



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

FORM-05

Date: 01/10/2020

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

Subject: **Transmission of Annual Report For the Year Ended June 30, 2020**

Dear Sir,

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





Annual Report

2020

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

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Company Profile

BOARD OF DIRECTORS

SHAHAB-UD-DIN GHOURI

Chairman/Non-Executive Director

SALIM ULLAH GHOURI

Chief Executive Officer/Executive Director

VASEEM ANVAR

Independent Director

ANWAAR HUSSAIN

Independent Director

HAMNA GHOURI

Non-Executive Director

NAJEEB ULLAH GHOURI

Non-Executive Director

OMAR SHAHAB GHOURI

Executive Director

AUDIT COMMITTEE

ANWAAR HUSSAIN

Chairman

VASEEM ANVAR

Member

HAMNA GHOURI

Member

CHIEF FINANCIAL OFFICER

BOO-ALI SIDDIQUI

COMPANY SECRETARY

SEHRISH

CHIEF INTERNAL AUDITOR

MUHAMMAD ABDUL WAHAB HAFEEZ

AUDITORS

H.Y.K & Co.

Chartered Accountants
321-Upper Mall, Lahore

LEGAL ADVISOR

CORPORATE LAW ASSOCIATES

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

SHARE REGISTRAR

VISION CONSULTING LIMITED

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

BANKERS

Askari Bank Limited
Samba Bank Limited
Meezan Bank Limited
Dubai Islamic Bank Pakistan Limited
MCB Bank Limited
Al Baraka Bank (Pakistan) Limited
Habib Metropolitan Bank Limited
Faysal Bank Limited

CONTACT DETAILS

REGISTERED OFFICE

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

RAWALPINDI OFFICE

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

KARACHI OFFICE

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

WEB PRESENCE

www.netsolpk.com
info@netsolpk.com



Vision & Mission Statement

Vision Statement

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

Vision Phrase	Explanation
The leading and world class provider	We will continue to invest in highest quality human resource, certifications, processes, infrastructure and product development.
In each market	We will focus individually on each market, while growing globally.
By leveraging our global positioning	We will fully use our global solutions, customer base, presence and knowledge.
Creating strong growth potential	We will invest in capacity building, research and development and emerging technology markets.
Increasing shareholders' value	We aim to provide above average and superior returns to our shareholders.
Great environment for our employees	A caring environment that fosters growth and development, learning, openness, opportunities and creativity.

Mission Statement

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

Our History

We are committed to software quality

Acquired CMMI Level 5 Status, a distinction shared by fewer than 150 companies worldwide



1996



2005



2013

2006

NETSOL begins its journey

Incorporation of NETSOL in Pakistan

We are transparent

Listed on Pakistan Stock Exchange as NETSOL

We are a digital first mover

NETSOL was the first IT vendor to implement a mobile point of sale solution in the global asset finance and leasing domain

Largest contract signing in NETSOL's history

NETSOL signed a \$100 contract million for NFS Ascent implementations across 13 markets



2015



NETSOL signed a \$30 million contract

Company's sister concern signed a contract with a major global auto captive for the implementation of NFS Ascent Retail and Wholesale Platforms in China



2018



Best-selling leasing solution for the 7th consecutive year

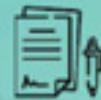
Awarded First Rate and Best-Selling Leasing Solution Provider for the 7th consecutive year at the annual China Leasing Summit



2019



2020



NETSOL "Go Live" for NFS Ascent

Successfully implemented NFS Ascent in Hong Kong and Malaysia

MAJOR CUSTOMER

CHINA

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

GLOBAL OFFICES



Calabasas



	<ul style="list-style-type: none"> • BYD Company Limited • Volvo Financial Leasing Company • YuLon Motor Finance (China) Co., Ltd 	MALAYSIA	<ul style="list-style-type: none"> • Mercedes-Benz Services Malaysia Sdn Bhd
		SOUTH AFRICA	<ul style="list-style-type: none"> • Mercedes-Benz Financial Services, South Africa
		INDONESIA	<ul style="list-style-type: none"> • PT OTO Multiartha • PT Summit OTO Finance • PT Mizuho Balimor Finance
THAILAND	<ul style="list-style-type: none"> • Mercedes-Benz Leasing (Thailand) Co., Ltd • Nissan Leasing (Thailand) Co., Ltd 	SINGAPORE	<ul style="list-style-type: none"> • Mercedes-Benz Financial Services Singapore Ltd • Daimler Financial Services Africa and Asia Pasific
AUSTRALIA	<ul style="list-style-type: none"> • Mercedes-Benz Financial Services Australia Pty Ltd • Mercedes-Benz Financial Services New Zealand Ltd • CNH Industrial Capital • Pepper Group Australia 	KOREA	<ul style="list-style-type: none"> • Mercedes-Benz Financial Services Korea, Ltd
HONG KONG	<ul style="list-style-type: none"> • Mercedes-Benz Financial Services Hong Kong Ltd 	UK	<ul style="list-style-type: none"> • WRDL3D Limited
JAPAN	<ul style="list-style-type: none"> • Mercedes-Benz Finance Co. Ltd 	PAKISTAN	<ul style="list-style-type: none"> • Excise & Taxation Department, Government of Sind





Quality Focus

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

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

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

Our Quality Standards

Our commitment to quality is demonstrated by our accreditation of ISO 9001, ISO 27001, ISO 20000.



Services Portfolio

Currently we are offering following services to our customers:



Application development & maintenance



Technology and Business Process Outsourcing



Enterprise solutions:

- NFS Ascent™
- NETSOL Financial Suite™
- NFS Mobility



IT consulting and Business Process Reengineering



Business Intelligence

Industries we serve



Lease and Finance Industry

01



Banking Industry

02



Information Technology

03

Our Products



The most advance platform for asset finance and leasing

Ascent is built on cutting edge, modern technology that enables auto, equipment and big ticket finance companies to run their retail and wholesale finance business with ease. With comprehensive domain coverage and powerful configuration engines, it is architected to empower finance and leasing companies with a platform that supports their growth in terms of business volume and transactions.



A comprehensive solution that satisfies the wide and varied needs of your organization

NFS enables you to get the most out of your business, resulting in considerable cost reductions. The Core Contract Management System offers the basic functionality required by asset finance and leasing companies.



Delivering digital without compromise

NFS Digital is an ecosystem that augments and enhances finance and leasing operations, and subsequently, enables organizations to reap the benefits of going digital. It leverages the benefits of superior digital solutions across various touch-points which can be integrated with any back-end system.



A digital twin for our world

Our platform provides developers tools to build the best digital user experiences more quickly and cheaper than anyone else in the market.

Meet the Team



Muhammad Aamir Chaudhry

Head of NFS & Professional Services



Wajih Ur Rehman

Global Program Director

They lead their teams and encourage them to achieve. Their strength is their belief in 'together we succeed'.

No matter how difficult the task, they stood together and continue to stand together. They are the Heads of Departments the expert squadron of NETSOL and they are dedicated to win.



Majid Bashir

VP Engineering



Kamran Khalid

Head of BAG & Pre-Sales



Asad Ullah Ghauri

Global Head of Sales



Faisal Rasheed Bhatti

Head of Human Capital Division



Irfan Zulfiqar Lodhi

Head of NFS R1 &
Modern Applications Development



Fawad Ahmed Khan

Director Professional Services



Muhammad Abdul Wahab Hafeez

Chief Internal Auditor



Sehrish Ishtiaq

Company Secretary



Asif Zafar

Head of Network Operation Services



Naheed Kausar Haq

Head of Services, Planning & Facilitation

Core Values



Empathy and Respect

We believe in co-existence with complete harmony and we value diversity of thoughts and individuals.



Excellence

We commit to quality outcomes, have a thirst to learn and to improve. If something is not right, we correct it!



Customer First

Our products, services, customer care and overall strategy is defined with the customer in mind.



Honesty & Integrity

We never compromise on moral or ethical convictions under any circumstance.



Innovation

We thrive to continuously improve ourselves; be it our processes, skill set or customer offerings.

Code of Conduct

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

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

The Code affirms our six principles of conduct:

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



Awards and Accolades



NETSOL was the winner of PASHA ICT Awards 2019 in the Corporate Social Responsibility (CSR) category. This prestigious award is a testament of the Company's commendable performance in the area of CSR. NETSOL continues to fulfil its duties as a responsible corporate entity through ongoing involvement in socially beneficial activities tailored for well-being of the environment and local communities.



NETSOL also received the runners up award in the Internet of Things (IoT) category for the OTOZ Fleet Owner App launched by the company.



NETSOL was also awarded with “Platinum Award in IT Products and Solutions” and “Gold Award in Top IT Exporter” categories from Pakistan Software Export Board.



NETSOL received the “First-Rate and Best-Selling Finance and Leasing Solution Provider Award” at the China Leasing Summit 2019 for the seventh consecutive year. This award solidifies the company’s stronghold in China where it holds 75% of the auto captive market.



The Glorious Achievement of Sitara-e- Imtiaz

NETSOL Technologies was marked with glory when Mr. Najeeb Ghauri, Chairman & CEO NETSOL Technologies Inc. stepped ahead to receive the Highest Civil Award, Sitara-e-Imtiaz at a special ceremony for unsurpassed promotion of IT solutions & Digitization. With this achievement, NETSOL stands tall with immense honor and pride.

Life at NETSOL





Chairman's Review Report



I am pleased to present the review for the year ended June 30, 2020 and the role of the Board of Directors in guiding the management to carry out its responsibility for the benefit of all its stakeholders.

In 2019-2020, we continue to enable finance and leasing businesses worldwide, including bluechip organizations and Fortune 500 companies, to futureproof their business and achieve business excellence even in a difficult business environment. It shows the ability of the Company to face these challenges and depicts the customer's confidence in NETSOL's products & services. The Company maintained its stronghold in the global asset finance and leasing space during this financial period significant deployments across the globe.

Our premier, next-gen solution NFS Ascent continues to be acknowledged as the leading and proven solution for the global auto, equipment, banking and big ticket finance and leasing industries. Being the pioneers in introducing digital solutions for the global asset finance and leasing industry, our suite of digital products continues to augment and enhance operations for organizations worldwide.

NFS Ascent, which is now available on cloud as well, continues to empower clients to effectively manage their complex multi-site and multi-currency operations and enables them to thrive in hyper competitive markets globally. Anticipated to improve recurring revenue opportunities, NFS Ascent on the Cloud is now available across all regions via rapid deployments and value-driven, subscription-based pricing models, which eliminates the need to pay traditional license and maintenance fees.

A number of deployments in various regions worldwide were carried out during this financial year, adding to the company's esteemed 100% implementation success rate. A dominant American multinational automaker went live in China with

NFS Ascent's retail platform, marking the second successful implementation of NETSOL's premier, next-gen product in China. The company also went live with its NFS Ascent wholesale platform for a tier-one German auto captive finance company in China. Additionally, the company also went live with its NFS Digital Mobile Collector application for a top-tier multi-finance company in Indonesia.

Successful deployments pertaining to the largest contract in NETSOL's history for a major German auto captive also continued during this fiscal period, as Hong Kong and Malaysia went live with the company's core solution NFS Ascent. These implementations were part of for the twelve countries implementations contract.

In continuation of our commitment to cater diverse clientele, we rapidly transitioned to having our employees work remotely from home and implemented our "Business Continuity Plan" in a proactive and timely manner to ensure uninterrupted services for our customers during COVID-19 pandemic. While we are closely monitoring updates from the World Health Organization regarding the pandemic with concern, the unprecedented crisis has not deterred us from serving our diverse clientele worldwide.

NETSOL's innovation team also continues to work on a number of important technologies that have gained traction and which are being leveraged by the finance and leasing industry in order to ensure a future-proof business for clients globally. These include, but are not limited to, AI, Fintech and Blockchain.

The Board carried out its annual self-evaluation in line with requirements of Code of Corporate Governance and found its performance to be satisfactory for this financial period. All directors of the company, including independent and non-executive directors, contributed towards their respective roles and the decision-making of the board. The Board intends to further improve its performance to be in line with global best practices.

The Company also has an independent internal audit department and follows a risk based audit methodology. Internal audit reports are presented to Board Audit Committee on quarterly basis and areas for improvement are highlighted.

In the end, on behalf of the NETSOL Board of Directors and the company's Management, I would like to express my appreciation to our entire team across all our regional offices. The motivation, commitment and hard work of our employees, who are our most prized assets, is what enables us to maintain our supremacy in the global asset finance and leasing industry. Furthermore, I would like to thank all our business partners and clients who continue to place their belief and trust in us.

Shahab Ud Din Ghauri
Chairman
Lahore
September 22, 2020



From the Desk of CEO

It was unforeseen. The world order changed overnight. An abrupt stop to the free flowing direction of life. Times change and so do circumstances, but what keeps going in the middle of both, is the human. After all, what is meant to be, will be.

Being a CEO, and many others in my position were to take effective decisions in what will always be known as, in times of COVID-19. When the realization was yet to take to place, we foresaw the strings attached it and the decision of Work of Home was taken immediately.

I have always trusted my people. The people who made NETSOL then, the people who are making NETSOL now. The people of NETSOL made every task possible and raised the level of work productivity while working from home. Even though, sitting in the comfort of one's home, can deviate the mind yearning to rest all day. NETSOLians, did not get intrigued by relaxation. They followed their work routines, they were present for their meetings, they were in continuous contact with their team members and tasks were delivered well on time. Work did not stop.

On the other hand, business sustainability was equally a challenge. We saw big names coming down within a few days. The world faced economic crunch and people faced financial crises. In such a time, keeping the business intact was the focus without losing our people. What did take place was safety measures within the office space, inculcating the importance of following SOPs within our NETSOL community, amendments to the business strategy for the current year, trimming down expenditure, keeping in place

the effective ways of work from home and making sure client expectation and job deliveries were fulfilled. It worked out well.

As they say, opposites work simultaneously. Easy times will not be without hard and hard times will not be without easy. We at NETSOL are always ready for changes. And we take these changes positively because we believe, without changes there will be no growth.

For this effective transition, I am grateful to my people who held NETSOL together and worked together even while afar for NETSOL's success in times of COVID-19.

Moving forward, let us learn from the teachings of nature. Let us not be scared instead let's move along because the only inevitable, is the present.

Salim Ullah Ghauri
Chief Executive Officer
Lahore
September 22, 2020

Shareholders' Information

Registered Office

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

Listing and Symbol

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

Listing Fees

Annual listing fee for the financial year 2019-20 has been paid to Stock Exchange.

Dividend

The Board of Directors in their meeting held on 22 September 2020 has not proposed any dividend appropriation.

Book Closure Dates

Share Transfer Books of the Company will remain closed from 17 October 2020 to 23 October 2020 (both days inclusive).

Shares Registrar

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

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

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

Contact Person

Mr. Abdul Ghaffar Ghaffari
Manager Shares

Investor Grievances

Contact Persons

Registrar

Mr. Abdul Ghaffar Ghaffari-Manager Shares

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

Company

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

Service Standards

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

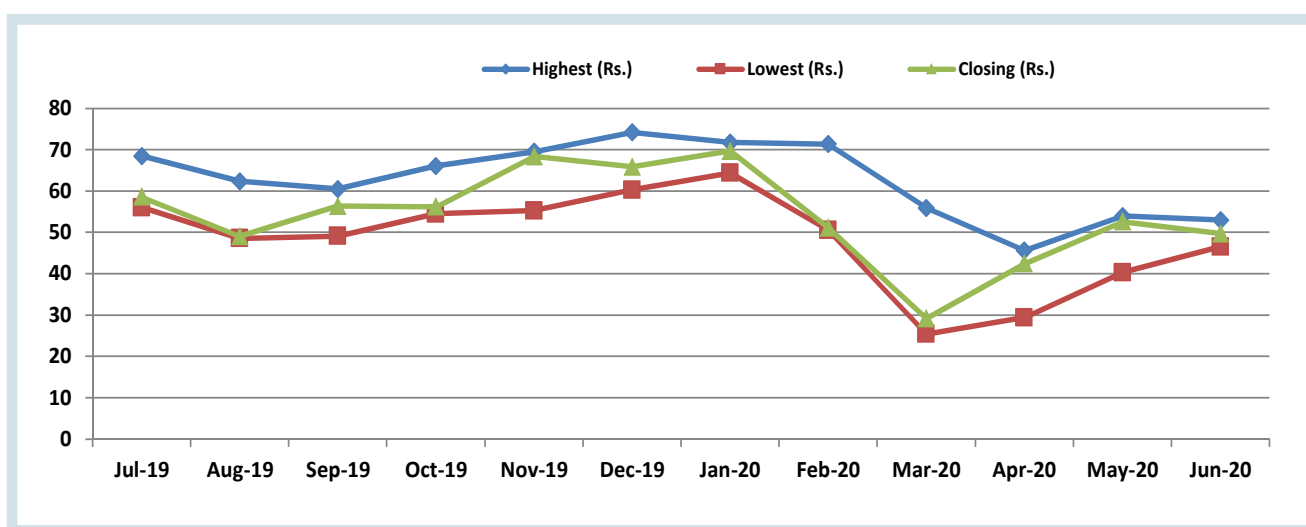
Sr.No.	Activities	For Request Received through post	Over the Counter
1	Transfer of Shares	15 days after receipt	15 days after receipt
2	Transmission of Shares	15 days after receipt	15 days after receipt
3	Issuance of duplicate share certificates	30 days after receipt	30 days after receipt
4	Change of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

Share Price/Volume

The following table shows the monthly high, low and closing share prices of the Company and the volume of shares traded on the Pakistan Stock Exchange Limited during the financial year ended June 2020:

Month	Highest (Rs.)	Lowest (Rs.)	Closing (Rs.)	No. of shares traded	Market Capitalization in *Value (Rs. in billion)
Jul-19	68.5	56.03	58.60	4,928,000	5.26
Aug-19	62.34	48.55	49.05	7,805,500	4.41
Sep-19	60.5	49.10	56.33	8,092,000	5.06
Oct-19	66.11	54.49	56.19	11,734,500	5.05
Nov-19	69.51	55.30	68.36	12,070,000	6.14
Dec-19	74.2	60.30	65.86	15,326,000	5.92
Jan-20	71.75	64.40	69.71	9,782,000	6.26
Feb-20	71.37	50.61	51.15	9,146,500	4.60
Mar-20	55.9	25.40	29.16	9,683,500	2.62
Apr-20	45.6	29.39	42.43	10,530,000	3.81
May-20	53.94	40.35	52.59	13,365,500	4.72
Jun-20	53.00	46.50	49.71	14,666,000	4.47

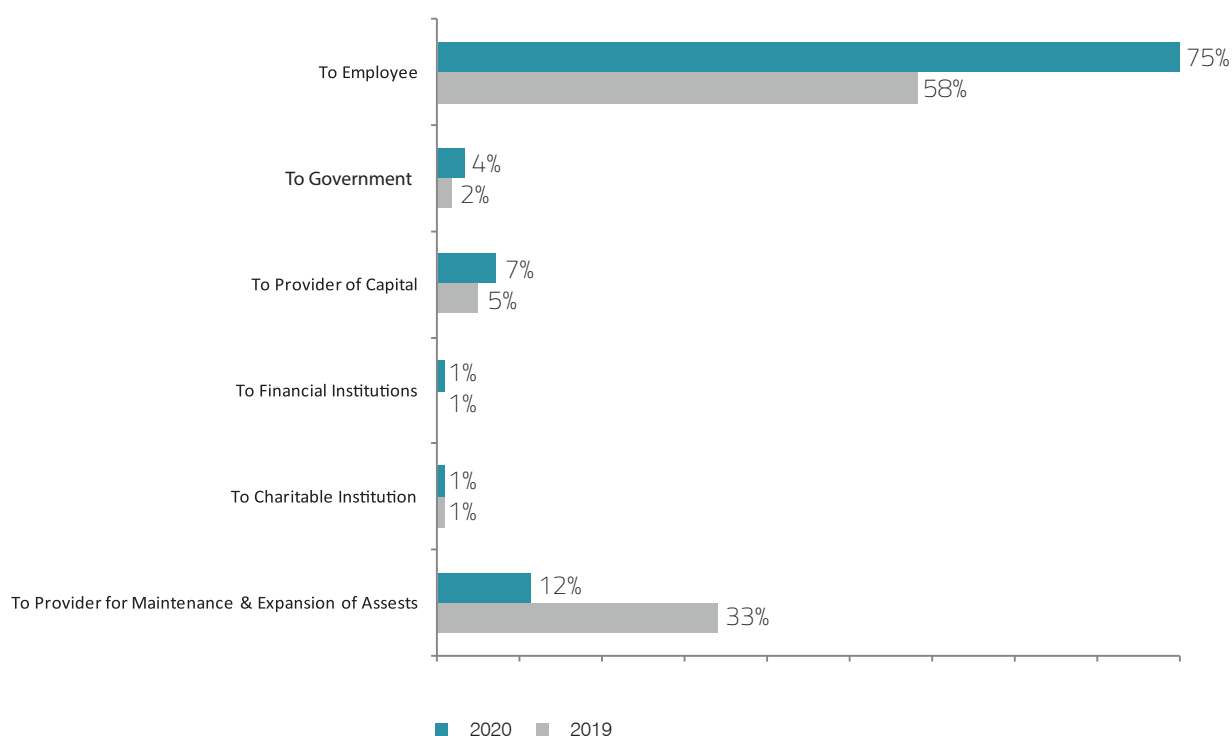
* Based on closing price.



FINANCIAL HIGHLIGHTS

Statement of Value Addition

	2020	% age	2019	% age
RUPEE IN THOUSAND				
VALUE ADDITION				
Revenue	4,708,374		5,381,196	
Other Income	481,509		945,494	
	5,189,883		6,326,690	
Less Operating & General Expenses	1,542,835		1,955,002	
Value Added	3,647,048	100%	4,371,688	100%
VALUE DISTRIBUTION				
To Employee				
Salaries & other employee benefits	2,724,351	75%	2,542,746	58%
To Government				
Income & other taxes	161,473	4%	75,132	2%
To Provider of Capital				
Cash dividend	251,543	7%	224,307	5%
To Financial Institutions				
As markup on borrowings	48,508	1%	39,779	1%
To Charitable Institution				
As markup on borrowings	11,564	1%	22,074	1%
To Provider for Maintenance & Expansion of Assets				
Depreciation / Amortization	204,769		224,166	
Retained Income	244,840		1,243,484	
	449,609	12%	1,467,650	33%
	3,647,048		4,371,688	



Six Years' Summary

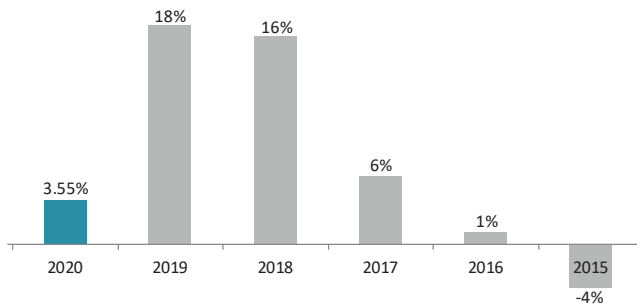
	2020	2019	2018	2017	2016	2015
FIXED CAPITAL EXPENDITURE						
Tangible	1,542,792	1,679,165	1,759,889	1,898,191	2,203,006	2,412,894
Intangibles	920,897	1,214,401	1,507,905	1,801,409	2,195,996	2,511,297
	2,463,689	2,893,566	3,267,794	3,699,600	4,399,002	4,924,191
LONG TERM INVESTMENT	239,827	308,567	308,567	218,873	34,055	15,188
LONG TERM LOANS TO EMPLOYEES	1,571	470	356	446	-	-
WORKING CAPITAL	4,379,835	3,739,858	3,148,859	1,796,245	942,853	363,378
NET ASSETS EMPLOYED	7,084,922	6,942,461	6,725,576	5,715,164	5,375,910	5,302,757
EQUITY & LIABILITIES						
SHAREHOLDER'S EQUITY	6,897,498	6,879,460	6,685,950	5,692,513	5,336,416	5,280,964
NON CURRENT LIABILITIES	187,424	63,001	39,626	22,651	39,494	21,793
TOTAL FUNDS INVESTED	7,084,922	6,942,461	6,725,576	5,715,164	5,375,910	5,302,757
REVENUE FROM CONTRACTS WITH CUSTOMERS - NET	4,708,374	5,381,196	4,284,800	3,925,697	3,215,811	2,700,191
COST OF REVENUE	3,142,330	3,290,450	2,346,162	2,685,337	2,282,076	2,167,105
GROSS PROFIT	1,566,044	2,090,746	1,938,638	1,240,360	933,735	533,086
OPERATING EXPENSES	1,321,204	847,262	872,668	920,064	881,533	720,111
NET PROFIT / (LOSS) FOR THE YEAR	244,840	1,243,484	1,065,970	320,296	52,202	(187,025)
EARNING / (LOSS) PER SHARE	2.73	13.86	11.89	3.58	0.59	(2.10)
RESERVES & SHARE CAPITAL						
Reserves	5,999,116	5,982,218	5,788,908	4,796,141	4,443,382	4,390,487
Share Capital	898,369	897,229	897,029	896,359	891,544	890,464
PAYOUT						
Cash Dividend	-	28%	25%	14.5%	5%	-

Key Financial Ratios

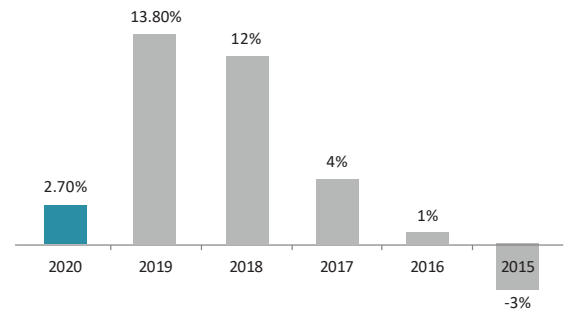
		2020	2019	2018	2017	2016	2015
Working Capital	Rupees in thousand	4,379,835	3,739,858	3,148,859	1,796,245	942,853	363,378
Gross Profit	%	33.26%	38.85%	45%	32%	29%	20%
Net Profit Margin	%	5.20%	23.11%	25%	8%	2%	(7%)
Return on Equity	%	3.55%	18.08%	16%	6%	1%	(4%)
Return on Assets	%	2.70%	13.80%	12%	4%	1%	(3%)
Debtor Turnover	Times	2.14	2.13	3.20	5.87	2.68	6.02
Current Ratio	Times	3.20	2.81	2.65	2.08	1.77	1.33
Earnings/(Loss) Per Share	Rupees	2.73	13.86	11.89	3.58	0.59	(2.10)
Book Value Per Share	Rupees	76.78	76.67	74.53	63.51	59.86	59.31
Outstanding No. of Shares	Number	89,836,923	89,722,923	89,702,923	89,635,923	89,154,423	89,046,423

Financial Summary

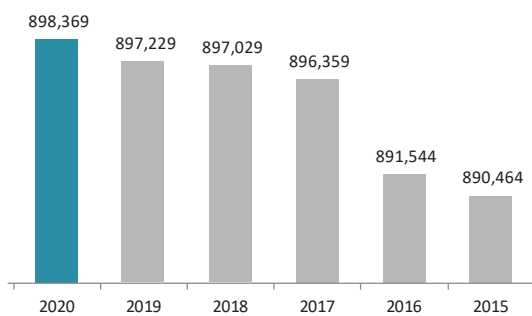
Return on equity



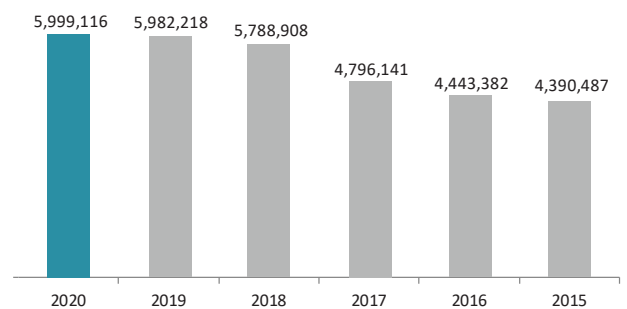
Return on Assets



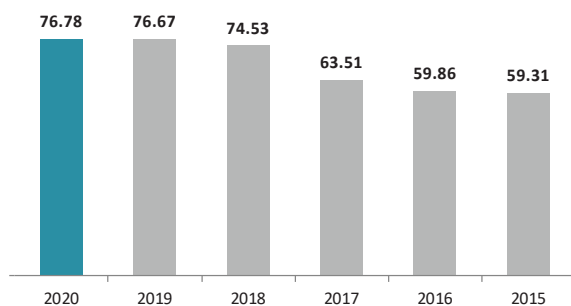
Share Capital (PKR in '000')



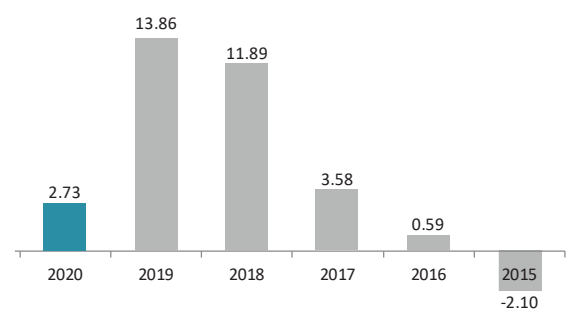
Reserves (PKR in '000')

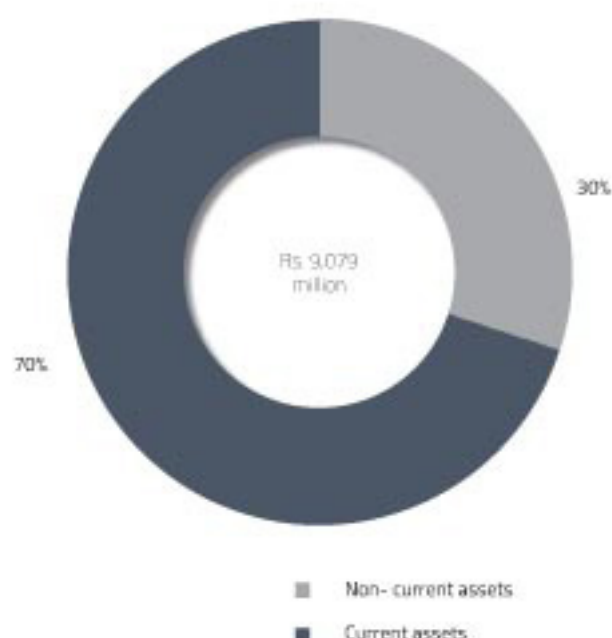
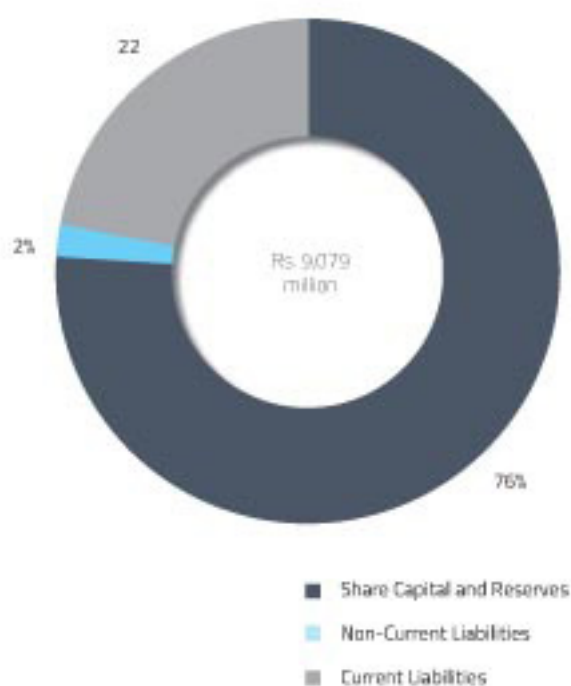
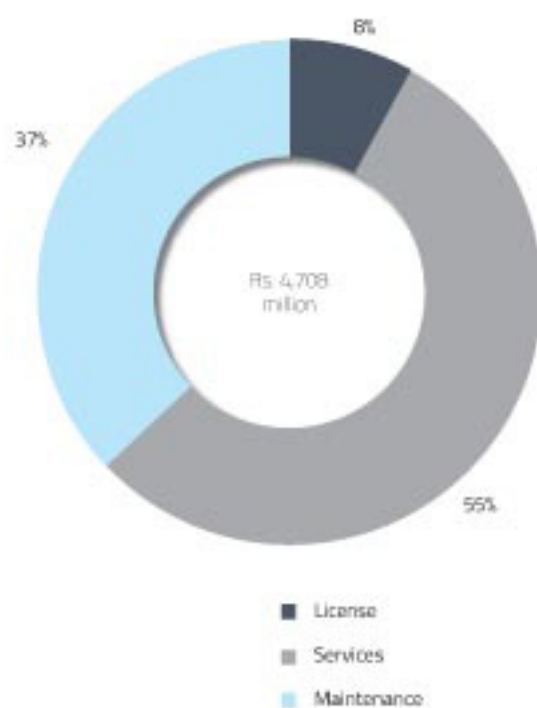
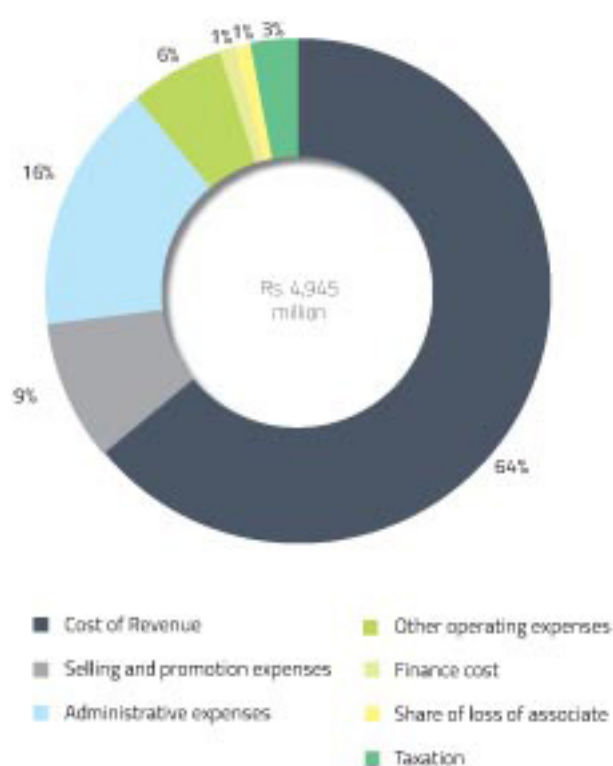


Book Value per Share (PKR)



Earning / (loss) per share (PKR)



Assets**Equity & Liabilities****Revenue****Expenses**

GOVERNANCE

Board of Directors



Shahab-Ud-Din Ghauri
Chairman

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



Salim Ullah Ghauri
Chief Executive Officer

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



Omar Shahab Ghauri
Executive Director

Omar Ghauri is the COO of NETSOL Technologies Ltd. As COO, he is managing and leading all of company's operations and delivery of NETSOL's Flagship product NFS. With 16 years of vast and extensive experience in the IT industry, Omar is committed to driving an innovative, impactful and diligent team of engineers. Omar's journey with NETSOL started off as a Business Analyst in 2004 where he analyzed and refined the business and functional requirements of new projects. In 2007, he became the Service Manager for NFS where his prime responsibility was to ensure customer satisfaction and bridge the gap between customers and development teams. From 2008 onwards, he has progressed over the career ladder with utmost zeal and determination until finally becoming in charge of NFS. His experience in both senior and junior roles, over his career history, is a testament to the fact that he has a vast set of skills ranging from leadership to strategic thinking. Omar earned a Bachelor's degree in Computer Information Systems (CIS) from James Madison University, USA. He is also a certified director by Pakistan Institute of Corporate Governance.



