



NetSol Technologies Ltd.
NetSol IT Village (Software Technology
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Interchange, Lahore Cantt. 54792,
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Web: www.netsolpk.com

FORM-08

Date: 29/10/2020

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

Subject: **Transmission of Quarterly Report for the Period Ended September 30, 2020**

Dear Sir,

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





Financial Statements (Un-Audited)
For the Quarter Ended
September

2020

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

Table of Contents

01

Business Review

Company Profile	2
Directors' Report (English)	4
Directors' Report (Urdu)	6

02

Financial Statements

Condensed Interim Statement of Financial Position	10
Condensed Interim Statement of Profit or Loss	11
Condensed Interim Statement of other Comprehensive Income	12
Condensed Interim Statement of Cash Flows	13
Condensed Interim Statement of Changes in Equity	14
Notes to the Condensed Interim Financial Statements	15

03

Consolidated Financial Statements

Condensed Consolidated Interim Statement of Financial Position	24
Condensed Consolidated Interim Statement of Profit or Loss	25
Condensed Consolidated Interim Statement of other Comprehensive Income	26
Condensed Consolidated Interim Statement of Cash Flows	27
Condensed Consolidated Interim Statement of Changes in Equity	28
Notes to the Condensed Consolidated Interim Financial Statements	29



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
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Bahria Town, Rawalpindi
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Fax: +92-51-5595376

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43/1/Q, Amna Villa # 1
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Tel: +92-21-111-638-765
Fax: +92-21-3431-3464

WEB PRESENCE

www.netsolpk.com
info@netsolpk.com

Directors' Report

On behalf of the Board of Directors of NetSol Technologies Limited, we are pleased to present the unaudited condensed financial statements of your company together with its consolidated accounts for the quarter ended September 30, 2020.

GENERAL REVIEW

The first quarter of the new fiscal year 2020-21 has been a defining period for businesses globally in terms of survival. 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 plans.

During the first quarter, we have reassessed our policy of working from home and cautiously allowed a certain number of employees to resume work from office. This has transpired due to the situation of the unprecedented crisis of COVID-19 improving in the country. At the start of the crisis, NETSOL rapidly transitioned to remote working for its employees to adhere to social distancing guidelines and combat the spread of the virus, while still supporting its customers worldwide. However, the number of employees who have returned to the workplace is still very limited and those employees who are coming to the office are stringently adhering to SOPs set by the Government of Pakistan and the World Health Organization. The majority of employees at NETSOL's Lahore office are still working from home with solid structures in place in order to ensure uninterrupted services to customers worldwide. The Company's Business Continuity Plan has been extremely successful. NETSOL's success during these challenging times reflects the company's ability to adapt to change and its services to its global clientele remain unaffected during these challenging times.

On business front, NETSOL has been re-strategizing its business plans and operations. The company has phase-wise plans in order to enable it to reach its strategic objectives. During the quarter, our sales team continued to chase up qualified leads and making efforts towards acquiring new business and creating new opportunities. NETSOL also initiated communication with several new prospects in different regions worldwide during this financial period. The company also attended the Canadian Finance and Leasing Association Annual Conference which was held virtually this year.

FINANCIAL PERFORMANCE

Comparisons of un-audited separate as well as consolidated accounts for the quarter ended September 30, 2020 with the corresponding period of fiscal year 2020 are given below:

Particulars	SEPARATE FINANCIAL STATEMENTS	
	Jul-Sep 2020	Jul-Sep 2019
Revenue (in million)	1,115	1,318
Gross profit (in million)	448	511
Net profit / (loss) (in million)	127	(190)
Earnings per share – diluted (in PKR)	1.41	(2.11)
EBITDA per share – diluted (in Rs.)	2.96	(0.89)

During the first quarter of new fiscal year, the Company posted net revenue of PKR 1,115 million compared to PKR 1,318 million in the same quarter of last fiscal year. The generation of revenue for the current quarter is associated with services and maintenance revenue streams. The company is able to increase its revenue from services and maintenance streams in the current quarter as compared to the previous fiscal year. As the customers keeps on changing/enhancing their systems under their use through change request (an ongoing service), it triggered service revenue to clock at PKR 625 million in the current quarter in comparison of PKR 536 million posted in the same quarter of last fiscal year. This also includes services provided for implementation of our products at different customer sites. In addition to it, maintenance revenue also grew from PKR 393 million to PKR 490 million during the current quarter. The increase in maintenance revenue is mainly associated with different customers going into maintenance phase after their successful implementations. Cost of revenue decreased from PKR 807 million last year to PKR 667 million in the current quarter. As a result, gross profit for the quarter clocked in PKR 448 million as compared to PKR 511 million in the same period last year. The Company posted a net profit of PKR 127 million compared to a net loss of PKR 190 million last year. Included in net profit is PKR 40 million on account of currency exchange gain due to depreciation in Pakistani Rupee in the current quarter compared to an exchange loss of PKR 249 million in the comparable period. Earnings per diluted share was PKR 1.41 in comparison of loss per diluted share of PKR 2.11 in the corresponding period of last fiscal year. Company posted net EBITDA profit of PKR 2.96 per diluted share compared to an EBITDA loss of PKR 0.89 per share in the corresponding period.

The Company also consolidates financial results of its subsidiary 'NetSol Innovation (Pvt) Limited'. Net consolidated revenues for the quarter ended September 30, 2020 were PKR. 1,115 million compared to PKR 1,318 million in fiscal 2020. Consolidated gross profit for the quarter was PKR 448 million as compared to PKR 511 million in the same period last year. On a consolidated basis, the company posted net consolidated profit of PKR 127 million in the current quarter compared to net consolidated loss of PKR 213 million posted in the same period last year.

FUTURE OUTLOOK

As the COVID-19 pandemic has not yet finished in its entirety, the company continues to closely monitor the crisis. Given the signs of second wave of COVID-19 and prevailing uncertainty on global business landscape, customers are taking financial decisions very cautiously and that's why more time is being taken in finalizing new deals. Though businesses are still in lockdown in majority of the countries yet we have seen revival in Chinese market. Sales of automobiles have picked up once again in China and so is the demand for our products. There are certain qualified deals in that market but due to a lengthy sales cycle coupled with travel and other restrictions due to Covid-19, we are experiencing delays in converting these prospects into contracts. The company will however, continue to promote its premier, next-gen platform for the global finance and leasing industry (NFS Ascent) alongside its suite of digital solutions for the industry (NFS Digital). The company will also continue promoting NFS Ascent on the Cloud, which is offered via flexible, subscription-based pricing and rapid deployments.

NETSOL maintains its presence at annual industry-leading events, including summits, conferences and conventions worldwide in order to continue its lead generation. Due to COVID-19, the majority of these events have been taking place virtually. For October, the company is registered to virtually attend and exhibit at the AFSA Annual Meeting and Independent's Conference and Expo 2020 and the ELFA 2020 Business Live event (for North America), the Loan Origination Summit 2020 Australia and the Motor Finance Europe Conference and Awards (for Europe).

