



**NetSol Technologies Ltd.**  
NetSol IT Village (Software Technology  
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Interchange, Lahore Cantt. 54792,  
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Phone: +92 42 111-44-88-00  
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**FORM-08**

Date: 30/04/2019

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

**Subject: Transmission of Quarterly Report for the Period Ended March 31, 2020**

Dear Sir,

We have to inform you that the Quarterly Report of the Company for the period ended March 31, 2020 have been transmitted through PUCARS and is also available on Company's website.

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

Yours Sincerely,

**SEHRISH**  
Company Secretary





# **NETSOL Technologies Limited**

FINANCIAL STATEMENTS (UN-AUDITED)

For The Quarter Ended

**March**  
**2020**

**adaptive**

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future.**

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companies with smart software technology for decades.



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# Company Profile

## BOARD OF DIRECTORS

### SHAHAB-UD-DIN GHAURI

Chairman/Non-Executive Director

### SALIM ULLAH GHAURI

Chief Executive Officer/Executive Director

### VASEEM ANVAR

Independent Director

### ANWAAR HUSSAIN

Independent Director

### HAMNA GHAURI

Non-Executive Director

### NAJEEB ULLAH GHAURI

Non-Executive Director

### OMAR SHAHAB GHAURI

Executive Director

## AUDIT COMMITTEE

### ANWAAR HUSSAIN

Chairman

### VASEEM ANVAR

Member

### HAMNA GHAURI

Member

## CHIEF FINANCIAL OFFICER

BOO-ALI SIDDIQUI

## COMPANY SECRETARY

SEHRISH

## CHIEF INTERNAL AUDITOR

MUHAMMAD ABDUL WAHAB HAFEEZ

## AUDITORS

### H.Y.K & Co.

Chartered Accountants  
321-Upper Mall, Lahore

## LEGAL ADVISOR

### CORPORATE LAW ASSOCIATES

1<sup>st</sup> Floor Queen's Centre  
Shahra-e-Fatima Jinnah  
Lahore

## BANKERS

Askari Bank Limited  
SAMBHA Bank Limited  
MCB Bank Limited  
Al Baraka Bank Pakistan Limited  
Meezan Bank Limited  
Dubai Islamic Bank Pakistan Limited  
Habib Metropolitan Bank Limited  
Faysal Bank 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

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

### RAWALPINDI OFFICE

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

### KARACHI OFFICE

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

## WEB PRESENCE

www.netsolpk.com  
info@netsolpk.com

## Directors' Report

On behalf of the Board of Directors of NetSol Technologies Limited (NETSOL or the Company), we are pleased to present the unaudited condensed financial statements of your company together with its consolidated accounts for the period ended March 31, 2020.

### GENERAL OVERVIEW

Since the start of 2020, the novel coronavirus (COVID-19) outbreak has quickly spread across the world and caused disruptions in economies worldwide. COVID-19 began in Wuhan, China and now it has spread over the entire world becoming a Global Pandemic. During the period uncertainty prevailed on economic front, virtually all major economies and markets have been adversely impacted. No country or company will be immune from this health and financial contagion. The full impact of such an outbreak on Pakistan's economy is difficult to ascertain at present and will depend on the severity and duration of the outbreak as well as the efforts of the Government to contain the spread of this pandemic.

As the COVID-19 pandemic spreads, the Government of Pakistan has ordered all businesses to remain shut, and if required, to have only a minimal number of employees at the workplace. Therefore, the majority of employees of NETSOL Technologies are remotely working from home to ensure clients get the support they need and there is no disruption to business operations. With NETSOL's remote working infrastructure and capabilities in place, the company had ensured business continuity which enabled clients to continue their operations seamlessly. By working remotely, NETSOL lives up to its social responsibility to prevent the virus spreading further.

On the business front, NETSOL thrived with the passion of excellence and continued to participate in various events. During this quarter, NETSOL presented itself at the MOVE Conference 2020 in London and Pakistan Tech Summit which took place at the Draper University in San Mateo. The founding management team of NETSOL expounded the company's growth over the years and explained its current and future potential at these events providing valuable insight into NETSOL's culture and journey.

### FINANCIAL PERFORMANCE

Comparisons of un-audited financial results of the third quarter ended March 31, 2019 with the corresponding period of fiscal year 2019 and cumulative results for the nine months ended March 31, 2020 with those of March 31, 2019 are given below:

#### SEPARATE ACCOUNTS

Particulars	Jan-Mar 2020	Jan-Mar 2019	Jul-Mar 2020	Jul-Mar 2019
Revenue (in million)	1,159	1,436	3,746	4,047
Gross profit (in million)	359	561	1,280	1,626
Net profit (in million)	201	183	151	850
EPS – diluted (in Rs.)	2.24	2.03	1.68	9.46
EBITDA per share – diluted (in Rs.)	3.52	3.56	6.14	13.94

In spite of very tough prevailing market conditions, the Company performed reasonably well during the quarter under review, the company was able to achieve net turnover of PKR 1,159 million as compared to PKR 1,436 million during the corresponding period last year. The generation of revenue for the current quarter is mainly associated with services and maintenance revenue streams. Service revenue clocked in at PKR 712 million as compared to PKR 879 million during the corresponding period of previous fiscal year. In addition to it, maintenance revenue grew from PKR 251 million to PKR 447 million during the current quarter. The increase in maintenance revenue is mainly associated with different customers going into maintenance phase after their successful implementation and “Go Live”. Gross profit decreased to PKR 359 million compared to PKR 561 million in the corresponding period. The Company posted a net profit of PKR 201 million compared to a net profit of PKR 183 million last year. Earnings per diluted share were PKR 2.24 in comparison of earnings per diluted share of PKR 2.03 in the corresponding period of last fiscal year. Company posted net EBITDA profit of PKR 3.52 per diluted share compared to PKR 3.56 per share in the corresponding period. On year to date basis, the company posted revenue PKR 3,746 million compared to PKR 4,047 million in the corresponding period. The Company posted a net profit of PKR 151 million in comparison of PKR 850 million during the same period last year. Diluted earnings per share for the nine months ended March 31, 2020 were PKR 1.68 in comparison of PKR 9.46 in the corresponding period. Year to date EBITDA profit for the current period was PKR 6.14 compared to PKR 13.94 in the preceding period.

The Company also consolidates financial results of its subsidiary “NETSOL Innovation (Pvt) Limited”. Net consolidated revenues for the quarter ended March 31, 2020 were PKR. 1,159 million compared to PKR 1,436 million in 2019. Consolidated gross profit for the quarter was PKR 359 million compared to PKR 561 million in the same period last year. On a consolidated basis, the company posted net consolidated profit of PKR 202 million in the current quarter compared to PKR 188 million in the same period last year. Diluted earnings per share for the quarter ended March 31, 2020 were PKR 2.24 in comparison of PKR 2.10 in the corresponding period.

## **FUTURE OUTLOOK**

Like all businesses across the globe, NETSOL has also been impacted by the current pandemic. While demos will continue to take place, there might be delays in further materialization due to the current situation. While the next few weeks will be important in determining what direction things are heading in, NETSOL will continue the promotion and selling of its premier, next-gen solution for the global asset finance and leasing industry - NFS Ascent, in all regions worldwide. The company will also continue promoting NFS Digital - its suite of digital applications that augment and enhance finance and leasing operations. There are various active sales engagements with both existing as well as potential clients in various regions the company operates in. Pertaining to these engagements, a number of important demos for both NFS Ascent and NFS Digital have been taking place and have been scheduled by top tier captives and other financial institutions.

Besides, the management, acting in a financially responsible and proactive manner, is taking all the necessary steps to curtail the costs wherever possible, increase revenue, meet future challenges and maintain business growth in order to weather the coronavirus crisis.

The company maintains its reputation of being ‘adaptive’ and management is closely monitoring the impact of COVID-19 on the industry. Irrespective of the current unprecedented crisis, the company aims to stay connected, accessible and ensure timely delivery to customers worldwide. NETSOL’s innovation department also continues its fundamental role in R&D for the company, constantly working on and experimenting different technologies in order to ensure a future-proof business for clients globally.

While NETSOL sponsors, exhibits at and attends international finance and leasing summits, conferences and conventions annually worldwide, many events have been cancelled due to the prevailing situation. The company is closely following which scheduled global events are being cancelled and is hopeful that once this pandemic ends, NETSOL will continue to maintain its presence at major events across the United States, Europe and Asia Pacific.

While this current crisis has impacted all industries worldwide, the automotive sector is, however, reviving. Global automakers have resumed production in China, which remains a primary hub for vehicle production, parts and supplies. Production has also restarted in the city of Wuhan, which was the epicenter of the coronavirus outbreak.

Being global leaders in the industry we operate in, NETSOL has never failed to deliver. As an adaptive organization, no matter what the situation may be, our priority remains timely deliverance to our clients. After COVID-19 ends, we are prepared and well equipped to adhere to any changes in the automotive landscape and maintain our position as the leading solutions provider to the global auto finance and leasing industry.

