provision for doubtful debts required at the year end. • assessing the historical accuracy of provisions for doubtful debts recorded by examining the utilization or release of previously recorded provisions.

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.

H.Y.K & Co.
CHARTERED ACCOUNTANTS

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 Company
Chartered Accountants
Lahore

Date: September 25, 2018

Statement of Financial Position

As at June 30, 2018

	NOTE	2018	2017
		Rupees in '000'	
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	5	**1,759,889**	1,898,191
Intangible assets	6	**1,507,905**	1,801,409
		3,267,794	3,699,600
Long term investments	7	**308,567**	218,873
Long term loans to employees	8	**356**	446
		3,576,717	3,918,919
CURRENT ASSETS			
Trade debts	9	**1,340,024**	669,272
Excess of revenue over billing	10	**1,428,321**	1,788,568
Loans and advances	11	**38,489**	31,410
Trade deposits & short term prepayments	12	**17,756**	13,519
Other receivables	13	**25,908**	19,392
Due from related parties	14	**25,878**	16,055
Taxation - net	15	**53,879**	49,523
Cash & bank balances	16	**2,123,337**	874,942
		5,053,592	3,462,681
TOTAL ASSETS		**8,630,309**	7,381,600

The annexed notes from 1 to 47 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER | CHIEF FINANCIAL OFFICER | DIRECTOR

	NOTE	2018	2017
		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	**897,029**	896,359
Share deposit money		**13**	13
Reserves	18	**5,788,908**	4,796,141
		6,685,950	5,692,513
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	19	**31,115**	19,397
Deferred income	20	**7,826**	-
Long term advances	21	**685**	3,254
		39,626	22,651
CURRENT LIABILITIES			
Trade and other payables	22	**503,417**	379,429
Unearned revenue	23	**371,243**	142,471
Short term borrowings	24	**1,000,000**	1,113,713
Current portion of long term liabilities	25	**27,124**	25,397
Unclaimed dividend		**2,949**	5,426
		1,904,733	1,666,436
CONTINGENCIES & COMMITMENTS	26	**-**	-
TOTAL EQUITY AND LIABILITIES		**8,630,309**	7,381,600

The annexed notes from 1 to 47 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, 2018

	NOTE	2018	2017
		Rupees in '000'	
Revenue - net	27	**4,284,800**	3,925,697
Cost of revenue	28	**(2,346,162)**	(2,685,337)
Gross profit		**1,938,638**	1,240,360
Selling and promotion expenses	29	**(571,810)**	(442,704)
Administrative expenses	30	**(739,967)**	(694,833)
Other operating expenses	31	**(4,304)**	(2,005)
Other income	32	**537,430**	290,934
Operating Profit		**1,159,987**	391,752
Finance cost	33	**(44,034)**	(29,669)
Profit before taxation		**1,115,953**	362,083
Taxation			
Current year	34	**(49,014)**	(40,781)
Prior year		**(969)**	(1,006)
		(49,983)	(41,787)
Profit after taxation for the year		**1,065,970**	320,296
Earnings per share			
Basic - In Rupees	35	**11.89**	3.58
Diluted - In Rupees	35	**11.87**	3.56

The annexed notes from 1 to 47 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, 2018

	2018	2017
	Rupees in '000'	
Profit after taxation for the year	**1,065,970**	320,296
Other comprehensive income	**-**	-
Total comprehensive Income for the year	**1,065,970**	320,296

The annexed notes from 1 to 47 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, 2018

	NOTE	2018	2017
		Rupees in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation for the year		1,115,953	362,083
Adjustments for non cash charges and other items:			
Depreciation - own assets		232,496	309,517
Amortization of leased assets		16,227	27,321
Amortization of intangible assets		293,504	394,587
Loss on disposal of fixed assets		4,304	2,005
Amortization of deferred revenue		(231)	-
Exchange (gain) on debtors		(497,081)	(48,706)
Interest expense		42,803	27,966
Interest income		(24,411)	(10,428)
Dividend Income		-	(214,939)
Deferred employee compensation expense		56,410	73,994
Donation		-	169
Provision for doubtful debts		35,303	36,194
		159,324	597,680
Cash generated from operations before working capital changes		1,275,277	959,763
Working Capital Changes			
Trade debts		380,046	(758,356)
Loans and advances		(6,989)	(7,124)
Trade deposits & short term prepayments		(4,237)	11,753
Other receivables		(6,516)	23,569
Due from related parties		(9,823)	4,013
Trade and other payables		125,715	(28,661)
Cash generated from /(used in) operations		478,196	(754,806)
Interest paid		(47,357)	(20,368)
Income taxes paid		(54,339)	(59,057)
Dividend paid		(129,695)	(39,437)
Net cash generated from operations		1,522,082	86,095
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		(144,561)	(61,061)
Sales proceeds of fixed asset		61,930	31,021
Advance against Capital expenditure		(24,036)	(6,961)
Long term investment		(89,694)	(186,418)
Interest received		24,411	10,428
Net cash (used in) investing activities		(171,950)	(212,991)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of share capital		670	4,815
Share deposit money		-	(1,477)
Share premium		430	3,223
Paid against obligation under finance lease		(46,450)	(60,529)
Received against obligation under finance lease		61,823	25,710
Short term borrowing		(113,713)	599,152
Dividend received		-	320,407
Long term advances		(4,497)	2,064
Net cash generated from /(used in)financing activities		(101,737)	893,365
Net Increase in cash and cash equivalents		1,248,395	766,469
Cash and cash equivalents at the beginning of the year		874,942	108,473
Cash and cash equivalents at the end of the year	16	2,123,337	874,942

The annexed notes from 1 to 47 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, 2018

	Issued, subscribed 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, 2016	891,544	1,491	1,607	298,777	4,142,998	5,336,417
Total comprehensive income for the year						
Net profit for the year ended June 30, 2017	-	-	-	-	320,296	320,296
Other comprehensive income	-	-	-	-	-	-
Shares issued against options exercised (481,500 shares at Rs. 10 each)	4,815	(7,906)	(711)	3,802	-	-
Options lapsed due to employee resignation			(579)			(579)
Amount received against options exercised	-	6,428	-	-	-	6,428
Dividend paid					(44,622)	(44,622)
Contribution of parent on account of employee share options			74,573			74,573
	4,815	(1,478)	73,283	3,802	275,674	356,096
Balance as at June 30, 2017	896,359	13	74,890	302,579	4,418,672	5,692,513
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**
Other comprehensive income	-	-	-	-	-	**-**
Shares issued against options exercised (67,000 shares at Rs. 10 each)	670	(1,100)	(99)	529	-	**-**
Options lapsed due to employee resignation	-	-		-	-	**-**
Dividend paid	-	-	-	-	(130,044)	**(130,044)**
Amount received against options exercised	-	1,100	-	-	-	**1,100**
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**

The annexed notes from 1 to 47 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, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

NetSol Technologies Limited ("the Company") was incorporated in Pakistan on August 22, 1996 under the repealed Companies Ordinance, 1984, (Now Companies Act 2017) as a private company, limited by shares and was later on converted into public limited company on November 05, 2004 and subsequently listed on stock exchange on August 26, 2005. The company is listed at Pakistan Stock Exchange Limited. The business of the Company is development and sale of computer software and provision of related services in Pakistan as well as abroad.

Geographical location and addresses of business units:

	Address/Location	Purpose
1	NetSol IT Village,(Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt. Pakistan.	Registered office and business unit
2	43/1/Q, Amna Villa 1, Block-6, PECHS Housing Society Karachi.	Branch office
3	House No. 4, Safari villas 1, Bahria town, Rawalpindi. Pakistan.	Branch office
4	Summitmas 2 Ground Floor Jl. Jend Sudirman Kav 61-62 Senayan-Kebayoran Baru Jakarta Selatan 12190, Indonessia	Branch office

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

2. BASIS OF PREPARATION

2.1 Separate financial statements

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

2.2 Statement of compliance

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

-International Financial Reporting Standards (IFRS Standards) 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 the 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 the Company's functional currency. All financial information presented in Pak Rupee has been rounded off to the nearest thousand unless stated otherwise.

2.5 Accounting policies

The accounting policies adopted for the preparation of these financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the company for the year ended June 30, 2017.

2.6 Standards and interpretations that became effective

The third and fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to, particulars of immovable assets of the Company (refer note 5.7), management assessment of sufficiency of tax provision in the financial statements (refer note 34), change in threshold for identification of executives (refer note 36), Investments in foreign entities (refer note 7.1) additional disclosure requirements for related parties (refer note 38.1 and 38.2) etc.

Apart from companies Act 2017, following standards (revised or amended) and interpretations became effective for the current financial year but either they are not relevant or do not have any material effect on the financial statements of the Company:

IAS 7 (Amendment)	Cash flow statements: Disclosure initiative (Amendments)
IAS 12	Income taxes-Recognition of deferred tax assets for unrealized losses (Amendments)
IFRS 12	Disclosure of interests in other entities-Annual improvements to IFRS standards 2014-2016 cycle (Amendments)

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

		Effective for periods beginning on or after
IFRS 2	Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	Jan-01 2018
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)	Jan-01 2018
IAS 40	Investment Property: Transfers of Investment Property (Amendments)	Jan-01 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Jan-01 2018
IFRS 1	First-time Adoption of International Financial Reporting Standards - Annual improvements to IFRS standards 2014-2016 cycle	Jan-01 2018
IAS 28	Investment in Associates and Joint Ventures - Annual improvements to IFRS standards 2014-2016 cycle	Jan-01 2018
IFRS 9	Financial Instruments	Jan-01 2018
IFRS 15	Revenue from contracts with customers	Jan-01 2018
IFRS 16	Leases	Jan-01 2019
IFRIC 23	Uncertainty over Income Tax Treatments	Jan-01 2019
IFRS 9	Financial Instruments - Prepayment features with negative compensation (Amendments)	Jan-01 2019
IAS 19	Employee benefits - Plan Amendment, curtailment or settlement (Amendments)	Jan-01 2019
IAS 28	Investment in Associates and Joint Ventures - Long term interests in associates and joint ventures (Amendments)	Jan-01 2019
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	Jan-01 2020
IFRS 17	Insurance Contracts	Jan-01 2021

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application except for IFRS 15-Revenue from contracts with customers. The Company is currently in the process of evaluating the impact of the said standard.

3. USE OF ESTIMATES AND JUDGMENT

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

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

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

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

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

Notes to the Accounts

For the year ended June 30, 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

(i) Owned assets

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

Depreciation is charged by applying 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 profit and loss account as and when incurred. Major repairs and improvements are capitalized.

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

4.2 Intangible assets

Research and software products development

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

There are two components of intangible assets:

a. In-house developed intangible assets

b. Intangible assets acquired from market

(a) In-house developed intangible assets

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

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

(b) Intangible assets acquired from market

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

Subsequent costs are included in the asset's carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other expenses are charged to 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 balance sheet date. Amortization on additions to acquired intangible assets is charged for the month in which an asset is acquired while no amortization is charged for the month in which the asset is disposed off. Rates of amortization are stated in note 6.

4.3 Impairment

(a) Financial Asset

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

(b) 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 profit and loss account for the year. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

4.4 Foreign currency translation

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

4.5 Staff benefits

(i) Retirement benefits

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

Notes to the Accounts

For the year ended June 30, 2018

(ii) Short-term benefits

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

(iii) Employee's 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 profit or loss will be reversed equal to the amortized portion with a corresponding effect to deferred employee compensation reserve in the balance sheet. When a vested option lapses on expiry of the exercise period, employee compensation expense already recognized in the statement of 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.

4.6 Taxation

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

4.7 Creditors, accruals and provisions

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

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

4.8 Trade debts

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

4.9 Cash and cash equivalents

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

4.10 Revenue recognition

(i) License sale

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

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

(ii) Rendering of services

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

(iii) Maintenance

Revenue from maintenance is recognized on time proportion basis.

(iv) Sale of hardware and third party software

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

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

(v) Miscellaneous

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

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

Rental income is recognized on time proportion basis.

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

Miscellaneous income is recognized on receipt basis.

4.11 Borrowing costs

Borrowing costs directly attributable to the construction /acquisition of qualifying assets are capitalized up to the date, including the period when technical and administrative work is carried on; the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the 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

(i) Financial assets

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

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

Notes to the Accounts

For the year ended June 30, 2018

(a) Held to maturity investments

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

(b) Loans and receivables

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

(c) Available for sale investments

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

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

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

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

(ii) Financial liabilities

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

4.14 Investments

Investment in subsidiary and other investments are stated at cost less any impairment losses.

4.15 Dividend and appropriation to reserves

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

4.16 Leasing

(i) Operating Leases

Leases where a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating lease. Expenses for operating leases are recognized in the 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 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.

		2018	2017
		Rupees in '000'	
5. PROPERTY PLANT & EQUIPMENT			
Net book value of owned assets	5.1	**1,635,901**	1,804,473
Net book value of leased assets	5.4	**92,991**	86,757
Advances against capital expenditure	5.6	**30,997**	6,961
		1,759,889	1,898,191

Notes to the Accounts

For the year ended June 30, 2018

5.1 Following is the statement of owned assets

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
Intagible 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)	232,495	2,303,111	1,635,901

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

Particulars	COST			DEPRECIATION					Net book value as at Jun 30, 2017
	As at Jul 01, 2016	Additions / (Deletions)	As at Jun 30, 2017	Rate %	As at Jul 01, 2016	Adjustment during the year	Charge for the year	As at Jun 30, 2017	
	2017								
	Rupees In '000'								
Tangible Assets									
Land - freehold	254,229	-	254,229	-	-	-	-	-	254,229
Building on freehold land	952,561	-	952,561	5	157,811	-	39,737	197,548	755,013
Furniture & fixture	65,366	3,707	67,664	10	15,276	-	5,241	19,652	48,012
		(1,409)				(865)			
Vehicles	79,776	50,336	84,510	20	45,184	12,690	7,520	54,108	30,402
		(45,602)				(11,286)			
Office equipment	50,581	4,717	55,153	10	15,289	-	3,739	18,942	36,211
		(145)				(86)			
Computers	1,411,153	53,661	1,452,419	20 ~ 33	877,461	21,109	148,220	1,035,475	416,944
		(12,395)				(11,315)			
Air conditioners	36,541	21,501	58,042	10	7,669	5,393	3,642	16,704	41,338
		-				-			
Electric fittings	49,371	-	49,371	10	5,989	-	4,338	10,327	39,044
Generator	40,579	-	40,579	10	13,832	-	2,675	16,507	24,072
Leasehold improvements	19,381	-	19,381		3,393	-	15,988	19,381	-
Intangible Assets									
Computer software	885,199	-	885,199	33	647,575	-	78,416	725,991	159,208
	3,844,737	133,922	3,919,108		1,789,479	39,191	309,517	2,114,635	1,804,473
		(59,551)				(23,552)			

			2018	2017
			Rupees in '000'	
5.2	**Depreciation is allocated in the following manner**			
	Cost of revenue	28	**174,706**	235,402
	Administrative expenses	30	**57,790**	74,115
			232,496	309,517

Notes to the Accounts

For the year ended June 30, 2018

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

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)
Computers	7,319	837	140	(697)	Open Market	CLI Computers
Furniture & Fixture	1,910	632	-	(632)	Scraped	N/A
Office Equipment	1,866	583	-	(583)	Scraped	N/A
Air Conditioner	3,188	987	-	(987)	Scraped	N/A
Generator 450KVA	4,812	1,423	1,200	(223)	Open Market	Universal Engineering Services
Other items having net book value of less than Rs. 500,000 each	32,113	8,518	6,815	(1,703)	Company Policy	Various
2018	**117,202**	**58,165**	**61,918**	**3,754**		
Vehicle	35,038	28,225	30,000	1,775	Negotiation	Riffat Zamani
Other items having net book value of less than Rs. 500,000 each	24,513	7,775	3,995	(3,780)	Negotiation	Various
2017	**59,551**	**36,000**	**33,995**	**(2,005)**		

5.4 Following is statement of leased assets

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)	16,227	27,040	92,991

Particulars	COST As at Jul 01, 2016	COST Additions / (Deletions)	COST As at Jun 30, 2017	DEPRECIATION Rate %	DEPRECIATION As at Jul 01, 2016	DEPRECIATION Adjustment during the year	DEPRECIATION Charge for the year	DEPRECIATION As at Jun 30, 2017	Net book value as at Jun 30, 2017
	2017								
	Rupees In '000'								
Vehicles	127,566	25,710	106,003	20	24,688	-	22,156	34,154	71,849
		(47,273)				(12,690)			
Computers	41,066	-	8,908	20-33	24,383	-	2,955	6,229	2,679
		(32,158)				(21,109)			
Air conditioners	19,140	-	-	10	4,541	-	852	-	-
		(19,140)				(5,393)			
Generator	17,045	-	17,045	10	3,457	-	1,359	4,816	12,229
	204,817	25,710	131,956		57,069	-	27,322	45,199	86,757
		(98,571)				(39,192)			

		2018	2017
		Rupees in '000'	
5.5 Amortization is allocated in the following manner			
Cost of revenue	28	**12,170**	20,490
Administrative expenses	30	**4,056**	6,831
		16,226	27,321

5.6 Advance against capital expenditure represent advances paid for purchase of vehicles but delivery of vehicles are not made to the company till June 30, 2018.