NETSOL maintains following its principle of being 'adaptive', by continuing to work on different technologies that have gained traction within the global asset finance and leasing space. These include, but are not limited to, Fintech, Artificial Intelligence, Blockchain and Big Data. In order to continue enabling clients to future proof their business, the company will continue investing in research and development.

ACKNOWLEDGEMENT

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

On behalf of the Board



Salim Ullah Ghauri
Chief Executive Officer

October 29, 2020
Lahore



Omar Ghauri
Director

ہمیں خوشی ہے کہ فیصلہ سول نیکیا نا کو جیو رلیٹیڈ کے بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کی 30 ستمبر 2020ء کو ختم ہونے والے عرصہ کے لیے غیر آڈٹ شدہ مالیاتی گوشوارے بشمول مجموعی مالیاتی گوشوارے پیش کر رہے ہیں۔

عمومی جائزہ:- (General Overview)

نئے ای سال 2020 کی پہلی سہ ماہی سطح پر کاروباری بقا کی لحاظ سے اہم عنصر رہا ہے۔ چیلنج COVID-19 کا عالمی بحران دنیا بھر کے کاروباروں کی ترقی کے لیے اہم محرکات (drivers) کو متاثر کر رہا ہے، اس لیے کمپنیاں اپنے انتظامات اور کامیابی کے منصوبوں میں ترمیم کر رہی ہیں۔

پہلی۔ رہائی کے دوران ہم نے گھر سے کام کرنے کی اپنی پالیسی کا از سر نو جائزہ دیا ہے اور مطابق طور پر زمین کی ایک خاص تعداد کو فٹر سے دور رکھ کر کام شروع کرنے کی اجازت دی ہے۔

اقدام۔ ملک میں COVID-19 کے غیر معمولی بحران کی صورت حال میں بہتری کی وجہ سے لیا گیا ہے۔ بحران کے آغاز سے پہلے سول تیزی سے عملاتی فرتی نظام پر منتقل ہو گیا تاکہ زمین حاجی قاصلائی خطرات و عمل پر ایجوکیشن کے لیے اقدامات کے ساتھ اس کے اندر جان کر سکے اور دوران دور ہجرت میں بھی کے صافین کو کھانا فراہم کر سکیں۔ تاہم، زمین کی محدود تعداد جو فٹر واکس ایں چلی ہے اور جڑ زمین زمین فتر کے لیے یہ حکومت پاکستان اور واجت کے مرکز فردا پس اوپر سختی سے عمل پیرا ہیں۔ سول کے لاہور آفس زمین کی اکثریت اسے بھی گھر مشغول نظام (solid state) کے ساتھ کام کرتی ہے تاکہ وہ کامیابی سے صافین کو کھانا فراہم کر سکیں یا کھانے کی چیزیں حاصل کر سکیں۔ زمین کی مسلسل تسلسل مانیٹرنگ (Business Continuity Plan) انسانی کاروبار رہا ہے۔ اس عمل وقت میں کھینچ کر

کاروباری مجاز، جیسے سول اپنے کاروباری منصوبوں اور کاموں کی دوبارہ حکمت عملی بنا رہا ہے۔ کچھ ایسے اسٹریٹجک مقاصد کے حصول کے لیے مرحلہ وار منصوبے رائج ہیں۔ سہ ماہی کے دوران، جاری سٹریٹجک حکم leads کے لیے کوٹھاں رکھی اور نئے کاروبار کو حاصل کرنے کے لیے نئے مواقع پیدا کرنے کی کوشش کرتی رہی ہے۔ اس مالی مدت کے دوران سول نے مختلف رائج بین مشن خود کے امکانات کے ساتھ communication کا آغاز بھی کیا۔ کچھ نئے کنڈیز کے فائز ایڈز لیڈ کے ایسی انٹیلیجنس سالانہ کا فائز، جو اس سال virtually طور پر منفرد تھی، میں بھی شرکت کی۔

مالیاتی کارکردگی (Financial performance)

30 ستمبر 2020 کو ختم ہونے والی سہ ماہی مع 2019ء کی اسی مدت کے مالیاتی سال کے غیر آڈٹ شدہ مالیاتی گوشوارے کے پہلے نمبر کا موازنہ درج ذیل ہے۔

انقرادی مالیاتی

گوشوارے

محصولات (ملین میں)	1,115	1,318
خام ہنایع (ملین میں)	448	511
صنایع (انتھان) (ملین میں)	127	(190)
تحلیل شدہ (روپوں میں)	1.41	(2.11)
EBITDA (تحلیل شدہ - تحفوں میں)	2.96	(0.89)

نئے ایس سال کی پیکلہ سرمایے دوران کھینچنے نے گزشتہ مالی سال کی اسی سرمایہ میں 1,318 ملین روپے کے مقابلے میں 1,115 ملین روپے کی خاص محصولات درج کی ہیں۔ موجودہ سرمایے کے لیے محصولات کی دیکھ رات اور بجائی کی محصولات کے سطح اس سے وابستہ ہے۔ تاہم پچھلی گزشتہ مالی سال کے مقابلے میں موجودہ سرمایہ میں اللہ مات اور بجائی کے سطح اس سے وابستہ محصولات میں اضافہ کرنے میں کامیاب رہی ہے۔ چونکہ صارفین تہذیبی درخواست (ایک جاری خدمت) کے ذریعے پورے زیاں استعمال سسٹم میں تہذیبی اضافہ کرتے رہتے ہیں، اس کی وجہ سے موجودہ مالی سال کی اسی سرمایہ میں 625 ملین روپے جو کہ گزشتہ سرمایہ میں 536 ملین روپے کے مقابلے میں اللہ مات کی محصولات کو درج کیا ہے۔ اس میں مختلف سرمایہ شہر چھاری مصنوعات کے لٹاؤ کے لیے فراہم کردہ مات بھی شامل ہیں اس کے علاوہ موجودہ سرمایے دوران بجائی محصولات بھی 393 ملین روپے سے بڑھ کر 490 ملین روپے ہو چکی ہیں۔ بجائی کی محصولات میں اضافہ بنیادی طور پر مختلف صارفین سے مشکل ہے جو کامیاب لٹاؤ کے بعد بجائی کے مرطلے میں جاری ہے ہیں گزشتہ مالی سال کی محصولات کی لاگت 807 ملین روپے سے کم ہو کر موجودہ سرمایہ میں 667 ملین روپے ہو گئی۔ اس کے نتیجے میں، موجودہ سرمایہ کا خام منافع 448 ملین روپے درج کیا گیا ہے جو کہ پچھلی سال کی آمدت میں 511 ملین روپے تھا۔ پچھلی نے گزشتہ مالی سال 190 ملین روپے کے خسارے کے مقابلے میں 127 ملین روپے کا خالص منافع درج کیا۔ خالص منافع میں شامل 40 ملین روپے پتہ آسانی اور روپے کی قدر میں کمی کی وجہ سے گرنے والے تاپاؤ کے منافع سے مشکل ہے جس کا موازنہ 249 ملین روپے گرنے والے تاپاؤ کے خسارے کے گزشتہ سال کے عرصہ سے یہ گزشتہ مالی سال کی آمدت میں 2.1 ملین روپے کے مقابلے میں موجودہ سرمایہ میں تحلیل شدہ منافع میں 1.41 ملین روپے ہے۔ کھینچنے نے گزشتہ عرصے کے 0.89 ملین روپے تحلیل شدہ حصص کی EBITDA خسارہ کے مقابلے میں تحلیل شدہ حصص 2.96 ملین روپے کا خالص EBITDA منافع درج کیا ہے۔

