



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: 04/10/2021

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, 2021

Dear Sir,

We have to inform you that the Annual Report of the Company for the year ended June 30, 2021 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





2021 ANNUAL REPORT

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.

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.



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.



GLOBAL 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
- BYD Company Limited
- Volvo Financial Leasing Company

THAILAND

- Mercedes-Benz Leasing (Thailand) Co., Ltd
- Nissan Leasing (Thailand) Co., Ltd

AUSTRALIA

- Mercedes Benz Financial Services Australia Pty Ltd
- Mercedes-Benz Financial Services New Zealand Ltd
- CNH Industrial Capital
- Pepper Group Australia

HONG KONG

- Mercedes-Benz Financial Services Hong Kong Ltd



JAPAN	• Mercedes-Benz Finance Co. Ltd
MALAYSIA	• Mercedes-Benz Services Malaysia Sdn Bhd
SOUTH AFRICA	• Mercedes-Benz Financial Services, South Africa
INDONESIA	• PT OTO Multiartha
	• PT Summit OTO Finance
	• PT Mizuho Balimor Finance
SINGAPORE	• Mercedes-Benz Financial Services Singapore Ltd
	• Daimler Financial Services Africa and Asia Pasific
KOREA	• Mercedes-Benz Financial Services Korea, Ltd
UK	• WRD3D Limited
	• Ascent Europe Limited
	• NETSOL Technologies Europe Limited
USA	• NETSOL Technologies Americas

GLOBAL OFFICES

- | | | | |
|----------|-------------|-----------|-----------|
| ▪ Lahore | ▪ Calabasas | ▪ Beijing | ▪ Bangkok |
| ▪ London | ▪ Shanghai | ▪ Jakarta | ▪ Sydney |



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:



Business Intelligence



IT consulting and Business Process Reengineering



Enterprise solutions:
NFS Ascent™
NETSOL Financial Suite™
NFS Mobility



Technology and Business Process Outsourcing



Application development & maintenance

Industries We Serve



01

Lease and Finance Industry



02

Banking Industry



03

Information Technology

Our Products

NFS ASCENT

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.

NFS DIGITAL

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 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.



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.

The Management Team

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.



Muhammad Aamir Chaudhry
Head of NFS & Professional Services



Wajih Ur Rehman
Global Program Director



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



Ali Aurangzeb
APAC Marketing Head



Humaira Anwar
ICAN Head



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



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

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.

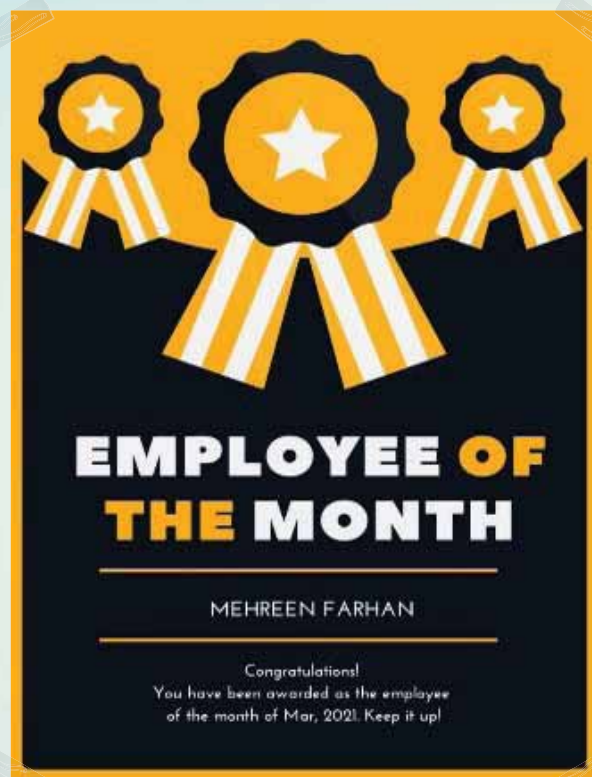


Home Workstation Competition



Vaccination Drive

Activities During the Year



Employee of the Month



Mentoring Program



ntalks



Birthday Giveaways



Outstanding Team - Giveaways



Independence day celebration



Premier Super League Runner-up



Mango Giveaways

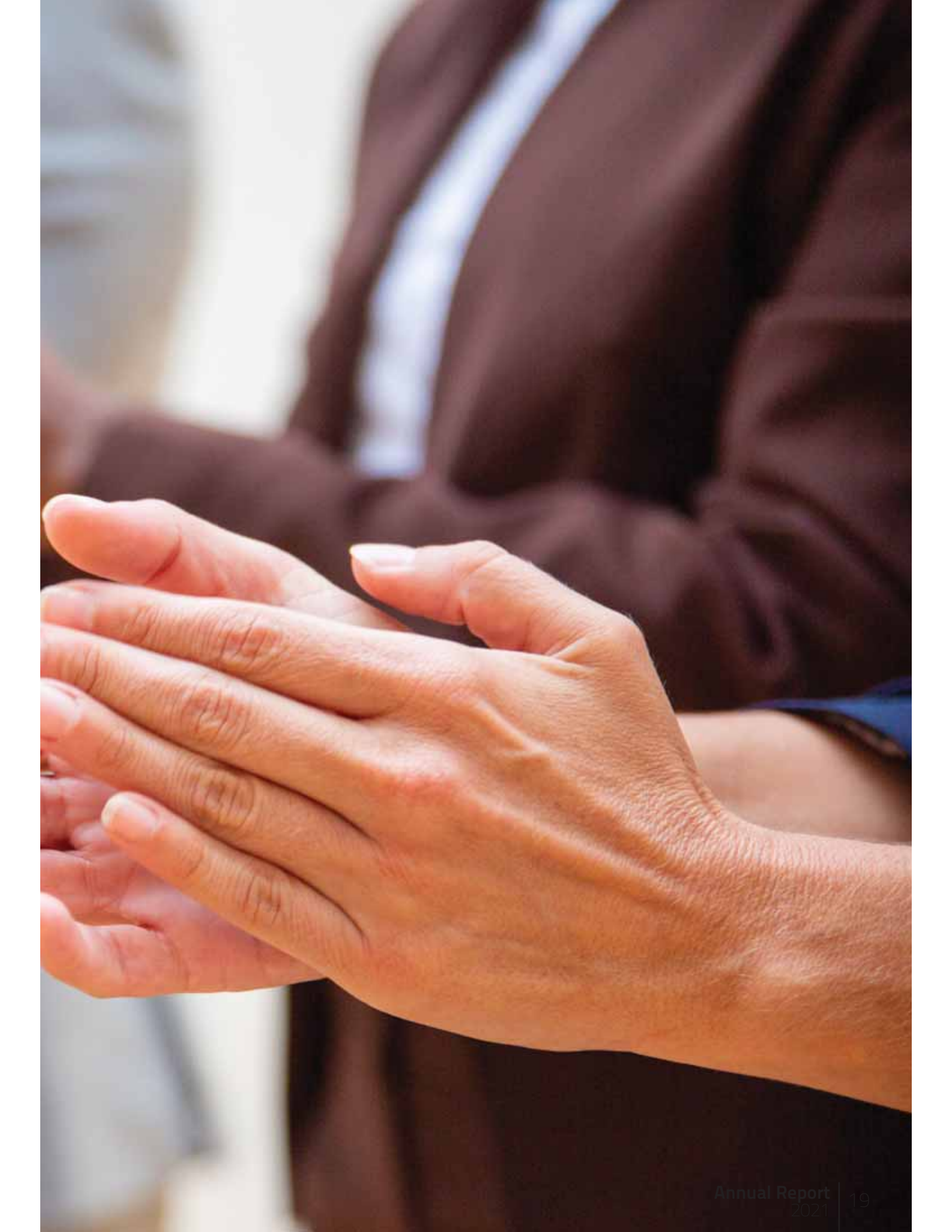


Independence day celebration

Recognition



Solidifying its supremacy in the equipment finance sector, NETSOL was selected by *Monitor Daily* in its inaugural special feature of '*Most Innovative Companies in the Equipment Finance Ecosystem*' in the 'Sustaining' category in North America. Monitor Daily has been serving the unique informational needs of the equipment finance and leasing industry for more than 40 years and is considered the leading source for equipment finance and equipment leasing industry news, articles and opinions.



Chairman's Review Report



Resilience. That would be the most appropriate term to describe the financial year 2020-21 for NETSOL Technologies. The deadly virus that severely impacted businesses across industries worldwide changed the way we conducted business. As a leading provider of technology and software solutions to the global finance and leasing industry, since the onset of the pandemic, NETSOL has continued to deliver.

Since the beginning of COVID-19, our management has shown great leadership by sustaining, maintaining, and bringing growth to the business. Our teams worked tirelessly to maintain an unsurpassed global 100% implementation success rate. More than ever, during these unprecedented times, it has been essential for us to remain close to our clients and their business needs. To navigate through this unforeseeable crisis together, the NETSOL global team has had state-of-the-art remote working infrastructures and capabilities in place to ensure uninterrupted services, so our clients always remain a step ahead. With this, I want to congratulate our team

NETSOL global team has state-of-the-art remote working infrastructures and capabilities in place to ensure uninterrupted services, so our clients always remain a step ahead.

for implementing a foolproof Business Continuity Plan immediately in order to ensure uninterrupted services to its diverse global clientele. During these unprecedented times, our teams remotely delivered seven projects in seven different countries, comprising of both on-prem and cloud. Remote delivery is in NETSOL's DNA.

It also gives me great pleasure to report that NETSOL's premier, next-gen product NFS Ascent, is now offered on the Cloud across all regions, continues to empower our customers to effectively manage their complex multi-site and multi-currency operations and enables them to thrive in hyper-competitive markets across the globe. Constant innovation is in our blueprint and our teams strive constantly to futureproof our customers' businesses.

While there were many challenges present during this financial year, particularly with reference to the global health crisis, the financial year ended June 30th, 2021 has been a successful period for NETSOL Technologies. During this fiscal year ended,

as a result of commendable efforts by everyone working for NETSOL, we managed to sign significant multi-million-dollar agreements, deployed its superior solutions globally alongside other vital developments.



During this fiscal period ended, the performance of our Board of Directors has been found as satisfactory. All company directors, including independent and non-executive directors, contributed towards their designated positions and the board's decision-making to ensure the company's growth in these tough times while ensuring the well-being of our employees.

I return to the word I started with: Resilience. And this resilience is all accredited to the global NETSOL team, who ensured uninterrupted delivery and services to our customers worldwide in the face of the pandemic. I would like to take this opportunity, on behalf of myself, the Board of Directors, and NETSOL's Management, to express my appreciation to all employees of the company who are the backbone of our global success.

Without their hard work, dedication, and commitment, especially during these challenging times, our success would not be possible. We will keep working hard while anticipating the future with excitement and a belief that the company will continue to grow and achieve further success.

We look forward to resuming the Work from Office model for all our global offices soon. However, we continue to closely monitor the situation with great concern, and will only make decisions that are in the best interests of our employees. At the end, I

Constant innovation is in our blueprint and our teams strive constantly to futureproof our customers' businesses.

would like to express my deepest, heartfelt condolences to our employees who have lost their loved ones to this deadly virus.

Shahab Ud Din Ghauri
Chairman
Lahore
September 22, 2021

CEO's Message

All our Cloud/SaaS products are offered via subscription-based pricing which works as a 'Pay-as-you-go' pricing model with different, flexible payment options to choose from, where charges are based on used services only, versus an entire infrastructure.



The global health crisis is still far from over and for us at NETSOL, it is now a new way of life as we have adapted to a "new normal". While businesses across industries globally have suffered and been deeply impacted by COVID-19, we immediately implemented our business continuity plan to ensure uninterrupted services to our customers worldwide. Essentially, we redefined our methodologies and approach and aligned them to the realities this world will face post-pandemic. Since the outbreak of the virus, NETSOL has remotely delivered seven projects in seven different countries including both On-prem and Cloud deployments.

There has been a shift worldwide towards Cloud/SaaS-based solutions, and subsequently, NETSOL has transitioned towards SaaS. Our premier, next-gen platform for the global finance and leasing industry – NFS Ascent, is now available on the Cloud via subscription-based pricing models without the need to pay any upfront license fees. Cloud/SaaS-based offerings have gained much momentum in our industry due to their flexible pricing options, swift deployments, and the ability to scale on demand. Moving forward, we will continue to offer our premier product on the Cloud across all regions.

All our Cloud/SaaS products are offered via subscription-based pricing which works as a 'Pay-as-you-go' pricing model with different, flexible payment options to choose from, where charges are based on used services only, versus an entire infrastructure. Companies can further select the payment plan that suits their business and choose whether they would like to pay on a monthly, quarterly, or yearly basis. Therefore, these companies gain access to the same premier, the next-gen platform used by blue-chip organizations and Fortune 500 companies with zero license fees. Due to these benefits for customers, alongside new, recurring revenue streams for NETSOL, we are encouraging our customers to move towards our SaaS-based offerings.

As cases increase and new strains of the deadly virus emerge, stringent travel restrictions continue to be in place. While we look forward to normalcy in this regard and being physically present with our customers when global travel constraints are lifted and situation improves, this has not deterred us in any way. NETSOL continues to provide services to its current customers and has been deploying its solutions for both existing and new customers remotely.

I can ascertain that we are a pandemic-proof enterprise. While there are major challenges that continue to come our way, we are committed to overcoming all obstacles and ensuring our accessibility and connectivity with our diverse global clientele around the clock, which we have been. Currently, as many markets have opened up, there is more visibility into the future. Various financial institutions are generating interest and have been requesting demonstrations of our solutions.

The dedication, commitment, and resilience shown by our global team have been second to none and have been inspiring. They have been the driving force behind our success. I would like to take this opportunity to thank them for all the hard work put in by them, which has enabled us to maintain our position of who we are today – one of the leading and most innovative companies in the global finance and leasing space.

Salim Ullah Ghauri
Chief Executive Officer
Lahore
September 22, 2021

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 2020-21 has been paid to Stock Exchange.

Dividend

The Board of Directors in their meeting held on 22 September 2021 has not proposed any dividend appropriation.

Book Closure Dates

Share Transfer Books of the Company will remain closed from 18 October 2021 to 25 October 2021 (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.

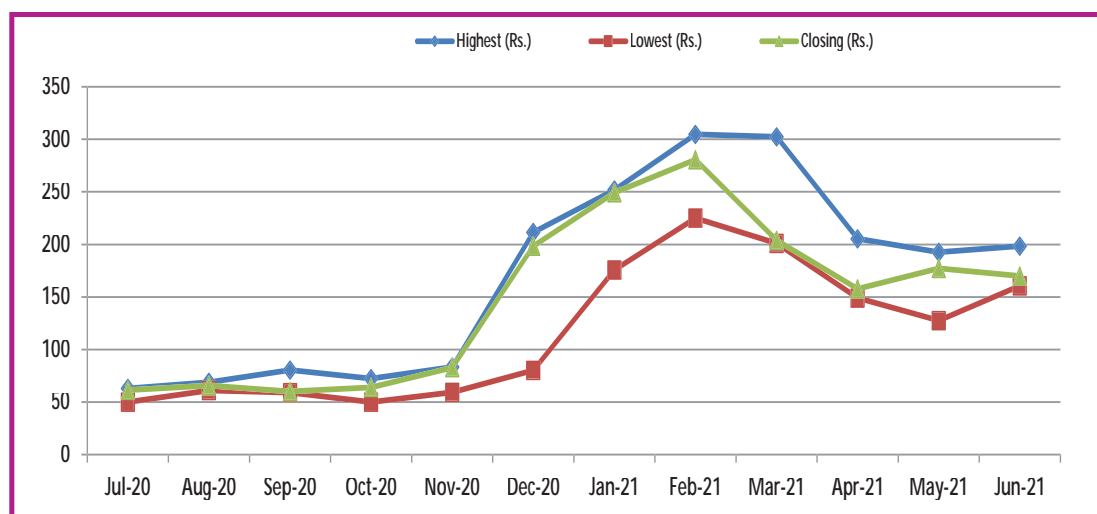
Sr.No.	Activities	For Request Received through post	Over the Counter
1	Transfer of Shares	15 days after receipt	15 days after receipt
2	Transmission of Shares	15 days after receipt	15 days after receipt
3	Issuance of duplicate share certificates	30 days after receipt	30 days after receipt
4	Change of 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 2021:

Month	Highest (Rs.)	Lowest (Rs.)	Closing (Rs.)	No. of shares traded	Market Capitalization in *Value (Rs. in million)
Jul-20	62.90	49.99	61.43	42,248,500	5,519
Aug-20	68.75	61.00	65.77	47,392,000	5,909
Sep-20	80.48	59.05	60.11	48,820,000	5,400
Oct-20	72.20	50.10	63.98	36,599,000	5,748
Nov-20	83.23	59.19	82.69	46,770,000	7,429
Dec-20	211.48	80.10	198.32	169,573,000	17,816
Jan-21	252.00	175.65	249.38	83,176,500	22,404
Feb-21	304.75	225.02	280.68	136,815,000	25,215
Mar-21	302.38	201.12	204.05	155,148,000	18,331
Apr-21	205.35	149.12	157.70	147,361,500	14,167
May-21	192.50	127.53	177.34	109,323,500	15,932
Jun-21	198.48	160.56	169.98	126,661,500	15,270

* Based on closing price.

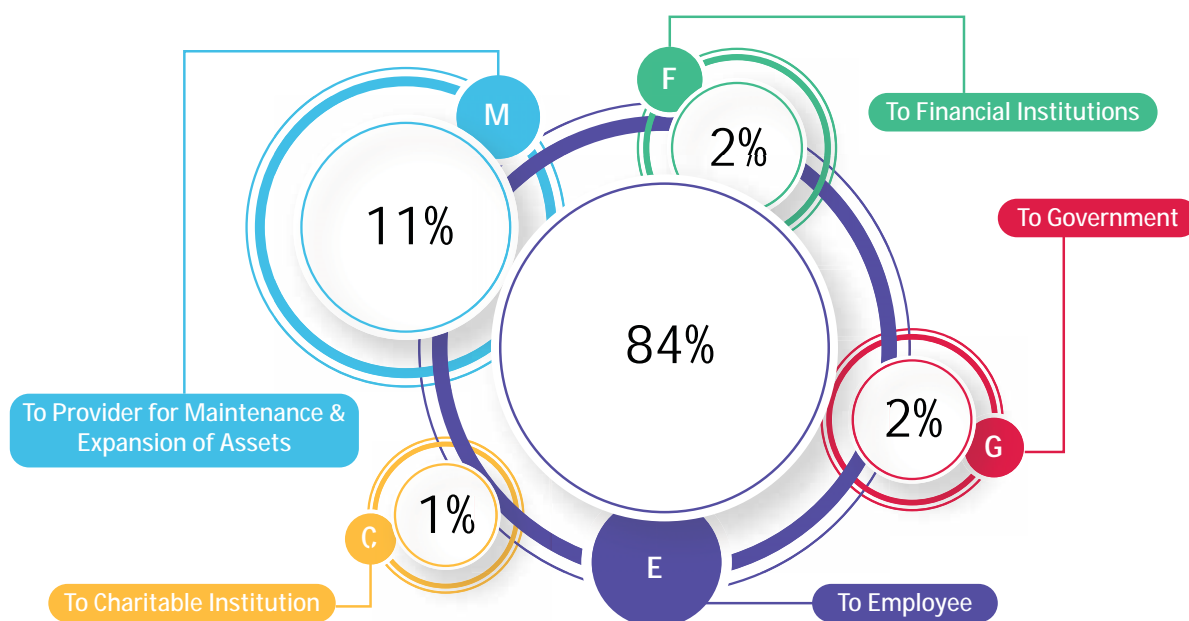




FINANCIAL HIGHLIGHTS

Statement of Value Addition

	2021	% age	2020	% age
RUPEE IN THOUSAND				
VALUE ADDITION				
Revenue	4,947,559		4,708,374	
Other Income	151,778		481,509	
	5,099,337		5,189,883	
Less Operating & General Expenses	1,396,484		1,495,104	
Value Added	3,702,853	100%	3,694,779	100%
VALUE DISTRIBUTION				
To Employee				
Salaries & other employee benefits	3,122,648	84%	2,772,083	75%
To Government				
Income & other taxes	69,596	2%	161,473	4%
To Provider of Capital				
Cash dividend	-	-	251,543	7%
To Financial Institutions				
As markup on borrowings	58,856	2%	48,508	1%
To Charitable Institution				
Depreciation / Amortization	24,105	1%	11,564	1%
To Provider for Maintenance & Expansion of Assets				
Depreciation / Amortization	236,061		204,768	
Retained Income	191,587		244,840	
	427,648	11%	449,608	12%
	3,702,853		3,694,779	



Six Years' Summary

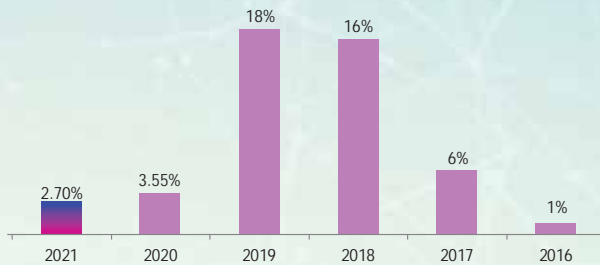
	2021	2020	2019	2018	2017	2016
FIXED CAPITAL EXPENDITURE						
Tangible	1,599,438	1,542,792	1,679,165	1,759,889	1,898,191	2,203,006
Intangibles	627,393	920,897	1,214,401	1,507,905	1,801,409	2,195,996
	2,226,831	2,463,689	2,893,566	3,267,794	3,699,600	4,399,002
LONG TERM INVESTMENT	208,582	239,827	308,567	308,567	218,873	34,055
LONG TERM LOANS TO EMPLOYEES	3,552	1,571	470	356	446	-
WORKING CAPITAL	4,762,877	4,379,835	3,739,858	3,148,859	1,796,245	942,853
NET ASSETS EMPLOYED	7,201,843	7,084,922	6,942,461	6,725,576	5,715,164	5,375,910
EQUITY & LIABILITIES						
SHAREHOLDER'S EQUITY	7,103,817	6,897,498	6,879,460	6,685,950	5,692,513	5,336,416
NON CURRENT LIABILITIES	98,026	187,424	63,001	39,626	22,651	39,494
TOTAL FUNDS INVESTED	7,201,843	7,084,922	6,942,461	6,725,576	5,715,164	5,375,910
REVENUE FROM CONTRACTS WITH CUSTOMERS - NET	4,947,559	4,708,374	5,381,196	4,284,800	3,925,697	3,215,811
COST OF REVENUE	3,147,147	3,142,330	3,290,450	2,346,162	2,685,337	2,282,076
GROSS PROFIT	1,800,412	1,566,044	2,090,746	1,938,638	1,240,360	933,735
OPERATING EXPENSES	1,608,825	1,321,204	847,262	872,668	920,064	881,533
NET PROFIT / (LOSS) FOR THE YEAR	191,587	244,840	1,243,484	1,065,970	320,296	52,202
EARNING / (LOSS) PER SHARE	2.13	2.73	13.86	11.89	3.58	0.59
RESERVES & SHARE CAPITAL						
Reserves	6,205,435	5,999,116	5,982,218	5,788,908	4,796,141	4,443,382
Share Capital	898,369	898,369	897,229	897,029	896,359	891,544
PAYOUT						
Cash Dividend	-	-	28%	25%	14.5%	5%

Key Financial Ratios

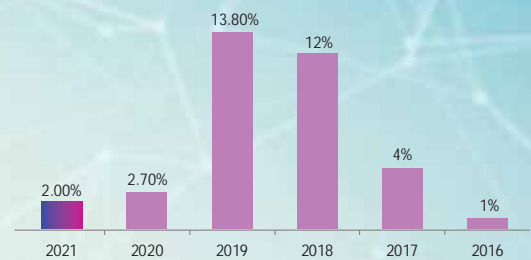
		2021	2020	2019	2018	2017	2016
Working Capital	Rupees in thousand	4,762,877	4,379,835	3,739,858	3,148,859	1,796,245	942,853
Gross Profit	%	36.39%	33.26%	38.85%	45%	32%	29%
Net Profit Margin	%	3.87%	5.20%	23.11%	25%	8%	2%
Return on Equity	%	2.70%	3.55%	18.08%	16%	6%	1%
Return on Assets	%	2.00%	2.70%	13.80%	12%	4%	1%
Debtor Turnover	Times	3.00	2.14	2.13	3.20	5.87	2.68
Current Ratio	Times	3.00	3.20	2.81	2.65	2.08	1.77
Earnings Per Share	Rupees	2.13	2.73	13.86	11.89	3.58	0.59
Book Value Per Share	Rupees	79.07	76.78	76.67	74.53	63.51	59.86
Outstanding No. of Shares	Number	89,836,923	89,836,923	89,722,923	89,702,923	89,635,923	89,154,423

Financial Summary

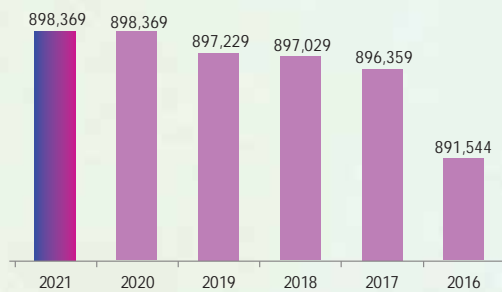
Return on equity



Return on Assets



Share Capital (PKR in '000')



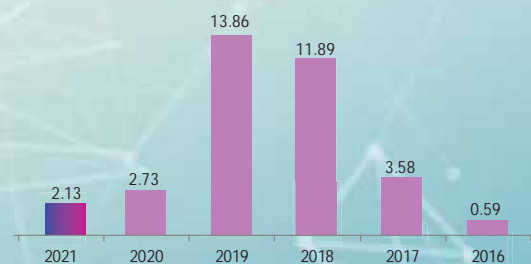
Reserves (PKR in '000')



Book Value per Share (PKR)



Earning per share (PKR)

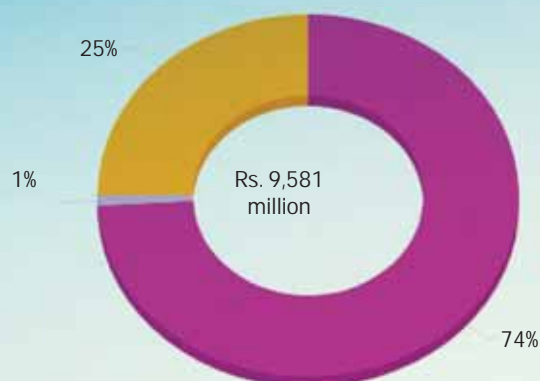


Assets



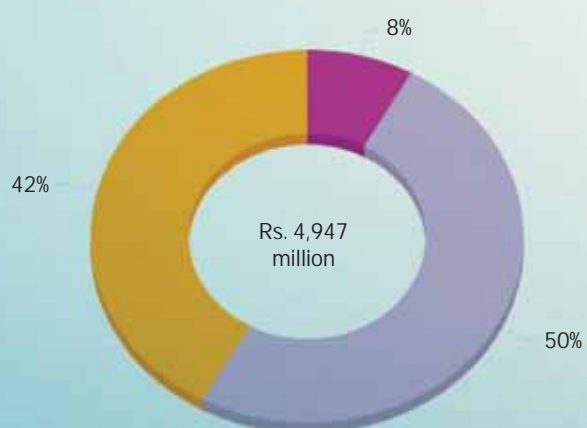
- Non-current assets
- Current assets

Equity & Liabilities



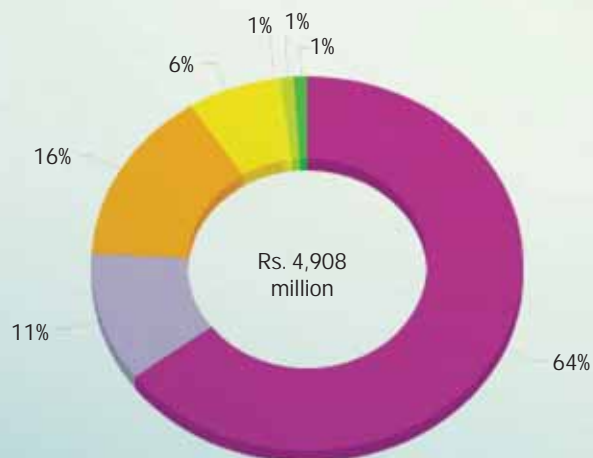
- Share Capital and Reserves
- Non-Current Liabilities
- Current Liabilities

Revenue



- License
- Services
- Subscription and Support

Expenses



- Cost of Revenue
- Selling and promotion expenses
- Administrative expenses
- Other operating expenses
- Finance cost
- Share of loss of associate
- Taxation



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 39 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 17 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 Buck-

ingham, 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 41 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 25th Annual Report of NetSol Technologies Limited ('NETSOL' or the 'Company') along with the audited financial statements for the year ended June 30, 2021 and the auditors' report thereon.

