**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:27/09/2024

**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, 2024**

*Dear Sir,*

We have to inform you that the Annual Report of the Company for the year ended June 30, 2024 have been transmitted through PUCARS and is also available on Company's website.

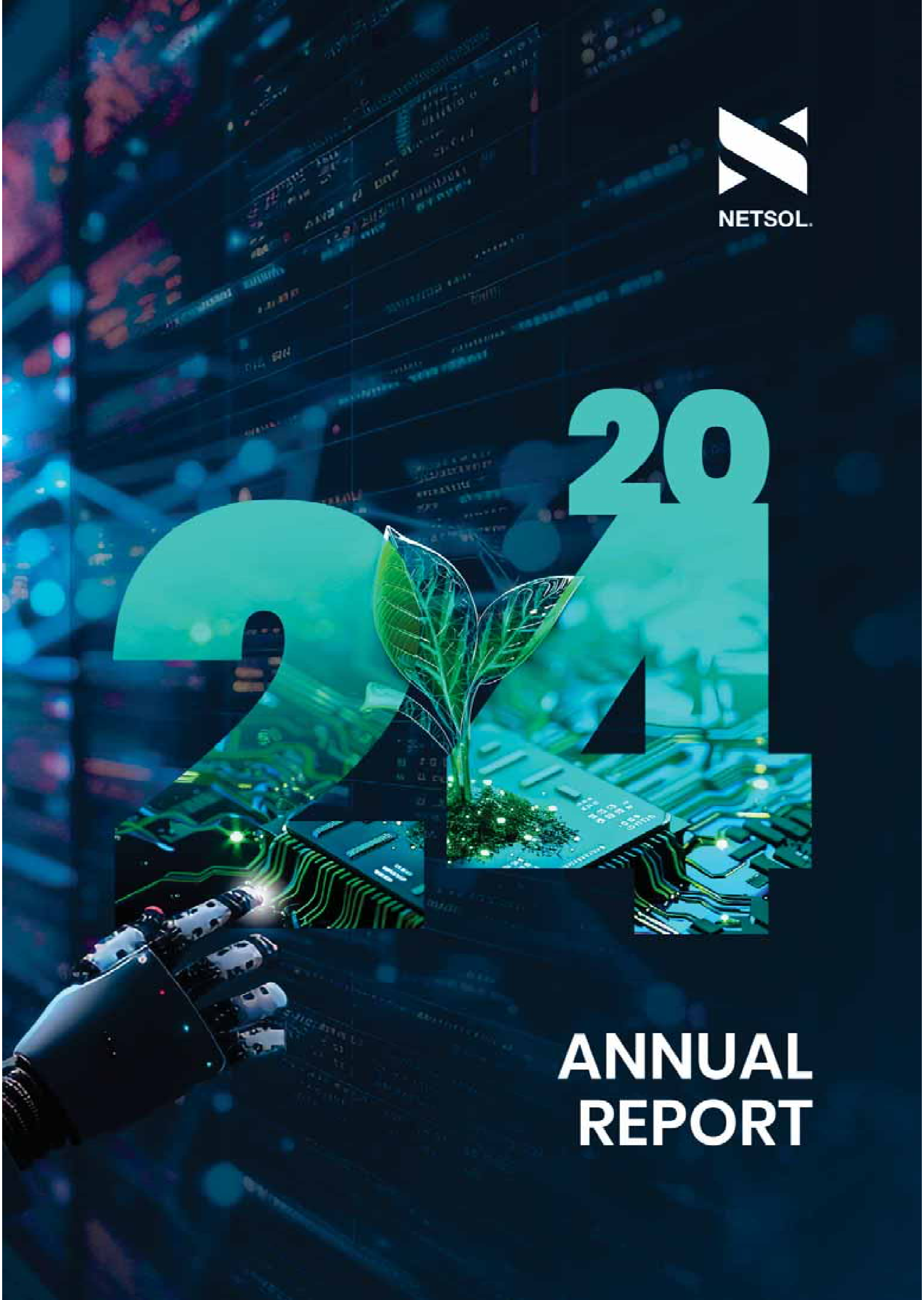
You may please inform the TRE Certificate Holders of the Exchange accordingly.

Yours Sincerely,

Sehrish

**SEHRISH**
Company Secretary

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

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# Table of **Content**

A TRIBUTE TO

# SHAHAB UD DIN GHAURI

1951 - 2024

A VISIONARY LEADER AND NETSOL'S BELOVED FOUNDER

With profound sadness and deep respect, we had to bid farewell to Shahab Ghauri, our esteemed Ex-Chairman and Founder, who passed away in April this year after a prolonged illness. He was not only an entrepreneur and philanthropist, but also a visionary whose influence has profoundly shaped both our company and society. His journey with NETSOL went beyond mere work; it was fueled by passion, innovation and an unwavering commitment to excellence.

Throughout his distinguished career, Shahab Ghauri led numerous groundbreaking initiatives that elevated NETSOL to new heights. His forward-thinking approach, from driving technological advancements to establishing strategic partnerships, transformed obstacles into opportunities and was pivotal to our success.

Shahab Ghauri was not only the visionary behind NETSOL, but also a guiding force whose influence extended far beyond the walls of our organization. His legacy is woven into the very fabric of our company and his impact will be felt for generations to come. Under his leadership, NETSOL grew from a small startup into a global leader and this remarkable journey is a reflection of his relentless pursuit of greatness.

Shahab Ghauri's impact reached far beyond the confines of the boardroom. He was a staunch advocate for corporate social responsibility, dedicating himself to causes that supported the underprivileged and empowered communities. Through his support for educational programs, healthcare initiatives and environmental sustainability projects, Shahab Ghauri's philanthropic efforts made a significant difference in many lives and motivated others to contribute.

His journey was not just one of professional success, but of personal perseverance and courage. Despite facing a prolonged illness, Shahab Ghauri continued to inspire us all with his strength and determination. His ability to remain steadfast in his vision and his dedication to the company, even in the face of adversity, was nothing short of extraordinary. He was a beacon of resilience, demonstrating that true leadership is not just about steering the ship, but about weathering the storms with grace and fortitude.

*The company will continue to build upon the foundation he laid, striving for excellence, embracing innovation and upholding the values he instilled in us.*

Shahab Ghauri was a man of remarkable intellect and insight. His innovative ideas and strategic thinking were the cornerstones of our success. He had an innate ability to see opportunities where others saw obstacles and to turn challenges into triumphs. His leadership style was characterized by a rare combination of humility and authority. He believed in empowering the NETSOL team, encouraging creativity and fostering an environment where everyone felt valued and motivated. It was this approach that cultivated a culture of collaboration and excellence at NETSOL.

Beyond his professional achievements, he was known for his generosity and kindness. He had a genuine interest in the well-being of those around him and was always willing to lend a helping hand. His mentorship and support have shaped countless careers and touched many lives. Colleagues and employees alike will remember him not just for his achievements, but for the way he made each person feel important and valued.

As we continue to grapple with his loss, let us remember Shahab Ghauri with gratitude for the honor of having known him. Although he is no longer with us in person, his spirit remains an integral part of the NETSOL family. We honor his memory by upholding his values, embodying his vision and continuing his legacy of excellence and compassion.

In honoring his memory, we are committed to carrying forward the principles he cherished and the standards he set. The company will continue to build upon the foundation he laid, striving for excellence, embracing innovation and upholding the values he instilled in us. His vision and passion will remain a guiding light as we navigate the future and his spirit will continue to inspire us in all that we do.

While his journey in this life may have ended, his legacy will forever endure. His spirit will guide us as we move forward and his memory will be a constant reminder of the greatness that can be achieved through vision, perseverance and a genuine commitment to making the world a better place.

Thank you for everything you have given us and for leaving a mark on our hearts and our company that will never fade.

## Company Profile

# BOARD OF DIRECTORS

**NAEEM ULLAH GHAURI**
Chairman/Non-Executive Director

**SALIM ULLAH GHAURI**
Chief Executive Officer/Executive Director

**VASEEM ANWAR**
Non-Executive Director

**ANWAAR HUSSAIN**
Independent Director

**ZESHAN AFZAL**
Independent Director

**HAMNA GHAURI**
Non-Executive Director

**OMAR SHAHAB GHAURI**
Executive Director

## AUDIT COMMITTEE

ANWAAR HUSSAIN
Chairman

VASEEM ANWAR
Member

HAMNA GHAURI
Member

## CHIEF FINANCIAL OFFICER

BOO-ALI SIDDIQUI

## COMPANY SECRETARY

SEHRISH

## CHIEF INTERNAL AUDITOR

MUHAMMAD ABDUL WAHAB HAFEEZ

## AUDITORS

Crowe Hussain Chaudhury & Co.
Chartered Accountants
7th Floor, Gulmohar Trade Center,
8 F, Main Market, Gulberg II,
Lahore 54600, Pakistan

## LEGAL ADVISOR

CORPORATE LAW ASSOCIATES
1st Floor Queen's Centre
Shahra-e-Fatima Jinnah
Lahor

## SHARE REGISTRAR

VISION CONSULTING LIMITED
5-C, LDA Flats, 2nd Floor,
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
- Bank Alfalah Islamic Limited
- Bank Al Habib Limited
- Habib 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

PESHAWAR OFFICE
C-7, C-8, 3rd floor, Jasmine Arcade,
Fakhr e Alam Road, Peshawar Cantt.

WEB PRESENCE
www.netsolpk.com
info@netsolpk.com
corporate@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.

*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.

*In each market*
We will focus individually on each market, while growing globally.

# 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.

# Major Customers

**CHINA**
- Mercedes-Benz Auto Finance China, Ltd
- Mercedes-Benz Leasing Co., Ltd
- Toyota Motors Finance China Co., 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
- NETSOL Technologies (Beijing) Co., Ltd
- Tianjin NuoJinZhiCheng Co., Ltd

**THAILAND**
- Mercedes-Benz Leasing (Thailand) Co., Ltd
- Nissan Leasing (Thailand) Co., Ltd
- NETSOL Technologies (Thailand) Limited

**AUSTRALIA**
- Mercedes Benz Financial Services Australia Pty Ltd
- Mercedes-Benz Financial Services New Zealand Ltd
- CNH Industrial Capital
- Daimler Truck Financial Services Australia
- Pepper Group Australia
- NETSOL Technologies Australia Pty Ltd

**HONG KONG**
- Mercedes-Benz Financial Services Hong Kong Ltd
- BMW Financial Services Hong Kong Limited

**JAPAN**
- Mercedes-Benz Finance Co. Ltd
- Daimler Truck Financial Services Asia Co., Ltd

**GERMANY**
- Mercedes-Benz Mobility AG Germany

**MALAYSIA**
- Mercedes-Benz Services Malaysia Sdn Bhd

**SOUTH AFRICA**
- Mercedes-Benz Financial Services, South Africa
- Daimler Truck Financial Services South Africa (Pty) Ltd

**INDONESIA**
- PT OTO Multiartha
- PT Summit OTO Finance
- PT. Orico Balimor Finance Indonesia

**SINGAPORE**
- Mercedes-Benz Financial Services Singapore Ltd

**KOREA**
- Mercedes-Benz Financial Services Korea Ltd

**TAIWAN**
- Mercedes-Benz Financial Services Taiwan Ltd

**US**
- NETSOL Technologies Americas

**UK**
- NETSOL Technologies Europe Ltd
- Ascent Europe Limited

**PAKISTAN**
- Khyber Pakhtunkhwa Revenue Mobilization & Public Resource Management Program


# **Global** Offices

- Lahore, Karachi, Rawalpindi, Peshawar
- Encino, Austin
- London, Horsham
- Beijing, Shanghai, Tianjin
- Jakarta
- Bangkok
- Sydney
- Dubai

# Quality Focus

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

- Effective implementation of software measurement programs
- Developing and maintaining skilled & motivated resource base
- Regular assessments against international standards
- Reviewing and enhancing quality objectives
- Monitoring and enhancing customer satisfaction

Our focus in quality engineering and process improvement has been imperative 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**

NETSOL has successfully undergone an audit for SOC 2 Type 2 compliance through A-LIGN, a U.S.-based audit firm and trusted technology-enabled security and compliance partner for over 2,500 global organizations. In addition to SOC 2 Type 2, NETSOL was also audited for ISO 27001, ISO 20000, and ISO 9001 certifications.

These certifications and audits highlight NETSOL's ongoing commitment to safeguarding its client data while implementing international best practices for information security.

# Our Portfolio

Currently we are offering the following services to our customers.

Enterprise Solutions

Business Intelligence

IT Consulting and Business Process Reengineering

Technology and Business Process Outsourcing

Application Development and Maintenance

Cloud Services

## Primary Industries We Serve

Lease and Finance Industry

Banking Industry

Information Technology

# Core **Products**

NFS ASCENT

*The most advanced platform for asset finance and leasing*

Ascent is built on cutting-edge, modern technology that enables auto, equipment and big ticket finance companies, alongside banks, to run their retail and wholesale finance business seamlessly. 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 touchpoints which can be integrated with any back-end system. NETSOL takes pride in being the pioneer organization to provide a full suite of digital transformation solutions for the global asset finance and leasing industry.

Appex Now

*The world's first marketplace for API-first finance and leasing products*

Appex Now is the world's first marketplace for the global credit, finance and leasing industry, providing a suite of cloud-based API-first products that cater to a broad spectrum of needs. The API-first strategy enhances development efficiency, reduces complexity, mitigates risk and facilitates integration with diverse systems and platforms.

# Core **Services**

## *Professional Services*

NETSOL is now also offering professional services to organizations in different regions in order to enable them to meet their business objectives. These services primarily consist of technical consultancy, web development, app development, digital marketing, cloud services, outsourcing and co-sourcing. We enable businesses to employ the industry's best talent to help them develop and refine their technology strategy, innovate, execute their roadmap and optimize service quality.

## *Cloud Services*

At NETSOL, we enable modern businesses to access premium cloud solution services with the abilities of AWS. Our team is reinventing the cloud computing and AWS infrastructure to offer scalable, reliable, and agile solutions, with flexibility and sustainability as the most integral components. Since AWS is the most comprehensive and highly adopted cloud offering, we are leveraging its power to ensure lower costs, an exceedingly agile and secure environment and innovative solutions across all domains.

## *AI Solutions and Services*

Pertaining to Artificial Intelligence and Machine Learning, a dedicated team has been working with great enthusiasm. With experience in Machine Learning, Scientific Computing and Computer Vision, they have extensive experience in developing and implementing algorithms for industrial solutions in predictive maintenance. This is a new service offering from NETSOL and by deploying AI solutions and leveraging cutting-edge technologies, we enable clients to optimize production, decrease downtime and provide a holistic view of their business processes.

# Our **Leadership**

**Omar Shahab Ghauri**
Chief Operating Officer

**Majid Bashir**
Head of NFS

**Kamran Khalid**
Chief Product Officer

**Asad Ullah Ghauri**
Global Head of Sales

**Boo-Ali Siddiqui**
Chief Financial Officer

**Khurram S. Rana**
Chief Human Resource Officer

**Sehrish Ishtiaq**
Company Secretary

**Syed Umer Qadri**
Deputy Global Head of Sales

**Abbas Leghari**
Head of BD and SMO

**Muhammad Abdul Wahab**
Chief Internal Auditor

**Erik Wagner**
Chief Marketing Officer

**Fawad Ghauri**
Head of Digital

**Sahibzada Ali Mahmud**
Head of Professional Services

**Usman Idrees**
Head of Business Management Office

**Humera Mirza**
Senior Vice President Business Management

**Irfan Zulfiqar Lodhi**
Head of Delivery-Unity

**Naheed Kausar Haq**
Head of Services, Planning and Facilitation

**Asif Zafar**
Head of Network Operations and Services

**Mohsin Hanif**
Head of Employee Services and Procurement

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# Business Review

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# Chairman's Review Report

# Chairman's Review **Report**

As we reflect on the past financial year, I am both proud and invigorated by the strides our company has made. This period has been transformative for us, marked by significant achievements, challenges overcome and a reaffirmation of our commitment to delivering exceptional value to our clients and partners worldwide.

Our commitment to flexibility and customization is demonstrated through all our product offerings and their ability to handle complex multi-country and multi-jurisdictional requirements. Whether it's our core finance and leasing platform Ascent, our API-first products or our digital retail and mobility solutions, our technology is designed to support diverse business environments and adapt to evolving needs. We also continue to offer a range of professional services as well as cloud solutions and services in partnership with Amazon Web Services (AWS).

Otoz, our fully digital, white-label platform for digital auto retail and mobility orchestration, was built in our Lahore, Pakistan office via our Unity R&D lab. The product has witnessed great success in the United States, with some customers that have already signed up for and are utilizing our Otoz platform. Following this, subsequently, we foresee more interest generated for this product in the North American region. We will continue to develop the roadmap for Otoz – for which the potential is vast as we continue to witness traction and anticipate interest via further client engagements in the coming years.

We also foresee continued interest in our suite of API-first, SaaS-based products – Appex Now. These products were developed specifically for the global credit, finance and leasing industry. Their availability through flexible, subscription-based pricing and lightning-fast onboarding has already resulted in these products being signed up for, and subsequently deployed by various financial institutions in the United Kingdom.

This year, our company had undertaken a strategic restructuring to enhance operational efficiency and reduce costs. By reducing the size of our workforce, we have achieved significant cost savings without any disruption to our operations. This adjustment has allowed us to maintain our commitment to delivering exceptional value and performance, and maintaining our position as a leading technology solutions provider primarily to the global asset finance and leasing industry.

Despite the reduction in staff, we have ensured that we have retained our best performing employees, who continue to be well-supported both financially and non-financially. We have implemented measures to enhance their job satisfaction, provide robust benefits and offer career development opportunities. Our goal is to foster a positive work environment where our global team feels valued and motivated.

Our focus remains on sustaining high operational standards while nurturing our talented workforce. We believe this approach will drive long-term success and maintain our position as a leading force in the industry. At NETSOL, we are deeply committed to the continuous development of our employees. We recognize that investing in our team's growth is crucial for both their personal career advancement and our overall success.

To this end, we continue to offer comprehensive training programs designed to enhance skillsets and keep our staff at the forefront of industry trends and technologies. Through professional development and training, and by fostering a supportive and dynamic work environment, we empower our employees to deliver exceptional results and contribute to our ongoing success.

Our company has embarked on a journey to establish itself as a center of excellence in AI through Project Optimus. Our dedicated team of AI architects, data scientists and engineers are singularly focused on developing cutting-edge AI solutions. Project Optimus is designed to enhance our internal software development processes, making them more efficient and effective. By harnessing advanced AI technologies, we aim to drive innovation and optimize our existing offerings. This strategic focus on AI not only promises to elevate our internal capabilities, but also ensures that we continue to deliver top-tier solutions that meet the evolving needs of our clients.

NETSOL is poised to be recognized as a leader in AI initiatives by proactively setting the standard rather than following market trends. Over the past two years, we have diligently built a solid foundation in AI and ML, focusing on creating a strong infrastructure that benefits our organization at a fundamental level. We have concentrated on developing and integrating AI solutions that deliver genuine value and efficiency. Our strategic approach has already yielded several successful proof of concepts within the company, demonstrating our commitment to harnessing AI's transformative potential.

As we continue to scale and refine our AI capabilities, we are also extending our expertise to clients embarking on their own AI journeys. We are actively supporting them in embracing and adapting to AI technologies, positioning ourselves as thought leaders in the field. Our goal is to foster meaningful engagements with these clients, guiding them through the evolving landscape of AI and its implications for their businesses. We anticipate that these efforts will translate into substantial revenue opportunities moving ahead.

Innovation has been at the heart of our strategy this year. We have continued to invest heavily in R&D to ensure that our technology remains at the cutting-edge. Our focus on AI-driven solutions has enabled us to offer powerful analytics, seamless integration capabilities and advanced automation features that are transforming how businesses operate.

I would like to extend my heartfelt gratitude to our clients, partners and stakeholders for their unwavering support and trust. Your confidence in our technology and our team has been a driving force behind our success.

At the heart of our success is our people. This year, we have continued to cultivate a culture of excellence, innovation and collaboration. Our team's dedication and expertise have been instrumental in driving our achievements and maintaining our position as an industry leader. I want to acknowledge the hard work and dedication of our global workforce who are essentially the NETSOL family. Your commitment to excellence and innovation is the cornerstone of our achievements and a source of inspiration for us all.

*"By harnessing advanced AI technologies, we aim to drive innovation and optimize our existing offerings. This strategic focus on AI not only promises to elevate our internal capabilities, but also ensures that we continue to deliver top-tier solutions that meet the evolving needs of our clients."*

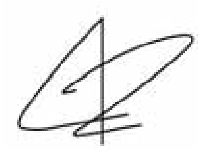
As we conclude another successful year, I extend my deepest gratitude to our board members for their unwavering support, insightful guidance and dedication. Your strategic vision and commitment have been instrumental in navigating our company through a dynamic landscape and achieving our goals. Your collective expertise and leadership continue to drive our success and inspire excellence. Thank you for your invaluable contributions and for standing by us as we advance towards a promising future.

In closing, the fiscal year has been a period of remarkable progress and success for our company. We have achieved significant milestones, expanded our offerings and continued to deliver exceptional value to our clients across the globe. As we look to the future, we are excited about the opportunities that lie ahead and are committed to continuing our journey of growth and innovation.

Looking ahead, as we move into the next fiscal period, we remain focused on our strategic priorities and committed to driving further growth and innovation. Our roadmap includes expanding our technology offerings, enhancing our global presence and continuing to deliver value to our clients through exceptional service and cutting-edge solutions.

We are excited about the opportunities that lie ahead and confident in our ability to achieve our goals. This has been a year of growth and our vision for the future is clear - to remain at the forefront of delivering unrivalled technology solutions.

It is with deep sorrow that I write about losing our Ex-Chairman Emeritus - Shahab Ghauri. As the original visionary and co-founder of NETSOL Technologies in 1995, Shahab's contributions were instrumental in shaping the company's direction for the decades to come. We will always remain indebted to him, his support as a seed investor and his unwavering belief in our mission. We will forever be grateful for his pioneering vision and commitment. As we move forward, we remain dedicated to advancing his legacy and continuing the mission he so passionately began



Naeem Ullah Ghauri
Chairman
Lahore
September 12, 2024

# CEO's Message

As we close another fiscal year, I am both proud and humbled to present our annual report, reflecting a year of significant achievements and strategic advancements at NETSOL Technologies. Serving as a trusted partner and technology provider primarily to the global asset finance and leasing industry, our mission has always been to deliver transformative solutions that empower our clients to navigate an increasingly complex and dynamic landscape.

The financial services sector continues to undergo rapid evolution, driven by technological advancements, regulatory changes and shifting market demands. At NETSOL, we have embraced these changes as opportunities to enhance our offerings and deliver value to our clients. This year, we have made remarkable strides in advancing our technology solutions, expanding our market presence and deepening our relationships with key stakeholders.

We are thrilled to conclude the financial year 2023-2024 on a high note. The efforts invested throughout the past year are now yielding impressive results, marked by significant top-line growth and an improved bottom line. This success can be attributed to two key factors. Firstly, a number of initiatives taken in the past few years, including the introduction of flexible, subscription-based pricing for our solutions, have proven highly effective. This shift has delivered substantial positive outcomes, enhancing our ability to attain new customers. Secondly, our cost-cutting measures have also bought desired results. These measures involved not only reducing the size of our workforce, but also meticulously evaluating and reducing costs across all areas of our business.

As we look ahead, NETSOL's management is optimistic about the upcoming fiscal year 2024-2025. We anticipate new opportunities to further increase our revenue, driven by the addition of several new customers acquired during the past fiscal year, which will contribute to helping us bring in further new business.

Throughout this fiscal year, we dedicated significant time, energy and focus to marketing our products and services in the North American and European regions. We expect these efforts to continue delivering positive results in these markets in the years to come. Further, in line with our growth strategy, we have made significant progress in expanding our market presence. We have entered new geographical markets, forged strategic partnerships and explored opportunities in emerging segments of the financial services industry. These efforts have not only broadened our reach, but have also positioned us as a leading player in the global market.

Our core focus has been on leveraging cutting-edge technology to address the pressing challenges faced by financial institutions. We have continued to innovate across our suite of solutions and services, integrating AI, advanced analytics and other technologies to provide our clients with robust tools for managing risk, improving operational efficiency, enhancing customer experiences and enabling them to futureproof their operations.

We continue investing in the development of new technologies and solutions that will address emerging trends and challenges in the financial services sector. Our R&D teams are working tirelessly to explore advancements in areas including AI and ML, ensuring that we are well-positioned to offer cutting-edge solutions that meet the evolving needs of our clients.

As an IT powerhouse and as a responsible corporate entity, we recognize the importance of sustainability and ethical practices in our operations. This year, we continued to make significant strides in integrating sustainability into our business practices and promoting social responsibility. Our commitment to reducing our environmental footprint, supporting community initiatives and upholding the highest standards of ethical conduct continues to be a central focus.

We have implemented several green initiatives within our operations, including energy-efficient data centers, waste reduction programs and policies that minimize our carbon footprint. Additionally, we have supported various charitable organizations and community projects, reflecting our dedication to making a positive impact beyond our business.

As we look to the future, we are excited about the opportunities that lie ahead. The financial services industry is poised for continued transformation and we are committed to staying at the forefront of this evolution. Our focus will remain on innovation, client success and expanding our global success.

As we reflect on the achievements of the past year, I would like to take this opportunity to express my gratitude and acknowledgment. To our employees – the NETSOL family – your hard work and passion have been the driving force behind our achievements. Your dedication to excellence and your ability to adapt to change have been truly inspiring. I am grateful for your contributions and proud to lead such a talented and motivated team.

To our clients, thank you for your continued partnership and support. It is your trust in our solutions that motivates us to strive for excellence and deliver value. We are honored to be a part of your journey and look forward to continuing our collaboration.

To our investors, your confidence in our vision and strategy has been a source of strength. We are committed to upholding the highest standards of governance and delivering long-term value. Your support is integral to our ongoing success.

I would also like to extend my heartfelt gratitude to our Chairman and Board of Directors for their unwavering support and exceptional guidance throughout the year. Your strategic vision and steadfast commitment have been instrumental in steering our company towards continued growth.

In closing, I am both optimistic and excited about the future of NETSOL. The past year has been a testament to our commitment to excellence. As we move forward, we will continue to embrace change, drive innovation and deliver exceptional value to our clients and stakeholders.

Earlier this year, we lost our beloved founder, chairman and the first investor of NETSOL – Shahab Ghauri. He bravely battled an illness for a long period of time. All of the company's management and its employees acknowledge his contributions to founding this company back in 1996 and as its foremost investor, who believed that NETSOL will change Pakistan's IT sector.