### **ACKNOWLEDGEMENT**

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

On behalf of the Board



**Salim Ullah Ghauri**

*Chief Executive Officer*



**Omar Ghauri**

*Director*

Lahore: April 29, 2020



## ڈائریکٹر رپورٹ

ہمیں خوشی ہے کہ ہم نیٹ سول ٹیکنالوجیز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کی 31 مارچ 2020ء کو ختم ہونے والے عرصہ کے لیے غیر آڈٹ شدہ مالیاتی گوشوارے بشمول مجموعی مالیاتی گوشوارے پیش کر رہے ہیں۔

### عمومی جائزہ: (General Overview)

2020ء کے آغاز کے بعد سے، نول کورونا وائرس (COVID-19) کے پھیلنے کا عمل تیزی سے پوری دنیا میں پھیل گیا ہے اور دنیا بھر کی معیشتوں پر اس کے اثرات مرتب ہوئے ہیں۔ COVID-19 کا آغاز چین کے شہر وہان میں ہوا اور اب یہ پوری دنیا میں ایک عالمی وبا بن کر پھیل چکا ہے۔ اس عرصہ کے دوران معیشت میں غیر یقینی صورتحال کے ساتھ ساتھ، عملی طور پر تمام بڑی معیشتوں اور بازاروں پر منفی اثر پڑا ہے۔ کوئی بھی ملک یا کمپنی اس وبا کے اثرات سے محفوظ نہیں ہوگا۔ پاکستان کی معیشت پر اس کے پھیلاؤ کے مکمل اثرات کافی الحال پیدائش کا مشکل ہے اور اس وبا کی شدت اور مدت کے ساتھ ساتھ اس وبا کے پھیلاؤ کو روکنے کے لیے حکومت کی کوششوں پر بھی منحصر ہوگا۔

COVID-19 وبا کے پھیلنے کے پیش نظر حکومت پاکستان نے تمام کاروباری اداروں کو بند کرنے کا حکم دے دیا اور ضرورت کے لیے، کام کے مقام پر کم سے کم ملازمین رکھنے کا حکم بھی دے دیا تھا۔ لہذا، نیٹ سول ٹیکنالوجیز کے زیادہ تر ملازمین remotely گھر سے کام کر رہے ہیں تاکہ یہ یقینی بنایا جاسکے کہ کلائنٹس کو ان کی خدمات حاصل ہو اور کاروباری کاموں میں رکاوٹ نہ ہو۔ نیٹ سول کے دور دراز remotely سے کام کرنے والے انفراسٹرکچر اور صلاحیتوں کے ساتھ، کمپنی نے کاروباری تسلسل کو یقینی بنایا ہے جس نے کلائنٹس کو بغیر کسی رکاوٹ کے اپنے کام جاری رکھنے کے قابل بنادیا۔ remotely کام کرنے سے، نیٹ سول اپنی معاشرتی ذمہ داری پر قائم ہے تاکہ وائرس کو مزید پھیلنے سے روکا جاسکے۔

کاروبار کے فروغ پذیر ہونے کے جذبے کی کمی مختلف ایپٹس میں مسلسل حصہ لیتی رہی ہے۔ اس سرمایہ کے دوران، نیٹ سول نے لندن میں منعقد ہونے والی MOVE Conference 2020 اور Draper University in San Mateo میں منعقد ہونے والی Pakistan Tech Summit میں بھی شرکت کی۔ ان ایپٹس میں نیٹ سول کی بانی ٹیم نے برسوں پر محیط کمپنی کی ترقی و توسیع اور موجودہ اور مستقبل کی صلاحیت کو وضاحت سے پیش کیا اور نیٹ سول کے کچھ اور اس کی ترقی کے سفر کے بارے میں قابل قدر معلومات فراہم کی۔

### مالیاتی کارکردگی: (Financial Performance)

31 مارچ 2020ء کو ختم ہونے والی تیسری سہ ماہی مع 2019ء کی اسی مدت کے ساتھ اور 31 مارچ 2020ء کو ختم ہونے والی نو ماہی مع 31 مارچ 2019ء کی اسی مدت کے ساتھ غیر آڈٹ شدہ مالیاتی گوشوارے کے نتائج کا موازنہ درج ذیل ہے۔

#### انفرادی مالیاتی گوشوارے

تفصیلات	جنوری تا تاریخ	جنوری تا تاریخ	جولائی تا تاریخ	جولائی تا تاریخ
	2020ء	2019ء	2020ء	2019ء
محصولات (ملین میں)	1,159	1,436	3,746	4,047
خام منافع (ملین میں)	359	561	1,280	1,626
صافی نفع (ملین میں)	201	183	151	850
منافع فی حصص - تحلیل شدہ (روپوں میں)	2.24	2.03	1.68	9.46
EBITDA فی حصص - تحلیل شدہ (روپوں میں)	3.52	3.56	6.14	13.94

مارکیٹ میں انتہائی سخت حالات کے باوجود، کمپنی نے زیر غور سہ ماہی کے دوران مناسب کارکردگی کا مظاہرہ کیا ہے۔ کمپنی گزشتہ سال کے اسی عرصہ کے دوران 1,436 ملین روپے کے مقابلے میں 1,159 ملین روپے کی خالص محصولات حاصل کرنے میں کامیاب رہی ہیں۔ موجودہ سہ ماہی کے لیے محصول کی پیداوار بنیادی طور پر خدمات اور بحالی کی محصولات کے سلسلوں سے وابستہ ہے۔ گزشتہ مالی سال کے اسی عرصہ کے دوران 879 ملین روپے کے مقابلے میں خدمات کی محصولات 712 ملین روپے ہیں۔ اس کے علاوہ، موجودہ سہ ماہی کے دوران بحالی کی محصولات 251 ملین روپے سے بڑھ کر 447 ملین روپے ہو گئی ہیں۔ بحالی کی محصولات میں اضافہ بنیادی طور پر ان صارفین سے منسلک ہے جو کے کامیاب نفاذ اور "Go Live" کے بعد بحالی کے مرحلے میں داخل ہو چکے ہیں۔ خام منافع گزشتہ سال کی اسی مدت میں 561 ملین روپے کے مقابلے میں اس سہ ماہی میں 359 ملین روپے تک کم ہو گیا ہے۔ کمپنی نے گزشتہ سال 183 ملین روپے کے مقابلے میں 201 ملین روپے کا خالص منافع قلمبند کیا ہے۔ گزشتہ مالی سال کی اسی مدت میں فی تحلیل شدہ حصص 2.03 روپے کے مقابلے میں 2.24 روپے فی تحلیل شدہ حصص منافع درج کیا ہے۔ کمپنی نے گزشتہ سال کے اسی عرصے میں 3.56 روپے فی حصص کے EBITDA منافع کے مقابلے میں تحلیل شدہ فی حصص 3.52 روپے کا EBITDA منافع درج کیا ہے۔ YTD بنیاد پر اسی مدت میں محصولات گزشتہ سال 4,047 ملین روپے کے مقابلے میں 3,746 ملین روپے قلمبند کیا ہے۔ کمپنی نے گزشتہ سال اسی مدت کے دوران 850 ملین روپے کے مقابلے میں 151 ملین روپے کا خالص منافع درج کیا ہے۔ 31 مارچ 2020ء کو ختم ہونے والی نو ماہی کے لیے فی حصص کی تحلیل شدہ آمدنی اسی مدت میں 9.46 روپے کے مقابلے میں 1.68 روپے ہے۔ موجودہ مدت کے لیے سال بروز EBITDA (year to date) منافع گزشتہ عرصے کے 13.94 روپے فی حصص کے مقابلے میں 6.14 روپے فی حصص ہے۔

کمپنی کے ماتحت ادارہ "نیٹ سول انویشن (پرائیویٹ) لمیٹڈ" کے مجموعی مالیاتی گوشوارے بھی شامل کر دیے ہیں۔ 31 مارچ 2020ء کو ختم ہونے والی سہ ماہی کیلئے نقد مجموعی محصولات 2019ء کی اسی سہ ماہی کے 1,436 ملین روپے کے مقابلے میں 1,159 ملین روپے ہیں۔ مجموعی خام منافع گزشتہ مالی سال کی اسی سہ ماہی کے 561 ملین روپے کے مقابلے میں موجودہ سہ ماہی میں 359 ملین روپے ہیں۔ مجموعی بنیاد پر، کمپنی نے گزشتہ سال کی اسی مدت میں 188 ملین روپے کے مقابلے میں 202 ملین روپے کا نقد مجموعی منافع موجودہ سہ ماہی میں درج کیا۔ 31 مارچ 2020ء کے ختم ہونے والی سہ ماہی کے لیے حصص کی تحلیل شدہ آمدنی اسی مدت میں 2.10 روپے کے مقابلے میں 2.24 روپے ہیں۔