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

The fiscal year 2020-21 has been a defining period for businesses globally in terms of survival and resilience. 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.

NETSOL, being an adaptive organization with its remote working infrastructure and capabilities, has shown great resilience during the global crisis and ensured uninterrupted services to its diverse global clientele since the start of the pandemic. In the course of this period, NETSOL has remotely delivered seven projects in seven different countries for auto captives with multi-country operations as well as for large-sized and startup banks. 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.

During the year, alongside continuing to promote the company's premier, next-gen platform NFS Ascent™, NETSOL's sales and marketing teams put in a lot of effort in digitally promoting the product's cloud version. NFS Ascent on the Cloud is now offered via flexible, subscription-based pricing and rapid deployments. The SaaS model is geared towards not just Tier-Two companies, but also Tier-One companies that have generated interest in Ascent's Cloud version. Subscription-based pricing is being offered on a monthly, quarterly or annual basis. Along with other value-based factors built into the model, this value-based pricing plan is intended to decrease initial buy-in cost for new customers and provide an alternative to current customers seeking lower software usage and maintenance costs. However, license option is still available for high end and Tier-One customers.

NETSOL's premier, next-gen platform NFS Ascent (Retail) went live for a world renowned auto captive in China. The tier-one client has a strong presence in China as well as across Asia-Pacific. This implementation was the

secondary phase of a previously announced \$30 million contract in which NETSOL was selected as the preferred vendor after an extensive evaluation process. In the past year, NETSOL successfully implemented the NFS Ascent Wholesale Platform for the tier-one client. The Ascent suite was selected based on its specific applications directed to the Chinese market alongside the premier solution's compliance with several regulations set out by the People's Bank of China and other industry-governing bodies.

The company's sister concern in China signed an agreement with a global automotive financial services company to upgrade from the Company's legacy NFS system to its premier, next-generation Ascent® platform. This multi-million-dollar agreement included licensing, implementation and two years support services including comprehensive data migration from the old system to the new platform. The longtime Company customer provides automotive installment loans, credit loans, interest subsidies and other services and mainly conducts business domestically in China. This contract will result in generating additional revenues for the Company which will be recognized over the life of the contract.

NETSOL also continued its presence in industry-leading events during the year. In North America, NETSOL presented at both the AFSA Virtual Vehicle Finance Conference where it was a Roundtable Sponsor as well as the CFLA International Women's Day Virtual Conference. In the United Kingdom, the company attended the Virtual Car Finance Conference where it was a Headline Partner and participated in the panel discussion. 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. The company also attended the Canadian Finance and Leasing Association Annual Conference which was held virtually this year.

FINANCIAL PERFORMANCE

Stand-alone financial statements	30-Jun-21 (Rs. in '000')	30-Jun-20 (Rs. in '000')	%age change
Revenue from customers	4,947,559	4,708,374	5.08%
Gross Profit	1,800,412	1,566,044	15%
Net Profit	191,587	244,840	-21.75%
Earnings per share – basic & diluted (PKR)	2.13	2.73	
EBITDA per share – diluted (PKR)	7.81	8.69	

Company reported full year revenue of PKR 4,948 million compared to PKR 4,708 million in the preceding year. Revenue of PKR 399 million was recorded on account of license sale which is associated with the provisioning of license to sister concern's client for the implementation of NFS Ascent™ in China and Thailand. The Company also recorded a handsome amount of change requests from its existing customers for enhancement and customization in the systems deployed at their respective sites. This is a continuous nature of services revenue coming from our existing customers. In addition to it, subscription and support revenue (previously called maintenance revenue) increased from PKR 1,746 million to PKR 2,089 million for the current year.

As announced earlier this year, in addition to license based model, we also started offering our products on cloud. Fortunately, we signed couple of deals in UK and US through our sister concerns for implementation of our SaaS products. During the reporting year, we have recognized around PKR 71 million on account of SaaS revenue. Going forward, with the addition of new customers, we are expecting this revenue to grow further in future.

Cost of revenue remained more or less unchanged. Gross Margins clocked in at 36%, as compared to the corresponding period where margins were recorded at 33%. Stability in revenues coupled with cost optimization initiatives translated into a 44% YoY improvement in the company's operating profits which increased from PKR 343 million last year to PKR 493 million in the current year. The Company posted a net profit after tax of PKR 192 million compared to PKR 245 million last year. Earnings per diluted share were PKR 2.13 in comparison of PKR 2.73 in the corresponding period. The drop in net earnings is mainly due to foreign currency exchange loss of PKR 120 million due to appreciation of Pak Rupee compared to an exchange gain of PKR 83 million last year. Previous year figures also include a dividend income amounting to PKR

218 million from our subsidiary company. There was no such dividend income this year. Company posted net EBITDA profit of PKR 7.81 per diluted share compared to PKR 8.69 in the corresponding year.

The Company also consolidates financial results of its wholly owned subsidiary "NETSOL Innovation (Pvt) Limited" which currently has no business. Net consolidated revenues for the year ended June 30, 2021 were PKR 4,948 million compared to PKR 4,708 million last year. Consolidated gross profit for the year was PKR 1,800 million compared to PKR 1,566 million in the preceding year. The company posted net consolidated profit of PKR 193 compared to PKR 36 million last year. Diluted earnings per share for the year ended June 30, 2021 & 2020 were PKR 2.15 & PKR 0.40 respectively.

DIVIDEND

In order to create further value for its shareholders, the Company is planning to broaden both its revenue, product and service offering base and for this purpose, it is in the process of evaluating different buyout opportunities available in the local market. To meet the cash outflow requirement for any such probable acquisition, the company has not declared any dividend this year.

FUTURE OUTLOOK

As the COVID-19 pandemic has not yet finished in its entirety, the company continues to closely monitor the unprecedented crisis with uncertainty and concern. However, with ongoing developments and the introduction of vaccines, the future looks promising.

Alongside traditional license model, the company will continue to promote the Cloud version of Ascent. Many mid-size finance and leasing businesses are deferring heavy capital spending during these extraordinary times and are preferring flexible and affordable subscription-based pricing. This is a great opportunity for the company to boost its cloud based clientele and we believe that the cloud revenue should surpass the conventional license fee in few years to come. NETSOL will also continue to promote its digital transformation suite (NFS Digital) for the global finance and leasing space.

NETSOL attends annual industry leading events including conferences, conventions, summits and expositions across the globe. NETSOL continued to attend these events virtually this year, as no live events have been

taking place due to the global health crisis. However, with the availability and initiation of vaccination drives in North America, Europe and Asia Pacific, these industry leading events are expected to resume to being live or hybrid (live plus online) events. The company looks forward to attending live events as soon as they resume in order to continue its in-person lead generation.

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.

NETSOL's Innovation Lab ideates and creates next-generation products using the latest technologies, learning from experimentation by building proof-of-concepts. The environment supports the company's clients and partners to explore new ideas which expand the realm of the possible for the asset finance and leasing industry, and to make themselves future-proof from new and emerging disruptive business models and technologies. This will shape the future sources of growth and enable organizations to create long-term product and technology roadmaps, build a matching set of competencies and adopt the agile mindset required to transform to a new future.

AWARDS AND RECOGNITION

Solidifying its supremacy in the equipment finance sector, NETSOL was selected by Monitor Daily in its inaugural special feature of 'Most Innovative Companies in the Equipment Finance Ecosystem' in the 'Sustaining' category in North America. Monitor Daily has been serving the unique informational needs of the equipment finance and leasing industry for more than 40 years and is considered the leading source for equipment finance and equipment leasing industry news, articles and opinions.

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. STRATEGIC RISK

In order to manage its strategic risks, NETSOL regularly identifies and keeps track of the latest trends in the dynamic and evolving global finance and leasing space. By working on important technologies that have gained traction in the industry, NETSOL ensures that its clients remain a step ahead in the market and most importantly, have a futureproof business.

B. OPERATIONAL RISKS

By implementing its Business Continuity Plan when the pandemic initiated last year, NETSOL successfully adhered to managing operational risks as there was absolutely no disruption to the company's operations caused by COVID-19. With state-of-the-art remote working capabilities in place, since the outbreak of the deadly virus, NETSOL's global team has ensured uninterrupted services to its diverse clientele worldwide. The global team is skilled, well-equipped and well-trained by the company.

C. 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.

D. 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.

E. 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.

F. 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.

G. 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

Despite the hindrances faced by businesses globally due to COVID-19, NETSOL has continued to deliver and has maintained its dominance in the finance and leasing. Since the initiation of COVID-19, NETSOL has remotely delivered seven projects in seven different countries including both on-prem as well as cloud deployments.

With halts in production due to the pandemic, the automotive industry was disrupted across the globe. However, the industry has started rebounding from the slump last year. While figures may not be back at pre-pandemic levels, the improvement and recovery shown will directly affect NETSOL's business in the auto finance and leasing space in all regions the company operates.

There are many drivers of change and technologies that are impacting the global finance and leasing space. NETSOL continues to maintain its key principle of being adaptive and continues to evolve alongside the industry. This evolution is driven via the provision of innovative solutions to auto captives, equipment finance and leasing companies,

banks and other financial institutions worldwide by the company.

NETSOL's Innovative Lab and R&D teams are constantly experimenting and working on various technologies in order to generate new revenue streams for the company and to ensure the company's new and current customers have a futureproof business in order to maintain a competitive edge.

A number of technologies have been gaining significant traction within the financial services industry and can be leveraged by finance and leasing companies for a variety of use-cases and significant benefits. These technologies are not limited to, but include, Artificial Intelligence, Machine Learning, Big Data and Fintech.

IMPACT OF COMPANY BUSINESS ON THE ENVIRONMENT

Due to a number of climate-related events affecting the world today, responsible global businesses worldwide are shifting their attention on the climate and environmental sustainability. 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. While facilitating its global business, NETSOL also focuses on protecting the environment by embracing sustainable practices.

The company acknowledges global climate change as a real problem, and as a borderless company, pledges to do everything in its capacity to tackle the problem. To that end, NETSOL ensures that it eliminates wasteful practices and makes all processes as energy efficient as possible.

Digitization is at the center of the paperless organization. NETSOL's premier product NFS Ascent and its digital transformation solutions NFS Digital enable the company's clients to eliminate the use of paper. Complete digitization allows for a paperless environment which positively impacts the environment. Within NETSOL's own operations in each of its global offices, the use of paper has been substantially reduced. The company essentially operates with minimal use of paper and is further eliminating its usage.

Further, NETSOL's Pakistan Office in Lahore launches tree plantation drives every year, with all employees alongside senior management partaking in this annual drive. These tree plantations are seen as imperative in

order to combat climatic change and to provide a greener environment in order to reduce smog, increase oxygen and improve and enhance the respiratory health of the citizens of the city. NETSOL stresses the importance of encouraging environmentally-friendly practices not just for all of us momentarily, but for all future generations to come.

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

There has been no change in the nature of business of the Company or of its subsidiaries and joint operation.

CORPORATE SOCIAL RESPONSIBILITY

A detailed report on corporate social responsibility is annexed herewith.

RISK MANAGEMENT

The Risk Management Committee comprises of three members including an Independent Director. The Committee has been constituted to address and improve risk oversight and risk management within the Company. The Risk Management Infrastructure of the company is based upon Enterprise Risk Management methodology/ framework addressing the major risk categories including Strategic, Operational, Compliance and Financial Reporting Risk. Adequate controls, manual as well as automated, have been designed and communicated to the staff via various policy and procedural guidelines which are executed and self-assessed by the process/control owners. An independent Internal Audit Department, under direct reporting to the Board Audit Committee, evaluates and oversees the design and operating effectiveness of these controls.

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, 2021:

- 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, 2021, four (04) 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 Directors	Designation
Mr. Anwaar Hussain	Chairman – Independent director
Mr. Vaseem Anvar	Member – Independent director
Ms. 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, 2021, Five (05) meetings of the Audit Committee were held.

HUMAN RESOURCE AND REMUNERATION COMMITTEE

In compliance with the Code of Corporate Governance, the Board 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 Directors	Designation
Mr. Vaseem Anvar	Chairman – Independent director
Mr. Najeeb Ullah Ghauri	Member – Non-executive director
Mr. Salim Ullah Ghauri	Member – Executive director
Ms. Hamna Ghauri	Member – Non-executive director

During the year ended June 30, 2021, the Committee held one (01) meeting to discuss & approve the matters falling under the terms of reference of the Committee.

RISK MANAGEMENT COMMITTEE

The Board has also established a Risk Management Committee to provide recommendations to the Board regarding identification, assessment and mitigation of the risks. Highlighted risks are prioritized according to their impact and likelihood, with remedial actions being devised accordingly. The committee comprises of the following members:

Names of Directors	Designation
Mr. Vaseem Anvar	Chairman – Independent director
Mr. Salim Ullah Ghauri	Member – Executive director
Mr. Omar Ghauri	Member – Executive director

During the year ended June 30, 2021, 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 comprehensive 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 the vision and mission of the company
- Strategy formulation for sustainable operations
- Board independence
- Evaluation of the 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 PARTY 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.

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, 2022 on such terms and conditions and remuneration as may be decided by the shareholders. 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, 2021 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 2021 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, except as disclosed in this report, if any.

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



Omar Ghauri
Director

Lahore

September 22, 2021

ڈائر ایکٹرز کی رپورٹ

ہمیں خوشی ہے کہ از طرف بورڈ آف ڈائریکٹرز نیٹ سول ٹیکنالوجیز لمیٹڈ ("نیٹ سول" یا "دی کمپنی") کی بیسیویں سالانہ آڈٹ شدہ مالیاتی گوشوارے جس کا اختتام 30 جون 2021ء کو ہوا، مع آڈیٹرز رپورٹ پیش کر رہے ہیں۔

کمپنی کی کارکردگی اور ترقی کی بنیادی سرگرمیاں

سے مالی سال 2020-21 کی پہلی سرمایہ عالمی سطح پر کاروباری ہفتا ورک کے لحاظ سے اہم عنصر رہا ہے۔ چونکہ COVID-19 کا عالمی بحران دنیا بھر کے کاروباری ترقی کے لیے اہم محرکات (drivers) کو متاثر کر رہا ہے، اس لیے کمپنیاں اپنے انتظامات و فہر امارات اور کاروباری منصوبوں میں ترمیم کر رہی ہیں۔ نیٹ سول، اپنے ریویٹ ورکنگ انفراسٹرکچر اور صلاحیتوں کے ساتھ ایک adaptive ادارہ ہونے کے ناطے، عالمی بحران کے دوران بڑی چیلج دکھائی ہے اور وہ پائی مرض کے آغاز کے بعد سے اس کے متنوع عالمی کسٹمرز کو بلا تعلق خدمات کو یقینی بنایا ہے۔ اس عرصے کے دوران، نیٹ سول نے سات مختلف ملک میں سات منصوبوں کو آڈیٹ کیٹیو auto captives کے ساتھ ملٹی کنٹری آپریشنز کے ساتھ ساتھ بڑے سائز اور اشارات اپ remotely ذریعہ سے نافذ کیے۔ کمپنی کا کاروباری تسلسل منصوبہ اپنا بنیادی کامیاب رہا ہے۔ ان مشکل اوقات میں نیٹ سول کی کامیابی کمپنی کی تبدیلی کو اپنانے کی صلاحیت کی عکاسی کرتی ہے اور اس کے عالمی گاہکوں کے لیے اس کی خدمات ان مشکل اوقات میں بھی متاثر نہیں ہوئی ہے۔

سال کے دوران، کمپنی کے اہم next-gen پلیٹ فارم NFS Ascent™ کو فروغ دینے کے ساتھ ساتھ، نیٹ سول کی بیلز اور مارکیٹنگ ٹیموں نے مصنوعات کے کلاؤڈ ورژن کو ڈیجیٹل طور پر فروغ دینے میں بہت کوشاں رہی ہے۔ NFS Ascent™ پلڈار، سبسکرپشن پر مبنی قیمت کے ماڈل اور تیزی سے نافذ ہونے کے ساتھ کلاؤڈ پر موجود ہے۔ SaaS ماڈل نے نہ صرف دوسرے درجے کی کمپنیوں کی ہی بلکہ اول درجے کی کمپنیوں کی توجہ بھی حاصل کی ہے جنہوں نے Ascent کے کلاؤڈ ورژن میں دلچسپی ظاہر کی ہے۔ سبسکرپشن پر مبنی قیمتیں ماہانہ، سرمایہ یا سالانہ بنیاد پر پیش کی جارہی ہیں۔ اس ماڈل میں شامل دیگر ادیت پر مبنی عوامل کے ساتھ قیمتوں کے نظام کا مقصد نئے صارفین کے لیے ابتدائی خریداری میں لاگت کو کم کرنا اور موجودہ سافٹ ویئر کا استعمال اور بحالی کے اخراجات کے حصول کے لیے موجودہ صارفین کو ایک متبادل فراہم کرنا ہے۔ تاہم، لائسنس لینے کا اختیار اب بھی اول درجے کے صارفین کے لیے موجود ہے۔

چین میں ڈیٹا کے نامور آڈیٹ کیٹیو (auto captive) کے لیے نیٹ سول کا اہم next-gen پلیٹ فارم (Retail) NFS Ascent™ کا نافذ ہو چکا ہے۔ اعلیٰ درجے کا حامل صارف چین کے ساتھ ساتھ پورے ایشیاء پیسیفک میں بھی پائیدار موجودی رکھتا ہے۔ یہ نافذ پہلے اعلان کردہ 30 ملین ڈالر کے معاہدے کا دوسرا مرحلہ تھا جس میں ایک وسیع شخصی عمل کے بعد نیٹ سول کو تین vendor کے طور پر منتخب کیا گیا تھا۔ پچھلے سال، نیٹ سول نے اسی اعلیٰ درجے کے صارف کے لیے NFS Ascent™ ہول سیل پلیٹ فارم کو کامیابی کے ساتھ نافذ کیا تھا۔ Ascent suite کے انتخاب کی وجہ اس کی مخصوص ساخت اور چینی مارکیٹ کے ساتھ چیلر بینک آف چین اور دیگر صنعتی تنظیمی اداروں کی تجویز کردہ قواعد و ضوابط کی پاسداری ہے۔

کمپنی کی sister concern چین میں ایک عالمی automotive financial services کمپنی کے ساتھ معاہدے پر دستخط کیا ہے، جس سے کمپنی کے legacy NFS System کو اپنے پریمیر next-generation Ascent پلیٹ فارم میں اپ گریڈ کیا جائے گا۔ اس ملی ملین ڈالر معاہدے میں لائسنسنگ، عمل درآمد اور دوسال کی معاون خدمات جن میں پرانے سسٹم سے نئے پلیٹ فارم میں ڈیٹا منتقل کرنا شامل ہے۔ کمپنی کا دیرینہ صارف بنیادی طور پر چین میں مقامی طور پر automotive installment loans, credit loans, interest subsidies اور دیگر خدمات مہیا کرتا ہے۔ اس معاہدے کے نتیجے میں کمپنی کو اضافی محصولات حاصل ہوں گی جو معاہدے کی مدت کے لحاظ سے کمائی جائیگی۔

نیٹ سول سال کے دوران معروف صنعتی ایونٹ میں بھی شرکت کی۔ شالی امریکہ میں نیٹ سول نے AFSA Virtual Vehicle Finance Conference میں شرکت کی۔ برطانیہ میں، کمپنی نے ورچوئل کار کانفرنس جہاں یہ ہیڈ لائن پارٹنر تھے اور چیلر بینک آف چین میں شریک تھا۔ ان ایونٹس میں نیٹ سول کی بانی انتظامیہ نے برسوں پر محیط کمپنی کی ترقی و توسیع اور مستقبل کی صلاحیت کو وضاحت سے پیش کیا اور نیٹ سول کی ترقی کے سفر کے بارے میں قابل قدر معلومات فراہم کی۔ کمپنی نے کیٹیو بین فنانس اینڈ لیزنگ ایسوسی ایشن کی سالانہ کانفرنس میں بھی شرکت کی جو اس سال ورچوئل طور پر منعقد ہوئی۔

مالیاتی کارکردگی (Financial Performance)

انفرادی مالیاتی گوشوارے

محصولات (000 میں)	4,947,559	4,708,374	5.08%
خام منافع (000 میں)	1,800,412	1,566,044	15%
نقد منافع (000 میں)	191,587	244,840	-21.75%
منافع فی حصص (بنیادی اور تھیل شدہ روپے)	2.13	2.73	
EBITDA فی حصص (تھیل شدہ روپے)	7.81	8.69	

کمپنی نے پورے سال کی محصولات 4,948 ملین روپے درج کی ہیں جبکہ گزشتہ سال 4,708 ملین روپے تھی۔ لائسنس کی مد میں 399 ملین روپے کی محصولات ریکارڈ کی گئی جو کہ چین اور تھائی لینڈ میں NFS Ascent™ کے لیے sister concern's client کو لائسنس کی فراہمی سے وابستہ ہے۔ کمپنی نے اپنی متعلقہ sites پر deployed سسٹم میں اضافہ اور تخصیص کے لیے ہمارے موجودہ کسٹمرز سے تبدیلی کی درخواستیں بھی ریکارڈ کیں۔ یہ خدمات کی محصولات کا ایک تسلسل ہے جو ہمارے موجودہ کسٹمرز سے آتا ہے۔ اس کے علاوہ، موجودہ سال کے دوران سبسکرپشن اور سپورٹ (نئے پہلے maintenance بحالی محصولات کہا جاتا تھا) کی محصولات 1,746 ملین روپے سے بڑھ کر 2,089 ملین روپے ہو گئی ہیں۔ جیسا کہ اس سال کے شروع میں اعلان کیا گیا تھا، لائسنس پر مبنی ماڈل کے علاوہ ہم نے کلاؤڈ پر بھی اپنی مصنوعات کی پیشکش شروع کر دی ہے۔ خوش قسمتی سے ہم نے اپنی SaaS مصنوعات پر عمل درآمد کے لیے اپنے sister concerns کے ذریعہ برطانیہ اور امریکہ میں دو معاہدوں پر دستخط کیے ہیں۔ دوران سال، ہم نے SaaS محصولات کی مد میں تقریباً 71 ملین روپے درج کیے ہیں۔ مستقبل میں، نئے کسٹمرز کے اضافے کے ساتھ، ہم توقع کر رہے ہیں کہ یہ محصولات مستقبل میں مزید بڑھ سکیں گی۔ لاگت کی محصولات میں کم و بیش کوئی تبدیلی نہیں دیکھنے میں آئی ہے۔ مجموعی مارجن 36 فیصد ریکارڈ کیا گیا تھا جس کا موازنہ گزشتہ سال کی اسی مدت کے 33 فیصد سے کیا گیا ہے۔ محصولات میں استحکام کے لاگت اور اصلاح کے اقدامات کے ساتھ کمپنی کے آپریٹنگ منافع میں 44 فیصد سال بہ سال (YoY) بہتری نظر آئی جو گزشتہ سال 34 ملین روپے سے بڑھ کر موجودہ سال 493 ملین روپے ہو گیا ہے۔ کمپنی نے گزشتہ سال کے 245 ملین روپے کے مقابلے میں موجودہ سال میں 192 ملین روپے ٹیکس کے بعد خالص منافع درج کیا ہے۔ گزشتہ مالی سال کی اسی مدت میں نیٹ سول شریک شدہ حصص آمدنی 2.73 روپے کے مقابلے میں 2.13 روپے کی تحلیل شدہ حصص آمدنی درج کی ہے۔ نقد آمدنی میں کمی کی بنیادی وجہ 120 ملین روپے کے کرنسی تبادلے کے خسارے سے ہے جو موجودہ سال میں پاکستانی روپے کی قدر میں بہتری کی وجہ سے ہے جس کا موازنہ گزشتہ سال میں 83 ملین روپے کے کرنسی تبادلے کے منافع سے کیا گیا ہے۔ پچھلے سال کے اعداد و شمار ہمارے ماتحت ادارے سے 218 ملین روپے کے منافع منقسم کی آمدنی بھی شامل ہے۔ اس سال منافع منقسم کی آمدنی نہیں تھی کمپنی نے گزشتہ سال کے اسی عرصے میں 8.69 روپے تحلیل شدہ فی حصص کے EBITDA منافع کے مقابلے میں تحلیل شدہ فی حصص 7.81 روپے کا خالص EBITDA منافع درج کیا ہے۔