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

Notes to the Accounts

For the year ended June 30, 2017

6. INTANGIBLE ASSETS

Particulars	2018 COST As at Jul 01, 2017	Additions / (Deletions)	As at Jun 30, 2018	AMORTIZATION Rate %	As at Jul 01, 2017	Charge for the year	As at Jun 30, 2018	Net book value 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**	**1,858,324**	**1,507,905**

Particulars	2017 COST As at Jul 01, 2016	Additions / (Deletions)	As at Jun 30, 2017	AMORTIZATION Rate %	As at Jul 01, 2016	Charge for the year	As at Jun 30, 2017	Net book value as at Jun 30, 2017
	Rupees In '000'							
In-house Developed Software								
NFS Ascent	2,935,038	-	2,935,038	10	840,125	293,504	1,133,629	1,801,409
NetSol Financial Suite	213,225	-	213,225	10 ~ 20	213,225	-	213,225	-
SMART	137,149	-	137,149	10	96,005	41,144	137,149	-
HMIS	35,146	-	35,146	10	9,079	26,067	35,146	-
Business Intelligence Scoring Model & Risk Management	45,671	-	45,671	10	11,799	33,872	45,671	-
	3,366,229	-	3,366,229		1,170,233	394,587	1,564,820	1,801,409

	Note	2018	2017
		Rupees in '000'	
6.1 Amortization is allocated in the following manner			
Cost of revenue	28	**293,504**	394,587

6.2 NetSol Financial Suite has been fully amortized but the company is still generating revenues from its sale.

	Note	2018	2017
7. LONG TERM INVESTMENTS - at cost			
Related parties			
WRLD3D Inc (Unquoted company) (Formerly EEGEO Inc.)	7.1	**293,379**	203,685
NetSol Innovation (Pvt) Limited (Unquoted subsidiary company)	7.2	**15,188**	15,188
		308,567	218,873

7.1 Investment in foreign companies:

i Name of investee company:	WRLD3D Inc
ii Jurisdiction:	USA
iii Beneficial owners of investee company:	DCD Holdings Limited
iv Beneficial owner's address:	Carlton Services Ltd Second Floor, The Quadrant, Manglier Street, PO Box 1312, Victoria, Mahe, Seychelles
v Amount of Investment-Foreign currency USD:	2,777,778
vi Amount of Investment-Local currency PKR:	293,378,850

vii Terms and conditions:

During the fiscal year 2016, the Company entered into an agreement with WRLD3D Inc (formerly eeGeo, Inc.) a USA based gaming and 3D mapping Company (a Delware Corporation) to purchasse 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, 2018, 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.

Mr. Faizaan Ghauri is the Chief Executive Officer of WRLD3D Inc (formerly eeGeo, Inc.)

viii Amount of return received:	Nil
ix Litigations:	N/A
x Default/Breach:	N/A
xi Gain/loss on disposal of investment:	N/A

7.2 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 (2017 : 1,518,785) fully paid ordinary shares of Rs. 10/- each i.e. 50.52% of Equity held (2017 : 50.52%) . Based on audited accounts for the year ended June 30, 2018, break-up value per share is Rs. 135.77 (2017 : Rs. 109.78). Mr. Salim Ullah Ghauri is the Chief Executive Officer of the subsidiary company.

7.2.1 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 with two other shareholders last date of business operations of NetSol Innovation (Pvt) Limited was agreed to be July 31, 2018.

7.3 Investments in associated companies or undertakings have been made in accordance with the requirements under the Act.

8. LONG TERM LOANS TO EMPLOYEES-Unsecured

Considered good		**2018**	2017
Loan to employees		**Rupees in '000'**	
- to executives	8.2	**1,082**	2,741
- to non-executives		**2,893**	6,492
Less: current maturity		**(3,619)**	(8,787)
		356	446

8.1 Loans are given to employees for their personal needs and deducted from salaries. Maximum balance outstanding against loans to employees at the end of any month during the year was Rs. 9.628 million (2017: Rs. 9.233 million).

8.2 Reconciliation of the carrying amount of loans to executives

Balance at the beginning of the year	**2,741**	3,645
Disbursements during the year	**1,387**	2,837
Received during the year	**(3,046)**	(3,741)
	1,082	2,741

Notes to the Accounts

For the year ended June 30, 2018

		2018	2017
9. TRADE DEBTS		**Rupees in '000'**	
Considered good - unsecured	9.2	**1,340,024**	669,272
Considered doubtful - unsecured	9.3	**70,528**	35,225
		1,410,552	704,497
Less: Provision against doubtful recovery		**(70,528)**	(35,225)
		1,340,024	669,272
9.1 Amount receivable from related parties included in trade debts are as under:			
NetSol Technologies (Thailand) Limited		**167,661**	97,439
NetSol Technologies (Beijing) Company Limited		**74,807**	121,937
NetSol Australia Pty. Limited		**7,571**	9,475
Netsol Technologies North America		**49,071**	-
NetSol Technolgies Europe		**496**	-
WRLD3D Inc		**57,605**	5,208
		357,211	234,059

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	35,225	48,748
Provision made during the year	35,303	36,194
Write offs during the year	-	(49,717)
Balance as at June 30	70,528	35,225

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

	2018		2017	
	Rupees in '000'		Rupees in '000'	
	Gross	**Impaired**	Gross	Impaired
Not past due	**496**	**-**	10,995	-
Past due 1-180 days	**1,049,579**	**-**	352,833	-
Past due 181 days -1 year	**203,327**	**-**	152,018	-
More than one year	**157,150**	**-**	188,650	-
Total	**1,410,552**	**-**	704,496	-

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

	Gross	**Impaired**	Gross	Impaired
Not past due	**496**	**-**	-	-
Past due 1-180 days	**188,760**	**-**	14,683	-
Past due 181 days -1 year	**64,215**	**-**	99,799	-
More than one year	**103,741**	**-**	119,577	-
Total	**357,212**	**-**	234,059	-

9.7 Region wise break up of export revenue and trade debts arising out of export revenue alongwith category of receivable is as below:

		2018	2017	2018	2017
		Rupees in '000'		Rupees in '000'	
Region	**Category**	Export Revenue for the year		Balance as at June 30	
Australia	Contract	296,588	439,155	**43,866**	34,971
China	Contract	2,163,038	2,078,810	**930,434**	485,473
Japan	Contract	47,090	34,649	**749**	519
Korea	Contract	125,735	162,364	**61,049**	54,899
Malaysia	Contract	12,832	28,250	**403**	4,936
New Zealand	Contract	14,528	12,234	**612**	167
Saudi Arabia	Contract	7,437	7,067	**659**	1,134
Singapore	Contract	419,601	55,093	**1,041**	13,495
Taiwan	Contract	17,412	17,495	**-**	325
South Africa	Contract	245,756	331,089	**95,113**	-
Thailand	Contract	215,342	209,201	**169,454**	100,302
United Kingdom	Contract	29,591	37,911	**496**	-
USA	Contract	161,266	211,970	**106,676**	5,208
Total		3,756,216	**3,625,288**	**1,410,552**	701,430

9.8 Maximum aggregate amount outstanding due from trade debts due from related party at the end of any month during the year was Rs. 357,211 million (2017 : Rs. 469.671 million).

10. EXCESS OF REVENUE OVER BILLING

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

11. LOANS AND ADVANCES - Unsecured

	Note	2018	2017
Considered good			
Current maturity of loans to employees	8	**3,619**	8,787
Advances			
- to executives	11.1	**153**	43
- against expenses	11.2	**34,717**	22,580
		38,489	31,410

11.1 Maximum balance outstanding against advances to executives at the end of any month during the year was Rs. 0.153 million (2017: Rs. 1.040 million)

11.2 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

	2018	2017
Security deposits	**4,222**	5,449
Prepayments	**13,534**	8,070
	17,756	13,519

13. OTHER RECEIVABLES

	Note	2018	2017
Guarantee margin		**873**	673
Sales tax Refundable		**222**	-
Other receivable - considered good	13.1	**24,813**	18,719
		25,908	19,392

13.1 Other receivable include travel expenses amounting to Rs. 22.4 million (2017: Rs. 18.5 million) to be invoiced to the customers.

	2018	2017
	Rupees in '000'	
14. DUE FROM RELATED PARTIES		
Considered good - unsecured		
Associated		
NetSol Connect (Pvt) Ltd.	**19,215**	13,219
NetSol Technologies Beijing Ltd.	**-**	2,836
NetSol Technologies (Thailand) Limited	**6,663**	-
	25,878	16,055

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

14.2 Maximum aggregate amount outstanding due from related party at the end of any month during the year was Rs. 224.18 million (2017 : Rs. 176.70 million).

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

	2018		2017	
	Rupees in '000'		Rupees in '000'	
	Gross	**Impaired**	Gross	Impaired
Not past due	**2,110**	**-**	1,152	-
Past due 1-180 days	**22,676**	**-**	14,903	-
Past due 181 days -1 year	**1,091**	**-**	-	-
Total	**25,877**	**-**	16,055	-

		2018	2017
15. TAXATION - NET			
Tax receivable as at 1 July		**49,523**	31,688
Tax payments		**15,082**	11,488
Tax adjustments		**(969)**	12,178
Provision for taxation		**(9,757)**	(5,831)
		53,879	49,523
16. CASH AND BANK BALANCES			
With banks			
Saving accounts-Local currency	16.1	**1,051,732**	724,313
Saving accounts-Foreign currency	16.1	**218,071**	-
Current accounts-Local currency		**667,889**	88,326
Current accounts-Foreign currency		**183,039**	60,202
		2,120,731	872,841
In hand		**2,606**	2,101
		2,123,337	874,942

16.1 The balances in savings accounts bear mark up at 3.5% to 4.5% per annum. (2017 : 3% to 4.5% per annum)

17. SHARE CAPITAL

17.1 Authorised share capital

2018	2017		2018	2017
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

2018	2017		2018	2017
Number of shares			Rupees in '000'	
42,552,191	42,485,191	Ordinary Shares of Rs. 10 each fully paid in cash	**425,522**	424,852
47,150,732	47,150,732	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	**471,507**	471,507
89,702,923	89,635,923		**897,029**	896,359

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

	2018	2017
Number of shares outstanding as at July 1	**89,635,923**	89,154,423
Ordinary Shares of Rs. 10 issued against options exercised	**67,000**	481,500
Number of shares outstanding as at June 30	**89,702,923**	89,635,923

Notes to the Accounts

For the year ended June 30, 2018

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 66.21% (2017 : 66.20%) of issued capital of the Company.

17.7 The Company is not subject to any externally imposed capital requirements for the financial years 2017 and 2018.

18. RESERVES

		2018	2017
Capital reserve		**Rupees in '000'**	
Premium on issue of ordinary shares		**303,108**	302,579
Employee share option compensation reserve	18.1	**131,202**	74,890
Revenue reserve			
Un - appropriated profit		**5,354,598**	4,418,672
		5,788,908	4,796,141

18.1 EMPLOYEE SHARE OPTION COMPENSATION RESERVE

	2018	2017
Balance as at the beginning of the year	**74,890**	1,607
Options issued during the year	**-**	-
Options lapsed due to employee resignation	**-**	(579)
Amount transferred to Capital reserve on exercise of options	**(99)**	(711)
Contribution of parent on account of employee share options	**56,411**	74,573
Balance at the end of the year	**131,202**	74,890

18.1.1 Employee Stock Option Scheme

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

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

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

	2018	2017
	Number of Options	
Options outstanding at the beginning of the year	**214,500**	1,088,000
Options issued during the year	**-**	-
Options lapsed during the year	**-**	(392,000)
Options exercised during the year	**(67,000)**	(481,500)
Options outstanding at the end of the year	**147,500**	214,500

	2018	2017
	Rupees in '000'	
19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	**56,614**	41,241
Less: Current portion of obligations shown under current liabilities	**(25,499)**	(21,844)
	31,115	19,397

Present value of minimum lease payments have been discounted at an implicit interest rate ranging between 7.79% to 11% (2017 : 7.6 % 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:

	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**
	2017		
	Minimum Lease Payment	Future Finance Charges	Present Value of Lease Liability
Not later than one year	24,270	2,427	21,843
Later than one year but not later than five years	20,543	1,146	19,397
	44,813	3,573	41,240

	2018	2017
	Rupees in '000'	
20. DEFERRED INCOME		
Opening balance	**-**	-
Addition during the period	**8,058**	-
	8,058	-
Amortized during the year	**(232)**	-
Un amortized gain on sale and lease back transaction	**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.

	2018	2017
21. LONG TERM ADVANCES		
Long term advances	**2,310**	6,808
Less: Current portion	**(1,625)**	(3,553)
	685	3,254

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, 2018

		2018	2017
		Rupees in '000'	
22. TRADE AND OTHER PAYABLES			
Creditors		**27,908**	39,281
Accrued liabilities		**330,167**	195,984
Interest accrued - secured		**7,646**	12,200
Due to related parties	22.1	**99,359**	101,355
Withholding tax		**16,883**	14,098
Sales Tax Payable		**-**	1,226
Provident fund payable		**21,013**	13,718
Other payables		**441**	1,567
		503,417	379,429
22.1 DUE TO RELATED PARTIES			
Parent			
NetSol Technologies Inc.	22.1.1	**92,962**	101,355
Associated			
NetSol Technologies Europe Limited	22.1.1	**6,397**	-
		99,359	101,355

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

23. UNEARNED REVENUE

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

It includes Rs. 0.035 million (2017 : 0.5 million) against NetSol Technologies Australia Pty. Limited.

24. SHORT TERM BORROWINGS

		2018	2017
Export refinance - secured	24.1	**850,000**	700,000
LAPC - secured	24.1	**150,000**	300,000
Loan from related party - unsecured	24.2	**-**	113,713
		1,000,000	1,113,713
24.1 EXPORT REFINANCE - SECURED			
Askari Bank Limited - ERF - II	24.1.1	**500,000**	500,000
Samba Bank Limited - ERF - II	24.1.2	**350,000**	200,000
Samba Bank Limited - LAPC	24.1.2	**150,000**	300,000
		1,000,000	1,000,000

24.1.1 The facility for export refinance (ERF) is available from Askari Bank Limited amounting upto Rs 500 million (2017 : Rs 500 million), availed Rs. 500 million (2017 : 500 million) It carries mark-up of State Bank Refinance Rate+1% per annum (2017 : State Bank Refinance Rate+1% per annum). The interest rate charged for fiscal year 2018 was 3% (2017 : 3%). The due balance is payable bi-annually.