### مستقبل کا نقطہ نظر: (Future Outlook)

اس وبا سے دنیا بھر کے تمام کاروبار کی طرح نیٹ سول بھی متاثر ہوا ہے۔ اگرچہ demos کا سلسلہ بدستور جاری رہے گا، لیکن موجودہ صورتحال کے پیش نظر مزید پیش رفت (materialization) میں تاخیر ہو سکتی ہے۔ اگلے چند ہفتے صورتحال کی سمت تعین کرنے میں اہم ثابت ہو گئے۔ نیٹ سول global asset finance اور لیزنگ انڈسٹری کے لیے اپنی premier, next-gen solution کی تشہیر اور فروخت کو دنیا بھر کے تمام خطوں میں جاری رکھے گا۔ کمپنی کا اپنی مصنوعہ NFS Digital جو digital applications کا مجموعہ ہے اور فنانس اور لیزنگ operations کو بڑھانے میں معاونت کرتا ہے، کا فروغ دینا جاری رکھے گی۔ کمپنی کام کرنے والے مختلف علاقوں میں موجودہ اور مکمل کسٹمرز کے ساتھ بلیز سرگرمیوں میں مصروف ہے۔ یہ سرگرمیاں NFS Digital اور NFS Ascent دونوں سے متعلق اہم demos جو top tier captives اور دیگر مالیاتی اداروں کے ساتھ شیڈول کیے گئے ہیں۔

اس کے علاوہ انتظامیہ کو رونا وائرس کے بحران سے مقابلے کے لیے مالی طور پر ذمہ دار اور فعال انداز میں کام کر رہی ہے، جہاں بھی ممکن ہو اخراجات کو کم کرنے اور محصولات میں اضافے، مستقبل کے چیلنجوں کا مقابلہ کرنے اور کاروباری نمو کو برقرار رکھنے کے لیے تمام ضروری اقدامات اٹھا رہی ہے۔

کمپنی جدت پسندی 'adaptive' ہونے میں اپنی شہرت رکھتی ہے اور مینٹ COVID-19 کے انڈسٹری اثرات پر گہری نظر رکھے ہوئے ہے۔ موجودہ بے مثال بحران سے قطع نظر، کمپنی کا مقصد پوری دنیا میں اپنے صارفین سے منسلک، قابل رسائی ہونا اور خدمات کی بروقت فراہمی یقینی بنانا ہے۔ نیٹ سول کا انویشن لیب Innovation Lab کا شعبہ کمپنی کے لیے تحقیق و ترقی میں اپنے لازمی کردار کو جاری رکھتے ہوئے مستقل طور پر کام کر رہا ہے اور مختلف ٹیکنالوجیز کے ساتھ تجربات کرتا ہے تاکہ یہ یقینی بنایا جاسکے کہ عالمی سطح ہمارے کلائنٹس کا کاروبار مستقبل کے تقاضوں سے ہم آہنگ ہو۔

جسے کے نیٹ سول ہر سال بین الاقوامی مالیات اور لیڈنگ سٹ، کانفرنسوں اور کنونشنوں میں اسپانسر کرتا ہے، ان کی نمائندگی کرتا ہے اور اس میں شرکت کرتا ہے، موجودہ صورتحال کی وجہ سے، بہت سارے ایونٹس منسوخ کر دیے گئے ہیں۔ کمپنی منسوخ ہونے والے طے شدہ عالمی ایونٹس کو نوٹ کر رہی ہے، اور امید کرتی ہے کہ اس وبا کے خاتمے کے بعد، نیٹ سول ریاستہائے متحدہ، یورپ اور ایشیاء، بحر الکاہل میں بڑے ایونٹس میں اپنی موجودگی کو برقرار رکھے گی۔

اگرچہ اس موجودہ بحران نے دنیا بھر کی تمام صنعتوں کو متاثر کیا ہے، تاہم وائٹ موٹو سیکٹر پھر سے بحال ہو رہا ہے۔ چین، جو گاڑیوں کی تیاری، پارٹس اور سپلائی کا ایک بنیادی مرکز ہے میں عالمی کارساز کمپنیوں نے دوبارہ پیداوار شروع کر دی ہے۔ وہان (Wuhan) شہر جو کورونا وائرس پھیلنے کا مرکز تھا، میں بھی پروڈکشن شروع ہو چکی ہے۔

نیٹ سول اس صنعت میں بحیثیت عالمی رہنما، خدمات کی فراہمی میں ناکام نہیں رہا ہے۔ ایک جدت پسند (adaptive) ادارے کی حیثیت سے، اس سے قطع نظر کی صورتحال کچھ بھی ہو، ہماری ترجیح ہمارے کلائنٹس کو بروقت فراہمی ہے۔ COVID-19 ختم ہونے کے بعد، ہم آٹو موٹو لینڈ اسکیپ (automotive landscape) میں کسی قسم کی تبدیلیوں پر عمل پیرا ہونے اور عالمی آؤٹ فٹس اور لیڈنگ انڈسٹری کو سلوشنز مہیا کرنے والے سرکردہ ملک کی حیثیت سے اپنی پوزیشن برقرار رکھنے کے لیے اچھی طرح تیار اور لیس ہیں۔

## اعتراف (Acknowledgement)

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

از طرف بورڈ آف ڈائریکٹرز



عمر شہاب غوری  
(ڈائریکٹر)



سلیم اللہ غوری  
(چیف ایگزیکٹو آفیسر)

لاہور

29 اپریل 2020ء

The background of the page is a light grey color. It features a complex, abstract geometric pattern composed of thin, light blue lines that form various triangles and polygons of different sizes. Scattered throughout the background are small, grey dots of varying sizes, some of which appear to be at the vertices of the geometric shapes.

# FINANCIAL **STATEMENTS**

For The Nine Months Ended  
March 31, 2020

NETSOL TECHNOLOGIES LIMITED  
 CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION - UNAUDITED  
 AS AT MARCH 31, 2020

	NOTE	Mar-20 Unaudited Rupees in '000'	Jun-19 Audited
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	5	1,591,821	1,679,165
Intangible assets	6	994,273	1,214,401
		2,586,094	2,893,566
Long term investments	7	239,446	308,567
Long term loans to employees	8	397	470
		2,825,937	3,202,603
<b>CURRENT ASSETS</b>			
Trade debts	9	2,685,124	2,531,603
Contract assets		1,580,885	1,167,646
Loans and advances	10	34,708	52,261
Trade deposits & short term prepayments		29,797	20,948
Other receivables		14,876	7,219
Due from related parties		263,693	23,117
Taxation - net		14,712	52,716
Cash & bank balances		1,535,101	1,951,746
		6,158,896	5,807,256
<b>TOTAL ASSETS</b>		<b>8,984,832</b>	<b>9,009,859</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorized share capital			
150,000,000 ordinary shares of Rs.10/- each	11	1,500,000	1,500,000
Issued, subscribed and paid-up capital	11	898,369	897,229
Share deposit money		13	13
Reserves	12	5,882,018	5,982,218
		6,780,400	6,879,460
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		24,915	55,404
Deferred income		3,126	5,140
Long term advances		7,713	5,143
		35,754	65,687
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	440,242	491,754
Contract liabilities		298,316	468,828
Short term borrowings		1,380,000	1,053,000
Current portion of long term liabilities		44,161	46,947
Unclaimed dividend		5,958	4,183
		2,168,678	2,064,712
<b>CONTINGENCIES &amp; COMMITMENTS</b>	14	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,984,832</b>	<b>9,009,859</b>

The annexed notes from 1 to 22 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

NETSOL TECHNOLOGIES LIMITED  
 CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS - UNAUDITED  
 FOR THE NINE MONTHS ENDED MARCH 31, 2020

	NOTE	Jan-Mar 2020 Rupees in '000'	Jan-Mar 2019	Jul-Mar 2020 Rupees in '000'	Jul-Mar 2019
Revenue from contracts with customers - net	15	1,158,674	1,435,740	3,746,405	4,047,056
Cost of revenue		(799,589)	(874,257)	(2,466,242)	(2,421,511)
<b>Gross profit</b>		<b>359,085</b>	<b>561,483</b>	<b>1,280,163</b>	<b>1,625,545</b>
Selling and promotion expenses		(99,487)	(133,715)	(372,152)	(396,789)
Administrative expenses		(194,751)	(185,529)	(590,221)	(550,450)
		<b>(294,238)</b>	<b>(319,244)</b>	<b>(962,373)</b>	<b>(947,239)</b>
<b>Operating Profit</b>		<b>64,847</b>	<b>242,239</b>	<b>317,790</b>	<b>678,306</b>
Other income		280,493	28,167	366,531	391,138
		<b>345,340</b>	<b>270,406</b>	<b>684,321</b>	<b>1,069,444</b>
Other operating expenses		(95,369)	(67,238)	(313,225)	(143,567)
Finance cost		(13,363)	(9,046)	(34,765)	(29,306)
Share of loss of Associate		(8,101)	-	(46,533)	-
<b>Profit before taxation</b>		<b>228,507</b>	<b>194,122</b>	<b>289,798</b>	<b>896,571</b>
Taxation					
Current period	16	(27,398)	(11,558)	(138,563)	(48,803)
Prior period	16	-	-	-	1,762
		<b>(27,398)</b>	<b>(11,558)</b>	<b>(138,563)</b>	<b>(47,041)</b>
<b>Profit after taxation for the period</b>		<b>201,109</b>	<b>182,564</b>	<b>151,235</b>	<b>849,530</b>
<b>Earnings per share</b>					
Basic - In Rupees	18	<b>2.24</b>	<b>2.03</b>	<b>1.68</b>	<b>9.47</b>
Diluted - In Rupees	18	<b>2.24</b>	<b>2.03</b>	<b>1.68</b>	<b>9.46</b>