کینی کا تحت ادارہ ”ٹیلی سول انویسٹمنٹ (پرائیویٹ) لمیٹڈ“ کے جمہوی مالیاتی گوشوارہ شامل کر دیے ہیں۔ 30 ستمبر 2020 کو ختم ہونے والی سہ ماہی کیلئے مجموعی محصولات 1,115 ملین روپے درج ہیں جو کہ 2020ء کی سہ ماہی میں 1,318 ملین روپے زیادہ کیا گیا تھا۔ مجموعی خام منافع گزشتہ مالی سال کی اسی سہ ماہی کے 511 ملین روپے کے مقابلے میں موجودہ سہ ماہی میں 448 ملین روپے ہے۔ مجموعی طور پر گزشتہ مالی سال کی اسی سہ ماہی، 213 ملین روپے کے مجموعی خسارہ کے مقابلے میں 127 ملین روپے کا مجموعی منافع موجودہ سہ ماہی میں درج کیا۔

Future Outlook مستقبل کا نقطہ

[illegible]

نیٹ سول اپنی lead generation کو جاری رکھنے کے لیے پوری دنیا بھر میں صنعت کی معروف تقاریب، کانفرنسوں، سربراہی اجلاسوں، کنونشنوں اور لیاکنٹوں میں شرکت کرتی رہے گی۔ COVID-19 کی وجہ سے، ان تقاریب کی اکثریت virtually طور پر منعقد ہو رہی ہیں۔ اکتوبر میں، کمپنی AFSA کے سالانہ اجلاس اور ایچ پی پیڈ (Independent) کانفرنس اور ایک پیو 2020 اور ELFA 2020 پرنس براہ راست تقریب (شمالی امریکہ کے لیے)، Loan Origination Summit 2020 آسٹریلیا اور موٹر فنانس یورپ کانفرنس اور ایوارڈز میں virtually طور پر شرکت اور لیاکنٹ (یورپ کے لیے) رجسٹرڈ ہے۔

نیٹ سول نے متعدد بینکاروں کو کام کر کے "adaptive" بننے کے اپنے کلیدی اصولوں کی پیروی کی ہے جس سے عالمی ایسٹ فنانس اور لیزنگ کی صنعت میں توجہ حاصل کی ہے۔ ان میں Fintech, Artificial Intelligence, Blockchain اور Big Data شامل ہیں۔ کمپنی اپنے صارفین کے کاروبار کو مستقبل سے ہم آہنگ رکھنے کے لیے، کمپنی تحقیق اور ترقی میں سرمایہ کاری کو جاری رکھے گی۔

اعتراف (Acknowledgement)

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

از طرف بورڈ آف ڈائریکٹر

سليم الله غوري

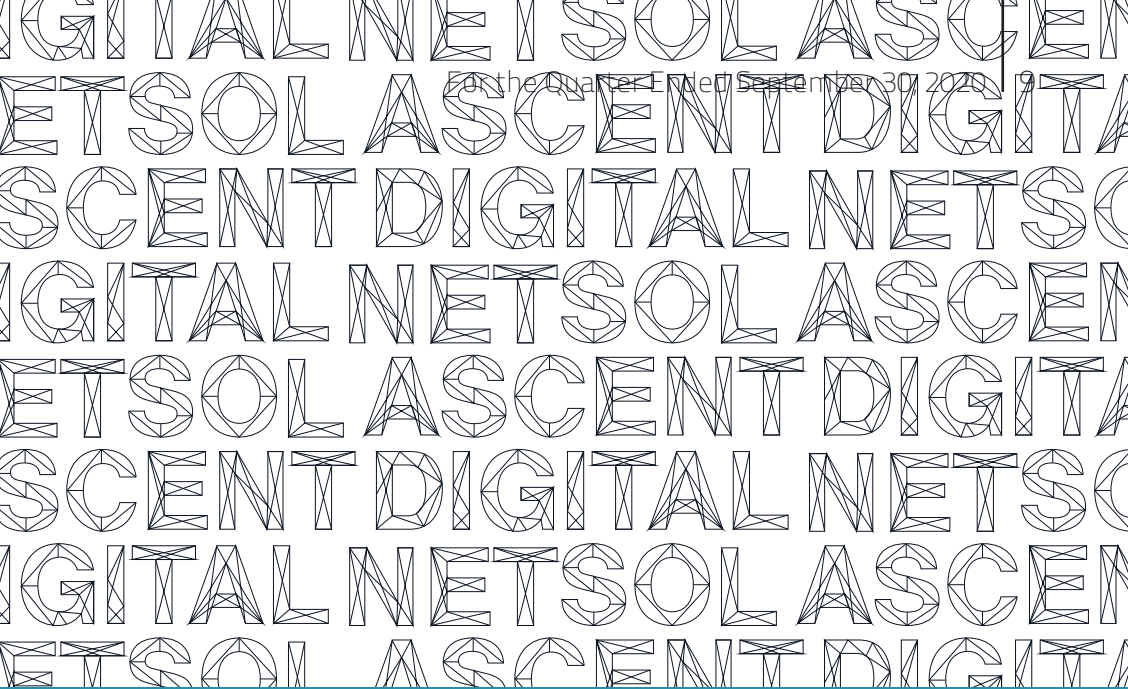
(چیف ایگزیکٹو آفیسر)

عمر شہاب غوری

(ڈائریکٹر)

لاہور

29 اکتوبر، 2020ء



For the Quarter Ended September 30, 2020

FINANCIAL STATEMENTS

For The Quarter Ended September 30, 2020



Condensed Interim Statement of Financial Position - Unaudited

As at September 30, 2020

	NOTE	Sep 20 Unaudited	Jun-20 Audited
Rupees in '000'			
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	5	1,552,388	1,542,792
Intangible assets	6	847,521	920,897
		2,399,909	2,463,689
Long term investments	7	226,530	239,827
Long term loans to employees		1,412	1,571
		2,627,851	2,705,087
CURRENT ASSETS			
Trade debts	8	2,100,662	2,200,933
Contract assets		1,563,537	1,652,633
Loans and advances		37,865	14,145
Trade deposits & short term prepayments		41,965	25,672
Other receivables		9,500	8,672
Due from related parties		479,626	373,619
Taxation - net		16,207	16,490
Cash & bank balances		2,347,893	2,081,859
		6,597,255	6,374,023
TOTAL ASSETS		9,225,106	9,079,110
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital 150,000,000 ordinary shares of Rs.10/- each	9	1,500,000	1,500,000
Issued, subscribed and paid-up capital	9	898,369	898,369
Share deposit money		13	13
Reserves	10	6,132,606	5,999,116
		7,030,988	6,897,498
NON-CURRENT LIABILITIES			
Long term financing		212,244	172,500
Lease liabilities		8,079	14,924
		220,323	187,424
CURRENT LIABILITIES			
Trade and other payables	11	304,742	193,651
Contract liabilities		107,757	311,541
Short term borrowings		1,380,000	1,380,000
Current portion of long term liabilities		175,449	103,106
Unclaimed dividend		5,847	5,890
		1,973,795	1,994,188
CONTINGENCIES & COMMITMENTS	12	-	-
TOTAL EQUITY AND LIABILITIES		9,225,106	9,079,110