A facility for issuance of guarantees (LG) is available from Askari Bank Limited upto Rs. 100 million (2017 : Rs. 100 million), availed Rs. 9.289 million. (2017 : Rs. 7.977 million)

A sublimit of export refinance amounting to $ 3 million under FE 25 is available from Askari Bank Limited (2017 : $ 3 million)

A sublimit of LG is available from Askari Bank Limited for corporate credit cards upto Rs. 6 million (2017 : Rs. 6 million)

The company has a running finance facility from Askari Bank Limited as a sublimit to LG facility upto Rs. 75 million (2017 : 75 million) for working capital requirement.It carries markup at the rate of 3 month Kibor + 2%. (2017 : 3 month Kibor + 2%). As at June 30, 2018 there is no balance outstanding against this facility. (2017: Nil)

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 (2017: Rs. 634 million) and 1st ranking Pari Passu charge of Rs. 767 million over fixed assets of the company (2017: Rs. 680.8 million).

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

The facilities from Askari bank are also secured by way of Personal Guarantees (PG's) of directors of the company excluding independent directors.

24.1.2 The facility for ERF/LAPC is available from SAMBA bank Limited amounting upto total Rs. 650 million (2017 : 500 million), availed ERF Rs. 350 million (2017 : 200 million), and LAPC Rs. 150 million (2017 : 300 million). ERF carries mark-up at State Bank Refinance Rate+1% per annum (2017: State Bank Refinance Rate+1%). Interest rate charged for the fiscal year 2018 for ERF was 3% (2017 : 3%), LAPC carries markup at the rate of 3 month Kibor+1.5% (2017 : 3 month Kibor+2%). The due balance of ERF/LAPC is payable bi-annually.

The facilities from SAMBA bank limited are secured by way of 1st Pari Passu charge over Company's all present and future current assets amountin to Rs. 667 million (2017: 667 million) and 1st Pari Passu charge of Rs. 667 million over fixed assets of the company (2017: 667 million).

The facilities from SAMBA bank are secured by way of 2nd ranking equitable mortgage over 9 Kanal, 2 Kanal and 16 Marla propreties, 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 & 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, 2018, the company is fully compliant with all loan covenants.

24.2 This represent short term interest free loan of USD 1,086,254 which was from the holding company and paid for in full in current year.

			Jun-2018	Jun-2017
25.	**CURRENT PORTION OF LONG TERM LIABILITIES**		**Rupees in '000'**	
	Current portion of lease liability	19	**25,499**	21,844
	Current portion of long term advances	20	**1,625**	3,553
			27,124	25,397

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 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 26-07-2016 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 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 favour and accordingly no provision has been made in these financial statements in this respect.

26.2 Commitments

26.2.1 The Company has issued worth Rs. 9.289 million (2017: 7.977 million) bank guarantees to LESCO and Standard Chartered Bank against its corporate credit cards.

26.2.2 The Company has capital commitments of Rs. 41.75 million under capital purchase agreements as at June 30, 2018. (2017: Nil)

	2018		**2018**	2017
	Domestic	**Foreign**	**Rupees in '000'**	
27. REVENUE				
Export Revenue				
License	-	650,820	**650,820**	1,235,983
Services	-	2,876,907	**2,876,907**	1,871,003
Maintenance	-	747,075	**747,075**	806,990
		4,274,802	**4,274,802**	3,913,976
Local Revenue				
Services		-		3,053
Maintenance	11,598	-	**11,598**	10,543
		-	**11,598**	13,596
Sales tax	(1,600)	-	**(1,600)**	(1,875)
	9,998	4,274,802	**4,284,800**	3,925,697

Notes to the Accounts

For the year ended June 30, 2017

		2018 Domestic	2018 Foreign	2018	2017
				Rupees in '000'	
28. COST OF REVENUE					
Salaries & benefits	28.1	4,693	1,577,974	**1,582,667**	1,652,583
Consultancy charges		-	17,764	**17,764**	33,612
Hardware and other material cost		-	-	**-**	1,899
Software licences		-	-	**-**	543
Staff training		1	1,552	**1,553**	4,470
Rent, rates & taxes		2	2,403	**2,405**	12,137
Travelling & conveyance		17	66,030	**66,047**	118,890
Communication		77	31,232	**31,309**	30,615
Utilities		65	23,005	**23,070**	24,396
Printing & stationery		3	1,741	**1,744**	2,184
Entertainment		61	49,305	**49,366**	42,913
Insurance		3	2,215	**2,218**	1,737
Vehicle running & maintenance		254	33,756	**34,010**	26,470
Repair & maintenance		121	49,621	**49,742**	77,226
Fee & subscription		6	3,881	**3,887**	5,183
Depreciation	5.2	323	174,383	**174,706**	235,402
Amortization of leased assets	5.5	118	12,052	**12,170**	20,490
Amortization of intangible assets	6.1	-	293,504	**293,504**	394,587
		5,744	2,340,418	**2,346,162**	2,685,337

28.1 Salaries and benefits include Rs. 61.359 million (2017 : Rs. 62.459 million) in respect of retirement benefits.

		2018 Domestic	2018 Foreign	2018	2017
				Rupees in '000'	
29. SELLING AND PROMOTION EXPENSES					
Salaries & benefits	29.1	503	214,870	**215,373**	196,408
Staff training		-	25	**25**	17
Rent, rates & taxes		28	11,799	**11,827**	15,022
Travelling and conveyance		134	57,422	**57,556**	44,178
Communication		5	2,084	**2,089**	2,085
Utilities		3	1,082	**1,085**	1,061
Printing & stationery		1	610	**611**	898
Entertainment		7	3,186	**3,193**	2,803
Insurance		2	841	**843**	1,525
Vehicle running expenses		16	6,940	**6,956**	4,619
Repairs and maintenance		4	1,712	**1,716**	1,956
Commission on sales		-	267,769	**267,769**	145,064
Advertisement		2	911	**913**	2,392
Sale promotional expenses		4	1,850	**1,854**	24,676
		709	571,101	**571,810**	442,704

29.1 Salaries and benefits include Rs. 3.778 million (2017 : Rs. 2.806 million) in respect of retirement benefits.

30. ADMINISTRATIVE EXPENSES

		2018 Domestic	2018 Foreign	2018 Rupees in '000'	2017 Rupees in '000'
Salaries and benefits	30.1	897	383,490	**384,387**	334,508
Staff training		3	1,454	**1,457**	155
Rent, rates and taxes		57	24,263	**24,320**	22,087
Travelling and conveyance		57	24,448	**24,505**	31,392
Communication & postage		26	11,019	**11,045**	9,823
Printing and stationery		3	1,368	**1,371**	1,439
Utilities		34	14,413	**14,447**	14,533
Entertainment		67	28,540	**28,607**	32,320
Insurance		8	3,481	**3,489**	3,172
Advertisement		3	1,437	**1,440**	384
Vehicle running expenses		24	10,322	**10,346**	7,296
Repairs and maintenance		37	15,884	**15,921**	33,800
Legal and professional charges		12	5,289	**5,301**	5,278
Auditors remuneration	30.2	7	2,993	**3,000**	2,500
News papers & periodicals		-	72	**72**	141
Office supplies		11	4,639	**4,650**	5,229
Charity & donation	30.3	33	13,935	**13,968**	27,296
Fee & subscription		19	8,266	**8,285**	4,987
Miscellaneous expenses		-	100	**100**	150
Research and development cost		-	86,107	**86,107**	41,203
Provision for doubtful debts		82	35,221	**35,303**	36,194
Depreciation	5.2	135	57,655	**57,790**	74,115
Amortization of leased assets	5.5	9	4,047	**4,056**	6,831
		1,524	738,441	**739,967**	694,833

30.1 Salaries and benefits include Rs. 10.885 million (2017 : Rs. 9.266 million) in respect of retirement benefits.

	2018 Rupees in '000'	2017 Rupees in '000'
30.2 Auditors remuneration		
Audit fee	**1,700**	1,500
Certifications of group reporting	**700**	500
Professional services	**300**	200
Out-of-pocket expenses	**300**	300
	3,000	2,500
30.3 Charity & donation		
Name of Donee		
DIL Foundation	**2,352**	648
Farooq Trust Hospital	**2,694**	2,879
Hope Uplift foundation	**863**	600
BIPP Institute	**-**	10,462
	5,909	14,589

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	2018 Rupees in '000'	2017 Rupees in '000'
Shahid Javed Burki Institute of Public Policy at NETSOL	Shahid Javed Burki - Chairman Member Board of Directors	**-**	10,462
(126-B Ahmad Block, New Garden Town, Lahore)	Salim Ghauri - Member Board of Directors		

During the year no donation was made to any institute where any director or his spouse was interested.

Notes to the Accounts

For the year ended June 30, 2018

		2018 Domestic	2018 Foreign	2018	2017
				Rupees in '000'	
31. OTHER OPERATING EXPENSES					
Loss on disposal of assets		10	4,294	**4,304**	2,005
		10	4,294	**4,304**	2,005
32. OTHER INCOME					
Income from financial assets					
Profit on bank deposits	32.1	57	24,337	**24,394**	10,418
Mark up on loan	32.1	-	17	**17**	10
Dividend Income	32.2	-	-	**-**	214,939
		57	24,354	**24,411**	225,367
Income from non-financial assets					
Gain on foreign currency translation		-	497,081	**497,081**	48,710
Amortization of deferred revenue		1	230	**231**	-
Rental income		37	15,670	**15,707**	16,857
		38	512,981	**513,019**	65,567
		95	537,336	**537,430**	290,934

32.1 Income is earned under conventional mark-up arrangement.

32.2 Dividend was received from subsidiary company M/S NetSol Innovation Private Limited in previous fiscal year.

	2018 Domestic	2018 Foreign	2018	2017
33. FINANCE COST				
Lease finance charges	7	3,147	**3,154**	5,080
Interest on loans	93	39,556	**39,649**	22,886
Mark-up on loan from related party	-	-	**-**	379
Lease documentation charges	-	23	**23**	17
Bank charges	3	1,205	**1,208**	1,307
	103	43,931	**44,034**	29,669

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.

Reconciliation of income tax expense for the year

	2018	2017
Accounting Profit	**1,115,953**	362,083
Enacted tax rate	**30%**	31%
Tax on accounting profit at enacted rate	**334,786**	112,246
Tax effect on income exempt from tax	**(323,981)**	(38,518)
Tax effect of income taxed at different rates	**(1,048)**	(41,029)
Prior year tax effect	**969**	1,006
International taxation effect	**39,256**	8,082
	49,983	41,787

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.

Management has provided sufficient tax provision in financial statements in accordance with income tax ordinance 2001.

Provision against tax in the financial statements for the years 2017, 2016 and 2015 amounts to PKR 32.7 million, PKR 19.75 million and PKR 15.9 million as against the assessed tax of PKR 32.7 million, PKR 19.64 million and PKR 15.9 million respectively.

		2018	2017
35. EARNINGS PER SHARE			
Basic		**Rupees in '000'**	
Profit after taxation for the year		**1,065,970**	320,296
Average number of ordinary shares in issue during the year	35.1	**89,679**	89,362
Basic - In Rupees		**11.89**	3.58
Diluted			-
Profit after taxation for the year		**1,065,970**	320,296
Average number of ordinary shares in issue during the year	35.2	**89,812**	89,946
Diluted - In Rupee		**11.87**	3.56
35.1 Weighted average number of ordinary shares (basic)			
Issued ordinary shares as at July 1		**89,636**	89,154
Effect of bonus shares issued		**-**	-
Weighted average of shares issued during the year		**43**	208
Weighted average number of ordinary shares (basic) as at June 30		**89,679**	89,362
35.2 Weighted average number of ordinary shares (diluted)			
Weighted average number of ordinary shares (basic)	35.1	**89,679**	89,362
Effect of exercise of share options		**133**	584
Weighted average number of ordinary shares (diluted) as at June 30		**89,812**	89,946

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:

	Cheif Executive		Directors		Executives	
	2018	2017	**2018**	2017	**2018**	2017
			Rupees in '000'			
Managerial remuneration	**8,000**	6,400	**5,600**	4,000	**631,115**	446,910
Retirement benefits	**640**	416	**448**	260	**36,015**	29,176
Rent and house maintenance	**3,200**	2,560	**2,240**	1,600	**252,446**	178,764
Utilities	**800**	640	**560**	400	**63,112**	44,691
Medical expenses	**1,022**	2,303	**976**	621	**24,715**	20,579
Commission	**-**	-	**-**	-	**79,721**	44,638
Total	**13,662**	12,319	**9,824**	6,881	**1,087,124**	764,757
No. of Persons	**1**	1	**1**	1	**311**	251

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

During the current certain executives of the company exercised stock options under employee stock option scheme according to which 67,000 shares (2017: 481,500) were allotted to them respectively.

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

Comparatives have been amended to reflect changes in the definition of executive as per the Companies Act 2017.

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.

Notes to the Accounts

For the year ended June 30, 2018

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 requirements of the business.

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

		2018	2017
		Rupees in '000'	
Total debt	37.1	**1,056,614**	1,154,954
Less : Cash and cash equivalents		**(2,123,337)**	(874,942)
Net debt		**-**	280,012
Total equity	37.2	**6,685,950**	5,692,513
Gearing ratio (In percentage)		**0.0%**	4.9%

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

37.2. The total equity includes all the 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.

			2018	2017
			Rupees in '000'	
	Relationship with the Company	**Nature of transactions**		
(i)	Subsidiary	Rental income	**14,537**	15,958
		Provision of services	**5,739**	5,106
		Dividend received	**-**	214,939
		Mark-up expense	**512**	379
		Mark-up income	**17**	10
(ii)	Associated undertaking	Rental income	**900**	900
		Provision of services	**271,864**	395,789
		Purchase of services	**22,089**	19,232
(iii)	Parent	Commission	**96,065**	-
		Dividend	**68,836**	23,736
		Loan	**113,713**	-
(iv)	Post Employment benefit	Contribution to defined contribution plan	**76,022**	74,532

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 Incorpora-tion	Registered Address	Basis of association	Aggregate %age of Shareholding	Name of CEO	Oper-ational status	Auditor's opinion on latest F/S
NetSol Technologies (Thailand) Limited	Thailand	87 M Thai Tower, All Seasons Place, 12th Floor, Witthayu Road, Lumpini, Pathumwan, Bangkok 10330, Thailand.	Sister concern	Nil	Naeem Ullah Ghauri	Company	Unqualified opinion
NetSol Technologies (Beijing) Co., Limited	China	Room1805,18th floor,No.3 Building,No.2 Jianguomenwai Street, Chaoyang District, Beijing	Sister concern	Nil	Naeem Aftab	Company	Unqualified opinion
NetSol Technologies Australia Pty Limited	Australia	Suite 906 Level 9 , 5 Hunter Street , Sydney NSW 2000	Sister concern	Nil	Naeem Ghauri	Company	N/A
NetSol Technologies Americas	USA	23975 Park Sorrento, Suite 250, Calabasas, California 91302	Sister concern	Nil	Najeeb Ghauri	Company	N/A
NetSol Technologies Europe Limited	UK	Planet House North Heath Lane Horsham West Sussex RH12 5QE	Sister concern	Nil	Asad Ghauri	Company	Unqualified opinion
NetSol Technologies Inc	USA	23975 Park Sorrento, Suite 250, Calabasas, California 91302	Parent company	66.21%	Najeeb Ghauri	Company	Unqualified opinion
WRLD3D	USA	800 W. El Camino Real, Suite 320, Mountain View, California 94040	Common directorship	Nil	Faizaan Ghauri	Company	Unqualified opinion with Em-phasis of matter paragraph

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

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

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

(a) Credit Risk

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

		2018	2017
		Rupees in '000	
Financial Assets			
Loans and receivables			
Trade debts	39.1	**1,340,024**	669,272
Loans and advances		**4,128**	9,233
Security deposits		**4,222**	5,449
Other receivables		**25,686**	19,392
Due from related parties		**25,878**	16,055
Bank balances	39.2	**2,120,731**	724,313
		3,520,669	1,443,714