Vaseem Anvar

Independent Director

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



Anwaar Hussain

Independent Director

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



Najeeb Ullah Ghauri, SI

Non-Executive Director

Najeeb Ullah Ghauri is Pakistani born US national and a resident in California. His career spans over 40 years of academic, corporate and entrepreneurial accomplishments. His most dynamic, can do and versatile attributes led him to successfully manage senior divisional roles in fortune 500 companies such as Unilever and Atlantic Richfield Corporation, or Arco for short, prior to embarking on a most successful and challenging venture of his career to date. He received his bachelor's degree from Eastern Illinois University, and earned an MBA in marketing from the Drucker School of Management at The Claremont Graduate School. He was a nominee for the Ernst & Young 'Entrepreneur of the Year' award in California in 1982. He is very active in various educational non-governmental organizations (NGOs) worldwide. He is a founding board member of the Pakistan Human Development Fund. He is a board member at the U.S. Pakistan Business Council in Washington, D.C. (a U.S. Chamber of Commerce Body), and is also on the board of M4 International, Inc., a California-based executive consulting firm.



Hamna Ghauri

Non-Executive Director

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

After successfully running the farming venture, Hamna Ghauri extensively started researching on Organic Makeup products and formatted a brand Name "Amayl" in 2016, her rigorous working nature & commitment to give back to Community brought "ORGANIC GREEN EARTH" into existence, which truly serves the community by planting trees. She has a bachelors degree in Accounts and Finance from LSE. Hamna Ghauri is also a certified director for Pakistan Institute of Corporate Governance.

Directors' Report to the Members

On behalf of the Board of Directors, we are pleased to present the 24th Annual Report of NETSOL Technologies Limited ('NETSOL' or the 'Company') along with the Audited Financial Statements for the year ended June 30, 2020 and the Auditors' Report thereon.

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

The fiscal year 2019-2020 has been a defining period for the Company. Businesses across the world have been badly impacted by the unprecedented crisis of COVID-19, for which to date there is no vaccine, forcing companies worldwide to figure out methods to weather the storm. However, NETSOL being a leader in the global asset finance and leasing industry has remained an "adaptive" organization and with our remote working infrastructure and capabilities in place, the company ensured business continuity which enabled clients to continue their operations seamlessly.

On business front during the year, a major American multinational automaker went live in China with NETSOL's core product NFS Ascent's Retail Platform, which comprises of Omni Point of Sale (Omni-POS) and Contract Management System (CMS). This implementation marked another successful implementation of NETSOL's next-gen, premier product NFS Ascent in China. Our NFS Digital mCollector application (Mobile Collector) also went live for a top-tier multi-finance company in Indonesia. This implementation was carried out to transform the client's existing business practices through the use of new digital technology.

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

The company has also successfully implemented its next-gen product NFS Ascent™ in Hong Kong and Malaysia for a leading German auto captive. These implementations are the latest in an ongoing series as part of a larger multi-country contract started in 2016, to provide an existing NETSOL customer with an upgrade to the company's Next-Gen platform, NFS Ascent. The contract includes implementations, licenses, maintenance, services and expected customization fees for the platform covering deployments in 12 countries, altogether representing the largest contract in company history. Malaysia marks the ninth deployment to "Go Live" following successful implementations in Japan, China, South Africa, Thailand, New Zealand, Australia and South Korea and Hong Kong. It was a remarkable achievement in our history as the market had gone live remotely by people working from home.

During the year, 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

SEPARATE ACCOUNTS	June 30 2020	June 30 2019
	Rupees in '000'	
Revenue (in 000)	4,708,374	5,381,196
Gross Profit (in 000)	1,566,044	2,090,746
Net Profit (in 000)	244,840	1,243,484
Earnings per share – basic (PKR)	2.73	13.86
Earnings per share – diluted (PKR)	2.73	13.84
Adjusted EBITDA per share – diluted (PKR)	8.69	19.95

In spite of very tough prevailing market conditions, the Company performed reasonably well and able to achieve net turnover of PKR 4,708 million as compared to PKR 5,381 in fiscal 2019. During the year main revenue stream

of the company is fueled with PKR 389 license revenue from deployment of NFS Ascent™ at two customers' sites in the Asia Pacific region in comparison to the license revenue of PKR 1,573 which was mainly associated with the provisioning of license to sister concern's client for the implementation of NFS Ascent™ in China and other deployments. Main contributor to the current year revenue pool is services revenue which slightly reduced from PKR 2,751 million in the previous fiscal year to PKR 2,573 million in the current year. Services revenue also includes a handsome amount of on-site services. Man-day rate for the onsite services are reasonably higher than those of off-site services. Due to Covid-19, we have witnessed decline in the onsite services due to travel restrictions. If these restrictions continue, we may see declining trend in the on-site services revenue in future. Maintenance revenue increased from PKR 1,057 million in the fiscal 2019 to PKR 1,746 million in the current fiscal year. The increase in maintenance revenue is mainly associated with different customers going into maintenance phase after their successful implementations. Gross profit for the year clocked in PKR 1,566 million as compared to PKR 2,091 million in the same period last year. The Company posted net profit of PKR 245 million in the current year compared to a net profit of PKR 1,243 million in the previous year. Included in net profit is PKR 83 million on account of currency exchange gain due to depreciation in Pakistani Rupee in the current year compared to an exchange gain of PKR 847 million in the comparable period. Company also recorded share of loss from associate amounting to PKR 67 million compared to NIL in the corresponding period. This has translated basic and diluted earnings per share into PKR 2.73 and PKR 2.73 respectively in comparison with last year's basic and diluted earnings per share of PKR 13.86 and PKR 13.84 respectively. Adjusted EBITDA profit was PKR 8.69 per share in the current fiscal year compared to PKR 19.95 in the last fiscal year. EBITDA is a non-IFRS measure which is commonly used by the investors and analysts to analyze the financial health of any company. EBITDA is earnings before interest, tax, depreciation and amortization.

The Company also consolidates financial results of its subsidiary "NETSOL Innovation (Pvt) Limited". Net consolidated revenues for the year were PKR 4,708 million compared to PKR 5,390 million in fiscal 2019. Consolidated gross profit for the year was PKR 1,566 million in comparison to PKR 2,070 million posted in comparable year. On a consolidated basis, the company posted net consolidated profit of PKR 36 million in the current year compared to PKR 1,267 million in the corresponding year. Earning per diluted share was PKR 0.40 in comparison of earnings per diluted share of PKR 14.11 in the last fiscal year.

DIVIDEND

In these unprecedented times, focus of the company is to be financially strong enough to survive this tough period and preserve cash as much as possible. Keeping this in mind, the Board of Directors in their meeting held on September 22, 2020 has not recommended any dividend for the fiscal year ended June 30, 2020.

FUTURE OUTLOOK

The next fiscal year will be a significant period for businesses globally in terms of survival. Companies need to continue operating in an environment where a vaccine is yet to be made available and the economy is still reeling. This is a critical time when comprehending the severity of the situation and turning it favorable for the business is all that matters in order to prevail during these difficult times. As the global crisis of COVID-19 has been affecting key drivers of growth for businesses worldwide, the companies are now amending how they manage and operate their business and are re-strategizing their business plan. It is essential to plan ahead in the current disconcerted market. Despite the torment inflicted by COVID-19, NETSOL will continue to strategically identify and prioritize revenue opportunities. Being a global organization, the company's resources are used to building and working in virtual teams. NETSOL will maintain its aim to stay connected, accessible and will continue to deliver to its customers worldwide.

As it is challenging and unpredictable to anticipate how long this epidemic will last, it is imperative to be prepared for all scenarios. The company is taking different courses of action to weather the storm amid the uncertainty in the global financial environment. The company continues to closely monitor the

COVID-19 pandemic with uncertainty and concern.

Along with its premier, next gen solution NFS Ascent, the company will continue to promote its suite of digital solutions for the global asset finance and leasing industry, NFS Digital, across all regions. Since conventional brick and mortar has been disrupted, the company is confident that they will be providing more digital solutions to their diverse clientele worldwide. NETSOL takes pride in being the first organization in the industry to offer a full suite of digital solutions for the finance and leasing industry.

In today's changing environment and especially during this unprecedented crisis, finance and leasing companies are looking towards cloud-based environments. Therefore, the company will also heavily promote NFS Ascent on the Cloud in all markets worldwide. The elimination of heavy license fees and the provision of flexible, value-driven, subscription-based pricing will allow startups and companies with lower capital to purchase Ascent on the cloud and scale according to their business requirements. Ascent on the cloud is deployed rapidly with significantly shorter implementation cycles.

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.

NETSOL will maintain its presence at annual industry-leading events, conferences, summits and conventions across the globe in order to continue its lead generation. However, as there is uncertainty pertaining to whether these events will take place conventionally or virtually, the company is in close communication with the various associations that hold these events worldwide. Whether transpiring in the traditional manner or completely virtually, NETSOL's presence will continue in all regions the company operates in.

The company maintains following its key principle of being adaptive, by working on various technologies that have gained traction within the global asset finance and leasing industry. These include, but are not limited to, AI, Big Data, Blockchain and Fintech. In view of NETSOL's innovation-focused operations, the company will continue to invest in R&D in order to continue enabling clients to futureproof their business operations.

In line with Company's vision and mission the focus of the Company's management will remain on delivery of quality products and sound business plans for the overall success of the Company.

AWARDS & RECOGNITION

NETSOL received the "First-Rate and Best-Selling Finance and Leasing Solution Provider Award" at the China Leasing Summit 2019 for the seventh consecutive year. This award solidifies the company's stronghold in China where it holds 75% of the auto captive market.

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

NETSOL was also awarded with "Platinum Award" in IT Products and Solutions and "Gold Award" in Top IT Exporter categories by Pakistan Software Export Board.

PRINCIPAL RISK AND UNERTAINTIES FACING THE COMPANY

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

RISK FACTORS

A) CYBER SECURITY THREATS

Owing to the rise in cyber-crimes globally, the Company's ICT infrastructure is susceptible to certain threats. To ensure privacy/confidentiality and integrity

of the Company and its customers' and employees' data, the Company has implemented different security measures/controls including Intrusion Prevention System, data encryption at rest and in transit, data access on need to know basis and secure transmission protocols for client and server communications.

B) FOREIGN EXCHANGE RISK

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

C) LIQUIDITY RISK

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

D) CREDIT RISK

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

E) INTEREST RATE RISK

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

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

Advancements in digital technologies have caused the global asset finance and leasing industry to evolve. These innovative technologies and solutions have transformed the way finance and leasing companies operate. In order to remain relevant and to grow, it is imperative that the company continues to evolve alongside the industry. Product development and enhancements continue in order to enable the company to enter new markets, which has a significant influence on the position, performance and most importantly, the future of the company. In order to continue futureproofing our clients' business, our Innovation Lab has been working tirelessly on a number of vital technologies that have gained traction and continue to deeply impact the global asset finance and leasing industry. These include, but are not limited to, Artificial Intelligence/Machine Learning, Blockchain, Big Data and Fintech.

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

NETSOL Technologies Ltd. (the "Company") had established a subsidiary company called NETSOL-Innovation (Private) Ltd. ("NIPL") in collaboration with a UK based partner The Innovation Group. NIPL was providing outsourcing services to the joint venture partner. Due to change in the business strategy of The Innovation Group, they planned to sell their shareholding in the subsidiary and offered their shareholding in NIPL to the Company. The Company purchased their shareholding with the approval of shareholders and after the completion of all legal formalities. NIPL has now become a wholly-owned subsidiary of the Company.

Another significant milestone that transpired during this fiscal period was the introduction of flexible, subscription-based pricing for all regions. All new contracts now provide NETSOL customers with the option of subscription-based pricing as an alternative to the traditional license model. This

Software-as-a-Service (SaaS) pricing option is now available for all cloud-based NETSOL products and services, including NETSOL's core, next-gen solution NFS Ascent. This new, value-driven pricing plan is intended to decrease the initial buy-in cost for new customers by eliminating heavy license fees and provides an alternative to current customers seeking lower software usage and maintenance costs. For the company, transitioning to a subscription billing model, over time, would provide substantially improved recurring revenue opportunities, leading to greater customer lifetime value (LTV) as well as long-term financial visibility.

IMPACT OF COMPANY BUSINESS ON THE ENVIRONMENT

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

CORPORATE SOCIAL RESPONSIBILITY

A detailed report on corporate social responsibility is annexed herewith.

ADEQUACY OF INTERNAL FINANCIAL CONTROLS

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

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

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

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The Company is fully compliant with the requirements of the Listed Companies (Code of Corporate Governance), Regulations 2019. A statement to this effect is annexed with this report.

STATEMENT OF COMPLIANCE

The statement of compliance under the Listed Companies (Code of Corporate Governance), Regulations 2019 is attached with this report.

DIRECTORS' REMUNERATION

The Company does not pay remuneration to non-executive directors including the independent director except fee for attending the meetings. The Company will reimburse or incur expenses of travelling and accommodation of Directors in relation to attending of Board and its Committees meetings. Aggregate amount of remuneration of executive directors, including their salary, perquisites, benefits and performance-linked incentives are disclosed in the annexed financial statements.

COMPOSITION OF THE BOARD

Composition of the Board of Directors is in compliance with the requirement of Listed Companies (Code of Corporate Governance), Regulations 2019 which is given below:

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

Gender	Number
Male	06
Female	01

Composition of the Board is given below:

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

NAME OF THE DIRECTORS

Following are the board members of the Company as at June 30, 2020:

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

During the year ended June 30, 2020, five (05) board meetings were held.

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

AUDIT COMMITTEE

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

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

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

During the year ended June 30, 2020, six (06) meetings of the Audit Committee were held.

HUMAN RESOURCE AND REMUNERATION COMMITTEE

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

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

During the year ended June 30, 2020, the Committee held one (01) meeting to discuss & approve the matters falling under the terms of reference of the Committee.

PERFORMANCE EVALUATION OF BOARD OF DIRECTORS AND THE BOARD COMMITTEES

The primary purpose of the Board of Directors of the company is to direct the company's affairs collectively and ensure organizational prosperity, while also making sure that the interests of shareholders and stakeholders of the company are being protected. As per the Listed Companies (Code of Corporate Governance) Regulations 2019, evaluation of the Board of Directors as a whole is required, including its Committees and the involvement of each Director towards the strategic direction and growth of the company.

This evaluation was facilitated in order to define competencies required within the Board, taking into consideration the role and input of the individual members and to highlight future aspects that require attention. A compre-

hensive questionnaire was sent out by the Human Resource & Remuneration Committee to all Board Members pertaining to performance evaluation of the Board of Directors and its Committees.

Primary areas of concern included the following:

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

On the basis of each Individual Director's feedback and thereby consolidated evaluated results, average rating of the Board, Individual Directors & Committees performance has been found satisfactory & effective.

DIRECTORS' TRAINING PROGRAM

BOARD OF DIRECTORS

All the board members have either completed Directors Training Program or are exempt as per criteria specified in Listed Companies (Code of Corporate Governance) Regulations, 2019.

HEADS OF DEPARTMENTS & FEMALE EXECUTIVES

Pursuant to the requirement of the Listed Companies (Code of Corporate Governance) Regulations, 2019 regarding training of at least one head of department and one female executive every year, under the Directors' Training Program, appropriate measures have been taken to ensure that the Company complies with the requirement within the time period stipulated by the Code.

REVIEW OF RELATED PARTIES TRANSACTIONS

All the related party transactions in the ordinary course of business are entered on arm's length basis and are in compliance with the applicable provisions of the Companies Act, 2017. There are no materially significant related party transactions made by the Company with Directors or Key Managerial Personnel which may have potential conflict with the interest of the Company at large or which warrants the approval of the shareholders. All related party transactions during the current financial year were placed before the Board Audit Committee for its review and then to the Board for their approval.

EMPLOYEE STOCK OPTION SCHEME

On August 01, 2009, the compensation committee granted 4.35 million stock options to the employees at a grant price of Rs. 16.42 per option. The options were granted under employee stock option scheme duly approved by the Securities and Exchange Commission of Pakistan. Since the grant of options till the end of fiscal year 2020, the granted options had become 100% exercisable.

The following disclosure is made regarding options granted, vested or exercised during the financial year ended June 30, 2020:

1. Total options granted were 4,350,000.
2. 100% of the options granted had vested by the end of financial year ended June 30, 2020.
3. Till June 30, 2020, 3,944,500 options were exercised by the employees & shared issued and the Company received PKR 64.77 Million on this account.
4. 114,000 fresh shares issued during the fiscal year ended June 30, 2020 due to exercise of options.
5. 405,500 options lapsed till June 30, 2020 and nothing is available for exercise now.
6. Following options were granted to the senior managerial cadre employees:

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

7. Except the figures disclosed above, no employee was granted five percent or more of options during one year or one percent or more of the issued capital of the Company.
8. Certain amendments to Employees Stock Option Scheme 2009 were approved by Securities and Exchange Commission of Pakistan vide let-

ter dated June 10, 2016. The same amendments were also approved by the shareholders of the Company through a special resolution passed on October 27, 2015. Major amendments are narrated below:

- a. Vesting period for the options to be granted by the Company from the year 2016 onwards would be three years instead of seven years.
- b. Options to be granted by the Company in the year 2016 onwards may be exercised in the following manner:
 - 50% of the options granted to an employee may be exercised any time during the exercise period but one year after the date of grant.
 - Up to 80% (inclusive of 50% above) of the options granted to an employee may be exercised any time during the exercise period but after completion of two years from the date of grant.
 - Up to 100% (inclusive of 80% above) of the options granted to an employee may be exercised any time during the exercise period but after completion of three years from the date of grant.

HOLDING COMPANY

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

APPOINTMENT OF AUDITORS

The present external auditors' Messrs H.Y.K & CO., Chartered Accountants retire and being eligible, offer themselves for reappointment. The Board of Directors has endorsed the recommendation of the Audit Committee for the reappointment of Messrs H.Y.K & CO., as the auditors for the financial year ending June 30, 2021 on such terms and conditions and remuneration as may be decided. The external auditors have confirmed that they have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan. They have further confirmed that their firm is in compliance with International Federation of Accountants' (IFAC) guide-lines on Code of Ethics as adopted by the ICAP. The external auditors have not been appointed to provide other services except in accordance with the Listing Regulations.

KEY OPERATING AND FINANCIAL DATA

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

PATTERN OF SHAREHOLDING

A statement of the general pattern of shareholding as at June 30, 2020 along with pattern of shareholding of certain classes of shareholders whose disclosure is required under the reporting framework and the statement of purchase and sale of shares by directors, executives and their spouse including minor children during the fiscal year 2020 is annexed herewith.

SUBSEQUENT EVENTS

No material changes or commitments affecting the financial position of the Company have taken place between the end of the financial year and the date of this report.

ACKNOWLEDGEMENT

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

On behalf of the Board



Salim Ullah Ghauri
Chief Executive Officer

Lahore
September 22, 2020



Omar Ghauri
Director

ڈائر یکنز کی رپورٹ

ہمیں خوشی ہے کہ از طرف بورڈ آف ڈائریکٹرز نیٹسول ٹیکنالوجیز لمیٹڈ ("نیٹسول" یا "دی کمپنی") کی چوبیسویں سالانہ آڈٹ شدہ مالیاتی گوشوارے جس کا اختتام 30 جون 2020ء کو ہوا، مع آڈیٹرز رپورٹ پیش کر رہے ہیں۔

کمپنی کے کاروبار کی کارآمدی اور ترقی کی بنیادی سرگرمیاں

مالی سال 2019-2020 کمپنی کے لیے اپنی شخص کو اجاگر کرنے کا سال رہا ہے۔ دہائی بھر کے کاروباری اداروں کو COVID-19، جس کے لیے آج تک کوئی ویکسین موجود نہیں ہے، کے غیر متوقع بحران نے بری طرح متاثر کیا ہے، جس نے دہائی بھر کی کمپنیوں کو حالات سے مقابلہ کرنے کے لئے نئے طریقے کار وضع کرنے پر مجبور کر دیا ہے۔ تاہم، نیٹسول عالمی asset finance اور لیونگ کی صنعت کا ایک رہنما (leader) ہونے کی حیثیت سے ایک "adaptive" ادارہ ہے، "بٹسول" کے فاصلاتی دفتری ٹیم (remotely) کام کرنے والے انفراسٹرکچر اور صلاحیتوں کی موجودگی کے ساتھ، کمپنی نے کاروباری تسلسل کو یقینی بنانے کی وجہ سے کلائنٹ اپنے آپ بزنس کو بغیر کسی رکاوٹ کے جاری رکھ سکی ہیں۔

پروڈکٹ فرمنٹس، ایک ایچ ایم آر کی ملٹی نیشنل automaker چین میں نیٹسول کی ذیلی ڈویژن NFS Ascent کے ریشیل پلیٹ فارم کے ساتھ live ہو گیا، جس میں اوٹنی پوائنٹ آف سیل (Omni Point of Sale) اور کنٹرولڈ میٹمنٹ سسٹم Contract Management Sstem (CMS) شامل ہیں۔ چین میں یہ نیٹسول کے next-gen، پریمیر مصنوعہ NFS Ascent کے ایک اور کامیاب ٹیڈ کی نشاندہی کی۔ نیٹسول انڈونیشیہ میں ایک اعلیٰ درجے کی ملٹی فنانس کمپنی کے لیے اپنی NFS Digital mCollector اپیلی کیشن (موبائل کلکٹر) کا نفاذ کیا ہے۔ یہ نفاذ، جو کہ نئی ڈیجیٹل ٹکنالوجی کے استعمال کے ذریعے کلائنٹ کے موجودہ کاروباری طریقوں کو تبدیل کرنے کے لیے اہم مددگار تھا۔

کمپنی نے، معاہدے کے تحت sister concern کو لائسنس کے ساتھ ساتھ اہم خدمات بھی فراہمی کی، ایک اعلیٰ درجے کی آٹو کپٹیو فنانس auto captive finance کے لیے چین میں NFS Ascent Wholesale پلٹ فارم کا کامیابی کے ساتھ نفاذ کیا۔ چین میں یہ deployment نیٹسول کے next-gen solution NFS Ascent's Retail and Wholesale کے ملٹی ٹیلر ڈالر کے معاہدے کا حصہ تھا۔

کمپنی نے ہانگ کانگ اور آسٹریلیا میں معروف برمن آٹو کپٹیو (auto captive) کے لیے اپنی next-gen مصنوعات NFS Ascent کا کامیابی سے نفاذ کیا ہے۔ یہ نفاذات ایک کثیر الملکی (multi-country) بڑے معاہدے، جو کے اصل میں 2016ء میں شروع کیا گیا تھا، کے حصے کے طور پر جاری سیریز میں تازہ ترین ہیں جو کہ کمپنی کے next-gen پلیٹ فارم، NFS Ascent اپ ٹریڈ کے ساتھ موجودہ نیٹسول کے صارف کو مہیا کیا گیا ہے۔ اس معاہدے جو نیٹسول کمپنی کی تاریخ کا سب سے بڑا معاہدہ ہے، میں 12 ممالک میں نفاذ (implementation) کے لیے deployments لائسنس، بحالی، خدمات اور متوقع کسٹما ئزیشن customizations فیس شامل ہیں۔ جاپان، چین، جنوبی افریقہ، تھائی لینڈ، نیوزی لینڈ، آسٹریلیا، جنوبی اور ہانگ کانگ میں کامیاب نفاذ کے بعد 11 ایکٹو "Go Live" نوٹس نفاذ کا ہدف ہے۔ کمپنی کے عملے نے فاصلاتی دفتری ٹیم (remotely) کے تحت گھروں سے کام کرتے ہوئے نفاذ مکمل کیا اور کمپنی کی تاریخ میں قابل ذکر کامیابی حاصل کی۔

سال کے دوران نیٹسول 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 ایونٹس میں نیٹسول کی بانی میٹمنٹ نے برسوں پہلے کمپنی کی ترقی و توسیع اور موجودہ اور مستقبل کی صلاحیت کو وضاحت سے پیش کیا اور نیٹسول کے بھرپور اس کی ترقی کے سفر کے بارے میں قابل قدر معلومات فراہم کی۔

مالیاتی کارکردگی (Financial Performance)

مالیاتی گوشوارے

محصولات (000 میں)	30 جون 2020ء	30 جون 2019ء
خام منافع (000 میں)	4,708,374	5,381,196
نقد منافع (000 میں)	1,566,044	2,090,746
منافع فی شخص (غیر دی روپے)	244,840	1,243,484
منافع فی شخص (تخلیل شدہ روپے)	2.73	13.86
EBITDA فی شخص (تخلیل شدہ روپے)	2.73	13.84
	8.69	19.95

مارکیٹ میں انتہائی مشکل حالات کے وجود، کمپنی نے مالی طور پر مناسب کارکردگی کا مظاہرہ کیا اور مالی سال 2019ء میں 5,381,196 روپے کے مقابلے میں 4,708,374 روپے کا خالص محصولات حاصل کرنے میں کامیاب رہی۔ سال کے دوران، کمپنی کی ذیلی محصولات کے سلسلے میں 389 ملین روپے لائسنس محصولات جو کہ ایشیا پیسیفک ریجن میں دو صارفین کی sites پر NFS Ascent کی deployment سے حاصل ہوئی اس کے مقابلے میں گذشتہ سال 1,573 ملین روپے کی لائسنس محصولات جو کہ ذیلی طور پر چین میں sister concern کی NFS Ascent اور دیگر deployments سے وابستہ تھی۔ رواں سال کی محصولات میں اہم کردار (contribution) خدمات کی محصولات سے منسلک ہے، جو پچھلے مالی سال کے 2,751 ملین روپے کے مقابلے میں تھوڑی سی کم ہو کر رواں سال 2,573 ملین روپے رہ گئی ہے۔ خدمات کی محصولات میں آن سائٹ کی خدمات کی ایک معقول رقم بھی شامل ہوئی ہے۔ کمپنی کا یومیہ شرح (man-dayrate) آن سائٹ خدمات کا معاوضہ آف سائٹ خدمات سے کچھ زیادہ ہوتا ہے۔ Covid-19 کی وجہ سے سفری پابندیوں کے باعث ہماری آن سائٹ خدمات میں کمی کا سامنا کرنا پڑا ہے۔ اگرچہ یہ پابندی یونانی جاری رہی تو ہم مستقبل میں آن سائٹ خدمات میں کمی کی محصولات میں کمی کا رجحان دیکھیں گے۔ مالی سال 2019ء میں بحالی کی محصولات 1,057 ملین روپے سے کچھ زیادہ موجودہ مالی سال میں 1,746 ملین روپے ہو گئی۔ بحالی کی محصولات میں اضافہ ذیلی طور پر مختلف صارفین سے منسلک ہے جو کامیاب نفاذ کے بعد بحالی کے مرحلے سے گزر رہے ہیں۔ رواں سال کے لیے خام منافع 1,566 ملین روپے ہے جبکہ گذشتہ سال اسی عرصے میں، 2,091 ملین روپے تھا۔ کمپنی نے گزشتہ سال کی اس مدت میں نقد منافع 1,243 ملین روپے کے مقابلے میں 245 ملین روپے نقد منافع موجودہ مالی سال میں درج کیا ہے۔ نقد منافع میں شامل 83 ملین روپے، پاکستانی روپے کی قدر میں کمی کی وجہ سے کرنسی تبادلے کے منافع سے منسلک ہے، جن کا موازنہ 847 ملین روپے کرنسی تبادلے کے منافع کے گذشتہ سال کے اسی عرصہ سے کیا گیا ہے۔ گذشتہ سال کی اسی مدت میں NIL کے مقابلے میں کمپنی نے 67 ملین روپے associate کمپنی سے ہونے والے خسارے کا حصہ بھی درج کیا ہے۔ ذیلی اور تخلیل شدہ (Basic & Diluted) آمدنی فی شخص پر لٹریچر 2.73 روپے اور 2.73 روپے فی شخص رہی ہیں، جبکہ اس کے مقابلے میں گزشتہ سال ذیلی اور تخلیل شدہ آمدنی فی شخص 13.86 روپے اور 13.84 روپے فی شخص بلتیر رہیں۔ رواں مالی سال میں EBITDA 8.69 روپے فی شخص کے مقابلے میں گزشتہ مالی سال میں 19.95 روپے تھا۔ EBITDA ایک Non-IFRS اقدام ہے جو کہ عام طور پر کسی بھی کمپنی کی مالی حالت کا تجزیہ کرنے کے لیے سرمایہ کاروں اور تجزیہ کاروں کی طرف سے استعمال کیا جاتا ہے۔ EBITDA سود، ٹیکس، فرسودگی اور کساد زاری سے پہلے کی آمدنی ہے۔

کمپنی کا ماتحت ادارہ "نیٹسول انوینٹری" (انویٹری) (لمیٹڈ)، "جمہوری مالیاتی گوشوارے شامل کر دیئے ہیں گذشتہ سال 2019ء کو ختم ہونے والے مالی سال کے لیے نقد مجموعی محصولات 5,390 ملین روپے کے مقابلے میں رواں سال 4,708 ملین روپے تھی۔ اس سال مجموعی خام منافع 1,566 ملین روپے کا تھا جبکہ تقابلی سال میں 2,070 ملین روپے درج ہوا تھا۔ مجموعی ذیلی کمپنی نے گذشتہ سال 1,267 ملین روپے کا مجموعی نقد منافع کے مقابلے میں اس سال 36 ملین روپے مجموعی نقد منافع درج کیا۔ گذشتہ مالی سال کی فی شخص تخلیل شدہ آمدنی 14.11 روپے کے مقابلے میں رواں سال فی شخص تخلیل شدہ آمدنی 0.40 روپے درج کی ہے۔

ڈیویڈنڈ (Dividend)

موجودہ غیر معمولی صورت حال کے پیش نظر کمپنی نے اپنی تمام توجہ مالی حیثیت کو مستحکم اور مضبوط رقم کو زبردہ سے زیادہ محفوظ رکھنے میں مرکوز کی ہوئی ہے، یہ کہ آئندہ آنے والے مشکل حالات سے نبرد آزما ہو سکیں۔ اور اس بات کو مد نظر رکھتے ہوئے 22 ستمبر 2020ء کو منعقد ہونے والے اجلاس میں بورڈ آف ڈائریکٹرز 30 جون 2020ء کو ختم ہونے والے مالی سال کے لیے ڈیویڈنڈ نہ دینے کی منظوری دی ہے۔

مستقبل کا نقطہ نظر (Future Outlook)

آئندہ مالی سال عالمی سطح پر کاروباری اداروں کے لیے بقا کے لحاظ سے ایک اہم دور ہوگا۔ کمپنیوں کو ایسے ماحول میں کام جاری رکھنا پڑے گا جہاں ابھی تک ویکسین دستیاب نہیں ہے اور معیشت ابھی بھی بکڑی ہوئی ہے۔ یہ ایک بڑک وقت ہے جس میں مشکل وقتوں سے گزرنے کے لئے صورت حال کی شدت کو سمجھنا اور اسے کاروبار کے لیے سازگار بنانا ضروری ہے۔ چونکہ COVID-19 عالمی بحران دہائی بھر کے کاروباروں کے لیے نئے نمونے کے اہم محرکات کو متاثر کر رہا ہے، اس لئے کمپنی اپنے انتظامات و انحصارات اور کاروباری منصوبوں میں ترمیم کر رہی ہیں۔ مارکیٹ کی موجودہ غیر یقینی صورت حال میں آگے کی منصوبہ بندی کرنی ضروری ہے۔ COVID-19 کی وجہ سے ہر مساعد حالات

انٹرنیٹ آف تھنگز (IoT) کے ذریعے زرعی شعبے میں رہنما ایوارڈ بھی حاصل کیا۔
نیٹیل سول کو پاکستان سافٹ ویئر ایکسپورٹ بورڈ کی جانب سے "آئی ٹی پروڈکٹ اینڈ سولوشنز (IT Products and Solutions) میں پلانٹیم ایوارڈ" اور "ٹپ آئی ٹی ایکسپورٹر میں گولڈ ایوارڈ (Gold Award in Top IT Exporter)" سے بھی نوازا گیا۔

کمپنی کے بنیادی خطرات اور غیر یقینی صورتحال

(Principal Risk and Uncertainties Facing the Company)

خطرات کے کچھ عوامل ہیں جن کا اثر کمپنی کی مستقبل کی کارکردگی پر پڑ سکتا ہے۔

مکمل خطرات (Risk Factors)

الف۔ سائبر سیورٹی کا خطرہ (Cyber Security Threats)

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

ب۔ ذریعہ مبادلہ کے خطرات (Foreign Exchange Risk)

ذریعہ مبادلہ کے خطرات ذہنی طور پر وہاں بیٹھ جاتے ہیں جہاں ادائیگی کی وصولی کی ٹرانزیکشنز (Transactions) غیر ملکی کرنسیوں میں ہو۔ کمپنی کو غیر ملکی کرنسی میں مکمل خطرات اس وقت لاحق ہوتے ہیں کہ جب تجارتی قرض (Trade Debts)، ادائیگی اور وصولیاں پاکستانی کرنسی (روپے) کے علاوہ کسی اور کرنسی میں ہوں۔ کمپنی کی کیش محصولات پاکستانی روپے کے علاوہ دیگر کرنسیوں میں ہے۔ کمپنی سرمایہ کاری مقاصد کے لیے نیچے اور نیچے کے مساوی سرمایہ غیر ملکی کرنسیوں میں بھی رکھتی ہے۔

ج۔ لیکویڈیٹی کا خطرہ (Liquidity Risk)

لیکویڈیٹی کے خطرات اپنے معاشی ارادوں کی تکمیل کے لیے فنڈز اکٹھا کرنے کی کامی کوہا کر رہے ہیں۔ کمپنی میں لیکویڈیٹی کے خطرات ذہنی طور پر مالی اثاثوں اور ذمہ داریوں میں بے ضابطگیوں کی وجہ سے پیدا ہوتے ہیں۔ لہذا ہم مؤثر کیش مینجمنٹ اور منصوبہ ساز پالیسی کی پیروی کرتے ہیں کہ فنڈز کی دستیابی کو یقینی بنائیں اور کئی بھی فی ضرورت کے لیے مناسب اقدام کریں۔