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Condensed Interim Statement of Profit or Loss - Unaudited

For The Quarter Ended September 30, 2020

	NOTE	Jul-Sep 2020	Jul-Sep 2019
Rupees in '000'			
Revenue from contracts with customers - net	13	1,115,310	1,317,583
Cost of revenue		(667,034)	(806,943)
Gross profit		448,276	510,640
Selling and promotion expenses		(130,031)	(142,600)
Administrative expenses		(178,484)	(190,465)
		(308,515)	(333,065)
Operating Profit		139,761	177,575
Other income		73,305	46,942
		213,066	224,517
Other operating expenses		(33,678)	(360,043)
Finance cost		(15,819)	(9,238)
Share of loss of Associate		(12,928)	(20,787)
Profit/(Loss) before taxation		150,641	(165,551)
Taxation			
Current Period	14	(23,162)	(23,991)
Prior Period	14	(450)	-
		(23,612)	(23,991)
Profit / (Loss) after taxation for the period		127,029	(189,542)
Earnings / (Loss) per share			
Basic - In Rupees	16	1.41	(2.11)
Diluted - In Rupees	16	1.41	(2.11)

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

Condensed Interim Statement of other Comprehensive Income - Unaudited
For The Quarter Ended September 30, 2020

	Jul-Sep 2020	Jul-Sep 2019
	Rupees in '000'	
Profit / (Loss) after taxation for the period	127,029	(189,542)
Other comprehensive (Loss)	-	-
Other comprehensive (Loss) that may be reclassified to profit or loss in subsequent periods (net of tax):		
Share of other comprehensive (Loss) of an associate	(369)	(1,437)
Total comprehensive income / (Loss) for the period	126,660	(190,979)

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Condensed Interim Statement of Cash Flows - Unaudited

For The Quarter Ended September 30, 2020

	Jul-Sep 2020	Jul-Sep 2019
	Rupees in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation for the period	150,641	(165,551)
Adjustments for non cash charges and other items:		
Depreciation - own assets	52,748	41,351
Amortization of Right of Use Assets	5,041	7,383
Amortization of intangible assets	73,376	73,376
(Gain)/Loss on disposal of fixed assets	(421)	46
Amortization of deferred revenue	(671)	(671)
Foreign exchange (gain)	(39,928)	248,722
Interest expense	19,719	8,907
Interest income	(32,060)	(46,046)
Deferred employee compensation expense	6,829	7,200
Amortization of deferred grant	(4,174)	-
Provision for expected credit losses	27,688	15,403
Share of loss of Associate	12,928	20,787
	121,075	376,458
<i>Cash generated from operations before working capital changes</i>	271,716	210,907
Working Capital Changes		
Trade debts & Contract Assets/Liabilities	(2,177)	98,304
Loans and advances	(23,562)	(5,510)
Trade deposits & short term prepayments	(16,292)	(25,866)
Other receivables	(828)	45
Due from related parties	(106,007)	(170,331)
Trade and other payables	113,454	(47,105)
Cash (used in) operations	(35,412)	(150,463)
Interest paid	(22,081)	(15,517)
Income taxes paid	(23,329)	(19,642)
Dividend paid	(43)	(38)
<i>Net cash generated from operations</i>	190,851	25,247
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment's purchased	(37,870)	(64,120)
Sales proceeds of fixed asset	2,140	152
Advances against capital expenditure	(31,234)	22,854
Interest received	32,060	46,046
<i>Net cash (used in) /generated from investing activities</i>	(34,904)	4,929
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	-	1,140
Share premium	-	714
Paid against lease liabilities	(9,693)	(10,280)
Long term loan	112,619	-
Deferred grant	8,021	-
Long term advances	(861)	1,026
<i>Net cash generated from/(used in) financing activities</i>	110,086	(7,400)
<i>Net Increase in cash and cash equivalents</i>	266,034	22,775
<i>Cash and cash equivalents at the beginning of the period</i>	2,081,859	1,951,746
<i>Cash and cash equivalents at the end of the period</i>	2,347,893	1,974,521

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Condensed Interim Statement of Changes in Equity - Unaudited

For The Quarter Ended September 30, 2020

	Issued, sub-scribed and paid-up capital	Share de-posit mon-ey	Capital Reserve			Revenue Reserve	Total
			Employ-ee share option com-pen-sation reserve	Share premi-um	Foreign cur-rency trans-lation reserve	Unappropri-ated profit	
R u p e e s I n ' 0 0 0 '							
Balance as at June 30, 2019	897,229	13	166,367	303,266	-	5,512,585	6,879,460
Net loss for the period						(189,542)	(189,542)
Other comprehensive loss for the period	-	-	-	-	(1,437)	-	(1,437)
Total comprehensive (loss) for the period	-	-	-	-	(1,437)	(189,542)	(190,979)
Shares issued against options exercised (114,000 shares at Rs. 10 each)	1,140	(1872)	(168)	900	-	-	-
Amount received against options exercised		1,872					1,872
Lapse of 13,500 share options			(20)			-	(20)
Contribution of parent on account of employee share options			7,200				7,200
	1,140	-	7,012	900	(1,437)	(189,542)	(181,927)
Balance as at September 30, 2019	898,369	13	173,379	304,166	(1,437)	5,323,043	6,697,534
Balance as at June 30, 2020	898,369	13	205,897	304,167	(16,830)	5,505,882	6,897,498
Net profit for the period						127,029	127,029
Other comprehensive loss for the period					(369)	-	(369)
Total comprehensive income for the period	-	-	-	-	(369)	127,029	126,660
Contribution of parent on account of employee share options	-	-	6,829	-		-	6,829
	-	-	6,829	-	(369)	127,029	133,490
Balance as at September 30, 2020	898,369	13	212,727	304,167	(17,199)	5,632,911	7,030,988

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

Notes to the Condensed Interim Financial Statements - Unaudited

For The Quarter Ended September 30, 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 condensed interim financial statements are separate condensed interim financial statements of the Company. Condensed consolidated interim financial statements of the company are prepared separately.

2.2 Statement of compliance

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

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

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

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

These condensed interim financial statements are unaudited and do not include all the disclosures and information required in the annual financial statements and should be read in conjunction with the preceding annual published financial statements of the company for the year ended June 30, 2020.

2.3 Basis of measurement

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

2.4 Functional and presentation currency

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

3. ACCOUNTING POLICIES

3.1. The accounting policies adopted for the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the Company for the year ended June 30, 2020.

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

Certain standards, amendments and interpretations to approved accounting standards are also effective for accounting periods beginning on July 01, 2020, but are neither relevant nor have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in this condensed interim financial information.