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	A1+	AA+	PACRA
MCB Bank Limited	A1+	AAA	PACRA
Summit Bank Limited	A-1	A-	JCR-VIS
Samba Bank Limited	A-1	AA	JCR-VIS
Standard Chartered Bank Pakistan Limited	A1+	AAA	PACRA

(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:

	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**	**-**

Notes to the Accounts

For the year ended June 30, 2018

	2017				
	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	41,241	44,814	24,270	20,543	-
Trade and other payables	369,531	369,531	369,531	-	-
Short-term borrowings	1,113,713	1,169,663	1,169,663	-	-
	1,524,485	1,584,008	1,563,464	20,543	-

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

(c) Interest Rate Risk

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

	2018	2017
	Rupees in '000'	
Financial assets		
Bank balances	**1,269,803**	724,313
Financial Liabilities		
Finance lease liability	**56,614**	41,241
Short-term borrowings	**1,000,000**	1,113,713
	1,056,614	1,154,954

Sensitivity analysis

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

Impact on Profit and loss account (net of tax)

As at 30 June		
100 bps increase will result in decrease in profit by	**7,350**	3,424
100 bps decrease will result in increase in profit by	**7,350**	3,424

(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	**1,340,024**	669,272
Cash & bank balances	**402,070**	61,207
Due from related parties	**25,878**	16,055
Due to related parties	**(99,359)**	(101,355)
Net Exposure	**1,668,613**	645,179

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 profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

	2018	2017
	Rupees in '000'	
Impact on Profit and loss account (net of tax)		
As at 30 June		
Strengthening	**1,510,623**	903,426
Weakening	**(1,510,623)**	(903,426)

(e) Fair Value of Financial Assets and Liabilities

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

39.3 Financial Instruments By Catogory

Financial Assets at amortised cost

Trade debts	**1,340,024**	1,198,056
Loans and advances	**4,128**	7,134
Security deposits	**4,222**	7,697
Other receivables	**25,686**	148,427
Due from related parties	**25,878**	20,068
Cash and Bank balances	**2,120,731**	108,473
Other Financial Assets at Cost		
Long Term Investments	**308,567**	32,455
	3,829,236	1,522,310
Financial liabilities at amortised cost		
Finance lease liability	**56,614**	76,060
Trade and other payables	**489,483**	369,531
Short-term borrowings	**1,000,000**	514,561
	1,546,097	960,152

40. Summary of significant transactions and events occurred during the year

Following is the significant transaction and event that have affected the financial position and performance of the Company:

Gain on Foreign currency translation:	**497,081**	48,710

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:

	2018 (Unaudited)	2017 (Audited)
	Rupees in '000'	
Size of the fund - Total Assets	**648,973**	565,326
Cost of investment made	**553,575**	493,399
Percentage of investment as size of fund	**85.3%**	87.3%
Fair value of investments	**556,609**	498,776

Notes to the Accounts

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41.1 The breakup of fair value of investments is

	2018		2017	
	Investments Rupees in '000'	**Percentage of investment as size of fund**	Investments Rupees in '000'	Percentage of investment as size of fund
Bank Balances	**243,229**	**37.5%**	368,026	65.1%
Mutual Funds	**150,000**	**23.1%**	5,000	0.9%
Others	**160,346**	**24.7%**	120,373	21.3%
	553,575	**85.3%**	493,399	87.3%

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

TThe total average number of employees during the year and as at June 30, 2018 and 2017 respectively as follows:

	2018	2017
	No of Employees	
Average number of employees during the year	**1,165**	1,192
Average number of production/development employees	**889**	1,131
Number of employees as at year end	**1,134**	1,103
Number of Pruduction/Development employees as the year end	**909**	976

43. 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.

44. CORRESPONDING FIGURES

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

				2018	2017
Note	**From**	**Note**	**To**	**Rupees in '000'**	
22.	Unclaimed dividend-Trade and other payables		Current Liabilities	**2,949**	5,426

45. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 25, 2018 by the Board of Directors

46. NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors in their meeting held on September 25, 2018 have recommended a final cash dividend of 25% (2017: 14.5%) i.e., Rs. 2.50 per share (2017: Rs. 1.45 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 27, 2018. 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.

47. FIGURES

Figures have been rounded off to the nearest thousand rupee.

CHIEF EXECUTIVE OFFICER　　CHIEF FINANCIAL OFFICER　　DIRECTOR

CONSOLIDATED FINANCIAL

STATEMENTS

For the Year Ended June 30, 2018

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, 2018 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, 2018 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 presented as continued operations and discontinued operations due to decision made to close operations of the subsidiary."

FINANCIAL PERFORMANCE

	Continued Operations		Discontinued Operations		Total	
	30-Jun-18	30-Jun-17	**30-Jun-18**	30-Jun-17	**30-Jun-18**	30-Jun-17
	Rupees in '000'					
Revenue (in 000)	**4,284,800**	3,925,697	**361,104**	593,500	**4,645,904**	4,519,197
Gross Profit (in 000)	**1,936,486**	1,238,445	**46,014**	215,902	**1,982,500**	1,454,347
Net Profit (in 000)	**1,045,917**	84,659	**98,183**	200,735	**1,144,100**	285,394
Earnings per share – basic (Rs.)	**11.66**	0.95	**0.67**	1.25	**12.33**	2.20
Earnings per share – diluted (Rs.)	**11.65**	0.94	**0.66**	1.24	**12.31**	2.18
Adjusted EBITDA per share – diluted (Rs.)	**18.45**	9.75	**0.77**	1.38	**19.22**	11.13

Net consolidated revenues for the year ended June 30, 2018 were Rs. 4,646 million compared to Rs. 4,519 million in fiscal 2017. Consolidated gross profit for the year was Rs. 1,983 million, up from Rs. 1,454 million in the same period last year. On a consolidated basis, the company posted net consolidated profit of Rs. 1,144 million in the current year of which Rs.39 million is attributable to non-controlling interest.

EARNINGS PER SHARE

Consolidated basic and diluted earnings per share were Rs. 12.33 and Rs. 12.31 respectively (2017: Rs. 2.20 and Rs. 2.18).

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

Our joint venture partner, Innovation Group was bought out couple of years ago and due to major shift in the new owners' business strategy, they decided to consolidate and reduce their insurance business operations across the globe. As a result of this decision, the Company's outsourcing business was negatively impacted as they are the sole customers of the services provided by the joint venture. As a result of this change, the operating and net margins of the subsidiary became unfeasible for the operation to continue. Therefore, with the consent of the partner, the board made a decision to provide any future services to the customer from the platform of NetSol Technologies Limited effective August 1, 2018. As a result, the subsidiary company's business operations would be closed by the end of July 2018. The Company, however believes that there would be no material impact of this transition on the overall business, operations and cash flows of the Company.

On behalf of the Board

Salim Ullah Ghauri
Chief Executive Officer

Omar Ghauri
Director

Lahore

September 25, 2018

ڈائریکٹرز کی رپورٹ

ہمیں خوشی ہے کہ از طرف بورڈ آف ڈائریکٹرز اپنی رپورٹ ساتھ آڈٹ شدہ مجموعی مالیاتی گوشوارے جس کا اختتام 30 جون 2018 کو ہوا مع آڈیٹر رپورٹ پیش کر رہے ہیں۔

ختم شدہ سال 30 جون 2018ء 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 انوویشن پرائیویٹ لمیٹڈ (NetSol Innovation (Pvt.) Ltd) کے مجموعی مالیاتی گوشوارے بھی شامل کر دیے ہیں۔ برطانوی پارٹنر انوویشن گروپ کے تعاون سے ایک ماتحت ادارہ 2005ء میں قائم کیا گیا تھا۔ کمپنی USA اور UK کے کسٹمرز 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 کیے جا رہے ہیں۔

مالیاتی کارکردگی (Financial Performance)

مجموعی مالیاتی گوشوارے

	Continued Operation		Discontinued Operation		کل میزان	
	30 جون 2018	30 جون 2017	30 جون 2018	30 جون 2017	30 جون 2018	30 جون 2017
			روپے میں "000"			
محصولات (000 میں)	4,284,800	3,925,697	361,104	593,500	4,645,904	4,519,197
خام منافع (000 میں)	1,936,486	1,238,445	46,014	215,902	1,982,500	1,454,347
نقد منافع (000 میں)	1,045,917	84,659	98,183	200,735	1,144,100	285,394
منافع فی حصص (بنیادی روپے)	11.66	0.95	0.67	1.25	12.33	2.20
منافع فی حصص (تحلیل شدہ روپے)	11.65	0.94	0.66	1.24	12.31	2.18
EBITDA فی حصص۔ (تحلیل شدہ روپے)	18.45	9.75	0.77	1.38	19.22	11.13

30 جون 2018ء کے اختتامی سال کے لئے نقد مجموعی محصولات مالی سال 2017 کے 4,519 ملین روپے کے مقابلے میں 4,646 ملین روپے تھے۔ مجموعی خام منافع گزشتہ سال اسی عرصے میں 1,454 ملین روپے سے بڑھ کر رواں سال 1,983 ملین روپے تھا۔ مجموعی بنیاد پر کمپنی نے اس سال 1,144 ملین روپے کا نقد مجموعی منافع کمایا ہے جس میں سے 39 ملین روپے non-controlling مفاد سے منسوب ہے۔

منافع فی حصص (Earning Per Share)

مجموعی بنیادی اور تحلیل شدہ (Basic and Diluted) آمدنیاں رواں سال 12.33 روپے اور 12.31 روپے فی حصص بالترتیب رہی۔ (2017ء میں 2.20 روپے اور 2.18 روپے)

کمپنی کے کاروباری نوعیت کے متعلق مالی سال کے تحت تبدیلیاں یا اس کے ماتحت اور مشترکہ اداروں کی کاروائیاں

Changes During Financial Year Concerning Nature of the Company or of its Subsidries and joint Operation)

ہم وضاحت دو سال قبل ہمارے جوائنٹ وینچر پارٹنر (انوویشن گروپ) کو خرید لیا گیا تھا اور نئے مالکان کی کاروباری حکمت عملی میں تبدیلی کی وجہ سے انہوں نے دنیا بھر میں انشورنس کے کاروباری عمل کو اکٹھا اور کم کرنے کا فیصلہ کیا۔ اس فیصلے کے نتیجے میں کمپنی کا outsourcing کا کاروبار حقیقی طور پر متاثر ہوا تھا کیونکہ مشترکہ منصوبے کے ذریعے فراہم کردہ خدمات کے وہ sole customers ہیں۔ اس تبدیلی کے نتیجے میں آپریشن جاری رکھنے کے لیے ماتحت ادارے کے آپریٹنگ اور نیٹ مارجن ناقابل قبول بن گئے۔ لہٰذا پارٹنر کی رضامندی کے ساتھ بورڈ نے یہ فیصلہ کیا کہ یکم اگست 2018 کے بعد اگر مستقبل میں کسٹمرز کو کسی قسم کی سروسز چاہیے ہوں گی تو وہ نیٹ سول ٹیکنالوجیز کے پلیٹ فارم سے مہیا کی جائیں گی۔ اس کے نتیجے میں ماتحت ادارے کی کاروباری سرگرمیاں جولائی 2018ء کے اختتام پر بند ہو جائیں گی۔ تاہم کمپنی کا خیال ہے کہ مجموعی طور پر اس سے اس کے کاروبار، آپریشن اور نقد بہاؤ پر کوئی اثر نہیں پڑے گا۔

از طرف بورڈ آف ڈائریکٹرز

سلیم اللہ غوری
(چیف ایگزیکٹو آفیسر)

عمر غوری
(ڈائریکٹر)

لاہور

مورخہ: 25 ستمبر 2018ء

H.Y.K & Co.
CHARTERED ACCOUNTANTS

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, 2018, 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 annexed consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the annexed consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2018, 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 the note 17 in 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. Subsequent to the year end all operations of the subsidiary was closed down till July 31, 2018. 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 annexed consolidated financial statements of the current year. These matters were addressed in the context of our audit of the annexed 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.	**Revenue recognition** Refer notes 4.10 and 28 to the financial statements.	Our audit procedures to assess the recognition of revenue, amongst others, included the following: • obtaining an understanding of and assessing

	Revenue recognized during the year ended June 30, 2018 is Rs. 4,284.8 million (2017: Rs. 3,925.697 million). 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. Large contracts are typically bundled, and often include license, rendering of services and maintenance revenues. 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.	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. • for the license element of contracts, particularly those in close proximity to the year end, we obtained evidence that the software had been delivered to the customer prior to the end of the financial year. • assessing the split of contracts to challenge and gain sufficient comfort around the level of software recognition 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; and • 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;
2.	**Valuation of Trade Debts** Refer notes 4.8 and 9 to the financial statements. The company has a significant balance of trade debts. Provision against doubtful trade debts is based on management's judgment to determine the appropriate	Our audit procedures to assess the valuation of trade debts, amongst others, included the following: •obtaining an understanding of the management's basis for determination of the trade debts and receivables collection process. • for a sample of trade debts, tested the adequacy of the provisions for doubtful debts recorded against trade debts by taking into

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CHARTERED ACCOUNTANTS

	level of provision against balances which may not ultimately be recovered. We identified recoverability of trade debts as a key audit matter as it involves significant management judgment in determining the recoverable amount of trade debts.	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; • obtaining direct confirmation of balances from customers. • 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. • evaluating the subsequent recovery of trade debts at year end. •obtaining an understanding of the management's basis for determination of the provision for doubtful debts required at the year end. • assessing the historical accuracy of provisions for doubtful debts recorded by examining the utilization or release of previously recorded provisions.
3.	**Impairment of Property, Plant and Equipment** Refer to note 17 of the financial statements. Company has recognized impairment loss amounting to Rs.18.953 Million upon re-measurement of property, plant and equipment of its subsidiary company to fair value less costs to sell. We identified this as key audit matter as it requires significant judgment of management and management's expert work.	Our audit procedures to assess the recognition of impairment loss, amongst others, included the following: • assessing the appropriateness and consistency of company's impairment policy with IAS 36 "Impairment of Assets"; •comparing fixed assets carrying values to management's expert assessed market value of fixed assets under impairment review. •challenging key assumptions within the impairment review which includes key market information from suppliers, approximate estimated value of assets, demand in the market and average market value of the assets under impairment review and found these assumptions

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CHARTERED ACCOUNTANTS

		relevant and reasonable. • evaluating findings and conclusions of management expert's on fixed assets under impairment review and found them relevant and reasonable. • ensured that assets carrying amount (less accumulated depreciation and impairment loss) is not less than its recoverable amounts.

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

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

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

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

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

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

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

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

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

H.Y.K. & Co.
CHARTERED ACCOUNTANTS

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.