Salim Ullah Ghauri
CEO
Lahore
September 12, 2024

# Awards and Recognitions


*NETSOL Technologies takes pride in being awarded the "CSR Gold Award" and "Gender Diversity Merit Award " by P@SHA.*



*NETSOL was awarded the Gold Award for IT Products and Solutions in an event held in collaboration with Pakistan Software Export Board PSEB & P@SHA.*

# Global Marketing **Activities**


NETSOL Team at the FLA's 'Insight 23 - Financing the Future Conference' in London, England

At the Auto Finance Summit 2023 in Las Vegas, Nevada, USA


At the Asset Finance Connect Summer Conference 2024 in London, England


At the 9th Annual FinTech Awards in Sydney, Australia


At the AFSA Vehicle Finance Conference 2024 in Las Vegas, Nevada, USA


Showcasing NETSOL products at the NADA Show 2024 in Las Vegas, Nevada, USA


NETSOL Team at the Asset Finance Connect Summer Awards 2024 in London, England


NETSOL representing at the Australian Banking Association Conference 2024 in Melbourne, Australia

Najeeb Ghauri at the Annual OPEN Global Retreat 2024 in New York, USA

At the Motor Finance Europe Conference and Awards 2023 in Vienna, Austria

NETSOL Team at the Canadian Lenders Summit 2023 in Toronto, Canada

At the Annual FinTech Summit 2023 in Sydney, Australia


At the Annual AFIA Conference 2023 in Sydney, Australia


NETSOL Team at the ELFA Annual Convention 2023 in Phoenix, Arizona, USA


NETSOL at the Annual Non-Prime Auto Financing Conference 2024 in Fort Worth, Texas, USA

# Activities **During the Year**

NETSOL welcomed the US Ambassador to Pakistan Mr. Donald Bloom

HRH Prince Fahad bin Mansour Al-Saud visited NETSOL

Mr. William Makaneole, Counsel General of United States visited NETSOL

Mr. Neil Hawkins, Australian High Commissioner to Pakistan and Ms. Dianne visited NETSOL

Atheeb Delegation visited the Company

Salim Ghauri delivered a keynote at the inaugural ceremony of ITCN Asia 2024

Salim Ghauri delivered a keynote speech at Namal Knowledge City in Mianwali

Salim Ghauri with representatives from LUMS


Annual networking iftaar dinner hosted at the National Incubation Center for Aerospace Technologies (NICAT)

Vice Chancellor of Beaconhouse National University Dr. Moeed Yusuf with Salim Ghauri


Dr. Wolf Bay presenting award to NETSOL Team

NETSOL anniversary


Breast cancer awareness month commemorated at NETSOL's office


Annual Umrah Draw


Celebrating International Women's Day at NETSOL office


Rider safety campaign


Independence day celebrations


Christmas celebrations


NETSOL employees during a yoga sessions as part of Mental Health Week


NETSOL launched a pre-emptive digital kiosk pertaining to healhcare for its employees


NETSOL organized a blood donation drive at its office


Tree plantation drive for a sustainable future


Employees' birthday bash


Water filteration plant inauguration

Premier Super League Corporate T20

Fast Sports Gala participation


Prof. Mukhtar Ahmad Memorial Corporate T20

# 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 2023-24 has been paid to Stock Exchange.

### Dividend

The Board of Directors of the Company, in their meeting held on 12 September 2024, has proposed a final cash dividend of 30% i.e. Rs. 3 per share for the year ended June 30, 2024, for approval of members at the Annual General Meeting.

### Book Closure Dates

Share Transfer Books of the Company will remain closed from 12th October 2024 to 18th October 2024 (both days inclusive).

### Shares Registrar

Vision Consulting Limited
5-C, LDA Flats, 2nd Floor, 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

Raza ul Mustafa Khan
Manager Shares

### Investor Grievances

Contact Persons

Registrar

Raza ul Mustafa Khan-Manager Shares

Vision Consulting Limited 5-C, LDA Flats, 2nd Floor, 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.

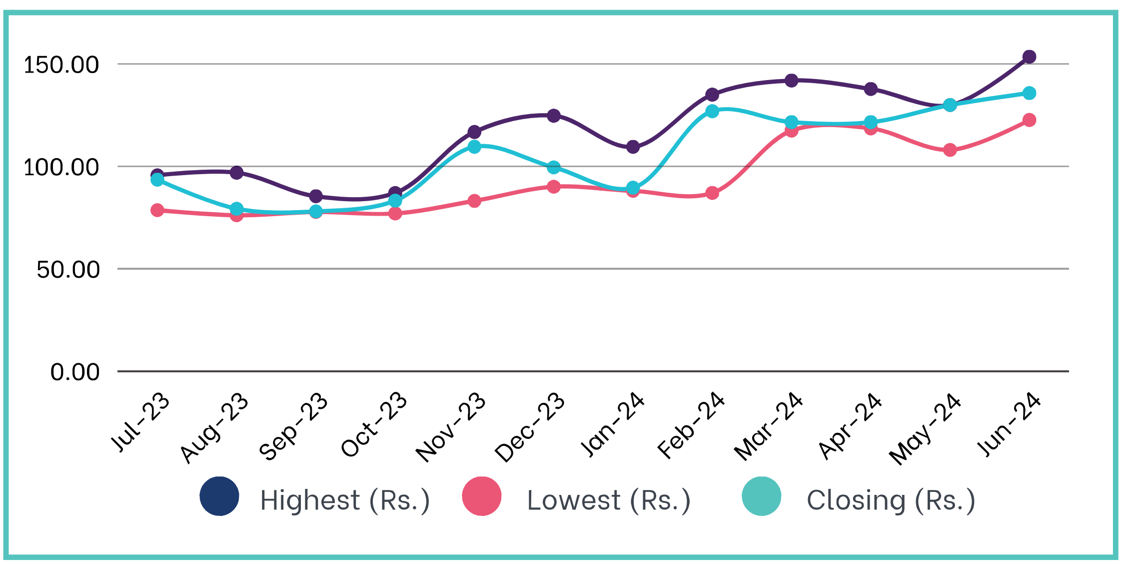
| Sr.No. | Activities | For Request Received through post | Over the Counter |
|---|---|---|---|
| 1 | Transfer of Shares | 15 days after receipt | 15 days after receipt |
| 2 | Transmission of Shares | 15 days after receipt | 15 days after receipt |
| 3 | Issuance of duplicate share certificates | 30 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 2024:

| Month | Highest (Rs.) | Lowest (Rs.) | Closing (Rs.) | No. of shares traded | Market Capitalization in *Value (Rs in billion) |
|---|---|---|---|---|---|
| Jul-23 | 95.60 | 78.60 | 93.48 | 33,130,745 | 8,211 |
| Aug-23 | 96.90 | 76.12 | 79.28 | 16,914,324 | 6,964 |
| Sep-23 | 85.40 | 77.75 | 78.01 | 7,154,135 | 6,852 |
| Oct-23 | 86.99 | 77.00 | 83.24 | 28,256,016 | 7,312 |
| Nov-23 | 116.75 | 83.12 | 109.53 | 56,377,522 | 9,621 |
| Dec-23 | 124.70 | 90.05 | 99.47 | 39,013,871 | 8,737 |
| Jan-24 | 109.50 | 88.00 | 89.56 | 20,720,569 | 7,867 |
| Feb-24 | 135.00 | 87.00 | 126.89 | 43,491,848 | 11,146 |
| Mar-24 | 141.88 | 117.41 | 121.58 | 66,189,304 | 10,679 |
| Apr-24 | 137.75 | 118.51 | 121.58 | 57,225,668 | 10,679 |
| May-24 | 129.92 | 108.00 | 129.92 | 67,948,481 | 11,412 |
| Jun-24 | 153.50 | 122.62 | 135.76 | 96,399,522 | 11,925 |

* Based on closing price.



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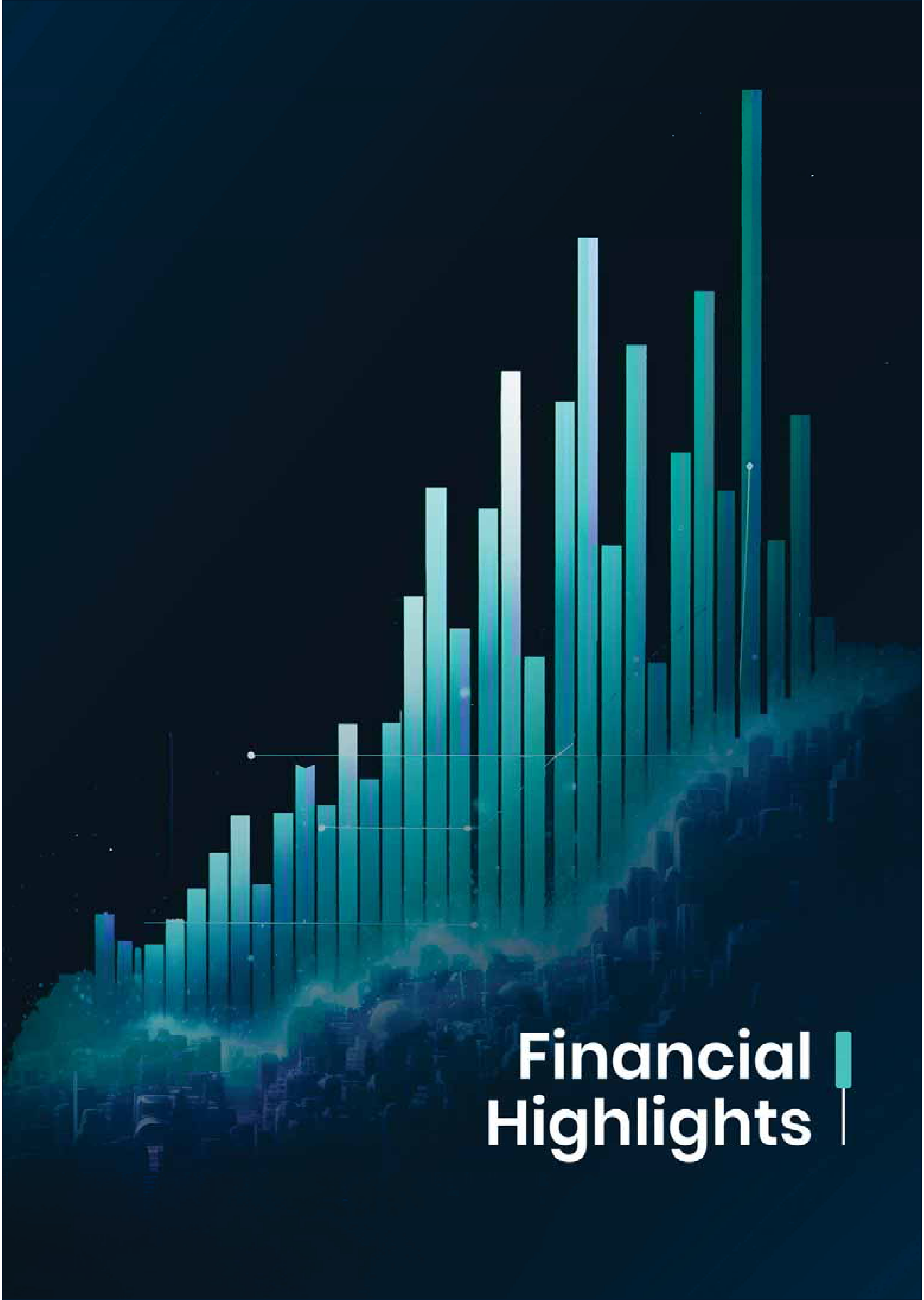
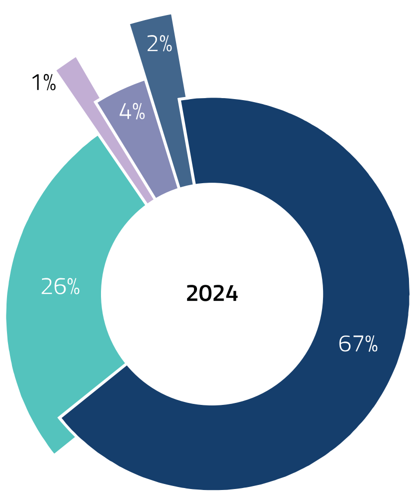
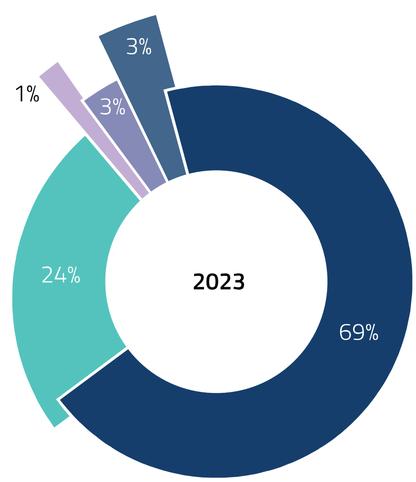


# Financial Highlights

# Statement of **Value Addition**

| | 2024 | % age | 2023 | % age |
|---|---|---|---|---|
| | | Rupees in '000' | | |
| VALUE ADDITION | | | | |
| Revenue from contracts with customers - net | 9,280,647 | | 7,670,181 | |
| Other Income | 674,012 | | 2,014,239 | |
| | 9,954,659 | | 9,684,420 | |
| Less Operating & General Expenses | 2,979,589 | | 2,828,101 | |
| Value Added | 6,975,070 | 100% | 6,856,319 | 100% |
| VALUE DISTRIBUTION | | | | |
| To Employee | | | | |
| *Salaries & other employee benefits* | 4,743,031 | 67% | 4,752,994 | 69% |
| To Government | | | | |
| *Income & other taxes* | 170,505 | 2% | 192,509 | 3% |
| To Financial Institutions | | | | |
| *As markup on borrowings* | 313,783 | 4% | 190,362 | 3% |
| To Charitable Institution | 21,404 | 1% | 43,242 | 1% |
| To Provider for Maintenance & Expansion of Assets | | | | |
| *Depreciation / Amortization* | 342,188 | | 391,978 | |
| *Retained Income* | 1,384,159 | | 1,285,234 | |
| | 1,726,347 | 26% | 1,677,212 | 24% |
| | 6,975,070 | | 6,856,319 | |



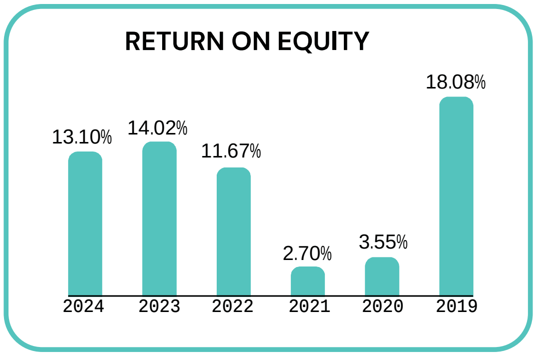
# Six Years' **Summary**

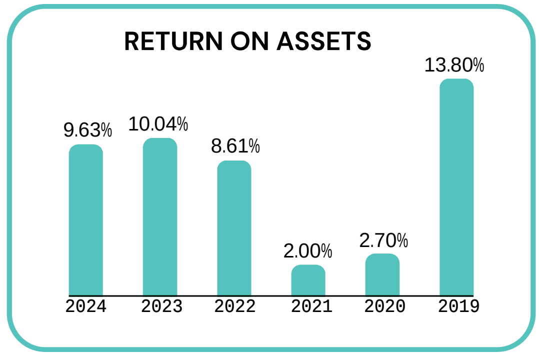
| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|---|
| | Rupees in '000' | | | | | |
| FIXED CAPITAL EXPENDITURE | | | | | | |
| Tangible | 1,216,236 | 1,514,209 | 1,613,215 | 1,599,438 | 1,542,792 | 1,679,165 |
| Intangibles | - | 40,386 | 333,890 | 627,393 | 920,897 | 1,214,401 |
| | 1,216,236 | 1,554,595 | 1,947,104 | 2,226,831 | 2,463,689 | 2,893,566 |
| LONG TERM INVESTMENT | 537,218 | 52,281 | 30,063 | 208,582 | 239,827 | 308,567 |
| LONG TERM CONTRACT ASSETS | 52,637 | - | - | - | - | - |
| LONG TERM LOANS TO EMPLOYEES | 22,860 | 4,392 | 7,891 | 3,552 | 1,571 | 470 |
| WORKING CAPITAL | 8,738,419 | 7,623,439 | 5,942,484 | 4,762,877 | 4,379,835 | 3,739,858 |
| NET ASSETS EMPLOYED | 10,567,370 | 9,234,707 | 7,927,542 | 7,201,843 | 7,084,922 | 6,942,461 |
| EQUITY & LIABILITIES | | | | | | |
| SHAREHOLDER'S EQUITY | 10,562,679 | 9,167,434 | 7,827,036 | 7,103,817 | 6,897,498 | 6,879,460 |
| NON CURRENT LIABILITIES | 4,691 | 67,273 | 100,506 | 98,026 | 187,424 | 63,001 |
| TOTAL FUNDS INVESTED | 10,567,370 | 9,234,707 | 7,927,542 | 7,201,843 | 7,084,922 | 6,942,461 |
| REVENUE FROM CONTRACTS WITH CUSTOMERS-NET | 9,280,647 | 7,670,181 | 6,116,638 | 4,947,559 | 4,708,374 | 5,381,196 |
| COST OF REVENUE | 5,116,773 | 5,408,017 | 4,011,650 | 3,147,147 | 3,142,330 | 3,290,450 |
| GROSS PROFIT | 4,163,874 | 2,262,164 | 2,104,988 | 1,800,412 | 1,566,044 | 2,090,746 |
| OPERATING EXPENSES | 2,779,715 | 976,930 | 1,191,768 | 1,608,825 | 1,321,204 | 847,262 |
| NET PROFIT FOR THE YEAR | 1,384,159 | 1,285,234 | 913,220 | 191,587 | 244,840 | 1,243,484 |
| EARNING PER SHARE | 15.76 | 14.63 | 10.19 | 2.13 | 2.73 | 13.86 |
| RESERVES & SHARE CAPITAL | | | | | | |
| Reserves | 9,664,297 | 8,269,052 | 6,928,654 | 6,205,435 | 5,999,116 | 5,982,218 |
| Share Capital | 898,369 | 898,369 | 898,369 | 898,369 | 898,369 | 897,229 |

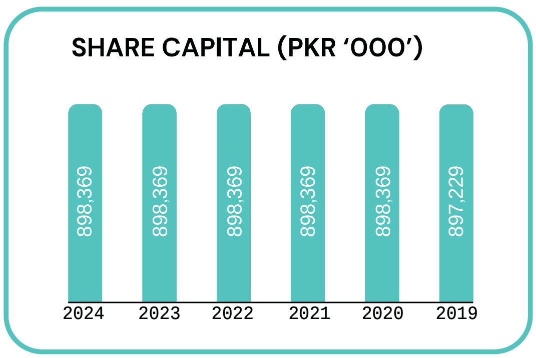
# Key Financial **Ratios**

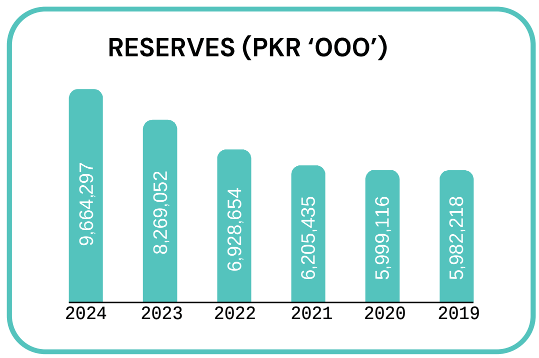
| | | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|---|---|
| Working Capital | Rupees in thousand | 8,738,419 | 7,623,439 | 5,942,484 | 4,762,877 | 4,379,835 | 3,739,858 |
| Gross Profit | % | 44.87 | 29.49 | 34.41 | 36.39 | 33.26 | 38.85 |
| Net Profit Margin | % | 14.91 | 16.76 | 14.93 | 3.87 | 5.20 | 23.11 |
| Return on Equity | % | 13.10 | 14.02 | 11.67 | 2.70 | 3.55 | 18.08 |
| Return on Assets | % | 9.63 | 10.04 | 8.61 | 2.00 | 2.70 | 13.80 |
| Debtor Turnover | Times | 1.75 | 1.36 | 2.45 | 3.00 | 2.14 | 2.13 |
| Current Ratio | Times | 3.30 | 3.14 | 3.22 | 3.00 | 3.20 | 2.81 |
| Earnings Per Share | Rupees | 15.76 | 14.63 | 10.19 | 2.13 | 2.73 | 13.86 |
| Book Value Per Share | Rupees | 120.25 | 104.37 | 89.11 | 79.07 | 76.78 | 76.67 |
| Outstanding No. of Shares | Number | 87,836,923 | 87,836,923 | 87,836,923 | 89,836,923 | 89,836,923 | 89,722,923 |

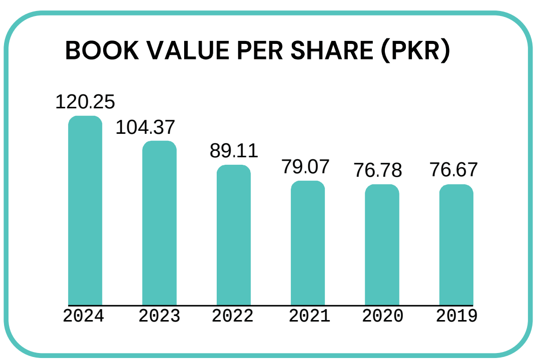
# Financial **Summary**

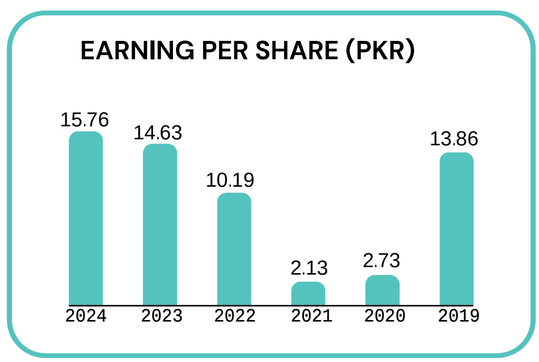


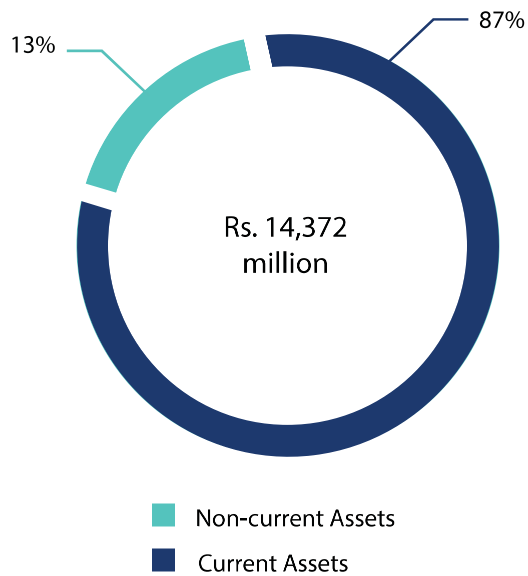



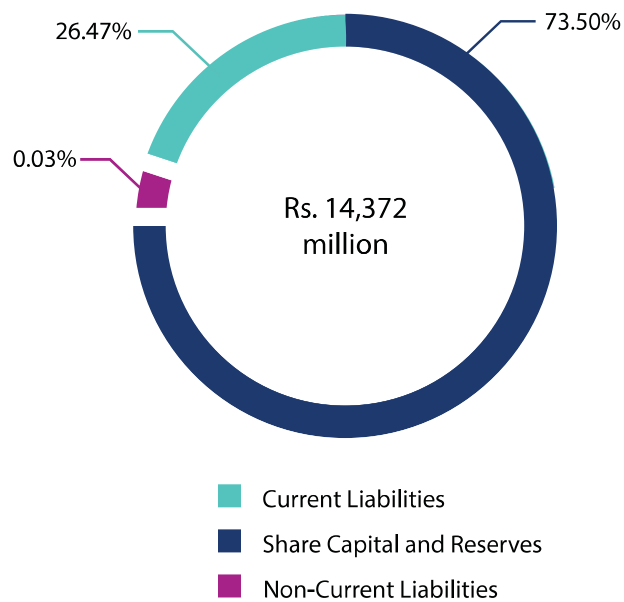



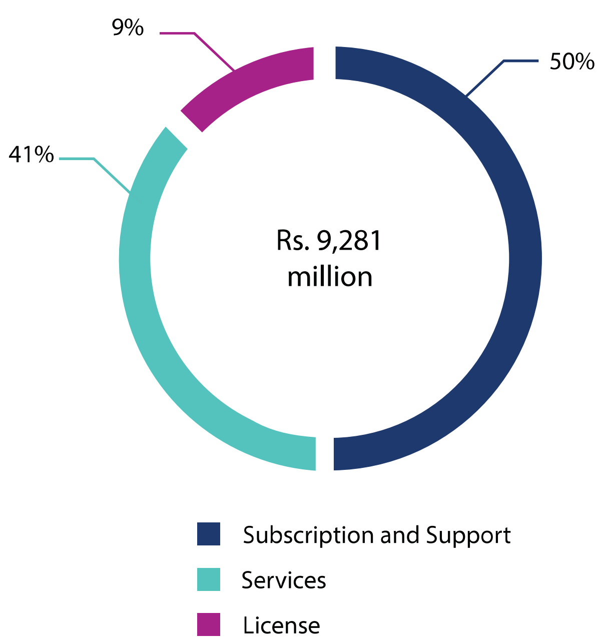
## Assets



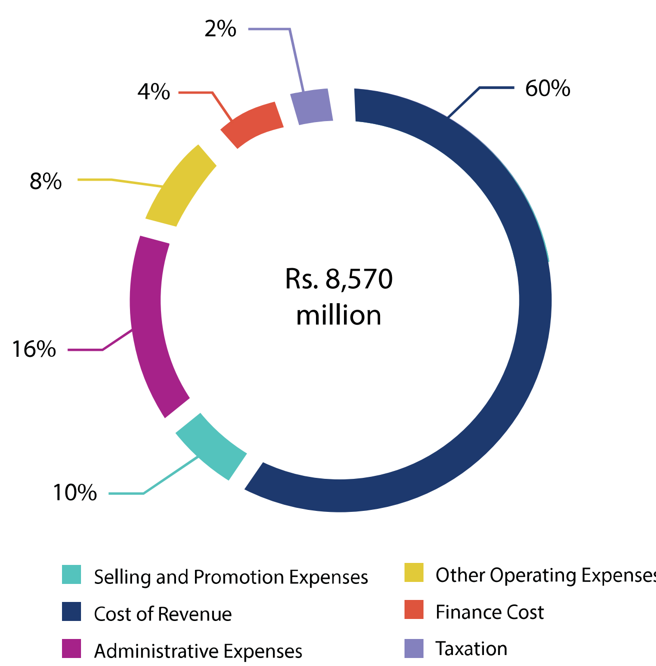

## Equity & Liabilities




## Revenue




## Expenses



# Human Capital **Division**

**Khurram Shahnawaz Rana**
CHRO

As the Chief Human Resources Officer (CHRO) of NetSol Technologies, I am proud to reflect on the past year's achievements, which have strengthened our commitment to growth, learning, and employee well-being. Our strategic focus has been on building a skilled and engaged workforce that aligns with our company's long-term vision, ensuring we are prepared to meet the evolving demands of the global technology landscape.