د۔ کریڈٹ کا خطرہ (Credit Risk)

کریڈٹ کا خطرہ اس موقع خسارے کی فہمندی کرتا ہے جو کہ رپورٹنگ کی تاریخ میں درج ہوگا کہ اگر مختلف طور پر ریٹریبل طور پر معاہدے کی ادائیگی میں تاخیر ہو جائے گی۔ کریڈٹ کے خطرہ کو کم کرنے کے لیے کمپنی نے مضابطہ منظوری سے لائحہ عمل بنایا ہے جس سے کریڈٹ کی حد کمپنی کے کسٹمرز پر لاگو ہوتی ہے۔ کمپنی کی انتظامیہ اپنے کسٹمرز سے کریڈٹ کی مسلسل نگرانی بھی کرتی ہے اور ضروری ہو تو کسٹمرز کو ان کے بینکس کے برخلاف بحالی کی کھلیت بھی فراہم کرتی ہے۔

ح۔ شرح سود کا خطرہ (Interest Rate Risk)

شرح سود کا خطرہ وہ خطرہ ہے کہ جو financial instrument میں مستقبل کے تغیر بہاؤ کی مناسب قدر کی اثر پڑے گا۔ مارکیٹ کی شرح سود میں تبدیلی کی وجہ سے پیدا ہوتے ہیں۔ بینکوں اور سرمایہ کاری میں ڈیپازٹ اور ٹرم ڈیپازٹ، منافع اور نقصان، بچت کے اکاؤنٹس میں بینکوں کے مختصر اور طویل مدتی قرضوں کی کثرت کی وجہ سے شرح سود میں اضافہ ہوتا ہے۔

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

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

ڈیجیٹل ٹیکنالوجیز میں ہونے والی ترقی نے عالمی ایسٹ فنانس اور لیونگ انڈسٹری کو فروغ دیا ہے۔ ان ٹیکنالوجیز اور سولوشنز نے فنانس اور لیونگ کمپنیوں کے ہانے کے انداز کو تبدیل کر دیا ہے۔ کمپنی کو متعلقہ کاروبار پر ترقی کے لیے، یہ ضروری ہے کہ کمپنی صنعت کے ساتھ ساتھ ترقی کرتی رہے۔ کمپنی کو نئی مصنوعات میں داخل کرنے کے قابل بنانے کے لیے مصنوعات کی ترقی اور اضافہ جاری ہے، جس کی حیثیت، کارکردگی اور معیار سے اہم بات یہ ہے کہ کمپنی کے مستقبل پر اس کا خاص اثر ہے۔ اپنے صارفین کے کاروبار کو مستقبل میں رواں دواں رکھنے کے لیے، ہماری انویسٹمنٹیں بے متعدد اہم ٹیکنالوجیز جنہوں نے عالمی ایسٹ فنانس

کے وجود، نیٹیل سول حکمت عملی سے محصولات کی پیش گوئی اور ترجیح جاری رکھے گا۔ ایسٹ عالمی ادارہ ہونے کی وجہ سے، کمپنی اپنے وسائل و رچوں (virtual) ٹیوں کی صورت میں کام جاری رکھتے ہوئے استعمال کرے گی۔ نیٹیل سول (connected) اور قابل رسا (accessible) رہنے کے اپنے مقصد کو برقرار رکھے گا اور دہ بھر کے صارفین تک اپنی خدمات پہنچاتا رہے گا۔

چونکہ یہ قیاس کرنا چیلنجنگ اور قابل ازاں ہے کہ یہ وہاں تک پہنچے گی، لہذا یہ ضروری ہے کہ ہر طرح کی صورت حال کے لیے تیار ہونے ہوگا۔ کمپنی عالمی مالیاتی ماحول میں غیر یقینی صورتحال سے تبرد آزما ہونے کے لیے مختلف اقدامات کر رہی ہے۔ کمپنی COVID-19 کی وجہ سے غیر یقینی صورت حال پر گہری نگاہ رکھے ہوئے ہے۔

کمپنی اپنی اعلیٰ، next gen solution NFS Ascent کے ساتھ ساتھ، عالمی ایسٹ فنانس اور لیونگ اسٹریٹج NFS Digital کے لیے تمام علاقوں میں اپنے ڈیجیٹل سولوشنز (digital solutions) کے فروغ کو جاری رکھے گی۔ جیسا کہ روایتی کاروباری معاملات (brick and mortar) میں غلط واقع ہوا ہے، اس کے وجود بھی کمپنی کو یقین ہے کہ دہ بھر میں اپنے متنوع کلائنٹ کو مزید ڈیجیٹل سولوشنز (digital solutions) فراہم کرنے کا موقع ملے گا۔ نیٹیل سول اس صنعت میں پہلا ادارہ ہونے پر فخر محسوس کرتا ہے جس نے فنانس اور لیونگ اسٹریٹج کے لیے ڈیجیٹل سولوشنز (digital solutions) کا مکمل پیکج پیش کیا ہے۔

آج کے بدلتے ماحول میں اور خاص کر اس غیر معمولی بحران کے دوران، فنانس اور لیونگ کمپنیاں (cloud based environment) کی طرف جاری ہیں۔ لہذا، کمپنی دہ بھر کی تمام ماریٹیمز میں کلاؤڈ (cloud) پر NFS Ascent کا بھرپور طور پر فروغ دے گی۔ ہماری لائسنس فیس کے خاتمے اور value-driven, flexible subscription پر مبنی قیمتوں کی فراہمی سے اسٹارٹ اپ (startups) اور کم سرمائے والی کمپنیوں کو ان کے کاروبار کی ضروریات کے مطابق NFS Ascent کی خریداری (cloud) سے کر سکیں گی۔ NFS Ascent کلاؤڈ (cloud) پر ہونے کی وجہ سے مختصر وقت میں قابل استعمال ہو جاتا ہے۔

اس کے علاوہ، انتظامیہ، مالی طور پر ذمہ دار اور فعال انداز میں کام کرتے ہوئے، کورونا وائرس کے بحران سے نمٹنے کے لیے جہاں ممکن ہو انہماک کو کم کرنے، آمدنی میں اضافے، مستقبل کے چیلنجوں کا مقابلہ کرنے اور کاروبار پر مبنی نوکری برقرار رکھنے کے لیے تمام ضروری اقدامات کر رہی ہے۔

نیٹیل سول اپنی lead generation کو جاری رکھنے کے لیے پوری دہ بھر میں صنعت کی معروف تقاریر، کانفرنسوں، سہ ماہی اجلاسوں، کنونشنوں اور نمائندگیوں میں شرکت کرتی رہے گی۔ تاہم، چونکہ یہ یقینی نہیں ہے کہ آیا یہ تقاریر بھی روایتی (virtually) طور پر منعقد ہوں گے، کمپنی مختلف انجمنوں (associations) کے ساتھ قریبی رابطے میں ہے جو ان واقعات کو دہ بھر میں منعقد کرتی ہیں۔ نیٹیل سول روایتی (virtually) انداز میں اپنی موجودگی ان تمام خطوں میں، جس میں کمپنی کام کرتی ہے، جاری رہے گی۔

کمپنی نے متعدد ٹیکنالوجیز پر کام کر کے adaptive بننے کے اپنے کلیدی اصول کی پیروی کی ہے جس سے عالمی ایسٹ فنانس اور لیونگ انڈسٹری میں توجہ حاصل کی ہے۔ ان میں AI، Big Data، Blockchain اور Fintech شامل ہیں، لیکن ان ٹیکنالوجیز محدود نہیں ہیں۔ نیٹیل سول کی جدت، پہنچ، کاروائیوں کے پیش قدمی، کمپنی R&D پر ہماری سرمایہ کاری جاری رکھے گی کہ صارفین کو ان کے کاروبار کی عمل کو مستقبل کے قابل بنانے کے قابل بنائے۔ کمپنی کے بیڑان اور مشن کے مطابق کمپنی کی انتظامیہ کی توجہ کمپنی کی مجموعی کامیابی کے لیے معیاری مصنوعات کی فراہمی اور عمدہ کاروباری منصوبوں پر رہے گی۔

اعزازات و اعتراف (Awards And Recognition)

نیٹیل سول کو مسلسل ساتویں سال چائنہ لیونگ سٹ 2019ء میں "فرسٹ ریٹس اور بیسٹ سیلنگ فنانس اینڈ لیونگ سولوشن پرووائڈر ایوارڈ" اور "ایوارڈ چین میں کمپنی کی مضبوط گرفت کو مستحکم کرتا ہے جہاں اس میں 75 فیصد آٹو کپچو (auto captive) مارکیٹ ہوتی ہے۔

کارپوریشنل سماجی ذمہ داری (CSR) زمرے میں نیٹیل سول پشائی سی ٹی (PASHA) (ICT) ایوارڈ 2019ء کی فاتح رہی۔ یہ پروفار ایوارڈ CSR کے شعبے میں کمپنی کی قابل ستائش کارکردگی کا ثبوت ہے۔ ماحول اور مقامی برادریوں کی فلاح و بہبود کے لیے موزوں معاشرتی فائدہ مند سرگرمیوں میں جاری مشغولیت کے ذریعہ نیٹیل سول ذمہ دار کارپوریشنل ادارے کی حیثیت سے اپنے فرائض کی تکمیل جاری رکھے ہوئے ہے۔ ان ایوارڈز میں، نیٹیل سول نے کمپنی کے ذریعہ شروع کردہ OTOZ فلیٹ کی اپنی ایپ کے لیے

متعلقہ ڈویژنل مینجمنٹ سے بیان کیے جاتے ہیں۔ انٹرنل آڈٹ فنکشن کا کردار کمپنی پر اثر انداز ہونے والے ایپنس، نقصان اور قانون کے تناظر میں تبدیل ہوتا رہتا ہے جبکہ یہ یقینی بنایا جاتا ہے کہ اس کا اختیار ادارے کے مقاصد اور اس کو درپیش نقصانات سے ہم آہنگ ہو۔

ضابطہ برائے کاروبار کی عملداری کا تعمیلی اعلامیہ

(Compliance with Code of Corporate Governance)

کمپنی، لسٹیکپینیز (ضابطہ برائے کاروبار کی عملداری) 2019 کے قواعد و ضوابط، کے لوازمات پر پوری طرح عمل پیرا ہے، اس حوالے سے ایپس تعمیل کا گوشوارہ اس رپورٹ کے ساتھ منسلک ہے۔

تعمیل کا گوشوارہ (Statement of Compliance)

لسٹیکپینیز (ضابطہ برائے کاروبار کی عملداری) 2019 کے قواعد و ضوابط اس رپورٹ کے ساتھ منسلک ہے۔

ڈائریکٹرز کا معاوضہ (Directors' Remuneration)

کمپنی 3 ان ایگزیکٹو ڈائریکٹرز اور 1 انڈیپنڈنٹ ڈائریکٹر کو ماسوائے اجلاس میں شرکت کی فیس کے علاوہ کوئی معاوضہ ادا نہیں کرتی۔ کمپنی بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کے سلسلے میں ڈائریکٹرز کے سفری اور رہائشی اخراجات کا معاوضہ پران کے ایسے دیگر اخراجات ادا کئے گئے۔ منسلک مالی گوشواروں میں ایگزیکٹو ڈائریکٹرز کے اخراجات کی مجموعی رقم کی تفصیلات، بشمول تنخواہ/فیس، فوائد اور کارکردگی سے متعلقہ مراعات کا انکشاف مالیاتی گوشوارے میں درج ہیں۔

بورڈ کی تشکیل (Composition of the Board)

کمپنی، لسٹیکپینیز (ضابطہ برائے کاروبار کی عملداری) 2019 کے قواعد و ضوابط کی تعمیل کی ضرورت کے مطابق بورڈ کی تشکیل کی جو نیچے دی جاتی ہے۔

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

تعداد	صنف
06	مرد
01	عورت

بورڈ کی تشکیل (Composition) درج ذیل ہے:

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

ڈائریکٹرز کا نام:

30 جون 2020ء کے مطابق کمپنی کے بورڈ کے ارکان درج ذیل ہیں:

- جناب شہاب الدین غوری
- جناب سلیم اللہ غوری
- جناب وسیم انور
- جناب انوار حسین
- محترمہ رحمتہ غوری
- جناب نجیب اللہ غوری
- جناب عمر غوری

30 جون 2020ء کو ختم ہونے والے سال کے دوران بورڈ کی 05 اجلاس ہوئے۔

بورڈ نے ذیل کمپنیاں بھی بنائی ہیں جنہوں نے مطلوبہ مقاصد حاصل کرنے میں نہ ہرں کردار ادا کیا ان کمیٹیوں میں شامل ہیں:-

آڈٹ کمیٹی (Audit Committee)

بورڈ آف ڈائریکٹرز نے ضابطہ برائے کاروبار کی عملداری کی تعمیل کے تحت مندرجہ ذیل 3 ارکان پر مشتمل ایپس آڈٹ کمیٹی قائم کی ہے۔

عہدہ جات	ارکان کے نام
چیئر مین - انڈیپنڈنٹ ڈائریکٹر	جناب انوار حسین
ممبر - انڈیپنڈنٹ ڈائریکٹر	جناب وسیم انور
ممبر - نہاں ایگزیکٹو ڈائریکٹر	محترمہ رحمتہ غوری

اور لیونگ انڈسٹری میں توجہ حاصل کی ہے اور پھر گہرے اثرات مرتب کیے ہیں۔ ان میں Artificial Intelligence/Machine Learning, Blockchain, Big Data اور Fintech شامل ہیں، لیکن ان تمام محدودیتیں ہیں۔

کمپنی کے کاروبار کی نوعیت کے متعلق مالی سال کے تحت تبدیلیاں اس کے ماتحت اور مشترکہ کاروائیاں

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

تمیض سول نے ہر طاقوی پر رتھ انوویشن فریپ کے تعاون سے ایپس ماتحت ادارہ قائم کیا تھا جس کو نیٹ سول انوویشن (پرائیویٹ) لمیٹڈ کہا جاتا ہے کمپنی مشترکہ پراپرٹیز کو outsourcing کی خدمات فراہم کرتی تھی انوویشن فریپ کی کاروباری حکمت عملی میں تبدیلی کی وجہ سے انہوں نے اپنی NIPL میں شیئر ہولڈنگ بیچنے کا فیصلہ کیا اور کمپنی کو اس کی پیش کش کی۔ کمپنی نے اپنی انوویشن فریپ کی منظوری اور قانونی مراحل کی تکمیل کے بعد اس حصص داری کو نیٹ سول NIPL کی کمپنی کا مکمل مالکیت ماتحت ادارہ بن گیا ہے۔

اس مالی سال کے دوران اہم سنگ میل flexible, subscription-based قیوتوں کا تعارف ہے۔ تمام عالمی معاہدے اب تمیض سول صارفین کو روایتی لائسنس ماڈل کے متبادل کے طور پر پیش کر رہی ہیں۔ بنی قیوتوں کا اختیار فراہم کرتے ہیں۔ یہ سافٹ ویئر اس سروس SaaS قیوتوں کا آچشن اب کلاؤڈ پراپٹیز نیٹ سول مصنوعات اور خدمات کے لیے دستیاب ہے، جس میں تمیض سول کا نیو دی next-gen solution NFS Ascent شامل ہیں۔ یہ نہ قیوتوں کا قیمتین value-driven pricing کا منصوبہ بھاری لائسنس فیسوں کو ختم کر کے نئے صارفین کے لیے ابتدائی نمبر داری لائسنس کو کم کرنا ہے اور سافٹ ویئر کے کم استعمال اور بحالی کے اخراجات کے خواہاں موجودہ صارفین کو لائسنس متبادل فراہم کرتا ہے۔ کمپنی کے لیے، وقت کے ساتھ ساتھ، subscription billing model میں منتقلی سے پرہر محصولات کے کافی مواقع میسر آتے ہیں، جس سے زیادہ سے زیادہ کسٹمر لائف ٹائم ویلیو (LTV) کے ساتھ ساتھ طویل مدتی مالی نمو بھی ہوگی۔

کمپنی کے کاروبار کا ماحولیات پر اثر

(Impact of Company Business on Environment)

کمپنی مینوفیکچرنگ، concern نہیں، بلکہ سوفٹ ویئر بنانے والا ادارہ ہے۔ لہذا اس کا ماحول پر کوئی منفی اثر نہیں ہے۔ ہماری مصنوعات NFS Ascent اور NFS Digital اس کے ڈیجیٹل solutions کا مجموعہ، کمپنی کے کلائنٹ کو کاغذ کے استعمال کو ختم کرنے کا اہل بناتا ہے۔ مکمل آئوٹیشن اور ڈیجیٹلائزیشن پراپرٹیز لیس ماحول کی اجازت دیتا ہے جس کا ماحول پر مثبت اثر پڑتا ہے۔ ہم ماحول کے ہرے میں ہم بہت فکر مند اور محتاط رہتے ہیں اور گرین پولیسی کی پیروی کرتے ہیں۔ مکمل آئوٹیشن اور ڈیجیٹلائزیشن ہم نے کاغذ کم paper less ماحول کو فروغ دیا ہے جس کے ماحول پر مثبت اثرات ہوتے ہیں۔

کارپوریٹ سماجی ذمہ داری (Corporate Social Responsibility)

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

مناسب اندرونی مالیاتی کنٹرولز

(Adequacy of internal Financial controls)

بورڈ کی ذمہ داری ہے کہ مالیاتی رپورٹنگ سے زیادہ اندرونی کنٹرولز کو مناسب طریقے سے قائم اور برقرار رکھے۔ تمیض سول میں، انٹرنل آڈٹ ایپس خود مختار شعبہ ہے جو بورڈ آڈٹ کمیٹی کو functionally اور انتظامی طور پر CEO کو رپورٹ کرتا ہے۔ بورڈ آڈٹ کمیٹی آپریشنل ایپس کے سالانہ جائزہ کی بنیاد پر آڈٹ پلان کی منظوری دیتی ہے۔

ہماری مالیاتی رپورٹنگ کی اہلیت اور ہمارے بیرونی مالیاتی گوشواروں کی انٹرنیشنل رپورٹنگ سٹینڈرڈز (International Financial Reporting Standards) کے مطابق تیاری ہمارے طریقہ کار کی اندرونی کنٹرولز کی معقول یقین دہانی فراہم کرتی ہے۔ کسی بھی فطری اندرونی کنٹرول سسٹم کی حدود کے باعث مینجمنٹ تسلیم کرتی ہے کہ فائنل رپورٹ کے حوالے سے انٹرنل کنٹرولز کی افادیت کی کچھ حدود ہو سکتی ہیں اور انہی وجوہ کے باعث یہ فہم حاصل کرتی ہے کہ واحد معقول یقین دہانی کسی بھی انٹرنل کنٹرول سسٹم سے حاصل کی جاسکتی ہے۔ ہم کمپنی کو مؤثر داخلی کنٹرول فریم ورک کو برقرار رکھتے ہیں جس پر مشتمل واضح ڈھانچہ، انتھارٹی کی حدود اور احتساب اور جائزہ لینے کے عمل کے تمام طریقہ کار اور پولیسیوں کو سمجھا جاتا ہے۔

انٹرنل آڈٹ تجاویز فراہم کرتی ہے جسے انتظامیہ کی جانب سے کنٹرول کے حوالے سے ہونے والی غلطیوں کو حل کرنے کے لیے استعمال کیا جاتا ہے۔ یہ مشاہدات سامانی بنیادوں پر بورڈ آڈٹ کمیٹی، چیف ایگزیکٹو آفیسر اور

آڈٹ کمیٹی نے تمام سرماہی، ششماہی اور سالانہ مالیاتی گوشوارے بورڈ آف ڈائریکٹرز کو جمع کرانے سے پہلے ان کا جائزہ لیا اور اسے منظوری کے ساتھ ساتھ اشاعت کی منظوری بھی دے دی۔ 30 جون 2020ء کو ختم ہونے والے سال کے دوران آڈٹ کمیٹی کے چھ (06) اجلاس ہوئے۔

ہیومن ریسورس اینڈ ریمونریشن کمیٹی

(Human Resource and Remuneration Committee)

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

ارکان کے نام

عہدہ جات	جسٹس من - ایگزیکٹو ڈائریکٹر
جناب وسم انور	ممبر - جنرل ایگزیکٹو ڈائریکٹر
جناب نجیب اللہ غوری	ممبر - جنرل ایگزیکٹو ڈائریکٹر
محترمہ محمدہ غوری	ممبر - جنرل ایگزیکٹو ڈائریکٹر
جناب سلیم اللہ غوری	ممبر - ایگزیکٹو ڈائریکٹر

30 جون 2020ء کو ختم ہونے والے سال کے دوران، کمیٹی کا ایک (01) اجلاس منعقد ہوا جس میں کمیٹی کے ممبر آف ریفرنس کی اصطلاح کے تحت جڑ پتہ اور معاہدات کو منظور کیا۔

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

کمیٹی کے بورڈ آف ڈائریکٹرز کا ہر دی مقصد کمیٹی کے امور کو اجتماعی طور پر دیکھنا ہے اور یہی خوشحالی کو یقینی بنانا ہے اور اس کے ساتھ ساتھ یہ بھی یقینی بنانا ہے کہ کمیٹی کے اعضاء اور اسٹیک ہولڈرز کے مفادات کو محفوظ رکھے۔ اسٹیٹمنٹ (ضابطہ ہوائے کاروبار کی عملداری) 2019 کے قواعد و ضوابط کے مطابق، بورڈ آف ڈائریکٹرز کی مجموعی طور پر evaluation ضروری ہے اور اس میں اس کی کمیٹیوں اور اس کمیٹی کی اسٹیٹمنٹ سمیت میں کردار کے حوالے سے ہر ڈائریکٹر کی کارکردگی کا جائزہ لینا ضروری ہے۔

اس کارکردگی کو بورڈ کے اندر مطلوبہ قابلیت کی وضاحت کرنے، انفرادی ممبروں کے کردار اور Input کو مد نظر رکھتے ہوئے اور مستقبل کے ان پہلوؤں کو اجاگر کرنے کے لیے آسان بنانے والے تقابلی بنیاد پر ضرورت ہے ہیومن ریسورس اینڈ ریمونریشن کمیٹی کے ذریعے بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی کارکردگی کی جانچ سے متعلق تمام بورڈ ممبروں کو ایک جامع سوالنامہ ارسال کیا گیا۔ جانچ کے ذریعے شعبوں میں مندرجہ ذیل شامل ہیں۔

☆ کمیٹی کے نقطہ نظر اور مشن کے ساتھ کارپوریٹ اہداف اور مقاصد کا تعین

☆ مستحکم اور پائیدار کارکردگی کے لیے حکمت عملی کی تشکیل

☆ بورڈ کی خودمختاری، اور

☆ بورڈ کمیٹیوں کی کارکردگی کے تعین کے سلسلے میں اپنی ذمہ داریوں سے سبکدوش ہونے کے لئے انفرادی ٹرم آف ریفرنس (Terms of Reference) بنانا۔

ہر انفرادی ڈائریکٹر کی آراء کی ذمہ داری اور اس کے بورڈ کی مجموعی تعین شدہ نتائج، انفرادی ڈائریکٹرز اور کمیٹیوں کی اوسط درجہ بندی کو اطمینان بخش اور موثر بنانا ہے۔

ڈائریکٹرز کے تربیتی پروگرام (Director's Training Programme)

بورڈ آف ڈائریکٹرز کی ٹریننگ (Board of Directors)

بورڈ آف ڈائریکٹرز کے ارکان نے یہ ”تحقیقی آف ڈائریکٹر ایجوکیشن“ حاصل کر رکھا ہے جو اسٹیٹمنٹ (ضابطہ ہوائے کاروبار کی عملداری) 2019ء کے قواعد و ضوابط کے بیان کردہ معیار کے مطابق مستحق ہیں۔

شعبہ جات کے سربراہ اور خواتین ایگزیکٹوز (HEADS OF DEPARTMENTS & FEMALE EXECUTIVES)

اسٹیٹمنٹ (ضابطہ ہوائے کاروبار کی عملداری) 2019ء کے قواعد و ضوابط کے مطابق ڈائریکٹرز ٹریننگ پروگرام کے تحت ہر سال ایک شعبہ کے سربراہ اور ایک خاتون ایگزیکٹو کی تربیتی کی شرط عائد کی گئی ہے، اس حوالے سے موزوں اقدامات کیے گئے ہیں تاکہ کمیٹی قواعد و ضوابط میں دیے گئے عرصہ میں رہتے ہوئے یہ شرط پوری کرے۔

متعلقہ پارٹیز کے متعلقہ معاملات کا جائزہ (REVIEW OF RELATED PARTIES TRANSACTIONS)

تمام متعلقہ پارٹیز کی ٹرانزیکشنز کا روپ کی معمول کے مطابق کسی دہ کے بغیر کی گئی ہیں اور کمپنیز ایکٹ 2017ء کے مطابق ہیں۔ کمیٹی کی جانب سے کوئی بھی ختم ہونے والے متعلقہ معاملات ٹرانزیکشن ڈائریکٹرز یا سینئر انتظامی

عہدیدار وغیرہ کی جانب سے نہیں کی گئی جس سے بڑے پیمانے پر کمیٹی کے حوالے سے مفاد کا کراؤ پیدا ہوتا ہے جس کے لیے حصص پر فٹگان کی اجازت کی ضرورت ہوتی۔ موجودہ مالی سال کے دوران تمام ٹرانزیکشنز جائزہ کے لیے بورڈ آڈٹ کمیٹی اور پھر منظوری کے لیے بورڈ میں پیش کی گئیں۔

ایمپلائز اسٹاک آپشن اسکیم (Employee Stock Option Scheme)

یکم اگست 2009ء کو Compensation Committee نے 4.35 ملین اسٹاک آپشن اسکیم 16.42 کروڑ روپے کی گرانٹ آپشن کے حساب سے 16.42 کروڑ روپے کی گرانٹ آپشن اسکیم (options) سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے منظور شدہ ایمپلائز اسٹاک آپشن اسکیم کے تحت دیے گئے۔ گرانٹ آف آپشن کے بعد سے مالی سال 2020ء کے آخر تک 100 فیصد گرانٹ آپشن قابل عمل بن چکے تھے۔

30 جون 2020ء کو ختم ہونے والے مالی سال کے دوران آپشن گرانٹڈ سے متعلق vested exercised کے حوالے سے درج ذیل انکشافات دیئے گئے:

- کمیٹی اسکیم 16.42 کروڑ روپے کو 4,350,000 آپشنز دے چکی ہیں۔
- 100 فیصد گرانٹ آپشنز 30 جون 2020ء کو ختم ہونے والے مالی سال کے آخر تک vested تھی۔
- 30 جون 2020ء تک 3,944,500 آپشنز استعمال کیے اور کمیٹی کو اس مدت سے 64.77 ملین روپے موصول ہوئے تھے۔
- 30 جون 2020ء کو ختم ہونے والے مالی سال کے دوران 16.42 کروڑ روپے کی گرانٹ آپشنز کی ایکسرسائز کے باعث 114,000 نئے شیئرز جاری کیے گئے اور اب کوئی آپشنز استعمال کے لیے دتیہ نہیں ہے۔

v- 30 جون 2020ء تک 405,500 آپشنز (Options) lapsed ہوئے۔

vi درج ذیل آپشنز کمیٹی کے سینئر انتظامی کپڑا 16.42 کروڑ روپے کو یکم اگست 2009ء کو دیئے گئے:

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

vii اوپر ظاہر کردہ اعداد و شمار کے علاوہ کسی 16.42 کروڑ روپے کے دوران پانچ فیصد زبردہ کمیٹی کی جاری کردہ سرمایہ کے ایک فیصد پر اس سے زبردہ آپشنز نہیں دیئے گئے۔

viii ہر ریویو دورہ 10 جون 2016ء سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے 16.42 کروڑ روپے کی گرانٹ آپشن اسکیم 2009ء میں کیچہتر اسکیم کی منظوری دی۔ انہی ترمیم کو 27 اکتوبر 2015ء کو ایک خصوصی قرارداد کے ذریعے کمیٹی کے حصص داران کی جانب سے بھی منظوری دی گئی۔ اہم ترین ذیل میں بیان کی گئی ہیں:

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

ب- 2016ء میں کمیٹی کی منظور کردہ اختیارات آپشنز (Options) کو مندرجہ ذیل طریقے سے استعمال کیا جاسکتا ہے۔

☆ 16.42 کروڑ روپے کی گرانٹ آپشنز (Options) میں سے 50 فیصد دوران مدت کسی بھی وقت استعمال کر سکتا ہے منظوری کے ایک سال مکمل ہونے کے بعد۔

☆ 16.42 کروڑ روپے کی گرانٹ آپشنز میں 80 فیصد (مندرجہ بالا بشمول 50 فیصد) دوران مدت کسی بھی وقت استعمال کر سکتا ہے۔ لیکن منظوری کے دو سال مکمل ہونے کے بعد۔

☆ 16.42 کروڑ روپے کی گرانٹ آپشنز میں 100 فیصد (مندرجہ بالا بشمول 80 فیصد) دوران مدت کسی بھی وقت استعمال کیے جاسکتے ہیں لیکن منظوری کے تین سال مکمل ہونے کے بعد۔

ہولڈنگ کمپنی (Holding Company)

نئیپ سول ٹیکنالوجیز انکارپوریٹڈ، 23975 چارک سورڈ، سوئیٹ 250، کیلا بساں کلیفٹورن 91302، امریکہ، کو کمیٹی کے حصص کی اکثریت حاصل ہے۔

آڈیٹرز کی تعیناتی (Appointment of Auditors)

موجودہ ایکسٹرنل آڈیٹرز میسرز راجچ-وائی کے اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس سبکدوش ہو رہے ہیں اور انہوں نے خود کو دوبارہ تقرری کے لیے پیش کیا ہے۔ بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی میسرز راجچ-وائی کے اینڈ کمپنی کی 30 جون 2021ء کو ختم ہونے والے مالی سال کے لیے پہلے سے طے شدہ شرائط اور معاہدہ تعیناتی کی تجویز کی تھی۔ ایکسٹرنل آڈیٹرز نے تصدیق کی ہے کہ انہیں انشیلٹیو آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) نے کوالٹی کنٹرول ریویو پروگرام کے تحت تسلی بخش ریٹنگ (Rating) دی ہے اور وہ

بعد میں رونما ہونے والے واقعات (Subsequent Events)

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

اعتراف (Acknowledgement)

بورڈ آف ڈائریکٹرز کمپنی کے حصص داران، قابل قدر صارفین، سرکاری اداروں اور مالیاتی اداروں کی طرف سے حمایت کے لیے ان کی تعریف کرتے ہیں اور فہرست پیش کرتے ہیں۔ بورڈ کمپنی کے تمام مابین کا ان کی خدمات، وفاداری اور ان کی مسلسل کوششوں کی قدر کرتے ہیں اور انھیں بھی فہرست پیش کرتے ہیں اور امید کرتے ہیں کہ مستقبل میں بھی ان کی مخلصانہ کوششیں جاری و ساری رہیں گی۔

از طرف بورڈ آف ڈائریکٹرز:



عمر غوری
(ڈائریکٹر)



سلیم اللہ غوری
(چیف ایگزیکٹو آفیسر)

لاہور

مورخہ: 22 ستمبر 2020ء

Audit Oversight Board of Pakistan کے ساتھ رجسٹرڈ ہیں۔ انھوں نے مزید کہا ہے کہ ان کی فرم انٹرنیشنل فیڈریشن آف اکاؤنٹس ICAP (IFAO) کی جانب سے منظور شدہ ضابطہ اخلاق پر مشتمل گائیڈ لائنز کی مکمل پابندی کی ہے جو کہ (ICAP) کی جانب سے رائج کی گئی ہیں۔ ایکسچینج آڈیٹرز کو دیگر خدمات فراہم کرنے پر مامور نہیں کیا گیا ہے، علاوہ اس کے جو لسٹنگ ضوابط (Listing Regulations) کے مطابق ہیں۔

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

تفصیلات چھ برس کا آپریشننگ اور معاشی ڈیٹا سالانہ رپورٹ کے ساتھ منسلک ہے۔

حصص برداری کا مثالی طریقہ کار (Pattern of Shareholding)

حصص برداری کے عمومی نمونے کے 30 جون 2020ء کے گوشوارے کے ساتھ حصص داران کے مختلف حصص داری نمونے جن کا ظاہر کیا جائے رپورٹنگ فریم ورک کے تحت ضروری ہے اور ڈائریکٹرز، ایگزیکٹوز اور ان کے جیون ساتھی بشمول بچوں کی جانب سے مالی سال 2020 میں خریدے اور فروخت کیے گئے حصص کا گوشوارہ منسلک ہے۔



Corporate Social Responsibility

“**NETSOL**
*strands for
a company
with a
heart.*”

Over the years our Company has contributed significantly towards the welfare of the society in the shape of various socially responsible activities. During 2019-2020, NETSOL continues to fulfil its duties as a responsible corporate entity through ongoing involvement in socially beneficial activities tailored for well-being of the environment and local communities. NETSOL was the winner of PASHA ICT Awards 2019 in the Corporate Social Responsibility (CSR) category. This prestigious award is a testament of the Company's commendable performance in the area of CSR.

1- CORPORATE PHILANTHROPY:

NETSOL while being the biggest Asset Finance & Leasing company of Pakistan providing the best software services believes in worthy endeavors that resonate with our company's vision, mission and values. Our corporate philanthropy is at the core of our daily operations and guides our future progress. We take a responsibility to give back to the community in a productive way for shaping a sustainable future while our aim is to go above and beyond with our philanthropic work. For this reason, we have a dedicated CSR committee. This committee consists of our senior management: CEO, COO, CFO, Head of HR, Head of CSR and members of the HR team. There are two full time employees dedicated to CSR related activities. They compile internal and external CSR requests during the course of the month. Each request is then investigated for due diligence purposes, a case is created and presented to the CSR Committee.

EDUCATION SECTOR:

Education is one of the key components that bring growth and progress into society. An educated society can provide a beneficial contribution to their environment.

NESP

Rs. 15.2 M
contributed



492
kids supported

59 Students completed their
matriculation under NESP.

NETSOL EDUCATION SUPPORT PROGRAM (NESP): NETSOL has been working devotedly in the Education sector specifically and our internal CSR initiative NESTOL Education Support Program (NESP) is an award winning program (as the BEST in CSR Practices category) for the PASHA Awards in the year 2019. NESP is principally designed to support the education of children of underprivileged employees. The main purpose is to educate children and provide better opportunities for their future. NESP encompasses 492 kids of all permanent employees, working in "Admin Support Function" of NETSOL along with deserving individuals of the community. These children are attaining quality education from schools across the country through this program. NESP assures children of our support staff go to English medium schools and get the best education. This is our humble contribution to provide them an opportunity to attain a better life and a success future.