H.Y.K & Co.
CHARTERED ACCOUNTANTS

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

H.Y.K and Company
Chartered Accountants
Lahore

Date: September 25, 2018

Consolidated Statement of Financial Position

As at June 30, 2018

	NOTE	2018	2017
		Rupees in '000'	
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	5	**1,759,889**	1,956,098
Intangible assets	6	**1,507,905**	1,801,409
		3,267,794	3,757,507
Long term investment	7	**293,379**	203,685
Long term loan to employees	8	**356**	446
		3,561,529	3,961,638
CURRENT ASSETS			
Trade debts	9	**1,340,024**	822,323
Excess of revenue over billing	10	**1,428,320**	1,788,568
Loans and advances	11	**38,489**	31,623
Trade deposits & short term prepayments	12	**17,756**	15,126
Other receivables	13	**25,908**	19,889
Due from related parties	14	**25,878**	19,746
Taxation - net	15	**53,879**	51,020
Cash & bank balances	16	**2,123,337**	1,070,904
		5,053,591	3,819,199
Assets-Discontinued operations	17	**441,866**	-
TOTAL ASSETS		**9,056,986**	7,780,837

The annexed notes from 1 to 50 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

	NOTE	2018	2017
		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	**897,029**	896,359
Share deposit money		**13**	13
Reserves	19	**5,980,176**	4,947,940
		6,877,218	5,844,312
Non - controlling Interest		**201,697**	163,038
		7,078,915	6,007,350
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	20	**31,115**	24,537
Deferred income	21	**7,826**	-
Long term advances	22	**686**	5,309
		39,627	29,846
CURRENT LIABILITIES			
Trade and other payables	23	**503,417**	438,042
Unearned revenue	24	**371,243**	142,471
Short term borrowings	25	**1,000,000**	1,113,713
Current portion of long term liabilities	26	**27,124**	43,989
Unclaimed dividend		**2,949**	5,426
		1,904,733	1,743,641
Liabilities-Discontinued operations	17	**33,711**	-
CONTINGENCIES & COMMITMENTS	27	**-**	-
TOTAL EQUITY AND LIABILITIES		**9,056,986**	7,780,837

The annexed notes from 1 to 50 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, 2018

	NOTE	2018	2017 (Restated)
		Rupees in '000'	
Continuing operations			
Revenue - Net	28	**4,284,800**	3,925,697
Cost of revenue	29	**(2,348,314)**	(2,687,252)
Gross Profit		**1,936,486**	1,238,445
Selling and promotion expenses	30	**(571,810)**	(442,704)
Administrative expenses	31	**(743,554)**	(698,024)
Other operating expenses	32	**(4,304)**	(2,005)
Other income	33	**522,603**	60,024
Operating profit		**1,139,421**	155,736
Finance cost	34	**(43,521)**	(29,290)
Profit before taxation from continuing operations		**1,095,900**	126,446
Taxation			
Current	35	**(49,014)**	(40,781)
Prior		**(969)**	(1,006)
		(49,983)	(41,787)
Profit after taxation for the year from continuing operations		**1,045,917**	84,659
Discontinued operations:			
Profit after tax for the year from discontinued operations	17	**98,183**	200,735
Profit for the year		**1,144,100**	285,394
Attributable to:			
Equity holders of NetSol Technologies Limited		**1,105,441**	196,311
Non - controlling interest		**38,659**	89,083
		1,144,100	285,394
Earnings per share			
Basic - In Rupees	36	**12.33**	2.20
Diluted - In Rupees	36	**12.31**	2.18
Earnings per share for continuing operations			
Basic - In Rupees	36	**11.66**	0.95
Diluted - In Rupees	36	**11.65**	0.94

The annexed notes from 1 to 50 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, 2018

	2018	2017 (Restated)
	Rupees in '000'	
Profit after taxation for the year	**1,045,917**	84,659
Other comprehensive income	**-**	-
Total comprehensive income for the year	**1,045,917**	84,659
Attributable to:		
Equity holders of NetSol Technologies Limited	**1,105,441**	196,311
Non - controlling interest	**38,659**	89,083
	1,144,100	285,394

The annexed notes from 1 to 50 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, 2018

	2018	2017
	Rupees in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation from continuing operations	**1,095,900**	126,446
Profit before taxation from discontinued operations	**100,088**	202,028
Profit before taxation for the year	**1,195,988**	328,474
Adjustments for non cash charges and other items:		
Depreciation - own assets	**240,241**	319,790
Amortization of leased assets	**19,853**	31,247
Amortization of intangible assets	**293,504**	394,587
(Gain)/Loss on disposal of fixed assets	**(766)**	1,630
Amortization of deferred revenue	**(231)**	-
Exchange (gain) on debtors	**(541,545)**	(34,874)
Interest expense	**43,976**	29,857
Interest income	**(25,169)**	(11,599)
Deferred employee compensation expense	**56,410**	74,653
(Gain) on short term investment	**(3,566)**	(3,621)
Bad debts	**35,303**	36,194
Donation	**-**	169
Impairment of fixed assets	**18,953**	-
	136,963	838,033
Cash generated from operations before working capital changes	**1,332,951**	1,166,507
Working Capital Changes		
Trade debts	**270,616**	(430,707)
Loans and advances	**(6,776)**	(6,444)
Trade deposits & short term prepayments	**(2,630)**	10,506
Other receivables	**(6,049)**	24,412
Due from related parties	**(7,086)**	322
Trade and other payables	**86,572**	(49,705)
Cash generated / (used in) from operations	**334,827**	(451,616)
Interest paid	**(48,530)**	(22,259)
Income taxes paid	**(55,955)**	(61,262)
Dividend paid	**(129,695)**	(249,952)
Net cash generated from operations	**1,433,598**	381,418
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	**(145,475)**	(77,592)
Sales proceeds of fixed asset	**75,826**	33,273
Capital work in progress	**(24,036)**	(5,125)
Long term investment	**(89,694)**	(186,418)
Gain on investments	**3,566**	3,621
Interest received	**25,169**	11,599
Net cash used in investing activities	**(154,644)**	(220,642)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	**670**	4,815
Share deposit money	**-**	(1,477)
Share premium	**430**	3,223
Paid against obligation under finance lease	**(52,904)**	(72,028)
Received against obligation under finance lease	**61,823**	40,138
Short term borrowing	**(113,713)**	599,152
Long term advances	**(10,892)**	9,403
Net cash generated from financing activities	**(114,586)**	583,226
Net increase in cash and cash equivalents	**1,164,368**	744,002
Cash and cash equivalents at the beginning of the year	**1,070,904**	326,902
Cash and cash equivalents at the end of the year	**2,235,272**	1,070,904

The annexed notes from 1 to 50 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, 2017

	Attributable to equity holders of the Parent						Non Controlling Interest	Total Equity
			Capital reserve		Revenue reserve			
	Issued, sub-scribed and paid-up capital	Share deposit money	Employee share option compensa-tion reserve	Share premium	Unappropri-ated profit	Total		
	Rupees In '000'							
Balance as at June 30, 2016	891,544	1,490	1,607	298,777	4,418,123	5,611,541	284,470	5,896,011
Total comprehensive income for the year								
Net profit for the year ended June 30, 2017	-	-	-	-	196,311	196,311	89,083	285,394
Other comprehensive income	-	-	-	-	-	-	-	-
Shares deposit money against options exercised	-	6,429				6,429		6,429
Shares issued against options exercised (481,500 shares at Rs. 10 each)	4,815	(7,906)	(711)	3,802	-	-	-	-
DIstributions to owners								
- By subsidiary to non-controlling interest							(210,515)	(210,515)
cash dividend					(44,622)	(44,622)		(44,622)
Options lapsed			(579)			(579)		(579)
Contribution of parent on account of employee share options			75,232			75,232		75,232
	4,815	(1,477)	73,942	3,802	151,689	232,771	(121,432)	111,339
Balance as at June 30, 2017	896,359	13	75,549	302,579	4,569,812	5,844,312	163,038	6,007,350
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	-	-	-	**-**
Final cash dividend Rs. 1.45 per share (14.5% per share)	-	-	-	-	(130,045)	(130,045)	-	**(130,045)**
Contribution of parent on account of employee share options	-	-	56,410	-		56,410	-	**56,410**
Amount received against option exercised	-	1,100	-	-	-	1,100	-	**1,100**
	670.00	-	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**

The annexed notes from 1 to 50 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, 2018

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") was incorporated in Pakistan on August 22, 1996 under the repealed Companies Ordinance, 1984 (Now Companies Act 2017) as a private company, limited by shares and was later on converted into public limited company on November 05, 2004 and subsequently listed on stock exchange on August 26, 2005. The Company is listed on Pakistan Stock Exchange Limited. The business of the Company is development and sale of computer software and provision of related services in Pakistan as well as abroad.
Geographical location and addresses of business units:

	Address/Location	Purpose
1	NetSol IT Village,(Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt. Pakistan.	Registered office and business unit
2	43/1/Q, Amna Villa 1, Block-6, PECHS Housing Society Karachi.	Branch office
3	House No. 4, Safari villas 1, Bahria town, Rawalpindi. Pakistan.	Branch office
4	Summitmas 2 Ground Floor Jl. Jend Sudirman Kav 61-62 Senayan-Kebayoran Baru Jakarta Selatan 12190, Indonessia	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 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 Standards) 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 the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Accounting policies

The accounting policies adopted for the preparation of these consolidated financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the Group for the year ended June 30, 2017.

2.5 Standards and interpretations that became effective

The third and fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to, particulars of immovable assets of the Company (refer note 5.7), management assessment of sufficiency of tax provision in the financial statements (refer note 35), change in threshold for identification of executives (refer note 37), Investments in foreign entities (refer note 7.1) additional disclosure requirements for related parties (refer note 39.1 and 39.2) etc.

Apart from companies Act 2017, the following standards (revised or amended) and interpretations became effective for the current financial year but either they are not relevant or do not have any material effect on the financial statements of the Company:

IAS7 (Amendment)	Cash flow statements: Disclosure initiative (Amendments)
IAS 12	Income taxes-Recognition of deferred tax assets for unrealized losses (Amendments)
IFRS 12	Disclosure of interests in other entities-Annual improvements to IFRS standards 2014-2016 cycle (Amendments)

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

		Effective for periods beginning on or after
IFRS 2	Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	Jan-01 2018
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)	Jan-01 2018
IAS 40	Investment Property: Transfers of Investment Property (Amendments)	Jan-01 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Jan-01 2018
IFRS 1	First-time Adoption of International Financial Reporting Standards - Annual improvements to IFRS standards 2014-2016 cycle	Jan-01 2018
IAS 28	Investment in Associates and Joint Ventures - Annual improvements to IFRS standards 2014-2016 cycle	Jan-01 2018
IFRS 9	Financial Instruments	Jan-01 2018
IFRS 15	Revenue from contracts with customers	Jan-01 2018
IFRS 16	Leases	Jan-01 2019
IFRIC 23	Uncertainty over Income Tax Treatments	Jan-01 2019
IFRS 9	Financial Instruments - Prepayment features with negative compensation (Amendments)	Jan-01 2019
IAS 19	Employee benefits - Plan Amendment, curtailment or settlement (Amendments)	Jan-01 2019
IAS 28	Investment in Associates and Joint Ventures - Long term interests in associates and joint ventures (Amendments)	Jan-01 2019
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	Jan-01 2020
IFRS 17	Insurance Contracts	Jan-01 2021

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application except for IFRS 15-Revenue from contracts with customers. The Company is currently in the process of evaluating the impact of the said standard.

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.

Notes to the Consolidated Accounts

For the year ended June 30, 2017

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

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

4.1 Property Plant and equipment

(i) Owned assets

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

Depreciation is charged by applying 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 impairment losses. It represents expenditure incurred on property plant and equipment during construction and installation. Cost also includes applicable borrowing costs. These expenditures are transferred to relevant assets' category as and when assets are available for use.

4.2 Intangible assets

Research and software products development

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

There are two components of intangible assets:

a. In-house developed intangible assets

b. Intangible assets acquired from market

(a) In-house developed intangible assets

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

The Group makes ongoing evaluations of the recoverability of its capitalized software projects developed in-house by comparing the amount capitalized for each product to the estimated net realizable value of the product. If such evaluations indicate that the unamortized software development costs exceed the net realizable value, the Group writes off the amount by which the unamortized software development costs exceed net realizable value. Capitalized software costs are amortized on a product-by-product basis. Annual amortization is charged by using straight-line method over the remaining estimated economic life of the product including the period being reported on. Amortization starts when the product is available for general release to customers.

(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.

4.3 Impairment

(a) Financial Asset

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

Notes to the Consolidated Accounts

For the year ended June 30, 2018

(b) Non Financial Asset

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

4.4 Foreign currency translation

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

4.5 Staff benefits

(i) Retirement benefits

The Group operates contributory provident fund for all its permanent staff. Contributions are made equally by the Group and the employee at 8% of basic salary in the provident fund on monthly basis. Group's contribution is recognized as a cost in the Statement of Profit or Loss. The fund is administrated by the Trustees.

(ii) Short-term benefits

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

(iii) Employees' share option scheme

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

When an unvested option lapses by virtue of an employee not conforming to the vesting conditions after recognition of an employee compensation expense in profit or loss, employee compensation expense in profit or loss will be reversed equal to the amortized portion with a corresponding effect to deferred employee compensation reserve in the 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.

4.6 Taxation

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

4.7 Creditors, accruals and provisions

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

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

4.8 Trade debts

Trade debts from local customers are stated at invoice while foreign debtors are stated at re-valued amount by applying exchange rate applicable on Statement of Financial Position date. An estimate is made for doubtful receivables when collection of amount is not probable and the amount of trade debts is reduced by such provision. Debts considered irrecoverable are written off.

4.9 Cash and cash equivalents

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

4.10 Revenue recognition

(i) License sale

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

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

(ii) Rendering of services

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

(iii) Maintenance

Revenue from maintenance is recognized on time proportion basis.

(iv) Sale of hardware and third party software

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

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

(v) Miscellaneous

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

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

Rental income is recognized on time proportion basis.

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

Miscellaneous income is recognized on receipt basis.

Notes to the Consolidated Accounts

For the year ended June 30, 2018

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

(i) Financial assets

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

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

(a) Held to maturity investments

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

(b) Loans and receivables

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

(c) Available for sale investments

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

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

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

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

(ii) Financial liabilities

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

4.14 Dividend and appropriation to reserves

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

4.15 Leasing

(i) Operating Leases

Leases where a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating lease. Expenses for operating leases are recognized in the 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

Investments are stated at cost less any impairment losses.

4.20 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.

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, 2018

	Note	2018	2017
		Rupees in '000'	
5. PROPERTY PLANT & EQUIPMENT			
Net book value of owned assets	5.1	**1,635,901**	**1,841,526**
Net book value of leased assets	5.5	**92,991**	**107,611**
Advances against capital expenditure	5.6	**30,997**	**6,961**
		1,759,889	**1,956,098**

5.1 Following is statement of owned assets

Particulars	2018 COST As at Jul 01, 2017	Additions / (Deletions)	As at June 30, 2018	DEPRECIATION Rate %	As at Jul 01, 2017	Adjustment during the year	Charge for the year	As at June 30, 2018	Net book value as at June 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	65,393	10	19,652	-	4,773	22,512	42,881
		(3,046)				(1,913)			
Vehicles	84,510	86,773	92,264	20	54,108	23,110	8,423	58,612	33,652
		(79,019)				(27,029)			
Computers	1,452,419	41,485	1,469,408	20~33	1,035,475	6,302	113,411	1,132,424	336,984
		(24,496)				(22,764)			
Air conditioners	58,042	3,712	58,370	10	16,704	-	4,266	18,648	39,722
		(3,384)				(2,322)			
Office equipment	55,153	5,620	58,328	10	18,942	-	3,814	21,137	37,191
		(2,445)				(1,619)			
Electric fittings	49,371	-	49,371	10	10,327	-	3,905	14,232	35,139
Generator	40,579	17,045	52,812	10	16,507	4,986	3,387	21,490	31,322
		(4,812)				(3,390)			
Intangible Assets									
Software	885,199	1,077	886,276	33	725,991		52,766	778,757	107,519
	3,899727	156,487	3,939,012		2,095,254	34,398	232,496	2,303,111	1,635,901
		(117,202)				(59,037)			

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

Particulars	2017								
	COST			DEPRECIATION					Net book value as at Jun 30, 2017
	As at Jul 01, 2016	Additions / (Deletions)	As at Jun 30, 2017	Rate %	As at Jul 01, 2016	Adjustment during the year	Charge for the year	As at Jun 30, 2017	
	Rupees In '000'								
Tangible Assets									
Land - freehold	254,229	-	254,229	-	-	-	-	-	254,229
		-							
Building on free	952,561	-	952,561	5	157,811	-	39,737	197,548	755,013
hold land		-							
Furniture & fixtures	72,960	3,707	75,258	10	16,790	-	5,849	21,774	53,484
		(1,409)				(865)			
Vehicles	94,087	51,911	98,720	20	52,486	13,189	8,914	62,778	35,942
		(47,278)				(11,812)			
Computers	1,454,007	54,990	1,495,825	20~33	905,734	21,109	153,331	1,068,234	427,591
		(13,171)				(11,939)			
Air conditioners	39,700	21,590	61,290	10	8,460	5393	3,881	17,734	43,556
		-							
Office equipment	53,627	5,255	58,737	10	16,623	-	3,929	20,466	38,270
		(145)				(86)			
Electric fittings	49,371	-	49,371	10	5,989	-	4,338	10,327	39,044
		-							
Generator	41,509	-	41,509	10	14,435	-	2,708	17,143	24,366
Leasehold	40,617	-	40,617	20	11,277	-	18,658	29,936	10,681
improvements		-							
Intangible Assets									
Software	885,521	147	885,668	33	647,875		78,443	726,319	159,349
	3,938,188	137,600	4,013,785		1,837,480	39,690	319,789	2,172,259	1,841,526
		(62,003)				(24,702)			