## Talent Acquisition and Strategic Initiatives

In FY2023, we successfully integrated 143 new team members and welcomed back 18 re-joiners, a testament to our strong employer brand. Our Summer Internship Program received an overwhelming response, with over 37,000 applications and over 300 internees inducted. Leveraging AI-driven technology, we streamlined our recruitment process, ensuring efficiency and fairness in selection.

Strategically, we enhanced our talent acquisition efforts with a focus on key senior hires , bolstering leadership and expertise within the company. Our newly implemented Strategic Hiring initiative is designed to align recruitment efforts with our organizational goals, ensuring a stronger, future-ready workforce.

## Learning and Development

Continuous learning remains a cornerstone of our HR strategy. We delivered 342 training sessions, covering 6,235 training hours. Our emphasis on cybersecurity training and technical certifications ensured that our teams are equipped with the latest skills to tackle industry challenges. Additionally, leadership and personal development programs have empowered employees across all levels.

We launched several customized programs, including The Art of Feedback, Leadership Essentials, and Corporate Readiness for students, further investing in both our current and future talent.

Programs for different teams included:

- The Art of Feedback
- Soft Skills Training
- Career Development
- Leadership Essentials for New and Growing Managers
- Mastering Impactful Presentations etc

## Corporate Readiness – NAMAL University:

Training aimed at preparing university students for corporate success by developing resilience, effective communication, understanding team dynamics, and fostering long-term career growth.

## NETSOLogic – Communication & Language Skills

Launched a Communication Skills program for Netsolians to enhance effective communication abilities.

## Employee Engagement and Well-being

Our employee engagement activities and health initiatives have continued to foster a positive and collaborative work environment. We've supported employee well-being through health camps, wellness consultations, and mental health resources. These initiatives reflect our deep commitment to maintaining a healthy, engaged workforce.

**35** Engagement Activities

**31** Health & Wellness

**08** CSR Initiatives

**29** Team Building Activities

**342** Skill Development Sessions

## Vision for Growth

Looking ahead, our focus remains on fostering a culture of learning, innovation, and inclusion. We will continue to align our human capital strategies with the company's growth objectives, ensuring our workforce is equipped to lead in a rapidly changing industry. By integrating advanced technologies and investing in our people, we are confident in our ability to drive future success and sustain a vibrant, dynamic workplace.

# Core **Values**

01

## Respect & Humility

We treat everyone with kindness and understanding, valuing diverse perspectives and learning from every interaction.

02

## Adaptability

We proactively anticipate and respond to our customers' evolving needs in a fast-changing global economy.

03

## Honesty & Integrity

We ensure transparency and trustworthiness in our communications and decisions.

04

## Customer Success

We work relentlessly to overcome challenges and deliver solutions that ensure our customers are successful.

05

## Innovation

We foster a culture of curiosity and continuous improvement, transcending today's limits with technology.

# Code of **Conduct**

We remain committed to ongoing investments in the highest quality of human resources, streamlined processes, cutting-edge infrastructure, progressive product development. Uncompromising integrity and professionalism have been the cornerstones of NETSOL's 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 and professionalism that is the foundation of our company. The Code of Conduct sets forth the standard for how we work together to develop and deliver products, how we protect the values 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 the 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 envelopment, and the attainment of certifications of the highest caliber.

# ICAN

INSTITUTE OF CORPORATE ADVANCEMENT AT NETSOL

**'ALL THE WORLD IS A LABORATORY TO THE INQUIRING MIND' - MARTIN FISHER**

ICAN has been the learning platform here at NETSOL since 2016.

Since it's inception, ICAN has been not only the learning hub, but functioned as the change agent for positively adapting to our changing circumstances over the last couple of years.

ICAN supports and aids learning through a myriad of approaches, including but not limited to:

- Tailored In-House & Virtual Instructor-led Trainings
- Inhouse & Virtual Talks and Sessions with In-House SMEs
- Gamified and Incentivised Byte-Sized Learning Activities
- Procurement of E-Learning Platforms for Expansive Learning
- Capacity Building Activities for Improving Enhancing Conduct
- Facilitating Cross-Intra-Company Trainings for Knowledge Exchange

**New Joiners On-boarding Training Program**

**Career Development Programs**

**Self-Paced Learning**

**Corporate Readiness Ventures**

ICAN

# INSTITUTE OF CORPORATE ADVANCEMENT AT NETSOL

## WHAT HAVE WE ACHIEVED IN THE PAST YEAR

**993**

Trainees were equipped with soft skills, technical and domain concepts

**5**

Well received training programs launched including:

- Cyber-Security Training Program
- Framework Sessions
- Client Services Training Program
- Corporate Readiness - NAML
- NETSOLogic - Communication & Language Skills

**681**

Training Hours invested

**283**

Training Sessions conducted for soft skills, technical and product knowledge sharing

**4**

New Learning paths developed in the past year

- Selenium Specflow Framework with .NET C#
- Leadership Essentials for New & Growing Managers
- Mastering Impactful Presentations
- Basic Skills for Project Managers

ICAN
INSTITUTE OF
CORPORATE ADVANCEMENT
AT NETSOL

## CREATIVE LAUNCHES FROM THE PAST YEAR

### *Customized Training Programs*

Customized sessions covering Personal Effectiveness, Communication Skills, and Leadership for **131** trainees with **50** total training hours. Programs for different teams included

- The Art of Feedback
- Soft Skills Trainings
- Career Development Programs

### *Corporate Readiness - NAML University*

Training aimed at preparing university students for corporate success by developing resilience, effective communication, understanding team dynamics, and fostering long-term career growth.

### *NETSOLogic – Communication & Language Skills*

Launched a Communication Skills program for Netsolians to enhance effective communication abilities.

### *Client Services Career Development Program*

Provided the Client Services Team with business domain and in-depth product (Retail and Wholesale) and soft skills training enhancing their role-specific expertise.

### *Cybersecurity Training Program*

*Upskilled NOS resources to prepare them for cybersecurity roles on following trainings; CompTIA Linux+, CompTIA Security+, Certified Ethical Hacker & Cyber Defense, AWS Certified Solution Architect.*

ICAN

INSTITUTE OF CORPORATE ADVANCEMENT AT NETSOL

## CREATIVE LAUNCHES FROM THE PAST YEAR

***Framework Sessions***

Conducted by our Training Team with SME's, these sessions for Business Analysts covered key framework functionalities, best practices, and featured interactive Q&A to ensure practical, actionable insights.

## *AT ICAN*

We strongly believe in respecting and adding value each day because...

**A little progress adds up to bigger results!**

# NICAT

The National Incubation Center for Aerospace Technologies (NICAT) is a pioneering initiative in Pakistan's aerospace sector, driven by a dynamic public-private collaboration between the NetSol-led consortium, IGNITE - National Technology Fund, and Aviation City Pakistan. Established with a vision to foster innovation and entrepreneurship in aerospace and deep-tech, NICAT has rapidly emerged as a hub for cutting-edge technological advancements and a catalyst for industry growth.

## Global and National Engagement

Dignitaries and decision-makers from Europe, Central Asia, Africa, and the Middle East, including government officials, multinational executives, and private industry leaders, have visited NICAT to explore collaboration opportunities and witness the innovative work being done.  These interactions have elevated NICAT's profile on the global stage and paving the way for potential partnerships and investment opportunities.

NICAT is playing a crucial role in positioning the country as a key player in the international aerospace community.

## Events and Trainings

Over the course of the year, NICAT has hosted over 200 events, drawing together a diverse array of stakeholders, including industry experts, innovators, investors, and government representatives. These events have been instrumental in fostering knowledge exchange, showcasing emerging technologies, and driving the commercialization of innovative ideas.

NICAT has also placed a strong emphasis on capacity building, offering several dozen specialized training sessions designed to equip startups with the skills and knowledge needed to thrive in the competitive aerospace sector. These trainings have covered a broad

spectrum of topics, from advanced engineering and manufacturing techniques to business development and market entry strategies.

## Startup Ecosystem and Success Stories


Over the past year, NICAT has supported more than ninety startups, focusing on aerospace and deep-tech innovations. These startups are developing solutions ranging from cutting-edge drone technology to advanced avionics, AI-driven systems, and space exploration tools.

These achievements highlight startups success, with many of them gaining national and international recognition, securing significant funding, and entering strategic partnerships.

## Participation in Global Events

NICAT startups have also made their mark on the global stage:

- Inlights represented Pakistan in the GSEA MEPA Finals held in Cape Town, South Africa.

- Explorer Bees and Aviabot participated in the AsiaBerlin Summit, a platform connecting startup ecosystems across Asia and Berlin.
- Kalam4solutions joined London Tech Week, engaging in discussions on transformative technologies alongside global industry leaders.

These international participations have not only elevated the visibility of NICAT startups but have also opened doors to global markets, fostering cross-border collaborations and knowledge exchange.

### Impact and Future Vision

NICAT's impact extends beyond individual startup success stories; it is shaping the future of Pakistan's aerospace industry. By fostering innovation and entrepreneurship, NICAT is helping to drive economic growth, create high-tech jobs, and position Pakistan as a hub for aerospace technology in the region.

Looking ahead, NICAT aims to expand its reach and continue to attract top-tier talent and investment. With plans to further enhance its incubation programs, deepen industry collaborations, and increase its international footprint, NICAT is poised to play an even more significant role in the global aerospace ecosystem.

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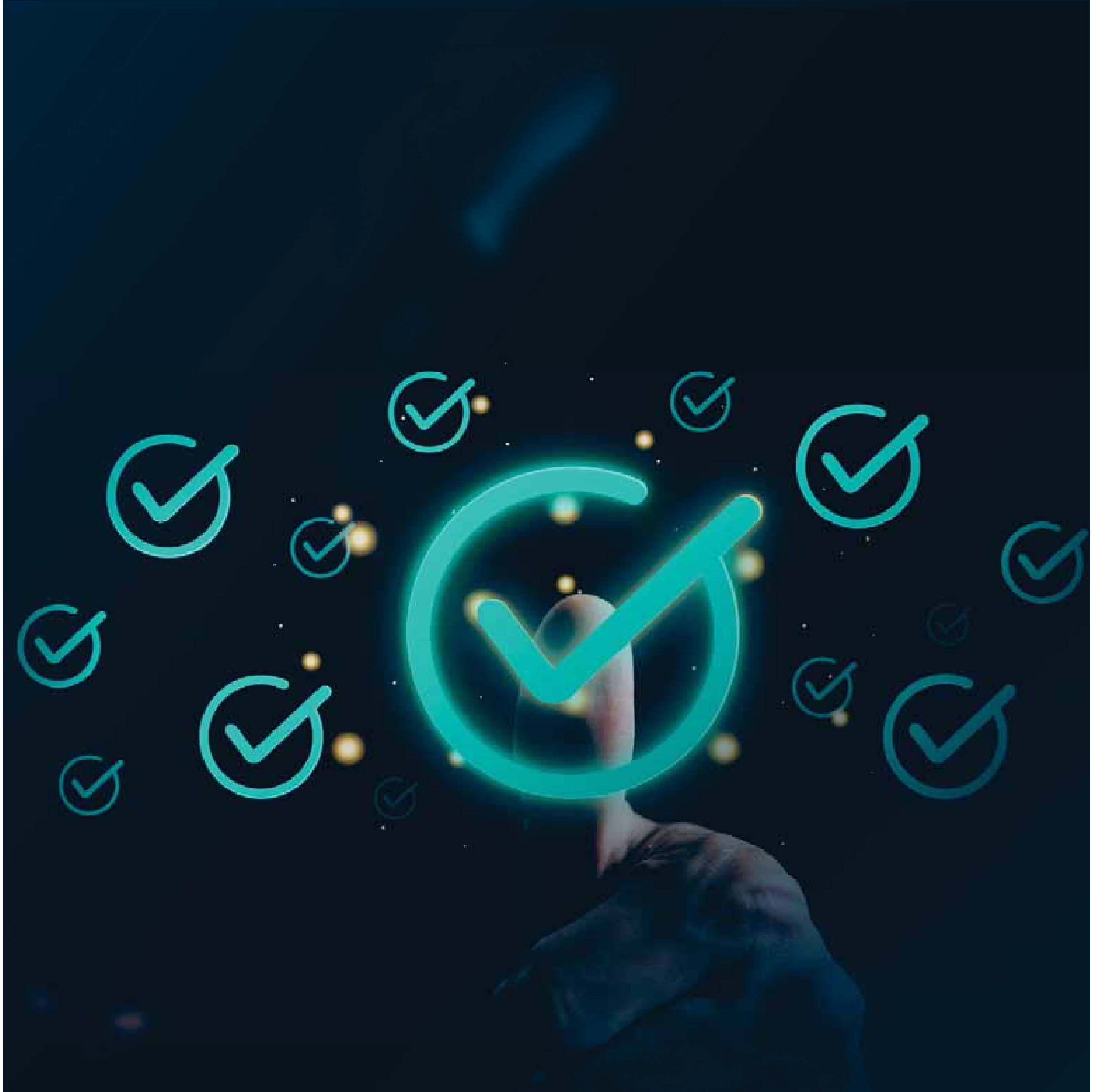
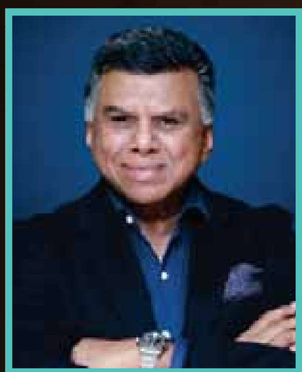


# Governance

# Board of **Directors**



**Naeem Ullah Ghauri**
Chairman - Non-Executive Director

Naeem Ghauri serves as the Chief Executive Officer Innovation and OTOZ. He also is the President of NETSOL's global sales group. While instrumental in numerous transactions, his most significant contribution was his role in closing the TiG NETSOL Joint Venture in 2005. Prior to joining the company, Mr. Ghauri was project director for Mercedes-Benz Finance Ltd., where he supervised over 200 project managers, developers, analysts and users in nine European countries. Mr. Ghauri earned his degree in computer science from University of Brighton, England. Currently roles at NETSOL Technologies as Co-Founder, President Global Sales, Chief Executive Officer Innovation and OTOZ NETSOL Technologies.

**Salim Ullah Ghauri**
Chief Executive Officer

Salim Ullah Ghauri began his entrepreneurial life 40 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 over 18 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 Anwar**
Non-Executive Director

Vaseem Anwar 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 Anwar in the areas of design, planning, construction, construction management, real estate development, the firm has experienced consolidated growth in Pakistan and International markets. Vaseem Anver is a certified director by Pakistan Institute of Corporate Governance.

**Anwaar Hussain**
Independent Director

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

**Zeshan Afzal**
Independent Director

Mr. Zeshan Afzal joined the company's Board of Directors in 2022 and serves as an Independent Director. He is Chairman of Cordoba Logistics and Ventures Limited and has held several senior positions in the Corporate Sector from being the Chief Executive Officer of various organizations to being a Group Executive Director and Independent Director on various boards of listed and private companies and a foreign board. Mr. Afzal is also a Certified Chartered Accountant from the Institute of Chartered Accountants of Pakistan.Mr. Afzal is also the Founding President of C100 Think Tank (a SECP registered Think Tank) which helps the Government on policymaking and regularly conducts and participates in online sessions with the top CEOs of Pakistan. He has also been Chairman Audit and part of various audit, investment and management committees and has worked on various CSR projects.
Having worked globally in the United States, Canada, England and Saudi Arabia, Mr. Afzal moved back to Pakistan from New York to help guide the youth of the country and bring about corporate change. Alongside being a seasoned corporate professional, he is a philanthropist by heart who works on Youth Development across Pakistan. He also runs a free of cost education network for children in Neelum Valley, Kashmir, with several schools and also works for education in FATA, KP, Gilgit-Baltistan and Balochistan.

**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.oil drillers anc ocnstruction companies for over a decade he brings in"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 form LSE. Hamna Ghauri is also a certified Director for Pakistan Institute of Corporate Governance

# Director's Report 2024

On behalf of the Board of Directors, we are pleased to present the 28th Annual Report of NetSol Technologies Limited ('NETSOL' or the 'Company') along with the audited financial statements for the year ended June 30, 2024 and the auditors' report thereon.

## PRINCIPAL ACTIVITIES, DEVELOPMENT AND PERFORMANCE OF THE COMPANY

NETSOL Technologies has experienced an exceptional journey during the culmination of the fiscal year ended. Throughout this period, numerous significant developments have taken place, including but not limited to, new contract signings, deployments, products go-live, enhancements of partnerships, key appointments and more.

## CONTRACT SIGNINGS

AWARDING OF NFS ASCENT IMPLEMENTATION CONTRACT

Our Chinese associated company successfully closed a multimillion-dollar deal with an American automobile manufacturer for implementation of our flagship product NFS Ascent® at their auto finance company in China. The contract includes license to use the product, implementation and data migration services and a post go live support for three months period. Another contract for the long-term maintenance support will be signed later. NETSOL's NFS Ascent® platform was chosen for its unrivaled capabilities and proven track record for success both in Asia-Pacific and globally. The company will directly benefit from this contract through provisioning of both license as well as implementation services to the sister concern. This will result in generating additional revenues for the Company which will be recognized over the life of the contract.

## CONTRACT SIGNINGS FOR NETSOL'S PROFESSIONAL SERVICES

NETSOL strengthened its reputation as a reliable provider of professional services through the acquisition of several noteworthy contracts. A prominent digital transformation company based in the United States enlisted NETSOL for project focused on managing a Security Operation Center (SoC). Concurrently, a United Kingdom-based healthcare entity engaged NETSOL's expertise for a project aimed at developing a web application. Additionally, a non-profit organization selected NETSOL to design and implement a comprehensive donor management system. Furthermore, NETSOL's proficiency in staff augmentation has been acknowledged, with secured contracts for both project management and backend Java development. This diverse range of contracts highlights the company's adaptability, competence in meeting diverse industry requirements and ability to enable customers across various industries to meet their technology objectives.

## PRODUCT GO-LIVES

NETSOL ANNOUNCED TWO UK-BASED FINANCIAL INSTITUTIONS GO LIVES WITH FLEX

Bibby Financial Services, a UK-based multinational financial services provider supporting more than 8,500 small and medium-sized enterprises across more than 300 industry sectors, and United Trust Bank (UTB), a specialist bank that provides a wide range of secured funding facilities to SMEs, property developers and consumers, both subscribed to and subsequently went live with Flex – NETSOL's instant API and cloud-based calculation engine. Additionally, UTB also subscribed to Dock - a cloud-based parameter storage that smoothly runs all a financial institution's core lending operations.

HAYDOCK FINANCE SUBSCRIBED TO ADDITIONAL APPEX NOW PRODUCTS – DOCK AND LANE

NETSOL's existing customer, Haydock Finance, a leading asset finance specialist based in the United Kingdom, signed up for two additional products from the company's Appex Now marketplace – Dock and Lane. Dock is a centralized document generation tool with template-based configuration and simple syntax, allowing users to create accurate documents in just seconds. Lane offers a feature-rich, end-to-end order management system for asset leasing/loans and credit companies.

In April 2023, Haydock Finance subscribed to Flex, NETSOL's API-based, instant calculation engine. The customer is now therefore using three different products from the marketplace.

LEADING GERMAN AUTO FINANCE COMPANY WENT LIVE WITH THE FULL ASCENT SUITE IN SOUTH KOREA AND AUSTRALIA

NETSOL announced the go-live of its next-generation platform NFS Ascent for a leading German auto captive finance company and longstanding client to support their operations in South Korea and Australia. This deployment consisted of the full NFS Ascent suite, which includes both the retail and the wholesale platforms. These deployments are part of a contract with a total value in excess of $110 million – the largest contract in NETSOL's history.

## ENHANCED PARTNERSHIP AND OTHER DEVELOPMENTS WITH AWS

NETSOL CLOUD SERVICES ACHIEVED THE AWS LAMBDA SERVICE DELIVERY DESIGNATION

NETSOL Cloud Services was awarded the AWS Lambda Service Delivery designation by Amazon Web Services (AWS). This prestigious recognition acknowledged its expertise and successful implementation of AWS Lambda, enabling organizations to build and deploy scalable serverless applications efficiently. NETSOL Cloud Services has demonstrated deep expertise in leveraging AWS Lambda to help businesses improve agility, reduce infrastructure costs, accelerate time-to-market for their applications, and utilize the power of serverless computing to manage infrastructure more efficiently.

NETSOL ACHIEVED ADVANCED TIER PARTNER STATUS WITH AMAZON WEB SERVICES (AWS)

NETSOL achieved the Advanced Tier Services Partner status within the Amazon Web Services (AWS) Partner Network (APN). Partners who demonstrate exceptional prominence, emerge as industry leaders in their respective markets and have a highly proficient workforce receive this status. This milestone reinforces the robust alliance between NETSOL and AWS, showcasing NETSOL's expertise and success in guiding clients through the design, architecture, migration, modernization and management of their AWS workloads, thereby optimizing their cloud investments.

NETSOL ACHIEVED AWS FOUNDATIONAL TECHNICAL REVIEW BADGES FOR FIVE PRODUCTS

NETSOL achieved the Amazon Web Services (AWS) Foundational Technical Review badges - a testament to its exceptional expertise in cloud technologies. This achievement is in recognition of five of NETSOL's cloud-based, API-first solutions that are part of Appex Now – the company's marketplace of products designed for the global credit, finance and leasing industry. The technology review was conducted to validate the following products: Flex, Hubex, Index, Dock and Lane.

## KEY APPOINTMENTS

NETSOL APPOINTED ERIK WAGNER AS CHIEF MARKETING OFFICER

Erik Wagner was appointed NETSOL's Chief Marketing Officer (CMO). This strategic move underscored the company's commitment to bolstering its global marketing initiatives and driving further growth in its specialized sectors. Wagner brings a wealth of experience, with over 16 years in the marketing field at growth-oriented companies.

PARTICIPATION AT NUMEROUS INDUSTRY-LEADING EVENTS ACROSS THE GLOBE

During this period, NETSOL sponsored, exhibited at and energetically participated in a succession of prominent industry-leading events worldwide. This showcased the company's continued dedication to not only generating leads, but also strengthening its global brand presence.

In North America, NETSOL was a part of different events in both the United States as well as Canada. In the US, the company was present at the ELFA Operations and Technology Conference, the AFSA Annual Meeting, the ELFA Annual Convention, the Auto Finance Summit and the Open Silicon Valley Conference. our delegates also attended the American Financial Services Association (AFSA) Vehicle Finance Conference and the National Automobile Dealers Association (NADA) Show. Both these events were held in Las Vegas. The company also attended the Consumer Bankers Association (CBA) event - CBA Live in Washington DC.

In Canada, NETSOL attended the CFLA Annual National Conference, the CLA Lenders Summit and the CLA Equipment Finance Roundtable.

In United Kingdom, the company attended the most number of events, including the AFPA Trust Asset Finance and Leasing Summer Gala Dinner, the AFC Summer Awards Dinner, the AFPA Trust Summer Drinks Charity Event, the FLA 'Insight23: Financing the Future' Conference, the Leasing Foundation's Next Generation Networking Event, the Asset Finance Connect Autumn Conference, the AFPA Trust Christmas Drinks Networking and Charity Event, the AFPA Trust Leasing and Finance Industry Christmas Charity Lunch and the FLA Christmas Drinks Reception.

In Australia, the company was part of the FinTech Awards, the FinTech Summit, the AFIA Awards and Gala Dinner and the annual AFIA Conference.

In Indonesia, NETSOL attended the APPI International Seminar and in China the company was present at the China Financial Leasing Annual Conference.

## FINANCIAL PERFORMANCE

| Stand-alone financial statements | 30-Jun-24 (Rs. in '000') | 30-Jun-23 (Rs. in '000') | %age change |
|---|---|---|---|
| Revenue from customers | 9,280,647 | 7,670,181 | 21% |
| Gross Profit | 4,163,874 | 2,262,164 | 84.07% |
| Net Profit | 1,384,159 | 1,285,234 | 17.58% |
| Earnings per share – basic (PKR) | 15.76 | 14.63 | |
| Earnings per share – diluted (PKR) | 15.63 | 14.59 | |
| EBITDA per share – diluted (PKR) | 18.74 | 23.14 | |

During the FY 2023-24, the topline of the Company grew by 21% compared to the revenue posted in the previous fiscal year. The company was able to achieve a net turnover of PKR 9,281 million as compared to PKR 7,670 million in the preceding year. The revenue stream for the current year is fueled with license sale of PKR 802 million including the provision of license of NFS Ascent® to our associated companies' customers. On the services side, the Company also recorded a handsome amount of PKR 3,781 million in comparison to PKR 3,405 million in the corresponding year for enhancement and customization in the systems deployed at customer sites. In addition to it, subscription and support revenue clocked in at PKR 4,697 million as compared to PKR 3,849 million in the preceding fiscal year.

The cost of revenue remained more or less unchanged. Gross Margins during the period clocked in at 45%, as compared to the corresponding period where margins were recorded at 29%. An increase in revenues coupled with cost optimization initiatives translated into improvement in the company's operating profits which also increased from PKR 235 million last year to PKR 1,887 million in the current fiscal year.

The Company posted a net profit after tax of PKR 1,384 million compared to PKR 1,285 million last year. Due to appreciation in the Pakistani Rupee, the Company booked PKR 326 million currency exchange loss during the period compared to an exchange gain of PKR 1,696 million recorded in the comparable period. This profitability has translated basic and diluted earnings per share to clock in at PKR 15.76 and 15.63 respectively in comparison with PKR 14.63 and 14.59 in the corresponding period. The Company posted net EBITDA profit of PKR 18.74 per diluted share compared to PKR 23.14 in the corresponding year.