**HIGHER EDUCATION**

Rs. 1.5 M
contributed



22
people
supported

HIGHER EDUCATION PROGRAM: NETSOL's NESP Program caters to elementary and high school education. We have taken a further initiative to support the "Higher Education" of Support Staff and their children, who otherwise are not able to access higher education due to financial constraints. This initiative was started in the year 2015, currently 22 individuals are being educated under this program. 95% of cases are receiving 100% financial support. During the year 2019-20 approximately 1.5 million rupees were disbursed under this program.

HEALTH SECTOR:

Pakistan is a third world country where health care reforms are still in the quest of achieving standards of quality health care like other countries of the developing world. The majority of our population does not have access to basic health care facilities. Being a socially responsible organization, NETSOL plays an active role in providing help to the needy. We are listed on the panel(s) of well reputed institutions like Shaukat Khanum Memorial Hospital, Pink Ribbon, A drop in the ocean and Hope Uplift Foundation, to name a few, as regular donors. Aside from monetary help, we regularly host blood donation drives at NETSOL, where employees are encouraged to donate blood to needy patients with extreme medical conditions. Our internal communication channels are active round the clock to support and spread blood donation alerts, not only request from our employees, external requests are also ca-

tered through our email bulletins.

NOBLE CAUSE FUND: NETSOL fosters a people-first culture. The Noble Cause Fund (NCF) is a company initiative to support our employees in need. All NETSOL employees are encouraged to contribute as much or as little as they can to this fund. Employee donations are matched equally by the company to double the amount. Money from this fund is used for various noble causes such as health care, marriage, house construction, funeral arrangements and other forms of distress relief.

2- WELFARE SPENDING FOR UNDER-PRIVILEGED CLASSES & RURAL DEVELOPMENT PROGRAMS

Education has always been at the heart of NETSOL's CSR program. Besides running successful structured programs for our internal CSR initiatives like NESP, we also participate in external program which have some value to add to the society.

Farooq Charity Trust School

Amongst other charitable projects, NETSOL also contributed and supported the growth of "Farooq Charity Trust School", Khanqah, Bahawalpur which is backward area and the school itself required immense attention for its infrastructure and development. NETSOL supports complete annual expense of the School where 210 students are getting education.

Farooq Charity Trust School



Rs. 2.2 M
contributed



210
kids supported



Development in Literacy



Rs. 2.2 M
contributed



Development in Literacy (DIL)

DIL School System based in Khuda Ki Basti, Sheikhpura, Punjab. "Development in Literacy (DIL)" has been providing low-cost, high-quality education to thousands of deserving children across Pakistan. NETSOL shares DIL's vision that no child in Pakistan, no matter how poor, should be denied access to quality education. Apart from being a donor, NETSOL runs the backend support for the app, we have a team of two fully dedicated employees for this task and part time support from several of our developers.

3- EMPLOYMENT OF DIFFERENTLY-ABLED PERSONS:

Equal opportunity is of great importance to the company especially when it comes skillset. At NETSOL, we believe in hiring resources irrespective of being differently abled and accommodate them by considering their knowledge and skills. We promote diversity and inclusion of people with special abilities. Currently we have 12 such employees working with us. Our workforce currently includes employees with special needs of visual imparity, mobility assistance, hearing impairment and individuals on the neuro-diverse and behavioral spectrum. We truly believe that each person is unique and brings something special to work every day.

4- OCCUPATIONAL SAFETY AND HEALTH:

Economic progress of a country is highly dependent on healthy individuals. The company always strives to build a safe and secure work environment for its associates. We take it as our responsibility to provide a safe and healthy workplace to our employees and other stakeholders. The Company realizes its responsibility towards keeping the environment disease, infection and allergen free. Fumigation and Disinfection activities are regularly carried out as per the highest standards.

The COVID-19 global pandemic brought a new set of challenges to all layers of our employees. We have taken all possible measures to keep our employees safe and provide a smooth transition to enable them to work from home.

NETSOL was amongst the first companies in Pakistan to adapt to WFH starting March 15th 2020. Number of confirmed COVID cases were negligible at that time, however we chose to act sooner rather than later. In addition to providing 24/7 technical support, our extremely hard working Network Support team provided infrastructure and required equipments to our employees at their homes so that the work goes on seamlessly.

As the COVID positive cases began to rise, our HR team kept active, monitoring medical leaves and speaking to team leads and Head of Departments to keep track of all employees' health. We offered support in the form of N95 mask distribution, in house doctor's advice, facilitating home COVID tests and providing financial assistance above set medical limits whenever required. As per our policy, close family members of employees also had access to these facilities provided by NETSOL.

5- Dealing with Quarantine

COVID isolation and WFH has taken a toll on everyone's mental wellbeing. We consider this to be a neglected area and we believe it is of the utmost importance especially during these testing times. We have taken the following initiatives to help our employees:

- A social community page was created to share daily thoughts and photos with colleagues.
- Online gym trainings with our personal trainer, with the option of creating personalized plans for individuals.

- Our senior management have been giving introductory classes online to encourage taking up new hobbies, under the program 'Hobbies 101'.
- Our CEO holds regular sessions online to hear grievances and provide comfort and support during WFH.
- We created a questionnaire to ask our employees for their opinion on the measures taken by the company during Corona, to help us better our efforts and identify any gaps.
- We are working with a psychologist to provide support to employees in need and help them to cope with the stresses and uncertainties of current times.



FIRE & SAFETY SUPPORT

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



6- ENERGY CONSERVATION / ENVIRONMENT PROTECTION MEASURES:

Environmental Protection Measures: Climate change is a global crisis. NETSOL being a responsible corporate citizen and borderless company is committed to mitigate the global climate crisis. We acknowledge the importance of improved human well-being, health, security, livelihoods and social equity at the same time as environmental preservation. We are taking the following measures to improve environmental security:

- Purchased energy efficient air conditioners and lighting panels.
- Replaced all energy savers and other lights with LED lights.
- We are incorporating solar powered equipment.
- The company is switching to VRF and Inverter air conditioners which are more energy efficient compared to the conventional options.
- Operate air conditioners at 26°C.
- Make sure to properly shut down computer systems at the end of the day.
- Data center and server rooms are large consumers of energy in an IT landscape. These have been standardized using an eco-friendly room design which incorporates power and better mechanisms for cooling.
- Video and Audio Conferencing are prioritized for business meetings.
- Employees are encouraged to opt for "Car Pooling". As an incentive, we have offered fixed parking spots to those who practice this effort.
- The Company is emphasizing water conservation and educating the employees on a regular basis to minimize the use of water.
- Our maintenance team is constantly working on the repair work (if required) of the sanitary fittings to ensure zero wastage of water.



RECYCLING/WASTE MANAGEMENT

NETSOL is committed to environmental protection. We follow a well-structured Recycling Plan by placing Recycling bins at various locations for Glass, Paper & Plastic separately. By separating the waste, we ensure that recyclable materials are reused. NETSOL has also collaborated with Green Earth Recycling Pakistan in this regard.

We are going an extra mile to educate and encourage employees on the importance of a paperless environment. NETSOL runs a program for the same by the name of "Clean & Green NETSOL". Our management and employees planted several trees within the office premises, and as a part of this initiative we also participated in different plantation drives around the city.

We have adopted a policy of de-cluttering as an environmental and charitable



function. Our redundant furniture and hardware is redistributed to non-profit organizations and schools. Over 250 items of furniture were donated in the previous year.

7- BUSINESS ETHICS AND ANTI-CORRUPTION MEASURES INTELLECTUAL PROPERTY RIGHTS

NETSOL holds frequent activities to ensure that the employees are working within the Company's Code of Conduct (Code). The Code is thoroughly observed throughout the organization. Employees are also required to sign off on the Code. There is zero tolerance towards corruption in the Company. Employees are encouraged to contact the audit committee directly whether anonymously or otherwise in case they come to know about any monetary irregularities or suspicious activities taking place in the Company. For this purpose, drop boxes have been placed at prominent places within the Company's office.

8- CONTRIBUTION TO NATIONAL EXCHEQUER

We have always showed our responsibility by paying all government taxes in time and without any delay. For the year ended June 30, 2020 we made our humble contribution to the National Exchequer by way of general sale tax, income tax and other government levies.

Description	Rupees (000s)
Income Tax	66,614
Sales Tax	292
Withholding Tax	330,006

9- COMMUNITY SERVICES:

We all want a better future. Together, we can make a difference. Here at NETSOL, our management and employees are always ready for community service. In the winter of 2019, we came together to provide clothing to the homeless to keep them warm during the harsh weather. The donation drive was helpful to gather and distribute winter clothing, linens and towels to a large number of needy people in the city. NETSOL supports and collaborates with many non-profit institutions to further enhance their efforts in providing relief to the under privileged members of our society. One such collaboration was introduced last year with Makhdoom's Kitchen – For Children. It is a non-profit / social service community organization working to promote healthy life style. Through their kitchen they support orphans and needy children. A special kiosk was set up at NETSOL's café to sell food items from Makhdoom's Kitchen, all proceeds were donated in charity.



PAID INTERNSHIPS:

The Company's internship program offers an opportunity to undergraduate students which helps them in building their career foundations. Such programs give hands-on experience to interns which cannot be obtained in classrooms and is a great way for them to acquaint themselves with the field of their interest. This also helps the Company to discover quality employees for future. During the year, almost 113 students from different reputable universities successfully completed their internships.

INDUSTRIAL VISITS:

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

NSPIRE

The company's business incubator NSPIRE being at forefront of Pakistan's Business Incubation Ecosystem has continued its journey during this year with lot of exciting events, international collaborations, outbound tours and many more. NSPIRE have successfully complete the 7th cycle and graduated 7 startups. 3 Days Leadership Camp organized for startups in September 2019. They were taken to National Incubation Center Islamabad to explore, learn and network with NIC startups. The Demo Day held in October 2019 at DHA Raya Golf and Country Club. The startups pitched their idea to the panel of investors and judges.

To take Pakistan's Entrepreneurial Ecosystem to new height, NSPIRE inks Memorandum of Understanding with Annual Investment Meeting (AIM); an initiative by Ministry of Economy UAE, to conduct its annual roadshow 'National Champions Pitch Competition' in collaboration with Pakistan Board of Investment & Trade (PBIT). The event

successfully happened at CM Office Lahore in January 2020. 20 top-notch startups across the Pakistan participated in the event. After tough and challenging pitching session, a startup named Eye-Automate won the competition. The startup was invited to participate fully sponsored in AIM DUBAI event but the event got postponed due to COVID-19.

Keeping in view the COVID-19 pandemic circumstances, NSPIRE gone virtual in March and got strong hold of virtual incubation process. Recently NSPIRE added another feather in the cap by joining hands with The Private Investment Group-UK. The Private Investment Group is a global company with a presence in over 25 countries. The objective of this partnership is to help Pakistani Startups to gain access to new markets, raise capital when needed or form strategic partnerships.



Institute for Corporate Advancement at NETSOL (ICAN)

NETSOL firmly believes in continuous learning and has a dedicated department by the name of ICAN (Institute for Corporate Advancement at NETSOL) which serves for running required professional development programs for new and existing employees.

ICAN is responsible for designing, developing and executing all training programs within the company. Training Need Assessment is conducted on continuous basis with the Human Capital Department and other department heads to ensure required development gaps are addressed through effective training programs.

Every new-hire has to go through a specially designed program which covers business ethics, domain knowledge, development methodology, software programming as well as NFS application training. These trainings cover technical and business aspect of the product and will eventually bridge the gap between an in-depth understanding of the product and its usage. Training programs for existing employees are conducted on recommendation basis.

The Company has also implemented a state-of-the-art Learning Management System (LMS) which is upgraded every six to eight months to ensure we are keeping up with technological advancements. Three dedicated training rooms, a professional recording studio and the top-notch training infrastructure for a high quality training experience have also been set up. LMS is configured in such a way that it has been made easier to see competency of each employee and hence devise a learning path for them.

An exclusive community forum is also available for knowledge sharing as we strongly believe in a

providing a platform to our employees where they can interact with fellow peers, impart their wisdom and train their colleagues to achieve one common goal, which is excellence.

In the fiscal year 2019-20, ICAN introduced newer and more innovative techniques for learning, in addition to delivering NETSOL's product based training. Multiple high-quality courses were launched and introduced to the audience for catering to various needs, including technical, business and human skills. A blog platform has also been introduced by ICAN during the last year where everyone is encouraged to participate and express their views.

In the wake of an international crisis, ICAN was truly dedicated and focused on improving the learning experience and providing the employees with knowledge through multiple means and ends. ICAN promoted micro-learning through weekly and bi-weekly activities, including quizzing, quick knowledge bits and blogs. The purpose of these activities was to live up to the hopes and standard that ICAN is expected of. ICAN has procured access to the global knowledge pool via an online arrangement with one of the world's leading learning platforms. ICAN has also conducted a one-of-its-kind knowledge week on the latest technologies, where various subject experts were invited to exchange and expound their knowledge with the audience.





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

Scope of our work

We have performed an independent assurance engagement of NetSol Technologies Limited (the Company) to express an opinion on the annexed Statement of Compliance (the Statement) with the requirements of Employees Share Option Scheme (the Scheme), as approved by the shareholders of the Company, and the Public Companies (Employees Stock Option Scheme) Rules, 2001 (the Rules) as of June 30, 2020. Our engagement was carried out as required under Rule 14 of the Rules issued by the Securities and Exchange Commission of Pakistan vide SRO 300(I) 2001 dated May 11, 2001.

Responsibility of Company's Management

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

Responsibility of Independent Assurance Provider

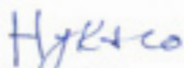
Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagements 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' (ISAE 3000).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

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

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

Conclusion

In our opinion, the annexed Statement, in all material respects, presents fairly the status of the Company's compliance with the Scheme and the Rules as of June 30, 2020.


H.Y.K. & Co.

Chartered Accountants

Lahore: September 22, 2020

Engagement Partner: Younus Kamran



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

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **NetSol Technologies Limited** (the Company) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

H.Y.K. and Co.
Chartered Accountants
Lahore
September 22, 2020

Engagement Partner: Younus Kamran

Statement of Compliance with the Code of Corporate Governance

For the Year Ended June 30, 2020

The statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulation, 2019 for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Gender	Number
Male	06
Female	01

- Composition of the Board is as follows:

Category	Number
Independent Directors	02
Non-executive Directors	02
Executive Directors	02
Female Directors	01

- The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
- The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/Shareholders as empowered by the relevant provisions of the Act and these Regulations;
- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
- The Board of directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations;
- The Company is fully compliant with "Directors Training program". All the Board members have either completed Directors Training Program or they have availed exemption from the Training program by the SECP.
- During the year, there was no change in the position of CFO, Company Secretary and Head of Internal Audit and their remuneration and terms and conditions of employment. Their appointments, remuneration and terms and conditions were previously approved by the Board of Directors as per requirements of the relevant Regulations;
- CFO and CEO duly endorsed the financial statements before approval of the Board;
- The Board has formed following mandatory Committees comprising of members given below:

12.1. Audit Committee

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

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

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

- The terms of reference of the aforesaid committees have been formed, documented and advised to the Committee for compliance;
- The frequency of meetings (quarterly/half yearly/yearly) of the Committees were as per following:

Committee	Meeting Frequency
Audit Committee	Quarterly
HR&RC	Yearly

- The Board has set up an effective internal audit function, comprising of professionals who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company;
 - The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
 - The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
 - We confirm that all other requirements of the regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.
- *Note :Number of Directors are seven and one third is 2.33, and as a general principal 0.33 is not rounded off to one.
- Explanations pertaining to the regulations other than 3, 6, 7, 8, 27, 32, 33 and 36 are below:

- Constitution of Risk Management and Nomination Committees:** Currently the functions of risk management committee are performed by Audit Committee and of Nomination Committee are performed by Human Resource & Remuneration Committee. The Company may consider establishing Risk Management Committee and Nomination Committee once composition of the Board changes.



SHAHAB UD DIN GHOURI
Chairman

Lahore
September 22, 2020

Pattern of Shareholding

As at June 30, 2020

No. Of Shareholders	From	To	Total
654	1	100	24,090
904	101	500	344,034
628	501	1000	562,709
1108	1001	5000	2,780,743
218	5001	10000	1,710,580
69	10001	15000	874,380
50	15001	20000	924,303
24	20001	25000	555,640
19	25001	30000	529,022
11	30001	35000	362,420
9	35001	40000	353,500
5	40001	45000	216,842
9	45001	50000	447,000
4	50001	55000	218,354
4	55001	60000	229,010
4	60001	65000	257,000
6	65001	70000	410,500
6	70001	75000	444,299
2	75001	80000	159,500
4	80001	85000	334,500
2	85001	90000	177,000
1	90001	95000	92,800
4	95001	100000	399,000
1	100001	105000	101,500
5	105001	110000	547,000
1	120001	125000	122,845
4	135001	140000	555,300
1	140001	145000	142,600
2	145001	150000	295,800
1	150001	155000	155,000

No. Of Shareholders	From	To	Total
4	160001	165000	651,200
2	170001	175000	341,000
1	185001	190000	190,000
1	190001	195000	194,000
4	195001	200000	796,700
2	200001	205000	409,000
1	205001	210000	210,000
1	215001	220000	220,000
1	225001	230000	229,500
1	230001	235000	234,500
1	255001	260000	260,000
1	260001	265000	262,500
1	320001	325000	322,500
1	425001	430000	428,495
1	535001	540000	538,000
1	675001	680000	676,200
1	690001	695000	692,409
1	795001	800000	800,000
1	845001	850000	848,000
1	1100001	1105000	1,104,600
1	1125001	1130000	1,128,400
1	1225001	1230000	1,228,210
1	1260001	1265000	1,264,500
1	1415001	1420000	1,418,400
1	2355001	2360000	2,357,290
1	16445001	16450000	16,450,000
1	42250001	42255000	42,254,248
3,795			89,836,923

Information required as per Code of Corporate Governance

As at June 30, 2020
Incorporation No. 0037024

S.No.	Categories of Share Holders	Number of Shareholders	Shares Held	% of Capital	Total
1	Directors, CEO & their spouse and minor children:				
	Mr. Salim Ullah Ghauri	1	966,495	1.08	
	Mr. Shahab-ud-Din Ghauri	1	509	0.00	
	Mr. Najeeb Ullah Ghauri	1	234,609	0.26	
	Mr. Vaseem Anvar	1	550	0.00	
	Mr. Omar Shahab Ghauri	1	10,509	0.01	
	Mr. Anwaar Hussain	1	526	0.00	
	Ms. Hamna Ghauri	1	600	0.00	
	Ms. Tahira Salim Ghauri	1	110,000	0.12	1,323,798
2	Associated Companies, undertakings and related parties				
	NETSOL Technologies Inc.	1	59,396,657	66.12	59,396,657
3	Banks, DFI & NBFC, Insurance Co.,Takaful, Modaraba and Pension Funds				
	Banks and Financial Institutions	4	1,385,572	1.54	
	Modarabas	2	10,000	0.01	
	Investment Companies	1	1,418,400	1.58	
	Pension Funds	1	65,000	0.07	
	Other Funds	1	3,700	0.00	2,882,672
4	Public Sector Cos. & Corporation	62	3,709,084	4.13	3,709,084
5	Mutual Funds				
	CDC - TRUSTEE AKD OPPORTUNITY FUND	1	200,000	0.22	
	CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	142,600	0.16	
	CDC - TRUSTEE NBP STOCK FUND	1	1,104,600	1.23	
	CDC - TRUSTEE NBP BALANCED FUND	1	145,800	0.16	
	CDC - TRUSTEE MCB DCF INCOME FUND	1	17,000	0.02	
	CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	1	55,500	0.06	
	CDC - TRUSTEE NBP ISLAMIC SARMAYA IZAFI FUND	1	676,200	0.75	
	CDC - TRUSTEE ABL STOCK FUND	1	4,700	0.01	
	CDC - TRUSTEE FIRST HABIB STOCK FUND	1	1,500	0.00	
	CDC - TRUSTEE NBP SARMAYA IZAFI FUND	1	84,500	0.09	
	CDC - TRUSTEE NBP MAHANA AMDANI FUND - MT	1	161,500	0.18	
	CDC - TRUSTEE KSE MEEZAN INDEX FUND	1	73,400	0.08	
	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	21,000	0.02	
	CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	1	15,000	0.02	
	CDC - TRUSTEE NBP ISLAMIC STOCK FUND	1	17,400	0.02	
	CDC - TRUSTEE NBP INCOME OPPORTUNITY FUND - MT	1	79,500	0.09	
	CDC - TRUSTEE NBP SAVINGS FUND - MT	1	30,500	0.03	
	CDC - TRUSTEE NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND	1	40,400	0.04	
	CDC - TRUSTEE FAYSAL MTS FUND - MT	1	109,500	0.12	2,980,600
6	General Public				
	a. Local	3,695	19,543,003	21.78	19,543,003
	b. Foreign	1	1,109	0.00	1,109
	Total	3,795		100	89,836,923

Shareholders holding five percent or more voting interest in the Company

NETSOL Technologies Inc.	59,396,657	66.12
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Trading in shares during the year 2020

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

Directors & Spouses

Mr. Omar Shahab Ghauri purchased 10,000 shares through exercise of options.



FINANCIAL
STATEMENTS
For the Year Ended June 30, 2020





Independent Auditor's Report

To the Members of NetSol Technologies Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **NetSol Technologies Limited** (the Company), which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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



S. No.	Key audit matters	How the matters were addressed in our audit
1.	<p>Revenue Recognition</p> <p>Refer notes 4.10 and 28 to the financial statements.</p> <p>Revenue recognized during the year ended June 30, 2020 includes Rs. 1,162.5 Million (2019: 1,066.58 Million) from related parties.</p> <p>Revenue is derived from a number of revenue streams, and key streams include license, rendering of services and maintenance. Each stream has its own revenue recognition policies based on the nature of the revenue and underlying contractual arrangements. Management judgment is required around the degree to which revenue has been earned as at the year-end date.</p> <p>Large contracts are typically bundled, and often include license, rendering of services and maintenance revenues.</p> <p>Inappropriate revenue recognition in relation to cut off, as revenue may not have been recognized in the correct accounting period</p> <p>In light of the multiple revenue streams, complexity of accounting and crucial nature of this number to stakeholders, we have identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<ul style="list-style-type: none"> • Obtaining an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period. • Assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards. • Selecting a sample of transactions recognized in revenue during the year and recalculating the revenue recognized with underlying contracts. • Checking evidence to support that software license has been delivered to customers prior to revenue recognition. • For the license element of contracts, particularly those in close proximity to the year end, we obtained evidence such as FTP that the software license had been delivered to the customer prior to the end of the financial year. • Agreeing license revenues to signed contracts or software license agreements. • Agreeing the revenue to subsequent payment as evidence of collectability. • Assessing the split of contracts to challenge and gain sufficient comfort around the level of software license revenue being recognized under bundled contracts. • Reviewing contract terms for any conditions that would impact the timing of revenue recognition and in turn the completeness of contract liabilities.

		<ul style="list-style-type: none"> • For a sample of customer contracts with deferred revenue (contract liability) at the year-end, we assessed management's basis used in estimating the amounts deferred. • We agreed a sample of revenue transactions and, where relevant, underlying time costs to supporting contracts and other documentation, including user acceptance evidence, statements of works and time records. • Comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period; • Evaluated the appropriateness of the disclosures provided under the revenue standard IFRS-15 and assessed the completeness and mathematical accuracy of the relevant disclosures.
2.	<p>Valuation of Trade Debts and Contract Assets</p> <p>Refer notes 4.10, 4.13, 9 and 10 to the financial statements.</p> <p>The company has a significant balance of trade debts. We identified recoverability of trade debts as a key audit matters as it involves significant management judgment in determining the recoverable amount of trade debts.</p> <p>In relation to financial assets, IFRS 9 requires the recognition of expected credit losses ('ECL') rather than incurred credit loss model. Management is required to determine the expected credit loss that may occur over either a 12-month period or the remaining life</p>	<p>Our audit procedures related to the recoverability of trade debtors and allowance for credit losses for trade receivables and unbilled revenue included the following, among others:</p> <ul style="list-style-type: none"> • Obtained understanding of the recorded trade receivables by discussing with the management and making inquiries on the entire accounting process associated with the recording of trade receivables and contract assets. • We sought external confirmations from selected debtors of their balances that remained outstanding at the year end and compared replies to the request. • Where response to the external confirmations were not received, we have

<p>of an asset, depending on the categorization of the individual asset.</p> <p>In accordance with IFRS 9, the measurement of ECL reflect a range of unbiased and probability-weighted outcomes, time value of money, reasonable and supportable information based on the consideration of historical events, current conditions and forecasts of future economic conditions. The calculation of ECLs in accordance with IFRS 9 is therefore complex and involves a number of judgmental assumptions.</p> <p>We identified allowance for credit losses as a key audit matter because the Company exercises significant judgment in calculating the expected credit losses</p>	<p>checked subsequent receipts/traced the receivables balances to the invoices.</p> <ul style="list-style-type: none"> • Reviewed the working of management for expected credit losses. • Reviewed the appropriateness of the assumptions used (future and historical), the methodology and policies applied to assess the ECL in respect of financial assets of the Company. • for a sample of trade debts, tested the adequacy of the amount of expected credit loss recorded against trade debts by taking into account the aging of receivables at the year end and cash received after year end, as well as assessing the judgments made by the management in relation to the credit worthiness of the debtors. • tested the mathematical accuracy and computation of the allowances by using the same input data used by the Company • tested the input data such as credit reports and other credit related information used in estimating the probability of default by comparing them to external and internal sources of information • Testing the accuracy of the data on a sample basis extracted from the Company's accounting system which is used to calculate aging of trade receivables; and • Assessed the relevant disclosures made in the financial statements to determine whether they are complied with the accounting and reporting standards as applicable in Pakistan.
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Information Other than the Financial Statements and Auditor's Report Thereon

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting



a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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



Report on Other Legal and Regulatory Requirements

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

- (a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- (b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- (c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- (d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

HyK+co.
H.Y.K. and Co.
 Chartered Accountants
 Lahore

Date: September 22, 2020

Statement of Financial Position

As at June 30, 2020

	NOTE	2020 Rupees in '000'	2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	5	1,542,792	1,679,165
Intangible assets	6	920,897	1,214,401
		2,463,689	2,893,566
Long term investments	7	239,827	308,567
Long term loans to employees	8	1,571	470
		2,705,087	3,202,603
CURRENT ASSETS			
Trade debts	9	2,200,933	2,531,603
Contract assets	10	1,652,633	1,167,646
Loans and advances	11	14,145	52,261
Trade deposits & short term prepayments	12	25,672	20,948
Other receivables	13	8,672	7,219
Due from related parties	14	373,619	23,117
Taxation - net	15	16,490	52,716
Cash & bank balances	16	2,081,859	1,951,746
		6,374,023	5,807,256
TOTAL ASSETS		9,079,110	9,009,859

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

	NOTE	2020 Rupees in '000'	2019
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital			
150,000,000 ordinary shares of Rs.10/- each	17	1,500,000	1,500,000
Issued, subscribed and paid-up capital	17	898,369	897,229
Share deposit money		13	13
Reserves	18	5,999,116	5,982,218
		6,897,498	6,879,460
NON-CURRENT LIABILITIES			
Long term financing	19	172,500	-
Lease liabilities	20	14,924	55,404
Deferred income	21	-	2,454
Long term advances	22	-	5,143
		187,424	63,001
CURRENT LIABILITIES			
Trade and other payables	23	193,651	491,754
Contract liabilities	24	311,541	468,828
Short term borrowings	25	1,380,000	1,053,000
Current portion of long term liabilities	26	103,106	49,633
Unclaimed dividend		5,890	4,183
		1,994,188	2,067,397
CONTINGENCIES & COMMITMENTS	27	-	-
TOTAL EQUITY AND LIABILITIES		9,079,110	9,009,859

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

Statement of Profit or Loss

For the year ended June 30, 2020

	NOTE	2020 Rupees in '000'	2019
Revenue from contracts with customers - net	28	4,708,374	5,381,196
Cost of revenue	29	(3,142,330)	(3,290,450)
Gross profit		1,566,044	2,090,746
Selling and promotion expenses	30	(455,264)	(669,419)
Administrative expenses	31	(768,099)	(746,594)
		(1,223,363)	(1,416,013)
Operating Profit		342,681	674,733
Other income	32	481,509	945,494
		824,190	1,620,227
Other operating expenses	33	(302,584)	(261,832)
Finance cost	34	(48,508)	(39,779)
Share of loss of Associate		(66,785)	-
Profit before taxation		406,313	1,318,616
Taxation			
Current year	35	(161,473)	(76,490)
Prior year		-	1,358
		(161,473)	(75,132)
Profit after taxation for the year		244,840	1,243,484
Earnings per share			
Basic - In Rupees	36	2.73	13.86
Diluted - In Rupees	36	2.73	13.84

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

Statement of Other Comprehensive Income

For the year ended June 30, 2020

	2020	2019
	Rupees in '000'	
Profit after taxation for the year	244,840	1,243,484
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):		
Share of other comprehensive (Loss) of an associate	(16,830)	-
Total comprehensive Income for the year	228,010	1,243,484

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Statement of Cash Flows

For the year ended June 30, 2020

	NOTE	2020 Rupees in '000'	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation for the year		406,313	1,318,616
Adjustments for non cash charges and other items:			
Depreciation - own assets		176,290	194,406
Amortization of Right of Use Assets		28,479	29,760
Amortization of intangible assets		293,504	293,504
Gain on disposal of fixed assets		(3,767)	(10,077)
Amortization of deferred revenue		(2,686)	(2,686)
Foreign exchange (gain)		(83,463)	(846,888)
Interest expense		47,445	38,426
Interest income		(172,311)	(83,675)
Dividend income		(218,384)	-
Deferred employee compensation expense		39,718	35,195
Amortization of deferred grant		(507)	-
Provision for expected credit losses		104,340	24,243
Share of loss of Associate		66,785	-
		275,443	(327,792)
Cash generated from operations before working capital changes		681,756	990,824
Working Capital Changes			
Trade debts & Contract Assets/Liabilities		(332,482)	(871,864)
Loans and advances		37,016	(13,886)
Trade deposits & short term prepayments		(4,724)	(3,192)
Other receivables		(1,453)	18,689
Due from related parties		(350,502)	2,761
Trade and other payables		(297,194)	(10,799)
Cash (used in) operations		(949,339)	(878,291)
Interest paid		(45,805)	(39,290)
Income taxes paid		(125,247)	(73,969)
Dividend paid		(249,836)	(223,073)
Net cash (used in) operations		(688,471)	(223,799)
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment's purchased		(104,841)	(294,240)
Sales proceeds of fixed asset		17,358	152,731
Advances against capital expenditure		22,854	8,143
Long term investment		(14,875)	-
Interest received		172,311	83,675
Net cash generated from / (used in) investing activities		92,807	(49,691)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of share capital		1,140	200
Share premium		714	129
Paid against lease liabilities		(46,374)	(60,393)
Received against lease liabilities		-	102,858
Long term loan		209,391	-
Deferred grant		20,609	-
Short term borrowing		327,000	53,000
Dividend received		218,384	-
Long term advances		(5,087)	6,105
Net cash generated from financing activities		725,777	101,899
Net Increase / (Decrease) in cash and cash equivalents		130,113	(171,591)
Cash and cash equivalents at the beginning of the year		1,951,746	2,123,337
Cash and cash equivalents at the end of the year		2,081,859	1,951,746

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Statement of Changes in Equity

For the year ended June 30, 2020

	Issued, sub-scribed 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	131,202	303,108		5,354,598	6,685,950
Restatement on initial application of IFRS 15	-	-	-	-	-	(785,377)	(785,377)
Restatement on initial application of IFRS 9	-	-	-	-	-	(75,812)	(75,812)
Net profit for the year	-	-	-	-	-	1,243,484	1,243,484
Shares issued against options exercised (20,000 shares at Rs. 10 each)	200	(328)	(30)	158	-	-	-
Amount received against options exercised	-	328	-	-	-	-	328
Dividend paid	-	-	-	-	-	(224,307)	(224,307)
Contribution of parent on account of employee share options	-	-	35,195	-	-	-	35,195
	200	-	35,165	158	-	157,987	193,510
Balance as at June 30, 2019	897,229	13	166,367	303,266	-	5,512,585	6,879,460
Balance as at June 30, 2019	897,229	13	166,367	303,266	-	5,512,585	6,879,460
Net profit for the year						244,840	244,840
Other comprehensive loss for the year					(16,830)	-	(16,830)
Total comprehensive income for the year					(16,830)	244,840	228,010
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	-	-	39,718	-		-	39,718
	1,140	-	39,530	900	(16,830)	(6,703)	18,038
Balance as at June 30, 2020	898,369	13	205,897	304,167	(16,830)	5,505,882	6,897,498

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


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

Notes to the Financial Statements

For the year ended June 30, 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:

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

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

2. BASIS OF PREPARATION

2.1 Separate financial statements

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

2.2 Statement of compliance

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

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

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

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

2.3 Basis of measurement

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

2.4 Functional and presentation currency

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

2.5 Accounting policies

Except for changes in accounting policies described in note 4.1, the accounting policies adopted for the preparation of these financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the company for the year ended June 30, 2019.

2.6 Standards and interpretations that became effective

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

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

	Effective for periods beginning on or after
IFRS 7 Financial Instruments: Disclosures [Amendments]	Jan-01 2020
IFRS 9 Financial Instruments - (Amendments)	Jan-01 2020
IAS 16 Property, Plant and Equipment [Amendments]	Jan-01 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets [Amendments]	Jan-01 2022
IFRS 16 Leases [Amendments]	Jan-01 2020
IFRS 3 Business combinations - Definition of business (Amendments)	Jan-01 2020
IAS 1 Presentation of Financial Statements (Amendments)	Jan-01 2020
IAS 8 "Accounting Policies, Changes in Accounting	Jan-01 2020
Annual improvements to IFRS Standards 2018-2020	Jan-01 2022
Conceptual framework of financial reporting (Revised)	Jan-01 2020

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

3. USE OF ESTIMATES AND JUDGMENT

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Changes in significant accounting policies

The Company has adopted IFRS 16 'Leases' which is effective from annual periods beginning on or after 01 July 2019 and for reporting period / year ending on or after 30 June 2020 respectively.

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

Notes to the Financial Statements

For the year ended June 30, 2020

(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.

Accounting policies that apply on IFRS 16 Leases are stated in note 4.2(ii) and 4.15 to note 4.17 to these financial statements.

4.2 Property, plant and equipment

(i) Owned assets

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

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

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

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

Maintenance and normal repairs are charged to statement of profit or loss as and when incurred. Major repairs and improvements are capitalized.

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

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

(ii) 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 amortized over the useful life of the assets using reducing balance method at the rates given in note 5.4. Amortization on additions is charged for the month in which an asset is acquired under the finance lease while no amortization is charged for the month in which the asset is disposed off. Right-of-use assets are also subject to impairment.