The annexed notes from 1 to 22 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

## NETSOL TECHNOLOGIES LIMITED

## CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME - UNAUDITED

FOR THE NINE MONTHS ENDED MARCH 31, 2020

	Jan-Mar 2020 Rupees in '000'	Jan-Mar 2019	Jul-Mar 2020 Rupees in '000'	Jul-Mar 2019
Profit after taxation for the period	201,109	182,564	151,235	849,530
Other comprehensive income/ (loss)	-	-	-	-
Other comprehensive income / (Loss) that may be reclassified to profit or loss in subsequent periods (net of tax):				
Share of other comprehensive income / (Loss) of an associate	(22,182)		(22,588)	-
<b>Total comprehensive income for the period</b>	<b>178,927</b>	<b>182,564</b>	<b>128,647</b>	<b>849,530</b>

The annexed notes from 1 to 22 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

**NETSOL TECHNOLOGIES LIMITED**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2020**

	Jul-Mar 2020	Jul-Mar 2019
	-----Rupees in '000'-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation for the period	289,798	896,571
Adjustments for non cash charges and other items:		
Depreciation - own assets	130,433	144,212
Amortization of Right of Use Assets	21,647	20,659
Amortization of intangible assets	220,128	220,128
Gain on disposal of fixed assets	(48)	(7,145)
Amortization of deferred revenue	(2,014)	(2,014)
Foreign exchange Loss / (gain)	11,461	(321,851)
Interest expense	33,530	28,398
Interest income	(145,410)	(58,184)
Dividend income	(218,384)	-
Deferred employee compensation expense	21,983	31,197
Provision for expected credit losses	74,406	-
Share of loss of Associate	46,533	
	194,264	55,399
<b>Cash generated from operations before working capital changes</b>	484,062	951,970
<b>Working Capital Changes</b>		
Trade debts & Contract Assets/Liabilities	(823,138)	(1,108,932)
Loans and advances	17,627	(32,100)
Trade deposits & short term prepayments	(8,849)	(10,888)
Other receivables	(7,657)	699
Due from related parties	(240,576)	(77,559)
Trade and other payables	(55,545)	(52,571)
<b>Cash (used in) operations</b>	(1,118,138)	(1,281,351)
Interest paid	(29,497)	(31,729)
Income taxes paid	(100,559)	(48,580)
Dividend paid	(249,768)	(222,771)
<b>Net cash (used in) operations</b>	(1,013,900)	(632,461)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment's purchased	(93,391)	(264,997)
Sales proceeds of fixed asset	5,852	115,040
Advances against capital expenditure	22,854	16,297
Interest received	145,410	58,184
<b>Net cash generated from / (used in) investing activities</b>	80,722	(75,477)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of share capital	1,140	200
Share premium	714	129
Paid against lease liabilities	(31,635)	(48,909)
Received against lease liabilities	0	102,857
Short term borrowing	327,000	52,987
Dividend received	218,384	-
Long term advances	930	3,848
<b>Net cash generated from financing activities</b>	516,533	111,112
<b>Net (Decrease) in cash and cash equivalents</b>	(416,645)	(596,826)
<b>Cash and cash equivalents at the beginning of the period</b>	1,951,746	2,123,337
<b>Cash and cash equivalents at the end of the period</b>	1,535,101	1,526,511

The annexed notes from 1 to 22 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

NETSOL TECHNOLOGIES LIMITED  
 CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
 FOR THE NINE MONTHS ENDED MARCH 31, 2020

	Issued, subscribed and paid-up capital	Share deposit money	Capital reserve			Revenue reserve	Total
			Employee share option compensation reserve	Share premium	Foreign currency translation reserve	Unappropri- ated profit	
-----Rupees in '000'-----							
Balance as at June 30, 2018	897,029	13	131,202	303,108	-	5,354,598	6,685,950
Restatement on initial application of IFRS 15	-	-	-	-	-	(785,377)	(785,377)
Net profit for the period	-	-	-	-	-	849,530	849,530
Shares issued against options exercised (20,000 shares at Rs. 10 each)	200	(328)	(30)	158	-	-	0
Amount received against options exercised		328					328
Dividend paid					-	(224,307)	(224,307)
Contribution of parent on account of employee share options			31,197		-		31,197
	200	-	31,167	158	-	(160,154)	(128,629)
Balance as at March 31, 2019	897,229	13	162,369	303,266	-	5,194,443	6,557,320
Balance as at June 30, 2019	897,229	13	166,367	303,266	-	5,512,585	6,879,460
Net profit for the period	-	-	-	-	-	151,235	151,235
Other comprehensive loss for the period					(22,588)	-	(22,588)
Total comprehensive income for the period	-	-	-	-	(22,588)	151,235	128,647
Shares issued against options exercised (114,000 shares at Rs. 10 each)	1,140	(1,872)	(168)	900			-
Dividend paid						(251,543)	(251,543)
Amount received against option exercised		1,872					1,872
Lapse of 13,500 share options			(20)				(20)
Contribution of parent on account of employee share options	-	-	21,983	-	-	-	21,983
	1,140	-	21,795	900	(22,588)	(100,308)	(99,061)
Balance as at March 31, 2020	898,369	13	188,162	304,167	(22,588)	5,412,277	6,780,400

The annexed notes from 1 to 22 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED****For The Nine Months Ended March 31, 2020****1. LEGAL STATUS AND NATURE OF BUSINESS**

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

Geographical location and addresses of business units:

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

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

**2. BASIS OF PREPARATION****2.1 Separate financial statements**

These condensed interim financial statements are separate condensed interim financial statements of the Company. Condensed consolidated interim financial statements of the company are prepared separately.

**2.2 Statement of compliance**

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

-International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;  
and

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

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed."

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

**2.3 Basis of measurement**

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

**2.4 Functional and presentation currency**

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

**3. ACCOUNTING POLICIES**

- 3.1.** The accounting policies adopted for the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the Company for the year ended June 30, 2019 except for change in accounting policies for leases detailed below.

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

#### (i) IFRS 16 Leases

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

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

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

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

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

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

#### b) Summary of new accounting policies

##### Right-of-use assets

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

**Lease liabilities**

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

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

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

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

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

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

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

(ii)

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

**4. USE OF ESTIMATES AND JUDGMENT**

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

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

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

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

**5. PROPERTY, PLANT & EQUIPMENT**

		Mar-20 Unaudited Rupees in '000'	Jun-19 Audited
Net book value of owned assets	5.1	1,474,379	1,506,400
Net book value of right of use assets	5.2	117,442	149,911
Advances against capital expenditure		-	22,854
		<b>1,591,821</b>	<b>1,679,165</b>

**5.1. PROPERTY, PLANT & EQUIPMENT**

Opening Balance - net book value		1,506,400	1,635,901
Additions	5.1.1	104,214	207,560
		<b>1,610,614</b>	<b>1,843,461</b>
Less:			
Disposals - net book value	5.1.2	(5,804)	(142,654)
Depreciation & amortization		(130,430)	(194,407)
		<b>1,474,379</b>	<b>1,506,400</b>

**5.1.1 Following is the detail of addition / (transfer) :**

Furniture & fixture	2,724	4,598
Vehicles	51,116	161,420
Office equipment	4,229	4,065
Computers	42,657	31,817
Air conditioners	2,854	5,659
Computer software	634	-
<b>Total</b>	<b>104,214</b>	<b>207,560</b>

**5.1.2 Following is the detail of deletions**

	Cost	Mar-20 Unaudited Acc. Depreciation	Written down Value Rupees in '000'	Cost	Jun-19 Audited Acc. Depreciation	Written down Value
Furniture & fixture	-	-	-	1,563	755	809
Vehicles	9,335	4,442	4,893	165,142	24,302	140,840
Office equipment	-	-	-	87	46	41
Computers	2,075	1,746	329	4,574	3,624	950
Air conditioners	1,926	1,343	582	42	29	13
<b>Total</b>	<b>13,335</b>	<b>7,531</b>	<b>5,804</b>	<b>171,409</b>	<b>28,755</b>	<b>142,654</b>