The Company also consolidates financial results of its wholly owned subsidiary "NETSOL Innovation (Pvt) Limited" and its newly incorporated Dubai based wholly own subsidiary "NETSOL Ascent Middle East Equipment Trading LLC". NETSOL Innovation is mainly involved in the provision of professional services including Amazon Web Services. Net consolidated revenues for the year ended June 30, 2024, were PKR 9,580 million compared to PKR 7,788 million in fiscal 2023. Consolidated gross profit for the year was PKR 4,186 million compared to PKR 2,150 million in last year. On a consolidated basis, the company posted net consolidated profit of PKR 1,203 million in the current year compared to PKR 1,038 million in last year. Basic and diluted earnings per share for the year ended June 30, 2024, were PKR 13.70

and 13.59 respectively in comparison to PKR 11.82 and 11.79 last year.

## DIVIDEND

The Board of Directors of the Company has proposed a final cash dividend of 30% i.e. Rs. 3 per share for the year ended June 30, 2024, for approval of members at the Annual General Meeting.

## FUTURE OUTLOOK

As NETSOL looks towards the future, the company is filled with optimism and excitement about the transformative opportunities that lie ahead for the IT powerhouse. The company's position as a leading technology solutions provider to the financial services industry, coupled with its commitment to harnessing the power of AI and other technologies, positions NETSOL uniquely to drive innovation and create significant value for its diverse customer base across the world. The financial services sector is undergoing a profound transformation and NETSOL is at the forefront of this evolution, ready to leverage emerging technologies to meet the evolving needs of the industry.

## NEW PRODUCT OFFERINGS AND ENHANCEMENTS TO EXISTING PRODUCTS

CUSTOMER-CENTRICITY

For a global technology solutions provider, customer centricity is paramount to achieving sustained success and fostering long-term relationships. Understanding and prioritizing the unique needs, challenges and aspirations of NETSOL's diverse clientele allows the company to tailor its solutions and services with precision and relevance. By placing its customers at the heart of its strategy and at the center of everything it does, NETSOL ensures that its innovations are not only cutting-edge, but also directly aligned with the specific requirements and preferences of its customers.

This approach will continue to enable the company to deliver more effective, impactful solutions and services that drive real business outcomes and enhance customer satisfaction. In a competitive global market, maintaining a strong focus on customer centricity ensures that moving forward the organization remains agile, responsive and deeply connected to the evolving landscape of its clients' needs.

ADVANCEMENTS IN AI

The integration of AI into the financial services sector is reshaping the landscape of the industry. AI technologies are increasingly being used to enhance operational efficiency, improve customer experiences and drive strategic decision-making. From predictive analytics and risk management to fraud detection and personalized customer service, AI is becoming an indispensable tool for financial institutions. However, NETSOL's services in AI are not limited to financial services, but across various industry verticals.

NETSOL is committed to leading the AI revolution. The company is investing heavily in AI research and development to ensure that our solutions not only keep pace with the latest advancements, but also set new standards for excellence. In the coming year, the company will continue its focus on AI and ML and enable its customers to reap the benefits. NETSOL is dedicated to ensuring that its AI solutions and services are designed and deployed in a manner that upholds the highest standards of ethical conduct. This includes addressing issues such as data privacy, algorithmic transparency and fairness.

MARKET DYNAMICS AND COMPETITIVE POSITIONING

The financial services industry is characterized by rapid technological advancements and evolving client expectations. As new players enter the market and existing competitors enhance their offerings, it is crucial for the company to maintain a competitive edge. NETSOL's strategy to achieve this involves continuous innovation, strategic partnerships and a deep understanding of market dynamics.

The company closely monitors emerging trends and new entrants in the technology and financial services sectors. Its approach involves leveraging its unique strengths, such the company's deep industry expertise spanning over four decades and cutting-edge technology, to stay ahead of competition. By forging strategic alliances and investing in next-generation technologies, NETSOL aims to enhance its market positioning and continue to deliver superior value to clients.

CONTINUED R&D AND INNOVATION

Innovation is embedded in NETSOL's DNA. The IT powerhouse is committed to ongoing investment in research and development to advance and refine its product and service offerings, ensuring they meet the evolving demands of the company's diverse global client base. NETSOL's focus includes harnessing emerging technologies, including but not limited to, AI, ML and data analytics, to create solutions that enhance efficiency and elevate user experiences.

As a global leader in the provision of technology solutions, the company remains steadfast in its mission to harness innovation to revolutionize the financial services industry and empower financial institutions to gain a competitive advantage. R&D is crucial to staying ahead in an ever-evolving technological landscape. NETSOL's ongoing commitment ensures that the company not only keeps pace with industry advancements, but also leads in creating transformative solutions that drive progress and deliver exceptional value.

CONTINUED PRESENCE AT INDUSTRY-LEADING EVENTS

NETSOL will continue to be actively present at key industry events around the globe, including sponsoring, exhibiting at and attending annual conferences, exhibitions, summits and other events. The company's participation in these events serves a dual purpose: it showcases NETSOL's products and services to potential clients and subsequently facilitates the generation of new leads.

The company is committed to sustaining its engagement in events across North America, Europe and the APAC region, reinforcing its dedication to maintaining a prominent presence in the global market.

COMMITMENT TO SUSTAINABILITY

As the company looks to the future, its commitment to sustainability remains a cornerstone of its corporate strategy and operations. As a global company, NETSOL recognizes the critical importance of integrating environmental responsibility into its business practices and is dedicated to advancing its sustainability goals.

This includes a continued focus on energy efficiency, waste reduction, recycling, tree plantations and other measures of reducing its carbon footprint and adopting eco-friendly practices across all operations. NETSOL's focus on sustainability drives the company to offer innovate solutions that not only meet the needs of clients, but also contribute positively to the environment. By continuing to embed sustainability into its core practices, the company aims to create long-term value for its stakeholders while supporting the global effort to address climate change and promote a greener future.

ADDRESSING RISKS AND CHALLENGES

While we are confident in our strategic direction, we recognize that the rapidly evolving technology landscape presents both opportunities and risks. Technological risks, such as data security issues, are areas of concern that we are actively addressing.

Additionally, we are mindful of market risks, including potential economic downturns and shifts in client needs. Our approach to managing these risks involves maintaining a flexible and adaptive strategy, staying attuned to market trends and continuously refining our solutions to meet changing demands.

The future for NETSOL looks bright, driven by the company's steadfast dedication to innovation, adaptability and customer focus. By adhering to its core values, seizing emerging opportunities and effectively implementing strategic initiatives, NETSOL is confident in its ability to sustain growth, provide substantial value to stakeholders and uphold its position as a leading technology provider to the global asset finance and leasing industry.

## AWARDS AND RECOGNITION

NETSOL Technologies takes pride in being awarded the "CSR Gold Award" and "Gender Diversity Merit Award " by PASHA.

NETSOL was also awarded the Gold Award for IT Products and Solutions in an event held in collaboration with PSEB & PASHA.

## 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

The company carefully and constantly assesses and analyzes the market and the global industry in which it operates. With Business Continuity Plans in place, the company continues to ensure zero disruption to its operations in the event of pandemics, natural disasters or other circumstances. The global NETSOL team continues to ensure uninterrupted services to its clients across the world.

C. CYBER SECURITY THREATS

Given the significant impact of cybercrimes and their borderless, rapidly evolving nature, it is crucial for companies to implement stringent security measures to protect their ICT infrastructure. NETSOL has established state-of-the-art security protocols to ensure the confidentiality, integrity and privacy of data belonging to the company, its clients, and employees. These measures include a robust intrusion prevention system, firewall, encryption of data both at rest and in transit, restricted data access based on need-to-know and least privilege principles, and the use of secure transmission protocols for communication.

NETSOL has successfully achieved SOC 2 Type 1 and Type 2 compliance through a global audit firm, conducted by A-LIGN, a trusted technology-enabled security and compliance partner serving over 2,500 global organizations. NETSOL's achievement of SOC 2 Type 2 compliance further underscores its commitment to safeguarding its client and customer data. This accomplishment confirms that all system requirements have been met in accordance with the security standards set by the American Institute of Certified Public Accountants (AICPA), as defined by the applicable trust services criteria. The audit of NETSOL's suite of products and software services was conducted across its facilities in California, USA; London, England; Beijing, China; Sydney, Australia; and Lahore, Pakistan.

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 comes from contracts 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. 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

The technology landscape is evolving rapidly and staying ahead requires a keen awareness of emerging trends, market dynamics and external factors. As NETSOL reflects on the past year and looks ahead, it is crucial to understand the key trends and factors that will influence the future development, performance and position of the company's business.

1. TECHNOLOGICAL ADVANCEMENTS

AI and ML

Artificial Intelligence (AI) and Machine Learning (ML) continue to be at the forefront of technological innovation. These technologies are driving transformative changes across various industries, including the financial services and asset finance and leasing industry. AI and ML are enhancing data analytics, automating processes and improving decision-making capabilities. For NETSOL's business, this means continuing to leverage AI to develop advanced solutions that can predict market trends, optimize operations and offer personalized services to clients.

Cloud computing

Cloud computing remains a fundamental technology for modern businesses, providing scalability, flexibility and cost-efficiency. The shift towards hybrid and multi-cloud environments is growing, allowing organizations to leverage a mix of public and private clouds to meet their specific needs. NETSOL's primary cloud partner Amazon Web Services (AWS) is the world's leading, most comprehensive and broadly adopted cloud platform.

Cybersecurity

The rise in cyber threats and data breaches highlights the need for robust security measures. As a B2B technology company, ensuring the security of solutions and protecting client data is critical. NETSOL adheres to advanced, stringent cybersecurity measures, including encryption, threat detection and response systems, to safeguard its operations and maintain trust with its clients worldwide. NETSOL solidified its commitment to data protection by achieving SOC 2 Type 2 compliance in 2023. Previously, NETSOL had already attained SOC 2 Type 1 compliance. By further attaining SOC 2 Type 2 compliance, the company continues to demonstrate its dedication to safeguarding the data of its clients and their customers.

2. MARKET DYNAMICS

Economic conditions and market demand

Economic conditions play a significant role in shaping business performance. Fluctuations in economic growth, inflation rates and policies can impact market demand for technology solutions. As NETSOL navigates these uncertainties, it continues to remain agile and responsive to market changes. Understanding emerging industry needs and adapting offerings accordingly will be key to sustaining growth and capturing new opportunities.

Regulatory changes

The regulatory environment for technology companies is continually evolving. Data protection regulations, such as GDPR and CCPA, have set new standards for data privacy and compliance. Additionally, regulations related to AI and technology ethics are gaining prominence. Staying abreast of regulatory changes and ensuring compliance is essential for avoiding legal risks and maintaining a positive reputation. NETSOL's proactive approach to regulatory compliance includes regular audits, updates to its policies and engagement with regulatory bodies.

3. CUSTOMER EXPECTATIONS AND PREFERENCES

Personalization and customer experience

In today's competitive landscape, delivering a personalized customer experience is crucial. Businesses are increasingly focused on tailoring their solutions to meet the specific needs of their clients. NETSOL's commitment to understanding customer preferences and delivering customized solutions drives its success. By leveraging data analytics and AI, insights are attained pertaining to customer behavior, preferences and pain points, enabling the company to offer targeted solutions and enhance customer satisfaction.

Demand for integrated solutions

As businesses seek to streamline their operations, there is a growing demand for integrated technology solutions that offer seamless connectivity and interoperability. NETSOL's ability to provide comprehensive, integrated solutions that address multiple business needs is a key differentiator. By focusing on creating solutions that integrate with existing systems and provide a cohesive user experience, the company will continue to meet the evolving demands of its clients and strengthen its market position.

4. COMPETITIVE LANDSCAPE

Global competitors

NETSOL is facing competition from a number of players both on a regional and global level. There are a number of companies that provide technology solutions to the global asset finance and leasing industry as well as provide other services like those offered by NETSOL. To maintain its competitive edge, the company must stay vigilant and adapt to changes in the competitive landscape. This includes monitoring industry trends, investing in research and development, and fostering strategic partnerships to enhance its capabilities and market presence.

5. INNOVATION AND R&D

Investment in R&D

Innovation is the driving force behind NETSOL's global operations and business growth. Continuing to invest in R&D is essential for staying ahead of technological advancements and developing cutting-edge solutions. The company's R&D initiatives focus on exploring new technologies, enhancing existing products and addressing emerging market needs. By fostering a culture of innovation and supporting its R&D efforts, NETSOL will continue to deliver solutions that lead the industry, address the evolving challenges faced by its clients, and essentially, continue to futureproof their operations.

Collaboration with industry leaders, associations and partners

Collaborating with industry leaders, finance and leasing associations as well as technology partners is a key strategy for driving innovation. These partnerships provide access to new technologies, research insights and collaborative opportunities. By engaging with leading experts and organizations, NETSOL can accelerate its innovation efforts and bring advanced solutions to market more effectively.

## IMPACT OF COMPANY BUSINESS ON THE ENVIRNOMENT

Amidst the growing number of climate-related events worldwide, responsible businesses are increasingly focusing on climate and environmental sustainability. As a software development company rather than a manufacturing entity, NETSOL's operations inherently have minimal environmental impact. However, as a global player, the company is equally committed to environmental preservation through the adoption of sustainable practices.

Recognizing the challenges posed by global climate change, NETSOL acknowledges its responsibility as a global entity to address this issue. With its borderless operations, the company is determined to leverage all available resources to combat climate change. In pursuit of this goal, NETSOL actively eliminates wasteful practices and optimizes energy efficiency across its processes.

Digitization is central to a paperless organization, and NETSOL's flagship product, NFS Ascent, along with its digital transformation solutions like NFS Digital and other offerings, empower clients to reduce their reliance on paper. By fostering a paperless ecosystem, these digital solutions contribute to a positive environmental impact. Within NETSOL's own global operations, paper usage has been significantly reduced, and the company continues to actively pursue further reductions in paper consumption.

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

The nature of the Company's business, as well as that of its subsidiaries and joint operations, has remained unchanged.

## CORPORATE SOCIAL RESPONSIBILITY

A detailed report on company's initiatives with respect to corporate social responsibility aligned with United Nations defined sustainability goals is also annexed herewith.

## ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The Board holds ultimate responsibility for establishing and maintaining robust internal controls over financial reporting. Our independent internal audit department reports functionally to the Board Audit Committee and administratively to the CEO. Each year, the Board Audit Committee approves the audit plan, which is based on an annual assessment of key operating areas. The internal audit department provides recommendations to address any control lapses, which are taken up by the management to remediate control lapses. Observations are shared quarterly with the Board Audit Committee, the CEO, and the relevant divisional management.

The role of the internal audit function continues to evolve in response to events, risks, and regulatory changes impacting the Company, ensuring that its mandate remains aligned with organizational objectives. Our internal controls are designed to offer reasonable assurance regarding the reliability of our financial reporting and the preparation of external financial statements in accordance with International Financial Reporting Standards (IFRS). However, due to the inherent limitations of any internal control system, management acknowledges that there may be limitations in the effectiveness of these controls, and thus only reasonable assurance can be provided. Nonetheless, the Company maintains an effective internal control framework, characterized by clear structures, defined authority limits, accountabilities, and well-established policies and procedures for review processes.

## 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 may incur expenses on travelling and accommodation of Directors in relation to attending of Board and its Committees meetings. The aggregate amount of remuneration of executive directors, including their salary, perquisites, benefits and performance-linked incentives are disclosed in the annexed financial statements.

## DIVERSITY, EQUITY & INCLUSION (DE&I)

At NETSOL, we view diversity, equity, and inclusion (DEI) as cornerstones of our organizational culture and success. We understand that a diverse workforce enhances creativity, drives innovation, and leads to better decision-making. Our commitment to leadership diversity is reflected in our women-led departments, where female leaders are empowered to inspire and guide their teams. This commitment goes hand-in-hand with our zero-discrimination policy, which establishes a workplace free from bias, ensuring that every employee is treated with respect and dignity, regardless of their background. We have stringent policies in place, such as transport facilities, maternity leaves, subsidized sanitary products, anti-harassment regulations and in-house health support, to reinforce a sense of community within our organization.

As an equal opportunity employer, we actively seek to hire differently-abled individuals, recognizing that their unique perspectives and talents contribute significantly to our collective strength. We provide the necessary accommodations and support to create an inclusive environment that allows everyone to thrive.

In our efforts to promote DEI, we celebrate key initiatives such as workshops, mentorship programs, and community engagement activities that foster understanding and collaboration among employees. By reinforcing our commitment to DEI through strategic initiatives and continuous dialogue, we aim to create a culture where everyone feels valued and empowered to share their ideas and perspectives. At NETSOL, we believe that embracing diversity is not just a responsibility but a vital pathway to innovation and success in our industry.

## 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, 2024:

- Mr. Naeem Ullah Ghauri
- Mr. Salim Ullah Ghauri
- Mr. Vaseem Anwar
- Mr. Anwaar Hussain
- Ms. Hamna Ghauri
- Mr. Zeshan Afzal
- Mr. Omar Ghauri

During the year ended June 30, 2024, five (05) board meetings were held.

The Board has also made sub-committees that 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 |
| Mr. Vaseem Anwar | Member |
| Ms. Hamna Ghauri | Member |

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, 2024, 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 current committee comprises of the following members:

| Names of Directors | Designation |
|---|---|
| Mr. Zeshan Afzal | Chairman |
| Mr. Vaseem Anwar | Member |
| Mr. Salim Ullah Ghauri | Member |

During the year ended June 30, 2024, the Committee held two (02) meetings 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 current committee comprises of the following members:

| Names of Directors | Designation |
|---|---|
| Mr. Vaseem Anwar | Chairman |
| Mr. Zeshan Afzal | Member |

| | |
|---|---|
| Mr. Omar Ghauri | Member |

## NOMINATION COMMITTEE

The Board has also established a Nomination Committee which comprises of the following members:

| Names of Directors | Designation |
|---|---|
| Mr. Anwaar Hussain | Chairman |
| Mr. Vaseem Anwar | Member |
| Mr. Salim Ullah Ghauri | Member |

## PERFORMANCE EVALUATION OF THE BOARD OF DIRECTORS AND THE BOARD COMMITTEES

The Board of Directors is primarily responsible for collectively steering the company's affairs, ensuring its long-term success while protecting the interests of shareholders and stakeholders. In line with the Listed Companies (Code of Corporate Governance) Regulations 2019, it is required to evaluate the Board as a whole, including its committees, as well as the contributions of each Director to the company's strategic direction and growth.

This evaluation aims to identify the competencies needed within the Board, consider the roles and inputs of individual members, and pinpoint areas that require future attention. To facilitate this process, the Human Resource & Remuneration Committee circulated a detailed questionnaire to all Board Members, seeking their assessments of the Board's and its Committees' performance. The feedback from individual Directors, along with the consolidated evaluation results, indicates that the overall performance of the Board, its Committees, and individual Directors has been rated as satisfactory and effective.

## DIRECTORS' TRAINING PROGRAM

BOARD OF DIRECTORS

Six (06) of the Directors have obtained certificates of Directors' Training program and One (01) member of the Board is exempted from Directors' Training program by virtue of his requisite qualification required experience of serving on the board of a listed company.

## REVIEW OF RELATED PARTY TRANSACTIONS

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. 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.

## HOLDING COMPANY

NetSol Technologies Inc., 16000 Ventura Blvd, Suite 770, Encino, CA 91436, USA holds majority of the shareholding of the Company.

## APPOINTMENT OF AUDITORS

The present external auditors' Messrs Crowe Hussain Chaudhury & 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 Crowe Hussain Chaudhury & Co., as the auditors for the financial year ending June 30, 2025 on such terms and conditions and remuneration as may be decided. The external auditors have confirmed that they have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP) and are 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.

## PATTERN OF SHAREHOLDING

A statement of the general pattern of shareholding as at June 30, 2024 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 2024 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 12, 2024

# ڈائریکٹرز کی رپورٹ

ہمیں خوشی ہے کہ از طرف بورڈ آف ڈائریکٹرز نیٹ سول ٹیکنالوجیز لمیٹڈ (''نیٹ سول'' یا ''دی کمپنی'') کے اٹھائیسویں سالانہ آڈٹ شدہ مالیاتی گوشوارے جس کا اختتام 30 جون 2024ء کو ہوا، مع آڈیٹرز رپورٹ پیش کر رہے ہیں۔

## کمپنی کی کارکردگی اور ترقی کی بنیادی سرگرمیاں

مالیاتی سال کے اختتام کے دوران نیٹ سول ٹیکنالوجیز نے اپنے شاندار سفر کو جاری رکھا۔ اس دورانیہ میں، کئی غیر معمولی تبدیلیاں سامنے آئیں جس میں نئے معاہدوں کی تشکیل، اطلاق، پروڈکٹس کا لائیو ہونا، شراکت داریوں میں اضافہ، اہم تقرریاں وغیرہ شامل ہیں لیکن یہ فہرست یہاں تک محدود نہیں۔

### ⇦ معاہدوں کی تکمیل و تشکیل

■ **NFS Accent کے اطلاقی معاہدے سے نوازا جانا**

ہماری چینی ذیلی کمپنی نے ایک امریکی آٹو موبائل مینوفیکچرر کی چین میں موجود آٹو فنانس کمپنی میں ہماری فلیگ شپ پروڈکٹ NFS Accent کے اطلاق کے لئے ملٹی ملین ڈالر کا کامیابی سے معاہدہ کیا ہے۔ معاہدے میں پروڈکٹ استعمال کرنے کا لائسنس، اطلاق اور ڈیٹا کی منتقلی کی خدمات اور تین ماہ کے لئے go live کے بعد سپورٹ شامل ہے۔ طویل مدت عرصہ کے لئے دیکھ بھال کی بابت ایک معاہدہ بعد میں طے کیا جائے گا۔ نیٹ سول کے NFS Accent پلیٹ فارم کو لاثانی صلاحیتوں اور ایشیا پیسیفک اور دنیا بھر میں کامیابی کے ثابت شدہ ٹریک ریکارڈ کی بنا پر منتخب کیا گیا ہے۔ کمپنی اپنی ذیلی کمپنیوں کو لائسنس اور اطلاق کی خدمات فراہم کر کے اس معاہدہ سے براہ راست مستفید ہوگی۔ اس کے نتیجے میں کمپنی کی آمدنی کے نئے راستے کھلیں گے جو معاہدہ کی میعاد کے دوران درج کئے جائیں گے۔

■ **نیٹ سول کی پیشہ ورانہ خدمات کے لئے معاہدہ**

نیٹ سول نے متعدد قابل ذکر معاہدے حاصل کر کے بطور با اعتبار پیشہ ورانہ خدمات فراہم کنندہ اپنی ساکھ کو مضبوط کیا ہے۔ ایک معروف امریکی ڈیجیٹل ٹرانسفارمیشن کمپنی نے سکیورٹی آپریشن سنٹر (SoC) کی دیکھ بھال کے لئے قائم پروجیکٹ میں نیٹ سول کو شامل کیا ہے۔ علاوہ ازیں، برطانیہ کے ایک ہیلتھ کیئر ادارے نے ویب ایپلی کیشن کی تیاری کے ایک پروجیکٹ کے لئے نیٹ سول کی خدمات حاصل کرنے کا معاہدہ کیا ہے۔ مزید برآں، ایک غیر منافع بخش ادارے نے عطیات کے نظم وضبط کے جامع نظام کی تیاری اور طلاق کے لئے نیٹ سول کو منتخب کیا ہے۔ اس کے ساتھ ساتھ، پروجیکٹ مینجمنٹ اور بیک اینڈ جاوا ڈیولپمنٹ کے لئے معاہدہ پر دستخط کر کے عملے کی تقرری میں نیٹ سول کی صلاحیتوں کو تسلیم کیا گیا ہے۔ مذکورہ بالا معاہدے کمپنی کی موافقت، مختلف صنعتوں کی متنوع ضروریات پوری کرنے کی استعداد اور صارفین کو متعدد صنعتوں میں ٹیکنالوجی مقاصد حاصل کرنے کے قابل بنانے کی صلاحیت کی عکاسی کرتے ہیں۔

### ⇦ مصنوعات GO-LIVES

■ **نیٹ سول نے دو برطانوی مالیاتی اداروں کو بذریعہ FLEX متعارف کرایا**

300 سے زائد صنعتی شعبوں میں تقریباً 8,500 چھوٹے اور درمیانے درجے کے کاروباروں کو سپورٹ کرنے والی کثیر ملکی مالیاتی خدمات فراہم کنندہ کمپنی Bibby Financial Services اور SMEs، پراپرٹی ڈیویلپرز اور صارفین کو مختلف اقسام کی محفوظ فنڈنگ سہولیات فراہم کرنے والے ایک اسپیشلسٹ بینک یونائیٹڈ ٹرسٹ بینک نے NETSOL's instant API اور کلاؤڈ پر مبنی کیلکولیشن انجن Flex کو سبسکرائب کیا اور بعد ازاں لائیو ہوئے۔ علاوہ ازیں، UTB نے کلاؤڈ پر مبنی پیرامیٹر اسٹوریج Dock کو بھی سبسکرائب کیا جو تمام مالیاتی اداروں کے بنیادی لینڈنگ آپریشنز کو روانی سے چلاتا ہے۔

■ **Haydock فنانس نے ڈیجیٹل Appex Now مصنوعات-DOCK AND LANE کو سبسکرائب کیا**

نیٹ سول کے موجودہ صارف، برطانیہ کے صف اول کے ایسٹ فنانس اسپیشلسٹ Haydock فنانس نے کمپنی کی Appex Now مارکیٹ پلیس سے دو اضافی مصنوعات-Dock and Lane کو سائن اپ کیا۔ Dock دستاویز کو اخذ کرنے کا ایک بنیادی ذریعہ ہے جس میں نمونہ پر مبنی کنفیگریشن اور سادہ نحو (syntax) شامل ہے جس سے صارفین چند سیکنڈز میں بالکل درست دستاویزات تیار کر سکتے ہیں۔ جبکہ Lane ایسٹ لیزنگ/قرضوں اور کریڈٹ کمپنیوں کے لئے غیر معمولی خصوصیات سے بھرپور مربوط آرڈر مینجمنٹ سسٹم پیش کرتا ہے۔

اپریل 2023ء میں، Haydock فنانس نے نیٹ سول کے API پر مبنی فوری کیلکولیشن انجن Flex کو سبسکرائب کیا۔ اب صارفین مارکیٹ پلیس سے تین مختلف پروڈکٹس استعمال کر رہے ہیں۔

■ **جرمنی کی معروف آٹو فنانس کمپنی جنوبی کوریا اور آسٹریلیا میں مکمل ایسنٹ پروگرام کی مدد سے لائیو ہوئی**