(iii) Capital work in progress

Capital work in progress is stated at cost less any identified impairment losses. It represents expenditure incurred on property, plant and equipment during construction and installation. Cost also includes applicable borrowing costs under IAS 23. These expenditures are transferred to relevant assets' category as and when assets are available for use.

4.3 Intangible assets

Research and software products development

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

There are two components of intangible assets:

- a. In-house developed intangible assets
- b. Intangible assets acquired from market

(a) In-house developed intangible assets

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

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

(b) Intangible assets acquired from market

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

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

Amortization is charged by applying reducing balance method to write off the cost over the remaining useful life of the intangible assets unless such lives are indefinite. All intangible assets with an indefinite useful life are tested for impairment at each statement of financial position date. Amortization on additions to acquired intangible assets is charged for the month in which an asset is acquired while no amortization is charged for the month in which the asset is disposed off. Rates of amortization are stated in note 6.

Notes to the Financial Statements

For the year ended June 30, 2020

4.4 Impairment of non financial asset

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

4.5 Foreign currency translation

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

4.6 Staff benefits

(i) Retirement benefits

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

(ii) Short-term benefits

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

(iii) Employees' share option scheme

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

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

4.7 Taxation

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

4.8 Creditors, accruals and provisions

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

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

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

4.9 Cash and cash equivalents

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

4.10 Revenue recognition

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

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

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

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

Core Revenue:

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

Non-Core Revenue:

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

Performance Obligations

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

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

Notes to the Financial Statements

For the year ended June 30, 2020

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

Information about company's performance obligations are summarized below:

a) Software Licenses:

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

b) Maintenance:

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

c) Professional Services:

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

d) BPO Services:

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

Miscellaneous

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

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

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

Miscellaneous income is recognized on receipt basis.

Significant Judgments

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

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

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

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

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

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

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

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

Practical Expedients and Exemptions

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

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

Costs to Obtain a Contract

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

Notes to the Financial Statements

For the year ended June 30, 2020

Contract balances

Contract Assets

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

Trade receivables

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

Contract liabilities

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

4.11 Borrowing costs

Borrowing costs directly attributable to the construction /acquisition of qualifying assets are capitalized up to the date, including the period when technical and administrative work is carried on; the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the statement of profit or loss currently. Qualifying assets are assets that necessarily take substantial period of time to get ready for their intended use.

4.12 Off-setting of financial asset and liability

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amount and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

4.13 Financial instruments

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

(i) Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

Derecognition

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

Impairment

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

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

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

(ii) Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

Loans and borrowings

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

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

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

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

Derecognition

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

4.14 Investments

a) Investment in subsidiary

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

Notes to the Financial Statements

For the year ended June 30, 2020

b) Investment in associates

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

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

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

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

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

The financial statements of the associate are not prepared for the same reporting period as the company. Reporting period of financial statements of associate used to apply equity method lags behind 3 months from company's reporting period. company has used associate's financial statements prepared for reporting period as on March 31, 2020. Reason for using a different reporting period is the availability of latest financial statements of associate which becomes available for last quarter end i-e 3 months old. When necessary, adjustments are made to bring the accounting policies in line with those of the company.

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

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

Significant judgements:

The company has made significant judgements in determining significant influence over the associated company.

Company has considered below factors in determining significant influence:

- i) Ownership interest in associate.
- ii) Representation on the board of directors of the associate.
- iii) Participation by company in policy-making processes, including participation in decisions about dividends or other distributions of associate.
- iv) Material transactions between the company and its associate.
- v) Interchange of managerial personnel.
- vi) Provision of essential technical information.

Other than holding 12.2% interest in Associate, Company also has agreements with associate that empower the company to participate in policy making processes, decisions about dividend, borrowing, change in associate's capital structure etc. company is also providing technical services to associate which are critical to its business operations. The Company also has interchange of managerial personnel with associate. Based on these facts, even though company's ownership interest in associate is less than 20% but it has concluded that significant influence does exist and relationship of associate is established.

4.15 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.

4.16 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.

4.17 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).

4.18 Deferred grant

Deferred grant is recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income and presented as deduction from the related expense on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

4.19 Dividend and appropriation to reserves

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

4.20 Related party transactions

The Company enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods, except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the Company to do so.

4.21 Fair value

The fair value of financial instruments that are actively traded in organized financial markets is determined but reference to quoted market bid prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transaction; reference to the current market value of another instrument, which has substantially similar characteristics, discounted cash flow analysis or other valuation models.

4.22 Earnings Per Share

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

		2020	2019
		Rupees in '000'	
5. PROPERTY PLANT & EQUIPMENT			
Net book value of owned assets	5.1	1,443,854	1,506,400
Net book value of Right of Use Assets	5.4	98,938	149,911
Advances against capital expenditure	5.6	-	22,854
		1,542,792	1,679,165

5.1 Following is the statement of owned assets

	2020								
Particulars	COST			DEPRECIATION					Net book value as at Jun 30, 2020
	As at Jul 01, 2019	Additions / (Deletions)	As at Jun 30, 2020	Rate %	As at Jul 01, 2019	Adjustment during the year	Charge for the year	As at Jun 30, 2020	
	Rupees In '000'								
Tangible Assets									
Land - freehold	254,229	-	254,229	-	-	-	-	-	254,229
Building on freehold land	952,561	-	952,561	5	271,162	-	34,070	305,232	647,329
Furniture & fixture	68,428	3,431	71,859	10	26,243	-	4,441	30,684	41,175
Vehicles	104,863	79,361 (20,979)	163,245	20	61,033	16,573 (8,312)	16,695	85,989	77,256
Office equipment	62,306	4,576	66,882	10	25,036	-	4,049	29,085	37,797
Computers	1,496,651	52,454 (2,184)	1,546,921	20 ~ 33	1,222,187	- (1,842)	82,836	1,303,181	243,740
Air conditioners	63,987	3,453 (1,926)	65,514	10	22,817	- (1,343)	4,323	25,797	39,717
Electric fittings	49,371	-	49,371	10	17,746	-	3,162	20,908	28,463
Generator	52,812	- -	52,812	10	24,622	-	2,819	27,441	25,371
Intangible Assets									
Computer software	886,276	634	886,910	33	814,238	-	23,895	838,133	48,777
	3,991,484	143,909 (25,089)	4,110,304		2,485,084	16,573 (11,497)	176,290	2,666,450	1,443,854

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

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

		2020	2019
		Rupees in '000'	
5.2 Depreciation is allocated in the following manner			
Cost of revenue	29	132,216	145,774
Administrative expenses	31	44,074	48,632
		176,290	194,407

Notes to the Financial Statements

For the year ended June 30, 2020

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

2020						
Particulars	Cost	Net Book Value	Sales Proceeds	Gain/ (Loss)	Mode of Disposal	Particulars of Purchaser
	Rupees In '000'					
Vehicle	11,600	7,737	11,477	3,740	Company Policy	Faisal Rasheed Bhatti(Employee)
Vehicle	2,643	1,050	1,980	930	Company Policy	Shakeel Khalid(Employee)
Air Conditioner	1,926	582	470	(112)	Open market	Muhammad Salman
2019						
Particulars	Cost	Net Book Value	Sales Proceeds	Gain/ (Loss)	Mode of Disposal	Particulars of Purchaser
	Rupees In '000'					
Vehicle	3,471	1,080	2,870	1,790	Open market	Naeem Ur Rehman
Vehicle	2,070	1,263	1,850	587	Insurance claim	Askari General Insurance
Vehicle	1,760	551	1,192	641	Company Policy	Saqib Sardar (Employee)
Vehicle	1,848	579	1,314	735	Company Policy	Tanzeer Mirza (Employee)
Vehicle	2,269	1,084	1,350	266	Company Policy	Abdul Wahab (Employee)
Vehicle	16,660	8,316	14,025	5,709	Open market	Mujtaba Hassan
Vehicle	8,505	3,856	5,100	1,244	Company Policy	Asad Ghauri (Employee)
Vehicle	51,418	50,561	49,285	(1,276)	Sale & Lease back	Askari bank limited
Vehicle	29,041	28,073	29,000	927	Open market	Asad Bukhari

5.4 Following is statement of Right of Use assets

	2020								
Particulars	COST			DEPRECIATION					Net book value as at Jun 30, 2020
	As at Jul 01, 2019	Additions / (Deletions)	As at Jun 30, 2020	Rate %	As at Jul 01, 2019	Adjustment during the year	Charge for the year	As at Jun 30, 2020	
	Rupees In '000'								
Vehicles	184,082	-	145,014	20	38,397		27,084	48,908	96,106
		(39,068)				(16,573)			
Computers	6,308	-	6,308	20-33	2,082		1,394	3,476	2,832
	190,390	-	151,322		40,479	-	28,478	52,384	98,938
		(39,068)				(16,573)			

	2019									
Particulars	C O S T			D E P R E C I A T I O N					Net book value as at Jun 30, 2019	
	As at Jul 01, 2018	Additions / (Deletions)	As at Jun 30, 2019	Rate %	As at Jul 01, 2018	Adjustment during the year	Charge for the year	As at Jun 30, 2019		
	R u p e e s I n ' 0 0 0 '									
Vehicles	120,031	96,550 (32,499)	184,082	20	27,040	- (16,321)	27,678	38,397	145,685	
Computers	-	6,308	6,308	20-33	-	-	2,082	2,082	4,226	
	120,031	102,858 (32,499)	190,390		27,040	- (16,321)	29,760	40,479	149,911	

		2020	2019
		Rupees in '000'	
5.5 Amortization is allocated in the following manner			
Cost of revenue	29	21,358	22,320
Administrative expenses	31	7,120	7,440
		28,478	29,760

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

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

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

6. INTANGIBLE ASSETS

COST	2020							
Particulars	COST			AMORTIZATION				Net book value as at Jun 30, 2020
	As at Jul 01, 2019	Additions / (Deletions)	As at Jun 30, 2020	Rate %	As at Jul 01, 2019	Charge for the year	As at Jun 30, 2020	
	Rupees In '000'							
In-house Developed Software								
NFS - Ascent	2,935,038	-	2,935,038	10	1,720,637	293,504	2,014,141	920,897
	2,935,038	-	2,935,038		1,720,637	293,504	2,014,141	920,897

Notes to the Financial Statements

For the year ended June 30, 2020

	2019							
Particulars	COST			AMORTIZATION				Net book value as at Jun 30, 2019
	As at Jul 01, 2018	Additions / (Deletions)	As at Jun 30, 2019	Rate %	As at Jul 01, 2018	Charge for the year	As at Jun 30, 2019	
	Rupees In '000'							
In-house Developed Software								
NFS Ascent	2,935,038	-	2,935,038	10	1,427,133	293,504	1,720,637	1,214,401
	2,935,038	-	2,935,038		1,427,133	293,504	1,720,637	1,214,401

		2020	2019
		Rupees in '000'	
6.1 Amortization is allocated in the following manner			
Cost of revenue	29	293,504	293,504
6.2 Remaining amortization period for NFS - Ascent is 3 years 2 months.			
6.3 NetSol Financial Suite has been fully amortized but the company is still generating revenues from its sale.			
7. LONG TERM INVESTMENTS			
Investment in subsidiary - at cost			
NetSol Innovation (Pvt) Limited (Unquoted subsidiary company)	7.1	30,063	15,188
Investment in associate			
WRLD3D Inc (Unquoted company)	7.2	209,764	293,379
		239,827	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 3,006,305 (2019 : 1,518,785) fully paid ordinary shares of Rs. 10/- each i.e. 100% 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 Investment in associate-Foreign company

During the fiscal year 2016, the Company entered into an agreement with WRLD3D a gaming and 3D mapping Company to purchase 4,092,189 preference BB shares for \$2,777,778 which was to be earned over the period majority through provision of IT services and somewhat in cash. The Company has already delivered services amounting to \$2.78 million (PKR 293,378,850) against which 4,092,189 shares are issued to the company.

WRLD3D Inc is incorporated in USA. Principal place of business of WRLD3D is 800 W. El Camino Real, Suite 320, Mountain View, California 94040. DCD Holdings Limited Carlton Services Ltd, second floor, The Quadrant, Manglier Street, PO Box 1312, Victoria, Mahe, Seychelles is its beneficial owner. As on June 30, 2020 there is no litigation/ Default/Breach exists related to WRLD3D and no return is received or gain/loss booked on disposal of investment (2019: Nil). The Company holds 12.2% ownership interest in WRLD3D and uses equity method to account for investment in associate.

		2020	2019
		Rupees in '000'	
8. LONG TERM LOANS TO EMPLOYEES			
Loan to employees		6,867	5,237
Less: current maturity		(5,296)	(4,767)
		1,571	470
8.1. Long term loans have been carried at cost as the effect of carrying these balances at amortised cost would not be material in the overall context of these financial statements			
9. TRADE DEBTS			
Considered good - unsecured	9.2	2,200,933	2,531,603
Considered doubtful - unsecured	9.3	233,499	116,629
		2,434,432	2,648,232
Less: Provision for Expected Credit Losses		(233,499)	(116,629)
		2,200,933	2,531,603
9.1 Amount receivable from related parties included in trade debts are as under:			
NetSol Technologies (Thailand) Limited		84,995	179,957
NetSol Technologies (Beijing) Company Limited		702,287	604,477
NetSol Australia Pty. Limited		36,363	14,156
Netsol Technologies America		219,825	139,767
WRLD3D		247,362	166,417
		1,290,832	1,104,775
Less: Provision for Expected Credit Losses		(156,444)	(89,831)
		1,134,388	1,014,944
9.2 It represents amount receivable from customers. It is unsecured but considered good by the management.			
9.3 This is a provision for expected credit losses created by the Company for any future doubtful trade debts.			
9.4 Movement in provision against expected credit losses is given below:			
Balance as at July 1		116,629	70,528
Adjustment in opening balance on initial application of IFRS 9		-	(9,874)
Provision made during the year		116,869	78,185
Write offs during the year*		-	(22,210)
Balance as at June 30		233,499	116,629

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

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

	2020		2019	
	Rupees in '000'		Rupees in '000'	
	Gross	Impaired	Gross	Impaired
Not past due	270,105	-	1,122,331	-
Past due 1-180 days	1,448,880	-	917,084	-
Past due 181 days -1 year	223,913	-	440,051	-
More than one year	491,534	-	168,766	-
Total	2,434,432	-	2,648,232	-

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

	2020		2019	
	Gross	Impaired	Gross	Impaired
Not past due	49,933	-	110,175	-
Past due 1-180 days	595,444	-	436,593	-
Past due 181 days -1 year	154,734	-	426,612	-
More than one year	490,721	-	131,394	-
Total	1,290,832	-	1,104,775	-

Notes to the Financial Statements

For the year ended June 30, 2020

9.7 Maximum aggregate amount outstanding due from trade debts due from related party at the end of any month during the year was Rs. 1,639.1 million (2019 : Rs. 1,104.8 million).

10. Contract Assets

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

		2020	2019
		Rupees in '000'	
Considered good - unsecured		1,652,633	1,167,646
Considered doubtful - unsecured	10.1	19,215	31,745
		1,671,848	1,199,391
Less: Provision for expected credit losses	10.1	(19,215)	(31,745)
		1,652,633	1,167,646

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

Balance as at July 1	31,745	-
Adjustment in opening balance on initial application of IFRS 9	-	85,686
Provision reversed during the year	(12,530)	(53,941)
Balance as at June 30	19,215	31,745

10.2 There is a net increase of Rs. 453.2 million in contract assets as compared to last fiscal year (2019: Decrease of 260.7 million). Explanation of significant changes are as follows:

Opening balance-Contract Assets	1,167,646	1,428,321
Add: Revenue Recognised	3,293,594	4,084,641
Less: Invoices raised	(2,861,101)	(4,528,852)
Forex Gain / (Loss)	39,963	215,282
Provision for Expected Credit Losses	12,530	(31,745)
Closing balance-Contract Assets	1,652,633	1,167,646

11. LOANS AND ADVANCES

Current maturity of loans to employees	8	5,296	4,767
Advances			
- to employees		671	33
- against expenses	11.1	8,178	47,461
		14,145	52,261

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

12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits	4,741	4,499
Prepayments	20,931	16,449
	25,672	20,948

13. OTHER RECEIVABLES

Guarantee margin	2,340	1,093
Other receivable - considered good	6,332	6,126
	8,672	7,219

	2020	2019
	Rupees in '000'	
14. DUE FROM RELATED PARTIES		
Considered good - unsecured		
Parent		
NetSol Technologies Inc.	159,954	-
Associates		
NetSol Connect (Pvt) Ltd.	24,330	23,117
NetSol Technologies Beijing Ltd.	5,705	-
NetSol Technologies (Thailand) Limited	138,468	-
OTOZ Thailand Ltd	45,162	-
	373,619	23,117

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

14.2 Maximum aggregate amount due from related party at the end of any month during the year was Rs. 373.619 million (2019 : Rs. 137.181 million).

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

	2020		2019	
	Rupees in '000'		Rupees in '000'	
	Gross	Impaired	Gross	Impaired
Not past due	194,035	-	730	-
Past due 1-180 days	69,518	-	18,855	-
Past due 181 days -1 year	110,066	-	3,532	-
Total	373,619	-	23,117	-

15. TAXATION - NET		
Tax receivable as at 1 July	52,716	53,879
Tax payments	65,568	18,590
Tax adjustments	-	1,907
Provision for taxation	(101,794)	(21,660)
	16,490	52,716

16. CASH AND BANK BALANCES			
With banks			
Saving accounts-Local currency	16.1	1,804,976	1,570,222
Saving accounts-Foreign currency	16.1	79,882	196,203
Current accounts-Local currency		735	978
Current accounts-Foreign currency		183,050	172,320
		2,068,643	1,939,723
In hand		13,216	12,023
		2,081,859	1,951,746

16.1 The balances in savings accounts bear mark up at 6.48% to 13.05% per annum. (2019 : 4.5% to 12% per annum)

17. SHARE CAPITAL

17.1 Authorised share capital

2020	2019		2020	2019
Number of shares			Rupees in '000'	
150,000,000	150,000,000	Ordinary Shares of Rs. 10 each.	1,500,000	1,500,000

17.2 Issued, subscribed & paid-up capital

2020	2019		2020	2019
Number of shares			Rupees in '000'	
42,686,191	42,572,191	Ordinary Shares of Rs. 10 each fully paid in cash	426,862	425,722
47,150,732	47,150,732	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	471,507	471,507
89,836,923	89,722,923		898,369	897,229

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

Number of shares outstanding as at July 1	89,722,923	89,702,923
Ordinary Shares of Rs. 10 issued against options exercised	114,000	20,000
Number of shares outstanding as at June 30	89,836,923	89,722,923

Notes to the Financial Statements

For the year ended June 30, 2020

- 17.4** Owners of ordinary shares are entitled to distributions approved by the Company, and the shareholding entitles the owners to vote at the general meetings, with one vote per share. All shares have the same right to Company's remaining net assets.
- 17.5** There are no outstanding options to subscribe for ordinary shares of the Company granted under the employee share option plan as disclosed in Note 18.1.1
- 17.6** NetSol Technologies Inc. 23975, Park Sorrento, Suite 250, Calabasas CA 91302, is the parent company holding 66.12% (2019 : 66.20%) of issued capital of the Company.
- 17.7** The Company is not subject to any externally imposed capital requirements for the financial years 2019 and 2020.
- 17.8** During the year 114,000 shares were issued against options exercised. Weighted average share price at the date of exercise of options was Rs. 59.76 per share.

18. RESERVES

		2020	2019
		Rupees in '000'	
Capital reserve			
Premium on issue of ordinary shares		304,167	303,266
Employee share option compensation reserve	18.1	205,897	166,367
Foreign currency translation reserve		(16,830)	-
Revenue reserve			
Un - appropriated profit		5,505,882	5,512,585
		5,999,116	5,982,218
18.1 EMPLOYEE SHARE OPTION COMPENSATION RESERVE			
Balance as at the beginning of the year		166,367	131,202
Lapse of Share Options		(20)	-
Amount transferred to Capital reserve on exercise of options		(168)	(30)
Contribution of parent on account of employee share options		39,718	35,195
Balance at the end of the year		205,897	166,367

18.1.1 Employee Stock Option Scheme

4.35 million stock options were granted by the company on August 01, 2009 at a grant price of Rs. 16.42 per option. The options were exercisable within a period of 10 years with un-exercised options to be lapsed on July 31, 2019.

The Company calculated fair value of options at the grant date using the following assumptions:

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

	2020	2019
	Number of Options	
Options outstanding at the beginning of the year	127,500	147,500
Options lapsed during the year	(13,500)	-
Options exercised during the year	(114,000)	(20,000)
Options outstanding at the end of the year	-	127,500

		2020	2019
		Rupees in '000'	
19. LONG TERM FINANCING			
Long term Finance facility	19.1	211,941	-
Deferred grant	19.2	20,102	-
Less: Current portion shown under current liabilities:			
Current portion of Long term finance facility		(49,546)	-
Current portion of deferred grant		(9,996)	-
		(59,543)	
		172,500	

19.1 Company has an approved financing facility of Rs. 345 million (2019: Nil) from Askari Bank Limited against salaries and wages under SBP Refinance Scheme announced during Covid 19. As at 30 June 2020 the Company has withdrawn Rs 230 million (2019: Nil) which is secured against already provided security structure with Askari Bank (Detail under note 25.1.1). The rate of markup on this loan is 3% per annum. Term of this financing is two and half years (including six month grace period and is repayable in eight equal quarterly instalments commencing from 1st January 2021. The unused facility available under the above arrangement as at 30 June 2020 amounted to Rs. 115 million (2019: Nil). Under this scheme, the company was prohibited to lay-off its employees at least for a period of three months starting from the date of first disbursement.

19.2 DEFERRED GRANT

Balance as at beginning of the year	-	-
Received during the year	20,609	-
Amortized to the statement of profit or loss	(507)	-
Balance as at end of the year	20,102	-

To support the economy during Covid-19 pandemic, the State Bank of Pakistan, including other steps, also introduced a refinance scheme for payment of salaries and wages at subsidized rate of borrowing as disclosed in Note 19. The company also obtained the said facility from Askari Bank Limited at 3% mark up rate. This amount is repayable till Dec 2022 in 8 quarterly installments. According to the requirements of IAS 20, the company has recognized deferred grant amounting to Rs. 20.609 million during the year ended 30 June 2020 out of which Rs. 0.507 million has been amortised during the year.

20. LEASE LIABILITIES

Present value of minimum lease payments	52,705	99,079
Less: Current portion of obligations shown under current liabilities	(37,782)	(43,675)
	14,924	55,404

Present value of minimum lease payments have been discounted at an implicit interest rate ranging between 12.47 % to 15.40% (2019 : 7.81 % to 12.45%) to arrive at their present value. The lessee has the option to purchase the assets after expiry of the lease term.

The amount of future payments of the lease and the year in which these payments will become due are as follows:

	2020		
	Minimum Lease Payment	Future Finance Charges	Present Value of Lease Liability
Not later than one year	42,418	4,636	37,782
Later than one year but not later than five years	15,572	649	14,923
	57,990	5,285	52,705
	2019		
	Minimum Lease Payment	Future Finance Charges	Present Value of Lease Liability
Not later than one year	53,543	9,867	43,675
Later than one year but not later than five years	60,507	5,103	55,404
	114,050	14,970	99,079

Notes to the Financial Statements

For the year ended June 30, 2020

		2020	2019
		Rupees in '000'	
21. DEFERRED INCOME			
Opening balance		5,140	7,826
		5,140	7,826
Amortized during the year		(2,686)	(2,686)
		2,454	5,140
Less: Current portion shown under current liabilities		(2,454)	(2,686)
Non-current portion		-	2,454
This amount represents gain on sale and lease back (Finance Lease) of fixed assets transactions entered into before the initial application of IFRS 16 'Leases'. This gain is deferred and amortized over the lease term.			
22. LONG TERM ADVANCES			
Long term advances		3,328	8,415
Less: Current portion		(3,328)	(3,272)
		-	5,143
22.1 These represent payments received from employees against provision of motor bikes and cars to them as per company policy and will be adjusted against the future sale of motor bikes and cars to them.			
23. TRADE AND OTHER PAYABLES			
Creditors	23.1	33,332	41,680
Accrued liabilities		90,562	368,899
Interest accrued - secured		5,872	6,782
Due to related parties - unsecured	23.2	11,561	26,855
Withholding tax		16,422	13,275
Sales Tax Payable		1,215	1,215
Provident fund payable		19,956	25,610
WWF payable		8,292	-
Other payables		6,439	7,438
		193,651	491,754
23.1 Creditors include Nil (2019: 0.3M) payable to a related party Nadoz greenz.			
23.2 DUE TO RELATED PARTIES - UNSECURED			
Parent			
NetSol Technologies Inc.	23.2.1	-	19,779
Associated			
NetSol Technologies Europe Limited	23.2.1	11,561	7,076
		11,561	26,855

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

24. CONTRACT LIABILITIES

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

There is decrease of Rs. 157.28 million in contract liabilities as compared to last fiscal year (2019: Increase of Rs. 97.58 million). Explanation of significant changes are as follows:

		2020	2019
		Rupees in '000'	
Opening balance Contract Liabilities		468,828	371,243
Add Invoices raised		1,350,438	1,031,643
Less: Revenue recognized		(1,483,634)	(939,117)
Less Catch up adjustment to revenue		(24,089)	5,058
Closing balance Contract Liabilities		311,541	468,828
25. SHORT TERM BORROWINGS			
Export refinance - ERF - II secured	25.1	1,380,000	880,000
RF - secured	25.1	-	173,000
		1,380,000	1,053,000
25.1 EXPORT REFINANCE/LAPC/RF - SECURED			
Askari Bank Limited - ERF - II	25.1.1	500,000	500,000
Askari Bank RF	25.1.1	-	53,000
Samba Bank Limited - ERF - II	25.1.2	380,000	380,000
Samba Bank Limited - RF	25.1.2	-	120,000
Habib Metro Bank Limited - Istisna/ Al Bai	25.1.3	500,000	-
		1,380,000	1,053,000

25.1.1 The facility for export refinance (ERF) is available from Askari Bank Limited amounting to Rs. 500 million (2019 : Rs. 500 million), availed Rs. 500 million (2019 : Rs. 500 million.) It carries mark-up of State Bank Refinance Rate+1% per annum (2019 : State Bank Refinance Rate+1% per annum). The interest rate charged for fiscal year 2020 was 3% (2019 : 3%). The due balance is payable bi-annually.

A sublimit of export refinance amounting under FE 25 is also sanctioned amounting to \$ 3 million (2019 : \$ 3 million)

As sublimit of export refinance facility, the company also has a running finance facility of Rs. 75 million (2019 : 75 million) for working capital requirement. It carries markup at the rate of 3 month Kibor + 2%. (2019 : 3 month Kibor + 2%). As at June 30, 2020, Nil was outstanding against this facility. (2019: 53 million).

A facility for issuance of guarantees (LG) as a sublimit of Running Finance (RF) is also available upto Rs. 40 million (2019 : Rs. 40 million), availed Rs. 11.488 million. (2019 : Rs. 11.488 million). A sublimit of RF upto Rs. 10 million (2019 : Rs. 10 million) is also available for corporate credit cards.

Unused running finance facility amount (including its sublimits) as at June 30, 2020 is Rs. 53.512 million (2019: 0.512 million)

The facilities from Askari Bank Limited are secured by way of 1st ranking Pari Passu charge over Company's all present and future current assets amounting to Rs. 767 million (2019: Rs. 767 million) and 1st ranking Pari Passu charge of Rs. 767 million over fixed assets of the company (2019: Rs. 767 million). The facilities are also secured by way of 1st equitable mortgage over 9 Kanal, 2 Kanal and 16 Marla properties, all located at Ghazi road, Lahore Cantt. These facilities are also secured by way of personal guarantees of Mr. Salim Ullah Ghauri, Mr. Omar Shahab Ghauri and Mr. Najeeb Ullah Ghauri.

25.1.2 The facility for ERF/LAPC/RF is available from SAMBA bank Limited amounting to Rs. 650 million (2019 : Rs. 650 million), availed ERF Rs. 380 million (2019 : Rs. 380 million), LAPC Rs. Nil (2019 : Nil) and RF Rs. Nil (2019: Rs. 120 million). ERF carries mark-up at State Bank Refinance Rate+1% per annum (2019: State Bank Refinance Rate+1%). Interest rate charged for the fiscal year 2020 for ERF was 3% (2019 : 3%). LAPC/RF carry markup at the rate of 3 month Kibor+1.5% (2019 : 1 month Kibor+1.5%). The due balance of ERF/LAPC is payable bi-annually.

The unused ERF/LAPC/RF facility as at June 30, 2020 is Rs. 270M (2019: Rs. 150M)

These facilities are secured by way of 1st Pari Passu charge over Company's all present and future current assets amounting to Rs. 667 million (2019: 667 million) and 1st Pari Passu charge of Rs. 667 million over fixed assets of the company (2019: 667 million). The bank also has 2nd ranking equitable mortgage over 9 Kanal, 2 Kanal and 16 Marla properties, all located at Ghazi road, Lahore Cantt. The facilities are also secured by way of personal guarantees of Mr. Salim Ullah Ghauri, Mr. Omar Shahab Ghauri and Mr. Najeeb Ullah Ghauri.

- 25.1.3** The facility for export refinance IERF - I & II (Istisna / Al Bai / Working Capital Musharika) is available from Habib Metro Bank Limited amounting upto Rs 900 million (2019 : Rs Nil), availed Rs. 500 million (2019 : Nil) It carries mark-up at State Bank Refinance Rate+1% per annum (2019 : Nil). The interest rate charged for fiscal year 2020 was 3% (2019 : Nil). The due balance is payable bi-annually.

A sublimit of export refinance amounting to Rs. 900 million under FE 25 is also sanctioned (2019 : Nil) which carries mark up at the rate of 2.75% (2019: Nil). A sublimit of export refinance amounting to Rs. 900 million under Working Capital Musharika is also available (2019 : Nil) and carries mark up at the rate of monthly Kibor+0.25% (2019: Nil). As a sublimit of export refinance, LG amounting to Rs. 900 million is also available (2019 : Nil). It carries commission at the rate of 0.10% per quarter (2019: Nil)

The facilities from Habib Metro bank limited are secured by way of Ranking charge upgradeable into Pari Passu charge over Company's all present and future current assets amounting to Rs. 300 million (2019: Nil) and Ranking charge upgradeable into Pari Passu charge of Rs. 900 million over present and future fixed assets of the company (2019: Nil).

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

The facilities from Habib Metro bank are also secured by way of personal guarantee of Mr. Salim Ullah Ghauri.

- 25.1.4** All short term borrowings contain certain loan covenants and any future breach of covenants may require the Company to repay the loan earlier than the agreed period. The Company monitors its compliance with covenants on regular basis. As on June 30, 2020, the company is fully compliant with all loan covenants.

		2020	2019
26. CURRENT PORTION OF LONG TERM LIABILITIES		Rupees in '000'	
Current portion of long term financing	19	49,546	-
Current portion of Deferred grant	19	9,996	-
Current portion of lease liability	20	37,782	43,675
Current portion of Deferred Income	21	2,454	2,686
Current portion of long term advances	22	3,328	3,272
		103,106	49,633

27. CONTINGENCIES & COMMITMENTS

27.1 Contingencies

- 27.1.1** Mr. Ahsan Zubair, ex-employee of the Company has filed a case for recovery of damages dated 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.

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

27.2 Commitments

27.2.1 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.

27.2.2 The Company has capital commitments of Rs. Nil under capital purchase agreements as at June 30, 2020. (2019: 16.8 million)

		2020	2019
		Rupees in '000'	
28. REVENUE FROM CONTRACTS WITH CUSTOMERS			
DISAGGREGATION OF REVENUE:			
Export Revenue			
License		389,129	1,572,775
Services		2,573,266	2,751,250
Maintenance		1,733,882	1,045,894
		4,696,277	5,369,919
Local Revenue			
Services		-	325
Maintenance		14,033	12,757
		14,033	13,082
Sales tax		(1,936)	(1,804)
		4,708,374	5,381,196
28.1 Amount of revenue recognized from beginning balance of contract liabilities:			
opening balance		468,828	371,243
Add: impact of IFRS 15		-	26,005
Restated Opening balance		468,828	397,248
Revenue recognized		468,828	380,357
28.2 The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June are, as follows:			
Within one year		1,095,503	1,213,941
More than one year		5,818,123	7,571,310
Total		6,913,626	8,785,251
29. COST OF REVENUE			
Salaries & benefits	29.1	1,990,473	1,826,789
Software licenses		52,948	21,445
Staff training		1,036	6,724
Travelling & conveyance		430,336	709,325
Communication		44,539	38,729
Utilities		26,391	22,102
Printing & stationery		1,155	1,411
Entertainment		37,559	50,075
Insurance		518	793
Vehicle running & maintenance		58,586	54,037
Repair & maintenance		49,339	82,628
Fee & subscription		2,372	14,794
Depreciation	5.2	132,216	145,774
Amortization of leased assets	5.5	21,358	22,320
Amortization of intangible assets	6.1	293,504	293,504
		3,142,330	3,290,450

29.1 Salaries and benefits include Rs. 85.54 million (2019 : Rs. 82.72 million) in respect of retirement benefits.

Notes to the Financial Statements

For the year ended June 30, 2020

		2020	2019
		Rupees in '000'	
30. SELLING AND PROMOTION EXPENSES			
Salaries & benefits	30.1	311,841	280,513
Staff training		80	538
Rent, rates & taxes	30.2	12,456	11,509
Travelling and conveyance		41,033	64,285
Communication		3,151	3,050
Utilities		1,837	1,633
Printing & stationery		463	1,796
Entertainment		2,328	5,318
Insurance		2,018	1,595
Vehicle running expenses		9,046	11,389
Repairs and maintenance		8,812	13,517
Commission on sales		48,621	255,199
Advertisement		-	1,793
Sale promotional expenses		13,578	17,284
		455,264	669,419

30.1 Salaries and benefits include Rs. 6.74 million (2019 : Rs. 7.07 million) in respect of retirement benefits.

30.2 Rent, rates & taxes represent Expense in respect of short term leases.

31. ADMINISTRATIVE EXPENSES			
Directors remuneration			
Salaries and benefits	31.1	469,769	435,444
Staff training		616	2,095
Rent, rates and taxes	31.2	28,812	27,209
Travelling and conveyance		44,474	42,622
Communication & postage		20,516	15,807
Printing and stationery		2,699	1,814
Utilities		19,192	15,452
Entertainment		28,393	30,472
Insurance		7,228	5,369
Advertisement		1,176	1,711
Vehicle running expenses		24,561	21,246
Repairs and maintenance		22,445	27,539
Legal and professional charges		7,726	6,438
Auditors remuneration	31.3	4,000	3,500
Office supplies		8,031	5,838
Charity & donation	31.4	11,564	22,074
Fee & subscription		15,703	25,893
Depreciation	5.2	44,074	48,632
Amortization of leased assets	5.5	7,120	7,440
		768,099	764,594

31.1 Salaries and benefits include Rs. 21.58 million (2019 : Rs. 17.38 million) in respect of retirement benefits.

31.2 Rent, rates & taxes include expense in respect of short term leases amounted to Rs 24.31 million.

		2020	2019
		Rupees in '000'	
31.3 Auditors remuneration			
Audit fee		2,700	2,200
Certifications of group reporting		650	650
Professional services		350	350
Out-of-pocket expenses		300	300
		4,000	3,500
31.4 Charity & donation			
Names of the donee along with amount of donation in case amount of donation exceeds higher of Rs. 1 million or 10% of total amount of donation is given below:			
Name of Donee			
DIL Foundation		2,214	4,095
Farooq Trust School		2,202	2,496
NUST		-	3,000
BIPP Institute		-	3,543
		4,416	13,133
Interest of the Directors or their spouses in the donations made during the year is as follows:			
Name of Donee and address	Name of interested directors and nature of interest		
Shahid Javed Burki Institute of Public Policy (126-B Ahmad Block, New Garden Town, Lahore)	Salim Ghauri - Member Board of Directors	-	3,543
32. OTHER INCOME			
Income from financial assets			
Profit on bank deposits	32.1	172,311	83,653
Mark up on loan to related party	32.1	-	22
Dividend Income	32.2	218,384	-
		390,695	83,675
Income from non-financial assets			
Gain on foreign currency translation		83,461	846,888
Gain on disposal of assets		3,767	10,077
Amortization of deferred revenue	21	2,686	2,686
Rental income		900	2,168
		90,814	861,819
		481,509	945,494
32.1	Income is earned under both conventional mark-up arrangement and Shariah compliant arrangement.		
32.2	Dividend was received from subsidiary company M/S NetSol Innovation Private Limited.		
33. OTHER OPERATING EXPENSES			
Research and development cost		189,952	237,589
Provision for doubtful debts		104,340	24,243
Workers Welfare Fund		8,292	-
		302,584	261,832
34. FINANCE COST			
Lease finance charges		11,239	8,014
Mark up on loans		36,206	30,412
Less: Amortization of deferred grant	19.2	(507)	-
Lease documentation charges		-	22
Bank charges		1,570	1,331
		48,508	39,779

35. 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.