		Note	2018	2017
			Rupees in '000'	
5.2	**Depreciation is allocated in the following manner**			
	Cost of revenue	29	**174,706**	245,675
	Administrative expenses	31	**57,790**	74,115
			232,496	319,790

Notes to the Consolidated Accounts

For the year ended June 30, 2018

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

Particulars	Cost	Net Book Value	Sales Proceeds	Gain/ (Loss)	Mode of Disposal	Particulars of Purchaser
	2018					
	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)
Computers	7,319	837	140	(697)	Open Market	CLI Computers
Furniture & Fixture	1,910	632	-	(632)	Scraped	N/A
Office Equipment	1,866	583	-	(583)	Scraped	N/A
Air Conditioner	3,188	987	-	(987)	Scraped	N/A
Generator 450KVA	4,812	1,423	1,200	(223)	Open Market	Universal Engineering Services
Other items having net book value of less than Rs. 500,000 each	32,113	8,518	6,815	(1,703)	Company Policy	Various
2018	**117,202**	**58,165**	**61,918**	**3,754**		

Particulars	Cost	Net Book Value	Sales Proceeds	Gain/ (Loss)	Mode of Disposal	Particulars of Purchaser
	2017					
	Rupees In '000'					
Vehicle	35,038	28,225	30,000	1,775	Negotiation	Riffat Zamani
Other items having net book value of less than Rs. 500,000 each	24,513	7,775	3,995	(3,780)	Negotiation	Various
2017	**59,551**	**36,000**	**33,995**	**(2,005)**		

5.4 Following is statement of leased assets

	2018								
Particulars	COST			DEPRECIATION					Net book value as at June 30, 2018
	As at Jul 01, 2017	Additions / (Deletions)	As at June 30, 2018	Rate %	As at Jul 01, 2017	Adjustment during the year	Charge for the year	As at June 30, 2018	
	Rupees In '000'								
Vehicles	**106,003**	**61,823**	**120,031**	**20**	**34,154**	**-**	**15,996**	**27,040**	**92,991**
		(47,795)				**(23,110)**			
Computers	**8,908**	**-**	**-**	**33**	**6,229**	**-**	**73**	**-**	**-**
		(8,908)				**(6,302)**			
Generator	**17,045**	**-**	**-**	**10**	**4,816**	**(4,974)**	**158**	**-**	**-**
		(17,045)							
	131,956	**61,823**	**120,031**		**45,199**	**(34,386)**	**16,227**	**27,040**	**92,991**
		(73,748)							

	2017								
Particulars	COST			DEPRECIATION					Net book value as at Jun 30, 2017
	As at Jul 01, 2016	Additions / (Deletions)	As at Jun 30, 2017	Rate %	As at Jul 01, 2016	Adjustment during the year	Charge for the year	As at Jun 30, 2017	
	Rupees In '000'								
Vehicles	142,671	40,138	133,960	20	28,364	-	26,082	41,257	92,703
		(48,848)				(13,189)			
Computers	41,066	-	8,908	33	24,383	-	2,955	6,229	2,679
		(32,158)				(21,109)			
Air conditioners	19,140	-	-	10	4,541	-	852	-	-
		(19,140)				(5,393)			
Generator	17,045	-	17,045	10	3,457	-	1,359	4,816	12,229
	219,922	40,138	159,913		60,745		31,247	52,302	107,611
		(100,145)				(39,690)			

		Note	**2018**	2017
			Rupees in '000	
5.5	**Amortization is allocated in the following manner**			
	Cost of revenue	29	**12,170**	24,416
	Administrative expenses	31	**4,056**	6,831
			16,227	31,247

5.6 Advance against capital expenditure represent advances paid for purchase of vehicles but delivery of vehicles are not made to the company till June 30, 2018.

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

	2018							
	COST			**AMORTISATION**				
Particulars	**As at Jul 01, 2017**	**Additions / (Deletions)**	**As at June 30, 2018**	**Rate %**	**As at Jul 01, 2017**	**Charge for the year**	**As at June 30, 2018**	**Net book value as at June 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**

	2017							
	COST			AMORTISATION				
Particulars	As at Jul 01, 2016	Additions / (Deletions)	As at Jun 30, 2017	Rate %	As at Jul 01, 2016	Charge for the year	As at Jun 30, 2017	Net book value as at Jun 30, 2017
	Rupees In '000'							
In-house Developed Software								
NFS Ascent	2,935,038	-	2,935,038	10	840,125	293,504	1,133,629	1,801,409
NetSol Financial Suite	213,225	-	213,225	10 ~ 20	213,225	-	213,225	-
SMART	137,149	-	137,149	10	96,005	41,144	137,149	-
HMIS	35,146	-	35,146	10	9,079	26,067	35,146	-
Business Intelligence Scoring Model & Risk Management	45,671	-	45,671	10	11,799	33,872	45,671	-
	3,366,229	-	3,366,229		1,170,233	394,587	1,564,820	1,801,409

		2018	2017
		Rupees in '000'	
6.1 Amortization is allocated in the following manner			
Cost of revenue	29	**293,504**	394,587

6.2 NetSol Financial Suite has been fully amortized but the company is still generating revenues from its sales.

7. LONG TERM INVESTMENTS - at cost			
Related parties			
WRLD3D Inc (Unquoted company) (Formerly EEGEO Inc.)	7.1	**293,379**	203,685

Notes to the Consolidated Accounts

For the year ended June 30, 2018

7.1 Investment in foreign companies:

i Name of investee company:	WRLD3D Inc
ii Jurisdiction:	USA
iii Beneficial owners of investee company:	DCD Holdings Limited
iv Beneficial owner's address:	Carlton Services Ltd Second Floor, The Quadrant, Manglier Street, PO Box 1312, Victoria, Mahe, Seychelles
v Amount of Investment-Foreign currency USD:	2,777,778
vi Amount of Investment-Local currency PKR:	293,378,850

vii Terms and conditions:

During the fiscal year 2016, the Company entered into an agreement with WRLD3D Inc (formerly eeGeo, Inc.) a USA based gaming and 3D mapping Company (a Delware Corporation) to purchasse 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, 2018, 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.

Mr. Faizaan Ghauri is the Chief Executive Officer of WRLD3D Inc. (formerly eeGeo, Inc.)

viii Amount of return received:	Nil
ix Litigations:	N/A
x Default/Breach:	N/A
xi Gain/loss on disposal of investment:	N/A

7.2 Investments in associated companies or undertakings have been made in accordance with the requirements under the Act.

8. LONG TERM LOANS TO EMPLOYEES-Unsecured

Considered good		**2018**	2017
Loan to employees		**Rupees in '000'**	
- to executives	8.2	**1,082**	2,741
- to non-executives		**2,893**	6,492
Less: current maturity		**(3,619)**	(8,787)
		356	446

8.1 Loans are given to employees for their personal needs and deducted from salaries. Maximum balance outstanding against loans to employees at the end of any month during the year was Rs. 9.628 million (2017: Rs. 9.233 million).

8.2 Reconciliation of the carrying amount of loans to executives

Balance at the beginning of the year	**2,741**	3,645
Disbursements during the year	**1,387**	2,837
Received during the year	**(3,046)**	(3,741)
Balance at the end of the year	**1,082**	2,741

			2018	2017
			Rupees in '000'	
9.	**TRADE DEBTS**			
	Considered good - unsecured	9.2	**1,340,024**	822,323
	Considered doubtful - unsecured	9.3	**70,528**	35,225
			1,410,552	857,548
	Less: provision for doubtful debts		**(70,528)**	(35,225)
			1,340,024	822,323

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

	2018	2017
1Insurer Limited, UK	**-**	121,904
The Innovation Group - UK BPS	**-**	20,739
1Insurer Inc., USA	**-**	10,408
NetSol Technologies (Thailand) Limited	**167,661**	97,439
NetSol Technologies (Beijing) Company Limited	**74,807**	121,937
NetSol Australia Pty. Limited	**7,571**	9,475
Netsol Technologies Americas	**49,071**	-
NetSol Technologies Europe	**496**	-
WRLD3D Inc	**57,605**	5,208
	357,211	387,110

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:

	2018	2017
Balance as at July 1	**35,225**	48,748
Provision made during the year	**35,303**	36,194
Write offs during the year	**-**	(49,717)
Balance as at June 30	**70,528**	35,225

9.5 The aging of trade debts at June 30 is as follows:

	2018		2017	
	Rupees in '000'		Rupees in '000'	
	Gross	**Impaired**	Gross	Impaired
Not past due	**496**	**-**	49,823	-
Past due 1-180 days	**1,049,579**	**-**	448,425	-
Past due 181 days -1 year	**203,327**	**-**	158,304	-
More than one year	**157,150**	**-**	200,996	-
Total	**1,410,552**	**-**	857,548	-

Based on the past experience, consideration of financial position, past track records and recoveries, the Group believes that trade debtors past due up to one year do not require any impairment and no impairment allowance is necessary in respect of remaining portion of past due over one year.

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

Notes to the Consolidated Accounts

For the year ended June 30, 2018

	2018		2017	
	Rupees in '000'		Rupees in '000'	
	Gross	**Impaired**	Gross	Impaired
Not past due	**496**	-	38,828	-
Past due 1-180 days	**188,760**	-	110,274	-
Past due 181 days -1 year	**64,215**	-	106,084	-
More than one year	**103,741**	-	131,923	-
Total	**357,212**	-	387,109	-

9.7 Region wise break up of export revenue and trade debts arising out of export revenue alongwith category of receivable is as below:

		2018	2017	2018	2017
		Rupees in '000'		Rupees in '000'	
Region	**Category**	Export Revenue for the year		Balance as at June 30	
Australia	Contract	296,588	439,155	**43,866**	34,971
China	Contract	2,163,038	2,078,810	**930,434**	485,473
Japan	Contract	47,090	34,649	**749**	519
Korea	Contract	125,735	162,364	**61,049**	54,899
Malaysia	Contract	12,832	28,250	**403**	4,936
New Zealand	Contract	14,528	12,234	**612**	167
Saudi Arabia	Contract	7,437	7,067	**659**	1,134
Singapore	Contract	419,601	55,093	**1,041**	13,495
Taiwan	Contract	17,412	17,495	**-**	325
South Africa	Contract	245,756	331,089	**95,113**	-
Thailand	Contract	215,342	209,201	**169,454**	100,302
United Kingdom	Contract	29,591	37,911	**496**	142,642
USA	Contract	161,266	211,970	**106,676**	15,616
Total		3,756,216	**3,625,288**	**1,410,552**	854,479

9.8 Maximum aggregate amount outstanding due from trade debts due from related party at the end of any month during the year was Rs. 357,211 million (2017 : Rs. 1,008.3 million).

10. EXCESS OF REVENUE OVER BILLING

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

11. LOANS AND ADVANCES - Unsecured			
Considered good			
Current maturity of loans to employees	8	**3,619**	8,787
Advances			
- to executives	11.1	**153**	111
- against expenses	11.2	**34,717**	22,725
		38,489	31,623

11.1 Maximum balance outstanding against advances to executives at the end of any month during the year was Rs. 0.153 million (2017: Rs. 1.040 million)

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

			2018	2017
12.	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**		**Rupees in '000'**	
	Security deposit		**4,222**	5,721
	Prepayments		**13,534**	9,405
			17,756	15,126
13.	**OTHER RECEIVABLES**			
	Guarantee margin		**873**	673
	Sales Tax Refundable		**222**	-
	Other receivable - considered good	13.1	**24,813**	19,216
			25,908	19,889

13.1 Other receivable include travel expenses amounting to Rs. 22.4 million (2016: Rs. 18.5 million) to be invoiced to the customers.

14.	**DUE FROM RELATED PARTIES**		
	NetSol Connect (Private) Limited	**19,215**	13,219
	NetSol Technologies Limited Inc	**-**	3,691
	NetSol Technologies (Beijing) Limited	**-**	2,836
	NetSol Technologies (Thailand) Limited	**6,663**	-
		25,877	19,746

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.224.18 million (2017 : Rs.178.66 million).

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

	2018		2017	
	Rupees in '000'		Rupees in '000'	
	Gross	**Impaired**	Gross	Impaired
Not past due	**2,110**	**-**	1,787	-
Past due 1-180 days	**22,676**	**-**	17,959	-
Past due 181 days -1 year	**1,091**	**-**	-	-
Total	**25,878**	**-**	19,746	-

15.	**TAXATION - NET**			
	Tax receivable as at 1 July		**49,523**	32,837
	Tax payments		**15,082**	13,128
	Tax adjustments		**(969)**	11,912
	Provision for taxation		**(9,757)**	(6,857)
			53,879	51,020
16.	**CASH AND BANK BALANCES**			
	With banks			
	Saving accounts-Local currency	16.1	**1,051,732**	882,440
	Saving accounts-Foreign currency	16.1	**218,071**	-
	Current accounts-Local currency		**667,889**	88,326
	Foreign currency-Current account		**183,039**	97,958
			2,120,731	1,068,724
	In hand		**2,606**	2,180
			2,123,337	1,070,904

16.1 The balances in savings accounts bear mark up at 3.5% to 4.5% per annum. (2017 : 3% 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	16	**2,123,337**
Cash and bank balances-Discontinued operations	17	**111,935**
		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 with two other shareholders last date of business operations of NetSol Innovation (Pvt) Limited was agreed to be July 31, 2018. At June 30, 2018, subsidiary NetSol Innovation (Pvt) Limited was classified as discontinued operation.

The major classes of assets and liabilities of NetSol Innovation (Pvt) Limited classified as discontinued operation are as follows:

	2018
Assets	**Rupees in '000'**
Property, plant and equipment	**19,670**
Trade debts	**306,945**
Other receivables	**30**
Income tax	**2,332**
Due from related parties	**954**
Cash & bank balances	**111,935**
Assets classified as discontinued operations	**441,866**
Liabilities	
Trade and other payables	**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	**33,711**

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

	2018	2017
	Rupees in '000'	
Revenue-Export	**361,104**	593,500
Cost of revenue	**(315,090)**	(377,598)
Gross profit	**46,014**	215,902
Administrative expenses	**(3,672)**	(3,977)
Other operating expenses	**-**	(13,457)
Other income	**58,493**	4,798
Operating profit	**100,835**	203,266
Finance cost	**(747)**	(1,239)
Profit before taxation for the year from discontinued operations	**100,088**	202,027
Taxation		
Current year	**(1,124)**	(1,026)
Prior year	**(781)**	(266)
Profit after taxation for the year from discontinued operations	**98,183**	200,735

The net cash flows incurred by NetSol Innovation (Pvt) Limited are, as follows:

	2018	2017
	Rupees in '000'	
Operating	**(89,198)**	(24,897)
Investing	**18,020**	(7,837)
Financing	**(12,849)**	10,268
Net Cash (outflow)	**(84,027)**	(22,466)
Earning per share		
Profit after taxation for the year from discontinued operations	**98,183**	200,736
Less Non controlling interest	**(38,659)**	(89,083)
Profit from discontinued operations attributable to ordinary shareholders of NetSol Technologies Limited	**59,524**	111,653
Basic earning per share from discontinued operations	**0.67**	1.25
Diluted earning per share from discontinued operations	**0.66**	1.24

Write down of property, plant and equipment

At the time of classification of NetSol Innovation (Pvt) Limited as discontinued operations, the recoverable amount was estimated for all items of property, plant and equipment and impairment loss of Rs. 18.9 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

	2018	2017
Property, plant and equipment	**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

Jun-2018	Jun-2017		2018	2017
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

Jun-2018	Jun-2017		2018	2017
42,552,191	42,485,191	Ordinary Shares of Rs. 10 each fully paid in cash	**425,522**	424,852
47,150,732	47,150,732	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	**471,507**	471,507
89,702,923	89,635,923		**897,029**	896,359

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

	2018	2017
Number of shares outstanding as at July 1	**89,635,923**	89,154,423
Ordinary Shares of Rs. 10 issued against options exercised	**67,000**	481,500
Number of shares outstanding as at June 30	**89,702,923**	89,635,923

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 66.21% (2017 : 66.20%) of issued capital of the Company.