**5.2. RIGHT OF USE ASSETS**

Opening Balance - net book value		149,911	92,991
Additions	5.2.1	-	102,858
		<b>149,911</b>	<b>195,849</b>
Less:			
Disposals - net book value	5.2.2	(10,822)	(16,177)
Depreciation & amortization		(21,647)	(29,760)
		<b>117,442</b>	<b>149,911</b>

**5.2.1 Following is the detail of addition / (transfer) :**

Vehicles	-	96,550
Computers	-	6,308
<b>Total</b>	<b>-</b>	<b>102,858</b>

## 5.2.2 Following is the detail of deletions

Cost	Mar-20 Unaudited Acc. Depreciation	Written down Value Rupees in '000'	Cost	Jun-19 Audited Acc. Depreciation	Written down Value
20,320	9,498	10,822	32,499	16,321	16,177
20,320	9,498	10,822	32,499	16,321	16,177

## 6. INTANGIBLE ASSETS

Opening Balance - net book value  
Additions

Less:  
Amortization

Mar-20 Unaudited Rupees in '000'	Jun-19 Audited
1,214,401	1,507,905
-	-
1,214,401	1,507,905
(220,128)	(293,505)
994,273	1,214,401

## 7 LONG TERM INVESTMENTS - at cost

Investment in subsidiary - at cost  
NetSol Innovation (Pvt) Limited (Unquoted subsidiary company)  
Investment in associate  
WRLD3D Limited (Unquoted company)

	Mar-20 Unaudited Rupees in '000'	Jun-19 Audited
7.1	15,188	15,188
7.2	224,258	293,379
	239,446	308,567

7.1 The subsidiary is incorporated in Pakistan. The principal place of business of subsidiary is situated at NetSol IT Village, (Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt. Pakistan. The Company holds 1,518,785 (2019 : 1,518,785) fully paid ordinary shares of Rs. 10/- each i.e. 50.52% of Equity held (2019 : 50.52%)

7.1.1 Board of Directors through their board meeting held on December 3, 2019 made the decision to change the plan to discontinue the operations of its subsidiary NetSol Innovation (Pvt) Limited. The decision was made based on the fact that subsidiary holds profound business profile and has been in existence for more than 1 decade.  
Subsidiary's sound business profile and a length of established business history coupled with holding necessary IT related certifications may be used advantageously in undertaking various future projects by utilizing the platform of subsidiary company.  
Accordingly classification of subsidiary company was changed from discontinued operations to continued operations w.e.f. December 3, 2019.

7.2 During the fiscal year 2016, the Company entered into an agreement with WRLD3D Inc. a USA based gaming and 3D mapping Company (a Delaware Corporation) to purchase 4,092,189 preference BB shares for \$2,777,778 which was to be earned over the period partly by providing IT and enterprise software solutions and partly in cash. The company had successfully complied with the terms and conditions of the agreement and 4,092,189 shares are issued to the company. Company holds 12.2% ownership interest in WRLD3D. The Company uses equity method to account for investment in associate.

## 8. LONG TERM LOANS TO EMPLOYEES-Unsecured

Loan to employees  
Less: current maturity

8.1	4,296	5,237
	(3,899)	(4,767)
	397	470

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

## 9. TRADE DEBTS

Considered good - unsecured  
Considered doubtful - unsecured

Less: Provision against expected credit losses

	Mar-20 Unaudited Rupees in '000'	Jun-19 Audited
9.1	2,685,124	2,531,603
9.2	190,865	116,629
	2,875,989	2,648,232
	(190,865)	(116,629)
	2,685,124	2,531,603

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

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

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

NetSol Technologies (Thailand) Limited  
 NetSol Technologies (Beijing) Company Limited  
 NetSol Australia Pty. Limited  
 NetSol Technologies Americas  
 WRD3D Inc

174,950	179,957
1,007,956	604,477
18,198	14,156
199,584	139,767
230,736	166,417
<b>1,631,423</b>	<b>1,104,774</b>

#### 10. LOANS AND ADVANCES - Unsecured

Current maturity of loans to employees

##### Advances

- to employees  
 - against expenses

	Mar-20 Unaudited	Jun-19 Audited
	Rupees in '000'	
8.	3,899	4,767
	63	33
10.1	30,745	47,461
	<b>34,708</b>	<b>52,261</b>

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

#### 11. SHARE CAPITAL

##### 11.1 Authorised share capital

Mar-20 Unaudited	Jun-19 Audited	
Number of shares		
150,000,000	150,000,000	Ordinary Shares of Rs. 10 each.

Mar-20 Unaudited	Jun-19 Audited
Rupees in '000'	
1,500,000	1,500,000

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

Mar-20 Unaudited	Jun-19 Audited	
Number of shares		
42,686,191	42,572,191	Ordinary Shares of Rs. 10 each fully paid in cash
47,150,732	47,150,732	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares
<b>89,836,923</b>	<b>89,722,923</b>	

Mar-20 Unaudited	Jun-19 Audited
Rupees in '000'	
426,862	425,722
471,507	471,507
<b>898,369</b>	<b>897,229</b>

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

#### 12. RESERVES

##### Capital reserve

Premium on issue of ordinary shares  
 Employee share option compensation reserve  
 Foreign currency translation reserve

##### Revenue reserve

Un - appropriated profit

304,167	303,266
188,162	166,367
(22,588)	-
5,412,277	5,512,585
<b>5,882,018</b>	<b>5,982,218</b>

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

##### 13.1 DUE TO RELATED PARTIES

##### Parent

NetSol Technologies Inc.

##### Associated

NetSol Technologies Europe Limited  
 NetSol Abraxes Australia  
 Nadoz Green

13.1.1	-	19,779
13.1.1	19,531	7,076
13.1.1	1,453	-
	-	300
	<b>20,984</b>	<b>27,155</b>

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

**14. CONTINGENCIES & COMMITMENTS****14.1 Contingencies****14.1.1**

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

**14.1.2** While disposing off a show cause notice issued by FBR under section 161 of the Income Tax Ordinance, 2001 for the tax year 2015, the assessing authority, in its judgement dated 26th July 2016 contended and considered the commission paid to a non-resident as fee for technical services and imposed a tax of Rs. 1,516,535 u/s 152 of the Income Tax Ordinance, 2001. The company filed an appeal u/s 127 of the said Ordinance before the Commissioner Inland Revenue (Appeals), Lahore dated 24th August 2016 on the grounds that amount paid to non resident is in respect of commission and cannot be considered fee for technical services, hence exempt from tax. The competent authority has made decision on 6th november 2019 against the company. The company has filed an appeal against the decision u/s 31 to Income Tax Appellate Tribunal (ITAT) dated 31st december 2019. The company is confident that final outcome will be in its favor and accordingly no provision has been made in these financial statements in this respect.

**14.2 Commitments**

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

The Company has capital commitments of Rs. Nil under capital purchase agreements as at March 31, 2020. (2019: 16.8 Million)

**15. REVENUE FROM CONTRACTS WITH CUSTOMERS****DISAGGREGATION OF REVENUE:****Export Revenue**

License

Services

Maintenance

**Local Revenue**

Services

Maintenance

Sales tax

Jan-Mar 2020	Jan-Mar 2019	Jul-Mar 2020	Jul-Mar 2019
Rupees in '000'		Rupees in '000'	
-	305,853	389,129	1,210,363
711,943	879,026	2,087,446	2,135,265
443,707	247,832	1,260,757	692,900
1,155,650	1,432,711	3,737,332	4,038,528
-	325	-	325
3,508	3,189	10,524	9,568
(484)	(485)	(1,452)	(1,364)
3,024	3,029	9,073	8,203
1,158,674	1,435,740	3,746,405	4,047,056

**16. TAXATION**

Income of the Company from export of computer software and its related services developed in Pakistan is exempt from tax up to June 30, 2025 provided that eighty per cent of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels as per clause 133 of part 1 of the Second Schedule to the Income Tax Ordinance, 2001. However tax as per applicable rates is charged to the income of the Company generated from other than core business activities.