نیٹ سول نے جنوبی کوریا آسٹریلیا میں اپنے آپریشنز میں معاونت کے لئے جرمنی کی معروف auto captive finance کمپنی اور پرانے کلائنٹ کے لئے اپنے next-generation کے پلیٹ فارم NFS Ascent کے لائیو ہونے کا اعلان کیا۔ اس اطلاق میں NFS Ascent کا مکمل پروگرام شامل ہے جو ریٹیل اور ہول سیل پلیٹ فارم پر مشتمل ہے۔ یہ اطلاق 110 ملین ڈالر کی کل مالیت کے معاہدے کا حصہ ہے جو نیٹ سول کی تاریخ میں سب سے بڑا معاہدہ ہے۔

### ⇦ AWS کے ساتھ شراکت داری میں اضافہ اور دیگر پیش رفت

■ **نیٹ سول کلاؤڈ سروسز نے THE AWS LAMBDA SERVICE ڈیلیوری اعزاز حاصل کیا**

ایمازون ویب سروسز (AWS) کے پارٹنر نیٹ ورک (APN) نے نیٹ سول کلاؤڈ سروسز کو AWS Lambda Service ڈیلیوری اعزاز سے نوازا۔ نمایاں کارکردگی کا مظاہرہ کرنے والے شراکت دار اپنی متعلقہ منڈیوں میں بطور انڈسٹری لیڈر ابھر کر سامنے آئے اور غیر معمولی افرادی قوت کے حامل اداروں نے یہ حیثیت حاصل کی۔ یہ سنگ میل NETSOL اور AWS کے مابین مضبوط اتحاد، نیٹ سول کے وسیع تجربہ اور ڈیزائن، آرکیٹیکچر، مائیگریشن، جدت اور AWS ورک لوڈ کے انتظام کی عکاسی کرتا ہے جو بعد ازاں کلاؤڈ میں سرمایہ کاری کے مثبت نتائج پیش کرتا ہے۔

■ **نیٹ سول نے ایمازون ویب سروسز (AWS) کے ساتھ اعلیٰ درجے کی شراکت داری کا درجہ حاصل کیا**

نیٹ سول نے ایمازون ویب سروسز (AWS) شراکتی نیٹ ورک (APN) کے اندر Advanced Tier Services Partner کا درجہ حاصل کیا۔ وہ شراکت دار جو غیر معمولی اہمیت کا مظاہرہ کرتے ہیں، اپنی متعلقہ منڈیوں میں صنعت کے راہنما کے طور پر ابھرتے ہیں اور انتہائی ماہر افرادی قوت کے حامل افراد کو یہ درجہ ملتا ہے۔ یہ سنگ میل نیٹ سول اور AWS کے درمیان مضبوط اتحاد کو تقویت دیتا ہے، نیٹ سول کی مہارت اور کلائنٹ کی AWS ورک لوڈ کے ڈیزائن، فن تعمیر، نقل مکانی، جدید کاری اور انتظام کے ذریعے راہنمائی کرنے میں کامیابی کو ظاہر کرتا، اس طرح ان کی کلاؤڈ سرمایہ کاری کو بہتر بناتا ہے۔

■ **نیٹ سول نے پانچ پروڈکٹس کے لئے AWS فاؤنڈیشنل ٹیکنیکل ریویو حاصل کئے ہیں۔**

نیٹ سول نے ایمازون ویب سروسز (AWS) فاؤنڈیشنل ٹیکنیکل ریویو حاصل کئے ہیں جو کلاؤڈ ٹیکنالوجیز میں اس کی مہارت اور تجربہ کا منہ بولتا ثبوت ہے۔ نیٹ سول کی پانچ پروڈکٹس بشمول گلوبل کریڈٹ، فنانس اور انڈسٹری کے لئے خصوصی طور پر تیار کردہ پروڈکٹس کی بابت کمپنی کی مارکیٹ پلیس Appex NOw جیسی کلاؤڈ پر مبنی API فرسٹ سلوشنز کے اعزاز میں یہ کامیابی حاصل ہوئی۔ Flex، Hubex، انڈیکس، Dock اور Lane جیسی مصنوعات کی توثیق کے لئے تکنیکی جائزہ کا عمل مکمل کیا گیا۔

### ⇦ اہم تقرریاں

■ **نیٹ سول نے بطور چیف مارکیٹنگ آفیسر ERIK WAGNER کو تعینات کیا**

Erik Wagner کو نیٹ سول کا چیف مارکیٹنگ آفیسر (CMO) مقرر کیا گیا۔ اس حکمت

عملی نے عالمی سطح پر تشہیری اقدامات کو بڑھانے کے کمپنی کے عزم اور اپنے مخصوص شعبوں میں مزید ارتقا کو رفتار دینے میں اہم کردار ادا کیا۔ Wagner نے ترقی پسند کمپنیوں کے مارکیٹنگ کے شعبہ میں 16 برس سے زائد عرصہ پر محیط اپنے وسیع تجربہ کو کمپنی کے لئے استعمال کیا۔

### ⇐ عالمی سطح پر متعدد اہم صنعتی تقریبات میں شرکت

مذکورہ دورانیہ میں، نیٹ سول نے دنیا بھر میں منعقد ہونے والے اہم صنعتی تقریبات میں تعاون، تشہیر اور بھرپور انداز میں شرکت کی۔ یہ عمل صارفین کی تعداد میں اضافہ کے لئے نہ کمپنی کے غیر متزلزل عزم کی عکاسی کرتا ہے بلکہ عالمی سطح پر اپنی ساکھ کی مضبوطی کو بھی یقینی بناتا ہے۔

**شمالی امریکہ میں**، نیٹ سول امریکہ اور کینیڈا میں منعقد ہونے والے تقریبات کا حصہ رہا۔ امریکہ میں کمپنی نے ELFA آپریشنز اینڈ ٹیکنالوجی کانفرنس، AFSA سالانہ اجلاس، ELFA سالانہ کنونشن، آٹو فنانس سمٹ اور اوپن Silicon ویلی کانفرنس میں شرکت کی۔ ہمارے وفود نے امریکن فنانشل سروسز ایسوسی ایشن (AFSA) وہیکل فنانس کانفرنس اور نیشنل آٹو موبائل ڈیلرز ایسوسی ایشن (NADA) شو میں بھی شرکت کی۔ یہ دونوں تقریبات لاس ویگاس میں منعقد ہوئیں۔ کمپنی نے واشنگٹن ڈی سی میں منعقد ہونے والے کنزیومر بینکرز ایسوسی ایشن (CBA) تقریب-CBA لائیو میں بھی شرکت کی۔

**کینیڈا میں**، نیٹ سول نے CFLA سالانہ قومی کانفرنس، CLA لینڈرز سمٹ اور CLA ایکویپمنٹ فنانس راؤنڈ ٹیبل میں شرکت کی۔

**برطانیہ میں**، کمپنی نے متعدد تقریبات بشمول AFPA ٹرسٹ ایسٹ فنانس اینڈ لیزنگ سمر گالا ڈنر، AFC سمر ایوارڈز ڈنر، AFPA ٹرسٹ سمر ڈرنکس چیریٹی ایونٹ، FLA Insight23: مستقبل پر سرمایہ کاری' کانفرنس، لیزنگ فاؤنڈیشن کے Next Generation کے نیٹ ورکنگ ایونٹ، ایسٹ فنانس کنیکٹ آٹم کانفرنس، AFPA ٹرسٹ کرسمس ڈرنکس نیٹ ورکنگ اور چیریٹی ایونٹ، AFPA ٹرسٹ لیزنگ اینڈ فنانس انڈسٹری کرسمس چیریٹی لنچ اور FLA کرسمس ڈرنکس استقبالیہ میں شرکت کی۔

**آسٹریلیا میں**، نیٹ سول فن ٹیک ایوارڈز، فن ٹیک سمٹ، AFIA ایوارڈز اور گالا ڈنر اور سالانہ AFIA کانفرنس کا حصہ رہا۔

**انڈونیشیا میں**، نیٹ سول نے APPI انٹرنیشنل سیمینار اور چین میں کمپنی چائنا فنانشل لیزنگ سالانہ کانفرنس میں شرکت کی۔

## مالیاتی کارکردگی (Financial Performance)

| | مالیاتی گوشوارے | | |
|---|---|---|---|
| جداگانہ مالیاتی گوشوارے | 30 جون 2024ء | 30 جون 2023ء | فیصد میں تبدیلی |
| | روپے ('000') | روپے ('000') | |
| صارفین سے محصولات | 9,280,647 | 7,670,181 | 21% |
| خام منافع | 4,163,874 | 2,262,164 | 84.07% |
| نقد منافع | 1,384,159 | 1,285,234 | 17.58% |
| منافع فی حصص۔ بنیادی (پاکستانی روپے) | 15.76 | 14.63 | |
| منافع فی حصص۔ تحلیل شدہ (پاکستانی روپے) | 15.63 | 14.59 | |
| EBITDA فی حصص۔ تحلیل شدہ (روپے) | 18.74 | 23.14 | |

مالی سال 24-2023 کے دوران، کمپنی کی ٹاپ لائن میں پچھلے مالی سال میں درج کی گئی محصولات کے مقابلے میں 21 فیصد اضافہ ہے۔ کمپنی نے گذشتہ سال کے اسی مدت کے دوران 7,670 ملین روپے کے مقابلے 9,281 ملین روپے پورے سال کی خالص محصولات درج کی ہیں۔ ہماری ذیلی کمپنیوں کے صارفین کو NFS Ascent کے لائسنس کی فروخت کی وجہ سے 802 ملین روپے کی محصولات ریکارڈ کی گئی۔ خدمات محصولات کی مد میں، کمپنی نے اپنی متعلقہ سائٹس پر deployed systems میں اضافہ اور تخصیص کے لیے گذشتہ مالی سال میں 3,405 ملین روپے کے مقابلے میں 3,781 ملین روپے کی شاندار محصولات درج کی۔ اس کے علاوہ سبسکرپشن اور سپورٹ محصولات گذشتہ مالی سال کے 3,849 ملین روپے کے مقابلے 4,697 ملین روپے تک درج کی ہیں۔

محصولات کی لاگت میں کم وبیش کوئی تبدیلی نہیں آئی۔ اس سال کے دوران مجموعی مارجنز 45 فیصد تک درج کیا گیا ہے جبکہ گذشتہ سال میں یہ مارجنز 29 فیصد درج کیا گیا تھا۔ محصولات میں اضافے کے ساتھ ساتھ لاگت کے اصلاحی اقدامات نے کمپنی کے آپریٹنگ منافع میں بہتری آئی ہے جو 235 ملین روپے سے بڑھ کر رواں مالی سال میں 1,887 ملین روپے ہوگئی ہے۔

کمپنی نے گذشتہ سال 1,285 ملین روپے کے مقابلے میں 1,384 ملین روپے کا بعد از ٹیکس نقد منافع درج کیا ہے۔ پاکستانی روپے کی قدر میں اضافے کی وجہ سے، کمپنی نے اس عرصے کے دوران 326 ملین روپے کرنسی تبادلے کے نقصانات سے منسلک ہے جس کا موازنہ، 1,696 ملین روپے کرنسی تبادلے کے منافع سے کیا گیا ہے۔ اس منافع نے بنیادی اور تحلیل شدہ فی حصص بالترتیب 14.63 اور 14.59 روپے کے مقابلے میں 15.76 اور 15.63 روپے کم منافع درج کیا۔ کمپنی نے گذشتہ عرصے کے 23.14 روپے تحلیل شدہ فی حصص کے مقابلے میں 18.74 روپے فی حصص کا خالص EBITDA منافع درج کیا ہے۔

کمپنی نے اپنے مکمل ملکیتی ذیلی ادارہ "نیٹ سول انوویشن (پرائیویٹ) لمیٹڈ" اور اس کے نئے شامل کردہ دبئی رجسٹرڈ مکمل ملکیتی ذیلی ادارہ "نیٹ سول ایسنٹ مڈل ایسٹ ایکویپمنٹ ٹریڈنگ ایل ایل سی" کے مجموعی مالیاتی گوشوارے شامل کر دیئے ہیں۔ نیٹ سول انوویشن بنیادی طور پر پیشہ ورانہ خدمات بشمول ایمزون ویب سروسز کی فراہمی بھی شامل ہے۔

30 جون 2024ء کے ختم ہونے والے سال کیلئے نقد مجموعی محصولات اسی سال 2023ء کے 7,788 ملین روپے کے مقابلے میں 9,580 ملین روپے ہے۔ مجموعی خام منافع گزشتہ سال کے 2,150 ملین روپے کے مقابلے موجودہ سال میں 4,186 ملین روپے ہے۔ مجموعی بنیاد پر، کمپنی نے گذشتہ سال کی اسی مدت میں 1,038 ملین روپے نقد مجموعی منافع کے مقابلے میں موجودہ سال میں 1,203 ملین روپے کا نقد مجموعی منافع درج کیا ہے۔ 30 جون 2024ء کو ختم ہونے والے سال کے لیئے فی بنیادی اور تحلیل شدہ آمدنی، گذشتہ سال میں بالترتیب 11.82 اور 11.79 روپے فی حصص منافع کے مقابلے اس سال میں بالترتیب 13.70 اور 13.59 روپے فی حصص منافع درج کیا ہے۔

## منافع منقسمہ (Dividend)

کمپنی کے بورڈ آف ڈائریکٹرز نے سالانہ اجلاس عام میں ممبران کی منظوری کے لیے 30 جون 2024ء کو ختم ہونے والے سال کے لیے 30 فیصد یعنی 3 روپے فی حصص کا حتمی نقد منافع منقسمہ تجویز کیا ہے۔

## مستقبل کا نقطہ نظر (Future Outlook)

چونکہ مستقبل پر نیٹ سول کی گہری نظر ہے، لہذا کمپنی آئی ٹی اداروں کے لئے موجود قابل تجدید مواقع سے متعلق انتہائی پرامید اور پرجوش ہے۔ مالیاتی خدمات کی صنعت میں صف اول کے تکنیکی حل فراہم کنندہ کی حیثیت سے اور AI اور دیگر ٹیکنالوجیز کی طاقت بڑھانے کے عزم کے ساتھ نیٹ سول دنیا بھر میں اپنے متنوع

صارفین کے لئے نمایاں قدر قائم کرنے اور جدت کی جانب سفر کے لئے گامزن ہے۔ مالیاتی خدمات کا شعبہ تبدیلی کے ایک اہم سفر پر گامزن ہے اور نیٹ سول اس انقلاب میں سب سے آگے ہے جو انڈسٹری کی بدلتی ہوئی ضروریات کو پورا کرنے کے لئے ابھرتی ہوئی ٹیکنالوجیز کو استعمال کرنے کے لئے تیار ہے۔

## نئی پیش کردہ پروڈکٹس اور موجودہ پروڈکٹس کی تجدید

### صارف-توجہ کا مرکز

عالمی سطح پر تکنیکی حل فراہم کنندہ کے لئے، پائیدار کامیابی کے حصول اور طویل مدتی تعلقات کو مضبوط کرنے کی بابت صارف کو توجہ کا مرکز بنانا انتہائی اہمیت کا حامل عمل ہے۔ نیٹ سول کی مختلف کلائنٹس کی منفرد ضروریات، چیلنجز اور خواہشات کو سمجھنے اور انہیں اولین ترجیح بنانے سے کمپنی اپنے حل اور خدمات کو بہتر انداز میں تیار کرنے کے قابل ہوئی ہے۔ صارفین کو اپنی حکمت عملی کا مرکزی نکتہ اور ہر چیز کا منبا بنا کر نیٹ سول یقینی بناتا ہے کہ اس کی تخلیقات نہ صرف عالمی معیار کی ہیں بلکہ یہ اپنے صارفین کی مخصوص ضروریات اور ترجیحات کے بالکل عین مطابق ہیں۔

یہ طریق عمل کمپنی کو مزید مؤثر، قابل عمل حل اور خدمات پیش کرنے میں مدد کرے گا جو کاروبار کے حقیقی نتائج اور صارفین کے اطمینان کو پورا کرے گا۔ مسابقتی عالمی منڈی میں صارفین کو اولین ترجیح بنانا یقینی بناتا ہے کہ مستقبل میں ادارہ متحرک، جواب دہ اور اپنے کلائنٹس کی بدلتی ہوئی ضروریات کے دھارے سے گہرا تعلق بنائے رکھے۔

### AI میں جدت

مالیاتی خدمات کے شعبہ میں AI کی شمولیت صنعت کے دھارے کو تبدیل کر رہی ہے۔ AI ٹیکنالوجیز آپریشنل کارکردگی کو بڑھانے، صارف تجربات کو بہتر کرنے اور اسٹریٹجک فیصلہ سازی میں بہت زیادہ استعمال ہو رہی ہیں۔ متوقع تجزیہ اور رسک مینجمنٹ سے فراڈ کے سراغ اور ذاتی صارف خدمات تک AI مالیاتی اداروں کے لئے ایک لازمی وسیلہ بن چکا ہے۔ البتہ، AI میں نیٹ سول کی خدمات مالیاتی خدمات تک محدود نہیں بلکہ یہ متعدد متنوع صنعتوں تک پھیلی ہوئی ہیں۔

نیٹ سول AI انقلاب کی رہنمائی کرنے کے لئے پرعزم ہے۔ کمپنی AI تحقیق و ترقی میں بھاری سرمایہ کاری کر رہی تا کہ یقینی بنایا جا سکے کہ ہمارے حل نہ صرف دور جدید کی ترقی کی رفتار کے ساتھ چل رہے ہیں بلکہ عمدگی کے نئے معیار بھی متعین کر رہے ہیں۔ آئندہ برس میں، کمپنی AI اور ML پر اپنی توجہ مرکوز رکھے گی اور اپنے صارفین کو ان سے مستفید ہونے کا موقع فراہم کرے گی۔ نیٹ سول یہ یقینی بنانے کے لئے پرعزم ہے کہ اس کے AI حل اور سروسز اس انداز میں وضع اور لاگو کئے جاتے ہیں جو اخلاقیات کے اعلیٰ معیار کو تھامے رکھیں۔ اس میں ڈیٹا پرائیویسی، ایلگورتھم شفافیت اور دیانتداری جیسے مسائل کا ازالہ شامل ہے۔

### منڈی کے محرکات اور مسابقتی ساکھ

مالیاتی خدمات کی صنعت میں تیز رفتار تکنیکی جدت اور کلائنٹ کی بدلتی ہوئی توقعات جیسی خصوصیات شامل ہیں۔ جونہی منڈی میں کوئی نیا ادارہ داخل ہوتا ہے یا موجودہ حریفین اپنی پیشکشوں کو بڑھاتے ہیں تو کمپنی کے لئے اپنی مسابقتی ساکھ کو برقرار رکھنا بہت ضروری ہوتا ہے۔ اس مقصد کے حصول کے لئے نیٹ سول کی حکمت عملی میں مسلسل جدت، اسٹریٹجک شراکت داریاں اور منڈی کے محرکات کی گہری سوجھ بوجھ شامل ہیں۔

کمپنی ابھرتے ہوئے رجحانات اور ٹیکنالوجی اور مالیاتی خدمات کے شعبہ میں داخل ہونے والے نئے اداروں پر گہری نگرانی رکھتی ہے۔ اس کے طریقے عمل میں اپنی مخصوص طاقت کو بڑھانا شامل ہے تا کہ چار دہائیوں پر محیط صنعتی تجربے اور عالمی معیار کی ٹیکنالوجی کو بروئے کار لاتے ہوئے کمپنی حریفوں سے ایک قدم آگے ہو۔ اسٹریٹجک اشتراک کو بڑھا کر اور next-generation کی ٹیکنالوجیز میں سرمایہ کاری کر کے نیٹ سول منڈی میں اپنی ساکھ کو مضبوط کرنے اور کلائنٹس کو بہترین نعم البدل کی فراہمی کو جاری رکھنے کے لئے پرعزم ہے۔

### لگاتار R&D اور جدت

جدت نیٹ سول کے خمیر میں شامل ہے۔ آئی ٹی پاور ہاؤس تحقیق و ترقی میں سرمایہ کاری جاری رکھنے کے لئے پرعزم ہے تا کہ کمپنی اپنے پروڈکٹس اور سروسز میں جدت لا سکے، انہیں نکھار سکے اور یقینی بنا سکے کہ وہ کمپنی کے متنوع عالمی کلائنٹس کی بدلتی ہوئی طلب کو پورا کریں۔ نیٹ سول کی توجہ کے مرکز میں ابھرتی ہوئی ٹیکنالوجیز کا استعمال، بشمول لیکن محدود نہیں، AI، ML اور ڈیٹا اینالٹکس شامل ہیں تا کہ ایسے حل فراہم کئے جا سکیں جو کارکردگی کو بڑھائیں اور صارف تجربات میں اضافہ کریں۔

ٹیکنالوجی سلوشنز کی فراہمی میں عالمی رہنما کی حیثیت سے کمپنی مالیاتی خدمات کی صنعت میں انقلاب لانے اور مسابقتی فائدہ حاصل کرنے کے لئے مالیاتی اداروں کو خودمختار بنانے کے لئے جدت کو بروئے کار لانے کے اپنے مشن کی بابت پرعزم رہی ہے۔ R&D لگاتار تبدیل ہوتے ہوئے تکنیکی دھارے میں سرفہرست رہنے کے لئے انتہائی اہم ہے۔ نیٹ سول کا جاری عزم یقینی بناتا ہے کہ کمپنی نہ صرف صنعتی ترقی کی رفتار کے ساتھ چلے بلکہ ترقی اور عمدہ قدر کی فراہمی کے لئے متقابل حل قائم کرنے میں رہنمائی کرے۔

### صنعت کی اہم تقریبات میں مسلسل موجودگی

نیٹ سول دنیا بھر میں انڈسٹری کے اہم تقریبات میں اپنی موجودگی کو مسلسل برقرار رکھے گی۔ جس میں سالانہ کانفرنسوں سمٹ اور دیگر تقریبات کی سپانسرنگ، ان میں نمائش اور شمولیت قابل ذکر ہیں۔ ان تقریبات میں کمپنی کی شرکت دہرا مقصد پورا کرتی ہے: یہ نیٹ سول کی پروڈکٹس اور خدمات ممکنہ کلائنٹس کو دکھاتی ہے اور نتیجتاً نئے کلائنٹس بنانے میں مددگار ثابت ہوتی ہے۔

کمپنی شمالی امریکہ، یورپ اور APAC خطے میں منعقدہ انتقریبات میں اپنی شمولیت کو برقرار رکھنے کے لئے پرعزم ہے تا کہ عالمی منڈی میں اپنے نمایاں مقام کو برقرار رکھنے کے عزم کا اعادہ ہو سکے۔

### پائیداری کے لئے عزم

چونکہ کمپنی مستقبل پر گہری نظر رکھتی ہے لہٰذا پائیداری کے لئے عزم اس کی کاروباری حکمت عملی اور آپریشنز کا خاصا رہا ہے۔ عالمی کمپنی کی حیثیت سے، نیٹ سول اپنے کاروباری امور میں ماحولیاتی ذمہ داری کو شامل کرنے کی اہمیت سے باخبر ہے اور پائیداری کے اہداف کی جانب اپنے سفر کو جاری رکھنے کے لئے پرعزم ہے۔
اس میں توانائی کی بچت، ضیاع میں کمی، ریسائیکلنگ، شجرکاری اور carbon footprint کم کرنے کے دیگر اقدامات اور تمام امور میں eco-friendly اقدامات کو اپنانا شامل ہیں۔ پائیداری کے لئے نیٹ سول کا عزم کمپنی کو جدید حل پیش کرنے کے قابل بناتا ہے جو نہ صرف کلائنٹس کی ضروریات کو پورا کرتے ہیں بلکہ ماحول میں مثبت تبدیلیوں میں اہم کردار ادا کرتے ہیں۔ اپنے بنیادی امور میں پائیداری کو شامل کر کے کمپنی اپنے اسٹیک ہولڈرز کو سرمایہ کار کا طویل مدتی نعم البدل فراہم کرنے کے لئے پرعزم ہے جب کہ اس دوران ماحولیاتی تبدیلی سے نبرد آزما ہونے کے لئے عالمی کاوشوں کی معاونت اور سرسبز مستقبل کی ترویج کو یقینی بنایا جاتا ہے۔

### خطرات اور چیلنجز سے نبرد آزما ہونا

چونکہ ہم اپنی اسٹریٹجک سمت کے لئے پراعتماد ہیں لہٰذا ہم تسلیم کرتے ہیں کہ تیزی سے بدلتا ہوا تکنیکی دھارا ایک ہی وقت مواقع اور خطرات پیش کرتا ہے۔ تکنیکی خطرات یعنی ڈیٹا سکیورٹی پریشانی کا باعث ہیں جس سے ہم بھرپور انداز میں نبرد آزما ہو رہے ہیں۔

مزید برآں، ہم منڈی کے خطرات بشمول ممکنہ معاشی تنزلی اور کلائنٹ کی ضروریات میں تبدیلی سے بھی باخبر ہیں۔ ان خطرات سے نپٹنے کے لئے ہمارے طریق عمل میں لچکدار اور موافق حکمت عملی، منڈی کی رجحانات سے واقفیت اور بدلتی ہوئی طلب کو پورا کرنے کے لئے اپنے سالیوشنز میں متواتر نکھار شامل ہے۔

نیٹ سول کا مستقبل تابناک ہے جو جدت، موافقت اور صارف پر توجہ کی بابت کمپنی کے غیر متزلزل عزم سے شروع ہوتا ہے۔ اپنی بنیادی اقدار کو اپناتے، ابھرتے ہوئے مواقع سے فائدہ اٹھاتے اور اسٹریٹجک اقدامات کو بھرپور انداز میں لاگو کرتے ہوئے نیٹ سول نمو کو برقرار رکھنے کی اپنی استعداد کے لئے پراعتماد ہے جو

اسٹیک ہولڈرز کو اپنی سرمایہ کاری کا صحیح نعم البدل فراہم کرتا ہے اور گلوبل ایسٹ فنانس اور لیزنگ انڈسٹری کے لئے بطور رہنما ٹیکنالوجی فراہم کنندہ اپنی ساکھ کو محفوظ کرتا ہے۔

## ایوارڈز اور اعزازات

PASHA کی جانب سے "CSR Gold Award" اور "Gender Diversity Merit Award" حاصل کرنے پر نیٹ سول ٹیکنالوجیز فخر محسوس کرتی ہے۔

نیٹ سول کو PSEB اور PASHA کے اشتراک سے منعقدہ تقریب میں آئی ٹی پروڈکٹس اور سلوشنز کے لئے Gold Award سے بھی نوازا گیا۔

## کمپنی کو درپیش بنیادی خطرات اور بے یقینی

کمپنی کی آئیندہ کارکردگی پر ممکنہ اثر انداز ہونے والے چند خطرے کے عوامل حسب ذیل ہیں:

### خطرے کے عوامل

**A. اسٹریٹجک رسک**

اپنے اسٹریٹجک رسک سے نپٹنے کے لئے نیٹ سول متحرک اور تبدیل ہونے والے عالمی مالیاتی و لیزنگ شعبے میں تازہ ترین رجحانات کی نشاندہی اور باقاعدہ نگرانی رکھتی ہے۔ صنعت میں کشش حاصل کرنے والی اہم ٹیکنالوجیز پر کام کرتے ہوئے نیٹ سول اپنے کلائنٹس کو مارکیٹ میں ایک قدم آگے رہنے اور خصوصاً خطرات سے پاک کاروبار کو یقینی بناتا ہے۔

**B. آپریشنل رسک**

کمپنی انتہائی مستعدی اور مستقل مزاجی سے منڈی اور عالمی صنعت جہاں یہ کام کرتی ہے کا جائزہ لیتی ہے۔ وضع کئے گئے کاروبار جاری رکھنے کے منصوبوں کے ساتھ کمپنی عالمی وبا، قدرتی آفات یا دیگر نامساعد حالات میں اپنے آپریشنز میں صفر تعطل کو یقینی بناتی ہے۔ عالمی نیٹ سول ٹیم دنیا بھر میں اپنے کلائنٹس کو بلا تعطل خدمات کی فراہمی کو یقینی بناتی ہے۔

**C. سائبر سکیورٹی خطرات**

سائبر کرائمز اور ان کی غیر سرحدی اور تیزی سے بدلتی ہوئی نوعیت کے نمایاں اثرات کی موجودگی میں کمپنیوں کے لئے اپنے ICT انفراسٹرکچر کی حفاظت کی خاطر مربوط سکیورٹی اقدامات کے اطلاق کی ضرورت ہے۔ نیٹ سول نے عالمی معیار کا سکیورٹی پروٹوکول قائم کیا ہے جو کمپنی، اس کے کلائنٹس اور ملازمین سے منسوب ڈیٹا کی رازداری، سلامیت اور پرائیویسی کو یقینی بناتا ہے۔ ان اقدامات میں دخل اندازی کے تدارک کا مربوط نظام، فائر وال، سکون اور حرکت میں ڈیٹا کی انکرپشن، جاننے کی ضرورت کی بنیاد پر ڈیٹا تک محدود رسائی اور کم اہمیت کے حامل اصول اور رابطہ سازی کے لئے محفوظ ٹرانسمیشن پروٹوکولز شامل ہیں۔

نیٹ سول نے آڈٹ فرم کے ذریعے کامیابی سے SOC 2 ٹائپ 1 اور ٹائپ 2 کمپلائنس حاصل کی ہے جس کا انعقاد A-LIGN، 2500 سے زائد عالمی اداروں کی خدمات فراہم کرنے والا ایک بااعتبار ٹیکنالوجی پر مبنی سکیورٹی اینڈ کمپلائنس پارٹنر، کے ذریعے ہوا۔ نیٹ سول کی جانب سے SCO ٹائپ 2 کمپلائنس کا حصول اپنے کلائنٹ اور صارف ڈیٹا کی حفاظت کے لئے اس کے عزم کا مزید اعادہ کرتا ہے۔ یہ اعزاز توثیق کرتا ہے کہ اس کے تمام سسٹم مروجہ ٹرسٹ سروسز معیارات کی روشنی میں امریکن انسٹی ٹیوٹ آف سرٹیفائیڈ پبلک اکاؤنٹنٹس (AICPA) کے وضع کردہ سکیورٹی معیارات پر پورا اترتے ہیں۔ نیٹ سول کے پروڈکٹس اور سافٹ ویئرز کے پروگرام کا آڈٹ کیلیفورنیا، امریکہ؛ لندن، انگلینڈ؛ بیجنگ، چین؛ سڈنی، آسٹریلیا؛ اور لاہور، پاکستان میں عمل میں لایا گیا۔

**D. غیر ملکی زرمبادلہ کا خطرہ**

غیر ملکی زرمبادلہ کا خطرہ اُس وقت سامنے آتا ہے جب واجبات اور ادائیگیاں غیر ملکی کرنسی کی صورت میں کی جائیں۔ کمپنی تجارتی قرضوں، چند واجبات اور آمدنی پر غیر ملکی زرمبادلہ کے خطرے کا سامنا کرتی ہے جو پاکستانی روپے کے علاوہ دیگر کرنسی میں کی جاتی ہے۔ کمپنی زیر کار سرمایہ کے لئے غیر ملکی کرنسی میں نقدی اور نقد کے مساوی انسٹرومنٹس رکھتی ہے۔

**E. لیکویڈیٹی رسک**

اپنے عزائم کو پورا کرنے کے لئے فنڈز کی اکٹھا کرنے کی کسی ادارے کی ناکامی لیکویڈیٹی رسک کو جنم دیتی ہے۔ کمپنی اُس وقت لیکویڈیٹی رسک کا سامنا کرتی ہے جب مالیاتی اثاثہ جات اور واجبات کی انقضائے میعاد میں عدم اتفاق پیدا ہوتا ہے۔ البتہ ہم ایک مؤثر کیش مینجمنٹ و پلاننگ پالیسی پر عمل پیرا ہیں تاکہ سرمایے کی دستیابی کو یقینی بنایا جاسکے اور نئی ضروریات کی صورت میں مناسب اقدامات کئے جاسکیں۔

**F. شرح سود کا خطرہ**

شرح سود کا خطرہ ایسا خطرہ ہے جب کسی مالیاتی انسٹرومنٹ کا مستقبل کے کیش فلو کی مالیت منڈی میں شرح سود کی تبدیلی کے باعث کم یا زیادہ ہوگی۔ شرح سود کا زیادہ طرح خطرہ بینکوں سے حاصل قلیل و طویل مدتی قرضوں، ٹرم ڈیپازٹس اور نفع و نقصان ڈیپازٹس/سیونگ اکاؤنٹس اور میوچل فنڈز میں سرمایہ کاری سے پیدا ہوتا ہے۔

## کمپنی کی آئندہ ترقی، کارکردگی اور حالت پر ممکنہ طور پر اثر انداز ہونے والے بنیادی رجحانات اور عوامل

ٹیکنالوجی کی شکل تیزی سے تبدیل ہو رہی ہے اور آگے بڑھنے کے لئے ابھرتے ہوئے رجحانات، منڈی کے محرکات اور بیرونی عوامل سے آگاہی لازمی ہے۔ چونکہ نیٹ سول گذشتہ برس اور آئندہ برسوں کے لئے انتہائی سنجیدہ ہے لہٰذا کمپنی کے کاروبار کی حالت، ترقی اور کارکردگی پر اثر انداز ہونے والے اہم عوامل اور رجحانات کو سمجھنا انتہائی ضروری ہے۔

**1. تکنیکی ترقی**

⇦ **AI and ML**

Artificial Intellignece (AI) اور Machine Learning (ML) تکنیکی جدت میں سرفہرست ہے۔ یہ ٹیکنالوجیز کئی انڈسٹریز میں ٹرانسفارمیٹو تبدیلیوں کو ہوا دے رہی ہیں جس میں مالیاتی خدمات اور ایسٹ فنانس اینڈ لیزنگ انڈسٹری شامل ہے۔ AI اور ML ڈیٹا اینالٹکس میں اضافہ، طریقہ ہائے کار کو خودکار، فیصلہ سازی کی استعداد میں بہتری لا رہے ہیں۔ نیٹ سول میں اس سے مراد جدید حل تیار کرنے کے لئے AI کو شامل کر نالی جاتی ہے جو منڈی کی رجحانات کی پیشن گوئی، آپریشنز کی روانی اور کلائنٹس کو ذاتی خدمات پیش کر سکیں.

⇦ **کلاؤڈ کمپیوٹنگ**

عصر حاضر میں کاروبار کے لئے کلاؤڈ کمپیوٹنگ بنیادی ٹیکنالوجی ہے جو توازن، لچک اور اخراجات میں بچت کا موقع فراہم کرتی ہے۔ ہائبرڈ اور ملٹی کلاؤڈ ماحول کی جانب منتقلی میں اضافہ ہو رہا ہے جس سے ادارے اپنے خصوصی ضروریات کو پورا کرنے کے لئے پبلک اور پرائیویٹ کلاؤڈ میں دلچسپی لے رہے ہیں۔ نیٹ سول کا مرکزی کلاؤڈ شراکت دار ایمازون ویب سروسز (AWS) دنیا کا سرفہرست، جامع ترین اور وسیع سطح پر اپنایا جانے والا کلاؤڈ پلیٹ فارم ہے۔

⇦ **سائبر سکیورٹی**

سائبر خطرات میں اضافہ اور ڈیٹا کی ٹوٹ پھوٹ ٹھوس سکیورٹی اقدامات کی ضرورت پر زور دیتے ہیں۔ بطور B2B ٹیکنالوجی کمپنی سلوشنز ی سکیورٹی اور کلائنٹ ڈیٹا کی حفاظت کو یقینی بنانا ضروری ہے۔ نیٹ سول جدید ترین، مربوط سائبر سکیورٹی اقدامات بشمول encryption، خطرات کی نشاندہی اور ردعمل کے نظام کو اپناتا ہے تاکہ اپنے آپریشن کو محفوظ کیا جا سکے اور دنیا بھر میں اپنے کلائنٹس کے ساتھ بھروسے کی فضا قائم کی جا سکے۔ نیٹ سول نے سال 2023ء میں SOC 2 ٹائپ 2 کمپلائنس حاصل کر کے ڈیٹا کی حفاظت کے لئے اپنے عزم کا اعادہ کیا۔ ماضی میں، نیٹ

سول نے SOC 2 ٹائپ 1 کمپلائنس بھی حاصل کی تھی۔ SOC 2 ٹائپ 2 کمپلائنس حاصل کر کے کمپنی اپنے کلائنٹس اور ان کے صارفین کے ڈیٹا کی حفاظت کے لئے اپنے عزم کے اظہار کو جاری رکھے ہوئے ہے۔

2. **منڈی کے محرکات**

⇦ **معاشی حالات اور مارکیٹ کی طلب**

کاروباری کارکردگی کو نکھارنے میں معاشی حالات اہم کردار ادا کرتے ہیں۔ معاشی نمو میں اتار چڑھاؤ، افراط زر کی شرح اور پالیسیاں ٹیکنالوجی سلوشنز کے لئے منڈی کی طلب پر اثر انداز ہو سکتی ہیں۔ چونکہ نیٹ سول ایسی غیر یقینی صورتحال پر کام کرتا ہے لہٰذا یہ منڈی میں ہونے والی تبدیلیوں پر متحرک اور مؤثر جواب دینے کے لئے ہمہ وقت تیار ہے۔ بڑھتی ہوئی انڈسٹری ضروریات کو سمجھنا اور اس کے مطابق مصنوعات کو بنانا پائیدار نمو حاصل کرنے اور نئے مواقع حاصل کرنے کا اہم جزو ہوگا۔

⇦ **ریگولیٹری تبدیلیاں**

ٹیکنالوجی کمپنیوں کے لئے ریگولیٹری ماحول لگاتار بدل رہا ہے۔ ڈیٹا کی حفاظت کے ضوابط یعنی GDPR اور CCPA، نے ڈیٹا پرائیویسی اور کمپلائنس کے نئے معیار وضع کیا ہیں۔ مزید برآں، AI اور ٹیکنالوجی اخلاقیات کی بابت ضوابط اہمیت حاصل کر رہے ہیں۔ ریگولیٹری تبدیلیوں کے ساتھ باخبر رہنا اور تعمیل کو یقینی بنانا قانونی خطرات سے بچنے اور مثبت ساکھ برقرار رکھنے کے لئے انتہائی ضروری ہے۔ ضوابط پر تعمیل کے لئے نیٹ سول کی بروقت کارروائی میں باقاعدہ آڈٹ، پالیسیوں کی ترمیم اور ریگولیٹری اداروں کے ساتھ تعلقات شامل ہیں۔

3. **صارف کی توقعات اور ترجیحات**

⇦ **ذاتی دلچسپی اور صارف تجربہ**

آج کے مسابقتی ماحول میں، ذاتی دلچسپی پرمبنی صارف تجربہ بہت اہم ہے۔ کاروبار اپنے کلائنٹس کی خصوصی ضروریات کو پورا کرنے کے لئے تیزی سے اپنے حل کو تیار کرنے پر توجہ دے رہے ہیں۔ صارف ترجیحات کو سمجھنے کا نیٹ سول کا عزم اور مختلف اقسام کے حل کی فراہمی اس کی کامیابی کی کنجی ہے۔ ڈیٹا اینالٹکس اور AI کو شامل کر کے صارف رویہ، ترجیحات اور تکالیف پر توجہ حاصل کی جا رہی ہے جس سے کمپنی مخصوص حل پیش کرنے اور صارف اطمینان کو حاصل کرنے کے قابل ہوتی ہے۔

⇦ **مجموعی حل کی طلب**

چونکہ کاروبار اپنے آپریشنز کی روانی پر بہت حساس ہیں لہٰذا مجموعی ٹیکنالوجی حل کی طلب میں اضافہ ہو رہا ہے جو کنیکٹوٹی اور کام میں آسانی پیش کرتے ہیں۔ مختلف کاروباری ضروریات کو پورا کرنے کے لئے جامع، مجموعی حل فراہم کرنے کی نیٹ سول کی استعداد انفرادیت قائم کرنے لازمی جزو ہے۔ موجودہ نظاموں میں شامل ہونے والے ایسے حل اور متصل صارف تجربہ پر توجہ دے کر کمپنی اپنے کلائنٹس کی بدلتی ہوئی طلب کو پورا کرنے کے عزم کو جاری رکھے گی اور منڈی میں اپنی پوزیشن کو مضبوط کرے گی۔

4. **مسابقتی ماحول**

⇦ **عالمی حریف**

نیٹ سول ملکی و عالمی سطح پر کئی اداروں کے ساتھ مقابلہ کا سامنا کر رہی ہے۔ ایسی کمپنیاں موجود ہیں جو عالمی ایسٹ فنانس اور لیزنگ انڈسٹری کو نیٹ سول جیسے ٹیکنالوجی حل فراہم کر رہی ہیں۔ مقابلے میں آگے رہنے کے لئے کمپنی کو مسابقتی ماحول میں تبدیلیوں کے لئے متحرک رہنا ہوگا۔ اس میں انڈسٹری رجحانات پر نگرانی، تحقیق و ترقی میں سرمایہ کاری اور اسٹریٹجک شراکت داری میں مضبوطی شامل ہیں تاکہ کمپنی اپنی استعداد میں اضافہ کر سکے اور مارکیٹ میں اپنی موجودگی کو برقرار رکھ سکے۔

5. **جدت اور R&D**

⇦ **R&D میں سرمایہ کاری**

نیٹ سول کے عالمی آپریشن اور کاروباری نمو کے پیچھے جدت کا ہاتھ ہے۔ تکنیکی جدت اور عالمی معیار کے حل تیار کرنے میں سرفہرست رہنے کے لئے R&D سرمایہ کاری جاری رکھنا انتہائی ضروری ہے۔ کمپنی کے R&D اقدامات نئی ٹیکنالوجیز تلاش کرنے، موجودہ مصنوعات میں اضافہ کرنے اور ابھرتی ہوئی منڈی کی ضروریات کو پورا کرنے میں مددگار ثابت ہوتے ہیں۔ جدت کی فضا پر توجہ دے کر اور R&D کاوشوں کو سپورٹ کر کے نیٹ سول ایسے حل فراہم کرنے کے لئے کوشاں رہے گی جو صنعت میں سرفہرست رہیں اور اپنے کلائنٹس کو درپیش مسائل کو حل کر سکیں اور خصوصاً اپنے آپریشنز کو فیوچر پروف بنا سکیں۔

⇦ **صنعتی لیڈرز، ایسوسی ایشنز اور شراکت داروں کے ساتھ اشتراک**

صنعتی لیڈرز، فنانس اور لیزنگ ایسوسی ایشنز اور ٹیکنالوجی شراکت داروں کے اشتراک جدت کو پروان چڑھانے کے لئے اہم حکمت عملی ہے۔ یہ شراکت داریاں نئی ٹیکنالوجی تک رسائی، تحقیق اور اشتراکی مواقع تک رسائی فراہم کرتی ہیں۔ صف اول کے ماہرین اور اداروں کے ساتھ روابط کے ذریعے نیٹ سول جدت کے لئے اپنی کاوشوں کو بڑھا سکتے ہیں اور مزید مؤثر انداز میں منڈی کو جدید حل فراہم کر سکتے ہیں۔

## کمپنی کے کاروبار کا ماحولیات پر اثر

## (Impact of Company Business on The Environment)

دنیا بھر میں ماحولیات کی بابت متعدد بڑھتے ہوئے حالات کے دوران ذمہ دار کاروبار کلائمیٹ اور ماحولیاتی پائیداری پر بھرپور توجہ دے رہے ہیں۔ بطور سافٹ ویئر ڈیویلپر کمپنی، جو مینوفیکچرنگ ادارہ نہیں ہے، نیٹ سول کے آپریشنز کے ماحول پر بہت کم اثرات مرتب ہوتے ہیں۔ البتہ عالمی ادارہ ہونے کی حیثیت سے کمپنی معقول طریق عمل اپنا کر ماحولیاتی بچاؤ کے لئے پرعزم ہے۔

عالمی سطح پر ماحولیاتی تبدیلیوں سے پیدا مسائل کو پہچان کر نیٹ سول ان مسائل کے حل کے لئے بطور عالمی ادارہ اپنی ذمہ داریوں سے بخوبی آگاہ ہے۔ اپنے لامحدود آپریشنز کے ساتھ کمپنی ماحولیاتی تبدیلیوں سے نبرد آزما ہونے کے لئے تمام دستیاب وسائل کو استعمال کرنے کے لئے پرعزم ہے۔ اس ہدف کو حاصل کرنے کے لئے نیٹ سول ضیاع پر مبنی کاموں کا بروقت خاتمہ کرتا ہے اور اپنے طریق عمل میں توانائی کے استعمال کو بہتر کرتا ہے۔

غیر کاغذی اداری کے لئے ڈیجیٹائزیشن انتہائی اہمیت کی حامل ہے اور نیٹ سول کی فلیگ شپ مصنوعات NFS Ascent اور ڈیجیٹل ٹرانسفارمیشن سلوشنز بشمول NFS Digital اور دیگر مصنوعات کلائنٹس کو کاغذ پر انحصار کم کرنے میں کلائنٹس کی مدد کرتے ہیں۔ غیر کاغذی ایکو سسٹم کو مضبوط کر کے یہ ڈیجیٹل سلوشنز مثبت ماحولیاتی اثرات میں اہم کردار ادا کرتے ہیں۔ نیٹ سول کے اپنے عالمی آپریشنز میں کاغذ کے استعمال کو کافی حد تک کم کر دیا گیا ہے اور کمپنی کاغذ کی کھپت میں مزید کمی کے لئے اپنی جدوجہد جاری رکھے ہوئے ہے۔

## کمپنی یا اس کی ذیلی کمپنیوں کی کاروباری نوعیت کی بابت مالیاتی سال کے دوران تبدیلیاں اور مشترکہ آپریشنز

کمپنی، اس کی ذیلی کمپنیوں کے کاروبار کی نوعیت اور جوائنٹ آپریشنز میں کوئی تبدیلی واقع نہیں ہوئی ہے۔

**داخلی مالیاتی کنٹرولز کی موافقت**

بورڈ مالیاتی رپورٹنگ کی بابت ٹھوس انٹرنل کنٹرولز قائم اور برقرار رکھنے کے لئے اپنی ذمہ داری سے باخبر ہے۔ ہمارا خود مختار داخلی آڈٹ شعبہ کاروباری امور کی رپورٹ بورڈ آڈٹ کمیٹی کو کرتا ہے اور انتظامی طور پر CEO کو رپورٹ کرتا ہے۔ ہر سال، بورڈ آڈٹ کمیٹی آڈٹ پلان کی منظوری دیتی ہے جو اہم آپریشنل شعبوں کے سالانہ جائزہ پر مبنی ہوتا ہے۔ داخلی آڈٹ کا شعبہ کوتاہیوں سے نپٹنے اور کنٹرول کرنے کے لئے سفارشات پیش کرتا ہے جس پر انتظامیہ کنٹرول میں کوتاہیوں کا ازالہ کرتی ہے۔ مشاہدات کو سہ ماہی بنیادوں پر بورڈ آڈٹ کمیٹی، CEO اور متعلقہ ڈویژنل مینجمنٹ کو بھیجا جاتا ہے۔

انٹرنل آڈٹ فنکشن کا کردار کمپنی پر اثر انداز ہونے والے واقعات، خطرات اور ریگولیٹری تبدیلیوں کا مقابلہ کرنے

کے لئے تبدیل ہوتا رہتا ہے تاکہ یقینی بنایا جا سکے کہ اس کا مینڈیٹ ادارہ جاتی مقاصد کے عین مطابق رہے۔ ہمارے داخلی اصول ہماری مالیاتی رپورٹنگ پر انحصار کی بابت معقول یقین دہانی اور بین الاقوامی مالیاتی رپورٹنگ اسٹینڈرڈز (IFRS) کے مطابق بیرونی مالیاتی گوشوارے کی تیاری میں مدد کرتے ہیں۔ البتہ، کسی بھی داخلی نظم و ضبط کے سسٹم میں موجود پابندیوں کے باعث انتظامیہ تسلیم کرتی ہے کہ ان اصولوں کی تاثیر میں رکاوٹیں ہو سکتی ہیں لہٰذا صرف معقول یقین دہانی ہی فراہم کی جا سکتی ہے۔ علاوہ ازیں، کمپنی ایک مؤثر انٹرنل کنٹرول فریم ورک کی مالک ہے جو شفاف ڈھانچوں، نظر ثانی کے عمل کے لئے اختیارات کی حد، جواب دہی اور باقاعدہ وضع کردہ پالیسیاں و طریقہ ہائے کار جیسی خصوصیات کا حامل ہے۔

## کاروباری و سماجی ذمہ داری

کاروباری و سماجی ذمہ داری کی تفصیلی رپورٹ جو کہ اقوام متحدہ کے بیان کردہ Sustainability Development Goals کے مطابق تیار کردہ لف ہذا ہے۔

## تعمیل کا اعلامیہ

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ضوابط 2019ء کے تحت تعمیل کا اعلامیہ رپورٹ ہذا کے ساتھ منسلک ہے۔

## ڈائریکٹرز کا معاوضہ

اجلاس میں شرکت کی فیس کے علاوہ کمپنی نان ایگزیکٹو ڈائریکٹرز بشمول انڈیپینڈنٹ ڈائریکٹرز کو معاوضہ ادا نہیں کرتی۔ بورڈ اور اس کی کمیٹیوں کے اجلاس میں شرکت کے لئے صرف سفری اور رہائشی اخراجات کمپنی ادا کرے گی۔ ایگزیکٹو ڈائریکٹرز کے معاوضہ کی مجموعی رقم بمعہ تنخواہ، مراعات اور کارکردگی پر مبنی فوائد کو منسلک مالیاتی گوشوارے میں ظاہر کر دیا گیا ہے۔

## بورڈ کی ترکیب

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ضوابط 2019ء کے معیارات کی تعمیل میں بورڈ آف ڈائریکٹرز کی ترکیب حسب ذیل بیان کی گئی ہے:

ڈائریکٹرز کی کل تعداد (07) ہے جس کی تقسیم حسب ذیل ہے:

| جنس | تعداد |
|---|---|
| مرد | 06 |
| خاتون | 01 |

بورڈ کی ترکیب حسب ذیل ہے:

| کیٹگری | تعداد |
|---|---|
| انڈیپینڈنٹ ڈائریکٹرز | 02 |
| نان ایگزیکٹو ڈائریکٹرز | 03 |
| ایگزیکٹو ڈائریکٹرز | 02 |

## نام ڈائریکٹرز

30 جون 2024 تک کمپنی کے بورڈ اراکین کی فہرست مندرجہ ذیل ہے:

- جناب نعیم اللہ غوری
- جناب سلیم اللہ غوری
- جناب وسیم انور
- جناب انوار حسین
- محترمہ حمنہ غوری
- جناب زیشان افضل
- جناب عمر غوری

30 جون 2024 کو اختتام پذیر سال کے دوران بورڈ کے پانچ (05) اجلاس منعقد ہوئے۔

بورڈ نے ذیلی کمیٹیاں بھی تشکیل دی ہیں جنہوں مطلوب مقاصد حاصل کرنے میں نمایاں کردار ادا کیا ہے۔ یہ کمیٹیاں کی مندرجہ ذیل ہیں:

## آڈٹ کمیٹی

کوڈ آف کارپوریٹ گورننس کی تعمیل میں بورڈ آف ڈائریکٹرز نے مندرجہ ذیل تین (03) اراکین پر مشتمل ایک آڈٹ کمیٹی تشکیل دی ہے۔

| نام ڈائریکٹر | عہدہ |
|---|---|
| جناب انوار حسین | چیئرمین |
| جناب وسیم انور | رکن |
| محترمہ حمنہ غوری | رکن |

بورڈ آف ڈائریکٹرز کو جمع کرانے اور اشاعت سے قبل آڈٹ کمیٹی تمام سہ ماہی، نصف سالہ اور سالانہ مالیاتی اسٹیٹمنٹس پر باقاعدہ نظر ثانی کرتی اور انہیں منظور کرتی ہے۔

30 جون 2024 کو اختتام پذیر سال کے دوران آڈٹ کمیٹی کے پانچ (05) اجلاس منعقد ہوئے۔

## ہیومن ریسورس اینڈ ریمونریشن کمیٹی

کوڈ آف کارپوریٹ گورننس کی تعمیل میں بورڈ آف ڈائریکٹرز نے اہم انتظامی عہدوں پر فائز افراد کے انتخاب، جائزے اور معاوضے پر سفارشات کے لئے ہیومن ریسورس اینڈ ریمونریشن کمیٹی تشکیل دی ہے۔ موجودہ کمیٹی مندرجہ ذیل افراد پر مشتمل ہے:

| نام ڈائریکٹر | عہدہ |
|---|---|
| جناب زیشان افضل | چیئرمین |
| جناب وسیم انور | رکن |
| جناب سلیم اللہ غوری | رکن |

30 جون 2024 کو اختتام پذیر سال کے دوران کمیٹی کے اصولوں کے دائرہ کار میں آنے والے امور پر تبادلۂ خیال اور منظوری کے لئے کمیٹی کے صرف دو (02) اجلاس منعقد ہوئے۔