	2020	2019
	Rupees in '000'	
Reconciliation of income tax expense for the year		
Accounting Profit	406,313	1,318,616
Enacted tax rate	29%	29%
Tax on accounting profit at enacted rate	117,831	382,399
Tax effect on income exempt from tax	(4,336)	(357,674)
Tax effect of income taxed at different rates	(11,701)	(3,065)
Prior year tax effect	-	(1,358)
International taxation effect	59,679	54,830
	161,473	75,132

The Company has made the provision for taxation based on its understanding of the tax laws and regulations and on the basis of advice from its tax consultant. These provisions may change in case these laws and regulations are interpreted differently by tax authorities and Company's appeals are also not accepted.

36. EARNINGS PER SHARE

Basic				
Profit after taxation for the year		244,840		1,243,484
Average number of ordinary shares in issue during the year	36.1	89,829		89,723
Basic - In Rupees		2.73		13.86
Diluted				
Profit after taxation for the year		244,840		1,243,484
Average number of ordinary shares in issue during the year	36.2	89,835		89,830
Diluted - In Rupee		2.73		13.84
36.1 Weighted average number of ordinary shares (basic)				
Issued ordinary shares as at July 1		89,723		89,703
Weighted average of shares issued during the year		106		20
Weighted average number of ordinary shares (basic) as at June 30		89,829		89,723
36.2 Weighted average number of ordinary shares (diluted)				
Weighted average number of ordinary shares (basic)	36.1	89,829		89,723
Effect of exercise of share options		6		107
Weighted average number of ordinary shares (diluted) as at June 30		89,835		89,830

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2020	2019	2020	2019	2020	2019
	Rupees in '000'					
Managerial remuneration	9,120	8,000	8,360	7,200	1,141,172	943,396
Retirement benefits	730	640	669	576	66,318	58,071
Rent and house maintenance	3,648	3,200	3,344	2,880	421,345	356,068
Utilities	912	800	836	720	105,336	89,017
Medical expenses	1,225	1,139	1,554	2,665	44,294	32,902
Commission	-	-	-	-	48,620	110,137
Total	15,635	13,779	14,763	14,041	1,827,086	1,589,590
No. of Persons	1	1	1	1	439	389

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

During the current year certain executives of the company exercised stock options under employee stock option scheme according to which 114,000 shares (2019: 20,000) were allotted to them.

Nothing is paid to any non-executive director (including independent directors) in form of remuneration or other benefits except a fee approved by the board for attending the board and other committee meetings amounting Rs.2.02 million (2019: 0.98 million)

38. CAPITAL MANAGEMENT

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

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

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

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

		2020	2019
		Rupees in '000'	
Total debt		1,664,748	1,152,079
Less : Cash and cash equivalent	38.1	(2,081,859)	(1,951,746)
Net debt		-	-
Total equity	38.2	6,897,498	6,879,460
Gearing ratio (In percentage)		0.0%	0.0%

38.1. Total debt includes liabilities against assets subject to finance lease, long term borrowings & short term borrowing.

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

39. TRANSACTION WITH RELATED PARTIES

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

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

		2020	2019
		Rupees in '000'	
Relationship with the Company	Nature of transactions		
(i) Subsidiary	Rental income	-	1,268
	Provision of services	-	1,581
	Dividend received	213,888	-
	Mark-up income	-	22
(ii) Associated undertaking	Rental income	900	900
	Provision of services	1,109,482	1,066,580
	Purchase of services	29,437	29,305
	Purchase of assets	575	-
(iii) Parent	Commission	-	97,836
	Dividend	116,417	118,793
(iv) Post Employment benefit	Contribution to defined contribution plan	113,863	107,181

Notes to the Financial Statements

For the year ended June 30, 2020

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

Company Name	Country of Incorporation	Basis of association	Aggregate %age of Shareholding
NetSol Technologies (Thailand) Limited	Thailand	Sister concern	Nil
NetSol Technologies (Beijing) Co., Limited	China	Sister concern	Nil
NetSol Technologies Australia Pty Limited	Australia	Sister concern	Nil
NetSol Technologies Americas	USA	Sister concern	Nil
NetSol Technologies Europe Limited	UK	Sister concern	Nil
NetSol Technologies Inc.	USA	Parent company	66.12%
WRDL3D	USA	Associate	Nil
OTOZ Thailand Limited	Thailand	Sister concern	Nil

39.2 Details of associated Companies with whom the Company had entered into transaction or had agreements other than already disclosed in note 40.1 above are as follows:

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

40. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial Risk Management

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

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

(a) Credit Risk

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

		2020	2019
		Rupees in '000	
Financial Assets			
Amortized cost			
Trade debts	40.1	2,200,933	2,531,603
Loans and advances		7,538	5,270
Trade deposits & short term prepayments		4,741	4,499
Other receivables		8,672	7,219
Due from related parties		373,619	23,117
Bank balances	40.2	2,068,643	1,939,723
		4,664,146	4,511,431

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

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

	Short term	Long Term	Rating Agency
Askari Bank Limited	A-1+	AA+	PACRA
MCB Bank Limited	A-1+	AAA	PACRA
Samba Bank Limited	A-1	AA	JCR-VIS
Meezan Bank Limited	A-1+	AA+	JCR-VIS
Dubai Islamic Bank Pakistan Limited	A-1+	AA	JCR-VIS
Habib Metropolitan Bank	A-1+	AA+	PACRA

(b) Liquidity risk

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

	2020			
	Carrying amount	Contractual cash flows	One year or less	Two to five years
	Rupees in '000'			
Non-derivative				
Financial liabilities				
Finance lease liability	52,705	57,990	42,418	15,572
Trade and other payables	181,904	181,904	181,904	-
Short-term borrowings	1,380,000	1,421,400	1,421,400	-
Long term borrowings	232,043	242,061	65,031	177,030
	1,846,652	1,903,354	1,710,753	192,602
	2019			
	Carrying amount	Contractual cash flows	One year or less	Two to five years
	Rupees in '000'			
Non-derivative				
Financial liabilities				
Finance lease liability	99,079	114,050	53,543	60,507
Trade and other payables	481,447	481,447	481,447	-
Short-term borrowings	1,053,000	1,145,144	1,145,144	-
	1,633,526	1,740,641	1,680,134	60,507

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

(c) Interest Rate Risk

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

Notes to the Financial Statements

For the year ended June 30, 2020

	2020	2019
	Rupees in '000'	
Financial assets		
Bank balances	1,884,858	1,766,425
Financial Liabilities		
Finance lease liability	52,705	99,079
Long term loan	232,043	-
Short-term borrowings	1,380,000	1,053,000
	1,664,748	1,152,079

Sensitivity analysis

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

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

As at 30 June

100 bps increase will result in increase in profit by	21,354	8,004
100 bps decrease will result in decrease in profit by	21,354	8,004

(d) Foreign Currency Risk

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

Exposure to currency risk

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

Trade Debts	2,200,933	2,531,603
Cash & bank balances	269,775	379,629
Due from related parties	349,289	-
Due to related parties	(11,561)	(26,855)
Net Exposure	2,808,436	2,884,377

Sensitivity analysis

The following analysis demonstrates the impact of a 5% strengthening/weakening of the Pak Rupee against other currencies which include UK£, US\$ AUSD\$, RMB¥, THBB & UAED at 30 June on equity and statement of profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2019.

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

As at 30 June

Strengthening	(813,986)	(993,446)
Weakening	813,986	993,446

(e) Fair Value of Financial Assets and Liabilities

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

40.3 Financial Instruments By Category**Financial Assets at amortised cost**

	2020	2019
	Rupees in '000'	
Trade debts	2,200,933	2,531,603
Loans and advances	7,538	5,270
Trade deposits & short term prepayments	4,741	4,499
Other receivables	8,672	7,219
Due from related parties	373,619	23,117
Cash and Bank balances	2,068,643	1,939,723
	4,664,146	4,511,431
Financial liabilities at amortised cost		
Finance lease liability	52,705	99,079
Trade and other payables	181,904	481,447
Long-term borrowings	232,043	-
Short-term borrowings	1,380,000	1,053,000
	1,846,652	1,633,526

41. PROVIDENT FUND RELATED DISCLOSURE

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

	2020 (Unaudited)	2019 (Audited)
	Rupees in '000'	
Size of the fund - Total Assets	1,077,520	820,865
Cost of investment made	873,226	665,384
Percentage of investment as size of fund	81%	81%
Fair value of investments	879,583	668,908

41.1 The breakup of fair value of investments is

	2020		2019	
	Investments Rupees in '000'	Percentage of investment as size of fund	Investments Rupees in '000'	Percentage of investment as size of fund
Bank Balances	807,230	75%	665,376	81%
Investment in Listed Equity Securities	15,988	1%	-	0%
Others	50,008	5%	8	0%
	873,226	81%	665,384	81%

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

Notes to the Financial Statements

For the year ended June 30, 2020

42. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at June 30, 2020 and 2019 respectively as follows:

	2020	2019
	No of Employees	
Average number of employees during the year	1,205	1,201
Number of employees as at year end	1,219	1,236

43. ANNUAL SOFTWARE DEVELOPMENT CAPACITY

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

44. CORRESPONDING FIGURES

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

				2020	2019
				Rupees in '000'	
Note	From	Note	To		
31.	Research and development cost-Administrative expenses	33.	Research and development cost-Other Operating expenses	189,952	237,589
31.	Provision for doubtful debts-Administrative expenses	33.	Provision for doubtful debts-Other Operating expenses	104,340	24,243
28.	'Reimbursable expenses-Export revenue"	28.	'Services revenue-Export Revenue"	209,049	548,612
21.	Deferred Income	26.	Current portion of long term liabilities	2,454	2,686

45. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 22, 2020 by the Board of Directors.

46. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The Outbreak of Corona virus (COVID-19) was classified as pandemic by the World Health Organization on 11 March 2020, impacting the whole world. To reduce the spread of COVID-19, Government of Pakistan also took certain measures including lockdown of businesses, suspension of flight operations, intercity movements, cancellation of major events etc. However, this lockdown didn't have a negative impact on NETSOL's business as we are a software house involved in export of IT products & services. With NETSOL'S remote working infrastructure and capabilities in place, the company had ensured business continuity which enabled its clients to continue their operations seamlessly. In fact, we were the first company in our domain to start working from home which went very well and couple of our customers went live remotely with our products during this lockdown period. Currently, the Company is conducting its business with certain modifications to employee working while following all necessary standard operating procedures. The Company will continue to actively monitor the situation and may take further steps that alter its business operations as may be required by federal, provincial or local authorities or that are in the best interests of our employees, customers, partners, suppliers and stockholders. Though due to economic slowdown & closure of businesses globally owing this pandemic, some new deals which were in pipeline at the time of this outbreak, have been delayed but based on the strong backlog of contracts in hand and the traction we have regained with the prospective customers, the management considers that there would be no significant impact that may adversely affect Company's businesses, results of operations and financial condition in the foreseeable future period.

47. FIGURES

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR



CONSOLIDATED FINANCIAL
STATEMENTS

For the Year Ended June 30, 2020





Independent Auditor's Report

To the members of NetSol Technologies Limited

Opinion

We have audited the annexed consolidated financial statements of **NetSol Technologies Limited** and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Emphasis of matter

We draw attention to the Note 17 in the financial statements where company has disclosed change of classification of subsidiary from discontinued operations to continued operations. However, the subsidiary company is a non-going concern entity, therefore financial statements of subsidiary (**NetSol Innovation (Private) Limited**) used for consolidation have been prepared on a non-going concern (Net Realizable Values NRV) basis by the parent entity. However, our report is not qualified in this respect.

Key Audit Matters

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



S. No.	Key audit matters	How the matters were addressed in our audit
1.	<p>Revenue Recognition</p> <p>Refer notes 4.10 and 29 to the financial statements.</p> <p>Revenue recognized during the year ended June 30, 2020 includes Rs. 1,162.5 Million (2019: 1,066.58 Million) from related parties.</p> <p>Revenue is derived from a number of revenue streams, and key streams include license, rendering of services and maintenance. Each stream has its own revenue recognition policies based on the nature of the revenue and underlying contractual arrangements. Management judgment is required around the degree to which revenue has been earned as at the year-end date.</p> <p>Large contracts are typically bundled, and often include license, rendering of services and maintenance revenues.</p> <p>Inappropriate revenue recognition in relation to cut off, as revenue may not have been recognized in the correct accounting period</p> <p>In light of the multiple revenue streams, complexity of accounting and crucial nature of this number to stakeholders, we have identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<ul style="list-style-type: none"> • Obtaining an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period. • Assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards. • Selecting a sample of transactions recognized in revenue during the year and recalculating the revenue recognized with underlying contracts. • Checking evidence to support that software license has been delivered to customers prior to revenue recognition. • For the license element of contracts, particularly those in close proximity to the year end, we obtained evidence such as FTP that the software license had been delivered to the customer prior to the end of the financial year. • Agreeing license revenues to signed contracts or software license agreements. • Agreeing the revenue to subsequent payment as evidence of collectability. • Assessing the split of contracts to challenge and gain sufficient comfort around the level of software license revenue being recognized under bundled contracts. • Reviewing contract terms for any conditions that would impact the timing of revenue recognition and in turn the completeness of contract liabilities.

		<ul style="list-style-type: none"> • For a sample of customer contracts with deferred revenue (contract liability) at the year-end, we assessed management's basis used in estimating the amounts deferred. • We agreed a sample of revenue transactions and, where relevant, underlying time costs to supporting contracts and other documentation, including user acceptance evidence, statements of works and time records. • Comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period; • Evaluated the appropriateness of the disclosures provided under the revenue standard IFRS-15 and assessed the completeness and mathematical accuracy of the relevant disclosures.
2.	<p>Valuation of Trade Debts and Contract Assets</p> <p>Refer notes 4.10, 4.13, 9 and 10 to the financial statements.</p> <p>The company has a significant balance of trade debts. We identified recoverability of trade debts as a key audit matters as it involves significant management judgment in determining the recoverable amount of trade debts.</p> <p>In relation to financial assets, IFRS 9 requires the recognition of expected credit losses ('ECL') rather than incurred credit loss model. Management is required to determine the expected credit loss that may occur over either a 12-month period or the remaining life of</p>	<p>Our audit procedures related to the recoverability of trade debtors and allowance for credit losses for trade receivables and unbilled revenue included the following, among others:</p> <ul style="list-style-type: none"> • Obtained understanding of the recorded trade receivables by discussing with the management and making inquiries on the entire accounting process associated with the recording of trade receivables and contract assets. • We sought external confirmations from selected debtors of their balances that remained outstanding at the year end and compared replies to the request. • Where response to the external confirmations were not received, we have

<p>an asset, depending on the categorization of the individual asset.</p> <p>In accordance with IFRS 9, the measurement of ECL reflect a range of unbiased and probability-weighted outcomes, time value of money, reasonable and supportable information based on the consideration of historical events, current conditions and forecasts of future economic conditions. The calculation of ECLs in accordance with IFRS 9 is therefore complex and involves a number of judgmental assumptions.</p> <p>We identified allowance for credit losses as a key audit matter because the Company exercises significant judgment in calculating the expected credit losses</p>	<p>checked subsequent receipts/traced the receivables balances to the invoices.</p> <ul style="list-style-type: none"> • Reviewed the working of management for expected credit losses. • Reviewed the appropriateness of the assumptions used (future and historical), the methodology and policies applied to assess the ECL in respect of financial assets of the Company. • for a sample of trade debts, tested the adequacy of the amount of expected credit loss recorded against trade debts by taking into account the aging of receivables at the year end and cash received after year end, as well as assessing the judgments made by the management in relation to the credit worthiness of the debtors. • tested the mathematical accuracy and computation of the allowances by using the same input data used by the Company • tested the input data such as credit reports and other credit related information used in estimating the probability of default by comparing them to external and internal sources of information • Testing the accuracy of the data on a sample basis extracted from the Company's accounting system which is used to calculate aging of trade receivables; and • Assessed the relevant disclosures made in the financial statements to determine whether they are complied with the accounting and reporting standards as applicable in Pakistan.
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Information Other than the Financial Statements and Auditor's Report Thereon

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

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

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

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

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

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

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

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

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

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



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

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

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

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



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

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

H.Y.K. & Co.
H.Y.K. and Co.
Chartered Accountants
Lahore

Date: September 22, 2020

Consolidated Statement of Financial Position

As at June 30, 2020

	NOTE	2020 Rupees in '000'	2019 (Restated)
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	5	1,550,068	1,686,461
Intangible assets	6	920,897	1,214,401
		2,470,965	2,900,862
Long term investment	7	209,764	293,379
Long term loans to employees	8	1,571	470
		2,682,300	3,194,711
CURRENT ASSETS			
Trade debts	9	2,200,933	2,878,928
Contract assets	10	1,652,633	1,167,646
Loans and advances	11	14,145	52,261
Trade deposits & short term prepayments	12	25,672	20,948
Other receivables	13	8,672	7,219
Due from related parties	14	373,619	23,117
Taxation - net	15	16,533	52,716
Cash & bank balances	16	2,115,872	2,053,102
		6,408,079	6,255,936
TOTAL ASSETS		9,090,379	9,450,647

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

	NOTE	2020 Rupees in '000'	2019 (Restated)
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital			
150,000,000 ordinary shares of Rs.10/- each	18	1,500,000	1,500,000
Issued, subscribed and paid up capital	18	898,369	897,229
Share deposit money		13	13
Reserves	19	6,009,760	6,197,317
		6,908,142	7,094,559
Non - controlling Interest		-	225,035
		6,908,142	7,319,594
NON-CURRENT LIABILITIES			
Long term financing	20	172,500	-
Lease liabilities	21	14,924	55,404
Deferred income	22	-	2,454
Long term advances	23	-	5,143
		187,424	63,001
CURRENT LIABILITIES			
Trade and other payables	24	194,276	492,409
Contract liabilities	25	311,541	468,828
Short term borrowings	26	1,380,000	1,053,000
Current portion of long term liabilities	27	103,106	49,633
Unclaimed dividend		5,890	4,183
		1,994,813	2,068,052
CONTINGENCIES & COMMITMENTS			
	28	-	-
TOTAL EQUITY AND LIABILITIES		9,090,379	9,450,647

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Consolidated Statement of Profit or Loss

For the year ended June 30, 2020

	NOTE	2020 Rupees in '000'	2019 (Restated)
Revenue from contracts with customers - net	29	4,708,374	5,389,535
Cost of revenue	30	(3,142,330)	(3,319,789)
Gross Profit		1,566,044	2,069,746
Selling and promotion expenses	31	(455,264)	(669,419)
Administrative expenses	32	(768,099)	(748,471)
		(1,223,363)	(1,417,890)
Operating profit		342,681	651,856
Other income	33	254,715	1,045,046
		597,396	1,696,902
Other operating expenses	34	(275,504)	(288,911)
Finance cost	35	(48,518)	(39,812)
Loss of share from Associate		(66,785)	-
Profit before taxation		206,589	1,368,179
Taxation			
Current	36	(162,476)	(78,959)
Prior		-	1,432
		(162,476)	(77,527)
Profit after taxation for the year		44,113	1,290,652
Attributable to:			
Equity holders of NetSol Technologies Limited		36,024	1,267,314
Non - controlling interest		8,089	23,338
		44,113	1,290,652
Earnings per share			
Basic - In Rupees	37	0.40	14.13
Diluted - In Rupees	37	0.40	14.11

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

Consolidated Statement of Other Comprehensive Income

For the year ended June 30, 2020

	2020	2019 (Restated)
	Rupees in '000'	
Profit after taxation for the year	44,113	1,290,652
Other comprehensive income	-	-
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):		
Share of other comprehensive income of an associate	(16,830)	-
Total comprehensive income for the year	27,283	1,290,652
Attributable to:		
Equity holders of NetSol Technologies Limited	19,194	1,267,314
Non - controlling interest	8,089	23,338
	27,283	1,290,652

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Consolidated Statement of Cash Flows

For the year ended June 30, 2020

	NOTE	2020 Rupees in '000'	2019 (Restated) Rupees in '000'
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation for the year		206,589	1,368,179
Adjustments for non cash charges and other items:			
Depreciation - own assets		176,290	194,406
Amortization of Right of use assets		28,479	29,760
Amortization of intangible assets		293,504	293,504
(Gain) on disposal of fixed assets		(3,776)	(15,250)
Amortization of deferred revenue		(2,686)	(2,686)
Foreign exchange (gain)		(98,805)	(936,852)
Interest expense		47,445	38,485
Interest income		(179,235)	(89,381)
Deferred employee compensation expense		39,718	35,195
Amortization of deferred grant		(507)	
Provision for expected credit losses		104,340	24,243
Share of loss of Associate		66,785	-
Impairment of fixed assets		-	145
		471,552	(428,431)
Cash generated from operations before working capital changes		678,141	939,748
Working Capital Changes			
Trade debts & Contract Assets/Liabilities		30,185	(822,281)
Loans and advances		37,016	(13,886)
Trade deposits & short term prepayments		(4,724)	(3,192)
Other receivables		(1,453)	18,719
Due from related parties		(350,502)	3,715
Trade and other payables		(297,224)	(29,794)
Cash (used in) operations		(586,702)	(846,719)
Interest paid		(45,805)	(39,349)
Income taxes paid		(126,293)	(75,156)
Dividend paid		(463,724)	(223,073)
Net cash (used in) operations		(544,383)	(244,549)
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		(104,841)	(294,240)
Sales proceeds of fixed asset		17,387	170,133
Advances against capital expenditure		22,854	8,143
Long Term Investment		(14,875)	-
Interest received		179,235	89,381
Net cash generated from / (used in) investing activities		99,760	(26,583)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of share capital		1,140	200
Share premium		714	129
Paid against lease liabilities		(46,374)	(65,533)
Received against lease liabilities		-	102,858
Long term payable		209,391	-
Deferred grant		20,609	-
Short term borrowing		327,000	53,000
Long term advances		(5,087)	(1,692)
Net cash generated from financing activities		507,393	88,962
Net increase /(decrease) in cash and cash equivalents		62,770	(182,170)
Cash and cash equivalents at the beginning of the year		2,053,102	2,235,272
Cash and cash equivalents at the end of the year		2,115,872	2,053,102

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended June 30, 2020

	Attributable to equity holders of the Parent						Non Con- trolling Interest	Total Equity	
	Issued, sub- scribed and paid- up capital	Share deposit money	Capital reserve		Revenue reserve		Total		
			Employee share op- tion com- pensation reserve	Share premi- um	Foreign currency translation reserve	Unappropri- ated 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)
Restatement on initial application of IFRS 9	-	-	-	-	-	(75,812)	(75,812)		(75,812)
Net profit for the year						1,267,314	1,267,314	23,338	1,290,652
June 30, 2019									
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			35,195				35,195		35,195
	200	-	35,165	158	-	181,818	217,341	23,338	240,679
Balance as at June 30, 2019	897,229	13	167,025	303,266	-	5,727,026	7,094,559	225,035	7,319,594
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 Profit for the year	-	-	-	-	-	36,024	36,024	8,089	44,113
Other comprehensive (loss) for the year					(16,830)		(16,830)		(16,830)
Total comprehensive (loss) / profit for the year					(16,830)	36,024	19,194	8,089	27,283
Shares issued against options exercised (114,000 shares at Rs. 10 each)	1,140	(1,872)	(168)	900		-	-	-	-
cash dividend	-	-	-	-		(251,543)	(251,543)	(213,888)	(465,431)
Contribution of parent on account of employee share options	-	-	39,718	-			39,718	-	39,718
Increase of parent's shareholding in subsidiary						4,361	4,361	(19,236)	(14,875)
Lapse of 13,500 share options			(20)				(20)		(20)
Amount received against option exercised	-	1,872	-	-		-	1,872	-	1,872
	1,140	-	39,530	900	(16,830)	(211,158)	(186,418)	(225,035)	(411,453)
Balance as at June 30, 2020	898,369	13	206,555	304,167	(16,830)	5,515,868	6,908,142	-	6,908,142

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


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

Notes to the Consolidated Financial Statements

For the year ended June 30, 2020

1. LEGAL STATUS AND NATURE OF BUSINESS

NetSol Group ('the Group') consists of:

- NetSol Technologies Limited
- NetSol Innovation (Private) Limited

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

Geographical location and addresses of business units:

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

NetSol Innovation (Private) Limited ('the subsidiary Company' or 'Subsidiary') is incorporated in Pakistan as a private limited company and was a majority owned (50.52%) subsidiary of NetSol Technologies Limited. The Company increased its shareholding to 100% on May 11, 2020 this converting it to a wholly owned subsidiary. The subsidiary is engaged in the business of providing software development & allied IT services. Registered office of the subsidiary is situated at NetSol IT Village, Lahore ring road, Ghazi road interchange, Lahore Cantt. Pakistan.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Accounting policies

Except for changes in accounting policies described in note 4.1, the accounting policies adopted for the preparation of these consolidated financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the Group for the year ended June 30, 2019.

2.5 Standards and interpretations that became effective

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

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

		Effective for periods beginning on or after
IFRS 7	Financial Instruments: Disclosures [Amendments]	Jan-01 2020
IFRS 9	Financial Instruments - (Amendments)	Jan-01 2020
IAS 16	Property, Plant and Equipment [Amendments]	Jan-01 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets [Amendments]	Jan-01 2022
IFRS 16	Leases [Amendments]	Jan-01 2020
IFRS 3	Business combinations - Definition of business (Amendments)	Jan-01 2020
IAS 1	Presentation of Financial Statements (Amendments)	Jan-01 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	Jan-01 2020
Annual improvements to IFRS Standards 2018-2020		Jan-01 2022
Conceptual framework of financial reporting (Revised)		Jan-01 2020

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

2.7 Basis of Consolidation

The consolidated financial statements include the financial statement of the holding Company and its subsidiary. The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies.

The assets and liabilities of the subsidiary, have been consolidated on line-by-line basis and the carrying values of the investment held by the holding Company is eliminated against the subsidiary's share capital and pre-acquisition reserves, if any in the consolidated financial statements. Material intra-group balances and transactions are eliminated.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended June 30, 2020

3. USE OF ESTIMATES AND JUDGMENT

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Changes in significant accounting policies

The Group has adopted IFRS 16 'Leases' which is effective from annual periods beginning on or after 01 July 2019 and for reporting period / year ending on or after 30 June 2020 respectively.

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

(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.

Accounting policies that apply on IFRS 16 Leases are stated in note 4.2(ii) and 4.21 to note 4.23 to these financial statements.

4.2 Property, plant and equipment

(i) Owned assets

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

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

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

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

Maintenance and normal repairs are charged to statement of profit or loss as and when incurred. Major repairs and improvements are capitalized.

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

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

(ii) 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 amortized over the useful life of the assets using reducing balance method at the rates given in note 5.4. Amortization on additions is charged for the month in which an asset is acquired under the finance lease while no amortization is charged for the month in which the asset is disposed off. Right-of-use assets are also subject to impairment.

(iii) Capital work in progress

Capital work in progress is stated at cost less any identified impairment losses. It represents expenditure incurred on property, plant and equipment during construction and installation. Cost also includes applicable borrowing costs under IAS 23. These expenditures are transferred to relevant assets' category as and when assets are available for use.

4.3 Intangible assets

Research and software products development

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

There are two components of intangible assets:

- a. In-house developed intangible assets
- b. Intangible assets acquired from market

(a) In-house developed intangible assets

Notes to the Consolidated Financial Statements

For the year ended June 30, 2020

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

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

(b) Intangible assets acquired from market

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

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

Amortization is charged by applying reducing balance method to write off the cost over the remaining useful life of the intangible assets unless such lives are indefinite. All intangible assets with an indefinite useful life are tested for impairment at each statement of financial position date. Amortization on additions to acquired intangible assets is charged for the month in which an asset is acquired while no amortization is charged for the month in which the asset is disposed off. Rates of amortization are stated in note 6.

4.4 Impairment of Non Financial Asset

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

4.5 Foreign currency translation

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

4.6 Staff benefits

(i) Retirement benefits

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

(ii) Short-term benefits

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

(iii) Employees' share option scheme

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

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

4.7 Taxation

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

4.8 Creditors, accruals and provisions

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

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

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

4.9 Cash and cash equivalents

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

4.10 Revenue recognition

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

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

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

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

Core Revenue:

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

Notes to the Consolidated Financial Statements

For the year ended June 30, 2020

Non-Core Revenue:

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

Performance Obligations

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

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

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

Information about Group's performance obligations are summarized below:

a) Software Licenses:

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

b) Maintenance:

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

c) Professional Services:

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

d) BPO Services:

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

Miscellaneous

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

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

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

Miscellaneous income is recognized on receipt basis.

Significant Judgments

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

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

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

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

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

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

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

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

Practical Expedients and Exemptions

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

Notes to the Consolidated Financial Statements

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

Costs to Obtain a Contract

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

Contract balances

Contract Assets

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

Trade receivables

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

Contract liabilities

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

4.11 Borrowing costs

Borrowing costs directly attributable to the construction /acquisition of qualifying assets are capitalized up to the date, including the period when technical and administrative work is carried on, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the statement of profit or loss currently. Qualifying assets are assets that necessarily take substantial period of time to get ready for their intended use.

4.12 Off-setting of financial asset and liability

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amount and the Group intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

4.13 Financial instruments

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

(i) Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

Derecognition

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

Impairment

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

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

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

(ii) Financial liabilities

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

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

Notes to the Consolidated Financial Statements

For the year ended June 30, 2020

Financial liabilities at fair value through profit or loss

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

Loans and borrowings

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

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

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

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

Derecognition

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

4.14 Dividend and appropriation to reserves

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

4.15 Related party transactions

The Group enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods, except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the group to do so.

4.16 Fair value

The fair value of financial instruments that are actively traded in organized financial markets is determined but reference to quoted market bid prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transaction; reference to the current market value of another instrument, which has substantially similar characteristics, discounted cash flow analysis or other valuation models.

4.17 Segment reporting

The chief operating decision-maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Management Team that makes strategic decisions. The management has determined the operating segments based on the reports reviewed by CODM of the Group. For management purposes, the Group is organized into operating segments based on their products and services. Each operating segment has a manager responsible for the operations who periodically reports to the CODM the outcome of the operating segment's efforts and its resource requirements. Additional disclosures on each of these segments are shown in Notes, including the factors used to identify the reportable segments and the measurement basis of segment information.

4.18 Investments in Associates

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

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

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

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

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

The financial statements of the associate are not prepared for the same reporting period as the Group. Reporting period of financial statements of associate used to apply equity method lags behind 3 months from Group's reporting period. Group has used associate's financial statements prepared for reporting period as on March 31, 2020. Reason for using a different reporting period is the availability of latest financial statements of associate which becomes available for last quarter end i-e 3 months old. When necessary, adjustments are made to bring the accounting policies in line with those of the group.

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

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

Significant judgements:

The group has made significant judgements in determining significant influence over the associated company.

Group has considered below factors in determining significant influence:

- i) Ownership interest in associate.
- ii) Representation on the board of directors of the associate.
- iii) Participation by group in policy-making processes, including participation in decisions about dividends or other distributions of associate.
- iv) Material transactions between the group and its associate.
- v) Interchange of managerial personnel.
- vi) Provision of essential technical information.

Other than holding 12.2% interest in Associate, Group also has agreements with associate that empower the group to participate in policy making processes, decisions about dividend, borrowing, change in associate's capital structure etc. Group is also providing technical services to associate which are critical to its business operations. The Group also has interchange of managerial personnel with associate. Based on these facts, even though group's ownership interest in associate is less than 20% but it has concluded that significant influence does exist and relationship of associate is established.

4.19 Earnings Per Share

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

Notes to the Consolidated Financial Statements

For the year ended June 30, 2020

4.20 Discontinued operations

A component of the Group is classified as 'discontinued operation' when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area or operations.

When an operation is classified as a discontinued operation, the comparative profit or loss is restated as if the operation had been discontinued from the start of the comparative period. In the statement of profit or loss and other comprehensive income of the current financial, and of the comparative period, all income and expenses from discontinued operation are reported separately from income and expenses from continuing operations, down to the level of profit after tax.

4.21 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.

4.22 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.

4.23 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).