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

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

**Fair value of financial assets and liabilities**

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

**18. EARNINGS PER SHARE****Basic**

Profit after taxation for the period

Weighted average number of ordinary shares in issue during the period

Basic - In Rupees

**Diluted**

Profit after taxation for the period

Weighted average number of ordinary shares in issue during the period

Diluted - In Rupee

Jan-Mar 2020 Rupees in '000'	Jan-Mar 2019	Jul-Mar 2020 Rupees in '000'	Jul-Mar 2019
201,109	182,564	151,235	849,530
89,837	89,723	89,827	89,723
2.24	2.03	1.68	9.47
201,109	182,564	151,235	849,530
89,837	89,825	89,836	89,832
2.24	2.03	1.68	9.46

**19. TRANSACTION WITH RELATED PARTIES**

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

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

Relationship with the Company	Nature of transactions	Jul-Mar 2020 Rupees in '000'	Jul-Mar 2019
(i) Subsidiary	Rental income	-	1,268
	Provision of services	-	1,581
	Dividend received	213,888	-
	Mark-up income	-	22
(ii) Associated undertaking	Rental income	675	675
	Provision of services	880,883	766,320
	Purchase of services	22,251	19,663
	Purchase of assets	460	-
(iii) Parent	Dividend	116,417	118,793
(iv) Key management personnel	Salaries and benefits	136,052	100,185
	Retirement benefits	3,929	1,950
	Commission paid	132,809	136,189
(v) Post employment benefit	Contribution to defined contribution plan	86,520	78,173
(vi)	There are no transactions with any key management personnel other than under the terms of employment.		

**20. CORRESPONDING FIGURES**

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

From	To	Jul-Mar 2020 Rupees in '000'	Jul-Mar 2019
Research and development cost- Administrative expenses	Research and development cost- Other Operating expenses	227,358	143,567
Provision for doubtful debts- Administrative expenses	Provision for doubtful debts- Other Operating expenses	74,406	-
Reimbursable expenses- Export revenue	Services revenue- Export Revenue	199,183	396,581

**21. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on April 29, 2020 by the Board of Directors.

**22. GENERAL**

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR



The background of the page is a light gray color. It features a complex, abstract geometric pattern composed of thin, light blue lines that form various triangles and polygons of different sizes. Scattered throughout the background are small, dark gray dots of varying sizes, some of which are connected by the blue lines, creating a network-like structure. The overall effect is a modern, technical, and somewhat crystalline aesthetic.

# CONSOLIDATED FINANCIAL **STATEMENTS**

For The Nine Months Ended  
March 31, 2020

## NETSOL TECHNOLOGIES LIMITED

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION - UNAUDITED

AS AT MARCH 31, 2020

		NOTE	Mar-20 Unaudited	Jun-19 Audited (Restated)
			Rupees in '000'	
ASSETS				
NON-CURRENT ASSETS				
Property, plant & equipment	5	1,599,097	1,686,461	
Intangible assets	6	994,273	1,214,401	
		2,593,370	2,900,862	
Long term Investment	7	224,258	293,379	
Long term loans to employees	8	397	470	
		2,818,025	3,194,711	
CURRENT ASSETS				
Trade debts	9	2,685,124	2,878,928	
Contract assets		1,580,885	1,167,646	
Loans and advances	10	34,708	52,261	
Trade deposits & short term prepayments		29,797	20,948	
Other receivables		14,876	7,219	
Due from related parties		263,693	23,117	
Taxation - net		14,712	52,716	
Cash & bank balances		1,568,574	2,053,102	
		6,192,369	6,255,936	
TOTAL ASSETS		9,010,393	9,450,647	
EQUITY & LIABILITIES				
SHARE CAPITAL & RESERVES				
Authorized share capital				
150,000,000 ordinary shares of Rs.10/- each	11	1,500,000	1,500,000	
Issued, subscribed and paid-up capital	11	898,369	897,229	
Share deposit money		13	13	
Reserves	12	5,887,359	6,197,317	
		6,785,741	7,094,559	
Non - controlling Interest		19,595	225,035	
		6,805,336	7,319,594	
NON-CURRENT LIABILITIES				
Lease liabilities		24,915	55,404	
Deferred income		3,126	5,140	
Long term advances		7,712	5,143	
		35,753	65,687	
CURRENT LIABILITIES				
Trade and other payables	13	440,867	492,409	
Contract liabilities		298,316	468,827	
Short term borrowings		1,380,000	1,053,000	
Current portion of long term liabilities		44,161	46,947	
Unclaimed dividend		5,958	4,183	
		2,169,303	2,065,366	
CONTINGENCIES & COMMITMENTS	15	-	-	
TOTAL EQUITY AND LIABILITIES		9,010,393	9,450,647	

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

NETSOL TECHNOLOGIES LIMITED  
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS - UNAUDITED  
FOR THE NINE MONTHS ENDED MARCH 31, 2020

	NOTE	Jan-Mar 2020 Rupees in '000'	Jan-Mar 2019 (Restated) Rupees in '000'	Jul-Mar 2020 Rupees in '000'	Jul-Mar 2019 (Restated) Rupees in '000'
Revenue from contracts with customers - Net	16	1,158,674	1,435,740	3,746,405	4,055,395
Cost of revenue		(799,589)	(874,257)	(2,466,242)	(2,450,730)
<b>Gross profit</b>		<b>359,085</b>	<b>561,483</b>	<b>1,280,163</b>	<b>1,604,665</b>
Selling and promotion expenses		(99,487)	(133,715)	(372,152)	(396,789)
Administrative expenses		(194,751)	(185,529)	(590,221)	(551,772)
		(294,238)	(319,244)	(962,373)	(948,561)
<b>Operating profit</b>		<b>64,847</b>	<b>242,239</b>	<b>317,790</b>	<b>656,104</b>
Other income		281,416	40,065	154,436	442,095
		346,263	282,305	472,226	1,098,199
Other operating expenses		(95,369)	(67,238)	(301,487)	(143,567)
Finance cost		(13,363)	(9,046)	(34,775)	(29,339)
Loss of share from Associate		(8,101)	-	(46,533)	-
<b>Profit / (Loss) before taxation</b>		<b>229,430</b>	<b>206,020</b>	<b>89,431</b>	<b>925,293</b>
Taxation					
Current period	17	(27,535)	(11,895)	(139,505)	(49,777)
Prior period	17	-	-	-	2,119
		(27,535)	(11,895)	(139,505)	(47,658)
<b>(Loss) / Profit after taxation for the period</b>		<b>201,895</b>	<b>194,125</b>	<b>(50,074)</b>	<b>877,635</b>
<b>Attributable to:</b>					
Equity holders of NetSol Technologies Limited		201,506	188,405	(58,522)	863,729
Non - controlling interest		389	5,720	8,448	13,906
		201,895	194,125	(50,074)	877,635
<b>(Loss) / Earnings per share</b>					
Basic - In Rupees	19	2.24	2.10	(0.65)	9.63
Diluted - In Rupees	19	2.24	2.10	(0.65)	9.61

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

NETSOL TECHNOLOGIES LIMITED  
 CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME - UNAUDITED  
 FOR THE NINE MONTHS ENDED MARCH 31, 2020

	Jan-Mar 2020	Jan-Mar 2019 (Restated)	Jul-Mar 2020	Jul-Mar 2019 (Restated)
	Rupees in '000'		Rupees in '000'	
(Loss) / Profit after taxation for the period	201,895	194,125	(50,074)	877,635
Other comprehensive income / (Loss)	-	-	-	-
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):				
Share of other comprehensive income/ (loss) of an associate	(22,182)	-	(22,588)	-
<b>Total comprehensive (Loss) / Income for the period</b>	<b>179,713</b>	<b>194,125</b>	<b>(72,662)</b>	<b>877,635</b>
<b>Attributable to:</b>				
Equity holders of NetSol Technologies Limited	179,324	188,405	(81,110)	863,729
Non - controlling interest	389	5,720	8,448	13,906
	<b>179,713</b>	<b>194,125</b>	<b>(72,662)</b>	<b>877,635</b>

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

**NETSOL TECHNOLOGIES LIMITED**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2020**

	NOTE	Jul-Mar 2020	Jul-Mar 2019
		Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) / Profit before taxation for the period		89,431	925,293
Adjustments for non cash charges and other items:			
Depreciation - own assets		130,433	144,212
Amortization of Right of use assets		21,647	20,659
Amortization of intangible assets		220,128	220,128
(Gain) on disposal of fixed assets		(57)	(12,318)
Amortization of deferred revenue		(2,014)	(2,014)
Foreign exchange Loss / (gain)		11,461	(364,988)
Interest expense		33,530	28,457
Interest income		(151,690)	(62,127)
Deferred employee compensation expense		21,983	31,197
Provision for expected credit losses		74,406	-
Share of loss of Associate		46,533	-
		406,361	3,206
<b>Cash generated from operations before working capital changes</b>		495,792	928,500
<b>Working Capital Changes</b>			
Trade debts & Contract Assets/Liabilities		(475,813)	(1,088,834)
Loans and advances		17,627	(32,100)
Trade deposits & short term prepayments		(8,849)	(10,888)
Other receivables		(7,657)	729
Due from related parties		(240,576)	(76,605)
Trade and other payables		(55,575)	(72,096)
<b>Cash (used in) operations</b>		(770,843)	(1,279,795)
Interest paid		(29,497)	(31,788)
Income taxes paid		(101,503)	(49,308)
Dividend paid		(463,656)	(222,771)
<b>Net cash (used in) operations</b>		(869,707)	(655,163)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Property, plant and equipment purchased		(93,391)	(264,997)
Sales proceeds of fixed asset		5,881	132,441
Advances against capital expenditure		22,854	16,297
Interest received		151,690	62,127
<b>Net cash generated from / (used in) investing activities</b>		87,030	(54,132)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of share capital		1,140	200
Share premium		714	129
Paid against lease liabilities		(31,635)	(54,049)
Received against lease liabilities		-	102,857
Short term borrowing		327,000	52,987
Long term advances		930	(3,949)
<b>Net cash generated from financing activities</b>		298,149	98,175
<b>(Decrease) in cash and cash equivalents Cash and cash equivalents at the beginning of the period Cash and cash equivalents at the end of the period</b>		(484,528) 2,053,102 1,568,574	(611,120) 2,235,272 1,624,152