4. USE OF ESTIMATES AND JUDGMENT

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

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

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

In preparing these condensed interim financial statements, the judgments, estimates and assumptions made by the management were the same as those that were applied to the preceding annual published financial statements of the Company for the year ended June 30, 2020 except for change in accounting estimate detailed below in Note 4.1

4.1 Change of depreciation method from reducing balance method to straight line method:

Effective July 01, 2020, company has reassessed the remaining useful lives of all of its fixed assets and changed its method of depreciation from reducing balance method to straight line method of depreciation. Effect of change in this accounting estimate has been recognised prospectively as required by IAS 8, i.e change in accounting estimate is recognized in period of change and future periods. Due to change in this accounting estimate depreciation/amortization charge on property, plant & equipment is increased by Rs. 14.48 Million in current quarter.

		Sep-20 Unaudited	Jun-20 Audited
		Rupees in '000'	
5. PROPERTY, PLANT & EQUIPMENT			
Net book value of owned assets	5.1	1,427,257	1,443,854
Net book value of right of use assets	5.2	93,897	98,938
Advances against capital expenditure		31,234	-
		1,552,388	1,542,792
5.1 PROPERTY, PLANT & EQUIPMENT			
Opening Balance - net book value		1,443,854	1,506,400
Additions	5.1.1	37,870	127,335
		1,481,724	1,633,735
Less:			
Disposals - net book value	5.1.2	(1,719)	(13,591)
Depreciation & amortization		(52,748)	(176,290)
		1,427,257	1,443,854
5.1.1 Following is the detail of addition / (transfer)			
Furniture & fixture		214	3,431
Vehicles		45	62,788
Office equipment		290	4,576
Computers		37,231	52,454
Air conditioners		90	3,453
Computer software		-	634
Total		37,870	127,335

5.1.2 Following is the detail of deletions	Cost	Sep-20 Unaudited Accumulated Depreciation	Written down Value	Cost	Jun-20 Audited Accumulated Depreciation	Written down Value
Rupees in '000'						
Vehicles	2,453	1,627	826	20,979	8,312	12,667
Office equipment	33	19	14	-	-	-
Computers	16,866	15,987	880	2,184	1,842	343
Air conditioners	-	-	-	1,926	1,343	582
Total	19,352	17,633	1,719	25,089	11,497	13,591
5.2 RIGHT OF USE ASSETS					Sep-20 Unaudited	Jun-20 Audited
Opening Balance - net book value					98,938	149,911
Additions					-	-
					98,938	149,911
Less:						
Disposals - net book value				5.2.1	-	(22,495)
Depreciation & amortization					(5,041)	(28,478)
					93,897	98,938

5.2.1 Following is the detail of deletions	Cost	Sep-20 Unaudited Accumulated Depreciation	Written down Value	Cost	Jun-20 Audited Accumulated Depreciation	Written down Value
Rupees in '000'						
Vehicles	-	-	-	39,068	16,573	22,495
Total	-	-	-	39,068	16,573	22,495

		Sep-20 Unaudited	Jun-20 Audited
Rupees in '000'			
6. INTANGIBLE ASSETS			
Opening Balance - net book value		920,897	1,214,401
Less:			
Amortization		(73,376)	(293,504)
		847,521	920,897
7. LONG TERM INVESTMENTS - at cost			
Investment in subsidiary - at cost			
NetSol Innovation (Pvt) Limited (Unquoted subsidiary company)	7.1	30,063	30,063
Investment in associate			
WRLD3D Inc. (Unquoted company)	7.2	196,467	209,764
		226,530	239,827

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 (2020 : 3,006,305) fully paid ordinary shares of Rs. 10/- each i.e. 100% of Equity held (2020 : 100%) .

7.2 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. The company uses equity method to account for investment in associate.

		Sep-20 Unaudited	Jun-20 Audited
		Rupees in '000'	
8. TRADE DEBTS			
Considered good - unsecured	8.1	2,100,662	2,200,933
Considered doubtful - unsecured	8.2	266,418	233,499
		2,367,080	2,434,432
Less: Provision against expected credit losses		(266,418)	(233,499)
		2,100,662	2,200,933

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

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

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

NetSol Technologies (Thailand) Limited	83,801	84,995
NetSol Technologies (Beijing) Company Limited	1,017,512	702,287
NetSol Australia Pty. Limited	46,264	36,363
NetSol Technologies Americas	238,470	219,825
NetSol Technologies Europe Ltd	4,098	-
WRLD3D Inc	245,630	247,362
	1,635,776	1,290,832

9. SHARE CAPITAL			
9.1 Authorised share capital			
	Sep-20 Unaudited	Jun-20 Audited	
	Number of shares		
	150,000,000	150,000,000	Ordinary Shares of Rs. 10 each.
9.2 Issued, subscribed & paid-up capital			
	42,686,191	42,686,191	Ordinary Shares of Rs. 10 each fully paid in cash
	47,150,732	47,150,732	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares
	89,836,923	89,836,923	

NetSol Technologies Inc. 23975, Park Sorrento, Suite 250, Calabasas CA 91302, is the parent company holding 66.12% (2020 : 66.12%) of issued capital of the Company.

	Sep-20 Unaudited	Jun-20 Audited
	Rupees in '000'	
10. RESERVES		
Capital reserve		
Premium on issue of ordinary shares	304,167	304,167
Employee share option compensation reserve	212,727	205,897
Foreign currency translation reserve	(17,199)	(16,830)
Revenue reserve		
Un - appropriated profit	5,632,911	5,505,882
	6,132,606	5,999,116

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

11.1 DUE TO RELATED PARTIES		Sep-20 Unaudited	Jun-20 Audited
Associated		Rupees in '000'	
NetSol Technologies Europe Limited	11.1.1	6,897	11,561
		6,897	11,561

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

12. CONTINGENCIES & COMMITMENTS

12.1 Contingencies

- 12.1.1 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.

- 12.1.2 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.

12.2 Commitments

The Company has issued worth Rs. 11.488 million (2020: 11.488 million) bank guarantees to LESCO and Standard Chartered Bank against its corporate credit cards.

The Company has capital commitments of Rs. Nil under capital purchase agreements as at September 30, 2020. (2020: Nil)

		Jul-Sep 2020	Jul-Sep 2019
		Rupees in '000'	
13. REVENUE FROM CONTRACTS WITH CUSTOMERS			
DISAGGREGATION OF REVENUE:			
Export Revenue			
License		-	389,129
Services		625,379	535,772
Maintenance		489,931	389,658
		1,115,310	1,314,559
Local Revenue			
Maintenance		-	3,508
Sales tax		-	(484)
		-	3,024
		1,115,310	1,317,583

14. 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.

15. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial risk factors

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

Fair value of financial assets and liabilities

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

	Jul Sep 2020	Jul-Sep 2019
	Rupees in '000'	
16. EARNINGS / (LOSS) PER SHARE		
Basic		
Profit / (Loss) after taxation for the period	127,029	(189,542)
Weighted average number of ordinary shares in issue during the period	89,837	89,806
Basic - In Rupees	1.41	(2.11)
Diluted		
Profit / (Loss) after taxation for the period	127,029	(189,542)
Weighted average number of ordinary shares in issue during the period	89,837	89,831
Diluted - In Rupee	1.41	(2.11)

17. TRANSACTION WITH RELATED PARTIES

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

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

		Jul Sep 2020	Jul-Sep 2019
		Rupees in '000'	
Relationship with the Company	Nature of transactions		
(i) Associated undertaking	Rental income	225	225
	Provision of services	358,838	173,586
	Purchase of services	6,600	7,393
(ii) Key management personnel	Salaries and benefits	25,142	44,855
	Retirement benefits	1,443	1,237
	Commission paid	99,022	78,551
(iii) Post employment benefit	Contribution to defined contribution plan	32,346	28,669
(iv) There are no transactions with any key management personnel other than under the terms of employment.			

18. CORRESPONDING FIGURES

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

From	To		
Research and development cost-Administrative expenses	Research and development cost-Other Operating expenses	5,990	95,872
Provision for doubtful debts-Administrative expenses	Provision for doubtful debts-Other Operating expenses	27,688	15,403
Reimbursable expenses	Services revenue		
Export revenue	Export revenue	25	72,667

19. DATE OF AUTHORIZATION FOR ISSUE

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

20. GENERAL

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR



For the Quarter Ended September 30, 2020

CONSOLIDATED FINANCIAL **STATEMENTS**

For The Quarter Ended September 30, 2020



Condensed Consolidated Interim statement Of Financial Position - Unaudited

As at September 30, 2020

	NOTE	Sep-20 Unaudited	Jun-20 Audited
Rupees in '000'			
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	5	1,559,664	1,550,068
Intangible assets	6	847,521	920,897
		2,407,185	2,470,965
Long term Investment	7	196,467	209,764
Long term loans to employees		1,412	1,571
		2,605,064	2,682,300
CURRENT ASSETS			
Trade debts	8	2,100,662	2,200,933
Contract assets		1,563,537	1,652,633
Loans and advances		37,865	14,145
Trade deposits & short term prepayments		42,051	25,672
Other receivables		9,500	8,672
Due from related parties		479,626	373,619
Taxation - net		16,185	16,533
Cash & bank balances		2,381,945	2,115,872
		6,631,371	6,408,079
TOTAL ASSETS		9,236,435	9,090,379
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital			
150,000,000 ordinary shares of Rs.10/- each	9	1,500,000	1,500,000
Issued, subscribed and paid-up capital	9	898,369	898,369
Share deposit money		13	13
Reserves	10	6,143,309	6,009,760
		7,041,691	6,908,142
NON-CURRENT LIABILITIES			
Long term financing		212,244	172,500
Lease liabilities		8,079	14,924
		220,323	187,424
CURRENT LIABILITIES			
Trade and other payables	11	305,368	194,276
Contract liabilities		107,757	311,541
Short term borrowings		1,380,000	1,380,000
Current portion of long term liabilities		175,449	103,106
Unclaimed dividend		5,847	5,890
		1,974,421	1,994,813
CONTINGENCIES & COMMITMENTS	13	-	-
TOTAL EQUITY AND LIABILITIES		9,236,435	9,090,379

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

Condensed Consolidated Interim Statement of Profit or Loss - Unaudited
For The Quarter Ended September 30, 2020

	NOTE	Jul-Sep 2020	Jul-Sep 2019 (Restated)
Rupees in '000'			
Revenue from contracts with customers - Net	14	1,115,310	1,317,583
Cost of revenue		(667,034)	(806,943)
Gross profit		448,276	510,640
Selling and promotion expenses		(130,031)	(142,600)
Administrative expenses		(178,513)	(190,465)
		(308,544)	(333,065)
Operating profit		139,732	177,575
Other income		73,774	49,186
		213,506	226,761
Other operating expenses		(33,678)	(385,093)
Finance cost		(15,819)	(9,245)
Loss of share from Associate		(12,928)	(20,787)
Profit / (Loss) before taxation		151,081	(188,363)
Taxation			
Current period	15	(23,298)	(24,642)
Prior period	15	(694)	-
		(23,992)	(24,642)
Profit/(Loss) after taxation for the period		127,089	(213,005)
Attributable to:			
Equity holders of NetSol Technologies Limited		127,089	(201,396)
Non - controlling interest		-	(11,609)
		127,089	(213,005)
Earnings/(Loss) per share			
Basic - In Rupees	17	1.41	(2.24)
Diluted - In Rupees	17	1.41	(2.24)

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

Condensed Consolidated Interim Statement of Other Comprehensive Income - Unaudited
For The Quarter Ended September 30, 2020

	Jul-Sep 2020	Jul-Sep 2019 (Restated)
	Rupees in '000'	
Profit/(Loss) after taxation for the period	127,089	(213,005)
Other comprehensive (Loss)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods (net of tax):	-	-
Share of other comprehensive (loss) of an associate	(369)	(1,437)
Total comprehensive Income/(Loss) for the period	126,720	(214,442)
Attributable to:		
Equity holders of NetSol Technologies Limited	126,720	(202,833)
Non - controlling interest	-	(11,609)
	126,720	(214,442)

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Condensed Consolidated Interim Statement of Cash Flows - Unaudited

For The Quarter Ended September 30, 2020

NOTE	Jul-Sep 2020	Jul-Sep 2019 (Restated)
Rupees in '000		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation for the period	151,081	(188,363)
Adjustments for non cash charges and other items:		
Depreciation - own assets	52,748	41,351
Amortization of Right of use assets	5,041	7,383
Amortization of intangible assets	73,376	73,376
(Gain) / Loss on disposal of fixed assets	(421)	46
Amortization of deferred revenue	(671)	(671)
Foreign exchange (gain) / Loss	(39,928)	273,771
Interest expense	19,719	8,907
Interest income	(32,529)	(48,290)
Deferred employee compensation expense	6,829	7,200
Amortization of deferred grant	(4,174)	
Provision for expected credit losses	27,688	15,403
Share of loss of Associate	12,928	20,787
	120,606	399,262
<i>Cash generated from operations before working capital changes</i>	271,688	210,899
Working Capital Changes		
Trade debts & Contract Assets/Liabilities	(2,177)	97,261
Loans and advances	(23,562)	(5,510)
Trade deposits & short term prepayments	(16,379)	(25,866)
Other receivables	(828)	45
Due from related parties	(106,007)	(170,331)
Trade and other payables	113,454	(47,135)
Cash (used in) operations	(35,499)	(151,536)
Interest paid	(22,081)	(15,517)
Income taxes paid	(23,643)	(19,979)
Dividend paid	(43)	(38)
<i>Net cash generated from operations</i>	190,422	23,829
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	(37,870)	(64,120)
Sales proceeds of fixed asset	2,140	152
Advances against capital expenditure	(31,234)	22,854
Interest received	32,529	48,290
<i>Net cash (used in)/generated from investing activities</i>	(34,435)	7,173
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	-	1,140
Share premium	-	714
Paid against lease liabilities	(9,693)	(10,280)
Long term payable	112,619	
Deferred grant	8,021	-
Long term advances	(861)	1,026
<i>Net cash generated from /(used in) financing activities</i>	110,086	(7,400)
<i>Net increase in cash and cash equivalents</i>	266,073	23,602
<i>Cash and cash equivalents at the beginning of the period</i>	2,115,872	2,053,102
<i>Cash and cash equivalents at the end of the period</i>	2,381,945	2,076,704