## رسک مینجمنٹ کمیٹی

خطرات کی نشاندہی، تعین اور تدارک کے لئے بورڈ کو تجاویز دینے کی خاطر بورڈ نے رسک مینجمنٹ کمیٹی بھی تشکیل دی ہے۔ اثرات اور ممکنات کے مطابق متعین کردہ خدشات کو ترجیح دی جاتی ہے اور اس کے مطابق اصلاحی اقدامات کئے جاتے ہیں۔ موجودہ کمیٹی مندرجہ ذیل اراکین پر مشتمل ہے:

| نام ڈائریکٹر | عہدہ |
|---|---|
| جناب وسیم انور | چیئرمین |
| جناب زیشان افضل | رکن |
| جناب عمر غوری | رکن |

## نامزدگی کمیٹی (Nomination Committee)

بورڈ نے ایک نامزدگی کمیٹی بھی قائم کی ہے جو مندرجہ ذیل اراکین پر مشتمل ہے:

| نام ڈائریکٹر | عہدہ |
|---|---|
| جناب انوار حسین | چیئرمین |
| جناب وسیم انور | رکن |
| جناب سلیم اللہ غوری | رکن |

## بورڈ آف ڈائریکٹرز اور بورڈ کمیٹیوں کی کارکردگی کا جائزہ

بورڈ آف ڈائریکٹرز بنیادی طور پر کمپنی کے امور کو سمت دینے کا ذمہ دار ہے تاکہ حصص داران اور اسٹیک ہولڈرز کے مفادات کو محفوظ کر کے طویل مدتی کامیابی کو یقینی بنایا جا سکے۔ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ضوابط 2019ء کی روشنی میں بورڈ، اس کی کمیٹیوں اور کمپنی کی اسٹریٹجک سمت اور نمو میں ہر ڈائریکٹر کے کردار کا مجموعی جائزہ لینا ضروری ہے۔

اس جائزے کا مقصد بورڈ کو درکار استعداد کی نشاندہی کرنا، انفرادی اراکین کے کردار کو زیرِ غور لانا اور ایسے شعبوں کی نشاندہی کرنا جن پر مستقبل میں توجہ درکار ہے کی نشاندہی کرنا ہے۔ اس عمل کو سہولت دینے کے لئے ہیومن ریسورس اینڈ ریمونریشن کمیٹی نے ایک تفصیلی سوالنامہ تمام بورڈ اراکین کو ارسال کیا ہے تاکہ بورڈ اور اس کی کمیٹیوں کی کارکردگی کا جائزہ لیا جا سکے۔ انفرادی ڈائریکٹرز کی رائے اور مجموعی جائزہ کے نتائج ظاہر کرتے ہیں کہ بورڈ، اس کی کمیٹیوں اور انفرادی ڈائریکٹرز کی مجموعی کارکردگی تسلی بخش اور مؤثر ہے۔

### ڈائریکٹرز کا تربیتی پروگرام

#### بورڈ آف ڈائریکٹرز

چھے (06) ڈائریکٹرز نے ڈائریکٹرز ٹریننگ پروگرام کا سرٹیفکیٹ حاصل کیا ہے اور بورڈ کا ایک (01) رکن ایک لسٹڈ کمپنی میں خدمات کی انجام دہی کے لئے درکار قابلیت اور تجربہ کے باعث ڈائریکٹرز ٹریننگ پروگرام سے مستثنیٰ ہے۔

### متعلقہ فریقین سے لین دین کا جائزہ

رواں مالیاتی سال کے دوران تمام متعلقہ فریقین سے لین دین کو جائزہ کے لئے بورڈ آڈٹ کمیٹی کے روبرو اور بعد میں منظوری کے لئے بورڈ کے سامنے رکھا گیا۔ کمپنی کے ڈائریکٹرز اور اہم انتظامی عہدے داروں کی جانب سے متعلقہ فریقین کے ساتھ لین دین کا کوئی واقعہ پیش نہ آیا ہے جس سے کمپنی کے مفادات کے ساتھ ممکنہ ٹکراؤ پیدا ہو یا جن کے لئے حصص داران کی منظوری درکار ہو۔

#### ہولڈنگ کمپنی

نیٹ سول ٹیکنالوجیز انکارپوریشن 16000 وینچورہ بولیوارڈ، سویٹ 770, این سینو، کیلیفورنیا 91436، امریکہ، کو کمپنی کے حصص کی اکثریت حاصل ہے۔

### آڈیٹرز کی تقرری

موجودہ بیرونی آڈیٹرز میسرز کرو حسین چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس ریٹائر ہو چکے ہیں اور اہلیت کی بنا پر اپنی دوبارہ تقرری کی پیشکش کرتے ہیں۔ بورڈ آف ڈائریکٹرز نے ممکنہ طے شدہ شرائط و ضوابط اور معاوضہ پر 30 جون 2025ء کو اختتام پذیر سال کے لئے بطور آڈیٹر میسرز کرو حسین چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری کے لئے آڈٹ کمیٹی کی سفارشات کو تسلیم کیا ہے۔ بیرونی آڈیٹرز نے توثیق کی ہے کہ انہیں انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) کے کوالٹی کنٹرول ریویو پروگرام کے تحت تسلی بخش درجہ ملا ہے اور وہ Audit Oversight Board of Pakistan میں رجسٹرڈ ہیں۔ انہوں نے مزید توثیق کی ہے کہ ان کی فرم ICAP کے تسلیم شدہ ضابطہ اخلاق پر بین الاقوامی فیڈریشن برائے اکاؤنٹنٹس (IFAC) کی ہدایات پر عمل کرتی ہے۔ بیرونی آڈیٹرز کو لسٹنگ ضوابط کے مطابق درج خدمات کے علاوہ کوئی اور خدمات فراہم کرنے کے لئے مقرر نہیں کیا گیا ہے۔

### آپریٹنگ حصص برداری کا مثالی طریقہ کار (Pattern of Shareholding)

حصص برداری کے عمومی نمونے کے 30 جون 2024ء 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 نابالغ بچوں کی جانب سے مالی سال 2024 میں خریدے اور فروخت کیے گئے حصص کا گوشوارہ منسلک ہے۔

### بعد میں رونما ہونے والے واقعات (Subsequent Events)

مالیاتی سال کے اختتام اور اس رپورٹ کے اجرا کے دوران کمپنی کی مالیاتی حالت پر اثر انداز ہونے والے کوئی واقعات یا ٹھوس تبدیلیاں رونما نہیں ہوئی ہیں ماسوائے ان تبدیلیوں کے جنہیں رپورٹ ہذا میں ظاہر کیا گیا ہے۔

### اعتراف (Acknowledgement)

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

ازطرف بورڈ آف ڈائریکٹرز:

سلیم اللہ غوری
(چیف ایگزیکٹو آفیسر)

عمر غوری
(ڈائریکٹر)

لاہور
مورخہ: 12 ستمبر 2024ء

Crowe

**Crowe Hussain Chaudhury & Co.**
7th Floor, Gul Mohar Trade Centre,
8-F Main Market, Gulberg II,
Lahore-54660, Pakistan
Main +92-42-3575 9223-5
www.crowe.pk

# 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, 2024 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, 2024.

Lahore
Dated: September 12, 2024
UDIN: CR202410051RlcBOkLDP

Crowe Hussain Ch & Co.
**CROWE HUSSAIN CHAUDHURY & CO.**
*Chartered Accountants*

# Statement of Compliance with the **Code of Corporate Governance**

For the Year Ended June 30, 2024

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

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

| Gender | Number |
|---|---|
| Male | 06 |
| Female | 01 |

2. Composition of the Board is as follows:

| Category | Names |
|---|---|
| Independent Directors* | Zeshan Afzal |
| | Anwaar Hussain |
| Non-executive Directors | Vaseem Anwar |
| | Naeem Ullah Ghauri |
| | Hamna Ghauri |
| Executive Directors | Omar Shahab Ghauri |
| | Salim Ullah Ghauri |

**The Board comprised of minimum number of members which is seven (7) hence it fulfills the requirement of minimum two (2) independent directors and the fraction (0.33) for independent directors has not been rounded up as one. Further, the existing independent directors have the requisite skills and knowledge to take independent decisions;*

3. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
4. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with the dates on which they were approved or amended has been maintained by the Company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ Shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. 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.
8. The Board of directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.
9. Six (06) of the Directors have obtained certificates of Directors' Training program and One (01) member of the Board is exempted from Directors' Training program by virtue of his requisite qualification required experience of serving on the board of a listed company.
10. 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 the requirements of the relevant Regulations.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed following mandatory Committees comprising of members given below:

12.1. Audit Committee

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

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

| Names of Directors | Designation |
|---|---|
| Zeshan Afzal | Chairman – Independent director |
| Vaseem Anwar | Member – Non-executive Director |
| Salim Ullah Ghauri | Member – Executive director |

12.3. Risk Management Committee (RMC)

| Names of Directors | Designation |
|---|---|
| Vaseem Anwar | Chairman – Independent director |
| Zeshan Afzal | Member – Non-executive Director |
| Omar Shahab Ghauri | Member – Executive director |

12.4. Nomination Committee (NC)

| Names of Directors | Designation |
|---|---|
| Anwaar Hussain | Chairman – Independent director |
| Vaseem Anwar | Member – Non-executive Director |
| Salim Ullah Ghauri | Member – Executive director |

13. The terms of reference of the aforesaid /committees have been formed, documented and advised to the Committee for compliance.
14. The frequency of meetings of the Committees were as per following:
    a) Audit Committee: Quarterly meetings during the financial year ended June 30, 2024;
    b) Human Resource and Remuneration Committee: Yearly and as per requirement;
15. The Board has set up an effective internal audit function, comprising professionals who are suitably qualified and experienced for the purpose and are conversant with the business, policies and procedures of the Company;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the 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;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

NAEEM ULLAH GHAURI
Chairman

Lahore

September 12, 2024

# Pattern of
# **Shareholding**

For the Year Ended June 30, 2024

| No. Of Shareholders | From | To | Total |
|---|---|---|---|
| 1864 | 1 | 100 | 72,684 |
| 1683 | 101 | 500 | 582,155 |
| 968 | 501 | 1000 | 851,236 |
| 1384 | 1001 | 5000 | 3,384,892 |
| 246 | 5001 | 10000 | 1,891,704 |
| 85 | 10001 | 15000 | 1,080,923 |
| 53 | 15001 | 20000 | 975,689 |
| 34 | 20001 | 25000 | 804,139 |
| 23 | 25001 | 30000 | 654,730 |
| 10 | 30001 | 35000 | 338,450 |
| 16 | 35001 | 40000 | 618,919 |
| 8 | 40001 | 45000 | 347,200 |
| 15 | 45001 | 50000 | 734,691 |
| 4 | 50001 | 55000 | 215,354 |
| 3 | 55001 | 60000 | 174,310 |
| 6 | 60001 | 65000 | 381,406 |
| 2 | 65001 | 70000 | 133,942 |
| 3 | 70001 | 75000 | 217,583 |
| 3 | 75001 | 80000 | 233,332 |
| 2 | 80001 | 85000 | 167,831 |
| 1 | 85001 | 90000 | 90,000 |
| 1 | 90001 | 95000 | 91,531 |
| 6 | 95001 | 100000 | 591,609 |
| 2 | 100001 | 105000 | 205,203 |
| 1 | 105001 | 110000 | 107,500 |
| 2 | 110001 | 115000 | 225,500 |
| 1 | 115001 | 120000 | 120,000 |
| 1 | 120001 | 125000 | 122,500 |
| 4 | 125001 | 130000 | 515,000 |
| 1 | 130001 | 135000 | 132,000 |
| 1 | 155001 | 160000 | 158,500 |
| 1 | 180001 | 185000 | 181,000 |
| 1 | 190001 | 195000 | 190,500 |
| 2 | 195001 | 200000 | 397,000 |
| 1 | 200001 | 205000 | 203,000 |
| 1 | 220001 | 225000 | 221,000 |
| 2 | 245001 | 250000 | 500,000 |
| 1 | 290001 | 295000 | 294,000 |
| 1 | 305001 | 310000 | 306,000 |
| 1 | 315001 | 320000 | 317,750 |
| 1 | 390001 | 395000 | 391,500 |
| 1 | 430001 | 435000 | 431,600 |
| 1 | 645001 | 650000 | 650,000 |
| 1 | 690001 | 695000 | 692,409 |
| 1 | 760001 | 765000 | 761,861 |
| 1 | 850001 | 855000 | 855,000 |
| 1 | 890001 | 895000 | 892,577 |
| 1 | 925001 | 930000 | 926,867 |
| 1 | 1015001 | 1020000 | 1,016,295 |
| 1 | 1135001 | 1140000 | 1,137,799 |
| 1 | 2545001 | 2550000 | 2,546,004 |
| 1 | 16445001 | 16450000 | 16,450,000 |
| 1 | 42250001 | 42255000 | 42,254,248 |
| 6,457 | | | 87,836,923 |

In addition to the above, NETSOL Technologies Limited holds 2,000,000 Treasury shares

# Information required as per
# Code of Corporate Governance

For the Year Ended June 30, 2024
Incorporation No. 0037024

| S.No. | Categories of Share Holders | Number of Sharehold-ers | Shares Held | % of Capital | Total |
|---|---|---|---|---|---|
| 1 | Directors, CEO & their spouse and minor children: | | | | |
| | Mr. Salim Ullah Ghauri | 1 | 1,016,295 | 1.16 | |
| | Mr. Vaseem Anwar | 1 | 550 | - | |
| | Mr. Omar Shahab Ghauri | 1 | 509 | - | |
| | Mr. Anwaar Hussain | 1 | 526 | - | |
| | Ms. Hamna Ghauri | 1 | 600 | - | |
| | Mr. Naeem Ullah Ghauri | 1 | 550 | - | |
| | Mr. Zeshan Afzal | 1 | 500 | - | |
| | Ms. Tahira Salim Ghauri | 1 | 4,000 | - | 1,023,530 |
| 2 | Associated Companies, undertakings and related parties | | | | |
| | NETSOL Technologies Inc. | 1 | 59,396,657 | 67.62 | 59,396,657 |
| 3 | Banks, DFI & NBFC, Insurance Co.,Takaful, Modaraba and Pension Funds/Other Funds | | | | |
| | Banks and Financial Institutions | 3 | 103,772 | 0.12 | |
| | Modarabas | 1 | 5,000 | 0.01 | |
| | Investment Companies | 3 | 189,444 | 0.22 | |
| | Insurance Companies | 1 | 103,888 | 0.12 | |
| | Other Funds | 3 | 58,000 | 0.07 | 460,104 |
| 4 | Public Sector Cos. & Corporation | 74 | 6,974,380 | 7.94 | 6,974,380 |
| 5 | Mutual Funds | | | | |
| | CDC - TRUSTEE HBL INVESTMENT FUND | 1 | 294,000 | 0.33 | |
| | CDC - TRUSTEE HBL GROWTH FUND | 1 | 306,000 | 0.35 | |
| | CDC - TRUSTEE ATLAS STOCK MARKET FUND | 1 | 650,000 | 0.74 | |
| | CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND | 1 | 250,000 | 0.28 | |
| | CDC - TRUSTEE APF-EQUITY SUB FUND | 1 | 40,000 | 0.05 | |
| | CDC - TRUSTEE HBL - STOCK FUND | 1 | 122,500 | 0.14 | |
| | CDC - TRUSTEE APIF - EQUITY SUB FUND | 1 | 30,000 | 0.03 | |
| | CDC - TRUSTEE HBL EQUITY FUND | 1 | 64,000 | 0.07 | |
| | CDC - TRUSTEE KSE MEEZAN INDEX FUND | 1 | 101,315 | 0.12 | |
| | MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND | 1 | 30,000 | 0.03 | |
| | CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND | 1 | 2,000 | 0.00 | |
| | CDC - TRUSTEE FAYSAL MTS FUND - MT | 1 | 84,253 | 0.10 | |
| | CDC - TRUSTEE ATLAS ISLAMIC DEDICATED STOCK FUND | 1 | 15,000 | 0.02 | |
| | CDC - TRUSTEE HBL INCOME FUND - MT | 1 | 375 | 0.00 | |
| | CDC - TRUSTEE HBL FINANCIAL SECTOR INCOME FUND PLAN I - MT | 1 | 926,867 | 1.06 | 2,916,310 |
| 6 | General Public | | | | |
| | a. Local | 6,347 | 17,064,833 | 19.43 | 17,064,833 |
| | b. Foreign | 1 | 1,109 | 0.00 | 1,109 |
| | Total | 6,457 | | 100 | 87,836,923 |

In addition to the above, NETSOL Technologies Limited holds 2,000,000 Treasury shares.

Shareholders holding five percent or more voting interest in the Company

| | | |
|---|---|---|
| NETSOL Technologies Inc. | 59,396,657 | 67.62 |

Trading in shares during the year 2024

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

*Directors & Spouses*
Mr. Omar Shahab Ghauri,COO/Executive Director sold 250,000 shares.

# NETSOL & Sustainability Development Goals

The following highlights the steps NETSOL Technologies takes as an entity to play its part in achieving the below mentioned goals set by the United Nations.

# ENVIRNOMENT

## AFFORDABLE AND CLEAN ENERGY

- **Solar Energy:** Taking a significant step toward renewable energy, Netsol is in the process of installing solar panels. This investment in solar energy not only reduces our reliance on conventional power sources but also demonstrates our dedication to contributing to a more sustainable future.
- **Data center and server rooms,** being large consumers of energy in an IT landscape, have been standardized using an **eco-friendly** room design that incorporates power and cooling best practices
- **'Be Responsible – Save Electricity' Campaign: Our "Save Electricity"** campaign encourages employees to adopt energy-saving habits, such as turning off ACs, computers, and chargers when not in use, and maintaining AC temperatures at 26°C. Through these efforts, we are fostering a culture of responsibility and conservation within our organization.
- **Maintained Temperature:** Maintained a consistent temperature of 26°C across all halls for optimal energy usage.
- **Focused Work Hours:** Implemented a 6 pm to 12 pm 'One Hall' work trend to optimize energy consumption by centralizing workspace.
- **Usage of LED lights:** Not only do LED lights create a brighter, more inviting workspace, but they also significantly contribute to our energy efficiency goals. They also use up to 80% less energy compared to traditional lighting.

## RESPONSIBLE CONSUMPTION AND PRODUCTION

- **'Save Food' Initiative:** We are committed to reducing waste and promoting responsible consumption. Our Save Food Initiative encourages employees to be mindful of their food choices, resulting in a remarkable 50% reduction in food consumption. By fostering a culture of awareness and efficiency, we contribute to a more sustainable approach to food resources.

## CLIMATE ACTION

- **Tree Plantation Drives:** This year, NETSOL continued its tree plantation drives - a powerful step in our collective fight against climate change. Trees release oxygen and filter pollutants from the air, enhancing the quality of the air we breathe. They absorb carbon dioxide, a major contributor to global warming, helping mitigate its impact.
- **Clean-Up Drive for Climate Action:** Employees actively participated in the 'Ring Road Clean Up Drive', symbolizing a collective commitment to combat climate challenges.
- **Carpooling Initiative:** Employees continue carpooling to reduce carbon emissions and fuel consumption. Further, our free van facility for our female employees also reduces emissions by having one vehicle pick/drop multiple people to and from their residences.
- **'Be Responsible - Save The Environment' Campaign:** Raised awareness about responsible environmental practices.
- **Recycling:** Recycling bins are strategically placed throughout all halls, ensuring easy access for employees. Employees are actively encouraged to segregate waste, including glass, paper and plastic at the office.
- **'Go Green, Go Clean' Campaign**: The company collected 1,010 Kg of paper & plastic for recycling, demonstrating commitment to responsible waste management. Employees are

encouraged throughout the year to keep up these practices on a consistent and daily basis.

# SOCIAL

## NO POVERTY

- **Noble Cause Fund Contribution:** We believe in extending a helping hand to those in need within our community. Through our Noble Cause Fund, we have dedicated PKR 1.5 million to supporting our employees during life's most challenging moments. Whether it's providing for healthcare, assisting with marriage, supporting house construction, or offering aid during times of grief, our commitment to alleviating distress is unwavering.
- **Philanthropy:** NETSOL is actively engaged in reducing poverty through various philanthropic initiatives. Please refer to the 'Quality Education' section below pertaining to all educational programs and funding for the lesser fortunate, poor children in our country.

## ZERO HUNGER

- **NETSOL Ration Scheme:** In response to the pressing challenges of inflation and food insecurity, the company's CSR committee launched the ration scheme to help needy families within our community. This was initiated in November 2021 with 150 needy families. Every month, we provide essential food rations to 274 households, ensuring that the working class has the support they need to thrive. During the year the company contributed PKR 18.7 million for this noble cause.
- **Sehri and Iftari Dastarkhawan:** During the holy month of Ramadan, we extend our spirit of compassion and generosity by providing Sehri and Iftari meals not only to our employees but also to those in need beyond our organization. This effort, supported by an expenditure of over PKR 2 million, is a testament to our dedication to fostering community bonds and ensuring that no one goes hungry during this sacred time.

## GOOD HEALTH AND WELL-BEING

- **In-house Doctor:** With great dedication to the well-being of our employees, our in-house doctor ensures comprehensive medical care, providing health check-ups, medical consultations, first aid and minor treatment, health education and wellness programs.
- **HospitALL:** Bringing digitization to Pakistan's healthcare system, NETSOL introduced HospitALL. The app allows users to manage complete medical records electronically, monitor their health activities and also use nearby services feature to get all the relevant and localized information they need when it comes to healthcare.
- **Mental Health Workshops:** Mental health includes our emotional, psychological and social well-being. It can greatly impact one's physical health as well. NETSOL regularly conducts mental health awareness workshops stressing the significance of mental/emotional health.
- **State-of-the-art Gym:** NETSOL's fully equipped office gym is designed to prioritize employee well-being. We believe that a healthy body contributes to a productive mind, and our in-house gym helps employees achieve their fitness goals without leaving the workplace. The gym provides personal trainers who also set fitness and customized diet plans for each employee.
- **Facilities for Outdoor Sports and Activities:** The company's massive back garden is equipped with floodlights for evening sports and recreation. We believe in fostering a vibrant work-life balance and our illuminated garden offers the perfect space for employees to unwind and engage in sports after hours.
- **Medical facility:** The company covers the medical expenses up to the designated limits of employees, their parents, spouses and children, encompassing both in-patient and out-patient categories.
- **Safety Drills:** We also operate disaster prevention and recovery plan and periodically conduct various safety drills for complete evacuation, firefighting, cardiopulmonary resuscitation and first aid methods and various awareness campaigns including dengue precautions.
- **Al Sehat Clinic:** Through our Al Sehat Clinic, we have proudly provided healthcare services

to over 20,000 patients. This initiative is a cornerstone of our CSR efforts, underscoring our unwavering commitment to enhancing the health and well-being of the communities we serve.

## QUALITY EDUCATION

- **NESP (National Education Support Program:** We believe that education is the foundation for a brighter future. Through the NETSOL Education Support Program, we are proud to cover the educational expenses of our support staff's children, ensuring that they have access to quality learning opportunities. This year, our contribution of PKR 32.8 million has provided for tuition, uniforms, books, stationery, and transportation. Beyond financial support, we offer mentoring and counseling for students in need, reinforcing our unwavering commitment to their academic success and personal growth.
- **DIL School:** NETSOL has provided over PKR 5 million to DIL school (Development in Literacy Foundation) to provide quality education to underprivileged children. A dedicated team from NETSOL works on their TEAL (Technology-enabled assisted learning), enabling their teachers in remote areas to benefit from virtual lessons.
- **Million Smiles Foundation:** The company's collaboration with the Million Smiles Foundation has led to a noteworthy investment of over PKR 5 million for facilitating educational initiatives. This effort enhances the potential for socio-economic upliftment and improved livelihoods, aligning with the goals of both education as well as poverty reduction.
- **Other Education Initiatives:** Each year, Netsol plays a pivotal role in shaping the future by educating over 2,000 children and offering over 100 internships. Our commitment to education extends further, benefiting over 200 students through various mentorship and training programs, which are integrated into our employees' Key Performance Indicators (KPIs). These initiatives underscore our belief in the transformative power of education and our dedication to nurturing the next generation of leaders

## GENDER EQUALITY

- **Equal Compensation:** NETSOL offers gender-blind salaries.We ensure that all our employees receive equitable remuneration through our gender-blind salary policies, affirming that compensation is based solely on merit, regardless of gender.
- **Leadership Diversity:** We are proud to champion diversity in leadership, with several departments at Netsol led by women. By breaking gender barriers in traditionally male-dominated sectors, we are paving the way for a more inclusive and balanced future, where leadership potential is recognized and nurtured across all genders.

## DECENT WORK AND ECONOMIC GROWTH

- We pride ourselves on providing a superior work environment for all our employees. We provide a cafeteria with various options for free lunch daily, and also provide free fuel for all employees (up to the designated limits), on-site parking facilities, fire safety, medical insurance, provident fund/loans through provident fund, share option scheme for employees, employee-friendly HR policies/work culture, employee engagement programs, business ethics, anti-corruption measures/transparency.
- **Whistle blowing policy :** 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
- NETSOL upholds an open-door policy, allowing employees the freedom to communicate via emails, phone calls or direct conversations with senior management. This encourages employees to provide suggestions, voice grievances, express concerns or discuss any matters related to the company.
- **Contribution to National Exchequer:** We have always shown our responsibility by paying all government taxes in time and without any delay. For the year ended June 30, 2024 we made

our humble contribution to the National Exchequer by way of general sale tax, income tax and other government levies.

| Description | PKR ('000') |
|---|---|
| Income tax | 125,884 |
| Sales tax | 17,191 |
| Withholding tax | 648,506 |

10 REDUCED INEQUALITIES

## REDUCED INEQUALITIES

- **Diversity and Inclusivity:** We are committed to fostering an environment where every employee thrives. NETSOL's Assisted Access Work Environment empowers all our differently-abled employees to excel, contribute and succeed.
- **Accessible Facilities:** Ramps, elevators and ergonomic workstations have all been designed and strategically placed throughout the office with inclusivity in mind.
- **Equal Pay:** Salaries are paid based solely on an employee's performance.
- **Zero Discrimination:** NETSOL hires solely on merit and the company has zero tolerance for any form of discrimination. Employees are hired irrespective of religious beliefs, creed, caste, ethnicity, etc.