4.24 Deferred grant

Deferred grant is recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income and presented as deduction from the related expense on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

	Note	2020	2019 (Restated)
		Rupees in '000'	
5. PROPERTY, PLANT & EQUIPMENT			
Net book value of owned assets	5.1	1,451,130	1,513,696
Net book value of Right of Use Assets	5.4	98,938	149,911
Advances against capital expenditure	5.6	-	22,854
		1,550,068	1,686,461

5.1 Following is statement of owned assets

	2020								
Particulars	COST			DEPRECIATION					Net book value as at June 30, 2020
	As at Jul 01, 2019	Additions / (Deletions)	As at June 30, 2020	Rate %	As at Jul 01, 2019	Adjustment during the year	Charge for the year	As at June 30, 2020	
	Rupees In '000'								
Tangible Assets									
Land - freehold	254,229	-	254,229	-	-	-	-	-	254,229
		-							
Building on free hold land	952,561	-	952,561	5	271,162	-	34,070	305,232	647,329
		-							
Furniture & fixtures	70,601	3,431	74,032	10	26,243	-	4,441	30,684	43,348
		-				-			
Vehicles	106,565	79,361	164,947	20	61,033	16,573	16,695	85,989	78,958
		(20,979)				(8,312)			
Computers	1,497,958	52,454	1,548,208	20-33	1,222,187	-	82,835	1,303,181	245,027
		(2,204)				(1,842)			
Air conditioners	65,119	3,453	66,646	10	22,817	-	4,323	25,797	40,849
		(1,926)				(1,343)			
Office equipment	63,023	4,576	67,599	10	25,036	-	4,049	29,085	38,514
		-				-			
Electric fittings	49,371	-	49,371	10	17,746	-	3,162	20,908	28,463
Generator	53,077	-	53,077	10	24,622	-	2,819	27,441	25,636
		-				-			
Intangible Assets									
Software	886,276	634	886,910	33	814,238		23,895	838,133	48,777
	3,998,780	143,909	4,117,580		2,485,084	16,573	176,290	2,666,450	1,451,130
		(25,109)				(11,497)			

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

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	2019								
Particulars	COST			DEPRECIATION					Net book value as at Jun 30, 2019
	As at Jul 01, 2018	Additions / (Deletions)	As at Jun 30, 2019	Rate %	As at Jul 01, 2018	Adjustment during the year	Charge for the year	As at Jun 30, 2019	
	Rupees In '000'								
Tangible Assets									
Land - freehold	254,229	-	254,229	-	-	-	-	-	254,229
		-							
Building on free hold land	952,561	-	952,561	5	235,299	-	35,863	271,162	681,399
		-							
Furniture & fixtures	67,566	4,598	70,601	10	22,512	-	4,486	26,243	44,358
		(1,563)				(755)			
Vehicles	95,750	177,741	106,565	20	58,612	16,321	10,401	61,033	45,532
		(166,926)				(24,302)			
Computers	1,471,011	31,817	1,497,958	20-33	1,132,424	-	93,386	1,222,187	275,771
		(4,870)				(3,624)			
Air conditioners	59,593	5,659	65,119	10	18,648	-	4,198	22,817	42,302
		(134)				(29)			
Office equipment	59,099	4,065	63,023	10	21,137	-	3,945	25,036	37,987
		(141)				(46)			
Electric fittings	49,371	-	49,371	10	14,232	-	3,514	17,746	31,625
		-							
Generator	53,077	-	53,077	10	21,490	-	3,132	24,622	28,455
		-				-			
Leasehold improvements	-	-	-	-	-	-	-	-	-
		-							
Intangible Assets									
Software	886,276	-	886,276	33	778,757	-	35,481	814,238	72,038
	3,948,533	223,882	3,998,780		2,303,111	16,320	194,407	2,485,084	1,513,696
		(173,635)				(28,755)			

	Note	2020 Rupees in '000'	2019 (Restated) Rupees in '000'
5.2 Depreciation is allocated in the following manner			
Cost of revenue	30	132,216	145,774
Administrative expenses	32	44,074	48,632
		176,290	194,407

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

	2020					
Particulars	Cost	Net Book Value	Sales Pro-ceeds	Gain/ (Loss)	Mode of Disposal	Particulars of Purchaser
	Rupees In '000'					
Vehicle	11,600	7,737	11,477	3,740	Company Policy	Faisal Rasheed Bhatti(Employee)
Vehicle	2,643	1,050	1,980	930	Company Policy	Shakeel Khalid (Employee)
Air Conditioner	1,926	582	470	(112)	Open market	Muhammad Salman

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

5.4 Following is statement of Right of Use assets

	2020								
Particulars	COST			DEPRECIATION					Net book value as at June 30, 2020
	As at Jul 01, 2019	Additions / (Deletions)	As at June 30, 2020	Rate %	As at Jul 01, 2019	Adjustment during the year	Charge for the year	As at June 30, 2020	
	Rupees In '000'								
Vehicles	184,082	-	145,014	20	38,397	-	27,084	48,908	96,106
		(39,068)				(16,573)			
Computers	6,308	-	6,308	33	2,082	-	1,394	3,476	2,832
		-				-			
Generator	-	-	-	10	-	-	-	-	-
		-							
	190,390	-	151,322		40,479	(16,573)	28,478	52,384	98,938
		(39,068)							

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	2019								
Particulars	COST			DEPRECIATION					Net book value as at Jun 30, 2019
	As at Jul 01, 2018	Additions / (Deletions)	As at Jun 30, 2019	Rate %	As at Jul 01, 2018	Adjustment during the year	Charge for the year	As at Jun 30, 2019	
	Rupees In '000'								
Vehicles	130,180	96,550	184,082	20	27,040	-	27,678	38,397	145,685
		(42,648)				(16,321)			
Computers	-	6,308	6,308	33	-	-	2,082	2,082	4,226
		-				-			
Generator	-	-	-	10	-		-	-	-
		-				-			
	130,180	102,858	190,390		27,040	-	29,760	40,479	149,911
		(42,648)				(16,321)			

	Note	2020	2019 (Restated)
		Rupees in '000	
5.5 Amortization is allocated in the following manner			
Cost of revenue	30	21,359	22,320
Administrative expenses	32	7,120	7,440
		28,478	29,760

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

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

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

6. INTANGIBLE ASSETS

	2020							
Particulars	C O S T			A M O R T I Z A T I O N				Net book value as at June 30, 2020
	As at Jul 01, 2019	Additions / (Deletions)	As at June 30, 2020	Rate %	As at Jul 01, 2019	Charge for the year	As at June 30, 2020	
	Rupees In '000'							
In-house Developed Software								
NFS Ascent	2,935,038	-	2,935,038	10	1,720,637	293,504	2,014,141	920,897
	2,935,038	-	2,935,038		1,720,637	293,504	2,014,141	920,897

	2019								
Particulars	C O S T			A M O R T I Z A T I O N				Net book value as at Jun 30, 2019	
	As at Jul 01, 2018	Additions / (Deletions)	As at Jun 30, 2019	Rate %	As at Jul 01, 2018	Charge for the year	As at Jun 30, 2019		
	Rupees In '000'								
In-house Developed Software									
NFS Ascent	2,935,038	-	2,935,038	10	1,427,133	293,504	1,720,637	1,214,401	
	2,935,038	-	2,935,038		1,427,133	293,504	1,720,637	1,214,401	

		2020	2019
		Rupees in '000'	
6.1 Amortization is allocated in the following manner			
Cost of revenue	30	293,504	293,504
6.2 Remaining amortization period for NFS - Ascent is 3 years 2 months.			
6.3 NetSol Financial Suite has been fully amortized but the company is still generating revenues from its sales.			
7. LONG TERM INVESTMENTS			
Investment in associate			
WRLD3D Inc. (Unquoted company)	7.1	209,764	293,379

7.1 Investment in associate-Foreign company

During the fiscal year 2016, the Company entered into an agreement with WRLD3D a gaming and 3D mapping Company to purchase 4,092,189 preference BB shares for \$2,777,778 which was to be earned over the period majority through provision of IT services and somewhat in cash. The Company has already delivered services amounting to \$2.78 million (PKR 293,378,850) against which 4,092,189 shares are issued to the company.

WRLD3D Inc is incorporated in USA. Principal place of business of WRLD3D is 800 W. El Camino Real, Suite 320, Mountain View, California 94040. DCD Holdings Limited Carlton Services Ltd, second floor, The Quadrant, Manglier Street, PO Box 1312, Victoria, Mahe, Seychelles is its beneficial owner. As on June 30, 2020 there is no litigation/Default/Breach exists related to WRLD3D and no return is received or gain/loss booked on disposal of investment (2019: Nil). The Company holds 12.2% ownership interest in WRLD3D and uses equity method to account for investment in associate.

The following table illustrates the summarized financial information of associate and its reconciliation with carrying value of the Group's investment in WRLD3D:

Notes to the Consolidated Financial Statements

For the year ended June 30, 2020

	2020	2019 (Restated)
	Rupees in '000'	
Non-current assets	72,914	26,205
Current assets	33,060	130,484
Non-current liabilities	(327,318)	(186,119)
Current liabilities	(1,684,488)	(1,191,033)
Equity	(1,905,833)	(1,220,464)
Group's share in equity – 12.2%	(232,512)	(148,897)
Goodwill	442,276	442,276
Group's carrying amount of the investment	209,764	293,379
Revenue from contracts with customers	56,934	213,336
Loss for the year	(519,351)	(723,510)
8. LONG TERM LOANS TO EMPLOYEES		
Loan to employees	6,867	5,237
Less: current maturity	(5,296)	(4,767)
	1,571	470

8.1. These are carried at cost as the effect of carrying these balances at amortised cost would not be material in the overall context of these financial statements.

9 TRADE DEBTS

Considered good - unsecured	9.2	2,200,933	2,878,928
Considered doubtful - unsecured	9.3	233,499	143,709
		2,434,432	3,022,637
Less: Provision for Expected Credit Losses		(233,499)	(143,709)
		2,200,933	2,878,928

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

NetSol Technologies (Thailand) Limited	84,995	179,957
NetSol Technologies (Beijing) Company Limited	702,287	604,477
NetSol Australia Pty. Limited	36,363	14,156
NetSol Technologies Americas	219,825	139,767
WRLD3D	247,362	166,417
1Insurer Limited, UK	-	321,812
The Innovation Group - UK BPS	-	351
1Insurer Inc., USA	-	52,241
	1,290,832	1,479,180
Less: Provision for Expected Credit Losses	(156,444)	(116,910)
	1,134,388	1,362,270

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

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

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

	2020	2019 (Restated)
	Rupees in '000'	
Balance as at July 1	143,709	70,528
Adjustment in opening balance on initial application of IFRS 9	-	(9,874)
Provision made during the year	116,869	105,265
Provision reversed during the year*	(27,079)	-
Write offs during the year**	-	(22,210)
Balance as at June 30	233,499	143,709

*Reversal of provision is made in respect of Accounts receivable balance of subsidiary company due to 100% realization of outstanding balance.

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

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

	2020		2019 (Restated)	
	Rupees in '000'		Rupees in '000'	
	Gross	Impaired	Gross	Impaired
Not past due	270,105	-	1,122,331	-
Past due 1-180 days	1,448,880	-	917,084	-
Past due 181 days -1 year	223,913	-	440,051	-
More than one year	491,534	-	543,171	-
Total	2,434,432	-	3,022,637	-

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

	2020		2019 (Restated)	
	Rupees in '000'		Rupees in '000'	
	Gross	Impaired	Gross	Impaired
Not past due	49,933	-	110,175	-
Past due 1-180 days	595,444	-	436,593	-
Past due 181 days -1 year	154,734	-	426,612	-
More than one year	490,721	-	505,799	-
Total	1,290,831	-	1,479,180	-

9.7 Maximum aggregate amount outstanding due from trade debts due from related party at the end of any month during the year was Rs. 1,639.1 million (2019 : Rs. 1,479.2 million).

10. CONTRACT ASSETS

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

		2020	2019 (Restated)
		Rupees in '000'	
Considered good - unsecured		1,652,633	1,167,646
Considered doubtful - unsecured	10.1	19,215	31,745
		1,671,848	1,199,391
Less: Provision against doubtful recovery	10.1	(19,215)	(31,745)
		1,652,633	1,167,646

Notes to the Consolidated Financial Statements

For the year ended June 30, 2020

		2020	2019 (Restated)
		Rupees in '000'	
10.1	Movement in provision against future doubtful contract assets is given below:		
	Balance as at July 1	31,745	-
	Adjustment in opening balance on initial application of IFRS 9	-	85,686
	Provision reversed during the year	(12,530)	(53,941)
	Balance as at June 30	19,215	31,745
10.2	There is a net increase of Rs. 453.2 million in contract assets as compared to last fiscal year (2019: Decrease of 260.7 million). Explanation of significant changes are as follows:		
	Opening balance-Contract Assets	1,167,646	1,428,321
	Add: Revenue Recognised	3,293,594	4,084,641
	Less: Invoices raised	(2,861,101)	(4,528,852)
	Forex Gain / (Loss)	39,963	215,282
	Provision for Expected Credit Losses	12,530	(31,745)
	Closing balance-Contract Assets	1,652,633	1,167,646
11.	LOANS AND ADVANCES - Unsecured -Considered good		
	Current maturity of loans to employees	8	5,296
	Advances		
	- employees		671
	- against expenses	11.1	8,178
			14,145
			52,261
11.1	The advances against expenses are given to meet business expenses and are settled as and when the expenses are incurred.		
12.	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
	Security deposit		4,741
	Prepayments		20,931
			25,672
			20,948
13.	OTHER RECEIVABLES		
	Guarantee margin		2,340
	Other receivable - considered good		6,332
			8,672
			7,219

		2020	2019 (Restated)		
		Rupees in '000'			
14. DUE FROM RELATED PARTIES					
Considered good - unsecured					
Parent					
NetSol Technologies Limited Inc.		159,954	-		
Associates:					
NetSol Connect (Pvt) Ltd.		24,330	23,117		
OTOZ Thailand Ltd		45,162	-		
NetSol Technologies (Beijing) Ltd		5,705	-		
NetSol Technologies (Thailand) Limited		138,468	-		
		373,619	23,117		
14.1	These relate to normal business of the Group and are interest free.				
14.2	Maximum aggregate amount due from related party at the end of any month during the year was Rs. 373.619 million (2019 : Rs. 137.181 million).				
14.3	Aging of due from related parties at June 30 is as follows:				
		2020	2019 (Restated)		
		Rupees in '000'			
		Gross	Impaired	Gross	Impaired
Not past due		194,035	-	730	-
Past due 1-180 days		69,518	-	18,855	-
Past due 181 days -1 year		110,066	-	3,532	-
More than one year		-	-	-	-
Total		373,619	-	23,118	-
15. TAXATION - NET					
Tax receivable as at 1 July		52,716	55,087		
Tax payments		66,614	19,495		
Tax adjustments		969	924		
Provision for taxation		(103,766)	(22,790)		
		16,533	52,716		
16. CASH AND BANK BALANCES					
With banks					
Saving accounts-Local currency	16.1	1,838,958	1,650,915		
Saving accounts-Foreign currency	16.1	79,882	216,864		
Current accounts-Local currency		735	978		
Current accounts-Foreign currency		183,050	172,320		
		2,102,625	2,041,077		
In hand		13,247	12,025		
		2,115,872	2,053,102		
16.1	The balances in savings accounts bear mark up at 6.48% to 13.05% per annum. (2019 : 4.5% to 12% per annum)				

Notes to the Consolidated Financial Statements

For the year ended June 30, 2020

17. 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 around 1.5 decade.

Subsidiary's sound business profile and a length of established business history coupled with holding necessary IT related certifications which 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.

However as subsidiary has become a non going concern entity therefore Financial statements of subsidiary used for consolidation has been prepared on non going concern basis (Net Realizable Values NRV) basis.

Write down of property, plant and equipment

At reporting date i-e June 30, 2020, the recoverable amount was estimated for all items of property, plant and equipment and impairment loss of Rs. Nil. (2019: 0.145 million) was identified and charged to Cost of sales expenses of discontinued operations and carrying values of property, plant and equipment were reduced to reflect fair value less costs to sell.

Non Recurring Fair Value Measurements	2020	2019
Non-current assets held for sale	Rupees in '000'	
Property, plant and equipment	7,276	7,296

Valuation techniques and inputs used

The group has engaged an external, independent and qualified valuer to determine the fair value of the Property Plant and Equipment. They have determined the fair value by using Market based approach as described in IFRS 13.

The inputs used to develop those measurements are Purchase date, Useful life of asset, Present condition, location and Market value of the similar items.

Level of the fair value hierarchy

This is a level 2 measurement as per the fair value hierarchy set out in IFRS 13.

18. SHARE CAPITAL

18.1 Authorised share capital

	2020	2019		2020	2019
	Number of shares			Rupees in '000'	
	150,000,000	150,000,000	Ordinary Shares of Rs. 10 each.	1,500,000	1,500,000
18.2 Issued, subscribed & paid-up capital					
	42,686,191	42,572,191	Ordinary Shares of Rs. 10 each fully paid in cash	426,862	425,722
	47,150,732	47,150,732	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	471,507	471,507
	89,836,923	89,722,923		898,369	897,229
18.3 Reconciliation of number of shares issued, subscribed & paid-up					
Number of shares outstanding as at July 1				89,722,923	89,702,923
Ordinary Shares of Rs. 10 issued against options exercised				114,000	20,000
Number of shares outstanding as at June 30				89,836,923	89,722,923

18.4 Owners of ordinary shares of the holding company are entitled to distributions approved by the holding Company, and the shareholding entitles the owners to vote at the general meetings, with one vote per share. All shares have the same right to holding Company's remaining net assets.

18.5 There are no outstanding options to subscribe for ordinary shares of the Company granted under the employee share option plan as disclosed in Note 19.1.1

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

18.7 The holding Company is not subject to any externally imposed capital requirements for the financial years 2019 and 2020

18.8 During the year 114,000 shares were issued against options exercised. Weighted average share price at the date of exercise of options was Rs. 59.76 per share.

		2020	2019
		Rupees in '000'	
19. RESERVES			
Capital reserve			
Premium on issue of ordinary shares		304,167	303,266
Employee share option compensation reserve	19.1	206,555	167,025
Foreign currency translation reserve		(16,830)	
Revenue reserve			
Un - appropriated profit		5,515,868	5,727,026
		6,009,760	6,197,317
19.1 EMPLOYEE SHARE OPTION COMPENSATION RESERVE			
Balance at the beginning of the year		167,025	131,860
Lapse of Share options		(20)	-
Amount transferred to Capital reserve on exercise of options		(168)	(30)
Contribution of parent on account of employee share options		39,718	35,195
Balance at the end of the year		206,555	167,025
19.1.1 Employee Stock Option Scheme			
4.35 million stock options were granted by the group on August 01, 2009 at a grant price of Rs. 16.42 per option. The options were exercisable within a period of 10 years with un-exercised options to be lapsed on July 31, 2019. The Group calculated fair value of options at the grant date using the following assumptions:			
Total number of options granted		4,350,000	
Per option fair value at the grant date		Rs. 1.48	
Average 30 days per share price preceding the date of grant		Rs. 26.80	
Exercise price per option		Rs. 16.42	
Annual volatility		64.82%	
		2020	2019
		Number of Options	
Options outstanding at the beginning of the year		127,500	147,500
Options lapsed during the year		(13,500)	-
Options exercised during the year		(114,000)	(20,000)
Options outstanding at the end of the year		-	127,500
20. LONG TERM FINANCING			
Long term Finance facility	20.1	211,941	-
Deferred grant	20.2	20,102	-
Less: Current portion shown under current liabilities:			
Current portion of Long term finance facility		(49,546)	-
Current portion of deferred grant		(9,996)	-
		(59,543)	
		172,500	
20.1 Company has an approved financing facility of Rs. 345 million (2019: Nil) from Askari Bank Limited against salaries and wages under SBP Refinance Scheme announced during Covid 19. As at 30 June 2020 the Company has withdrawn Rs 230 million (2019: Nil) which is secured against already provided security structure with Askari Bank (Detail under note 25.1.1). The rate of markup on this loan is 3% per annum. Term of this financing is two and half years (including six month grace period) and is repayable in eight equal quarterly instalments commencing from 1st January 2021. The unused facility available under the above arrangement as at 30 June 2020 amounted to Rs. 115 million (2019: Nil). Under this scheme, the company was prohibited to lay-off its employees at least for a period of three months starting from the date of first disbursement.			
20.2 DEFERRED GRANT			
Balance as at beginning of the year		-	-
Received during the year		20,609	-
Amortized to the statement of profit or loss		(507)	-
Balance as at end of the year		20,102	-

Notes to the Consolidated Financial Statements

For the year ended June 30, 2020

To support the economy during Covid-19 pandemic, the State Bank of Pakistan, including other steps, also introduced a refinance scheme for payment of salaries and wages at subsidized rate of borrowing as disclosed in Note 19. The company also obtained the said facility from Askari Bank Limited at 3% mark up rate. This amount is repayable till Dec 2022 in 8 quarterly installments. According to the requirements of IAS 20, the company has recognized deferred grant amounting to Rs. 20.609 million during the year ended 30 June 2020 out of which Rs. 0.507 million has been amortized during the year.

	2020	2019
	Rupees in '000'	
21. LEASE LIABILITIES		
Present value of minimum lease payments	52,705	99,079
Current portion of obligations shown under current liabilities	(37,782)	(43,675)
	14,924	55,404

Present value of minimum lease payments have been discounted at an implicit interest rate ranging between 12.47 % to 15.40% (2019 : 7.81 % to 12.45%) to arrive at their present value. The lessee has the option to purchase the assets after expiry of the lease term.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

	2020		
	Minimum Lease Payment	Future Finance Charges	Present Value of Lease Liability
Not later than one year	42,418	4,636	37,782
Later than one year but not later than five years	15,572	649	14,923
	57,990	5,285	52,705
	2019		
	Minimum Lease Payment	Future Finance Charges	Present Value of Lease Liability
Not later than one year	53,543	9,867	43,675
Later than one year but not later than five years	60,507	5,103	55,404
	114,050	14,970	99,079

	2020	2019
	Rupees in '000'	
22 DEFERRED INCOME		
Opening balance	5,140	7,826
Addition during the period	-	-
	5,140	7,826
Amortized during the period	(2,686)	(2,686)
	2,454	5,140
Less: Current portion shown under current liabilities	(2,454)	(2,686)
Non-current portion	-	2,454

This amount represents gain on sale and lease back (Finance Lease) of fixed assets transactions entered into before the initial application of IFRS 16 'Leases'. This gain is deferred and amortized over the lease term.

	2020	2019 (Restated)
	Rupees in '000'	
23. LONG TERM ADVANCES		
Long term advances	3,328	8,415
Less: Current portion	(3,328)	(3,272)
	-	5,143

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

24. TRADE AND OTHER PAYABLES			
Creditors	24.1	33,332	41,680
Accrued liabilities		91,187	369,554
Interest accrued - secured		5,872	6,782
Due to related party - unsecured	24.2	11,561	26,855
Withholding tax		16,422	13,275
Provident fund payable		19,956	25,610
Other payables		6,439	7,438
Sales tax payable		1,215	1,215
WWF payable		8,292	-
		194,276	492,409
24.1 Creditors include Nil (2019: 0.3M) payable to a related party Nadoz greenz.			
24.2 Due to related party - unsecured			
Parent			
NetSol Technologies Inc.	24.2.1	-	19,779
Associated			
NetSol Technologies Europe Ltd	24.2.1	11,561	7,076
		11,561	26,855

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

25. CONTRACT LIABILITIES

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

There is decrease of Rs. 157.28 million in contract liabilities as compared to last fiscal year (2019: Increase of Rs. 97.58 million). Explanation of significant changes are as follows:

	2020	2019
	Rupees in '000'	
Opening balance Contract Liabilities	468,828	371,243
Add Invoices raised	1,350,438	1,031,643
Less: Revenue recognized	(1,483,634)	(939,117)
Less: Catch up adjustment to revenue	(24,089)	5,058
Closing balance Contract Liabilities	311,541	468,828

26. SHORT TERM BORROWINGS

Export refinance - ERF - II secured	26.1	1,380,000	880,000
RF - secured	26.1	-	173,000
		1,380,000	1,053,000
26.1 EXPORT REFINANCE/LAPC/RF - SECURED			
Askari Bank Limited - ERF - II	26.1.1	500,000	500,000
Askari Bank RF	26.1.1	-	53,000
Samba Bank Limited - ERF - II	26.1.2	380,000	380,000
Samba Bank Limited - RF	26.1.2	-	120,000
Habib Metro Bank Limited - Istisna/ Al Bai	26.1.3	500,000	-
		1,380,000	1,053,000

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- 26.1.1** The facility for export refinance (ERF) is available from Askari Bank Limited amounting upto Rs 500 million (2019 : Rs 500 million), availed Rs. 500 million (2019 : 500 million) It carries mark-up of State Bank Refinance Rate+1% per annum (2019 : State Bank Refinance Rate+1% per annum). The interest rate charged for fiscal year 2020 was 3% (2019 : 3%). The due balance is payable bi-annually.

A sublimit of export refinance amounting under FE 25 is also sanctioned amounting to \$ 3 million (2019 : \$ 3 million)

As sublimit of export refinance facility, the company also has a running finance facility of Rs. 75 million (2019 : 75 million) for working capital requirement. It carries markup at the rate of 3 month Kibor + 2%. (2019 : 3 month Kibor + 2%). As at June 30, 2020, Nil was outstanding against this facility. (2019: 53 million).

A facility for issuance of guarantees (LG) as a sublimit of Running Finance (RF) is also available upto Rs. 40 million (2019 : Rs. 40 million), availed Rs. 11.488 million. (2019 : Rs. 11.488 million). A sublimit of RF upto Rs. 10 million (2019 : Rs. 10 million) is also available for corporate credit cards.

Unused running finance facility amount (including its sublimits) as at June 30, 2020 is Rs. 53.512 million (2019: 0.512 million)

The facilities from Askari Bank Limited are secured by way of 1st ranking Pari Passu charge over Company's all present and future current assets amounting to Rs. 767 million (2019: Rs. 767 million) and 1st ranking Pari Passu charge of Rs. 767 million over fixed assets of the company (2019: Rs. 767 million). The facilities are also secured by way of 1st equitable mortgage over 9 Kanal, 2 Kanal and 16 Marla properties, all located at Ghazi road, Lahore Cantt. These facilities are also secured by way of personal guarantees of Mr. Salim Ullah Ghauri, Mr. Omar Shahab Ghauri and Mr. Najeeb Ullah Ghauri.

- 26.1.2** The facility for ERF/LAPC/RF is available from SAMBA bank Limited amounting to Rs. 650 million (2019 : Rs. 650 million), availed ERF Rs. 380 million (2019 : Rs. 380 million), LAPC Rs. Nil (2019 : Nil) and RF Rs. Nil (2019: Rs. 120 million). ERF carries mark-up at State Bank Refinance Rate+1% per annum (2019: State Bank Refinance Rate+1%). Interest rate charged for the fiscal year 2020 for ERF was 3% (2019 : 3%). LAPC/RF carry markup at the rate of 3 month Kibor+1.5% (2019 : 1 month Kibor+1.5%). The due balance of ERF/LAPC is payable bi-annually.

The unused ERF/LAPC/RF facility as at June 30, 2020 is Rs. 270M (2019: Rs. 150M)

These facilities are secured by way of 1st Pari Passu charge over Company's all present and future current assets amounting to Rs. 667 million (2019: 667 million) and 1st Pari Passu charge of Rs. 667 million over fixed assets of the company (2019: 667 million). The bank also has 2nd ranking equitable mortgage over 9 Kanal, 2 Kanal and 16 Marla properties, all located at Ghazi road, Lahore Cantt. The facilities are also secured by way of personal guarantees of Mr. Salim Ullah Ghauri, Mr. Omar Shahab Ghauri and Mr. Najeeb Ullah Ghauri.

- 26.1.3** The facility for export refinance IERF - I & II (Istisna / Al Bai / Working Capital Musharika) is available from Habib Metro Bank Limited amounting upto Rs 900 million (2019 : Rs Nil), availed Rs. 500 million (2019 : Nil) It carries mark-up at State Bank Refinance Rate+1% per annum (2019 : Nil). The interest rate charged for fiscal year 2020 was 3% (2019 : Nil). The due balance is payable bi-annually.

A sublimit of export refinance amounting to Rs. 900 million under FE 25 is also sanctioned (2019 : Nil) which carries mark up at the rate of 2.75% (2019: Nil). A sublimit of export refinance amounting to Rs. 900 million under Working Capital Musharika is also available (2019 : Nil) and carries mark up at the rate of monthly Kibor+0.25% (2019: Nil). As a sublimit of export refinance, LG amounting to Rs. 900 million is also available (2019 : Nil). It carries commission at the rate of 0.10% per quarter (2019: Nil)

The facilities from Habib Metro bank limited are secured by way of ranking charge upgradeable into Pari Passu charge over Company's all present and future current assets amounting to Rs. 300 million (2019: Nil) and ranking charge upgradeable into Pari Passu charge of Rs. 900 million over present and future fixed assets of the company (2019: Nil). The facilities from Habib Metro bank are secured by way of equitable mortgage over 9 Kanal, 2 Kanal and 16 Marla properties, all located at Ghazi road, Lahore Cantt. The facilities from Habib Metro bank are also secured by way of personal guarantee of Mr. Salim Ullah Ghauri.

- 26.1.4** All short term borrowings contain certain loan covenants and any future breach of covenants may require the Company to repay the loan earlier than the agreed period. The Company monitors its compliance with covenants on regular basis. As on June 30, 2020, the company is fully compliant with all loan covenants.

		2020	2019
		Rupees in '000'	
27. CURRENT PORTION OF LONG TERM LIABILITIES			
Current portion of long term financing	20	49,546	-
Current portion of deferred grant	20	9,996	-
Current portion of lease liability	21	37,782	43,675
Current portion of Deferred Income	22	2,454	2,686
Current portion of long term advances	23	3,328	3,272
		103,106	49,633

28. CONTINGENCIES & COMMITMENTS

28.1 Contingencies

28.1.1 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.

28.1.2 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. On August 24, 2016, the company filed an appeal u/s 127 of the said Ordinance before the Commissioner Inland Revenue (Appeals), Lahore on the grounds that amount paid to non resident is in respect of commission and cannot be considered fee for technical services, hence exempt from tax. On November 6, 2019, the Competent authority disposed off the case against the company. The company has filed an appeal against the said 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.

28.2 Commitments

28.2.1 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.

28.2.2 The Company has capital commitments of Rs. Nil under capital purchase agreements as at June 30, 2020. (2019: 16.8 million)

		2020	2019 (Restated)
		Rupees in '000'	
29. REVENUE FROM CONTRACTS WITH CUSTOMERS	Note		
DISAGGREGATION OF REVENUE:			
Export Revenue			
License		389,129	1,572,775
Services		2,573,266	2,759,589
Maintenance		1,733,882	1,045,894
		4,696,277	5,378,258
Local Revenue			
Services		-	325
Maintenance		14,033	12,757
		14,033	13,082
Sales tax		(1,936)	(1,804)
		4,708,374	5,389,535

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For the year ended June 30, 2020

		2020	2019 (Restated)	
		Rupees in '000'		
29.1	Amount of revenue recognized from beginning balance of contract liabilities:			
	opening balance	468,828	371,243	
	Add: impact of IFRS 15	-	26,005	
	Restated Opening balance	468,828	397,248	
	Revenue recognized	468,828	380,357	
29.2	The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June are, as follows:			
	Within one year	1,095,503	1,213,941	
	More than one year	5,818,123	7,571,310	
Total		6,913,626	8,785,251	
30.	COST OF REVENUE			
	Salaries & benefits	30.1	1,990,473	1,853,459
	Software licenses		52,948	21,445
	Staff training		1,036	6,724
	Travelling & conveyance		430,336	709,886
	Communication		44,539	39,248
	Utilities		26,391	22,209
	Printing & stationery		1,155	1,418
	Entertainment		37,558	50,152
	Insurance		518	1,124
	Vehicle running & maintenance		58,586	54,806
	Repair & maintenance		49,339	82,779
	Fee & subscription		2,372	14,796
	Impairment of fixed assets		-	145
	Depreciation	5.2	132,216	145,774
	Amortization of leased assets	5.5	21,359	22,320
	Amortization of intangible assets	6.1	293,504	293,504
			3,142,330	3,319,789
30.1. Salaries and benefits include Rs. 85.54 million (2019 : Rs. 82.72 million) in respect of retirement benefits.				
31.	SELLING AND PROMOTION EXPENSES			
	Salaries & benefits	31.1	311,841	280,513
	Staff training		80	538
	Rent, rates & taxes	31.2	12,456	11,509
	Travelling and conveyance		41,033	64,285
	Communication		3,151	3,050
	Utilities		1,837	1,633
	Printing & stationery		463	1,796
	Entertainment		2,328	5,318
	Insurance		2,018	1,595
	Vehicle running expenses		9,046	11,389
	Repairs and maintenance		8,812	13,517
	Commission on sales		48,621	255,199
	Sale promotional expenses		13,578	19,077
			455,264	669,419

31.1 Salaries and benefits include Rs. 6.737 million (2019 : Rs. 7.07 million) in respect of retirement benefits.

31.2 Rent, rates & taxes represent Expense in respect of short term leases.

	Note	2020 Rupees in '000'	2019 (Restated)
32. ADMINISTRATIVE EXPENSES			
Salaries and benefits	32.1	469,769	436,432
Staff training		616	2,095
Rent, rates and taxes	32.2	28,812	27,209
Travelling and conveyance		44,474	42,892
Communication & postage		20,516	15,807
Printing and stationery		2,699	1,814
Utilities		19,192	15,452
Entertainment		28,393	30,472
Insurance		7,228	5,369
Advertisement		1,176	1,711
Vehicle running expenses		24,561	21,246
Repairs and maintenance		22,445	27,539
Legal and professional charges		7,726	6,549
Auditors remuneration	32.3	4,000	4,000
Office supplies		8,031	5,842
Charity & donation	32.4	11,564	22,078
Fee & subscription		15,703	25,893
Depreciation	5.2	44,074	48,632
Amortization of leased assets	5.5	7,120	7,440
		768,099	748,471

32.1 Salaries and benefits include Rs. 21.58 million (2019 : Rs. 17.38 million) in respect of retirement benefits.

32.2 Rent, rates & taxes include expense in respect of short term leases amounted to Rs 24.31 million.

32.3 Auditors remuneration

Audit fee	2,700	2,700
Certifications of group reporting	650	650
Professional services	350	350
Out-of-pocket expenses	300	300
	4,000	4,000

32.4 Charity & donation

Names of the donee along with amount of donation in case amount of donation exceeds higher of Rs. 1 million or 10% of total amount of donation is given below:

Name of Donee

DIL Foundation	2,214	4,095
Farooq Trust School	2,202	2,496
NUST	-	3,000
BIPP Institute	-	3,543
	4,416	13,133

Interest of the Directors or their spouses in the donations made during the year is as follows:

Name of Donee and address

Name of interested directors and nature of interest

Shahid Javed Burki Institute of Public Policy (126-B Ahmad Block, New Garden Town, Lahore)	Salim Ghauri - Member Board of Directors	-	3,543
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Notes to the Consolidated Financial Statements

For the year ended June 30, 2020

	Note	2020 Rupees in '000'	2019
33. OTHER INCOME			
<i>Income from financial assets</i>			
Profit on bank deposits	33.1	178,978	89,359
Profit on short term investment		257	-
		179,235	89,359
<i>Income from non-financial assets</i>			
Gain on foreign currency translation		68,118	936,851
Gain on disposal of assets		3,776	15,250
Amortization of deferred revenue	22	2,686	2,686
Rental income		900	900
		75,480	955,687
		254,715	1,045,046
33.1 Income is earned under both conventional mark-up arrangement and shariah compliant arrangement.			
34. OTHER OPERATING EXPENSES			
Research and development cost		189,952	237,589
Provision for doubtful debts		77,260	51,323
Workers Welfare Fund		8,292	-
		275,504	288,911
35. FINANCE COST			
Lease finance charges		11,239	8,051
Mark up		36,206	30,408
Less: Amortization of govt grant	20.2	(507)	
Lease documentation charges		-	22
Bank charges		1,580	1,331
		48,518	39,812
36. TAXATION			
Income of the Group from export of computer software and its related services developed in Pakistan is exempt from tax up to June 30, 2025 provided that eighty per cent of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels as per clause 133 of part 1 of the Second Schedule to the Income Tax Ordinance, 2001. However tax as per applicable rates is charged to the income of the Group generated from other than core business activities.			
Reconciliation of income tax expense for the year			
Accounting Profit from continuing operations		206,589	1,368,179
Enacted tax rate		29%	29%
Tax on accounting profit at enacted rate		59,911	396,773
Tax effect on income exempt from tax		55,592	(370,392)
Tax effect of income taxed at different rates		(11,737)	(3,233)
Prior year adjustment		(969)	(1,358)
International taxation effect		59,679	55,738
		162,476	77,527

The Group has made the provision for taxation based on its understanding of the tax laws and regulations and on the basis of advice from its tax consultant. These provisions may change in case these laws and regulations are interpreted differently by tax authorities and Company's appeals are also not accepted.