کمپنی نے اپنے ماتحت ادارہ "نیٹ سول انویشن (پرائیویٹ) لمیٹڈ" جو فی الحال کاروبار نہیں کر رہا ہے مجموعی مالیاتی گوشوارے بھی شامل کر دیے ہیں۔ 30 جون 2021ء کو ختم ہونے والے سال کیلئے مجموعی محصولات گزشتہ سال 4,708 ملین روپے کے مقابلے میں 4,948 ملین روپے ہیں۔ مجموعی خام منافع گزشتہ مالی سال کے 1,566 ملین روپے کے مقابلے میں موجودہ سال میں 1,800 ملین روپے ہیں۔ کمپنی نے گزشتہ سال کی اسی مدت میں 36 ملین روپے نقد مجموعی منافع کے مقابلے میں 193 ملین روپے کا نقد مجموعی منافع درج کیا ہے۔ 30 جون 2021ء اور 2020ء کو ختم ہونے والے سال کے لیے فی حصص آمدنی بالترتیب 2.15 روپے اور 0.40 روپے تھی۔

ڈیویڈنڈ (Dividend)

کمپنی اپنے حصص یافتگان کے لیے مزید قدر پیدا کرنے کے لیے، اپنی دونوں آمدنی، مصنوعات اور خدمات کی پیشکش کی بنیاد کو وسیع کرنے کا منصوبہ بنا رہی ہے۔ اور اس مقصد کے لیے مقامی مارکیٹ میں دستیاب خریداری (buyout) کے مختلف مواقعوں کا اندازہ لگا رہی ہے۔ اور کسی بھی کمائد سرمایہ کی صورت میں نقد رقم کی ضرورت کی پیش نظر کمپنی نے اس سال ڈیویڈنڈ نہ دینے کی منظوری دی ہے۔

مستقبل کا نقطہ نظر (Future Outlook)

چونکہ COVID-19 واپاء ابھی مکمل طور پر ختم نہیں ہو سکی ہے، کمپنی اس غیر متوقع بحران کی وجہ سے پیدا

ہونے والی غیر یقینی اور تشویش ناک صورتحال پر گہری نظر رکھنا جاری رکھے گی۔ تاہم، ویکسین کی تیاری سے متعلق جاری پیشرفت سے مستقبل امید افزا لگتا ہے۔

روایتی لائسنس ماڈل کے ساتھ ساتھ، کمپنی Ascent کے کلاؤڈ ڈیٹا سروسز کو فروغ دینا جاری رکھے گی۔ بہت سے درمیانے درجے کے فنانس اور لیزنگ کاروباران غیر معمولی اوقات کے دوران بھاری سرمایہ خرچ کرنے میں تاخیر کر رہے ہیں اور یکدم اور دستی سبسکریپشن پر مبنی قیمت کو ترجیح دے رہے ہیں۔ یہ کمپنی کے لیے اپنے کلاؤڈ میڈیکلائٹ کو بڑھانے کا ایک بہت اچھا موقع ہے اور ہم سمجھتے ہیں کہ کلاؤڈ محصولات آنے والے چند سالوں میں روایتی لائسنس فیس سے آگے نکل جائے۔ میٹ سول عالمی فنانس اور لیزنگ آپسیس کے لیے اپنے (NFS Digital) digital transformation suite کو بھی فروغ دیتا رہے گا۔

میٹ سول انڈسٹریز کے سالانہ معروف ایونٹس میں جن میں دنیا بھر میں کانفرنسیں، کنونشن، اجلاس اور نمائش شامل ہیں میں شرکت کرتا ہے۔ رواں سال، میٹ سول نے virtually طور پر ان ایونٹس میں شرکت جاری رکھی، کیونکہ عالمی صحت کے بحران کی وجہ سے کوئی ایونٹ فزیکل منعقد نہیں ہوا ہے۔ تاہم، شمالی امریکہ، یورپ اور ایشیا پیسیفک میں ویکسینیشن ڈرائیوز کی دستیابی اور ابتدا کے ساتھ، اس انڈسٹری کے معروف ایونٹس براہ راست یا ہائبرڈ (براہ راست آن لائن) ایونٹس کے دوبارہ شروع ہونے کی امید ہے۔ کمپنی ان ایونٹس کے دوبارہ براہ راست شروع ہوتے ہی میں ان میں (physical participation) ذاتی حیثیت سے شرکت کی منتظر ہے۔

میٹ سول نے متعدد ٹیکنالوجیوں پر کام کر کے "adaptive" بننے کے اپنے کلیدی اصولوں کی پیروی کی ہے جس سے عالمی ایٹ 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، تحقیق اور ترقی میں سرمایہ کاری کو جاری رکھے گی۔

میٹ سول انویشن لیب جدید ترین ٹیکنالوجیز کا استعمال کرتے ہوئے، next-generation مصنوعات کا تصور اور تجربات سے سیکھتے ہوئے اس تصور کو عملی جامہ پہناتی ہے۔ یہ ماحول کمپنی کے کانٹیکٹس اور شراکت داروں کو اپنے آئیڈیاز کی کھوج کے لیے معاونت فراہم کرتا ہے جو ایٹ فنانس اور لیزنگ انڈسٹریز کے لیے نکلنے والے مسائل کو حل کرنے اور اپنی آپ کو نئے اور ابھرتے ہوئے کاروباری ماڈلز emerging business models اور ڈسریپٹو بزنس ماڈلز سے مستقبل کو بہتر بنانے میں کوشاں رہتے ہیں۔ اس سے مستقبل کے ترقی کے وسائل کی تشکیل ہوگی اور اداروں کو طویل مدتی مصنوعات اور ٹیکنالوجی روڈ میپ بنانے، قابلیت کا ایک مٹاش میٹ بنانے اور نئے مستقبل میں تبدیلی کے لئے درکار تغیر پسند ذہنیت agile mindset کو اپنانے میں مدد ملے گی۔

اعتراف (Recognition)

equipment finance کے شعبے میں اپنی بلاذتی کو مستحکم کرتے ہوئے میٹ سول کو Monitor Daily نے اپنے افتتاحی خصوصی نمبر "Most Innovative Companies in the Equipment Finance Ecosystem" میں "Sustaining" کے زمرے میں منتخب کیا ہے۔ ماہر ڈیلی 40 سال سے زائد عرصے سے equipment finance اور لیزنگ انڈسٹری کی منفرد معلوماتی ضروریات کو پورا کر رہا ہے اور اسے equipment finance اور لیزنگ انڈسٹری کی خبروں، مضامین اور آراء کا اہم ذریعہ سمجھا جاتا ہے۔

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 ہو سکتا ہے۔

مکمل خطرات (Risk Factors)

الف۔ حکمت عملی کے خطرات (Strategic Risk)

اپنی حکمت عملی کے خطرات کو کنٹرول کرنے کے لیے میٹ سول باقاعدگی سے متحرک اور ترقی پذیر عالمی فنانس اور لیزنگ آپسیس کے تازہ رجحانات پر اہم ٹیکنالوجیز جنہوں نے انڈسٹری میں توجہ حاصل کی ہے پر کام کر کے ان کی نشاندہی کرتا ہے اور ان پر نظر رکھتا ہے۔ میٹ سول اس بات کو یقینی بناتا ہے کہ اس کے کلائنٹ مارکیٹ میں ایک قدم آگے رہیں اور سب سے اہم بات یہ ہے کہ ان کا مستقبل کا کاروبار محفوظ ہے۔

ب۔ آپریشنل خطرات (Operational Risk)

جب تکچھ سالہ باد شروع ہوئی تھی تو کمپنی نے اپنے کاروباری تسلسل کے منصوبے پر عمل درآمد کرتے ہوئے میٹ سول کا میانی کے ساتھ آپریشنل خطرات کو کنٹرول کرنے اور معاملات کو بلا تھقل جاری رکھے رہی

ہے۔ اور COVID-19 کی وجہ سے کمپنی کے کاموں میں کوئی تاخیر دیکھنے میں نہیں آئی۔ جدید ترین دور (remote) کام کرنے کی صلاحیتوں کے ساتھ، مہلک وائرس کے پھیلنے کے بعد سے، میٹ سول کی عالمی ٹیم نے دنیا بھر میں اپنے کسٹمرز کو بغیر کسی رکاوٹ کے اپنی خدمات کو یقینی بنایا ہے۔ عالمی ٹیم ہنرمند، اچھی طرح سے ٹیس اور کمپنی کی تربیت یافتہ ہے۔

پ۔ سائبر سیورٹی کا خطرہ (Cyber Security Threats)

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

ت۔ ذریعہ مالہ کے خطرات (Foreign Exchange Risk)

ذریعہ مالہ کے خطرات بنیادی طور پر وہاں بڑھ جاتے ہیں جہاں ادائیگی کی وصولی کی شرائط کمزور (Transactions) غیر ملکی کرنسیوں میں ہو۔ کمپنی کو غیر ملکی کرنسی میں کمزور 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 کثیر محصولات پاکستانی روپے کے علاوہ دیگر کرنسیوں میں ہیں۔ کمپنی سرمایہ کاری مقاصد کے لیے نقد اور نقد کے مساوی سرمایہ غیر ملکی کرنسیوں میں بھی رکھتی ہے۔

ث۔ لیکویڈیٹی کا خطرہ (Liquidity Risk)

لیکویڈیٹی کے خطرات اپنے معاشی اداروں کی تھیل کے لئے فیڈز اکٹھا کرنے کی ناکامی کو ظاہر کرتا ہے۔ کمپنی میں لیکویڈیٹی کے خطرات بنیادی طور پر مالی اثاثوں اور ذمہ داریوں میں خرابیاں لگنے کی وجہ سے پیدا ہوتے ہیں۔ لہذا ہم مؤثر کیش منیجمنٹ اور منصوبہ ساز پالیسی کی پیروی کرتے ہیں تاکہ فیڈز کی دستیابی کو یقینی بنائیں اور کسی بھی نئی ضرورت کے لیے مناسب اقدام کریں۔

ث۔ کریڈٹ کا خطرہ (Credit Risk)

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

ج۔ شرح سود کا خطرہ (Interest Rate Risk)

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

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

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

COVID-19 کی وجہ سے عالمی سطح پر کاروباری اداروں کو درپیش رکاوٹوں کے باوجود میٹ سول نے اپنی خدمات کی فراہمی جاری رکھی ہے اور فنانس اور لیزنگ میں اپنا تسلط برقرار رکھا ہے۔ COVID-19 کے آغاز کے بعد سے، میٹ سول نے سات مختلف ممالک میں remotely طریقہ سے سات پروڈیکٹ کی فراہمی کی ہے جس میں on-prem کے ساتھ کلاؤڈ پر بھی deployments شامل ہیں۔

دوایہ کی وجہ سے پیداوار میں رکاوٹ کے ساتھ، پوری دنیا میں آؤ موو انڈسٹری متاثر ہوئی۔ تاہم، انڈسٹری نے پچھلے سال مندی سے دوبارہ کام شروع کیا ہے۔ اگرچہ اعداد و شمار ہمارے سطح پر واپس نہیں آ سکے ہیں، لیکن دکھائی گئی بہتری اور بحالی براہ راست آؤ فنانس میں میٹ سول کے کاروبار اور کمپنی کے تمام علاقوں میں لیزنگ کی آپسیس کو متاثر کرے گی۔

تبدیلی اور ٹیکنالوجیز کے بہت سے عوامل ہیں جو عالمی فنانس اور لیزنگ آپسیس کو متاثر کر رہے ہیں۔ میٹ سول انڈسٹری کے ساتھ ساتھ ترقی کرنے کے لیے adaptive بننے کیلئے اپنے کلیدی اصولوں پر عمل

بہا رہا ہے۔ یہ ارتقاء کمپنی کی طرف سے دنیا بھر میں آنکھیں پھیلانے، equipment، فنانس اور لیونگ کمپنیوں، ٹیکنالوجی اور دیگر مالیاتی اداروں کو جدید بنانے کی فراہمی کے ذریعے کا فرما ہے۔

میٹ سول کی انویشن لیب اور R&D ٹیمیں مسلسل تجربات کر رہی ہیں اور مختلف ٹیکنالوجیز پر کام کر رہی ہیں تاکہ کمپنی کے لیے نئے منصوبات کے ذرائع پیدا کیے جاسکیں اور یہ یقینی بنایا جاسکے کہ کمپنی کے نئے اور موجودہ کنسٹریکٹس مستقبل میں محفوظ کاروبار حاصل ہوں تاکہ مسابقتی برتری کو برقرار رکھا جاسکے۔

متعدد ٹیکنالوجیز مالیاتی خدمات کی صنعت میں نمایاں مقام حاصل کر رہی ہیں اور فنانس اور لیونگ کمپنیوں کے ذریعہ مختلف استعمال کے معاملات اور اہم فوائد کے لیے ان کا فائدہ اٹھایا جاسکتا ہے۔ ان میں Artificial Intelligence, Machine Learning, Blockchain, Big Data اور Fintech شامل ہیں، لیکن ان تک محدود نہیں ہیں۔

کمپنی کے کاروبار کا ماحولیت پر اثر

(Impact of Company Business on Environment)

متعدد موسمی واقعات جو آج دنیا کو نشانہ کر رہے ہیں کی صورت حال کو مد نظر رکھتے ہوئے، دنیا بھر کے ذمہ دار عالمی کاروبار پر اپنی توجہ موسمی اور ماحولیاتی استحکام پر منتقل کر رہے ہیں۔ کمپنی مینوفیکچرنگ، ٹیکنالوجی، سافٹ ویئر بنانے والا ادارہ ہے۔ لہذا اس کا ماحول پر کوئی منفی اثر نہیں ہے۔ میٹ سول پائیدار طریقوں پر عمل پیرا ہو کر اپنے عالمی کاروبار کو بولت فراہم کرتے ہوئے، موسمی اثرات سے بچاؤ پر بھی توجہ رکھتا ہے۔

کمپنی عالمی موسمیاتی تبدیلی کو ایک حقیقی مسئلہ کے طور پر تسلیم کرتی ہے اور ایک عالمی کمپنی کے طور پر اس مسئلے سے نمٹنے کے لیے اپنی صلاحیت کے مطابق ہر ممکن کوشش کرنے کا عہد کرتی ہے۔ اس مقصد کے لیے نیٹ سول اس بات کو یقینی بناتا ہے کہ یہ فضول طریقوں کو کر کے اپنے تمام پروسیسز کو مکمل حد تک توانائی سے موثر بنائے۔ پیپریس ادارے کا مرکز ڈیجیٹلائزیشن (Digitization) ہے۔ میٹ سول کی بنیادی پروڈکٹ NFS Ascent™ اور ڈیجیٹل ٹرانسفریشن سلوشن NFS Digital کمپنی کے کلائنٹس کو کافد کے استعمال کو ختم کرنے کے قابل بناتے ہیں۔ مکمل ڈیجیٹلائزیشن digitization پیپریس ماحول کی اجازت دیتی ہے جو ماحول پر مثبت اثر ڈالتی ہے۔ نیٹ سول نے اپنے کاموں میں اپنے برعالمی دفاتر میں کافد کا استعمال کافی حد تک کم کر دیا ہے۔ کمپنی بنیادی طور پر کافد کے کم سے کم استعمال کے ساتھ کام کرتی ہے اور اس کے استعمال کو مزید ختم کر رہی ہے۔

مزید یہ کہ لاہور میں نیٹ سول کا پاکستان آفس ہر سال درخت لگانے کی مہم کا آغاز کرتا ہے جس میں تمام ملازمین کے ساتھ سینئر مینجمنٹ اس سالانہ مہم میں حصہ لیتی ہے۔ ان درختوں کو لگانے سے موسمی تبدیلی سے نمٹنے اور بڑھار ماحول فراہم کرنے کے لیے ضروری سمجھا جاتا ہے تاکہ سوگ کو کم کیا جائے، آکسیجن میں اضافہ کیا جائے اور شہر کے شہریوں کو سانس کی صحت کو بہتر بنایا جائے۔ میٹ سول ماحولیاتی دوست طریقوں کی حوصلہ افزائی کی اہمیت پر زور دیتا ہے نہ صرف ہم سب کے لیے، بلکہ انہی تمام نسلوں کے لیے۔

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

(Changes During Financial Year Concerning Nature of The Business of The Company or of Its Subsidiaries And Joint Operation)

کمپنی یا اس کے تحت اداروں اور مشترکہ آپریشن کے کاروباری نوعیت میں کوئی تبدیلی نہیں آئی ہے۔

کارپوریٹ سماجی ذمہ داری (Corporate Social Responsibility)

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

ریسک مینجمنٹ (Risk Managment)

ریسک مینجمنٹ کمپنی تین ارکان پر مشتمل ہے جس میں ایک ایگزیکٹو ڈائریکٹر بھی شامل ہے۔ کمپنی کے اندر ریسک نگرانی اور ریسک مینجمنٹ کو عمل کرنے اور بہتر بنانے کے لیے تشکیل دی گئی ہے۔ کمپنی کا ریسک مینجمنٹ انفراسٹرکچر، انفراسٹرکچر پر انفراسٹرکچر، مینجمنٹ طریقہ کار، انفریم ورک پر مبنی ہے جس میں انفراسٹرکچر، آپریشنل، کمپلائنس اور فنانس ریسک سمیت بڑے ریسک کیلکولیٹر پر کوئل کیا گیا ہے۔ مناسب کنٹرول دہی کے ساتھ ساتھ خود کار، عمل کو مختلف پالیسی اور طریقہ کار کے رہنما خطوط کے ذریعے ڈیزائن اور مطلع کیا گیا ہے جو عمل کنٹرول لاکھان کے ذریعہ عملدرآمد اور خود جائزہ لیا جاتا ہے۔ ایک آزاد داخلی آڈٹ ڈیپارٹمنٹ بورڈ آڈٹ کمیٹی کو، براہ راست رپورٹنگ کے تحت، ان کنٹرولز کے ڈیزائن اور آپریشنل ٹینک ٹاشر کا جائزہ اور نگرانی کرتا ہے۔

مناسب اندرونی مالیاتی کنٹرولز

(Adequacy of internal Financial controls)

بورڈ کی ذمہ داری ہے کہ مالیاتی رپورٹنگ پر اندرونی کنٹرولز کو مناسب ڈھانچے سے قائم اور برقرار رکھے۔ میٹ سول میں، انٹرئل آڈٹ ایک خود مختار شعبہ ہے جو بورڈ آڈٹ کمیٹی کو functionally اور انتظامی طور پر CEO کو رپورٹ کرتا ہے۔ بورڈ آڈٹ کمیٹی آپریٹنگ ایڈیٹرز کے سالانہ جائزہ کی بنیاد پر آڈٹ پلان کی منظوری دیتی ہے۔

ہماری مالیاتی رپورٹنگ کی اہمیت اور ہمارے بیرونی مالیاتی گوشواروں کی انٹر نیٹل رپورٹنگ سٹینڈرڈز (International Financial Reporting Standards) کے مطابق تیاری ہمارے طریقہ کار کی اندرونی کنٹرولز کی یقین دہانی فراہم کرتی ہے۔ کسی بھی فطری اندرونی کنٹرول سسٹم کی حدود کے باعث مینجمنٹ یہ تسلیم کرتی ہے کہ فنانس رپورٹ کے حوالے سے انٹرئل کنٹرولز کی افادیت کی کچھ حدود ہو سکتی ہیں اور انہی وجوہ کے باعث یہ فہم حاصل کرتی ہے کہ وہ محدود یقین دہانی کی کسی بھی انٹرئل کنٹرول سسٹم سے حاصل کی جاسکتی ہے۔ تاہم کمپنی مؤثر داخلی کنٹرول فریم ورک کو برقرار رکھتی ہے جس پر مشتمل واضح و شفاف، اتھارٹی کی حدود اور احتساب اور جائزہ لینے کے عمل کے تمام طریقہ کار اور پالیسیوں کو سمجھا جاتا ہے۔

انٹرئل 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 سر مانی بنیادوں پر بورڈ آڈٹ کمیٹی، چیف ایگزیکٹو آفیسر اور متعلقہ ڈویژنل مینجمنٹ سے بیان کیے جاتے ہیں۔ انٹرئل آڈٹ فنکشن کا کردار کمپنی پر اثر انداز ہونے والے ایپس، نقصان اور قانون کے تناظر میں تبدیل ہوتا رہتا ہے جب کہ یہ یقینی بنایا جاتا ہے کہ اس کا اختیار ادارے کے مقاصد اور اس کو درپیش نقصانات سے ہم آہنگ ہو۔

ضابطہ برائے کاروباری عملداری کا تعمیلی اعلامیہ

(Compliance with Code of Corporate Governance)

کمپنی، ایگزیکٹو (ضابطہ برائے کاروباری عملداری) 2019 کے قواعد و ضوابط، کے لوازمات پر پوری طرح عمل پیرا ہے، اس حوالے سے ایک تعمیلی کا گوشوارہ اس رپورٹ کے ساتھ منسلک ہے۔

تعمیل کا گوشوارہ (Statement of Compliance)

ایگزیکٹو (ضابطہ برائے کاروباری عملداری) 2019 کے قواعد و ضوابط اس رپورٹ کے ساتھ منسلک ہے۔

ڈائریکٹرز کا معاوضہ (Directors' Remuneration)

کمپنی ان ایگزیکٹو ڈائریکٹرز اور انڈر پینڈنٹ ڈائریکٹرز 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 یا ان کے اپنے دیگر اخراجات ادا کرے گی۔ منسلک مالی گوشواروں میں ایگزیکٹو ڈائریکٹرز کے اجرت کی مجموعی رقم کی تفصیلات، بشمول تنخواہ، فیس، اجازت، فوائد اور کارکردگی سے متعلق مراعات کا اکتشاف مالیاتی گوشوارے میں درج ہیں۔

بورڈ کی تشکیل پذیری (Composition of the Board)

کمپنی، ایگزیکٹو (ضابطہ برائے کاروباری 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 پذیری (Composition) درج ذیل ہے:	
تعداد	کیلگری (Category)
02	ایگزیکٹو ڈائریکٹرز
03	ٹان - ایگزیکٹو ڈائریکٹرز
02	ایگزیکٹو ڈائریکٹرز

ڈائریکٹرز کا نام:

30 جون 2021ء کے مطابق کمپنی کے بورڈ کے ارکان درج ذیل ہیں:

- i- جناب شہاب الدین غوری
- ii- جناب سلیم اللہ غوری
- iii- جناب وسیم انور
- iv- جناب انور حسین
- v- محترمہ حمزہ غوری
- vi- جناب نجیب اللہ غوری
- vii- جناب عمر غوری

30 جون 2021ء کو ختم ہونے والے سال کے دوران بورڈ کے 104 اجلاس ہوئے۔

بورڈ نے ذیلی کمیٹیاں بھی بنائی ہیں جنہوں نے مطلوبہ مقاصد حاصل کرنے میں نمایاں کردار ادا کیا ان کمیٹیوں میں شامل ہیں:-

آڈٹ کمیٹی (Audit Committee)

بورڈ آف ڈائریکٹرز نے ضابطہ برائے کاروباری عملداری کی تعمیل کے تحت مندرجہ ذیل 13 ارکان پر مشتمل ایک آڈٹ کمیٹی قائم کی ہے۔

- | ارکان کے نام | عہدہ جات |
|------------------|--------------------------------|
| جناب انور حسین | چیئر مین - انڈر پیپنٹ ڈائریکٹر |
| جناب وسیم انور | ممبر - انڈر پیپنٹ ڈائریکٹر |
| محترمہ حمزہ غوری | ممبر - نان ایگزیکٹو ڈائریکٹر |

آڈٹ کمیٹی نے تمام سرمائی، 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 2021ء کو ختم ہونے والے سال کے دوران آڈٹ کمیٹی کے پانچ (05) اجلاس ہوئے۔

ہیومن ریسورس اینڈ ریمریٹیشن کمیٹی

(Human Resource and Remuneration Committee)

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

- | ارکان کے نام | عہدہ جات |
|---------------------|--------------------------------|
| جناب وسیم انور | چیئر مین - انڈر پیپنٹ ڈائریکٹر |
| جناب نجیب اللہ غوری | ممبر - نان ایگزیکٹو ڈائریکٹر |
| جناب سلیم اللہ غوری | ممبر - ایگزیکٹو ڈائریکٹر |
| محترمہ حمزہ غوری | ممبر - نان ایگزیکٹو ڈائریکٹر |