18.7 The holding Company is not subject to any externally imposed capital requirements for the financial years 2017 and 2018.

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For the year ended June 30, 2018

			2018	2017
19. RESERVES			**Rupees in '000'**	
	Capital reserve			
	Premium on issue of ordinary shares		**303,108**	302,579
	Employee share option compensation reserve	19.1	**131,860**	75,549
	Revenue reserve			
	Un - appropriated profit		**5,545,208**	4,569,812
			5,980,176	4,947,940

19.1	**EMPLOYEE SHARE OPTION COMPENSATION RESERVE**		
	Balance at the beginning of the year	**75,549**	1,607
	Options lapsed due to employee resignation	**-**	(579)
	Amount transferred to Capital reserve on exercise of options	**(99)**	(711)
	Contribution of parent on account of employee share options	**56,410**	75,232
	Balance at the end of the year	**131,860**	75,549

19.1.1 Employee Stock Option Scheme

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

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

Total number of options granted	**4,350,000**	
Per option fair value at the grant date	**Rs. 1.48**	
Average 30 days per share price preceding the date of grant	**Rs. 26.80**	
Exercise price per option	**Rs. 16.42**	
Annual volatility	**64.82%**	
Options outstanding at the beginning of the year	**214,500**	1,088,000
Options issued during the year	**-**	-
Options lapsed during the year	**-**	(392,000)
Options exercised during the year	**(67,000)**	(481,500)
Options outstanding at the end of the year	**147,500**	214,500

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	**56,614**	52,835
Current portion of obligations shown under current liabilities	**(25,499)**	(28,298)
	31,115	24,537

Present value of minimum lease payments have been discounted at an implicit interest rate ranging between 7.79 % to 11% (2017 : 7.6 % 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:

	2018		
	Minimum Lease Payment	**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**

	2017		
	Minimum Lease Payment	Future Finance Charges	Present Value of Lease Liability
Not later than one year	31,372	3,075	28,297
Later than one year but not later than five years	25,944	1,408	24,536
	57,315	4,484	52,833

		2018	2017
		Rupees in '000'	
21.	**DEFERRED INCOME**		
	Opening balance	-	-
	Addition during the year	8,058	-
		8,058	-
	Amortized during the year	(232)	-
	Un amortized gain on sale and lease back transaction	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.

		2018	2017
22.	**LONG TERM ADVANCES**	Rupees in '000'	
	Long term advances	2,311	21,000
	Less: Current portion	(1,625)	(15,691)
		686	5,309

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

		2018	2017
Creditors		27,908	41,072
Accrued liabilities		330,167	214,207
Interest accrued - secured		7,646	12,200
Due to related party	23.1	99,359	102,123
Withholding tax		16,883	51,440
Provident fund payable		21,013	13,718
Other payables		441	2,056
Sales tax payable		-	1,226
		503,417	438,042

		2018	2017
23.1 Due to related party			
Parent			
NetSol Technologies Inc.	23.1.1	92,962	101,355
Associated			
NetSol Technologies Europe Ltd	23.1.1	6,397	768
		99,359	102,123

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

24. UNEARNED REVENUE

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

It includes Rs. 0.035 million (2017 : 0.510 million) against NetSol Technologies Australia Pty. Limited.

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For the year ended June 30, 2018

25. SHORT TERM BORROWINGS		2018	2017
		Rupees in '000'	
Export refinance - secured	25.1	**850,000**	700,000
LAPC - secured	25.1	**150,000**	300,000
Loan from related party	25.2	**-**	113,713
		1,000,000	1,113,713

25.1 EXPORT REFINANCE - SECURED			
Askari Bank Limited - ERF - II	25.1.1	**500,000**	500,000
Samba Bank Limited - ERF - II	25.1.2	**350,000**	200,000
Samba Bank Limited - LAPC	25.1.2	**150,000**	300,000
		1,000,000	1,000,000

25.1.1 The facility for export refinance (ERF) is available from Askari Bank Limited amounting upto Rs 500 million (2017 : Rs 500 million), availed Rs. 500 million (2017 : 500 million) It carries mark-up of State Bank Refinance Rate+1% per annum (2017 : State Bank Refinance Rate+1% per annum). The interest rate charged for fiscal year 2018 was 3% (2017 : 3%). The due balance is payable bi-annually.

A facility for issuance of guarantees (LG) is available from Askari Bank Limited upto Rs. 100 million (2017 : Rs. 100 million), availed Rs. 9.289 million. (2017 : Rs. 7.977 million)

sublimit of export refinance amounting to $ 3 million under FE 25 is available from Askari Bank Limited (2017 : $ 3 million)

A sublimit of LG is available from Askari Bank Limited for corporate credit cards upto Rs. 6 million (2017 : Rs. 6 million)

The company has a running finance facility from Askari Bank Limited as a sublimit to LG facility upto Rs. 75 million (2017 : 75 million) for working capital requirement.It carries markup at the rate of 3 month Kibor + 2%. (2017 : 3 month Kibor + 2%). As at June 30, 2018 there is no balance outstanding against this facility. (2017: Nil)

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 (2017: Rs. 634 million) and 1st ranking Pari Passu charge of Rs. 767 million over fixed assets of the company (2017: Rs. 680.8 million).

The facilities from Askari bank are 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 directors of the company excluding independent directors.

25.1.2 The facility for ERF/LAPC is available from SAMBA bank Limited amounting upto total Rs. 650 million (2017 : 500 million), availed ERF Rs. 350 million (2017 : 200 million), availed LAPC Rs. 150 million (2017 : 300 million). ERF carries mark-up at State Bank Refinance Rate+1% per annum (2017: State Bank Refinance Rate+1%). Interest rate charged for the fiscal year 2018 for ERF was 3% (2017 : 3%), LAPC carries markup at the rate of 3 month Kibor+2% (2017 : 3 month Kibor+2%). The due balance of ERF/LAPC is payable bi-annually.

The facilities from SAMBA bank limited are secured by way of 1st Pari Passu charge over Company's all present and future current assets amountin to Rs. 667 million (2017: 667 million) and 1st Pari Passu charge of Rs. 667 million over fixed assets of the company (2017: 667 million).

The facilities from SAMBA bank Limited are secured by way of 2nd ranking equitable mortgage over 9 Kanal, 2 Kanal and 16 Marla propreties, 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 & 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, 2018, the company is fully compliant with all loan covenants.

25.2 This represent short term interest free loan of USD 1,086,254 which was from the holding company and paid for in full in current year.

26. CURRENT PORTION OF LONG TERM LIABILITIES			
Current portion of lease liability	20	**25,499**	28,298
Current portion of long term advances	22	**1,625**	15,691

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 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 26-07-2016 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 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. 9.289 million (June 2017: 7.977 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. 41.75 million under capital purchase agreements as at June 30, 2018. (2017: Nil)

28. REVENUE - NET	Note	2018	2017 (Restated)
		Rupees in '000'	
Export Revenue			
License		**650,820**	1,235,983
Services		**2,876,907**	1,871,003
Maintenance		**747,075**	806,990
		4,274,802	3,913,976
Local Revenue			
Services		**-**	3,053
Maintenance		**11,598**	10,543
		11,598	13,596
Sales tax		**(1,600)**	(1,875)
		4,284,800	3,925,697

Notes to the Consolidated Accounts

For the year ended June 30, 2018

	Note	2018	2017 (Restated)
		Rupees in '000'	
29. COST OF REVENUE			
Salaries & benefits	29.1	1,584,819	1,654,498
Consultancy charges		17,764	33,612
Hardware and other material cost		-	1,899
Software licenses		-	543
Staff training		1,553	4,470
Rent, rates & taxes		2,405	12,137
Travelling & conveyance		66,047	118,890
Communication		31,309	30,615
Utilities		23,070	24,396
Printing & stationery		1,744	2,184
Entertainment		49,366	42,913
Insurance		2,218	1,737
Vehicle running & maintenance		34,010	26,470
Repair & maintenance		49,742	77,226
Fee & subscription		3,887	5,183
Depreciation	5.2	174,706	235,402
Amortization of leased assets	5.5	12,170	20,490
Amortization of intangible assets	6.1	293,504	394,587
		2,348,314	2,687,252

29.1. Salaries and benefits include Rs. 61.359 million (2017 : Rs. 62.459 million) in respect of retirement benefits.

	Note	2018	2017 (Restated)
30. SELLING AND PROMOTION EXPENSES			
Salaries & benefits	30.1	215,373	196,408
Staff training		25	17
Rent, rates & taxes		11,827	15,022
Travelling and conveyance		57,556	44,178
Communication		2,089	2,085
Utilities		1,085	1,061
Printing & stationery		611	898
Entertainment		3,193	2,803
Insurance		843	1,525
Vehicle running expenses		6,956	4,619
Repairs and maintenance		1,716	1,956
Commission on sales		267,769	145,064
Sale promotional expenses		2,767	27,068
		571,810	442,704

30.1 Salaries and benefits include Rs. 3.778 million (2017 : Rs. 2.806 million) in respect of retirement benefits

		Note	2018	2017 (Restated)
			Rupees in '000'	
31.	**ADMINISTRATIVE EXPENSES**			
	Directors remuneration			
	Salaries and benefits	31.1	**387,974**	337,699
	Staff training		**1,457**	155
	Rent, rates and taxes		**24,320**	22,087
	Travelling and conveyance		**24,505**	31,392
	Communication & postage		**11,045**	9,823
	Printing and stationery		**1,371**	1,439
	Utilities		**14,447**	14,533
	Entertainment		**28,607**	32,320
	Insurance		**3,489**	3,172
	Advertisement		**1,440**	384
	Vehicle running expenses		**10,346**	7,296
	Repairs and maintenance		**15,921**	33,800
	Legal and professional charges		**5,301**	5,278
	Auditors remuneration	31.2	**3,000**	2,500
	News papers & periodicals		**72**	141
	Office supplies		**4,650**	5,229
	Charity & donation	33.3	**13,968**	27,296
	Fee & subscription		**8,285**	4,987
	Miscellaneous expenses		**100**	150
	Research and development cost		**86,107**	41,203
	Provision for doubtful debts		**35,303**	36,194
	Depreciation	5.2	**57,790**	74,115
	Amortization of leased assets	5.5	**4,056**	6,831
			743,554	698,024

31.1 Salaries and benefits include Rs. 10.885 million (2017 : Rs. 9.266 million) in respect of retirement benefits.

31.2 Auditors remuneration

	2018	2017
Audit fee	**1,700**	1,500
Certifications of group reporting	**700**	500
Professional services	**300**	200
Out-of-pocket expenses	**300**	300
	3,000	2,500

31.3 Charity & donation

Name of Donee	2018	2017
DIL Foundation	**2,352**	648
Farooq Trust School	**2,694**	2,879
Hope Uplift foundation	**863**	600
BIPP Institute	**-**	10,462
	5,909	14,589

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**	2018	2017
Shahid Javed Burki Institute of Public Policy at NETSOL	Shahid Javed Burki - Chairman Member Board of Directors	**-**	10,462
(126-B Ahmad Block, New Garden Town, Lahore)	Salim Ghauri - Member Board of Directors		

During the year no donation was made to any institute where any director or his spouse was interested.

		2018	2017
32.	**OTHER OPERATING EXPENSES**		
	Loss on disposal of assets	**4,304**	2,005
		4,304	2,005

Notes to the Consolidated Accounts

For the year ended June 30, 2018

	Note	2018	2017 (Restated)
		Rupees in '000'	
33. OTHER INCOME			
Income from financial assets			
Profit on bank deposits		24,394	10,418
		24,394	10,418
Income from non-financial assets			
Gain on foreign currency translation		497,078	48,706
Amortization of deferred revenue		231	-
Rental income		900	900
		498,209	49,606
		522,603	60,024
34. FINANCE COST			
Lease finance charges		3,154	5,080
Interest on loans		39,137	22,886
Lease documentation charges		23	17
Bank charges		1,207	1,307
		43,521	29,290

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

	2018	2017
Accounting Profit from continuing operations	1,095,902	126,446
Enacted tax rate	30%	31%
Tax on accounting profit at enacted rate	328,771	39,198
Tax effect on income exempt from tax	(317,966)	(35,761)
Tax effect of income taxed at different rates	(1,048)	29,262
Prior year adjustment	39,256	1,006
International taxation effect	969	8,082
	49,983	41,787

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.

Management has provided sufficient tax provision in financial statements in accordance with income tax ordinance 2001.

Provision against tax in the financial statements for the years 2017, 2016 and 2015 amounts to PKR 32.7 million, PKR 19.75 million and PKR 15.9 million as against the assessed tax of PKR 32.7 million, PKR 19.64 million and PKR 15.9 million respectively.

36. EARNINGS PER SHARE

	Note	2018	2017
Basic			
Profit attributable to ordinary shareholders of NetSol Technologies Limited		1,105,441	196,311
Profit from continuing operations attributable to ordinary shareholders of NetSol Technologies Limited		1,045,917	84,659
Weighted average number of ordinary shares in issue during the year	36.1	89,679	89,362
Basic - In Rupees		12.33	2.20
Basic - In Rupees Continued operations		11.66	0.95
Diluted			
Profit attributable to ordinary shareholders of NetSol Technologies Limited		1,105,441	196,311
Profit from continuing operations attributable to ordinary shareholders of NetSol Technologies Limited		1,045,917	84,659
Weighted average number of ordinary shares in issue during the year	36.2	89,812	89,946
Diluted - In Rupees		12.31	2.18
Diluted - In Rupees Continued operations		11.65	0.94

36.1 Weighted average number of ordinary shares (basic)

		2018	2017
		Rupees in '000'	
Issued ordinary shares as at July 1		**89,636**	89,154
Effect of bonus shares issued		**-**	-
Weighted average of shares issued during the year		**43**	208
Weighted average number of ordinary shares (basic) as at June 30		**89,679**	89,362
36.2 Weighted average number of ordinary shares (diluted)			
Weighted average number of ordinary shares (basic)	36.1	**89,679**	89,362
Effect of exercise of share options		**133**	584
Weighted average number of ordinary shares (diluted) as at June 30		**89,812**	89,946

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	
	2018	2017	**2018**	2017	**2018**	2017
			Rupees in '000'			
Managerial remuneration	**8,000**	6,400	**5,600**	4,000	**715,035**	524,923
Retirement benefits	**640**	416	**448**	260	**41,918**	35,317
Rent and house maintenance	**3,200**	2,560	**2,240**	1,600	**286,014**	209,969
Utilities	**800**	640	**560**	400	**71,504**	52,492
Medical expenses	**1,022**	2,303	**976**	621	**27,919**	23,297
Commission	**-**	-	**-**	-	**79,721**	44,638
Total	**13,662**	12,319	**9,824**	6,881	**1,222,111**	890,637
No. of Persons	**1**	1	**1**	1	**352**	291

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

During the current certain executives of the company exercised stock options under employee stock option scheme according to which 67,000 shares (2017: 481,500) were allotted to them respectively.

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

Comparatives have been amended to reflect changes in the definition of executive as per the Companies Act 2017.

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.

TThe 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 Group is sufficient to meet the requirements of the business.