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

**NETSOL TECHNOLOGIES LIMITED**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2020**

	Attributable to equity holders of the Parent						Non Controlling Interest	Total Equity	
	Issued, subscribed and paid- up capital	Share deposit money	Capital reserve			Revenue reserve	Total		
			Employee share option compensation reserve	Share premium	Foreign currency translation reserve	Unappropriated profit			
Rupees In '000'									
Balance as at June 30, 2018	897,029	13	131,860	303,108	-	5,545,208	6,877,218	201,697	7,078,915
Restatement on initial application of IFRS 15						(785,377)	(785,377)		(785,377)
Net profit for the period									
March 31, 2019	-	-	-	-	-	863,729	863,729	13,906	877,635
Shares deposit money against options exercised		328					328	-	328
Shares issued against options exercised (20,000 shares at Rs. 10 each)	200	(328)	(30)	158	-	-	-	-	-
Distributions to owners									
cash dividend						(224,307)	(224,307)		(224,307)
Contribution of parent on account of employee share options			31,197		-		31,197		31,197
	200	-	31,167	158	-	(145,955)	(114,430)	13,906	(100,524)
Balance as at March 31, 2019	897,229	13	163,027	303,266	-	5,399,253	6,762,788	215,603	6,978,391
Balance as at June 30, 2019	897,229	13	167,025	303,266	-	5,727,026	7,094,559	225,035	7,319,594
Net (loss) / Profit for the period	-	-	-	-	-	(58,522)	(58,522)	8,448	(50,074)
Other comprehensive (loss) for the period					(22,588)		(22,588)		(22,588)
Total comprehensive (loss) / profit for the period	-	-	-	-	(22,588)	(58,522)	(81,110)	8,448	(72,662)
Shares issued against options exercised (114,000 shares at Rs. 10 each)	1,140	(1,872)	(168)	900	-	-	-	-	(0)
cash dividend	-	-	-	-		(251,543)	(251,543)	(213,888)	(465,431)
Contribution of parent on account of employee share options			21,983				21,983		21,983
Lapse of 13,500 share options			(20)				(20)		(20)
Amount received against option exercised		1,872					1,872		1,872
	1,140	-	21,795	900	(22,588)	(310,065)	(308,818)	(205,440)	(514,258)
Balance as at March 31, 2020	898,369	13	188,820	304,167	(22,588)	5,416,961	6,785,742	19,596	6,805,337

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS UNAUDITED**
**1. LEGAL STATUS AND NATURE OF BUSINESS**

NetSol Group consists of:

- NetSol Technologies Limited
- NetSol Innovation (Private) Limited

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

**Address/Location**

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

**Purpose**

Registered office  
and business  
unit  
Branch office  
Branch office

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

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

**2. BASIS OF PREPARATION**
**2.1 Statement of compliance**

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

-International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;  
and

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

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed."

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

**2.2 Basis of measurement**

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

**2.3 Functional and presentation currency**

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

**3. ACCOUNTING POLICIES**

- 3.1. The accounting policies adopted for the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the Group for the year ended June 30, 2019 except for change in accounting policies for leases detailed below.

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

#### (i) IFRS 16 Leases

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

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

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

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

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

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

##### b) Summary of new accounting policies

###### Right-of-use assets

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

###### Lease liabilities

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



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

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

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

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

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

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

(ii)

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

**4. USE OF ESTIMATES AND JUDGMENT**

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

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

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

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

**5. PROPERTY, PLANT & EQUIPMENT**

Net book value of owned assets  
 Net book value of right of use assets  
 Advances against capital expenditure

5.1  
 5.2

Mar-20 Unaudited	Jun-19 Audited (Restated)
Rupees in '000'	
1,481,655	1,513,696
117,442	149,911
-	22,854
<b>1,599,097</b>	<b>1,686,461</b>

**5.1. PROPERTY, PLANT & EQUIPMENT**

Opening Balance - net book value  
 Additions  
 Less:  
 Disposals - net book value  
 Depreciation & amortization

5.1.1  
 5.1.2

1,513,696	1,645,422
104,214	207,560
<b>1,617,910</b>	<b>1,852,982</b>
(5,824)	(144,879)
<b>(130,429)</b>	<b>(194,407)</b>
<b>1,481,655</b>	<b>1,513,696</b>

**5.1.1 Following is the detail of addition / (transfer) :**

Furniture & fixture  
 Vehicles  
 Office equipment  
 Computers  
 Air conditioners  
 Computer software  
 Total

2,724	4,598
51,116	161,420
4,229	4,065
42,657	31,817
2,854	5,659
634	-
<b>104,214</b>	<b>207,560</b>

**5.1.2 Following is the detail of deletions**

Furniture & fixture  
 Vehicles  
 Office equipment  
 Computers  
 Air conditioners  
 Total

Mar-20 Unaudited			Jun-19 Audited (Restated)		
Cost	Acc. Depreciation	Written down Value	Cost	Acc. Depreciation	Written down Value
Rupees in '000'					
-	-	-	1,563	755	809
9,335	4,442	4,893	166,926	24,302	142,624
-	-	-	141	46	95
2,095	1,746	349	4,870	3,624	1,246
1,926	1,343	582	134	29	105
<b>13,355</b>	<b>7,531</b>	<b>5,824</b>	<b>173,634</b>	<b>28,755</b>	<b>144,879</b>

**5.2. RIGHT OF USE ASSETS**

Opening Balance - net book value  
 Additions  
 Less:  
 Disposals - net book value  
 Depreciation & amortization

5.2.1  
 5.2.2

149,911	103,140
-	102,858
<b>149,911</b>	<b>205,998</b>
(10,822)	(26,327)
<b>(21,647)</b>	<b>(29,760)</b>
<b>117,442</b>	<b>149,911</b>

**5.2.1 Following is the detail of addition / (transfer) :**

Vehicles  
 Computers  
 Total

-	96,550
-	6,308
<b>-</b>	<b>102,858</b>

## 5.2.2 Following is the detail of deletions

	Mar-20			Jun-19		
	Unaudited			Audited (Restated)		
	Cost	Acc. Depreciation	Written down Value	Cost	Acc. Depreciation	Written down Value
	Rupees in '000'					
Vehicles	20,320	9,498	10,822	42,648	16,321	26,327
Total	20,320	9,498	10,822	42,648	16,321	26,327

## 6. INTANGIBLE ASSETS

Opening Balance - net book value

Additions

Less:

Amortization

	Mar-20 Unaudited	Jun-19 Audited (Restated)
	Rupees in '000'	
Opening Balance - net book value	1,214,401	1,507,905
Additions	-	-
	1,214,401	1,507,905
Less: Amortization	(220,128)	(293,504)
	994,273	1,214,401

## 7 LONG TERM INVESTMENTS - at cost

Investment in associate

WRLD3D Inc (Unquoted company)

	Mar-20 Unaudited	Jun-19 Audited (Restated)
	Rupees in '000'	
7.1	224,258	293,379
	224,258	293,379

7.1 During the fiscal year 2016, the Company entered into an agreement with WRLD3D Inc a USA based gaming and 3D mapping Company (a Delaware Corporation) to purchase 4,092,189 preference BB shares for \$2,777,778 which was to be earned over the period partly by providing IT and enterprise software solutions and partly in cash. The company had successfully complied with the terms and conditions of the agreement and 4,092,189 shares are issued to the company. Company holds 12.2% ownership interest in WRLD3D. The Company uses equity method to account for investment in associate.