30 جون 2021ء کو ختم ہونے والے سال کے دوران، کمیٹی کا ایک (01) اجلاس منعقد ہوا جس میں کمیٹی کے ٹرم آف ریفرنس کی اصطلاح کے تحت بات چیت اور معاملات کو منظور کیا۔

ریسک مینجمنٹ کمیٹی (Risk Management Committee)

بورڈ نے ایک ریسک مینجمنٹ کمیٹی بھی قائم کی ہے جو بورڈ کو خدشات کی شناخت، تنفیص اور تخفیف کے حوالے سے سفارشات فراہم کرے گی۔ نمایاں خدشات کو ان کے اثرات اور امکانات کے مطابق ترجیح دی جاتی ہے، اس کے مطابق اصلاحی اقدامات مرتب کیے جاتے ہیں۔ کمیٹی مندرجہ ذیل ارکان پر مشتمل ہے۔

- | ارکان کے نام | عہدہ جات |
|---------------------|--------------------------------|
| جناب وسیم انور | چیئر مین - انڈر پیپنٹ ڈائریکٹر |
| جناب سلیم اللہ غوری | ممبر - ایگزیکٹو ڈائریکٹر |
| جناب عمر غوری | ممبر - ایگزیکٹو ڈائریکٹر |

جون 2021ء کو ختم ہونے والے سال کے دوران، کمیٹی کا ایک (01) اجلاس منعقد ہوا جس میں کمیٹی کے ٹرم آف ریفرنس کی اصطلاح کے تحت بات چیت اور معاملات کو منظور کیا۔

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

کمپنی کے بورڈ آف ڈائریکٹرز کا بنیادی مقصد کمپنی کے امور کو اجتماعی طور پر ہدایت کرنا اور تنظیمی خوشحالی کو یقینی بنانا ہے اور اس کے ساتھ ساتھ یہ بھی یقینی بنانا ہے کہ کمپنی کے حصص یافتگان اور اسٹیک ہولڈرز کے مفادات کو محفوظ رکھے۔ لہذا کمپنیز (ضابطہ برائے کاروباری عملداری) 2019ء 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 اسٹریٹجک سمت 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 بنایا گیا تھا جن پر توجہ کی ضرورت ہے۔ ہیومن ریسورس اینڈ ریمریٹیشن 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 بنیادی شعبوں میں مندرجہ ذیل شامل ہیں:-

- ☆ کمپنی 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 خود مختاری
- ☆ 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 بنیاد پر اور اس کے بورڈ کی مجموعی تنفیص شدہ نتائج، انفرادی ڈائریکٹرز اور کمیٹیوں کی اوسط درجہ بندی کو اطمینان بخش اور موثر پایا گیا ہے۔

ڈائریکٹرز کے تربیتی پروگرام (Directors' Training Program)

بورڈ آف ڈائریکٹرز کی ٹریننگ (Board of Directors)

دیگر تمام بورڈ کے ارکان نے یا تو ”ٹیکنیکل آف ڈائریکٹر ایجوکیشن“ حاصل کر رکھا ہے یا لہذا کمپنیز (ضابطہ برائے کاروباری 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)

لہذا کمپنیز (ضابطہ برائے کاروباری عملداری) 2019ء کے قواعد و ضوابط کے مطابق ڈائریکٹرز ٹریننگ پروگرام کے تحت ہر سال ایک شعبہ کے سربراہ اور ایک خاتون ایگزیکٹوز کی تربیت کی شرط عائد کی گئی ہے، اس حوالے سے موزوں اقدامات کیے گئے ہیں تاکہ کمپنی قواعد و ضوابط میں دیے گئے عرصہ میں رہتے ہوئے یہ شرط پوری کرے۔

متعلقہ پارٹیز کی ٹرانزیکشنز کا جائزہ (REVIEW OF RELATED PARTIES TRANSACTIONS)

تمام متعلقہ پارٹی کی ٹرانزیکشنز کاروباری معمول کے مطابق کسی دہاؤ کے بغیر کی گئی ہیں اور کمپنیز ایکٹ 2017ء کے مطابق ہیں۔ کمپنی کی جانب سے کوئی بھی نمایاں متعلقہ ٹرانزیکشن ڈائریکٹرز یا سینئر انتظامی عہدیدار وغیرہ کی جانب سے نہیں کی گئی جس سے بڑے پیمانے پر کمپنی کے حوالے سے مفاد کا ٹکراؤ پیدا ہوتا یا جس کے لیے حصص یافتگان کی اجازت کی ضرورت ہوتی ہے۔ موجودہ مالی سال کے دوران تمام ٹرانزیکشنز جائزہ کے لیے بورڈ آڈٹ کمیٹی اور پھر منظوری کے لیے بورڈ میں پیش کی گئیں۔

ہولڈنگ کمپنی (Holding Company)

میٹ سول ٹیکنالوجیز انکارپوریشن 23975 پارک سوڈو، سویت 250، کیلا باس کیلیفورنیا 91302، امریکہ، کمپنی کے حصص کی اکثریت حاصل ہے۔


آڈیٹرز کی تعیناتی (Appointment of Auditors)


موجودہ ایکسٹرنل آڈیٹرز میسرز ایچ۔ وائی۔ کے اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس سبکدوش ہو رہے ہیں اور انہوں نے خود کو دوبارہ تقرری کے لیے پیش کیا ہے۔ بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی میسرز ایچ۔ وائی۔ کے اینڈ کمپنی کی 30 جون 2022ء کو ختم ہونے والے مالی سال کے لیے پہلے سے طے شدہ شرائط اور مشاہدہ تعیناتی کی تجویز کی توثیق کی ہے۔ ایکسٹرنل آڈیٹرز نے تصدیق کی ہے کہ انہیں انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف

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 کرتا ہے اور خراج تحسین پیش کرتا ہے۔ بورڈ کمپنی کے تمام ملازمین کا ان کی خدمات، وفاداری اور ان کی مسلسل کوششوں کی قدر کرتا ہے اور انہیں بھی خراج تحسین پیش کرتا ہے اور امید کرتا ہے کہ مستقبل میں بھی ان کی مخلصانہ کوششیں جاری و ساری رہیں گی۔

از طرف بورڈ آف ڈائریکٹرز:


عمر غوس
(ڈائریکٹر)


سلیم اللہ غوس
(چیف ایگزیکٹو آفیسر)

لاہور

مورخہ: 22 ستمبر 2021ء

پاکستان (ICAP) نے کوآپریٹو کنٹرول ریویو پروگرام کے تحت تسلی بخش ریٹنگ (Rating) دی ہے اور وہ Audit Oversight Board of Pakistan کے ساتھ رجسٹرڈ ہیں۔ انہوں نے مزید کہا ہے کہ ان کی فرم انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کی جانب سے منظور شدہ ضابطہ اخلاق پر مشتمل گائیڈ لائنز کی مکمل پاسداری کی ہے جو کہ (ICAP) کی جانب سے رائج کی گئی تھیں۔ 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 آپریٹنگ اور معاشی ڈیٹا (Key Operating and Financial Data)

گزشتہ چھ برس کا آپریٹنگ 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 2021ء کے گوشوارے کے ساتھ حصص داران کے مختلف حصص داری نمونے جن کا ظاہر کیا جانا رپورٹنگ فریم ورک کے تحت ضروری ہے اور ڈائریکٹرز، ایگزیکٹوز اور ان کے جیون ساتھی بشمول بچوں کی جانب سے مالی سال 2021 میں خریدے اور فروخت کیے گئے حصص کا گوشوارہ منسلک ہے۔

بعد میں رونما ہونے والے واقعات (Subsequent Events)

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

CORPORATE SOCIAL RESPONSIBILITY

During 2020- 21, 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. Over the years our Company has contributed significantly towards the welfare of the society in the shape of various socially responsible activities.

1. Corporate Philanthropy

While being the largest Asset Finance and Leasing solution provider in Pakistan, our corporate philanthropy is at the core of our daily operations and guides our future progress. We take 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. We have 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.

NESTOL EDUCATION SUPPORT PROGRAM (NESP)

NETSOL has been devotedly working 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 our employees who come from underprivileged backgrounds. Our main purpose is to educate children and provide them with better opportunities for their future. NESP encompasses **516 kids** enrolled in English medium schools and we have helped **70 kids** complete their intermediate studies and now we are looking into funding their Bachelors as well. This is our humble contribution to provide them an opportunity to attain a better life and a successful future. The company has spent **18.9 million rupees** on NESP Programme during the year.

Our focus on education stems from our belief of empowering individuals to achieve better possibilities in life





At NETSOL, we believe it is essential to empower people to build better futures for themselves and their families.

Besides the kids of our employees, we also have our own Admin Support staff enrolled in the program. Currently **6 individuals** are continuing their Computer Science degree for 4 years and have already been placed in our technical departments for their learning and growth. Security Guard, Admin Coordinators, Assistant Supervisor and Technicians have now been given the title of Associate Engineers.

How this program is supporting individuals in Pakistan is shown in the brilliant example of NETSOL's three security guard's daughters, who completed their Bachelor

in Computer Science from Lahore Garrison University through this program. All three young girls are currently working in our technical departments among all the other employees after going through the hiring process. Our aim through this program is to change the lives of the people not only connected with NETSOL, but of the people in Pakistan.

HIGHER EDUCATION PROGRAM

We have another program that solely focuses on the higher education of not only our employees but for other students as well who are facing financial

constraints to continue their higher education. This initiative was started in the year 2015 and currently **33 individuals** are being educated under this program. In the last year alone, 2020-2021, the company has disbursed an amount of **Rs. 2.0 Million** approximately on the HEC Program. This helps individuals who have limited access to funds or opportunities, grow a career after their education and in some case we also employ them.

NOBLE CAUSE FUND

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. Last year we gave out a total of 6.5 million rupees for such causes. Around 2 million rupees were donations and 4.5 million rupees' worth of loans.

Last year we gave out a total of 6.5 million rupees for noble causes. Around 2 million rupees were donations and 4.5 million rupees worth of loans.



2. Welfare Spending for Underprivileged Classes and Rural Development Programs

MOU SIGNED WITH MILLION SMILES FOUNDATION

This year, we signed an MOU with Million Smiles Foundation, where NetSol will be funding the education of **161 children** of the Million Smiles

Foundation School in Kashmir for an initial period of 5 years. This was a huge achievement for us in expanding our education cause across Pakistan. NetSol will also be providing the children with internship opportunities and be in close contact with their progress.





FAROOQ CHARITY TRUST SCHOOL

Amongst other charitable projects, NETSOL also contributed and supported the growth of Farooq Charity Trust School in Khanqah, Bahawalpur which commenced in 2011. It is a rural area and the school itself required immense attention for its infrastructure and development. NETSOL supported complete annual expense of the school where **247 students** are currently enrolled and pursuing their education. Our humble contribution towards this is **1.6 million rupees**.

Development in Literacy (DIL)

DIL School System based in Khuda Ki Basti, Sheikhpura, Punjab. 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. The company's contribution towards this noble cause is **6.4 million rupees**.

3. Employment of differently-abled persons

Equal opportunity is of great importance to the company especially when it comes to skillset. At NetSol, we believe in hiring resources irrespective of being differently abled and accommodate them by considering their knowledge and skills. Currently, 16 such employees are working at NetSol in diverse roles. These include both males and females. In addition to this, the company has a quota fixed for people living in the rural and less privileged areas who do not get many opportunities as compared to people in urban areas. 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 also have interviewed and have brought in the transgender community on

Being responsible corporate citizens, we truly believe that one of the best ways to transform the society is to educate the children and youth.

board with us where their skillset can be matched and groomed further.

4. Occupational Safety and Health

We take it as our responsibility to provide a safe and healthy workplace to our employees and other stakeholders. The 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 pandemic brought a new set of challenges to all layers of our employees. NETSOL was amongst the first companies in Pakistan to adapt to WFH starting March 15, 2020. In addition to providing 24/7 technical support, our

extremely hard working Network Support team provided infrastructure and required equipment to our employees at their homes so that the work goes on seamlessly. We monitored medical leaves and kept track of employees' health. For further precautionary measures, N95 masks were distributed, in-house doctor was made available for consultation, facility for home COVID-19 tests was given and financial assistance was provided above set medical limits whenever required. As per our policy, close family members of employees also had access to these facilities provided by NETSOL.

VACCINATION DRIVE

In June 2021, we conducted a company-wide vaccination drive of the first and second dose at our head office in Lahore,



where employees could also bring their family members and get vaccinated.

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 throughout the day not only providing safety support but also educating employees by conducting safety drills and sessions regularly.

5. Energy Conservation / Environment 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
- The company is switching to VRF and Inverter air conditioners which are more energy efficient compared to the conventional options

- 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
- Our maintenance team is constantly working on the repair work (if required) of the sanitary fittings to ensure zero wastage of water

NETSOL follows a well-structured Recycling Plan by placing Recycling bins at various locations for Glass, Paper and 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.

6. Business Ethics and Anti-Corruption Measures

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.

7. 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, 2021 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	31,472
Sales Tax	9,636
Withholding Tax	228,321

8. Community Investment and Welfare Schemes

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, more than 89 students from different reputable universities successfully completed their internships.

TREE PLANTATION DRIVE

Pakistan is on the list of the top six countries most affected by global warming. The government launched a nationwide Clean Green Pakistan Campaign to make Pakistan pollution-free and countering the effects of climate change. Taking this at an organizational level, our company runs a program for the same by the name of "Clean and 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.





NSPIRE - NETSOL's Business & Tech Incubator, being a beacon of startup ecosystem in Pakistan, continued to thrive during the last year by on-boarding exciting startups, organizing events, and partnering-up with national and international firms. The difference that remained was the shift to a virtual process due to pandemic. Despite of closure of academic institutes, NSPIRE received over 100 startup applications for the 7th and 8th cohort through focused efforts on digital marketing. As a part of Cohort

development, around 50 mentoring sessions were arranged for startups as per their need. It is worth mentioning that our alumni startup Furnishia signed partnership MOU with Pakistan's leading property portal Zameen.com.

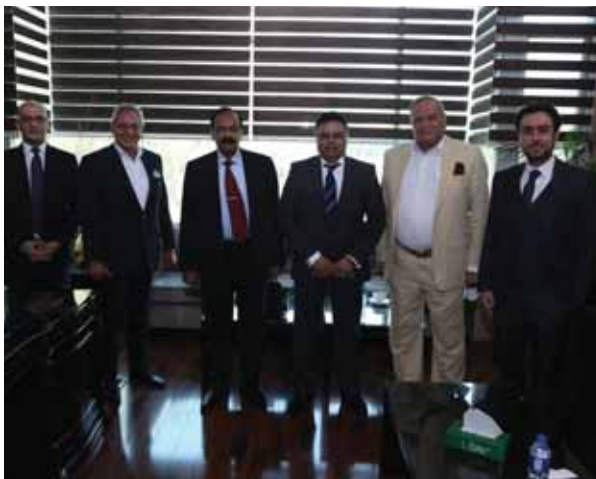
The pandemic on other hand turned out to be an opportunity allowing us to invite judges and guests from abroad and across Pakistan on graduation ceremonies. Startups were also awarded with cash prizes based on their defined Key

Performance Indicators (KPI's) and Key Result Areas (KRAs).

Keeping in view Mr. Salim Ghauri's passion of giving back to community, NSPIRE organized Cradle 2020: Youth Entrepreneurship and Leadership Boot-camp' under the theme of Allama Iqbal's kalam "Apna Mukaam Paida Kar". It was a three-day event followed by virtual sessions from 12 industry veterans. Over 150 students from different universities participated and shown optimum participation in whole event. Team NSPIRE also hosted a panel talk to celebrated 'International Women's Day 2021' titled "Choose to Challenge". Several influential women leaders graced us with their presence and shared their inspiring stories of career building.

It has always remained an utmost priority to build new opportunities for startups and open new global avenues. Thus, NSPIRE partnered with various international platforms including Silicon Valley's Startups, Network and international NGO 'She Loves Tech' for their roadshow in Pakistan.

As the year progresses with the opening of 9th Cohort, team NSPIRE is determined to explore and broaden horizons in order to keep up with the expanding ecosystem, which shows promise more than ever, as the world moves towards a new era of globalization, innovation and remote opportunities.





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.



**2020 was the year of pandemic, but learning never stops!
Here are the highlights of what we did at ICAN...**

Domain Training for New Hires Program



90 New Resources Trained for Excellence!

For 2020, not only did we conduct in-house training, online mode was introduced to pave the way for people from other areas be able to learn just as much as in-house resources.

Our Micro-Learning talent went overdrive!



15 Educational Activities Created!

ICAN stayed true to their word all through the pandemic and rolled out many activates on both technical and non-technical topics to encourage and mobilize NETSOLians.

Course Development



10 New Courses Added to ICAN & ICAN Lite

To keep up with the latest and emerging developments in the industry, new courses and trainings were developed to help provide Netsolians with the latest information.

ICAN Received Tons of Constructive Feedback!



169 Feedback & Recommendations!

Learners can provide anonymous feedback for trainers which enables us to further improve. This feedback is taken for courses and after each workshop to involve them in the process.

REWIRED to learn!



23 Guest blogs during the pandemic!

Rewire, ICAN's blog, saw many new blogs from guests as well as in-house writers. These blogs were on many diverse topics, including technical, non-technical and current affairs.

Recognition & Rewards



224 Badges Awarded!

To keep the spirit of learning alive during the pandemic, ICAN introduced ICAN Badges, which were awarded to people who exhibited keenness for learning more and performed exceptionally.

Advocating NETSOL's Training Needs



1110 Training Recommendations

Our annual TNA program was in full-swing & various learning needs were catered to through external learning platforms. This year too, the recommendations are in!

Making NETSOL Office-Ready



4 Office-Readiness Learning Paths initiated

ICAN gamed up & introduced several office-readiness learning path as part of its people development motto. These are Emotional Intelligence, Personal Effectiveness, Boot Camp for New Hires and Body Language.

Interactive Learning Sessions & Workshops



20 Workshops by the Gurus & Mentors

ICAN invited in-house experts to deliver sessions on a diverse variety of both technical & non-technical topics. A notable mention is Leadership Series which focuses on Leadership and the qualities of a true Leader.

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, 2021 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, 2021.



H.Y.K & Co.
Chartered Accountants
Lahore
September 22, 2021

Engagement Partner: Muhammad Yousaf

Statement of Compliance with the Code of Corporate Governance

For the Year Ended June 30, 2021

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 Committees comprising of members given below:
 - Audit Committee

Names of Members	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 Members	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

12.2. Risk Management Committee (RMC)

Names of Members	Designation
Vaseem Anvar	Chairman – Independent director
Salim Ullah Ghauri	Member-Executive director
Omar 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
RMC	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 Nomination Committees: Currently the functions of Nomination Committee are performed by Human Resource & Remuneration Committee. The Company may consider establishing Nomination Committee in future.



SHAHAB UD DIN GHOURI
Chairman
Lahore
September 22, 2021

Pattern of Shareholding

As at June 30, 2021

No. Of Shareholders	From	To	Total
806	1	100	27,451
1798	101	500	776,652
1284	501	1000	1,221,817
1858	1001	5000	4,577,303
327	5001	10000	2,513,620
114	10001	15000	1,454,075
40	15001	20000	733,310
38	20001	25000	895,879
26	25001	30000	715,663
10	30001	35000	340,000
12	35001	40000	466,500
7	40001	45000	289,500
7	45001	50000	346,500
5	50001	55000	270,354
2	55001	60000	117,000
5	60001	65000	317,000
2	65001	70000	140,000
7	70001	75000	522,000
2	75001	80000	159,500
4	80001	85000	334,000
3	85001	90000	267,049
2	90001	95000	187,000
5	95001	100000	488,500
1	105001	110000	109,500
4	110001	115000	447,500
1	115001	120000	117,000
2	120001	125000	243,845
1	125001	130000	130,000

No. Of Shareholders	From	To	Total
1	130001	135000	134,109
1	145001	150000	145,500
1	150001	155000	152,000
1	165001	170000	167,000
1	170001	175000	175,000
1	185001	190000	185,500
1	195001	200000	197,000
1	200001	205000	205,000
1	205001	210000	206,500
2	210001	215000	426,000
2	245001	250000	498,000
1	250001	255000	254,500
1	265001	270000	269,500
1	270001	275000	274,000
1	295001	300000	296,000
1	310001	315000	312,500
1	400001	405000	401,000
1	500001	505000	501,500
1	690001	695000	692,409
1	730001	735000	733,000
1	965001	970000	966,495
1	1455001	1460000	1,456,000
1	1925001	1930000	1,927,000
1	2345001	2350000	2,348,644
1	16445001	16450000	16,450,000
1	42250001	42255000	42,254,248
6,401			89,836,923

Information required as per Code of Corporate Governance

As at June 30, 2021
Incorporation No. 0037024

S.No.	Categories of Share Holders	Number of Shareholders	Physical Shares	CDC	Shares Held	% of Capital	Total
1	Directors, CEO & their spouse and minor children:						
	Mr. Salim Ullah Ghauri	1	-	966,495	966,495	1.08	
	Mr. Shahab-ud-Din Ghauri	1	509	-	509	-	
	Mr. Najeeb Ullah Ghauri	1	500	134,109	134,609	0.15	
	Mr. Vaseem Anvar	1	550	-	550	-	
	Mr. Omar Shahab Ghauri	1	-	509	509	-	
	Mr. Anwaar Hussain	1	526	-	526	-	
	Ms. Hamna Ghauri	1	-	600	600	-	
	Ms. Tahira Salim Ghauri	1	-	4,000	4,000	-	1,107,798
2	Associated Companies, undertakings and related parties						
	NETSOL Technologies Inc.	1	42,254,248	17,142,409	59,396,657	66.12	59,396,657
3	Banks, DFI & NBFC, Insurance Co.,Takaful, Modaraba and Pension Funds						
	Banks and Financial Institutions	4	-	404,172	404,172	0.45	
	Modarabas	2	-	11,500	11,500	0.01	
	Investment Companies	2	-	82,000	82,000	0.09	
	Insurance Companies	2	-	740,500	740,500	0.82	
	Other Funds	8	-	42,111	42,111	0.05	1,280,283
4	Public Sector Cos. & Corporation	78		5,448,134	5,448,134	6.06	5,448,134
5	Mutual Funds						
	CDC - TRUSTEE PICIC INVESTMENT FUND	1	0	111,000	111,000	0.12	
	CDC - TRUSTEE PICIC GROWTH FUND	1	0	145,500	145,500	0.16	
	CDC - TRUSTEE FAYSAL STOCK FUND	1	0	250,000	250,000	0.28	
	CDC - TRUSTEE ASKARI HIGH YIELD SCHEME	1	0	274,000	274,000	0.30	
	CDC - TRUSTEE ALFALAH GHP INCOME FUND	1	0	175,000	175,000	0.19	
	CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	1	0	26,000	26,000	0.03	
	CDC - TRUSTEE HBL - STOCK FUND	1	0	117,000	117,000	0.13	
	MC FSL TRUSTEE JS - INCOME FUND	1	0	269,500	269,500	0.30	
	CDC - TRUSTEE HBL MULTI - ASSET FUND	1	0	12,000	12,000	0.01	
	CDC - TRUSTEE ABL STOCK FUND	1	0	4,700	4,700	0.01	
	CDC - TRUSTEE AKD AGGRESSIVE INCOME FUND - MT	1	0	5,000	5,000	0.01	
	CDC - TRUSTEE MCB DYNAMIC CASH FUND - MT	1	0	39,000	39,000	0.04	
	CDC - TRUSTEE ABL INCOME FUND - MT	1	0	401,000	401,000	0.45	
	CDC - TRUSTEE HBL EQUITY FUND	1	0	98,000	98,000	0.11	
	CDC - TRUSTEE HBL PF EQUITY SUB FUND	1	0	18,000	18,000	0.02	
	MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	1	0	22,000	22,000	0.02	
	CDC - TRUSTEE LAKSON INCOME FUND - MT	1	0	6,000	6,000	0.01	
	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	0	2,000	2,000	0.00	
	CDC - TRUSTEE NIT INCOME FUND - MT	1	0	211,500	211,500	0.24	
	CDC - TRUSTEE AWT INCOME FUND	1	0	4,000	4,000	0.00	
	CDC - TRUSTEE FAYSAL MTS FUND - MT	1	0	501,500	501,500	0.56	
	CDC - TRUSTEE PAKISTAN INCOME FUND - MT	1	0	10,500	10,500	0.01	
	CDC - TRUSTEE HBL INCOME FUND - MT	1	0	248,000	248,000	0.28	2,951,200
6	General Public						
	a. Local	6,272	209,479	19,442,263	19,651,742	21.90	19,651,742
	b. Foreign	1	1,109	-	1,109	0.00	1,109
	Total	6,401	42,466,921	47,370,002		100	89,836,923

Shareholders holding five percent or more voting interest in the Company

NETSOL Technologies Inc.

59,396,657

66.12

Trading in shares during the year 2021

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. Najeeb Ullah Ghauri, Non-Executive Director sold 100,000 shares.

Mr. Omar Shahab Ghauri, COO/Executive Director sold 10,000 shares.

Ms.Tahira Salim Ghauri, Spouse of CEO sold 106,000 shares.



ANNUAL GENERAL MEETING



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 25th Annual General Meeting of the shareholders of NetSol Technologies Limited (the "Company") will be held virtually on October 25, 2021 at 11:00 A.M through Zoom video-link, to transact the following business.

Ordinary Business

1. To receive, consider and adopt the Reports of Directors, Chairman and Auditors together with audited annual separate and consolidated financial statements for the year ended June 30, 2021.
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
2. Shareholders are requested to notify the change of address, if any.
3. COVID-19 Contingency Planning for Annual General Meeting.