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Condensed Consolidated Interim Statement of Changes in Equity - Unaudited

For The Quarter Ended September 30, 2020

Attributable to equity holders of the Parent							Non Controlling Interest	Total Equity	
	Issued, subscribed and paid-up capital	Share deposit money	Capital reserve		Revenue reserve	Total			
			Employee share option compe-nsa- tion reserve	Share premium	Foreign currency translation reserve				Unappropri ated profit
			Rupees In '000'						
Balance as at June 30, 2019	897,229	13	167,025	303,266	-	5,727,026	7,094,559	225,035	7,319,594
Net (loss) for the period									
September 30, 2019	-	-	-	-	-	(201,396)	(201,396)	(11,609)	(213,005)
Other comprehensive (loss)	-	-	-	-	(1,437)	-	(1,437)	-	(1,437)
Shares deposit money against options exercised		-	-	-	(1,437)	(201,396)	(202,833)	(11,609)	(214,442)
Shares issued against options exercised	1,140	1,872					1,872	-	1,872
(114,000 shares at Rs. 10 each)		(1,872)	(168)	900	-		(0)	-	(0)
Lapse of 13,500 share options			(20)				(20)		(20)
Contribution of parent on account of employee share options			7,200		-		7,200		7,200
	1,140	-	7,012	900	(1,437)	(201,396)	(193,780)	(11,609)	(205,390)
Balance as at September 30, 2019	898,369	13	174,037	304,167	(1,437)	5,525,630	6,900,779	213,426	7,114,205
Balance as at June 30, 2020	898,369	13	206,555	304,167	(16,830)	5,515,868	6,908,142	-	6,908,142
Net Profit for the period	-	-	-	-	-	127,089	127,089	-	127,089
Other comprehensive (loss) for the period					(369)		(369)		(369)
Total comprehensive (loss) / profit for the period					(369)	127,089	126,720	-	126,720
Contribution of parent on account of employee share options			6,829	-	-		6,829	-	6,829
	-	-	6,829	-	(369)	127,089	133,549	-	133,549
Balance as at September 30, 2020	898,369	13	213,384	304,167	(17,199)	5,642,957	7,041,691	-	7,041,691

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

Notes to the Condensed Consolidated Interim Financial Statements Unaudited

For The Quarter Ended September 30, 2020

1. LEGAL STATUS AND NATURE OF BUSINESS

NetSol Group consists of:

- NetSol Technologies Limited
- NetSol Innovation (Private) Limited

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

Address/Location**Purpose**

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

NetSol Innovation (Private) Limited ("the subsidiary Company" or "Subsidiary") is incorporated in Pakistan as a private limited company in which NetSol Technologies Limited has share holding of 100%. The subsidiary company is engaged in business of providing online software development services. The registered office of the Company is situated at NetSol IT Village, Lahore Ring Road, Main Ghazi Interchange, Lahore Cantt. Pakistan.

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

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

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

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

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

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

These condensed interim financial statements are unaudited and do not include all the disclosures and information required in the annual financial statements and should be read in conjunction with the preceding annual published financial statements of the company for the year ended June 30, 2020.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3. ACCOUNTING POLICIES

- 3.1.** The accounting policies adopted for the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the Group for the year ended June 30, 2020.

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

Certain standards, amendments and interpretations to approved accounting standards are also effective for accounting periods beginning on July 01, 2020, but are neither relevant nor have any significant effect on the group's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in this condensed interim financial information.

4. USE OF ESTIMATES AND JUDGMENT

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

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

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

In preparing these condensed consolidated interim financial statements, the judgements, estimates and assumptions made by the management were the same as those that were applied to the preceding annual published financial statements of the company for the year ended June 30, 2020 except for change in accounting estimate detailed below in Note 4.1

4.1 Change of depreciation method from reducing balance method to straight line method:

Effective July 01, 2020, Group has reassessed the remaining useful lives of all of its fixed assets and changed its method of depreciation from reducing balance method to straight line method of depreciation. Effect of change in this accounting estimate has been recognised prospectively as required by IAS 8, i-e change in accounting estimate is recognized in period of change and future periods. Due to change in this accounting estimate depreciation/amortization charge on property, plant & equipment is increased by Rs. 14.48 Million in current quarter.

		Sep-20 Unaudited	Jun-20 Audited
		Rupees in '000'	
5. PROPERTY, PLANT & EQUIPMENT			
Net book value of owned assets	5.1	1,434,533	1,451,130
Net book value of right of use assets	5.2	93,897	98,938
Advances against capital expenditure		31,234	-
		1,559,664	1,550,068
5.1 PROPERTY, PLANT & EQUIPMENT			
Opening Balance - net book value		1,451,130	1,513,696
Additions	5.1.1	37,870	127,335
		1,489,000	1,641,031
Less:			
Disposals - net book value	5.1.2	(1,719)	(13,611)
Depreciation & amortization		(52,748)	(176,290)
		1,434,533	1,451,130
5.1.1 Following is the detail of addition / (transfer)			
Furniture & fixture		214	3,431
Vehicles		45	62,788
Office equipment		290	4,576
Computers		37,231	52,454
Air conditioners		90	3,453
Computer software		-	634
Total		37,870	127,335

5.1.2 Following is the detail of deletions	Sep-20 Unaudited			Jun-20 Audited		
	Cost	Accumulated Depreciation	Written down Value	Cost	Accumulated Depreciation	Written down Value
	Rupees in '000'					
Vehicles	2,453	1,627	826	20,979	8,312	12,667
Office equipment	33	19	14	-	-	-
Computers	16,866	15,987	880	2,204	1,842	363
Air conditioners	-	-	-	1,926	1,343	582
Total	19,352	17,633	1,719	25,109	11,497	13,611

		Sep-20	Jun-20
		Unaudited	Audited
		Rupees in '000'	
5.2 RIGHT OF USE ASSETS			
Opening Balance - net book value		98,938	149,911
Additions		-	-
		98,938	149,911
Less:			
Disposals - net book value	5.2.1	-	(22,495)
Depreciation & amortization		(5,041)	(28,478)
		93,897	98,938

5.2.1 Following is the detail of deletions	Sep-20 Unaudited			Jun-20 Audited		
	Cost	Accumulated Depreciation	Written down Value	Cost	Accumulated Depreciation	Written down Value
	Rupees in '000'					
Vehicles	-	-	-	39,068	16,573	22,495
Total	-	-	-	39,068	16,573	22,495

		Sep-20 Unaudited	Jun-20 Audited
		Rupees in '000'	
6. INTANGIBLE ASSETS			
Opening Balance - net book value		920,897	1,214,401
Less:			
Amortization		(73,376)	(293,504)
		847,521	920,897
7. LONG TERM INVESTMENTS - at cost			
Investment in associate			
WRLD3D inc. (Unquoted company)	7.1	196,467	209,764
		196,467	209,764

- 7.1 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. The company uses equity method to account for investment in associate.