37. EARNINGS PER SHARE

37. EARNINGS PER SHARE		2020	2019
Basic		Rupees in '000'	
Profit attributable to ordinary shareholders of NetSol Technologies Limited		36,024	1,267,314
Weighted average number of ordinary shares in issue during the year	37.1	89,829	89,723
Basic - In Rupees		0.40	14.13
Diluted			
Profit attributable to ordinary shareholders of NetSol Technologies Limited		36,024	1,267,314
Weighted average number of ordinary shares in issue during the year	37.2	89,835	89,830
Diluted - In Rupees		0.40	14.11
37.1 Weighted average number of ordinary shares (basic)			
Issued ordinary shares as at July 1		89,723	89,703
Weighted average of shares issued during the year		106	20
Weighted average number of ordinary shares (basic) as at June 30		89,829	89,723
37.2 Weighted average number of ordinary shares (diluted)			
Weighted average number of ordinary shares (basic)	37.1	89,829	89,723
Effect of exercise of share options		6	107
Weighted average number of ordinary shares (diluted) as at June 30		89,835	89,830

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2020	2019	2020	2019	2020	2019
	Rupees in '000'					
Managerial remuneration	9,120	8,000	8,360	7,200	1,141,172	943,396
Retirement benefits	730	640	669	576	66,318	58,071
Rent and house maintenance	3,648	3,200	3,344	2,880	421,345	356,068
Utilities	912	800	836	720	105,336	89,017
Medical expenses	1,225	1,139	1,554	2,665	44,294	32,902
Commission	-	-	-	-	48,620	110,137
Total	15,635	13,779	14,763	14,041	1,827,086	1,589,590
No. of Persons	1	1	1	1	439	389

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

During the current year certain executives of the company exercised stock options under employee stock option scheme according to which 114,000 shares (2019: 20,000) were allotted to them.

Nothing is paid to any non-executive director (including independent directors) in form of remuneration or other benefits except a fee approved by the board for attending the board and other committee meetings amounting Rs.2.02 million (2019: 0.98 million)

39. CAPITAL MANAGEMENT

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended June 30, 2020

		2020	2019
		Rupees in '000'	
Total debt	39.1	1,664,748	1,152,079
Less : Cash and cash equivalents		(2,115,872)	(2,053,102)
Net debt		-	-
Total equity	39.2	6,908,142	7,078,915
Gearing ratio (In percentage)		0%	0%

39.1 Total debt includes liabilities against assets subject to finance lease, long term borrowings & short term borrowing.

39.2 The total equity includes all the capital and reserves of the Group.

40. TRANSACTION WITH RELATED PARTIES

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

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

Relationship with the Group	Nature of transactions		
(i) Associated undertaking	Rental Income	900	900
	Provision of services	1,109,482	1,074,920
	Purchase of services	29,437	29,305
	Purchase of assets	575	-
(ii) Parent	Commission	-	97,836
	Dividend	116,417	118,793
(iii) Post Employment benefit	Contribution to defined contribution plan	113,863	107,181

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

Company Name	Country of Incorporation	Basis of association	Aggregate %age of Shareholding
NetSol Technologies (Thailand) Limited	Thailand	Sister concern	Nil
NetSol Technologies (Beijing) Co., Limited	China	Sister concern	Nil
NetSol Technologies Australia Pty Limited	Australia	Sister concern	Nil
NetSol Technologies Americas	USA	Sister concern	Nil
NetSol Technologies Europe Limited	UK	Sister concern	Nil
NetSol Technologies Inc	USA	Parent company	66.12%
WRLD3D Inc	USA	Associate	Nil
OTOZ Thailand Limited	Thailand	Sister concern	Nil

40.2 Details of associated Companies with whom the group had entered into transaction or had agreements other than already disclosed in note 39.1 above are as follows:

Company Name	Basis of Relationship	Common directorship	Percentage of shareholding
NetSol Connect (Pvt) Limited	Associate	Yes	Nil
Nadoz Greenz	Associate	Yes	Nil

41. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial Risk Management

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

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

(a) Credit Risk

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

		2020	2019
		Rupees in '000'	
Financial Assets			
Amortized cost			
Trade debts	41.1	2,200,933	2,878,928
Loans and advances		7,538	5,270
Security deposits		4,741	4,499
Other receivables		8,672	7,219
Due from related parties		373,619	23,117
Bank balances	41.2	2,102,625	2,041,077
		4,698,128	4,960,109

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

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

	Short term	Long term	Rating Agency
Askari Bank Limited	A-1+	AA+	PACRA
MCB Bank Limited	A-1+	AAA	PACRA
Samba Bank Limited	A-1	AA	JCR-VIS
Meezan Bank Limited	A-1+	AA+	JCR-VIS
Dubai Islamic Bank Pakistan Limited	A-1+	AA	JCR-VIS
Habib Metropolitan Bank	A-1+	AA+	PACRA

Notes to the Consolidated Financial Statements

For the year ended June 30, 2020

(b) Liquidity risk

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

	2020			
	Carrying amount	Contractual cash flows	One year or less	Two to five years
	Rupees in '000'			
Non-derivative financial liabilities				
Finance lease liability	52,705	57,990	42,418	15,572
Trade and other payables	182,529	182,529	182,529	-
Short-term borrowings	1,380,000	1,421,400	1,421,400	-
Long term borrowings	222,047	242,061	65,031	177,030
	1,837,280	1,903,979	1,711,378	192,602

	2019			
	Carrying amount	Contractual cash flows	One year or less	Two to five years
	Rupees in '000'			
Non-derivative financial liabilities				
Finance lease liability	99,079	114,050	53,543	60,507
Trade and other payables	481,447	481,447	481,447	-
Short-term borrowings	1,053,000	1,145,144	1,145,144	-
	1,633,526	1,740,641	1,680,134	60,507

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

(c) Interest Rate Risk

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

	2020	2019
	Rupees in '000'	
Financial assets		
Bank balances	1,918,840	1,867,779
Financial Liabilities		
Finance lease liability	52,705	99,079
Long term loan	232,043	-
Short-term borrowings	1,380,000	1,053,000
	1,664,748	1,152,079

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates, with all other variables held constant, of the Group's profit net of tax.

	2020	2019
	Rupees in '000'	
Impact on Statement of Profit or Loss (net of tax)		
As at 30 June		
100 bps increase will result in decrease in profit by	21,354	8,004
100 bps decrease will result in increase in profit by	21,354	8,004

(d) Foreign Currency Risk

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

Exposure to currency risk

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

Trade Debts	2,200,933	2,878,928
Cash & bank balances	269,775	390,144
Due from related parties	349,289	23,117
Due to related parties	(11,561)	(26,855)
Net Exposure	2,808,436	3,265,334

Sensitivity analysis

The following analysis demonstrates the impact of a 5% strengthening/weakening of the Pak Rupee against other currencies which include UK£, US\$ AUS\$, RMB¥, THB & UAED at 30 June on equity and statement of profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2019.

Impact on statement of profit or loss (net of tax)		
As at 30 June		
Strengthening	(813,986)	(993,446)
Weakening	813,986	993,446

(e) Fair Value of Financial Assets and Liabilities

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

41.3 Financial Instruments By Category

Financial Assets at amortised cost

Trade debts	2,200,933	2,878,928
Loans and advances	7,538	5,270
Security deposits	4,741	4,499
Other receivables	8,672	7,219
Due from related parties	373,619	23,117
Cash and Bank balances	2,102,625	2,053,102
	4,698,128	4,972,134

Notes to the Consolidated Financial Statements

For the year ended June 30, 2020

	2020	2019
	Rupees in '000'	
Financial liabilities at amortized cost		
Finance lease liability	52,705	99,079
Trade and other payables	182,529	481,447
Long-term borrowings	232,043	
Short-term borrowings	1,380,000	1,053,000
	1,847,277	1,633,526

42. PROVIDENT FUND RELATED DISCLOSURE

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

	2020 (Unaudited)	2019 (Audited)
	Rupees in '000'	
Size of the fund - Total Assets	1,077,520	820,865
Cost of investment made	873,226	665,384
Percentage of investment as size of fund	81%	81%
Fair value of investments	879,583	668,908

42.1 The breakup of fair value of investments is

	2020		2019	
	Investments Rupees in '000	Percentage of investment as size of fund	Investments Rupees in '000	Percentage of investment as size of fund
Bank Balances	807,230	75%	665,376	81%
Investment in Listed Equity Securities	15,988	1%	-	0%
Others	50,008	5%	8	0%
	873,226	81%	665,384	81%

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

43. NUMBER OF EMPLOYEES

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

	2020	2019
	No of Employees	
Average number of employees during the year	1,205	1,201
Number of employees as at year end	1,219	1,236

44. ANNUAL SOFTWARE DEVELOPMENT CAPACITY

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

45. SEGMENT REPORTING

For Management purposes, the Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different to industries.

The Group measures the performance of its operating segments through a measure of segment's gross profit or loss referred to as segment results. Segment results are determined by deducting directly attributable segment expenses from segment revenues. The accounting policies of the reportable segments are the same as that of the Group's accounting policies. This measure is reported to the CODM for the purposes of resource allocation and assessment of performance. All other expenses are reported separately to CODM.

Intersegment revenue is recorded at fair market price.

Segment assets and liabilities are not regularly provided to the CODM. The Group has elected as provided under IFRS 8 'Operating Segments' (amended) not to disclose a measure of segment assets or liabilities where these amounts are not regularly provided to the CODM.

With respect to geographical regions, revenue is generally allocated to regions based on the location where the products and services are provided.

Fixed assets used in the business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. Accordingly, no disclosure relating to total segment assets and liabilities are made.

Reportable Segments

The CODM has identified the segments which may earn revenues and incur expenses and whose operating results are subject to regular monitoring. Following are identified segments.

(i) Global Leasing and Financial Solutions (NFS)

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

(ii) Information Security (IS) and Software Services and Solutions (SSS)

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

(iii) Business Process Outsourcing (BPO)

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

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

46. SEGMENT REVENUES AND RESULTS

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

Notes to the Consolidated Financial Statements

For the year ended June 30, 2020

	2020			
	NFS	IS & SSS	BPO	Total
	Rupees in '000			
Revenue - net				
External sales				
License	389,129	-	-	389,129
Services	2,395,394	-	177,873	2,573,266
Maintenance	1,733,881	12,098	-	1,745,979
Total revenue	4,518,404	12,098	177,873	4,708,374
Cost of revenue	(2,959,916)	(4,449)	(177,966)	(3,142,330)
Segment results	1,558,488	7,648	(92)	1,566,044
Unallocated corporate expenses:				
Selling and promotion expenses				(455,264)
Administrative expenses				(768,099)
Other income				254,715
Other operating expenses				(275,504)
Finance cost				(48,518)
Loss of share from Associate				(66,785)
Taxation				(162,476)
Profit after taxation				44,113

	2019			
	(Restated)			
	NFS	IS & SSS	BPO	Total
	Rupees in '000			
Revenue - net				
External sales				
License	1,572,775	-	-	1,572,775
Services	2,556,404	280	203,185	2,759,869
Maintenance	1,045,894	10,997	-	1,056,891
Total revenue	5,175,073	11,277	203,185	5,389,535
Cost of revenue	(3,086,341)	(5,262)	(228,186)	(3,319,789)
Segment results	2,088,732	6,015	(25,001)	2,069,746
Unallocated corporate expenses:				
Selling and promotion expenses				(669,419)
Administrative expenses				(748,471)
Other income				1,045,046
Other operating expenses				(288,911)
Finance cost				(39,812)
Taxation				(77,527)
Profit after taxation				1,290,652

*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.

46.1. Revenue by geographic regions

The revenue is generated from clients in following geographical regions:

	Pakistan	Asia Pacific	Australia & USA	UK	Others	Total
2020	12,097	4,094,387	475,445	40,362	86,083	4,708,374
2019	11,277	4,264,369	775,746	38,878	299,265	5,389,535

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

46.2 Revenue from major customers

The revenue from major customer during the year was Rs. 1,991 million (2019: 1,519 million).

46.3 Non current assets

Net book value of non-current assets held in foreign countries is Rs. Nil (2019 : Rs. Nil).

47. CORRESPONDING FIGURES

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

Note	From	Note	To		
32.	Research and development cost- Administrative expenses	34.	Research and development cost- Other Operating expenses	189,952	237,589
32.	Provision for doubtful debts- Administrative expenses	34.	Provision for doubtful debts- Other Operating expenses	77,260	51,323
29.	Reimbursable expenses- Export revenue	29.	Services revenue- Export Revenue	209,049	548,612
22.	Deferred Income	27.	Current portion of long term liabilities	2,454	2,686

48. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 22, 2020 by the Board of Directors.

49. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The Outbreak of Corona virus (COVID-19) was classified as pandemic by the World Health Organization on 11 March 2020, impacting the whole world. To reduce the spread of COVID-19, Government of Pakistan also took certain measures including lockdown of businesses, suspension of flight operations, intercity movements, cancellation of major events etc. However, this lockdown didn't have a negative impact on NETSOL's business as we are a software house involved in export of IT products & services. With NETSOL'S remote working infrastructure and capabilities in place, the company had ensured business continuity which enabled its clients to continue their operations seamlessly. In fact, we were the first company in our domain to start working from home which went very well and couple of our customers went live remotely with our products during this lockdown period. Currently, the Company is conducting its business with certain modifications to employee working while following all necessary standard operating procedures. The Company will continue to actively monitor the situation and may take further steps that alter its business operations as may be required by federal, provincial or local authorities or that are in the best interests of our employees, customers, partners, suppliers and stockholders. Though due to economic slowdown & closure of businesses globally owing this pandemic, some new deals which were in pipeline at the time of this outbreak, have been delayed but based on the strong backlog of contracts in hand and the traction we have regained with the prospective customers, the management considers that there would be no significant impact that may adversely affect Company's businesses, results of operations and financial condition in the foreseeable future period.

50. GENERAL

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

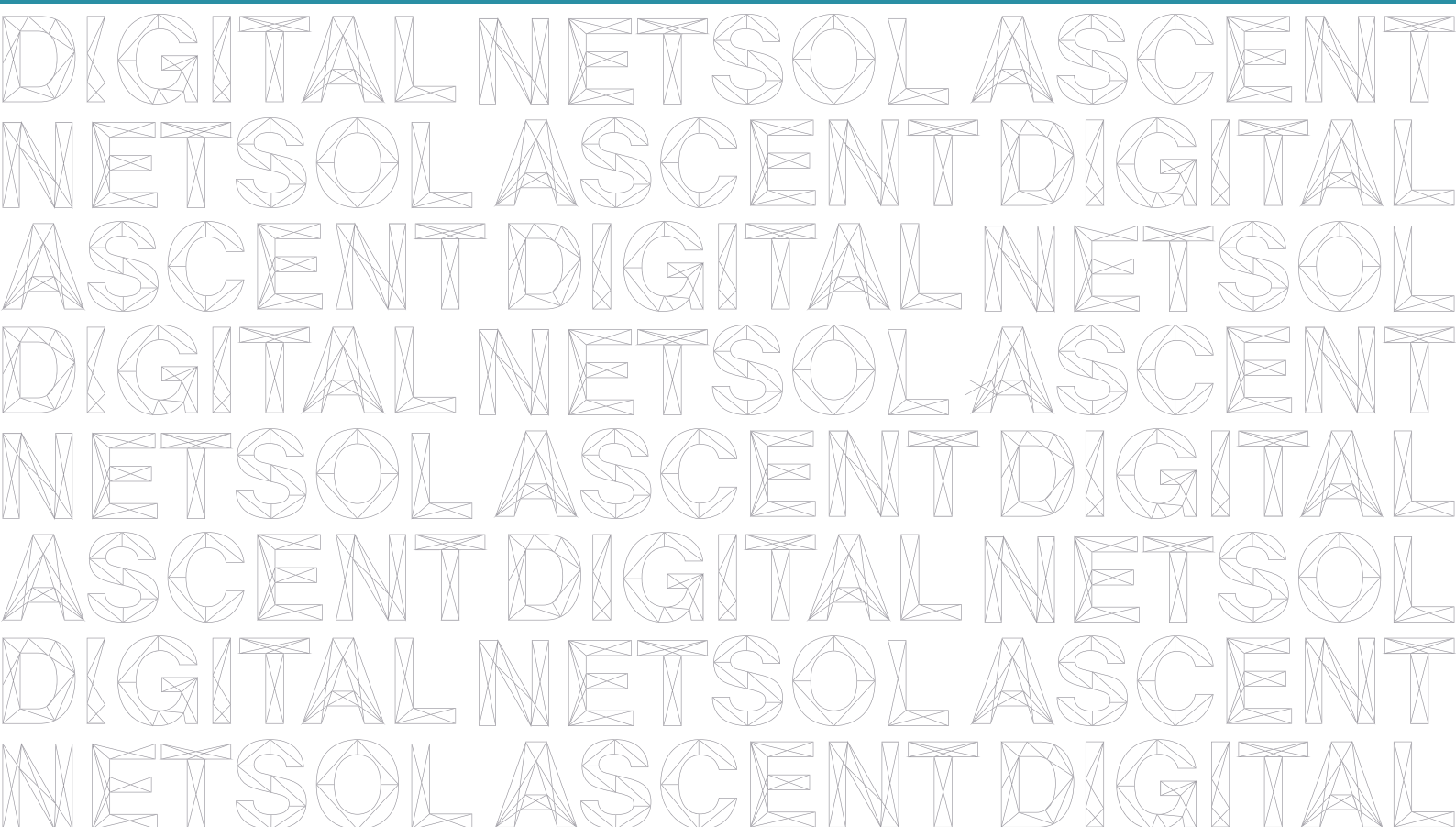
CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR



Annual General Meeting



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 24th Annual General Meeting of the shareholders of NETSOL Technologies Limited (the "Company") will be held on October 23, 2020 at 11:30 A.M at the Registered Office of the Company situated at NetSol IT Village (Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt., to transact the following **ordinary business**:

1. To receive, consider and adopt the Reports of Directors, Chairman and Auditors together with audited annual separate and consolidated financial statements for the year ended June 30, 2020.
2. To appoint Auditors and fix their remuneration. The shareholders are hereby notified that the Audit Committee and the Board of directors have recommended the name of retiring auditors M/s H.Y.K & Co. Chartered Accountants for appointment as auditors of the Company.

By Order of the Board

SEHRISH

Company Secretary

Lahore

October 01, 2020

NOTE:

1. Share transfer books of the Company will remain closed from October 17, 2020 to October 23, 2020 (both days inclusive). Physical/ CDC transfers received in order at the Shares Registrar, M/s Vision Consulting Ltd., 3-C, LDA Flats, Lawrence Road, Lahore Tel: (92 42) 36283096, 36283097 and Fax: (+92 42) 36312550 by the close of business on October 16, 2020 will be treated in time for attending and vote at the meeting.
2. Shareholders are requested to notify the change of address, if any.
3. A member entitled to attend and vote at the general meeting may appoint another member as his/her proxy to attend and vote on his/her behalf and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the Annual General Meeting as are available to a Member. In order to be effective, proxies, complete in all respect, must be received at the registered office of the Company not less than 48 hours before the scheduled time of the meeting. Proxy Form in English and Urdu languages is attached herewith.
4. CDC account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan in Circular 1 dated 26 January 2000:

A) For Attending the Meeting:

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

B) For Appointing Proxies:

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

ATTENTION OF THE MEMBERS ARE DRAWN TO THE FOLLOWING MATTERS:

5. **CNIC, IBAN for E-Dividend & Zakat**

- a) As per Section 242 of the Companies Act 2017, in case of a public listed company, any dividend payable in cash shall only be remitted through electronic mode directly into the bank account designated by the entitled members. Therefore, through this notice, all shareholders are requested to update their bank account No. (IBAN), CNIC & details in the Central Depository System through respective participants. In case of physical shares, the members shall provide bank account (IBAN) details to our Share Registrar, M/s Vision Consulting Ltd. Please ensure an early update of your particulars to avoid any inconvenience in future. e-Dividend mandate form is enclosed in the annual report and also available on the website of the Company, www.netsolpk.com. In case of non-submission, all future dividend warrants may be withheld.
- b) Members are requested to submit declaration (CZ-50) as per Zakat & Ushr Ordinance 1980 for zakat exemption and to advise change in address, if any.

6. Unclaimed Dividend and/or Bonus Shares

Shareholders, who by any reason, could not claim their dividend and/or bonus shares, if any, are advised to contact our Share Registrar to collect/enquire about their unclaimed dividend and/or bonus shares if any.

7. Dissemination of Annual Audited Accounts and Notice of Annual General Meeting

The Company has placed a copy of the Notice of AGM, the Audited Annual Separate and Consolidated Financial Statements for the year ended June 30, 2020 along with Auditors' and Directors' Reports thereon and Chairman's Review Report on Company's website i.e. <http://www.netsolpk.com/investor-information.php>.

Further, in accordance with SRO 470(I)/2016 dated May 31, 2016, through which SECP has allowed companies to circulate the annual audited accounts to its members through CD/DVD/USB instead of transmitting the hard copies at their registered addresses, subject to the consent of shareholders and compliance with certain other conditions, the Company had obtained shareholder's approval in its Annual General Meeting held on October 25, 2016. Accordingly, annual audited accounts of the Company for the year ended June 30, 2020 are being dispatched to the shareholders through CD. The shareholders may request a hard copy of annual audited accounts, which shall be provided free of cost within seven days of receipt of such request.

Further, in terms of SRO No.787(I)/2014 dated September 8, 2014, shareholders can also opt to obtain annual balance sheet and profit and loss accounts, auditors' report and directors' report etc., along with the Notice of the Annual General Meeting through email. For this purpose, we hereby give you the opportunity to send us your written request along with your valid email ID to provide you the same via email.

For the convenience of shareholders, a Standard Request Form (for the provision of annual audited accounts) is enclosed and also available at the company's website. i.e. www.netsolpk.com

8. Deposit of Physical Shares into CDC Account

The Shareholders having physical shareholding may open sub-account with any of the brokers or Investor account directly with CDC to place their physical shares into scrip-less form, this will facilitate them in many ways including safe custody and sale of shares, at any time they want, as the trading of physical shares is not permitted as per existing regulations of the stock exchange. Further, Section 72 of the Act states that after the commencement of the Act from a date notified by the SECP, a company having share capital, shall have shares in book-entry form only. Every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the SECP, within a period not exceeding four years from the commencement of the Act.

9. Video Conference Facility

The Company shall provide video conference facility to its members for attending the Annual General Meeting, at places other than the town in which the Annual General Meeting is taking place, after considering the geographical dispersal of its members: provided that if members, collectively holding 10% or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video conference at least 10 days prior to date of the meeting, the Company shall arrange video conference facility subject to availability of such facility in that city.

In this regard, please fill the following form and submit to the registered address of the Company 10 days before holding of the Annual General Meeting: -

I/We, _____ of _____ being a member of NETSOL Technologies
Limited, holder of _____ Ordinary shares as per Register Folio No. _____ hereby opt for video conference facility at

Signature of member

NETSOL TECHNOLOGIES LIMITED

STANDARD REQUEST FORM

for dispatch of Annual Audited Financial Through email or post

The Company Secretary
NETSOL Technologies Limited
NETSOL IT Village (Software Technology Park)
Lahore Ring Road, Ghazi Road Interchange
Lahore Cantt.

I/We _____ hereby give my/our written consent to NETSOL Technologies Limited to send me/us the annual audited financial statements along with the notice of Annual General Meeting of the Company electronically and I understand that the electronic transmission shall meet the requirements of the provisions of the Companies Act, 2017:

OPTION 1

a. Through email on below mentioned email address:

E-mail address on which I wish to receive Annual Financial Statements along with the Notice of AGM.	
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OR

OPTION 2

b. Hard copy through post/courier at my below mentioned registered address:

Address on which I wish to receive hard copy of Annual Financial Statements along with the Notice of AGM instead of CD/DVD/USB	
--	--

Shareholder's Detail	
Name of the Shareholder	
Folio No/CDC Participant ID & A/C No.	
CNIC No.	
Passport No. (In case of Foreign Shareholder)	
Landline Telephone No.	
Cell Phone No.	
Email Address	

It is Stated that the above mentioned information is correct and any change therein will be intimated to the Company according to the instructions as mentioned below.

Signature of the shareholder

Instructions

In case of any change in above mentioned information, scanned copy of duly filled-in and signed form may be sent through email to info@netsolpk.com or in writing through post/courier either to the Company or to the Company's Share Registrar, M/s Vision Consulting Limited, 3-C, LDA Flats, Lawrence Road, Lahore. Phone: 042-36283069-97 Fax:042-36312550, Email: shares@vcl.com.pk

NETSOL TECHNOLOGIES LIMITED

E-Dividend Mandate Letter

To:

Subject: Bank Account details for Payment of Dividend through Electronic Mode

Dear Sir/Madam

I/We/Messrs., _____ being a/the shareholder(s) of NETSOL Technologies Limited [the "Company"], hereby, authorize the Company, to directly credit cash dividends declared by it, in my bank account as detailed below:

(i) Shareholder's details:	
Name of the Shareholder	
Folio No/CDC Participant ID & Sub-Account No./CDC IAS	
CNIC/NICOP/Passport/NTN No. (please attach copy)	
Contact Number (Landline & Cell Nos.)	
Shareholder's Address	
Email Address	
(ii) Shareholder's Bank account details:	
Title of Bank Account	
IBAN (See Note 1 below)	
Bank's Name	
Branch Name & Code No.	
Branch Address	

It is stated that the above particulars given by me are correct and I shall keep the Company, informed in case of any changes in the said particulars in future.

Your truly

Signature of the shareholder/authorized signatories
(Please affix company stamp in case of corporate entity)

Notes:

1. Please provide complete IBAN, after checking with your concerned Bank branch to enable electronic credit directly into your bank account
2. This letter must be sent to shareholder's participant/CDC Investor Account Services which maintain his/her CDC account for incorporation of bank account details for direct credit of cash dividend declared by the Company from time to time. In case of physical shares, the form must be sent to the Company's Share Registrar.
3. Pursuant to the directives of the Securities and Exchange Commission of Pakistan (SECP) your Computerized National Identity Card (CNIC) is mandatorily required to be mentioned on your dividend warrant and if your CNIC number is not available in our records, your dividend warrant will not be issued / dispatched to you. In order to comply with this regulatory requirement, you are requested to kindly send a photocopy of your valid CNIC to the registered office of NETSOL Technologies Limited or to the 'Share Registrar Department, Central Depository Company of Pakistan Limited, CDC House, 99-B, Block 'B' , S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400, Pakistan' . Kindly ignore if you have already provided your CNIC number to us.

Form of Proxy

I/We _____
(Name)

Of _____
(Place)

being a member(s) of *NETSOL TECHNOLOGIES LIMITED* hereby appoint

(Name and Folio No. / Participant Account No. & Sub-Account No.)

Of _____
(Place)

who is also a member of the Company, as my/our proxy to attend and vote on my/our behalf at the Annual General Meeting of the Company to be held at NetSol IT Village (Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt., on Friday October 23, 2020 at 11:30 a.m. and at any adjournment thereof.

Signed at _____ this _____ Day of _____ 2020.

Witness 1:

Signature: _____

Name: _____

Address: _____

CNIC or
Passport No. _____

Five Rupees
Revenue Stamp

Witness 2 :

Signature: _____

Name: _____

Address: _____

CNIC or
Passport No. _____

Signature of Member(s)

Shareholder's Folio No. _____

and/or Participant I.D. No. _____

Note:

- 1) This form of proxy, in order to be effective, must be deposited duly completed, at the Company's registered Office at NetSol Technologies Limited, NetSol IT Village (Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt. not less than 48 hours before the time of holding the meeting.
- 2) A Proxy must be a member of the Company. Signature should agree with the specimen registered with the Company.

Second Fold

Affix Revenue
Stamp

The Company Secretary
NetSol Technologies Limited
NetSol IT Village (Software Technology Park)
Lahore Ring Road, Ghazi Road Interchange
Lahore Cantt. 54792, Pakistan.

First Fold

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پراکسی فارم

میں مسٹی/مسماة

(نام)

ساکن

(جگہ)

بحیثیت **نیٹ سول ٹیکنالوجیز لمیٹڈ** کا ایک ممبر یہاں

میں مسٹی/مسماة

(نام اور فوٹیو نمبر / پارٹیسپنٹ اکاؤنٹ نمبر اور سب اکاؤنٹ نمبر)

ساکن

(جگہ)

جو کہ کمپنی کا ایک ممبر بھی ہے، کو بطور مختار (پراکسی) مقرر کرتا کرتی ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے سالانہ اجلاس عام جو مورخہ 23 اکتوبر 2020ء بروز جمعہ صبح 11:30 بجے بمقام نیٹ سول ٹیکنالوجیز لمیٹڈ، آئی ٹی ویلج، (سافٹ ویئر ٹیکنالوجی پارک) لاہور رنگ روڈ، غازی روڈ انٹر چینج، لاہور کینٹ میں منعقد یا کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

دستخط کی جگہ _____ تاریخ _____ دن _____ 2020ء۔

گواہی نمبر

دستخط:

نام:

پتہ:

کمپیوٹر ازرقومی شناختی کارڈ

یا پاسپورٹ نمبر:

گواہی نمبر ۲

دستخط:

نام:

پتہ:

کمپیوٹر ازرقومی شناختی کارڈ

یا پاسپورٹ نمبر:

نوٹ:-

۱) پراکسی فارم ہر لحاظ سے مکمل اور موثر ہونی چاہئے اور اسے کمپنی کے رجسٹرڈ آفس واقع نیٹ سول ٹیکنالوجیز لمیٹڈ سول آئی ٹی ویلج (سوفٹ ویئر ٹیکنالوجی پارک) لاہور رنگ روڈ، غازی روڈ انٹر چینج لاہور کینٹ میں کم از کم اجلاس سے ۴۸ گھنٹے قبل جمع کرانا ہوگا۔

۲) پراکسی کمپنی کا ممبر ہوں۔ دستخط کمپنی کے ریکارڈ شدہ نمونہ سے تصدیق ہو۔

پانچ روپے کی
رسیدی ٹکٹ

Second Fold

Affix Revenue
Stamp

The Company Secretary

NetSol Technologies Limited

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

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First Fold

INVESTOR'S AWARENESS

With reference to SRO 924(1) / 2015 dated September 9, 2015 issued by the Securities and Exchange Commission of Pakistan (SECP), the following informational message has been added for investor's awareness.

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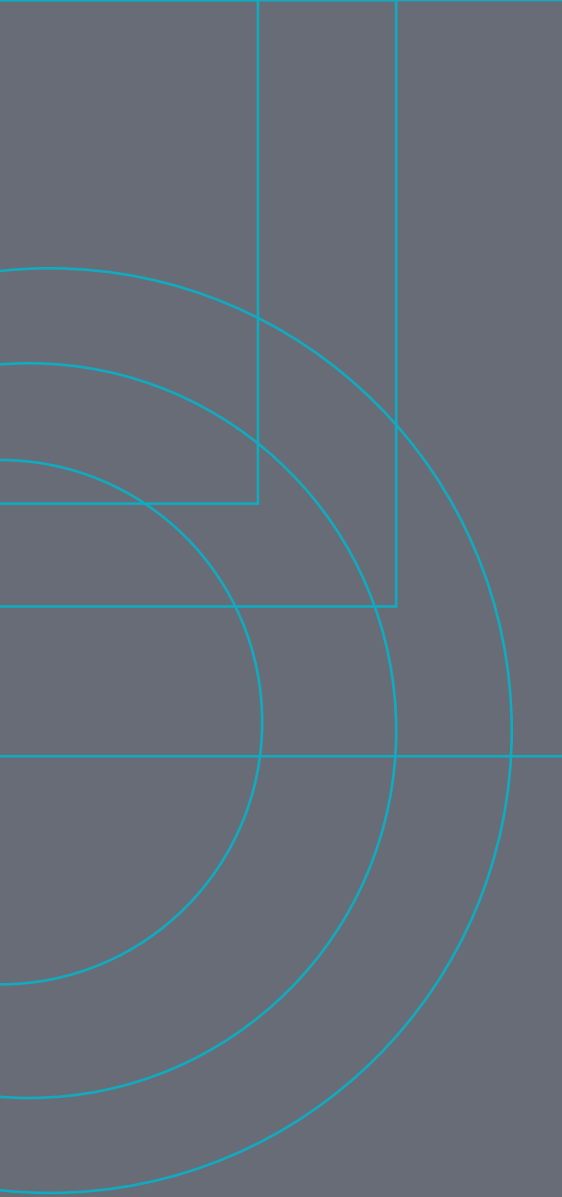


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*Mobile apps are also available for download for android and ios devices



NETSOL Technologies Limited

NetSol IT Village (Software Technology Park) Lahore Ring Road, Ghazi Road
Interchange, Lahore Cantt. 54792, Pakistan
www.netsolpk.com
Email: info@netsolpk.com