In light of the threat posed by the surging COVID-19 cases, the instructions of the Government and the Securities and Exchange Commission of Pakistan (SECP), the Company will be convening its Annual General Meeting (AGM) via video link only for the safety and wellbeing of the shareholders and general public. Compliance with the quorum requirements shall be ensured accordingly. The shareholders and their proxies intending to participate in the meeting are hereby requested to register on

following link:

[https://us02web.zoom.us/webinar/register/WN_UBG5KiPaRZ-GKsR4g0AdDQ](https://us02web.zoom.us/join/https://us02web.zoom.us/webinar/register/WN_UBG5KiPaRZ-GKsR4g0AdDQ)

Or visit company's website for registration.

In case of any queries, please feel free to email at: info@netsolpk.com

Please note that registration for the meeting shall close at 09:30 am on October 25, 2021 after which participants / shareholders shall be unable to register for the meeting. Any and all participants / shareholders who would have registered within the prescribed timeline shall receive a meeting link and shall be able to access the

By Order of the Board

SEHRISH
Company Secretary
Lahore
October 04, 2021

NOTE:

1. Share transfer books of the Company will remain closed from October 18, 2021 to October 25, 2021 (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 15, 2021 will be treated in time for attending and vote at the meeting.





meeting therefore, the Company emphasizes on timely registrations.

4. 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 through video link 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.
5. 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 January 26, 2000:

A) For Attending the Meeting:

- a) In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be provided.

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 attach attested copy of his/ her CNIC or passport to the company.
- 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.

**ATTENTION OF THE MEMBERS
 ARE DRAWN TO THE FOLLOWING
 MATTERS:**

6. 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.

7. Unclaimed Dividend and/Shares:

The Company has previously discharged its responsibility under Section 244 of the Companies Act, 2017 whereby the Company approached the shareholders to claim their unclaimed dividends and undelivered share certificates in accordance with the law.

Shareholders, whose dividends still remain unclaimed and/or undelivered share certificates are available with the Company, are hereby once again requested to approach our Share Registrar to claim their outstanding dividend amounts and/ or undelivered share certificates.

8. 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, 2021 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, 2021 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, audi-

tors' 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

9. 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.





FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

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, 2021, 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, 2021 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 4.9 and 26 to the financial statements.</p> <p>Revenue recognized during the year ended June 30, 2021, includes Rs. 1,936.96 Million (2020: 1,162.5 Million) from related parties.</p> <p>Revenue is derived from a number of revenue streams, and key streams include license, rendering of services and subscription and support. 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 subscription and support 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"> • Obtained an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period. • Assessed the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards. • Selected a sample of transactions recognized in revenue during the year and recalculating the revenue recognized with underlying contracts. • Checked 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. • Agreed license revenues to signed contracts or software license agreements. • Agreed the revenue to subsequent payment as evidence of collectability. • Assessed the split of contracts to challenge and gain sufficient comfort around the level of software license revenue being recognized under bundled contracts. • Reviewed 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. • Compared, 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 4.9, 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) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Yousaf



H.Y.K and Co.
Chartered Accountants
Lahore

Date: September 22, 2021

Statement of Financial Position

As at June 30, 2021

	NOTE	2021 Rupees in '000'	2020
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	5	1,599,438	1,542,792
Intangible assets	6	627,393	920,897
		2,226,831	2,463,689
Long term investments	7	208,582	239,827
Long term loans to employees	8	3,552	1,571
		2,438,965	2,705,087
CURRENT ASSETS			
Trade debts	9	1,649,836	2,200,933
Contract assets	10	1,163,155	1,652,633
Loans and advances	11	16,363	14,145
Trade deposits & short term prepayments	12	84,626	25,672
Other receivables	13	7,126	8,672
Due from related parties	14	445,737	373,619
Taxation - net	15	16,676	16,490
Cash & bank balances	16	3,758,821	2,081,859
		7,142,340	6,374,023
TOTAL ASSETS		9,581,305	9,079,110

The annexed notes from 1 to 46 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

	NOTE	2021 Rupees in '000'	2020
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	898,369
Share deposit money		13	13
Reserves	18	6,205,435	5,999,116
		7,103,817	6,897,498
NON-CURRENT LIABILITIES			
Long term financing	19	95,920	172,500
Lease liabilities	20	2,106	14,924
		98,026	187,424
CURRENT LIABILITIES			
Trade and other payables	21	402,661	193,651
Contract liabilities	22	198,508	311,541
Short term borrowings	23	1,580,000	1,380,000
Current portion of long term liabilities	24	194,053	103,106
Unclaimed dividend		4,240	5,890
		2,379,462	1,994,188
CONTINGENCIES & COMMITMENTS	25	-	-
TOTAL EQUITY AND LIABILITIES		9,581,305	9,079,110

The annexed notes from 1 to 46 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

Statement of Profit or Loss

For the year ended June 30, 2021

	NOTE	2021 Rupees in '000'	2020
Revenue from contracts with customers - net	26	4,947,559	4,708,374
Cost of revenue	27	(3,147,147)	(3,142,330)
Gross profit		1,800,412	1,566,044
Selling and promotion expenses	28	(547,595)	(455,264)
Administrative expenses	29	(760,186)	(768,099)
		(1,307,781)	(1,223,363)
Operating Profit		492,631	342,681
Other income	30	151,778	481,509
		644,409	824,190
Other operating expenses	31	(297,167)	(302,584)
Finance cost	32	(58,856)	(48,508)
Share of loss of Associate		(27,203)	(66,785)
Profit before taxation		261,183	406,313
Taxation	33	(69,596)	(161,473)
Profit after taxation for the year		191,587	244,840
Earnings per share			
Basic - In Rupees	34	2.13	2.73
Diluted - In Rupees	34	2.13	2.73

The annexed notes from 1 to 46 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

Statement of Other Comprehensive Income

For the year ended June 30, 2021

	2021	2020
	Rupees in '000'	
Profit after taxation for the year	191,587	244,840
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	(4,042)	(16,830)
Total comprehensive Income for the year	187,545	228,010

The annexed notes from 1 to 46 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

Annual Report
2021

Statement of Cash Flows

For the year ended June 30, 2021

	NOTE	2021	2020
		Rupees in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation for the year		261,183	406,313
Adjustments for non cash charges and other items:			
Depreciation - own assets		216,201	176,290
Amortization of Right of Use Assets		19,860	28,479
Amortization of intangible assets		293,504	293,504
Loss/(Gain) on disposal of fixed assets		9,072	(3,767)
Amortization of deferred revenue		(2,454)	(2,686)
Foreign exchange Loss /(gain)		119,655	(83,463)
Interest expense		75,449	47,445
Interest income		(148,424)	(172,311)
Dividend income		-	(218,384)
Deferred employee compensation expense		18,773	39,718
Amortization of deferred grant		(17,874)	(507)
Provision for expected credit losses		98,788	104,340
Share of loss of Associate		27,203	66,785
		709,754	275,443
<i>Cash generated from operations before working capital changes</i>		970,937	681,756
<i>Working Capital Changes</i>			
Trade debts & Contract Assets/Liabilities		709,099	(332,482)
Loans and advances		(4,199)	37,016
Trade deposits & short term prepayments		(58,954)	(4,724)
Other receivables		1,546	(1,453)
Due from related parties		(72,118)	(350,502)
Trade and other payables		200,985	(297,194)
<i>Cash generated from / (used in) operations</i>		776,359	(949,339)
Interest paid		(67,424)	(45,805)
Income taxes paid		(69,782)	(125,247)
Dividend paid		(1,650)	(249,836)
<i>Net cash generated from / (used in) operations</i>		1,608,440	(688,471)
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment's purchased		(316,899)	(104,841)
Sales proceeds of fixed asset		18,120	17,358
Advances against capital expenditure		(3,000)	22,854
Long term investment		-	(14,875)
Interest received		148,424	172,311
<i>Net cash (used in) / generated from investing activities</i>		(153,355)	92,807
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of share capital		-	1,140
Share premium		-	714
Paid against lease liabilities		(39,065)	(46,374)
Received against lease liabilities		4,273	-
Long term loan		51,976	209,391
Deferred grant		8,021	20,609
Short term borrowing		200,000	327,000
Dividend received		-	218,384
Long term advances		(3,328)	(5,087)
<i>Net cash generated from financing activities</i>		221,878	725,777
<i>Net increase in cash and cash equivalents</i>		1,676,962	130,113
<i>Cash and cash equivalents at the beginning of the year</i>		2,081,859	1,951,746
<i>Cash and cash equivalents at the end of the year</i>		3,758,821	2,081,859

The annexed notes from 1 to 46 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

Statement of Changes in Equity

For the year ended June 30, 2021

	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, 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 / (loss) for the year	-	-	-	-	(16,830)	244,840	228,010
Amount received against options exercised	-	1,872	-	-	-		1,872
Shares issued against options exercised (114,000 shares at Rs. 10 each)	1,140	(1,872)	(168)	900	-	-	-
Dividend paid	-	-	-	-	-	(251,543)	(251,543)
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
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 year					-	191,587	191,587
Other comprehensive loss for the year	-	-	-	-	(4,042)	-	(4,042)
Total comprehensive income for the year	-	-	-	-	(4,042)	191,587	187,545
Contribution of parent on account of employee share options	-	-	18,773	-	-	-	18,773
	-	-	18,773	-	(4,042)	191,587	206,319
Balance as at June 30, 2021	898,369	13	224,670	304,167	(20,872)	5,697,470	7,103,817

The annexed notes from 1 to 46 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

Notes to the Financial Statements

For the year ended June 30, 2021

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
4 Central Senayan 2 Building, 16th Floor, Asia Afrika Street, No. 8, Senayan, Kebayoran Baru, South Jakarta, DKI Jakarta, 12190	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

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, 2020.

2.6 Standards and interpretations that became effective

There are certain standards, amendments and interpretations to the accounting and reporting standards which are mandatory for accounting periods beginning on or after July 1, 2020. These are considered not to be relevant or to 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 these financial statements.

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

		Effective for periods beginning on or after
IAS 1	Presentation of Financial Statements (Amendments)	Jan-01-2022 & Jan-01-2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)"	Jan-01 2023
IAS 12	Income Taxes (Amendments)	Jan-01 2023
IAS 16	Property, Plant and Equipment (Amendments)	Jan-01 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets (Amendments)	Jan-01 2022
	Annual improvements to IFRS Standards (2018-2020 cycle)	Jan-01 2022

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. During the year below change in accounting estimate is made:

3.1 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. 27.43 Million for the year ended June 30, 2021. Effect of change in accounting estimate for future periods is not disclosed because estimating it is impracticable.

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

- i. Provision for Expected Credit Losses on Accounts Receivable / 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
- vii. Revenue recognition
- viii. Long term investment in Associate

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented except otherwise stated.

Notes to the Financial Statements

For the year ended June 30, 2021

4.1 Property, plant and equipment

(i) Owned assets

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

Depreciation is charged by applying straight line 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 straight line 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.

4.2 Intangible assets

Research and software products development

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

There are two components of intangible assets:

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

(a) In-house developed intangible assets

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

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

4.3 Impairment 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.

4.4 Foreign currency translation

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

4.5 Staff benefits

(i) Retirement benefits

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

(ii) Short-term benefits

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

Notes to the Financial Statements

For the year ended June 30, 2021

(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.

4.6 Taxation

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

4.7 Creditors, accruals and provisions

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

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

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

4.8 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.

4.9 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) subscription and support, which includes subscription and post contract support, of its enterprise software solutions for the lease and finance industry. The Company offers its software using both traditional on-premises licensing model and Software as a Service (SaaS) 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 subscription and support 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.

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) Subscription and Support:

Subscription revenue is recognized ratably over the initial subscription period committed to by the customer commencing when the product is made available to the customer. The initial subscription period is typically 12 to 60 months. The Company generally invoices its customers in advance in quarterly or annual installments and typical payment terms provide that customers make payment within 30 days of invoice. Performance obligation against support revenue is recognized ratably over the term of the support 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.

Notes to the Financial Statements

For the year ended June 30, 2021

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 support 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, support 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.

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.

Notes to the Financial Statements

For the year ended June 30, 2021

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.

4.10 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.

4.11 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.

4.12 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 consolidated 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 consolidated 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.

4.13 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, 2021

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, 2021. 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.

4.14 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.

4.15 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.

4.16 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).

4.17 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.

4.18 Dividend and appropriation to reserves

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

4.19 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.

4.20 Fair value

The fair value of financial instruments that are actively traded in organized financial markets is determined by 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.

4.21 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 share holders of the company 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.

		2021	2020
		Rupees in '000'	
5. PROPERTY PLANT & EQUIPMENT			
Net book value of owned assets	5.1	1,515,963	1,443,854
Net book value of Right of Use Assets	5.4	80,475	98,938
Advances against capital expenditure	5.6	3,000	-
		1,599,438	1,542,792

5.1 Following is the statement of owned assets

	2021								
Particulars	COST			DEPRECIATION					Net book value as at Jun 30, 2021
	As at Jul 01, 2020	Additions / (Deletions)	As at Jun 30, 2021	Rate %	As at Jul 01, 2020	Adjustment during the year	Charge for the year	As at Jun 30, 2021	
	Rupees In '000'								
Tangible Assets									
Land - freehold	254,229	-	254,229	-	-	-	-	-	254,229
Building on freehold land	952,561	-	952,561	5	305,232	-	32,366	337,598	614,963
Furniture & fixture	71,859	326	72,185	10	30,684	-	10,741	41,425	30,760
Vehicles	163,245	100,591 (26,700)	237,136	20	85,989	2,677 (18,590)	24,385	94,461	142,675
Office equipment	66,882	8,994 (33)	75,843	10	29,085	- (19)	10,728	39,794	36,049
Computers	1,546,921	173,248 (17,059)	1,703,110	20 ~ 33	1,303,181	- (16,100)	97,301	1,384,382	318,728
Air conditioners	65,514	651	66,165	10	25,797	-	8,359	34,156	32,009
Electric fittings	49,371	-	49,371	10	20,908	-	5,859	26,767	22,604
Generator	52,812	-	52,812	10	27,441	-	8,827	36,268	16,544
Intangible Assets									
Computer software	886,910	34,369 (583,854)	337,425	33	838,133	- (565,745)	17,635	290,023	47,402
	4,110,304	318,179 (627,646)	3,800,837		2,666,450	2,677 (600,454)	216,201	2,284,874	1,515,963

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

	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

		2021	2020
		Rupees in '000'	
5.2 Depreciation is allocated in the following manner			
Cost of revenue	27	162,150	132,216
Administrative expenses	29	54,051	44,074
		216,201	176,290

Notes to the Financial Statements

For the year ended June 30, 2021

5.3 Particulars of fixed assets disposed off during the year exceeding book value of Rs. 5 million in aggregate and 0.5 million individually are as follows:

2021						
Particulars	Cost	Net Book Value	Sales Proceeds	Gain/ (Loss)	Mode of Disposal	Particulars of Purchaser
	Rupees In '000'					
Vehicle	2,453	826	1,531	705	Company Policy	Sajid Mukhtar (Employee)
Vehicle	2,478	820	2,518	1,698	Open market	Muhammad Asad Dogar
Vehicle	2,800	724	2,250	1,526	Open market	Nauman Aslam
Vehicle	2,612	546	2,100	1,554	Company Policy	Shahid Iqbal (Employee)
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

5.4 Following is statement of Right of Use assets

	2021								
Particulars	COST			DEPRECIATION					Net book value as at Jun 30, 2021
	As at Jul 01, 2020	Additions / (Deletions)	As at Jun 30, 2021	Rate %	As at Jul 01, 2020	Adjustment during the year	Charge for the year	As at Jun 30, 2021	
	Rupees In '000'								
Vehicles	145,014	4,273 (5,553)	143,734	20	48,908	(2,677)	18,916	65,147	78,587
Computers	6,308	-	6,308	20-33	3,476		944	4,420	1,888
	151,322	4,273 (5,553)	150,042		52,384	- (2,677)	19,860	69,567	80,475

	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)			

		2021	2020
		Rupees in '000'	
5.5 Amortization is allocated in the following manner			
Cost of revenue	27	14,895	21,358
Administrative expenses	29	4,965	7,120
		19,860	28,478

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

	2021							
Particulars	COST			AMORTIZATION				Net book value as at Jun 30, 2021
	As at Jul 01, 2020	Additions / (Deletions)	As at Jun 30, 2021	Rate %	As at Jul 01, 2020	Charge for the year	As at Jun 30, 2021	
	Rupees In '000'							
In-house Developed Software								
NFS - Ascent	2,935,038	-	2,935,038	10	2,014,141	293,504	2,307,645	627,393
	2,935,038	-	2,935,038		2,014,141	293,504	2,307,645	627,393

Notes to the Financial Statements

For the year ended June 30, 2021

	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

2021 2020

Rupees in '000'

6.1 Amortization is allocated in the following manner

Cost of revenue	27	293,504	293,504
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6.2 Remaining amortization period for NFS - Ascent is 2 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	30,063
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Investment in associate

WRLD3D Inc (Unquoted company)	7.2	178,519	209,764
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		208,582	239,827
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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 Investment in associate-Foreign company

WRLD3D Inc is incorporated in USA and involved in the ore business of gaming and 3D mapping. 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, 2021 there is no litigation/Default/Breach exists related to WRLD3D and no return is received or gain/loss booked on disposal of investment (2020: Nil). The Company owns 4,092,189 preference BB shares of WRLD3D Inc (12.2% ownership interest) originally valued at \$2,777,778 and uses equity method to account for investment in associate.

8. LONG TERM LOANS TO EMPLOYEES

Loan to employees	5,897	6,867
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Less: current maturity	(2,345)	(5,296)
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	3,552	1,571
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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

		2021	2020		
		Rupees in '000'			
9. TRADE DEBTS					
Considered good - unsecured	9.2	1,649,836	2,200,933		
Considered doubtful - unsecured	9.3	329,874	233,499		
		1,979,710	2,434,432		
Less: Provision against expected credit losses		(329,874)	(233,499)		
		1,649,836	2,200,933		
9.1 Amount receivable from related parties included in trade debts are as under:					
NetSol Technologies (Thailand) Limited		73,609	84,995		
NetSol Technologies (Beijing) Company Limited		873,748	702,287		
NetSol Australia Pty. Limited		111,747	36,363		
Netsol Technologies America		247,042	219,825		
Ascent Europe Limited		19,441	-		
OTOZ Thailand Ltd		77,876	-		
WRLD3D		242,029	247,362		
		1,645,493	1,290,832		
Less: Provision for Expected Credit Losses		(327,852)	(156,444)		
		1,317,641	1,134,388		
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 credit losses.					
9.4 Movement in provision against expected credit losses is given below:					
Balance as at July 1		233,499	116,629		
Provision made during the year		96,375	116,869		
Balance as at June 30		329,874	233,499		
9.5 Aging of trade debts at June 30 is as follows:					
		2021		2020	
		Rupees in '000'		Rupees in '000'	
		Gross	Impaired	Gross	Impaired
Not past due		298,688	-	270,105	-
Past due 1-180 days		806,199	-	1,448,880	-
Past due 181 days -1 year		470,320	-	223,913	-
More than one year		404,502	-	491,534	-
Total		1,979,710	-	2,434,432	-
9.6 Aging of trade debts due from related parties at June 30 is as follows:					
		Gross	Impaired	Gross	Impaired
Not past due		127,956	-	49,933	-
Past due 1-180 days		647,134	-	595,444	-
Past due 181 days -1 year		466,002	-	154,734	-
More than one year		404,401	-	490,721	-
Total		1,645,493	-	1,290,832	-

Notes to the Financial Statements

For the year ended June 30, 2021

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. 2,253.7 million (2020 : Rs. 1,639.1 million).

10. Contract Assets

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

		2021	2020
		Rupees in '000'	
Considered good - unsecured		1,163,155	1,652,633
Considered doubtful - unsecured	10.1	21,628	19,215
		1,184,783	1,671,848
Less: Provision against Expected Credit Losses	10.1	(21,628)	(19,215)
		1,163,155	1,652,633

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

Balance as at July 1		19,215	31,745
Provision made / (Reversed) during the year		2,413	(12,530)
Balance as at June 30		21,628	19,215

10.2 There is a net decrease of Rs. 489.48 million in contract assets as compared to last fiscal year (2020: increase of 484.98 million). Explanation of significant changes are as follows:

Opening balance-Contract Assets		1,652,633	1,167,646
Add: Revenue Recognised		3,453,533	3,293,594
Less: Invoices raised		(3,930,099)	(2,861,101)
Forex (Loss) / Gain		(10,499)	39,963
Provision for Expected Credit Losses		(2,413)	12,530
Closing balance-Contract Assets		1,163,155	1,652,633

11. LOANS AND ADVANCES

Current maturity of loans to employees	8	2,345	5,296
Advances			
- to employees		525	671
- against expenses	11.1	13,493	8,178
		16,363	14,145

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		4,240	4,741
Prepayments		80,386	20,931
		84,626	25,672

13. OTHER RECEIVABLES

Guarantee margin		2,340	2,340
Other receivable - considered good		4,786	6,332
		7,126	8,672

		2021	2020
		Rupees in '000'	
14. DUE FROM RELATED PARTIES			
Considered good - unsecured			
Parent			
NetSol Technologies Inc.		181,368	159,954
Associates			
NetSol Connect (Pvt) Ltd.		25,870	24,330
NetSol Technologies North America		10,883	-
NetSol Technologies Beijing Ltd.		28,795	5,705
NetSol Technologies (Thailand) Limited		157,893	138,468
OTOZ Thailand Ltd		40,928	45,162
		445,737	373,619
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. 561.4 million (2020 : Rs. 373.6 million).		
14.3	Aging of due from related parties at June 30 is as follows:		
		2021	2020
		Rupees in '000'	
		Gross	Impaired
Not past due		26,894	-
Past due 1-180 days		90,676	-
Past due 181 days -1 year		212,534	110,066
More than one year		115,634	-
Total		445,737	373,619
15. TAXATION - NET			
Tax receivable as at 1 July		16,490	52,716
Tax payments		29,673	65,568
Provision for taxation		(29,487)	(101,794)
		16,676	16,490
16. CASH AND BANK BALANCES			
With banks			
Saving accounts-Local currency	16.1	3,384,470	1,804,976
Saving accounts-Foreign currency	16.1	171,566	79,882
Current accounts-Local currency	16.2	4,407	735
Current accounts-Foreign currency	16.2	188,396	183,050
		3,748,839	2,068,643
In hand		9,982	13,216
		3,758,821	2,081,859
16.1	The balances in savings accounts bear mark up at 5.44% to 7.25% per annum. (2020 : 6.48% to 13.05% per annum). Balances in saving accounts include Rs. 2,008.18 million maintained in Shariah compliant bank accounts (2020: 1,333.21 million).		
16.2	Balances in current accounts include Rs. 188.186 million maintained in Shariah compliant bank accounts (2020: 183.55 million).		
17. SHARE CAPITAL			
17.1 Authorised share capital			
	2021	2020	
	Number of shares		Rupees in '000'
	150,000,000	150,000,000	Ordinary Shares of Rs. 10 each.
			1,500,000
17.2 Issued, subscribed & paid-up capital			
	2021	2020	
	Number of shares		Rupees in '000'
	42,686,191	42,686,191	Ordinary Shares of Rs. 10 each fully paid in cash
			426,862
	47,150,732	47,150,732	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares
			471,507
	89,836,923	89,836,923	
			898,369

Notes to the Financial Statements

For the year ended June 30, 2021

	2021	2020
17.3 Reconciliation of number of shares issued, subscribed & paid-up	No. of shares	
Number of shares outstanding as at July 1	89,836,923	89,722,923
Ordinary Shares of Rs. 10 issued against options exercised	-	114,000
Number of shares outstanding as at June 30	89,836,923	89,836,923

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% (2020 : 66.12%) of issued capital of the Company.

17.7 The Company is not subject to any externally imposed capital requirements for the financial years 2021 and 2020.

17.8 During the year Nil shares (2020: 114,000 shares) were issued against options exercised. Weighted average share price at the date of exercise of options was Rs. Nil (2020: 59.76) per share.

18. RESERVES	2021	2020
Capital reserve	Rupees in '000'	
Premium on issue of ordinary shares	304,167	304,167
Employee share option compensation reserve 18.1	224,670	205,897
Foreign currency translation reserve	(20,872)	(16,830)
Revenue reserve		
Un - appropriated profit	5,697,470	5,505,882
	6,205,435	5,999,116

18.1 EMPLOYEE SHARE OPTION COMPENSATION RESERVE	2021	2020
Balance as at the beginning of the year	205,897	166,367
Lapse of Share Options	-	(20)
Amount transferred to Capital reserve on exercise of options	-	(168)
Contribution of parent on account of employee share options	18,773	39,718
Balance at the end of the year	224,670	205,897

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%

	2021	2020
	Number of Options	
Options outstanding at the beginning of the year	-	127,500
Options lapsed during the year	-	(13,500)
Options exercised during the year	-	(114,000)
Options outstanding at the end of the year	-	-

		2021	2020
		Rupees in '000'	
19. LONG TERM FINANCING			
Long term Finance facility	19.1	250,429	211,941
Deferred grant	19.2	10,249	20,102
Sale & Leaseback obligations		13,488	-
Less: Current portion shown under current liabilities:			
Current portion of Long term finance facility		(164,254)	(49,546)
Current portion of deferred grant		(9,537)	(9,996)
Current portion of Sale & Leaseback obligations		(4,456)	-
		(178,246)	(59,543)
		95,920	172,500

19.1 The Company has availed SBP Refinance scheme for salaries and wages which was announced by the State Bank in April 2020. The facility is availed from Askari Bank Limited and the total availed amount under this facility was Rs. 345 million (2020: Rs 230 million). The facility is repayable in two and half years (including six month grace period). Repayment will be made in eight equal quarterly instalments commencing from 1st January 2021. This facility carries 3% per annum mark up rate and is secured against the current and future fixed and current assets of the Company, detail of which is provided in note 23.1.1. Unused facility available under the above arrangement as at 30 June 2021 amounted to Rs. Nil (2020: Rs. 115 million).