		Sep-20 Unaudited	Jun-20 Audited
	NOTE	Rupees in '000'	
8. TRADE DEBTS			
Considered good - unsecured	8.3	2,100,662	2,200,933
Considered doubtful - unsecured	8.2	266,418	233,499
		2,367,080	2,434,432
Less: Provision for Expected credit losses		(266,418)	(233,499)
		2,100,662	2,200,933
8.1	It represents amount receivable from customers. It is unsecured but considered good by the management..		
8.2	This is a general provision created by the Company for any future doubtful trade debts.		
8.3	Amount receivable from related parties included in trade debts are as under:		
NetSol Technologies (Thailand) Limited		83,801	84,995
NetSol Technologies (Beijing) Company Limited		1,017,512	702,287
NetSol Australia Pty. Limited		46,264	36,363
NetSol Technologies North Americas		238,470	219,825
NetSol Technologies Europe Ltd		4,098	-
WRD3D Inc		245,630	247,362
		1,635,776	1,290,832
9. SHARE CAPITAL			
9.1 Authorised share capital			
	Sep-20 Unaudited	Jun-20 Audited	
	Number of shares		
	150,000,000	150,000,000	Ordinary Shares of Rs. 10 each.
		1,500,000	1,500,000
9.2 Issued, subscribed & paid-up capital			
	42,686,191	42,686,191	Ordinary Shares of Rs. 10 each fully paid in cash
	47,150,732	47,150,732	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares
	89,836,923	89,836,923	
		898,369	898,369
NetSol Technologies Inc. 23975, Park Sorrento, Suite 250, Calabasas CA 91302, is the parent company holding 66.12% (2020 : 66.12%) of issued capital of the Company.			
10. RESERVES			
Capital reserve			
Premium on issue of ordinary shares		304,167	304,167
Employee share option compensation reserve		213,384	206,555
Foreign currency translation reserve		(17,199)	(16,830)
Revenue reserve			
Un - appropriated profit		5,642,957	5,515,868
		6,143,309	6,009,760
11. Trade and other payables also include payable to related parties, detail of which is given below:			
11.1 Due to related party			
Associated			
NetSol Technologies Europe Ltd		6,897	11,561
		6,897	11,561
11.1.1	These relate to normal course of business of the Group and are interest free.		

12. CHANGE OF CLASSIFICATION OF SUBSIDIARY FROM DISCONTINUED OPERATION TO CONTINUED OPERATION:

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

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

13. CONTINGENCIES & COMMITMENTS**13.1 Contingencies**

13.1.1 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.

13.1.2 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.

13.2 Commitments

13.2.1 The Company has issued worth Rs. 11.488 million (2020: 11.488 million) bank guarantees to LESCO and Standard Chartered Bank against its corporate credit cards.

13.2.2 The Company has capital commitments of Rs. Nil under capital purchase agreements as at September 30, 2020. (2020: Nil)

	Jul-Sep 2020	Jul-Sep 2019 (Restated)
	Rupees in '000'	
14. REVENUE FROM CONTRACTS WITH CUSTOMERS		
DISAGGREGATION OF REVENUE:		
Export Revenue		
License	-	389,129
Services	625,379	535,772
Maintenance	489,931	389,658
	1,115,310	1,314,559
Local Revenue		
Maintenance	-	3,508
Sales tax	-	(484)
	-	3,024
	1,115,310	1,317,583

15. 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.

16. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial risk factors

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

Fair value of financial assets and liabilities

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

17. EARNING/(LOSS) PER SHARE

	Jul-Sep 2020	Jul-Sep 2019 (Restated)
Basic		
Rupees in '000'		
Profit / (Loss) attributable to ordinary shareholders of NetSol Technologies Limited	127,089	(201,396)
Weighted average number of ordinary shares in issue during the period	89,837	89,806
Basic - In Rupees	1.41	(2.24)
Diluted		
Profit / (Loss) attributable to ordinary shareholders of NetSol Technologies Limited	127,089	(201,396)
Weighted average number of ordinary shares in issue during the period	89,837	89,831
Diluted - In Rupees	1.41	(2.24)

18. TRANSACTION WITH RELATED PARTIES

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

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

		Jul-Sep 2020	Jul-Sep 2019
Relationship with the Company		Rupees in '000'	
(i)	Associated undertaking	225	225
	Rental Income	358,838	173,586
	Provision of services	6,600	7,393
(iii)	Key management personnel	25,142	44,855
	Salaries and benefits	1,443	1,237
	Retirement benefits	99,022	78,551
(iv)	Commission paid	32,346	28,669
	Contribution to defined contribution plan		
(v)	There are no transactions with any key management personnel other than under the terms of employment.		

19. SEGMENT REVENUES AND RESULTS

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

	Sep-20			
	NFS	IS & SSS	BPO	Total
Rupees in '000'				
Revenue - net				
External sales				
License	-	-	-	-
Services	586,546	-	38,833	625,378
Maintenance	489,930	-	-	489,931
Total revenue	1,076,476	-	38,833	1,115,310
Cost of revenue	(630,180)	(287)	(36,567)	(667,034)
Segment results	446,297	(287)	2,267	448,276
Unallocated corporate expenses:				
Selling and promotion expenses				(130,031)
Administrative expenses				(178,513)
Other income				73,774
Other operating expenses				(33,678)
Finance cost				(15,819)
Loss of share from Associate				(12,928)
Taxation				(23,992)
Profit after taxation				127,089

	Sep-19			
	(Restated)			
	NFS	IS & SSS	BPO	Total
Rupees in '000				
Revenue - net				
External sales				
Licence	389,129	-	-	389,129
Services	494,297	-	41,476	535,773
Maintenance	389,657	3,024	-	392,681
Total revenue	1,273,083	3,024	41,476	1,317,583
Cost of revenue	(760,797)	(1,190)	(44,956)	(806,943)
Segment results	512,286	1,834	(3,480)	510,640
Unallocated corporate expenses:				
Selling and promotion expenses				(142,600)
Administrative expenses				(190,465)
Other income				49,186
Other operating expenses				(385,093)
Finance cost				(9,245)
Loss of share from Associate				(20,787)
Taxation				(24,642)
Loss after taxation				(213,005)

*Key

NFS = NetSol Financial Suite & NFS Ascent

IS = Information Security and other services

BPO = Business Process Outsourcing

SSS = Software Services and Solutions

Segment assets and liabilities are not regularly provided to the CODM. The Group has elected as provided under IFRS 8 'Operating Segments' (amended) not to disclose a measure of segment assets or liabilities where these amounts are not regularly provided to the CODM.

		Jul-Sep 2020	Jul-Sep 2019
20. CORRESPONDING FIGURES		Rupees in '000'	
Corresponding figures have been re-classified for better presentation, in respect of following:			
From	To		
Research and development cost-Administrative expenses	Research and development cost-Other Operating expenses"	5,990	95,872
Provision for doubtful debts-Administrative expenses	Provision for doubtful debts-Other Operating expenses	27,688	15,403
Reimbursable expenses-Export revenue	Services revenue-Export Revenue	25	72,667

21. DATE OF AUTHORIZATION FOR ISSUE

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

22. GENERAL

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

NETSOL Technologies Limited

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