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

		2018	2017
		Rupees in '000'	
Total debt	38.1	**1,056,614**	1,166,548
Less : Cash and cash equivalents		**(2,123,337)**	(1,070,904)
Net debt		**-**	95,644
Total equity	38.2	**7,078,915**	5,896,011
Gearing ratio (In percentage)		**0%**	2%

Notes to the Consolidated Accounts

For the year ended June 30, 2018

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

38.2 The total equity includes all the capital and reserves of the Company.

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 theses financial statements are as follows.

			2018	2017
			Rupees in '000'	
	Relationship with the Group	**Nature of transactions**		
(i)	Associated undertaking	Rental Income	**900**	900
		Provision of services	**632,968**	989,289
		Purchase of services	**22,090**	19,233
(ii)	Parent	Commission	**96,065**	-
		Dividend	**68,836**	23,736
		Loan	**113,713**	-
(iii)	Post Employment benefit	Contribution to defined contribution plan	**86,091**	86,779

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

Company Name	Country of Incorpora-tion	Registered Address	Basis of association	Aggregate %age of Shareholding	Name of CEO	Oper-ational status	Auditor's opinion on latest F/S
NetSol Technologies (Thailand) Limited	Thailand	87 M Thai Tower, All Seasons Place, 12th Floor, Witthayu Road, Lumpini, Pathumwan, Bangkok 10330, Thailand.	Sister concern	Nil	Naeem Ullah Ghauri	Company	Unqualified opinion
NetSol Technologies (Beijing) Co., Limited	China	Room1805,18th floor,No.3 Building,No.2 Jianguomenwai Street, Chaoyang District, Beijing	Sister concern	Nil	Naeem Aftab	Company	Unqualified opinion
NetSol Technologies Australia Pty Limited	Australia	Suite 906 Level 9 , 5 Hunter Street , Sydney NSW 2000	Sister concern	Nil	Naeem Ghauri	Company	N/A
NetSol Technologies Americas	USA	23975 Park Sorrento, Suite 250, Calabasas, California 91302	Sister concern	Nil	Najeeb Ghauri	Company	N/A
NetSol Technologies Europe Limited	UK	Planet House North Heath Lane Horsham West Sussex RH12 5QE	Sister concern	Nil	Asad Ghauri	Company	Unqualified opinion
NetSol Technologies Inc	USA	23975 Park Sorrento, Suite 250, Calabasas, California 91302	Parent company	66.21%	Najeeb Ghauri	Company	Unqualified opinion
WRLD3D Inc	USA	800 W. El Camino Real, Suite 320, Mountain View, California 94040	Common directorship	Nil	Faizaan Ghauri	Company	Unqualified opinion with Emphasis of matter paragraph
Innovation Group	UK	Yarmouth House 1300 Parkway, Solent Business Park, Whiteley, PO15 7AE, UK	Associated company	49.48% holding in Subsidiary company	Matt Porter	Company	Unqualified opinion

39.2 Details of associated Company with whom the Company 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

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:

		2018	2017
		Rupees in '000'	
Financial Assets			
Trade debts	40.1	1,340,024	857,548
Loans and advances		4,128	8,898
Security deposits		4,222	5,721
Other receivables		25,686	19,889
Due from related parties		25,878	19,746
Bank balances	40.2	2,120,731	1,068,724
		3,520,669	1,980,526

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	A1+	AA+	PACRA
MCB Bank Limited	A1+	AAA	PACRA
Summit Bank Limited	A-1	A-	JCR-VIS
Samba Bank Limited	A-1	AA	JCR-VIS
Standard Chartered Bank Limited	A1+	AAA	PACRA

(b) Liquidity risk

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

	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**	**-**

	2017				
	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	52,832	57,316	31,372	25,943	-
Trade and other payables	443,468	443,468	443,468	-	-
Short-term borrowings	1,113,713	1,169,663	1,169,663	-	-
	1,610,013	**1,670,447**	**1,644,503**	**25,943**	**-**

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:

	2018	2017
	Rupees in '000'	
Financial assets		
Bank balances	**1,269,803**	882,440
Financial Liabilities		
Finance lease liability	**56,614**	52,835
Short-term borrowings	**1,000,000**	1,113,713
	1,056,614	1,166,548

Notes to the Consolidated Accounts

For the year ended June 30, 2018

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.

	2018	2017
	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	**7,429**	3,429
100 bps decrease will result in increase in profit by	**7,429**	3,429

(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	**1,340,024**	822,323
Cash & bank balances	**402,070**	98,963
Due from related parties	**25,878**	19,746
Due to related parties	**(99,359)**	(102,123)
Net Exposure	**1,668,613**	838,909

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 2017.

Impact on Statement of Profit or Loss (net of tax)		
As at 30 June		
Strengthening	**1,683,594**	1,069,356
Weakening	**(1,683,594)**	(1,069,356)

(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	**1,340,024**	822,323
Loans and advances	**38,845**	32,069
Security deposits	**4,222**	5,721
Other receivables	**25,908**	19,889
Due from related parties	**25,878**	19,746
Cash and Bank balances	**2,123,337**	1,070,904
Other Financial Assets at Cost		
Long Term Investments	**293,379**	203,685
	3,851,593	2,174,337

	2018	2017
	Rupees in '000'	
Financial liabilities at amortised cost		
Finance lease liability	**56,614**	52,835
Long term advances	**2,311**	21,000
Trade and other payables	**503,417**	438,042
Short-term borrowings	**1,000,000**	1,113,713
	1,562,342	1,625,590

41. Summary of significant transactions and events occurred during the year

Following is the significant transactions and event that have affected the financial position and performance of the Company:

	2018	2017
1 Gain on Foreign currency translation:	**497,081**	48,710

2 Discontinuation of operations of subsidiary as detailed in note 17 above.

42. 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:

	2018	2017
Size of the fund - Total Assets	**648,973**	565,326
Cost of investment made	**553,575**	493,399
Percentage of investment as size of fund	**85.3%**	87.3%
Fair value of investments	**556,609**	498,776

42.1 The breakup of fair value of investments is

	2018		2017	
	Investments Rupees in '000	**Percentage of investment as size of fund**	Investments Rupees in '000	Percentage of investment as size of fund
Bank Balances	**243,229**	**37.5%**	368,026	65.1%
Mutual Funds	**150,000**	**23.1%**	5,000	0.9%
Others	**160,346**	**24.7%**	120,373	21.3%
	553,575	**85.3%**	493,399	87.3%

42.2 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.

43. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at June 30, 2018 and 2017 respectively as follows:

	2018	2017
	No of Employees	
Average number of employees during the year	**1,277**	1,369
Average number of production/development employees	**1,001**	1,307
Number of employees as at year end	**1,206**	1,259
Number of production/development employees as at year end	**981**	1,128

44. 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.

Notes to the Consolidated Accounts

For the year ended June 30, 2018

45. 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. 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 Suit (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.

(iv) Business Process Outsourcing (BPO)

The Group provides IT Related Outsourcing services mainly in the USA and European regions.

Except as indicated above, no operating segments have been aggregated to form the above reportable.

46. SEGMENT REVENUES AND RESULTS

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

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	1,866,574	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**

2017

	Continued operations				Discontinued operations	Total
	NFS	IS & SSS	BPO	Total	BPO	
	Rupees in '000					
Revenue - net						
External sales						
Licence	1,235,982	-	-	1,235,982	-	1,235,982
Services	1,633,992	2,632	237,012	1,873,636	593,500	2,467,136
Maintenance	806,991	9,088	-	816,079		816,079
Total revenue	3,676,965	11,720	237,012	3,925,697	593,500	4,519,197
Cost of revenue	(2,365,211)	(173,694)	(148,348)	(2,687,252)	(377,602)	(3,064,854)
Segment results	1,311,754	(161,974)	88,664	1,238,445	215,898	1,454,343
Unallocated corporate expenses:						
Selling and promotion expenses				(442,704)	-	(442,704)
Administrative expenses				(698,024)	(3,977)	(702,001)
Other operating expenses				(2,005)	(13,457)	(15,462)
Other income				60,024	4,798	64,822
Finance cost				(29,290)	(1,238)	(30,528)
Taxation				(41,787)	(1,291)	(43,078)
Profit after taxation				84,659	200,733	285,391
Depreciation & amortization	**520,261**	**116,036**	**14,183**	**650,480**	**14,199**	**664,679**

Notes to the Consolidated Accounts

For the year ended June 30, 2018

*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.

46.1. 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
2018	**9,998**	**3,519,636**	**472,382**	**29,591**	**253,193**	**4,284,800**	**25,831**	**335,273**	**4,645,904**
2017	11,720	2,874,548	663,359	37,914	338,156	3,925,697	61,724	531,776	4,519,197

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

46.2 Revenue from major customers

The revenue from major customer during the year was Rs. 1,646 million (2017 : 1,498 million).

46.3 Non current assets

Net book value of non-current assets held in foreign countries is Rs.Nil (2017 : Rs. 3.82 million).

47. CORRESPONDING FIGURES

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

Note	From	Note	To	2018	2017
				Rupees in '000'	
22.	Unclaimed dividend-Trade and other payables		Current Liabilities	**2,949**	5,426

48. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 25, 2018 by the Board of Directors.

49. NON ADJUSTING EVENT AFTER Statement of Financial Position DATE

The Board of Directors in their meeting held on September 25, 2018 have recommended a final cash dividend of 25% (2017: 14.5%) i.e., Rs. 2.50 per share (2017: Rs. 1.45 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 27, 2018. 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.

50. FIGURES

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

ANNUAL GENERAL
MEETING

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 22nd Annual General Meeting of the shareholders of NetSol Technologies Limited will be held on October 27, 2018 at 11:00 A.M at at the Registered Office of the the Company situated at NetSol IT Village (Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt., to transact the following business:

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, 2018.
2. To approve the payment of final cash dividend of Rs. 2.50 per share (i.e., @ 25%) as recommended by the board of directors.
3. To appoint Auditors and fix their remuneration.

By Order of the Board

____

SEHRISH

Company Secretary

Lahore

October 05, 2018

NOTE:

1. Share transfer books of the Company will remain closed from October 21, 2018 to October 27, 2018 (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 20, 2018 will be treated in time for determining the entitlement of cash dividend to the transferees and to attend 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:

A) **For Attending the Meeting:**

   a) In case of individuals, the account holder or sub-account holder and/or the persons whose shares are in group accounts and their registration details are uploaded as per CDC regulations shall authenticate their identity by showing their original computerized national identity cards (CNICs) or original passport at the time of attending the meeting.
   b) In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B) **For Appointing Proxies:**

   a) In case of individuals, the account holder or sub-account holder and/or persons whose shares are in group accounts and their registration details are uploaded as per CDC regulations, shall submit the proxy form as per the above requirements.
   b) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
   c) Attested copies of CNICs or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
   d) The proxy shall produce his/ her original CNIC or original passport at the time of the meeting.
   e) In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

5. **CNIC, IBAN & Zakat**

   a) Members are requested to provide their International Banking Account Number (IBAN) together with a copy of the Computerized National Identity Card (CNIC) to update our records. In case of non-submission, all future dividend warrants may by 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. **E-DIVIDEND**

   As per Section 242 of the Companies Act 2017, it is mandatory for a listed company, to pay cash dividend to its shareholders only through electronic mode directly into the bank account designated by the entitled shareholders.

SECP has advised in their Circular No. 18 of 2017 dated August 01, 2017 to all listed companies to ensure that with effect from November 1, 2017 (as also provided in Companies (Distribution of Dividends) Regulations, 2017 (as amended time to time) cash dividends shall be paid through electronic mode only. Therefore, through this notice, all shareholders are requested to update their bank account details in Central Depository System through respective participants and in case of physical shares, to provide bank account details to our registrar M/s Vision Consulting Ltd.

Please note that as per Section 243(3) of the Companies Act, 2017 listed companies are entitled to withhold payment of dividend, if necessary information is not provided by the shareholders. For the convenience of shareholder e-Dividend form is provided in the annual report and also available on the website of the Company, www.netsolpk.com.

7. **Statement of Unclaimed Dividends & Bonus Shares**

The Securities and Exchange Commission of Pakistan, pursuant to section 244 read with section 510 of the Companies Act 2017 (the "Act"), directs all Companies to submit a statement to the Commission through eServices portal (https://eservices.secp.gov.pk/eServices/) stating therein the number or amounts, as the case may be, which remain unclaimed or unpaid for a period of three years from the date it is due and payable in respect of shares of a company/dividend and any other instrument or amount which remain unclaimed or unpaid, as may be specified.

Please note that in compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all dividends unclaimed for a period of three years from the date due and payable shall be deposited to the credit of the Federal Government and in case of shares, shall be delivered to the Securities and Exchange Commission of Pakistan.

Therefore, through this notice, shareholders are intimated to contact with the Company for any unclaimed dividend/shares within a period of seven days after publishing this notice to meet the compliance of SECP Direction # 16 of 2017 dated July 7, 2017. List of Shareholders having unclaimed dividend/shares are available on the Company's website www.netsolpk.com. The shareholders are requested to contact the Registrar of the Company regarding any unclaimed dividends or undelivered shares (if any).

8. **Deduction of Income Tax from Dividend at Revised Rates**

i) Pursuant to the provision of Finance Act, 2018, effective July 01, 2018, 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) For filers of income tax returns - 15%

b) For non-filers of income tax returns - 20%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, 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 27, 2018 otherwise tax on their cash dividend will be deducted @ 20% instead at @ 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.

9. **Dissemination of Annual Audited Accounts and Notice of Annual General Meeting**

The Company has placed the Audited Annual Separate and Consolidated Financial Statements for the year ended June 30, 2018 along with Auditors' and Directors' Reports thereon on company's website.i.e. http://www.netsolpk.com/investor-information/ at least twenty one (21) days prior to the date of the Annual General Meeting.

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, 2018 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

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 Forign Shaereholder)	
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 copny of duly filled-in and signed from 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 Shahra-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 Saturday October 27, 2018 at 11:00 a.m. and at any adjournment thereof.

Signed at_____________this________________Day of __________ 2018.

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 مسمی/مسماۃ ____________________
(نام)
ساکن ____________________
(جگہ)
بحیثیت **نیٹ سول ٹیکنالوجیز لمٹیڈ** کا ایک ممبر یہاں
مسمی/مسماۃ ____________________
(نام اور فولیو 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 تا کہ وہ میری جگہ اور میری طرف سے کمپنی کے سالانہ اجلاس عام جو مورخہ 27 اکتوبر 2018ء بروز ہفتہ صبح 11:00 بجے بمقام نیٹ سول ٹیکنالوجیز لمیٹڈ، آئی ٹی ویلج، (سافٹ ویئر ٹیکنالوجی پارک) لاہور رنگ روڈ، غازی روڈ انٹرچینج، لاہور کینٹ میں منعقد یا کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

دستخط کی جگہ ________ تاریخ ________ دن ________ 2018ء۔

گواہی نمبر ۱
دستخط: ____________________
نام: ____________________
پتہ: ____________________
____
کمپیوٹرائزڈ قومی شناختی کارڈ
یا پاسپورٹ نمبر: ____________________

پانچ روپے کی
رسیدی ٹکٹ

گواہی نمبر ۲
دستخط: ____________________
نام: ____________________
پتہ: ____________________
____
کمپیوٹرائزڈ قومی شناختی کارڈ
یا پاسپورٹ نمبر: ____________________

ممبر کے دستخط: ____________________
فولیو نمبر: ____________________
اور یا پارٹیسپنٹ آئی۔ڈی نمبر: ____________________

نوٹ:۔
۱) پراکسی فارم ہر لحاظ سے مکمل اور موثر ہونی چاہئے اور اسے کمپنی کے رجسٹرڈ آفس واقع نیٹ سول ٹیکنالوجیز لمیٹڈ نیٹ سول آئی ٹی ویلج (سوفٹ ویئر ٹیکنالوجی پارک) لاہور رنگ روڈ غازی روڈ انٹرچینج 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۔

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

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