19.2 DEFERRED GRANT

Balance as at beginning of the year	20,102	-
Received during the year	8,021	20,609
Amortized to the statement of profit or loss	(17,874)	(507)
Balance as at end of the year	10,249	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 19.1. 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. 8.021 million during the year (2020: Rs. 20.609 million) and Rs. 17.874 million has been amortised during the year (2020: 0.507 million).

20. LEASE LIABILITIES

Present value of minimum lease payments	17,913	52,705
Less: Current portion of obligations shown under current liabilities	(15,807)	(37,782)
	2,106	14,924

Present value of minimum lease payments have been discounted at an implicit interest rate ranging between 8.49 % to 15.14% (2020 : 12.47 % to 15.40%) 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:

	2021		
	Minimum Lease Payment	Future Finance Charges	Present Value of Lease Liability
Not later than one year	16,482	675	15,807
Later than one year but not later than five years	2,266	160	2,106
	18,749	835	17,913

Notes to the Financial Statements

For the year ended June 30, 2021

		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

		2021	2020
		Rupees in '000'	
21. TRADE AND OTHER PAYABLES			
Creditors	21.1	18,608	33,332
Accrued liabilities		300,227	90,562
Interest accrued - secured		13,897	5,872
Due to related parties - unsecured	21.2	4,559	11,561
Withholding tax		21,245	16,422
Sales Tax Payable		-	1,215
Provident fund payable		40,566	19,956
WWF payable		-	8,292
Other payables		3,559	6,439
		402,661	193,651
21.1 Creditors include Rs. 0.28 Million (2020: Nil) payable to a related party Nadoz greenz and Rs. 0.38 Million payable to a related party HospitAll Pvt Ltd (2020: 0.58M).			
21.2 DUE TO RELATED PARTIES - UNSECURED			
Associated			
NetSol Technologies Europe Limited	21.2.1	4,559	11,561
		4,559	11,561
21.2.1 This relates to normal course of business of the Company and is interest free.			
22. CONTRACT LIABILITIES			
It represents license, subscription and support 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 subscription and support fee is transferred to revenue over the time.			
There is decrease of Rs. 113.03 million in contract liabilities as compared to last fiscal year (2020: Increase of Rs. 157.28 million). Explanation of significant changes are as follows:			
Opening balance Contract Liabilities		311,541	468,828
Add Invoices raised		1,482,624	1,350,438
Less: Revenue recognized		(1,581,271)	(1,483,634)
Less: Catch up adjustment to revenue		(14,388)	(24,089)
Closing balance Contract Liabilities		198,508	311,541
23. SHORT TERM BORROWINGS			
Export refinance - ERF - II secured	23.1	1,580,000	1,380,000
		1,580,000	1,380,000
23.1 EXPORT REFINANCE/LAPC/RF - SECURED			
Askari Bank Limited - ERF - II	23.1.1	500,000	500,000
Samba Bank Limited - ERF - II	23.1.2	380,000	380,000
Habib Metro Bank Limited - Istisna/ Al Bai - Islamic Banking	23.1.3	700,000	500,000
		1,580,000	1,380,000

- 23.1.1** The facility for export refinance (ERF)/FAPC is available from Askari Bank Limited amounting to Rs. 500 million (2020 : Rs. 500 million), availed Rs. 500 million (2020 : Rs. 500 million.) It carries mark-up of State Bank Refinance Rate+1% per annum (2020 : State Bank Refinance Rate+1% per annum). The interest rate charged for fiscal year 2021 was 3% (2020 : 3%). The due balance is payable bi-annually.

A sublimit of export refinance amounting under FE 25 is also sanctioned amounting to \$ 3 million (2020 : \$ 3 million)

The company also has a running finance facility of Rs. 75 million (2020 : 75 million) for working capital requirement. It carries markup at the rate of 3 month Kibor + 2%. (2020 : 3 month Kibor + 2%). As at June 30, 2021, Nil was outstanding against this facility. (2020: Nil).

A facility for issuance of guarantees (LG) as a sublimit of Running Finance (RF) is also available upto Rs. 40 million (2020 : Rs. 40 million), availed Rs. 8 million. (2020 : Rs. 11.488 million). A sublimit of RF upto Rs. 10 million (2020 : Rs. 10 million) is also available for corporate credit cards.

Unused running finance facility amount (including its sublimits) as at June 30, 2021 is Rs. 57 million (2020: 53.512 million)

The facilities from Askari Bank Limited are secured by way of Joint Pari Passu charge over Company's all present and future current assets amounting to Rs. 536.67 million (2020: 1st ranking Pari Passu charge Rs. 767 million) and Joint Pari Passu charge of Rs. 690 million over fixed assets of the company (2020: 1st ranking Pari Passu charge of Rs. 767 million). The facilities are also secured by way of 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.

- 23.1.2** The facility for ERF/LAPC/RF is available from SAMBA bank Limited amounting to Rs. 500 million (2020 : Rs. 500 million), availed ERF Rs. 380 million (2020 : Rs. 380 million), LAPC Rs. Nil (2020 : Nil) and RF Rs. Nil (2020: NIL). ERF carries mark-up at State Bank Refinance Rate+1% per annum (2020: State Bank Refinance Rate+1%). Interest rate charged for the fiscal year 2021 for ERF was 3% (2020 : 3%). LAPC/RF carry markup at the rate of 3 month Kibor+1.5% (2020 : 3 month Kibor+1.5%). The due balance of ERF/LAPC is payable bi-annually.

The unused ERF/LAPC/RF facility as at June 30, 2021 is Rs. 120M (2020: Rs. 120M)

These facilities are secured by way of Joint Pari Passu charge over Company's all present and future current assets amounting to Rs. 291.67 million (2020: 1st Pari Passu charge of Rs. 667 million) and Joint Pari Passu charge of Rs. 375 million over fixed assets of the company (2020: 1st Pari Passu charge of Rs. 667 million). The bank also has 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.

- 23.1.3** 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 (2020 : Rs. 900 million), availed Rs. 700 million (2020 : Rs. 500 million). It carries profit at State Bank Refinance Rate+1% per annum (2020 : State Bank Refinance Rate+1% per annum). The profit charged for fiscal year 2021 was 3% (2020 : 3%). The due balance is payable bi-annually.

A sublimit of export refinance amounting to Rs. 900 million under FE 25 is also sanctioned (2020 : Rs. 900 million) which carries profit at the rate of 2.75% (2020: 2.75%). A sublimit of export refinance amounting to Rs. 900 million under Working Capital Musharika is also available (2020 : Rs. 900 million) and carries profit at the rate of Monthly Kibor+0.25% (2020: Monthly Kibor+0.25%). As a sublimit of export refinance, LG amounting to Rs. 25 million is also available (2020 : Rs. 25 million), availed Rs.3.9 million (2020 : NIL). It carries commission at the rate of 0.10% per quarter (2020: 0.10%)

These facilities are secured by way of Joint Pari Passu charge over Company's all present and future current assets amounting to Rs. 525 million (2020: Ranking charge upgradeable into Pari Passu charge of Rs. 300 million) and Joint Pari Passu charge of Rs. 675 million over fixed assets of the company (2020: Ranking charge upgradeable into Pari Passu charge of Rs. 900 million).

The facilities are secured by way of equitable mortgage over 9 Kanal, 2 Kanal and 16 Marla properties, all located at Ghazi road, Lahore Cantt and also by way of personal guarantee of Mr. Salim Ullah Ghauri.

- 23.1.4** 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, 2021, the company is fully compliant with all loan covenants

		2021	2020
		Rupees in '000'	
24. CURRENT PORTION OF LONG TERM LIABILITIES			
Current portion of long term financing	19	164,254	49,546
Current portion of deferred grant	19	9,537	9,996
Current portion of Sale & Leaseback obligations	19	4,456	-
Current portion of lease liability	20	15,807	37,782
Current portion of Deferred Income		-	2,454
Current portion of long term advances		-	3,328
		194,053	103,106
25. CONTINGENCIES & COMMITMENTS			
25.1 Contingencies			
25.1.1	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 damages to the tune of PKR 500 million. The case was filed five years after a complaint lodged by NETSOL with Federal Investigation Authority 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 the case is barred by the laws relating to limitation. 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 no chances of the case being allowed and there is no likelihood of this case having any adverse financial impact on the Company.		
25.2 Commitments			
25.2.1	The Company has issued worth Rs.11.9 million (2020: 11.488 million) bank guarantees to LESCO and Standard Chartered Bank against its corporate credit cards.		
25.2.2	The Company has capital commitments of Rs. 6.889 Million under capital purchase agreements as at June 30, 2021. (2020: Rs. Nil)		
26. REVENUE FROM CONTRACTS WITH CUSTOMERS			
DISAGGREGATION OF REVENUE:			
Export Revenue			
License		398,936	389,129
Services		2,459,674	2,573,266
Subscription and Support		2,088,949	1,733,882
		4,947,559	4,696,277
Local Revenue			
Subscription and Support		-	14,033
Sales tax		-	(1,936)
		-	12,097
		4,947,559	4,708,374
26.1 Amount of revenue recognized from beginning balance of contract liabilities:			
Opening balance-Contract Liabilities:		311,541	468,828
Revenue recognized		311,541	468,828
26.2	The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June are, as follows:		
Within one year		1,408,771	1,095,503
More than one year		4,710,439	5,818,123
Total		6,119,210	6,913,626

		2021	2020
		Rupees in '000'	
27. COST OF REVENUE			
Salaries & benefits	27.1	2,354,176	1,990,473
Software licenses		94,869	52,948
Staff training		1,945	1,036
Travelling & conveyance		38,653	430,336
Communication		50,945	44,539
Utilities		24,759	26,391
Printing & stationery		330	1,155
Entertainment		15,064	37,559
Insurance		590	518
Vehicle running & maintenance		48,948	58,586
Repair & maintenance		45,899	49,339
Fee & subscription		420	2,372
Depreciation	5.2	162,150	132,216
Amortization of leased assets	5.5	14,895	21,358
Amortization of intangible assets	6.1	293,504	293,504
		3,147,147	3,142,330

27.1 Salaries and benefits include Rs. 99.08 million (2020 : Rs. 85.54 million) in respect of retirement benefits.

		2021	2020
		Rupees in '000'	
28. SELLING AND PROMOTION EXPENSES			
Salaries & benefits	28.1	262,157	311,841
Staff training		-	80
Rent, rates & taxes	28.2	9,192	12,456
Travelling and conveyance		5,979	41,033
Communication		4,182	3,151
Utilities		1,479	1,837
Printing & stationery		30	463
Entertainment		705	2,328
Insurance		1,686	2,018
Vehicle running expenses		6,671	9,046
Repairs and maintenance		1,975	8,812
Commission on sales		250,720	48,621
Sale promotional expenses		2,819	13,578
		547,595	455,264

28.1 Salaries and benefits include Rs. 8.43 million (2020 : Rs. 6.74 million) in respect of retirement benefits.

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

Notes to the Financial Statements

For the year ended June 30, 2019

		2021	2020
		Rupees in '000'	
29. ADMINISTRATIVE EXPENSES			
Salaries and benefits	29.1	506,315	469,769
Staff training		434	616
Rent, rates and taxes	29.2	19,977	28,812
Travelling and conveyance		9,426	44,474
Communication & postage		22,449	20,516
Printing and stationery		1,461	2,699
Utilities		18,428	19,192
Entertainment		19,171	28,393
Insurance		6,681	7,228
Advertisement		712	1,176
Vehicle running expenses		21,963	24,561
Repairs and maintenance		17,856	22,445
Legal and professional charges		9,296	7,726
Auditors remuneration	29.3	4,000	4,000
Office supplies		4,099	8,031
Charity & donation	29.4	24,105	11,564
Fee & subscription		14,797	15,703
Depreciation	5.2	54,051	44,074
Amortization of leased assets	5.5	4,965	7,120
		760,186	768,099
29.1	Salaries and benefits include Rs. 24.04 million (2020 : Rs. 21.58 million) in respect of retirement benefits.		
29.2	Rent, rates & taxes include expense in respect of short term leases amounted to Rs 14.79 million (2020: 24.31 million).		
		2021	2020
		Rupees in '000'	
29.3 Auditors remuneration			
Audit fee		3,200	2,700
Certifications of group reporting		550	650
Professional services		100	350
Out-of-pocket expenses		150	300
		4,000	4,000
29.4 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			
Developments in Literacy Foundation		6,354	2,214
Farooq Trust School		1,588	2,202
		7,942	4,416

		2021	2020
		Rupees in '000'	
30. OTHER INCOME			
Income from financial assets			
Profit on bank deposits & short term investments	30.1	148,424	172,311
Dividend Income	30.2	-	218,384
		148,424	390,695
Income from non-financial assets			
Gain on foreign currency translation		-	83,461
Gain on disposal of assets		-	3,767
Amortization of deferred revenue	30.3	2,454	2,686
Rental income		900	900
		3,354	90,814
		151,778	481,509
30.1 Income is earned under both conventional mark-up arrangement and Shariah compliant arrangement. It include Rs. 40.4M profit earned on Sharia compliant bank deposits (2020:81.93M)			
30.2 Dividend was received from subsidiary company M/S NetSol Innovation Private Limited.			
30.3 This amount represents amortization of gain on sale and leaseback (Finance Lease) of fixed assets transactions entered into before the initial application of IFRS 16 'Leases'.			
31. OTHER OPERATING EXPENSES			
Loss on disposal of assets		9,072	-
Loss on foreign currency translation		119,655	-
Research and development cost		69,652	189,952
Provision for expected credit losses		98,788	104,340
Workers Welfare Fund		-	8,292
		297,167	302,584
32. FINANCE COST			
Lease finance charges		3,674	11,239
Mark up on loans	32.1	71,775	36,206
Amortization of deferred grant	19.2	(17,874)	(507)
Lease documentation charges		15	-
Bank charges		1,266	1,570
		58,856	48,508
32.1 Mark up on loans include Rs. 17.3M paid on islamic mode of financing (2020:3.4M)			
33. TAXATION			
Current year		(68,071)	(161,473)
Prior year		(1,525)	-
		(69,596)	(161,473)

As per clause 133 of part 1 of the Second Schedule to the Income Tax Ordinance, 2001, income of the Company from export of computer software and its related services developed in Pakistan is exempt from tax up to June 30, 2021 provided that eighty per cent of the export proceeds are brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels. After June 30, 2021 Income of the Company from export of computer software or IT services or IT enabled services is allowed a tax credit equal to 100% of tax payable up to June 30, 2025 subject to realization of eighty per cent of the export proceeds into Pakistan through normal banking channels and in foreign exchange remitted from outside Pakistan along with fulfilment of other filing requirements as per Section 65F 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.

	2021	2020
	Rupees in '000'	
Reconciliation of income tax expense for the year		
Accounting Profit	261,183	406,313
Enacted tax rate	29%	29%
Tax on accounting profit at enacted rate	75,743	117,831
Tax effect on income exempt from tax	(32,502)	(4,336)
Tax effect of income taxed at different rates	(13,754)	(11,701)
Adjustment against tax demand	1,517	-
Prior year tax effect	1,525	-
International taxation effect	37,068	59,679
	69,596	161,473

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.

34. EARNINGS PER SHARE

Basic		
Profit after taxation for the year	191,587	244,840
Average number of ordinary shares in issue during the year	34.1	89,837
Basic - In Rupees	2.13	2.73
Diluted		
Profit after taxation for the year	191,587	244,840
Average number of ordinary shares in issue during the year	34.2	89,837
Diluted - In Rupee	2.13	2.73
34.1 Weighted average number of ordinary shares (basic)		
Issued ordinary shares as at July 1	89,837	89,723
Weighted average of shares issued during the year	-	106
Weighted average number of ordinary shares (basic) as at June 30	89,837	89,829
34.2 Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares (basic)	34.1	89,837
Effect of exercise of share options	-	6
Weighted average number of ordinary shares (diluted) as at June 30	89,837	89,835

35. 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	
	2021	2020	2021	2020	2021	2020
	Rupees in '000'					
Managerial remuneration	13,920	9,120	13,760	8,360	1,217,098	1,141,172
Retirement benefits	1,267	730	1,242	669	82,417	66,318
Rent and house maintenance	5,568	3,648	5,504	3,344	446,839	421,345
Utilities	1,392	912	1,376	836	111,710	105,336
Medical expenses	2,031	1,225	1,879	1,554	53,440	44,294
Commission / Bonus	-	-	-	-	174,362	48,620
Total	24,179	15,635	23,761	14,763	2,085,866	1,827,086
No. of Persons	1	1	1	1	512	439

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

During the current year no executive of the company exercised stock options under employee stock option scheme according no share (2020: 114,000 shares) 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 million (2020: 2.02 million)

36. 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:

		2021	2020
		Rupees in '000'	
Total debt		1,872,079	1,664,748
Less : Cash and cash equivalents	36.1	(3,758,821)	(2,081,859)
Net debt		-	-
Total equity	36.2	7,103,817	6,897,498
Gearing ratio (In percentage)		0.0%	0.0%

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

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

37. 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.

		2021	2020
		Rupees in '000'	
Relationship with the Company	Nature of transactions		
(i) Subsidiary	Dividend income	-	213,888
(ii) Associated undertaking	Rental income	900	900
	Provision of services	1,936,962	1,162,518
	Purchase of services	29,609	29,437
	Purchase of assets	-	575
(iii) Parent	Commission	39,575	-
	Dividend	-	116,417
(iv) Post Employment benefit	Contribution to defined contribution plan	131,554	113,863

Notes to the Financial Statements

For the year ended June 30, 2021

37.1 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	USA	Associate	Nil
OTOZ Thailand Limited	Thailand	Sister concern	Nil
Ascent Europe Limited	UK	Sister concern	Nil

37.2 Details of associated Companies with whom the Company had entered into transaction or had agreements other than already disclosed in note 37.1 above are as follows:

Company Name	Basis of Relationship	Common directorship	Percentage of shareholding
NetSol Innovation (Pvt) Limited	Wholly owned Subsidiary	Yes	Nil
NetSol Connect (Pvt) Limited	Sister concern	Yes	Nil
Nadoz Greenz	Common directorship	Yes	Nil
HospitALL Pvt Ltd	Associate	No	Nil

38. 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:

		2021	2020
		Rupees in '000	
Financial Assets			
Amortized cost			
Trade debts	38.1	1,649,836	2,200,933
Loans and advances		6,422	7,538
Trade deposits & short term prepayments		4,240	4,741
Other receivables		7,126	8,672
Due from related parties		445,737	373,619
Bank balances	38.2	3,748,839	2,068,643
		5,862,200	4,664,146

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

38.2 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+	AAA	JCR-VIS
Dubai Islamic Bank Pakistan Limited	A-1+	AA	JCR-VIS
Al Baraka Bank	A-1	A	PACRA
Habib Metropolitan Bank	A-1+	AA+	PACRA

(b) 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. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate actions for new requirements. Following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	2021			
	Carrying amount	Contractual cash flows	One year or less	Two to five years
	Rupees in '000'			
Non-derivative				
Financial liabilities				
Finance lease liability	17,913	18,749	16,482	2,266
Trade and other payables	385,656	385,656	385,656	-
Short-term borrowings	1,580,000	1,627,400	1,627,400	-
Long term borrowings	274,166	280,835	183,809	97,026
	2,257,735	2,312,640	2,213,347	99,292
	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	-
	232,043	242,061	65,031	177,030
	1,846,652	1,903,355	1,710,753	192,602

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, 2021

	2021	2020
	Rupees in '000'	
Financial assets		
Bank balances	3,556,036	1,884,858
Financial Liabilities		
Finance lease liability	17,913	52,705
Long term loan	274,166	232,043
Short-term borrowings	1,580,000	1,380,000
	1,872,079	1,664,748

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	3,719	21,354
100 bps decrease will result in decrease in profit by	3,719	21,354

((d) Foreign Currency Risk

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

Exposure to currency risk

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

Trade Debts	1,649,836	2,200,933
Cash & bank balances	367,314	269,775
Due from related parties	419,867	349,289
Due to related parties	(4,559)	(11,561)
Net Exposure	2,432,458	2,808,436

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¥, Euro€, HKD & THBB 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 2020.

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

As at 30 June

Strengthening	(1,472,479)	(813,986)
Weakening	1,472,479	813,986

((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.

38.3 Financial Instruments By Category
Financial Assets at amortized cost

	2021	2020
	Rupees in '000'	
Trade debts	1,649,836	2,200,933
Loans and advances	6,422	7,538
Trade deposits & short term prepayments	4,240	4,741
Other receivables	7,126	8,672
Due from related parties	445,737	373,619
Bank balances	3,748,839	2,068,643
	5,862,200	4,664,146
Financial liabilities at amortised cost		
Finance lease liability	17,913	52,705
Trade and other payables	385,656	181,904
Long-term borrowings	274,166	232,043
Short-term borrowings	1,580,000	1,380,000
	2,257,735	1,846,652

39. DISCLOSURE REQUIREMENT FOR THE COMPANIES LISTED ON ISLAMIC INDEX

Loans/advances obtained as per Islamic mode	Disclosed in Note no. 23
Shariah compliant bank deposits/bank balances	Disclosed in Note no. 16
Profit earned from shariah compliant bank deposits/bank balances;	Disclosed in Note no. 30
Revenue earned from a shariah compliant business segment;	Disclosed in Note no. 26
Gain/loss or dividend earned from shariah compliant investments;	N/A
Exchange gain earned;	N/A
Mark up paid on Islamic mode of financing;	Disclosed in Note no. 32
Relationship with shariah compliant banks	Disclosed in Note no. 23
Profits earned or interest paid on any conventional loan or advance	Disclosed in Note no. 30 & 32

40. 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:

	2021 (Unaudited)	2020 (Audited)
	Rupees in '000'	
Size of the fund - Total Assets	1,284,757	1,077,520
Cost of investment made	949,975	873,226
Percentage of investment as size of fund	74%	81%
Fair value of investments	978,548	879,583

40.1 The breakup of fair value of investments is

	2021		2020	
	Investments Rupees in '000'	Percentage of investment as size of fund	Investments Rupees in '000'	Percentage of investment as size of fund
Bank Balances	567,385	44%	807,230	75%
Investment in Listed Equity Securities	222,441	17%	15,988	1%
Others	160,149	12%	50,008	5%
	949,975	74%	873,226	81%

40.2 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, 2021

41. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at June 30, 2021 and 2020 respectively as follows:

	2021	2020
	No of Employees	
Average number of employees during the year	1,268	1,205
Number of employees as at year end	1,279	1,219

42. ANNUAL SOFTWARE DEVELOPMENT CAPACITY

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

43. CORRESPONDING FIGURES

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

44. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 22, 2021 by the Board of Directors.

45. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The Outbreak of COVID-19 pandemic in January 2020 has impacted the whole world negatively. To reduce its spread, Government of Pakistan took immediate measures including lockdown of businesses. However, this lockdown didn't have any negative impact on Company's business as we, being a software house involved in export of IT products & services, continued our business using work from home model. With NETSOL's state of the art remote working infrastructure and business continuity plans already in place, we continued serving our customers without any problem. In fact, we were the first company in our domain to start working from home which went quite well and few of our customers also went live remotely during the last year. After availability of vaccine, we have started hybrid model of working with major percentage of people still working remotely while rest working from office. In fact, this has become a new normal and we believe that this hybrid work model will continue even when this pandemic is over. With signing of new deals even during pandemic, strong backlog of contracts in hand and the traction we have regained with the prospective customers, the management has assessed that there is no significant financial or accounting impact of this pandemic on these financial statements.

46. FIGURES

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER



CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

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, 2021, 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, 2021, 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 basis of measurement of the subsidiary company as 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 4.9 and 27 to the financial statements.</p> <p>Revenue recognized during the year ended June 30, 2021 includes Rs. 1,936.96 Million (2020: 1,162.5 Million) from related parties.</p> <p>Revenue is derived from a number of revenue streams, and key streams include license, rendering of services and subscription and support. 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 subscription and support 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"> • Obtained an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period. • Assessed the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards. • Selected a sample of transactions recognized in revenue during the year and recalculating the revenue recognized with underlying contracts. • Checked 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. • Agreed license revenues to signed contracts or software license agreements. • Agreed the revenue to subsequent payment as evidence of collectability. • Assessed the split of contracts to challenge and gain sufficient comfort around the level of software license revenue being recognized under bundled contracts. • Reviewed 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. • Compared, 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 4.9, 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 Muhammad Yousaf.