## 8. LONG TERM LOANS TO EMPLOYEES-Unsecured

Loan to employees

Less: current maturity

	8.1	
Loan to employees	6,535	5,237
Less: current maturity	(5,977)	(4,767)
	558	470

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

## 9. TRADE DEBTS

Considered good - unsecured

Considered doubtful - unsecured

Less: provision for Expected credit losses

	9.3	
Considered good - unsecured	2,685,124	2,878,928
Considered doubtful - unsecured	190,865	143,709
	2,875,989	3,022,637
Less: provision for Expected credit losses	(190,865)	(143,709)
	2,685,124	2,878,928

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

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

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

NetSol Technologies (Thailand) Limited	174,950	179,957
NetSol Technologies (Beijing) Company Limited	1,007,956	604,477
NetSol Australia Pty. Limited	18,198	14,156
Netsol Technologies North Americas	199,584	139,767
WRLD3D Inc	230,736	166,417
1Insurer Limited	-	321,812
The Innovation group-UK BPS	-	350,888
1Insurer Inc.	-	52,241
	1,631,423	1,829,715

## 10. LOANS AND ADVANCES - Unsecured

Current maturity of loans to employees  
**Advances**  
 - to employees  
 - against expenses

	Mar-20 Unaudited	Jun-19 Audited (Restated)
	Rupees in '000'	
8	3,899	4,767
	63	33
10.1.	30,745	47,461
	<b>34,708</b>	<b>52,261</b>

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

## 11. SHARE CAPITAL

## 11.1 Authorised share capital

Mar-20 Unaudited	Jun-19 Audited	
Number of shares		
150,000,000	150,000,000	Ordinary Shares of Rs. 10 each.

Mar-20 Unaudited	Jun-19 Audited
Rupees in '000	
1,500,000	1,500,000

## 11.2 Issued, subscribed &amp; paid-up capital

Mar-20 Unaudited	Jun-19 Audited	
Number of shares		
42,686,191	42,572,191	Ordinary Shares of Rs. 10 each fully paid in cash
47,150,732	47,150,732	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares
<b>89,836,923</b>	<b>89,722,923</b>	

426,862	425,722
471,507	471,507
<b>898,369</b>	<b>897,229</b>

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

## 12. RESERVES

**Capital reserve**  
 Premium on issue of ordinary shares  
 Employee share option compensation reserve  
 Foreign currency translation reserve  
**Revenue reserve**  
 Un - appropriated profit

Mar-20 Unaudited	Jun-19 Audited
Rupees in '000	
304,167	303,266
188,820	167,025
(22,588)	-
5,416,961	5,727,026
<b>5,887,359</b>	<b>6,197,317</b>

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

## 13.1 Due to related party

**Parent**  
 NetSol Technologies Inc.  
**Associated**  
 NetSol Technologies Europe Ltd  
 Nadoz Green

-	19,779
19,531	7,076
267	300
<b>21,251</b>	<b>27,155</b>

13.1.1 These relate to normal course of business of the Group and are interest free.

## 14. CHANGE OF CLASSIFICATION OF SUBSIDIARY FROM DISCONTINUED OPERATION TO CONTINUED OPERATION:

Board of Directors through their board meeting held on December 3, 2019 made the decision to change the plan to discontinue the operations of its subsidiary NetSol Innovation (Pvt) Limited. The decision was made based on the fact that subsidiary holds profound business profile and has been in existence for more than 1 decade.

Subsidiary's sound business profile and a length of established business history coupled with holding necessary IT related certifications may be used advantageously in undertaking various future projects by utilizing the platform of subsidiary company.

Accordingly classification of subsidiary company was changed from discontinued operations to continued operations w.e.f. December 3, 2019 and corresponding figures have also been restated to reflect this change.

**15. CONTINGENCIES & COMMITMENTS****15.1 Contingencies****15.1.1**

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

**15.1.2**

While disposing off a show cause notice issued by FBR under section 161 of the Income Tax Ordinance, 2001 for the tax year 2015, the assessing authority, in its judgement dated 26th July 2016 contended and considered the commission paid to a non-resident as fee for technical services and imposed a tax of Rs. 1,516,535 u/s 152 of the Income Tax Ordinance, 2001. The company filed an appeal u/s 127 of the said Ordinance before the Commissioner Inland Revenue (Appeals), Lahore dated 24th August 2016 on the grounds that amount paid to non resident is in respect of commission and cannot be considered fee for technical services, hence exempt from tax. The competent authority has made decision on 6th november 2019 against the company. The company has filed an appeal against the decision u/s 31 to Income Tax Appellate Tribunal (ITAT) dated 31st december 2019. 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.

**15.2 Commitments**

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

**15.2.2** The Company has capital commitments of Rs. Nil under capital purchase agreements as at March 31, 2020. (2019: 16.8 million)

Jan-Mar 2020	Jan-Mar 2019 (Restated)	Jul-Mar 2020	Jul-Mar 2019 (Restated)
Rupees in '000'		Rupees in '000'	
-	305,853	389,129	1,210,363
711,943	879,026	2,087,446	2,143,604
443,707	247,832	1,260,757	692,900
1,155,650	1,432,711	3,737,332	4,046,867
-	325	-	325
3,508	3,189	10,524	9,568
3,508	3,514	10,524	9,892
(484)	(485)	(1,452)	(1,364)
1,158,674	1,435,740	3,746,405	4,055,395

**17. 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.

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

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

**Fair value of financial assets and liabilities**

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

**19. (LOSS) / EARNING PER SHARE****Basic**

(Loss) / Earning attributable to ordinary shareholders of NetSol Technologies Limited  
Weighted average number of ordinary shares in issue during the period

Basic - In Rupees

**Diluted**

(Loss) / Profit attributable to ordinary shareholders of NetSol Technologies Limited  
Weighted average number of ordinary shares in issue during the period

Diluted - In Rupees

Jan-Mar 2020	Jan-Mar 2019 (Restated)	Jul-Mar 2020	Jul-Mar 2019 (Restated)
Rupees in '000'		Rupees in '000'	
201,506	188,405	(58,522)	863,729
89,837	89,723	89,827	89,723
2.24	2.10	(0.65)	9.63
201,506	188,405	(58,522)	863,729
89,837	89,825	89,836	89,832
2.24	2.10	(0.65)	9.61

**20. TRANSACTION WITH RELATED PARTIES**

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

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

Relationship with the Company		Jul-Mar 2020 Rupees in '000'	
Nature of transactions		Jul-Mar 2020	Jul-Mar 2019
(i) Associated undertaking	Rental Income	675	675
	Provision of services	880,883	774,659
	Purchase of services	22,251	19,663
	Purchase of fixed assets	460	-
(ii) Parent	Dividend	116,417	118,793
(iii) Key management personnel	Salaries and benefits	136,052	100,185
	Retirement benefits	3,929	1,950
	Commission paid	132,809	136,189
(iv) Post employment benefit	Contribution to defined contribution plan	86,520	78,173
(v) There are no transactions with any key management personnel other than under the terms of employment.			

## NOTES TO THE CONSOLIDATED ACCOUNTS

## 21. SEGMENT REVENUES AND RESULTS

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

	Mar-20			
	NFS	IS & SSS	BPO	Total
	Rupees in '000			
Revenue - net				
External sales				
Licence	389,129	-	-	389,129
Services	1,955,961	-	131,485	2,087,445
Maintenance	1,260,757	9,073	-	1,269,831
Total revenue	3,605,847	9,073	131,485	3,746,405
Cost of revenue	(2,323,656)	(3,406)	(139,180)	(2,466,242)
Segment results	1,282,191	5,667	(7,695)	1,280,163
Unallocated corporate expenses:				
Selling and promotion expenses				(372,152)
Administrative expenses				(590,221)
Other income				154,436
Other operating expenses				(301,487)
Finance cost				(34,775)
Loss of share from Associate				(46,533)
Taxation				(139,505)
<b>Loss after taxation</b>				<b>(50,074)</b>

Mar-19			
(Restated)			
NFS	IS & SSS	BPO	Total
Rupees in '000			

Revenue - net				
External sales				
License	1,210,363	-	-	1,210,363
Services	1,988,055	280	155,549	2,143,884
Maintenance	692,900	8,248	-	701,148
Total revenue	3,891,318	8,528	155,549	4,055,395
Cost of revenue	(2,270,973)	(4,231)	(175,526)	(2,450,730)
Segment results	1,620,344	4,297	(19,977)	1,604,665

Unallocated corporate expenses:

Selling and promotion expenses	(396,789)
Administrative expenses	(551,772)
Other income	442,095
Other operating expenses	(143,567)
Finance cost	(29,339)
Taxation	(47,658)
<b>Profit after taxation</b>	<b>877,635</b>

\*Key

NFS = NetSol Financial Suite & NFS Ascent  
BPO = Business Process Outsourcing

IS = Information Security and other services  
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.

## 22. CORRESPONDING FIGURES

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

From	To	Jul-Dec 2019	Jul-Dec 2018
Research and development cost-Administrative expenses	Research and development cost-Other Operating expenses	227,358	143,567
Provision for doubtful debts-Administrative expenses	Provision for doubtful debts-Other Operating expenses	47,326	-
Reimbursable expenses-Export revenue	Services revenue-Export Revenue	199,183	396,581

## 23. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on April 29, 2020 by the Board of Directors.

## 24. GENERAL

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR







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