H.Y.K and Co.
Chartered Accountants
Lahore

Date: September 22, 2021

Consolidated Statement of Financial Position

As at June 30, 2021

	NOTE	2021 Rupees in '000'	2020
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	5	1,605,866	1,550,068
Intangible assets	6	627,393	920,897
		2,233,259	2,470,965
Long term investment	7	178,519	209,764
Long term loans to employees	8	3,552	1,571
		2,415,330	2,682,300
CURRENT ASSETS			
Trade debts	9	1,649,836	2,200,933
Contract asset	10	1,163,155	1,652,633
Loans and advances	11	16,363	14,145
Trade deposits & short term prepayments	12	84,626	25,672
Other receivables	13	7,126	8,672
Due from related parties	14	445,737	373,619
Taxation - net	15	16,455	16,533
Cash & bank balances	16	3,795,397	2,115,872
		7,178,695	6,408,079
TOTAL ASSETS		9,594,025	9,090,379

The annexed notes from 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

	NOTE	2021 Rupees in '000'	2020
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	898,369
Share deposit money		13	13
Reserves	19	6,217,450	6,009,760
		7,115,832	6,908,142
Non - controlling Interest		-	-
		7,115,832	6,908,142
NON-CURRENT LIABILITIES			
Long term financing	20	95,920	172,500
Lease liabilities	21	2,106	14,924
		98,026	187,424
CURRENT LIABILITIES			
Trade and other payables	22	403,366	194,276
Contract liabilities	23	198,508	311,541
Short term borrowings	24	1,580,000	1,380,000
Current portion of long term liabilities	25	194,053	103,106
Unclaimed dividend		4,240	5,890
		2,380,167	1,994,813
CONTINGENCIES & COMMITMENTS	26	-	-
TOTAL EQUITY AND LIABILITIES		9,594,025	9,090,379

The annexed notes from 1 to 49 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

Consolidated Statement of Profit or Loss

For the year ended June 30, 2021

	NOTE	2021 Rupees in '000'	2020
Revenue from contracts with customers - Net	27	4,947,559	4,708,374
Cost of revenue	28	(3,147,147)	(3,142,330)
Gross Profit		1,800,412	1,566,044
Selling and promotion expenses	29	(547,595)	(455,264)
Administrative expenses	30	(760,438)	(768,099)
		(1,308,033)	(1,223,363)
Operating profit		492,379	342,681
Other income	31	153,664	254,715
		646,043	597,396
Other operating expenses	32	(296,635)	(275,504)
Finance cost	33	(58,859)	(48,518)
Loss of share from Associate		(27,203)	(66,785)
Profit before taxation		263,346	206,589
Taxation	34	(70,387)	(162,476)
Profit after taxation for the year		192,959	44,113
Attributable to:			
Equity holders of NetSol Technologies Limited		192,959	36,024
Non - controlling interest		-	8,089
		192,959	44,113
Earnings per share			
Basic - In Rupees	35	2.15	0.40
Diluted - In Rupees	35	2.15	0.40

The annexed notes from 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

Consolidated Statement of Other Comprehensive Income

For the year ended June 30, 2021

	2021	2020
	Rupees in '000'	
Profit after taxation for the year	192,959	44,113
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	(4,042)	(16,830)
Total comprehensive income for the year	188,917	27,283
Attributable to:		
Equity holders of NetSol Technologies Limited	188,917	19,194
Non - controlling interest	-	8,089
	188,917	27,283

The annexed notes from 1 to 49 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

Consolidated Statement of Cash Flows

For the year ended June 30, 2021

	NOTE	2021 Rupees in '000'	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation for the year		263,346	206,589
Adjustments for non cash charges and other items:			
Depreciation - own assets		216,201	176,290
Amortization of Right of use assets		19,860	28,479
Amortization of intangible assets		293,504	293,504
Loss / (Gain) on disposal of fixed assets		8,540	(3,776)
Amortization of deferred revenue		(2,454)	(2,686)
Foreign exchange Loss / (Gain)		119,655	(98,805)
Interest expense		75,449	47,445
Interest income		(150,310)	(179,235)
Deferred employee compensation expense		18,773	39,718
Amortization of deferred grant		(17,874)	(507)
Provision for expected credit losses		98,788	104,340
Share of loss of Associate		27,203	66,785
		707,335	471,552
<i>Cash generated from operations before working capital changes</i>		970,681	678,141
Working Capital Changes			
Trade debts & Contract Assets/Liabilities		709,099	30,185
Loans and advances		(4,199)	37,016
Trade deposits & short term prepayments		(58,954)	(4,724)
Other receivables		1,546	(1,453)
Due from related parties		(72,118)	(350,502)
Trade and other payables		201,065	(297,224)
<i>Cash generated from / (used in) operations</i>		776,439	(586,702)
Interest paid		(67,424)	(45,805)
Income taxes paid		(70,309)	(126,293)
Dividend paid		(1,650)	(463,724)
<i>Net cash generated from / (used in) operations</i>		1,607,737	(544,383)
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		(316,899)	(104,841)
Sales proceeds of fixed asset		19,500	17,387
Advances against capital expenditure		(3,000)	22,854
Long Term Investment		-	(14,875)
Interest received		150,310	179,235
<i>Net cash (used in) / generated from investing activities</i>		(150,089)	99,760
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of share capital		-	1,140
Share premium		-	714
Paid against lease liabilities		(39,065)	(46,374)
Received against lease liabilities		4,273	-
Long term payable		51,976	209,391
Deferred grant		8,021	20,609
Short term borrowing		200,000	327,000
Long term advances		(3,328)	(5,087)
<i>Net cash generated from financing activities</i>		221,877	507,393
<i>Net increase in cash and cash equivalents</i>		1,679,524	62,770
<i>Cash and cash equivalents at the beginning of the year</i>		2,115,872	2,053,102
<i>Cash and cash equivalents at the end of the year</i>		3,795,397	2,115,872

The annexed notes from 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

Consolidated Statement of Changes in Equity

For the year ended June 30, 2021

	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 reserve			
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 profit for the year									
June 30, 2020	-	-	-	-	-	36,024	36,024	8,089	44,113
Other comprehensive (loss)					(16,830)	-	(16,830)		(16,830)
Total comprehensive (loss) / profit for the period					(16,830)	36,024	19,194	8,089	27,283
Amount received against options exercised		1,872				-	1,872	-	1,872
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)
Increase of parent's shareholding in subsidiary						-	4,361	4,361	(19,236)
Lapse of 13,500 share options			(20)				(20)		(20)
Contribution of parent on account of employee share options			39,718				39,718		39,718
	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
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	-	-	-	-	-	192,959	192,959	-	192,959
Other comprehensive (loss) for the period					(4,042)		(4,042)		(4,042)
Total comprehensive (loss) / profit for the period					(4,042)	192,959	188,917	-	188,917
Contribution of parent on account of employee share options	-	-	18,773	-		-	18,773	-	18,773
	-	-	18,773	-	(4,042)	192,959	207,690	-	207,690
Balance as at June 30, 2021	898,369	13	225,328	304,167	(20,872)	5,708,827	7,115,832	-	7,115,832

The annexed notes from 1 to 49 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

Notes to the Consolidated Financial Statements

For the year ended June 30, 2021

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
4 Central Senayan 2 Building, 16th Floor, Asia Afrika Street, No. 8, Senayan, Kebayoran Baru, South Jakarta, DKI Jakarta, 12190	Branch office

NetSol Innovation (Private) Limited ('the subsidiary Company' or 'Subsidiary') is incorporated in Pakistan as a private limited company and is a wholly owned 100% (2020: 100%) subsidiary of NetSol Technologies Limited. 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

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, 2020.

2.5 Standards and interpretations that became effective

There are certain standards, amendments and interpretations to the accounting and reporting standards which are mandatory for accounting periods beginning on or after July 1, 2020. These are considered not to be relevant or to 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 these financial statements.

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

		Effective for periods beginning on or after
IAS 1	Presentation of Financial Statements (Amendments)	Jan-01-2022 & Jan-01-2023
IAS 8	Accounting Policies, Changes in Accounting	Jan-01 2023
IAS 12	Income Taxes [Amendments]	Jan-01 2023
IAS 16	Property, Plant and Equipment [Amendments]	Jan-01 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets [Amendments]	Jan-01 2022
	Annual improvements to IFRS Standards (2018-2020 cycle)	Jan-01 2022

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.

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. During the year below change in accounting estimate is made:

3.1 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. 27.43 Million for the year ended June 30, 2021. Effect of change in accounting estimate for future periods is not disclosed because estimating it is impracticable.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2021

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

- i. Provision for Expected Credit Losses on Accounts Receivable / 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
- vii. Revenue recognition
- viii. Long term investment in Associate

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented except otherwise stated.

4.1 Property, plant and equipment

(i) Owned assets

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

Depreciation is charged by applying straight line 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 straight line 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.

4.2 Intangible assets

Research and software products development

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

There are two components of intangible assets:

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

(a) In-house developed intangible assets

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

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

4.3 Impairment 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.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2021

4.4 Foreign currency translation

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

4.5 Staff benefits

(i) Retirement benefits

The Group operates 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.

4.6 Taxation

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

4.7 Creditors, accruals and provisions

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

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

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

4.8 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.

4.9 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) subscription and support, which includes subscription and post contract support, of its enterprise software solutions for the lease and finance industry. The Group offers its software using both traditional on-premises licensing model and Software as a Service (SaaS) 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 Group generates its non-core revenue by providing business process outsourcing ("BPO") services and other services (including subscription and support 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:

Notes to the Consolidated Financial Statements

For the year ended June 30, 2021

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) Subscription and Support:

Subscription revenue is recognized ratably over the initial subscription period committed to by the customer commencing when the product is made available to the customer. The initial subscription period is typically 12 to 60 months. The Company generally invoices its customers in advance in quarterly or annual installments and typical payment terms provide that customers make payment within 30 days of invoice. Performance obligation against support revenue is recognized ratably over the term of the support 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 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 subscription and support 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:

- 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).

Notes to the Consolidated Financial Statements

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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.

4.10 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.

4.11 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.

4.12 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.

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 consolidated 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 consolidated 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.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2021

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.

4.13 Dividend and appropriation to reserves

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

4.14 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.

4.15 Fair value

The fair value of financial instruments that are actively traded in organized financial markets is determined by 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.

4.16 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.

4.17 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, 2021. 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.

4.18 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

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4.19 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.

4.20 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.

4.21 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.

4.22 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).

4.23 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	2021 Rupees in '000'	2020
5. PROPERTY, PLANT & EQUIPMENT			
Net book value of owned assets	5.1	1,522,391	1,451,130
Net book value of Right of Use Assets	5.4	80,475	98,938
Advances against capital expenditure	5.6	3,000	-
		1,605,866	1,550,068

5.1 Following is statement of owned assets

	2021								
Particulars	COST			DEPRECIATION					Net book value as at June 30, 2021
	As at Jul 01, 2020	Additions / (Deletions)	As at June 30, 2021	Rate %	As at Jul 01, 2020	Adjustment during the year	Charge for the year	As at June 30, 2021	
	Rupees In '000'								
Tangible Assets									
Land - freehold	254,229	-	254,229	-	-	-	-	-	254,229
		-							
Building on free hold land	952,561	-	952,561	5	305,232	-	32,366	337,598	614,963
		-							
Furniture & fixtures	74,032	326	74,358	10	30,684	-	10,741	41,425	32,933
		-				-			
Vehicles	164,947	100,591	238,040	20	85,989	2,677	24,385	94,461	143,579
		(27,498)				(18,590)			
Computers	1,548,208	173,248	1,704,347	20-33	1,303,181	-	97,300	1,384,382	319,965
		(17,109)				(16,100)			
Air conditioners	66,646	651	67,297	10	25,797	-	8,359	34,156	33,141
		-							
Office equipment	67,599	8,994	76,560	10	29,085	-	10,728	39,794	36,766
		(33)				(19)			
Electric fittings	49,371	-	49,371	10	20,908	-	5,859	26,767	22,604
Generator	53,077	-	53,077	10	27,441	-	8,827	36,268	16,809
		-				-			
Intangible Assets									
Software	886,910	34,369	337,425	33	838,133		17,635	290,023	47,402
		(583,854)				(565,745)			
	4,117,580	318,179	3,807,265		2,666,450	2,677	216,201	2,284,874	1,522,391
		(628,494)				(600,454)			

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

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	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 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	143,910	4,117,580		2,485,084	16,573	176,290	2,666,450	1,451,130
		(25,109)				(11,497)			

	Note	2021	2020
		Rupees in '000'	
5.2 Depreciation is allocated in the following manner			
Cost of revenue	28	162,150	132,216
Administrative expenses	30	54,051	44,074
		216,201	176,290

5.3 Particulars of fixed assets disposed off during the year exceeding book value of Rs. 5 million in aggregate and 0.5 million individually are as follows:

	2021					
Particulars	Cost	Net Book Value	Sales Proceeds	Gain/ (Loss)	Mode of Disposal	Particulars of Purchaser
	Rupees In '000'					
Vehicle	2,453	826	1,531	705	Company Policy	Sajid Mukhtar (Employee)
Vehicle	2,478	820	2,518	1,698	Open Market	Muhammad Asad Dogar
Vehicle	2,800	724	2,250	1,526	Open market	Nauman Aslam
Vehicle	2,612	546	2,100	1,554	Company Policy	Shahid Iqbal (Employee)
Vehicle	651	651	700	49	Open Market	Iqbal Transport Co.
	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

5.4 Following is statement of Right of Use assets

	2021								
Particulars	COST			DEPRECIATION					Net book value as at June 30, 2021
	As at Jul 01, 2020	Additions / (Deletions)	As at June 30, 2021	Rate %	As at Jul 01, 2020	Adjustment during the year	Charge for the year	As at June 30, 2021	
	Rupees In '000'								
Vehicles	145,014	4,273 (5,553)	143,734	20	48,908	- (2,677)	18,916	65,147	78,587
Computers	6,308	-	6,308	33	3,476	-	944	4,420	1,888
	151,322	4,273 (5,553)	150,042		52,384	(2,677)	19,860	69,567	80,475

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	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	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)			

	Note	2021 Rupees in '000	2020
5.5 Amortization is allocated in the following manner			
Cost of revenue	28	14,895	21,359
Administrative expenses	30	4,965	7,120
		19,860	28,478

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

	2021							
Particulars	COST			A M O R T I S A T I O N				Net book value as at June 30, 2021
	As at Jul 01, 2020	Additions / (Deletions)	As at June 30, 2021	Rate %	As at Jul 01, 2020	Charge for the year	As at June 30, 2021	
	Rupees In '000'							
In-house Developed Software								
NFS Ascent	2,935,038	-	2,935,038	10	2,014,141	293,504	2,307,645	627,393
	2,935,038	-	2,935,038		2,014,141	293,504	2,307,645	627,393

	2020							
Particulars	COST			A M O R T I S A T I O N				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

		2021	2020
		Rupees in '000'	
6.1 Amortization is allocated in the following manner			
Cost of revenue	28	293,504	293,504
6.2 Remaining amortization period for NFS - Ascent is 2 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	178,519	209,764

7.1 Investment in associate-Foreign company

WRLD3D Inc is incorporated in USA and involved in the ore business of gaming and 3D mapping. 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, 2021 there is no litigation/Default/Breach exists related to WRLD3D and no return is received or gain/loss booked on disposal of investment (2020: Nil). The Company owns 4,092,189 preference BB shares of WRLD3D Inc (12.2% ownership interest) originally valued at \$2,777,778 and uses equity method to account for investment in associate.

Notes to the Consolidated Financial Statements

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The following table illustrates the summarized financial information of associate and its reconciliation with carrying value of the Group's investment in WRLD3D:

	2021 (Unaudited)	2020 (Audited)
	Rupees in '000'	
Non-current assets	38,092	44,268
Current assets	31,936	33,060
Non-current liabilities	(356,843)	(315,623)
Current liabilities	(1,827,602)	(1,768,746)
Equity	(2,114,417)	(2,007,041)
Group's share in equity – 12.2%	(257,959)	(244,859)
Goodwill	442,276	442,276
Impact of foreign currency translation	(5,798)	12,347
Group's carrying amount of the investment	178,519	209,764
Revenue from contracts with customers	84,359	56,934
Loss for the year	(222,975)	(547,418)

8. LONG TERM LOANS TO EMPLOYEES

Loan to employees	5,897	6,867
Less: current maturity	(2,345)	(5,296)
	3,552	1,571

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	1,649,836	2,200,933
Considered doubtful - unsecured	9.3	329,874	233,499
		1,979,710	2,434,432
Less: Provision for Expected Credit Losses		(329,874)	(233,499)
		1,649,836	2,200,933

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

NetSol Technologies (Thailand) Limited	73,609	84,995
NetSol Technologies (Beijing) Company Limited	873,748	702,287
NetSol Australia Pty. Limited	111,747	36,363
NetSol Technologies Americas	247,042	219,825
Ascent Europe Limited	19,441	-
OTOZ Thailand Ltd	77,876	
WRLD3D	242,029	247,362
	1,645,493	1,290,832
Less: Provision for Expected Credit Losses	(327,852)	(156,444)
	1,317,641	1,134,388

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 expected credit losses.

9.4 Movement in provision against expected credit losses is given below:

	2021	2020
	Rupees in '000'	
Balance as at July 1	233,499	143,709
Provision made during the year	96,375	116,869
Provision reversed during the year*	-	(27,079)
Balance as at June 30	329,874	233,499

*Reversal of provision is made in respect of Accounts receivable balance of subsidiary company due to 100% realization of outstanding balance.

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

	2021		2020	
	Rupees in '000'		Rupees in '000'	
	Gross	Impaired	Gross	Impaired
Not past due	298,688	-	270,105	-
Past due 1-180 days	806,199	-	1,448,880	-
Past due 181 days -1 year	470,320	-	223,913	-
More than one year	404,502	-	491,534	-
Total	1,979,710	-	2,434,432	-

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

	2021		2020	
	Rupees in '000'		Rupees in '000'	
	Gross	Impaired	Gross	Impaired
Not past due	127,956	-	49,933	-
Past due 1-180 days	647,134	-	595,444	-
Past due 181 days -1 year	466,002	-	154,734	-
More than one year	404,401	-	490,721	-
Total	1,645,493	-	1,290,832	-

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. 2,253.7 million (2020 : Rs. 1,639.1 million).

10. CONTRACT ASSETS

It represents unbilled debtors arising due to recognition of revenue as per IFRS 15 'Revenue from contracts with customers'.		2021	2020
		Rupees in '000'	
Considered good - unsecured		1,163,155	1,652,633
Considered doubtful - unsecured	10.1	21,628	19,215
		1,184,783	1,671,848
Less: Provision against expected credit losses	10.1	(21,628)	(19,215)
		1,163,155	1,652,633

Notes to the Consolidated Financial Statements

For the year ended June 30, 2021

		2021	2020
		Rupees in '000'	
10.1	Movement in provision against future doubtful contract assets is given below:		
	Balance as at July 1	19,215	31,745
	Provision made / (reversed) during the year	2,413	(12,530)
	Balance as at June 30	21,628	19,215
10.2	There is a net decrease of Rs. 489.48 million in contract assets as compared to last fiscal year (2020: increase of 484.98 million). Explanation of significant changes are as follows:		
	Opening balance-Contract Assets	1,652,633	1,167,646
	Add: Revenue Recognised	3,453,533	3,293,594
	Less: Invoices raised	(3,930,099)	(2,861,101)
	Forex (Loss) / Gain	(10,499)	39,963
	Provision for Expected Credit Losses	(2,413)	12,530
	Closing balance-Contract Assets	1,163,155	1,652,633
11.	LOANS AND ADVANCES - Unsecured -Considered good		
	Current maturity of loans to employees	8	2,345
	Advances		5,296
	- employees		525
	- against expenses	11.1	13,493
			16,363
			14,145
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	4,240	4,741
	Prepayments	80,386	20,931
		84,626	25,672
13.	OTHER RECEIVABLES		
	Guarantee margin	2,340	2,340
	Other receivable - considered good	4,786	6,332
		7,126	8,672

	2021	2020
	Rupees in '000'	
14. DUE FROM RELATED PARTIES		
Considered good - unsecured		
Parent		
NetSol Technologies Limited Inc.	181,368	159,954
Associates:		
NetSol Connect (Pvt) Ltd.	25,870	24,330
OTOZ Thailand Ltd	40,928	45,162
NetSol Technologies (Beijing) Ltd	28,795	5,705
NetSol Technologies North America	10,883	-
NetSol Technologies (Thailand) Limited	157,893	138,468
	445,737	373,619

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. 561.4 million (2020 : Rs. 373.6 million).

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

	2021		2020	
	Rupees in '000'		Rupees in '000'	
	Gross	Impaired	Gross	Impaired
Not past due	26,894	-	194,035	-
Past due 1-180 days	90,676	-	69,518	-
Past due 181 days - 1 year	212,534	-	110,066	-
More than one year	115,634	-	-	-
Total	445,737	-	373,619	-

15. TAXATION - NET		
Tax receivable as at 1 July	16,533	52,716
Tax payments	29,956	67,583
Provision for taxation	(30,034)	(103,766)
	16,455	16,533

16. CASH AND BANK BALANCES				
With banks				
Saving accounts-Local currency	16.1	3,421,001	1,838,958	
Saving accounts-Foreign currency	16.1	171,566	79,882	
Current accounts-Local currency	16.2	4,407	735	
Current accounts-Foreign currency	16.2	188,396	183,050	
		3,785,370	2,102,625	
In hand		10,027	13,247	
		3,795,397	2,115,872	

16.1 The balances in savings accounts bear mark up at 5.44% to 7.25% per annum. (2020 : 6.48% to 13.05% per annum) Balances in saving accounts include Rs. 2,043.26 million maintained in Shariah compliant bank accounts (2020: 1,333.21 million).

16.2 Balances in current accounts include Rs. 188.186 million maintained in Shariah compliant bank accounts (2020: 183.55 million).

17. BASIS OF SUBSIDIARY MEASUREMENT:

Subsidiary is 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, 2021, the recoverable amount was estimated for all items of property, plant and equipment and impairment loss of Rs. Nil. (2020: Nil) was identified, therefore no adjustment to the carrying values of property, plant and equipment was required to reflect fair value less costs to sell.

Non Recurring Fair Value Measurements

2021 2020

Non-current assets held for sale

Rupees in '000'

Property, plant and equipment	6,428	7,276
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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 Authorized share capital

2021 2020

2021 2020

Number of shares

Rupees in '000'

150,000,000	150,000,000	Ordinary Shares of Rs. 10 each.	1,500,000	1,500,000
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18.2 Issued, subscribed & paid-up capital

42,686,191	42,686,191	Ordinary Shares of Rs. 10 each fully paid in cash	426,862	426,862
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	89,836,923		898,369	898,369

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

Number of shares

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

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% (2020 : 66.12%) of issued capital of the Company.

18.7 The holding Company is not subject to any externally imposed capital requirements for the financial years 2020 and 2021.

18.8 During the year Nil shares (2020: 114,000 shares) were issued against options exercised. Weighted average share price at the date of exercise of options was Rs. Nil (2020: 59.76) per share.

		2021	2020
		Rupees in '000'	
19. RESERVES			
Capital reserve			
Premium on issue of ordinary shares		304,167	304,167
Employee share option compensation reserve	19.1	225,328	206,555
Foreign currency translation reserve		(20,872)	(16,830)
Revenue reserve			
Un - appropriated profit		5,708,827	5,515,868
		6,217,450	6,009,760
19.1 EMPLOYEE SHARE OPTION COMPENSATION RESERVE			
Balance at the beginning of the period		206,555	167,025
Lapse of Share Options		-	(20)
Amount transferred to Capital reserve on exercise of options		-	(168)
Contribution of parent on account of employee share options		18,773	39,718
Balance at the end of the period		225,328	206,555
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%	
		Number of options	
Options outstanding at the beginning of the year		-	127,500
Options lapsed during the year		-	(13,500)
Options exercised during the year		-	(114,000)
Options outstanding at the end of the year		-	-
		2021	2020
		Rupees in '000'	
20. LONG TERM FINANCING			
Long term Finance facility	20.1	250,429	211,941
Deferred grant	20.2	10,249	20,102
Sale & Leaseback obligations		13,488	
Less: Current portion shown under current liabilities:			
Current portion of Long term finance facility		(164,254)	(49,546)
Current portion of deferred grant		(9,537)	(9,996)
Current portion of Sale & Leaseback obligations		(4,456)	-
		(178,246)	(59,543)
		95,920	172,500
20.1	The Company has availed SBP Refinance scheme for salaries and wages which was announced by the State Bank in April 2020. The facility is availed from Askari Bank Limited and the total availed amount under this facility was Rs. 345 million (2020: Rs 230 million). The facility is repayable in two and half years (including six month grace period). Repayment will be made in eight equal quarterly instalments commencing from 1st January 2021. This facility carries 3% per annum mark up rate and is secured against the current and future fixed and current assets of the Company, detail of which is provided in note 23.1.1. Unused facility available under the above arrangement as at 30 June 2021 amounted to Rs. Nil (2020: Rs. 115 million).		

Notes to the Consolidated Financial Statements

For the year ended June 30, 2021

	2021	2020
	Rupees in '000'	
20.2 DEFERRED GRANT		
Balance as at beginning of the year	20,102	-
Received during the year	8,021	20,609
Amortized to the statement of profit or loss	(17,874)	(507)
Balance as at end of the year	10,249	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 19.1. 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. 8.021 million during the year (2020: Rs. 20.609 million) and Rs. 17.874 million has been amortised during the year (2020: 0.507 million).

21. LEASE LIABILITIES		
Present value of minimum lease payments	17,913	52,705
Current portion of obligations shown under current liabilities	(15,807)	(37,782)
	2,106	14,924

Present value of minimum lease payments have been discounted at an implicit interest rate ranging between 8.49 % to 15.14% (2020 : 12.47 % to 15.40%) 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:

	2021		
	Minimum Lease Payment	Future Finance Charges	Present Value of Lease Liability
Not later than one year	16,482	675	15,807
Later than one year but not later than five years	2,266	160	2,106
	18,749	835	17,913
	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

		2021	2020
		Rupees in '000'	
22. TRADE AND OTHER PAYABLES			
Creditors	22.1	18,633	33,332
Accrued liabilities		300,907	91,187
Interest accrued - secured		13,897	5,872
Due to related party - unsecured	22.2	4,559	11,561
Withholding tax		21,245	16,422
Provident fund payable		40,566	19,956
Other payables		3,559	6,439
Sales tax payable		-	1,215
WWF payable		-	8,292
		403,366	194,276
22.1	Creditors include Rs. 0.28 Million (2020: Nil) payable to a related party Nadoz greenz and Rs. 0.38 Million payable to a related party HospitAll Pvt Ltd (2020: 0.58M).		
22.2 Due to related party - unsecured			
Associated			
NetSol Technologies Europe Ltd	22.2.1	4,559	11,561
		4,559	11,561
22.2.1	This relates to normal course of business of the Group and is interest free.		
23. CONTRACT LIABILITIES			
It represents license, subscription and support 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 subscription and support fee is transferred to revenue over the time.			
There is decrease of Rs. 113.03 million in contract liabilities as compared to last fiscal year (2020: Increase of Rs. 157.28 million). Explanation of significant changes are as follows:			
Opening balance Contract Liabilities		311,541	468,828
Add Invoices raised		1,482,624	1,350,438
Less: Revenue recognized		(1,581,271)	(1,483,634)
Less: Catch up adjustment to revenue		(14,388)	(24,089)
Closing balance Contract Liabilities		198,508	311,541
24. SHORT TERM BORROWINGS			
Export refinance - ERF - II secured	24.1	1,580,000	1,380,000
		1,580,000	1,380,000

		2021	2020
		Rupees in '000'	
24.1	EXPORT REFINANCE/LAPC/RF - SECURED		
	Askari Bank Limited - ERF - II	24.1.1	500,000
	Samba Bank Limited - ERF - II	24.1.2	380,000
	Habib Metro Bank Limited - Istisna/ Al Bai - Islamic Banking	24.1.3	700,000
			1,580,000
			1,380,000

24.1.1 The facility for export refinance (ERF)/FAPC is available from Askari Bank Limited amounting to Rs. 500 million (2020 : Rs. 500 million), availed Rs. 500 million (2020 : Rs. 500 million.) It carries mark-up of State Bank Refinance Rate+1% per annum (2020 : State Bank Refinance Rate+1% per annum). The interest rate charged for fiscal year 2021 was 3% (2020 : 3%). The due balance is payable bi-annually.

A sublimit of export refinance amounting under FE 25 is also sanctioned amounting to \$ 3 million (2020 : \$ 3 million)

The company also has a running finance facility of Rs. 75 million (2020 : 75 million) for working capital requirement. It carries markup at the rate of 3 month Kibor + 2%. (2020 : 3 month Kibor + 2%). As at June 30, 2021, Nil was outstanding against this facility. (2020: Nil).

A facility for issuance of guarantees (LG) as a sublimit of Running Finance (RF) is also available upto Rs. 40 million (2020 : Rs. 40 million), availed Rs. 8 million. (2020 : Rs. 11.488 million). A sublimit of RF upto Rs. 10 million (2020 : Rs. 10 million) is also available for corporate credit cards.

Unused running finance facility amount (including its sublimits) as at June 30, 2021 is Rs. 57 million (2020: 53.512 million).

The facilities from Askari Bank Limited are secured by way of Joint Pari Passu charge over Company's all present and future current assets amounting to Rs. 536.67 million (2020: 1st ranking Pari Passu charge Rs. 767 million) and Joint Pari Passu charge of Rs. 690 million over fixed assets of the company (2020: 1st ranking Pari Passu charge of Rs. 767 million). The facilities are also secured by way of 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.

24.1.2 The facility for ERF/LAPC/RF is available from SAMBA bank Limited amounting to Rs. 500 million (2020 : Rs. 500 million), availed ERF Rs. 380 million (2020 : Rs. 380 million), LAPC Rs. Nil (2020 : Nil) and RF Rs. Nil (2020: NIL). ERF carries mark-up at State Bank Refinance Rate+1% per annum (2020: State Bank Refinance Rate+1%). Interest rate charged for the fiscal year 2021 for ERF was 3% (2020 : 3%). LAPC/RF carry markup at the rate of 3 month Kibor+1.5% (2020 : 3 month Kibor+1.5%). The due balance of ERF/LAPC is payable bi-annually.

The unused ERF/LAPC/RF facility as at June 30, 2021 is Rs. 120M (2020: Rs. 120M)

These facilities are secured by way of Joint Pari Passu charge over Company's all present and future current assets amounting to Rs. 291.67 million (2020: 1st Pari Passu charge of Rs. 667 million) and Joint Pari Passu charge of Rs. 375 million over fixed assets of the company (2020: 1st Pari Passu charge of Rs. 667 million). The bank also has 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.

24.1.3 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 (2020 : Rs. 900 million), availed Rs. 700 million (2020 : Rs. 500 million). It carries profit at State Bank Refinance Rate+1% per annum (2020 : State Bank Refinance Rate+1% per annum). The profit charged for fiscal year 2021 was 3% (2020 : 3%). The due balance is payable bi-annually.

A sublimit of export refinance amounting to Rs. 900 million under FE 25 is also sanctioned (2020 : Rs. 900 million) which carries profit at the rate of 2.75% (2020: 2.75%). A sublimit of export refinance amounting to Rs. 900 million under Working Capital Musharika is also available (2020 : Rs. 900 million) and carries profit at the rate of Monthly Kibor+0.25% (2020: Monthly Kibor+0.25%). As a sublimit of export refinance, LG amounting to Rs. 25 million is also available (2020 : Rs. 25 million), availed Rs.3.9 million (2020 : NIL). It carries commission at the rate of 0.10% per quarter (2020: 0.10%).

These facilities are secured by way of Joint Pari Passu charge over Company's all present and future current assets amounting to Rs. 525 million (2020: Ranking charge upgradeable into Pari Passu charge of Rs. 300 million) and Joint Pari Passu charge of Rs. 675 million over fixed assets of the company (2020: Ranking charge upgradeable into Pari Passu charge of Rs. 900 million).

The facilities are secured by way of equitable mortgage over 9 Kanal, 2 Kanal and 16 Marla properties, all located at Ghazi road, Lahore Cantt and also by way of personal guarantee of Mr. Salim Ullah Ghauri.

- 24.1.4** 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, 2021, the company is fully compliant with all loan covenants.

		2021	2020
		Rupees in '000'	
25. CURRENT PORTION OF LONG TERM LIABILITIES			
Current portion of long term financing	20	164,254	49,546
Current portion of deferred grant	20	9,537	9,996
Current portion of Sale & Leaseback obligations	20	4,456	-
Current portion of lease liability	21	15,807	37,782
Current portion of Deferred Income		-	2,454
Current portion of long term advances		-	3,328
		194,053	103,106

26. CONTINGENCIES & COMMITMENTS

26.1 Contingencies

- 26.1.1** Mr. Ahsan Zubair, ex-employee of the Company has filed a case for recovery of damages dated 26th January 2013 for malicious prosecution before the civil court, Lahore and has sought damages to the tune of PKR 500 million. The case was filed five years after a complaint lodged by NETSOL with Federal Investigation Authority 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 the case is barred by the laws relating to limitation. 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 no chances of the case being allowed and there is no likelihood of this case having any adverse financial impact on the Company.

26.2 Commitments

- 26.2.1** The Company has issued worth Rs. 11.9 million (2020: 11.488 million) bank guarantees to LESCO and Standard Chartered Bank against its corporate credit cards.
- 26.2.2** The Company has capital commitments of Rs. 6.889 Million under capital purchase agreements as at June 30, 2021. (2020: Rs. Nil)

Notes to the Consolidated Financial Statements

For the year ended June 30, 2021

		2021	2020
	Note	Rupees in '000'	
27. REVENUE FROM CONTRACTS WITH CUSTOMERS			
DISAGGREGATION OF REVENUE:			
Export Revenue			
License		398,936	389,129
Services		2,459,674	2,573,266
Subscription and Support		2,088,949	1,733,882
		4,947,559	4,696,277
Local Revenue			
Subscription and Support		-	14,033
Sales tax		-	(1,936)
		-	12,097
		4,947,559	4,708,374
27.1 Amount of revenue recognized from beginning balance of contract liabilities:			
Opening balance-Contract Liabilities:		311,541	468,828
Revenue recognized		311,541	468,828
27.2 The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June are, as follows:			
Within one year		1,408,771	1,095,503
More than one year		4,710,439	5,818,123
Total		6,119,210	6,913,626
28. COST OF REVENUE			
Salaries & benefits	28.1	2,354,176	1,990,473
Software licenses		94,869	52,948
Staff training		1,945	1,036
Travelling & conveyance		38,653	430,336
Communication		50,945	44,539
Utilities		24,759	26,391
Printing & stationery		330	1,155
Entertainment		15,064	37,558
Insurance		590	518
Vehicle running & maintenance		48,948	58,586
Repair & maintenance		45,899	49,339
Fee & subscription		420	2,372
Depreciation	5.2	162,150	132,216
Amortization of leased assets	5.5	14,895	21,359
Amortization of intangible assets	6.1	293,504	293,504
		3,147,147	3,142,1330

28.1. Salaries and benefits include Rs. 99.08 million (2020 : Rs. 85.54 million) in respect of retirement benefits.

		2021	2020
		Rupees in '000'	
29. SELLING AND PROMOTION EXPENSES			
Salaries & benefits	29.1	262,157	311,841
Staff training		-	80
Rent, rates & taxes	29.2	9,192	12,456
Travelling and conveyance		5,979	41,033
Communication		4,182	3,151
Utilities		1,479	1,837
Printing & stationery		30	463
Entertainment		705	2,328
Insurance		1,686	2,018
Vehicle running expenses		6,671	9,046
Repairs and maintenance		1,975	8,812
Commission on sales		250,720	48,621
Sale promotional expenses		2,819	13,578
		547,595	455,264
29.1 Salaries and benefits include Rs. 8.43 million (2020 : Rs. 6.74 million) in respect of retirement benefits.			
29.2 Rent, rates & taxes represent Expense in respect of short term leases.			
30. ADMINISTRATIVE EXPENSES			
Salaries and benefits	30.1	506,315	469,769
Staff training		434	616
Rent, rates and taxes	30.2	19,977	28,812
Travelling and conveyance		9,426	44,474
Communication & postage		22,449	20,516
Printing and stationery		1,461	2,699
Utilities		18,428	19,192
Entertainment		19,171	28,393
Insurance		6,797	7,228
Advertisement		712	1,176
Vehicle running expenses		21,963	24,561
Repairs and maintenance		17,856	22,445
Legal and professional charges		9,332	7,726
Auditors remuneration	30.3	4,100	4,000
Office supplies		4,099	8,031
Charity & donation	30.4	24,105	11,564
Fee & subscription		14,797	15,703
Depreciation	5.2	54,051	44,074
Amortization of leased assets	5.5	4,965	7,120
		760,438	768,099
30.1 Salaries and benefits include Rs. 24.04 million (2020 : Rs. 21.58 million) in respect of retirement benefits.			
30.2 Rent, rates & taxes include expense in respect of short term leases amounted to Rs 14.79 million (2020: 24.31 million).			
30.3 Auditors remuneration			
Audit fee		3,300	2,700
Certifications of group reporting		550	650
Professional services		100	350
Out-of-pocket expenses		150	300
		4,100	4,000

Notes to the Consolidated Financial Statements

For the year ended June 30, 2021

30.4 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	2021	2020
	Rupees in '000'	
Developments in Literacy Foundation	6,354	2,214
Farooq Trust School	1,588	2,202
	7,942	4,416

31. OTHER INCOME

Income from financial assets

Profit on bank deposits & short term investments	31.1	150,310	179,235
		150,310	179,235

Income from non-financial assets

Gain on foreign currency translation		-	68,118
Gain on disposal of assets		-	3,776
Amortization of deferred revenue	31.2	2,454	2,686
Rental income		900	900
		3,354	75,480
		153,664	254,715

31.1 Income is earned under both conventional mark-up arrangement and shariah compliant arrangement. It include Rs. 42.2M profit earned on Sharia compliant bank deposits (2020:81.93M)

31.2 This amount represents amortization of gain on sale and leaseback (Finance Lease) of fixed assets transactions entered into before the initial application of IFRS 16 'Leases'.

32. OTHER OPERATING EXPENSES

Loss on disposal of assets		8,540	-
Loss on foreign currency translation		119,655	-
Research and development cost		69,652	189,952
Provision for expected credit losses		98,788	77,260
Workers Welfare Fund		-	8,292
		296,635	275,504

33. FINANCE COST

Lease finance charges		3,674	11,239
Mark up	33.1	71,775	36,206
Less: Amortization of govt grant	20.2	(17,874)	(507)
Lease documentation charges		15	-
Bank charges		1,269	1,580
		58,859	48,518

33.1 Mark up on loans include Rs. 17.3M paid on islamic mode of financing (2020:3.4M)

34. TAXATION

Current year		(68,618)	(162,476)
Prior year		(1,769)	-
		(70,387)	(162,476)

As per clause 133 of part 1 of the Second Schedule to the Income Tax Ordinance, 2001, income of the Group from export of computer software and its related services developed in Pakistan is exempt from tax up to June 30, 2021 provided that eighty per cent of the export proceeds are brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels. After June 30, 2021 Income of the Group from export of computer software or IT services or IT enabled services is allowed a tax credit equal to 100% of tax payable up to June 30, 2025 subject to realization of eighty per cent of the export proceeds into Pakistan through normal banking channels and in foreign exchange remitted from outside Pakistan along with fulfilment of other filing requirements as per Section 65F 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.

	2021	2020
Reconciliation of income tax expense for the year	Rupees in '000'	
Accounting profit	263,346	206,589
Enacted tax rate	29%	29%
Tax on accounting profit at enacted rate	76,370	59,911
Tax effect of income exempt from tax	(32,582)	55,592
Tax effect of income taxed at different rates	(13,754)	(11,737)
Prior year tax effect	1,769	(969)
FBR Tax demand	1,517	-
International taxation effect	37,068	59,679
	70,387	162,476

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

35. EARNINGS PER SHARE

Basic

Profit attributable to ordinary shareholders of NetSol Technologies Limited		192,959	36,024
Weighted average number of ordinary shares in issue during the year	35.1	89,837	89,829
Basic - In Rupees		2.15	0.40

Diluted

Profit attributable to ordinary shareholders of NetSol Technologies Limited		192,959	36,024
Weighted average number of ordinary shares in issue during the year	35.2	89,837	89,835
Diluted - In Rupees		2.15	0.40

35.1 Weighted average number of ordinary shares (basic)

Issued ordinary shares as at July 1		89,837	89,723
Weighted average of shares issued during the year		-	106
Weighted average number of ordinary shares (basic) as at June 30		89,837	89,829

35.2 Weighted average number of ordinary shares (diluted)

Weighted average number of ordinary shares (basic)	35.1	89,837	89,829
Effect of exercise of share options		-	6
Weighted average number of ordinary shares (diluted) as at June 30		89,837	89,835

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2021	2020	2021	2020	2021	2020
	Rupees in '000'					
Managerial remuneration	13,920	9,120	13,760	8,360	1,217,098	1,141,172
Retirement benefits	1,267	730	1,242	669	82,417	66,318
Rent and house maintenance	5,568	3,648	5,504	3,344	446,839	421,345
Utilities	1,392	912	1,376	836	111,710	105,336
Medical expenses	2,031	1,225	1,879	1,554	53,440	44,294
Commission / Bonus	-	-	-	-	174,362	48,620
Total	24,179	15,635	23,761	14,763	2,085,866	1,827,086
No. of Persons	1	1	1	1	512	439

Notes to the Consolidated Financial Statements

For the year ended June 30, 2021

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

During the current year no executive of the company exercised stock options under employee stock option scheme according no share (2020: 114,000 shares) 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 million (2020: 2.02 million)

37. 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:

		2021	2020
		Rupees in '000'	
Total debt	37.1	1,872,079	1,664,748
Less : Cash and cash equivalents		(3,795,397)	(2,115,872)
Net debt		-	-
Total equity	37.2	7,115,832	6,908,142
Gearing ratio (In percentage)		0%	0%

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

37.2 The total equity includes all the capital and reserves of the Group.

38. TRANSACTION WITH RELATED PARTIES

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

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

Relationship with the Group	Nature of transactions		
(i) Associated undertaking	Rental Income	900	900
	Provision of services	1,936,962	1,162,518
	Purchase of services	29,609	29,437
	Purchase of assets	-	575
(ii) Parent	Commission	39,575	-
	Dividend	-	116,417
(iii) Post Employment benefit	Contribution to defined contribution plan	131,554	113,863

38.1. 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	USA	Associate	Nil
OTOZ Thailand Limited	Thailand	Sister concern	
Ascent Europe Limited	UK	Sister concern	Nil

38.2 Details of associated Companies with whom the group had entered into transaction or had agreements other than already disclosed in note 38.1 above are as follows:

Company Name	Basis of Relationship	Common directorship	Percentage of shareholding
NetSol Connect (Pvt) Limited	Sister concern	Yes	Nil
Nadoz Greenz	Common directorship	Yes	Nil
HospitALL Pvt Ltd	Associate	No	Nil

39. 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:

Notes to the Consolidated Financial Statements

For the year ended June 30, 2021

		2021	2020
		Rupees in '000'	
Financial Assets			
Amortized cost			
Trade debts	39.1	1,649,836	2,200,933
Loans and advances		6,422	7,538
Security deposits		4,240	4,741
Other receivables		7,126	8,672
Due from related parties		445,737	373,619
Bank balances	39.2	3,785,370	2,102,625
		5,898,731	4,698,128

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

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

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

(b) Liquidity risk

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

	2021			
	Carrying amount	Contractual cash flows	One year or less	Two to five years
	Rupees in '000'			
Non-derivative				
Financial liabilities				
Finance lease liability	17,913	18,749	16,482	2,266
Trade and other payables	386,361	386,361	386,361	-
Short-term borrowings	1,580,000	1,627,400	1,627,400	-
Long term borrowings	274,166	280,835	183,809	97,026
	2,258,440	2,313,345	2,214,052	99,292

	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	232,043	242,061	65,031	177,030
	1,847,276	1,903,979	1,711,378	192,602

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:

	2021	2020
	Rupees in '000'	
Financial assets		
Bank balances	3,592,567	1,918,840
Financial Liabilities		
Finance lease liability	17,913	52,705
Long term loan	274,166	232,043
Short-term borrowings	1,580,000	1,380,000
	1,872,079	1,664,748

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.

Impact on Statement of Profit or Loss (net of tax)		
As at 30 June		
100 bps increase will result in increase in profit by	3,719	21,354
100 bps decrease will result in decrease in profit by	3,719	21,354

(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.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2021

Exposure to currency risk

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

	2021	2020
	Rupees in '000'	
Trade Debts	1,649,836	2,200,933
Cash & bank balances	367,314	269,775
Due from related parties	419,867	349,289
Due to related parties	(4,559)	(11,561)
Net Exposure	2,432,457	2,808,436

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¥, Euro€, HKD & THBB 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 2020.

Impact on statement of profit or loss (net of tax)		
As at 30 June		
Strengthening	(1,472,479)	(813,986)
Weakening	1,472,479	813,986

(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.

39.3 Financial Instruments By Category

Financial Assets at amortized cost

Trade debts	1,649,836	2,200,933
Loans and advances	6,422	7,538
Security deposits	4,240	4,741
Other receivables	7,126	8,672
Due from related parties	445,737	373,619
Bank balances	3,785,370	2,102,625
	5,898,731	4,698,128

Financial liabilities at amortized cost

Finance lease liability	17,913	52,705
Trade and other payables	386,361	182,529
Long-term borrowings	274,166	232,043
Short-term borrowings	1,580,000	1,380,000
	2,258,440	1,847,277

40. DISCLOSURE REQUIREMENT FOR THE COMPANIES LISTED ON ISLAMIC INDEX

Loans/advances obtained as per Islamic mode	Disclosed in Note no. 24
Shariah compliant bank deposits/bank balances	Disclosed in Note no. 16
Profit earned from shariah compliant bank deposits/bank balances;	Disclosed in Note no. 31
Revenue earned from a shariah compliant business segment;	Disclosed in Note no. 27
Gain/loss or dividend earned from shariah compliant investments;	N/A
Exchange gain earned;	N/A
Mark up paid on Islamic mode of financing;	Disclosed in Note no. 33
Relationship with shariah compliant banks	Disclosed in Note no. 24
Profits earned or interest paid on any conventional loan or advance	Disclosed in Note no. 31 & 33

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:

	2021 (Unaudited) Rupees in '000'	2020 (Audited) Rupees in '000'
Size of the fund - Total Assets	1,284,757	1,077,520
Cost of investment made	949,975	873,226
Percentage of investment as size of fund	74%	81%
Fair value of investments	978,548	879,583

41.1 The breakup of fair value of investments is

	2021		2020	
	Investments Rupees in '000	Percentage of investment as size of fund	Investments Rupees in '000	Percentage of investment as size of fund
Bank Balances	567,385	44%	807,230	75%
Investment in Listed Equity Securities	222,441	17%	15,988	1%
Others	160,149	12%	50,008	5%
	949,975	74%	873,226	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.**42. NUMBER OF EMPLOYEES**

The total average number of employees during the year and as at June 30, 2021 and 2020 respectively as follows:

	2021	2020
	No of Employees	
Average number of employees during the year	1,268	1,205
Number of employees as at year end	1,279	1,219

43. ANNUAL SOFTWARE DEVELOPMENT CAPACITY

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

Notes to the Consolidated Financial Statements

For the year ended June 30, 2021

44. 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 subscription and support. 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.

45. SEGMENT REVENUES AND RESULTS

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

2021				
	NFS	IS & SSS	BPO	Total
	Rupees in '000			
Revenue - net				
External sales				
Licence	398,936	-	-	398,936
Services	2,179,409	-	280,265	2,459,673
Subscription and Support	2,088,949	-	-	2,088,950
Total revenue	4,667,294	-	280,265	4,947,559
Cost of revenue	(2,897,477)	(287)	(249,383)	(3,147,147)
Segment results	1,769,817	(287)	30,882	1,800,412
Unallocated corporate expenses:				
Selling and promotion expenses				(547,595)
Administrative expenses				(760,438)
Other income				153,664
Other operating expenses				(296,635)
Finance cost				(58,859)
Loss of share from Associate				(27,203)
Taxation				(70,387)
Profit after taxation				192,959

2020				
	NFS	IS & SSS	BPO	Total
	Rupees in '000			
Revenue - net				
External sales				
Licence	389,129	-	-	389,129
Services	2,395,394	-	177,872	2,573,266
Subscription and Support	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)	(177,965)	(3,142,330)
Segment results	1,558,488	7,649	(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

Notes to the Consolidated Financial Statements

For the year ended June 30, 2021

*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.

45.1. Revenue by geographic regions

The revenue is generated from clients in following geographical regions:

	Pakistan	Asia Pacific	Australia & USA	UK	Others	Total
2021	-	3,868,531	757,782	175,598	145,648	4,947,559
2020	12,097	4,094,387	475,445	40,362	86,083	4,708,374

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

45.2 Revenue from major customers

The revenue from major customer during the year was Rs. 1,353 million (2020: 1,991 million).

45.3 Non current assets

Net book value of non-current assets held in foreign countries is Rs. Nil (2020 : Rs. Nil).

46. CORRESPONDING FIGURES

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

47. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 22, 2021 by the Board of Directors.

48. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The Outbreak of COVID-19 pandemic in January 2020 has impacted the whole world negatively. To reduce its spread, Government of Pakistan took immediate measures including lockdown of businesses. However, this lockdown didn't have any negative impact on Company's business as we, being a software house involved in export of IT products & services, continued our business using work from home model. With NETSOL's state of the art remote working infrastructure and business continuity plans already in place, we continued serving our customers without any problem. In fact, we were the first company in our domain to start working from home which went quite well and few of our customers also went live remotely during the last year. After availability of vaccine, we have started hybrid model of working with major percentage of people still working remotely while rest working from office. In fact, this has become a new normal and we believe that this hybrid work model will continue even when this pandemic is over. With signing of new deals even during pandemic, strong backlog of contracts in hand and the traction we have regained with the prospective customers, the management has assessed that there is no significant financial or accounting impact of this pandemic on these financial statements.

49. GENERAL

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

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	
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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 virtually on Monday October 25, 2021 at 11:00 a.m. and at any adjournment thereof.

Signed at _____ this _____ Day of _____ 2021.

Witness 1:

Signature: _____

Name: _____

Address: _____

CNIC or
Passport No. _____

Five Rupees
Revenue Stamp

Witness 2 :

Signature: _____

Name: _____

Address: _____

CNIC or
Passport No. _____

Signature of Member(s)

Shareholder's Folio No. _____

and/or Participant I.D. No. _____

Note:

- 1) This form of proxy, in order to be effective, must be deposited duly completed, at the Company's registered Office at NetSol Technologies Limited, NetSol IT Village (Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt. not less than 48 hours before the time of holding the meeting.
- 2) A Proxy must be a member of the Company. Signature should agree with the specimen registered with the Company.

Second Fold

Affix Revenue
Stamp

The Company Secretary

NetSol Technologies Limited

NetSol IT Village (Software Technology Park)
Lahore Ring Road, Ghazi Road Interchange
Lahore Cantt. 54792, Pakistan.

First Fold

Third Fold and Tuck In

پراکسی فارم

میں مسٹی / مسماة _____ (نام)

ساکن _____ (جگہ)

بحیثیت **نیٹ سول ٹیکنالوجیز لمیٹڈ** کا ایک ممبر یہاں

مسٹی / مسماة _____ (نام اور فوئیو نمبر / پارٹیسپیٹ 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 25 اکتوبر 2021ء بروز پیر صبح 11:00 بجے بذریعہ ویڈیو لنک منعقد یا کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

دستخط کی جگہ _____ تاریخ _____ دن _____ 2021ء۔

گواہی نمبر

دستخط: _____

نام: _____

پتہ: _____

پانچ روپے کی
رسیدی ٹکٹ

کمپیوٹرائزڈ قومی شناختی کارڈ

یا پاسپورٹ نمبر: _____

گواہی نمبر ۲

دستخط: _____

نام: _____

پتہ: _____

ممبر کے دستخط: _____

فوئیو نمبر: _____

اور یا پارٹیسپیٹ آئی۔ ڈی نمبر: _____

کمپیوٹرائزڈ قومی 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 نیٹ 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۔

Second Fold

Affix Revenue
Stamp

The Company Secretary

NetSol Technologies Limited

NetSol IT Village (Software Technology Park)
Lahore Ring Road, Ghazi Road Interchange
Lahore Cantt. 54792, Pakistan.

First Fold

Third Fold and Tuck In

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This disclosure is being added as per requirements of Securities and Exchange Commission of Pakistan vide SRO 924(1) / 2015, dated 09 September 2015.

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