# GOVERNANCE

1. We adhere strictly to laws and regulations in all our business activities, ensuring compliance and ethical conduct.
2. We transparently disclose all related party transactions to maintain adherence to applicable laws.
3. We provide clear and transparent reporting to shareholders, addressing any grievances promptly.
4. We ensure timely disclosure of relevant information to the Pakistan Stock Exchange (PSX) and Securities and Exchange Commission of Pakistan (SECP) to uphold transparency.
5. Digitization, Data Privacy & Security: We have implemented advanced data protection measures and adhere to stringent security protocols to safeguard sensitive information. Our comprehensive data security policies are designed to prevent unauthorized access, ensure data integrity, and maintain the confidentiality of all client data. By staying at the forefront of industry best practices and continually refining our security strategies, we are committed to protecting the trust our clients place in us.

*Our journey is one of continuous improvement and dedication, and we are enthusiastic about the opportunities ahead.*

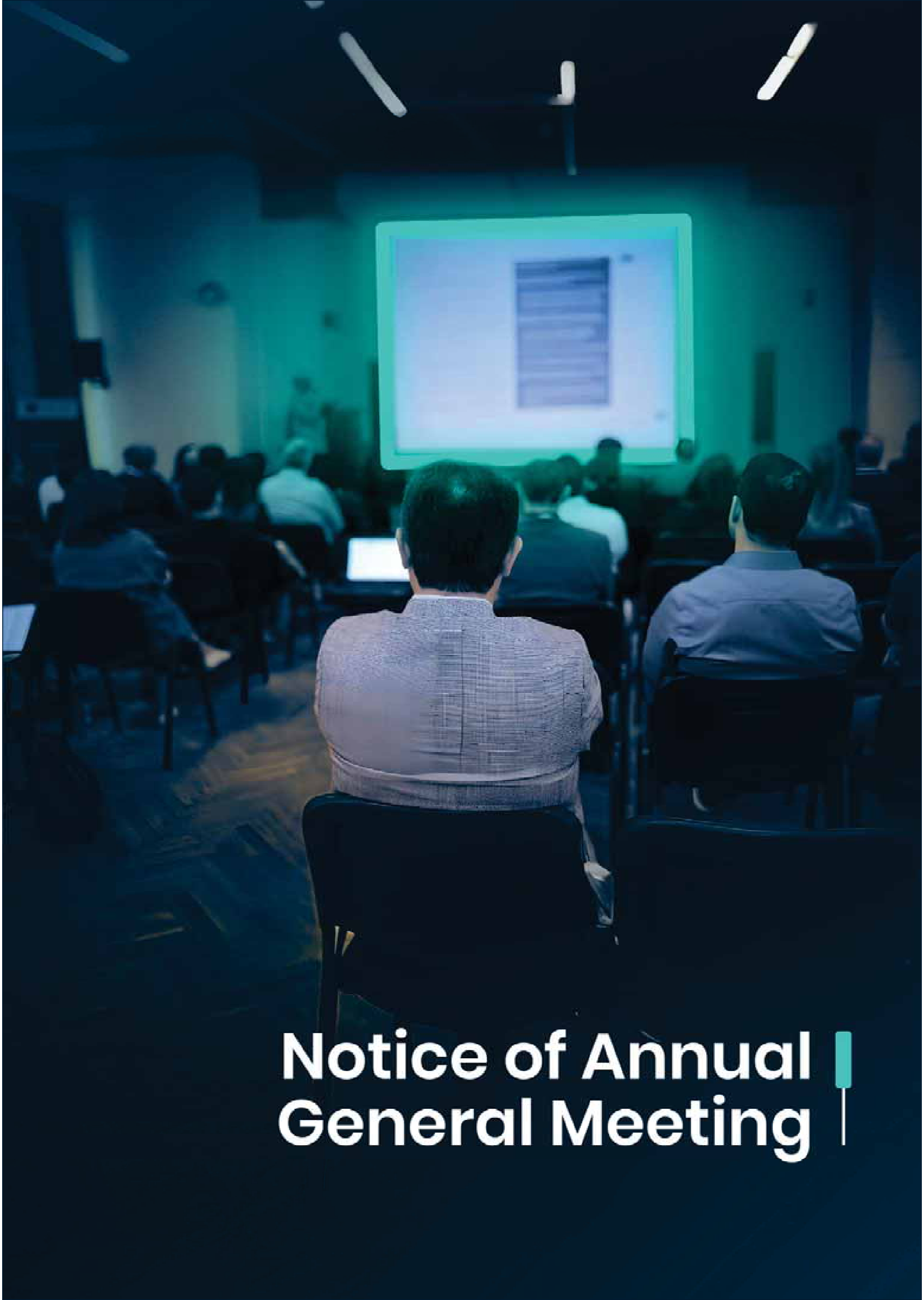
# Key ESG **Performance Indicators**

The Company recognizes the importance of ESG and is committed to adhering to SECP's regulatory guidelines on ESG disclosure. We strongly believe that ESG factors have significant impact on investor confidence, financial stability and overall business viability. We are integrating sustainability considerations into our operations which will help to mitigate risks, enhance reputation and offer sustainable products and services. This approach ultimately creates long-term value for all stakeholders. The Company is in a process of developing policies as suggested by SECP in its recent guidelines.

| Category | Metric | Measurement Annual | Remarks |
|---|---|---|---|
| ENVIRONMENT | Energy Usage | • Total amount of energy directly consumed<br>• Total amount of energy indirectly consumed | We have embraced energy efficiency by using LED lighting cross our facilities, which reduces energy consumption by up to 80%. This shift not only lowers our energy costs, but also underscores our commitment to environmental stewardship. |
| | Energy Mix | • Percentage: Energy usage by generation type<br>• Disclose the energy consump-tion from renewable sources as a percentage of total energy consumption | Taking a significant step toward renewable energy, NETSOL is in the process of upgrading solar panels in its PK office. This investment in solar energy not only reduces our reliance on conventional power sources, but also demonstrates our dedication to contributing to a more sustainable future. |
| | Environmental Operations | • Does your company follow a for-mal Environmental Policy? Yes, No<br>• Does your company follow spe-cific waste, water, energy, and/or recycling<br>• polices? Yes/No Specify the quantity of waste re-cycled or re-used as a percentage of total waste for the current and comparative period.<br>• Does your company use a recognized energy management system? Yes/No | Our dedication to environmental sustainability is evident through our regular tree plantation campaigns. Celebrating World Environmental Day and other key events, we organize these drives to enhance our green footprint. Each event reflects our commitment to climate action, helping to create a healthier planet for future generations.The company collected 1,010 Kg of paper & plastic for recycling, demonstrating com-mitment to responsible waste management. Employees are encouraged throughout the year to keep up these practices on a consistent and daily basis. |
| | Environmental Oversight | Does your Board/Management Team oversee and/or manage climate-related risks? Yes/No | Our campaign to save electricity encourages employees to adopt energy-saving habits, such as turning off ACs, computers and chargers when not in use and maintaining AC temperatures at 26°C. Through these efforts, we are fostering a culture of responsibility and conservation within our organization. |
| | | Does your Board/Management Team oversee and/or manage other sustainability issues? Yes/No | We actively oversee and manage sustainability issues as part of our environmental responsibility strategy. As a digital-first enterprise, we are committed to reducing our environmental footprint through waste reduction focusing on both digital and physical resource optimization. We practice minimal pa-per usage, along with stringent waste management policies and effective recycling protocols to minimize our environ-mental impact. |
| | Climate Risk Mitigation and adaptation | Climate related transition and physical risks, climate related oppor-tunities, capital deployment, internal carbon prices. | As mentioned in Environmental Oversight, we regularly conduct tree plantation drives with active participation from the entire NETSOL Team, from the CEO to our support staff. These efforts support climate risk mitigation, while we con-tinue to explore other opportunities for sustainable practices. |
| | Gender Pay Ratio | • Pay ratio<br>• Mean pay gap<br>• Median pay gap | • Median Female compensation to median male compensa-tion is F:M 1:1.075<br>• On average, female employees are paid 17% more than male employees, primarily, because of more females working in managerial roles in contrast to a significant proportion of male employees in paraprofessional roles.<br>• Owing to a higher number of females in managerial roles, median pay of female employees is 15% less than that of male employees. |
| | Employee Turnover | • Percentage: Year-over-year change for full-time employees<br>• Percentage: Year-over-year change for part-time employees<br>• Percentage: Year-over-year change for contractors and/or consultants | We do not hire part-time personnel, with the exception of interns, who are assimilated to acquire practical exposure, sectoral acumen, comprehension of organizational protocols, and mentorship from industry specialists. |

| Category | Metric | Measurement Annual | Remarks |
|---|---|---|---|
| SOCIAL | Gender Diversity | • Percentage: Total enterprise headcount held by men and women<br>• Percentage: Entry- and mid-level positions held by men and women<br>• Percentage: Senior- and executive-level positions held by men and women | • Female: 30%, Male: 70%<br>• Female: 30%, Male: 70%<br>• Female: 22%, Male: 78% |
| | Non- Discrimination | • Does your company have a sexual harassment and/or non-discrimination, diversity, inclusion policy? Yes/No<br>• Is there a confidential grievance, resolution, reporting and non-retaliation mechanism and procedure to address and respond to incidence of harassment and violence? Yes/ No<br>• Percentage: differently-abled Women and men in the workforce | Our company maintains a robust zero-tolerance policy for harassment and discrimination, ensuring equal treatment for all employees regardless of gender, religion, ethnicity or any other characteristic. We are committed to fostering an inclusive environment through clear diversity and inclusion policies. A confidential grievance mechanism is in place, along with strict non-retaliation procedures to address and resolve any incidents of harassment or violence. We also have a sizeable number of differently-abled individuals, ensuring diversity and inclusion across all levels of the organization.<br>• Differently-abled women: 0.141%<br>• Differently-abled men: 0.635% |
| | Global Health & Safety | Does your company follow an occupational health and/or global health & safety policy? Yes/No | Our company follows a comprehensive occupational health and global safety policy. We adhere to standard protocols such as regular workplace safety audits, mandatory health and safety training for all employees, ergonomic assessments to prevent injury, and compliance with local and international safety regulations. These measures ensure a safe and healthy working environment across all operations. |
| | Corporate Social Re-sponsibility | Please share a list of CSR activities undertaken along with total time spent on these and amounts (PKR) allocated to these | • Noble Cause Fund (NCF): Through our Noble Cause Fund, we have dedicated PKR 1.5 million to support our employees during life's most challenging moments.<br>• Million Smiles Foundation: Partnering with the Million Smiles Foundation, we have invested over PKR 5 million in educational initiatives that empower communities.<br>• NETSOL's Ration Scheme: Every month, we provide essential food rations to 274 households, ensuring that the working class has the support they need to thrive. This initiative had an investment of PKR 18.7 million.<br>• Sehri and Iftari Provision: During the holy month of Ramadan, we provided Sehri and Iftari meals not only to our employees but also to those in need beyond our organization with an expenditure of over PKR 2 million<br>• Netsol Education Support Program (NESP): This year, our contribution of PKR 32.8 million has provided for tuition, uniforms, books, stationery, and transportation.<br>• Development in Literacy (DIL) Foundation: NETSOL has contributed over PKR 5 million to DIL School, ensuring that quality education is within reach for those who need it most. Additionally, our team actively supports remote teachers with Technology-Enabled Assisted Learning (TEAL), empowering them to deliver impactful education in challenging environments. |

| Category | Metric | Measurement Annual | Remarks |
| --- | --- | --- | --- |
| | Human Rights | Does your company follow a human rights policy? Yes/No<br>If yes, does your human rights policy also cover suppliers and vendors? Yes/No | NETSOL's Human Rights policy applies to every NETSOL employee and is based on the following key principles:<br><br>Conducting all of our business lawfully in all the communities that we serve and in a manner that respects and promotes human rights and equality for all employees, agency staff and suppliers wherever they are based.<br><br>A recognition and respect of the fundamental human right to allow employees/people to lead a dignified and independent life, free from abuse, violations and any form of discrimination.<br><br>A recognition that peoples' human rights can be directly and indirectly affected by the company's operations, products and services, and to take steps to identify and reduce the company's negative impact on communities and environments wherever possible.<br><br>A desire to act as a responsible organization in achieving a common set of standards applying to all peoples and all nations in the commitment to continual social and economic improvement.<br><br>Oppose and prohibit the use of human trafficking, child labor, slavery and slave labor, and expect the same from all of our business partners and suppliers. As a global business, the Company is committed to compliance with the International Bill of Human Rights and both applicable labor laws and specific human rights laws such as the U.K.'s Modern Slavery Act.<br><br>A commitment to seek to only enter into contractual relations with third parties who demonstrate a desire to apply similar principles to the above through their own frameworks and initiatives. |
| GOVERNANCE | Board Diversity | • Percentage: Total board seats occupied by men and women | Total board seats occupied by men : 06<br>Total board seats occupied by women : 01 |
| | Board Independence | • Does company prohibit CEO from serving as board chair? Yes/No<br>• Percentage: Total board seats occupied by independents | • Yes<br>• No. of seats: 02<br>in %: 28.57% |
| | Ethics & Anti-Corruption | • Does your company follow an Ethics and/or Anti.Corruption policy? If yes, what percentage of your workforce has formally certified its compliance with the policy? | Our company is committed to upholding a strict Code of Business Ethics, centered on the principles of honesty, integrity, and respect. This policy embodies our dedication to ethical conduct and anti-corruption, ensuring that all business dealings are held to the highest standards. It explicitly forbids bribery and unethical behavior, while also encouraging employees to report any such activities. The Code is fundamental to how we operate, shaping employee actions and reinforcing our reputation for trustworthiness and responsible corporate stewardship. |
| | Data Privacy | • Does your company follow a Data Privacy policy? Yes/No<br>• Does your company taken steps to comply with general data protection rules/ framework? Yes/No | We have implemented robust security measures to protect Personally Identifiable Information (PII) and adhere to strict protocols to safeguard all PII-related data. Our comprehensive data security policies are designed to prevent unauthorized access, ensure data integrity, and maintain the confidentiality of our clients' information. By staying at the forefront of industry best practices and continuously refining our security strategies, we are fully committed to upholding the trust our clients place in us. |



# Notice of Annual General Meeting

# Notice of
# Annual General Meeting

Friday, October 18, 2024

11:00 AM

In-person Netsol Registered Office and through Zoom

*NOTICE IS HEREBY GIVEN THAT the 28th Annual General Meeting ("AGM") of the shareholders of NETSOL Technologies Limited (the "Company") will be held on October 18, 2024 at 11:00 A.M at the Registered Office of the Company situated at NetSol IT Village (Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt., and through video link facility to transact the following ordinary business:*

1. To receive, consider and adopt the Reports of Directors, Chairman and Auditors together with annual audited separate and consolidated financial statements of the Company for the year ended June 30, 2024.

   In accordance with Section 223 of the Companies Act, 2017 and pursuant to SECP SRO 389(I)/2023 dated March 21, 2023, the financial statements of the Company can be accessed through the following weblink and QR enabled code:

https://www.netsolpk.com/investor-information

2. To declare and approve a final cash dividend of Rs.3/- per share (i.e., @30%) as recommended by the board of directors.

3. To appoint Auditors of the Company for FY 2024-25 and to 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 Crowe Hussain Chaudhury & Co. Chartered Accountants for appointment as auditors of the Company.

   By Order of the Board

   ________________

   SEHRISH
   Company Secretary
   Lahore
   September 27, 2024

   NOTE:

1. Share transfer books of the Company will remain closed from October 12, 2024 to October 18, 2024 (both days inclusive). Physical/ CDC transfers received in order at the Shares Registrar, M/s Vision Consulting Ltd., 5-C, LDA Flats, 2nd Floor, Lawrence Road, Lahore Tel: (92 42) 36283096, 36283097 and Fax: (+92 42) 36312550 by the close of business on October 11, 2024 will be treated in time, to entitle the transferees to the entitlements and to attend and vote at the meeting.

2. Shareholders are requested to notify the change of address, if any.

3. Participation in the AGM

   Pursuant to the requirement of Securities and Exchange Commission of Pakistan (SECP), Shareholders may wish to participate virtually in the AGM. For this purpose, the shareholders are requested to visit company's website for registration.

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

   Please note that registration for the meeting shall close at 06:00 pm on October 17, 2024 after which participants / shareholders shall be unable to register for the meeting. All participants / shareholders who would have registered within the prescribed timeline shall receive a meeting link and shall be able to access the 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 individuals, the account holder or sub-account holder and/or the persons whose shares are in group accounts and their registration details are uploaded as per CDC regulations shall authenticate their identity by showing their original computerized national identity cards (CNICs) or original passport at the time of attending the meeting.

   b) In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B) For Appointing Proxies:

   a) In case of individuals, the account holder or sub-account holder and/or persons whose shares are in group accounts and their registration details are uploaded as per CDC regulations, shall submit the proxy form as per the above requirements.

   b) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

   c) Attested copies of CNICs or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

   d) The proxy shall 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 by withheld.

   b) Members are requested to submit declaration (CZ-50) as per Zakat & Ushr Ordinance 1980 for zakat exemption and to advise change in address, if any.

7. Deduction of Income Tax from Dividend at Revised Rates

   Dividend income on shares is liable to deduction of withholding tax under Section 150 of the Income Tax Ordinance, 2001. Withholding of tax


on dividend based on 'Active' and 'Non-Active' status of Members shall be @ 15% and 30% respectively. 'Active' means a person whose name appears on the Active Taxpayers List available at e-portal of FBR (https://www.fbr.gov.pk/) and 'Non-Active' means a person whose name does not appear on the Active Taxpayers List.

Further, according to clarification received from Federal Board of Revenue (FBR), withholding tax will be determined separately on Active / Non-Active status of principal Member as well as joint-holder(s) based on their shareholding proportions, in case of joint accounts.

All Members who hold shares with joint Members are requested to provide shareholding proportions of principal Member and Joint-Member(s) in respect of shares held by them to our share registrar, M/s Vision Consulting Limited before the close of business on October 11, 2024, as per the following format:

| Name of Principal Member/Joint Holders | Shareholding proportions (%) | CNIC No. (copy to be attached) | Folio /CDC Account No. | Total Shares | Signature |
|---|---|---|---|---|---|
| | | | | | |

8. 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.

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

As required under section 223(7) of the Companies Act 2017, the Company has placed the Audited Annual Separate and Consolidated Financial Statements for the year ended June 30, 2024 along with Auditors' and Directors' Reports thereon and Chairman's Review Report uploaded on Company's website which can be downloaded from the following link and QR enabled code:

https://www.netsolpk.com/investor-information

Further, in accordance with SRO 389(I)/2023 dated March 21, 2023, through which SECP has allowed the listed companies to circulate the annual balance sheet and profit and loss account, auditor's report and directors report, etc. ("annual audited financial statements") to its members through QR enabled code and web link instead of transmitting the same in the form of CD/DVD/USB, the Company had obtained shareholder's approval in its Extra-Ordinary General Meeting held on June 23, 2023.

In compliance with section 223(6) of the Companies Act, 2017 and SECP SRO 389(I)/2023 dated March 21, 2023, the Annual Report of the Company shall be circulated via email to those shareholders whose email addresses are present in the records/database of the CDC and Share Registrar. The members are requested to kindly provide their valid email address (along with a copy of valid CNIC) to the Company's Share Registrar, M/s Vision Consulting Limited, if the Member holds shares in physical form or, to the Member's respective Participant/Investor Account Services, if shares are held in book entry form.

Notwithstanding the above, the Company will provide hard copies of the Annual Report 2024, to any Member on their request, at their registered address, free of cost, within one (1) week of receiving such request. Further, Members are requested to kindly provide their valid email address (along with a copy of valid CNIC) to the Company's Share Registrar M/s Vision Consulting Limited, if the Member holds shares in physical form or, to the Member's respective Participant/Investor Account Services, if shares are held in book entry form.

10. Conversion of Physical Shares into the Book Entry From

The SECP through its letter No. CSD/ED/Misc/2016- 639-640 dated March 26, 2021 has advised listed companies to adhere to provisions of Section 72 of the Companies Act, 2017 by replacing physical shares issued by them into book entry form.

The Members of the Company having physical folios / share certificates are requested to convert their shares from physical form into book-entry form as soon as possible. The Members may contact their Broker, CDC Participant or CDC Investor Account Service Provider for assistance in opening a CDS Account and subsequent conversion of the physical shares into book-entry form. It would facilitate the Members in many ways including safe custody of shares, avoidance of formalities required for the issuance of duplicate shares, etc. For further information and assistance, the Members may contact our Share Registrar, M/s Vision Consulting Limited.

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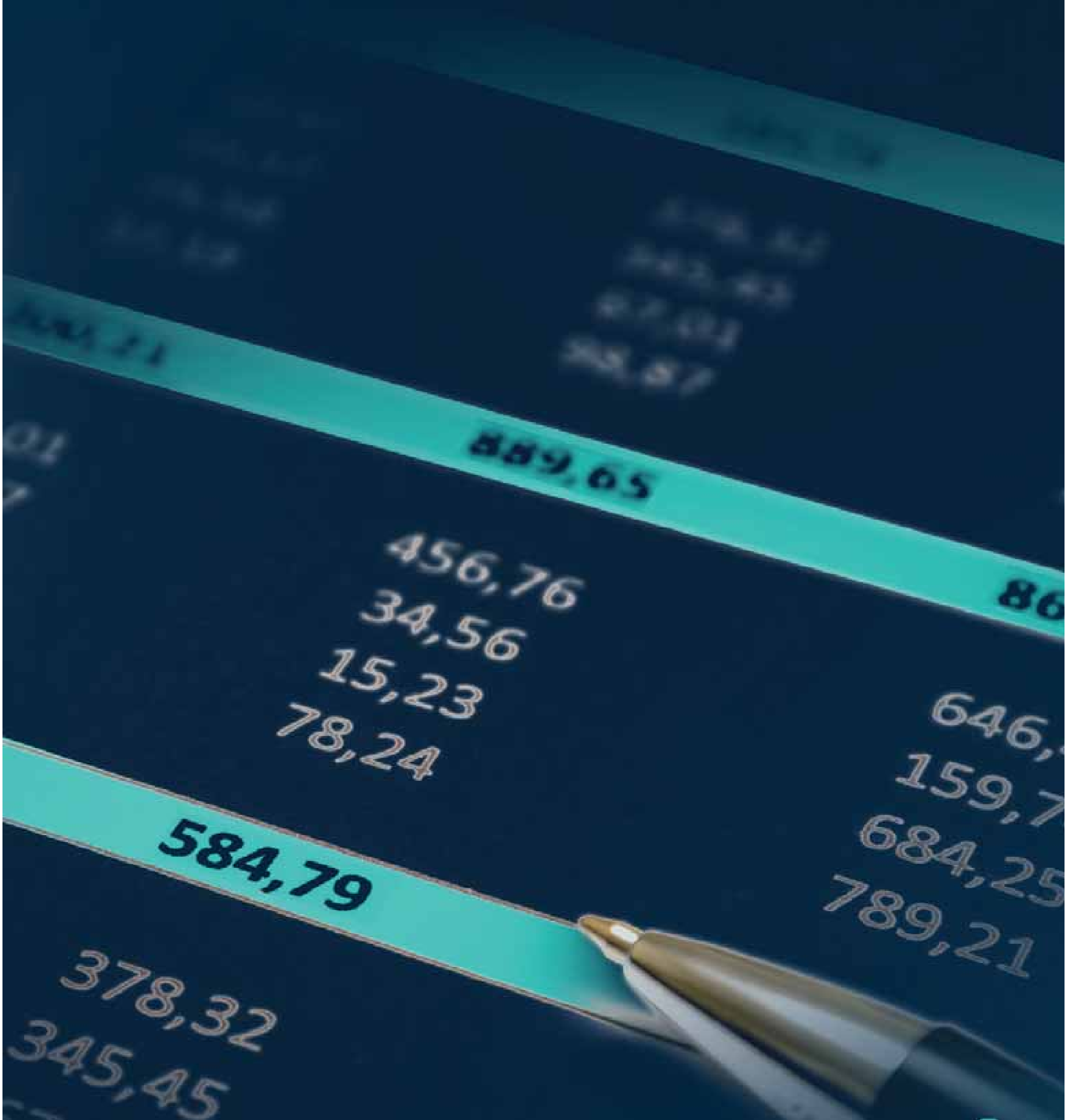


# Separate Financial Statements

For the Year Ended June 30, 2024

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Crowe

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8-F, Main Market, Gulberg II,
Lahore-54660, Pakistan
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# 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, 2024 and the statement of profit or loss, the statement of 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 material accounting policy information 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, the statement of 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, 2024 and of the profit, its 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 the 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.

Following are the key audit matters:

| Key Audit Matters | How the matter was addressed in our audit |
|---|---|
| **1. Revenue Recognition** | |
| Refer to notes 4.10 & 29 to the financial statements.<br><br>The Company has earned revenue of Rs. 9,280.65 million for the year ending June 30, 2024. The Company's revenue is derived from multiple revenue streams, as referred | Our key audit procedures included the following:<br><br>• Obtained an understanding of the Company's processes and related internal controls for revenue recognition and on a sample basis, tested the operating effectiveness of those controls. |

| | |
|---|---|
| to in Note 29 to the accompanying financial statements, including license, rendering of services and subscription and support. Each stream has its own revenue recognition policy based on the nature of revenue and underlying contractual arrangements as referred to in Note 4.10. Certain contracts with customers require significant management judgment to determine the appropriate timing and method of revenue recognition.<br><br>Large contracts are typically bundled and often include license, rendering of services and subscription and support revenues.<br><br>We consider revenue recognition as a key audit matter due to revenue being one of the key performance indicators of the Company with multiple revenue streams, inherent risk of material misstatement and significant increase in revenue from last year. | • Assessed the appropriateness of the Company's revenue recognition policies and their compliance with applicable accounting and reporting standards.<br><br>• Compared a sample of transactions comprising of various revenue streams during the year with underlying documentation including contracts with customers, sales invoices and where relevant, underlying time sheets, completion certificates and other supporting documents to assess whether the revenue was recorded in accordance with the Company's revenue accounting policy and applicable financial reporting framework.<br><br>• Agreed license revenue to signed contracts, file transfer protocol logs or software license agreements.<br><br>• Agreed the revenue to subsequent payment as evidence of collectability.<br><br>• Critically assessed the significant management judgments applied in determining the timing and method of revenue recognition, particularly for complex contracts requiring significant estimation.<br><br>• Performed a comparative analysis of the revenue recognized in the current year with that of the prior year, investigating any significant variances or trends.<br><br>• Performed cut-off procedures on sales to ensure revenue has been recorded in the correct period.<br><br>• Checked receipts from customers to whom sales were made.<br><br>• Considered adequacy of the disclosures provided under the revenue standard IFRS-15 and assessed the completeness and mathematical accuracy of the relevant disclosures. |
| **2. Valuation of trade debts and contract assets** | |
| Refer to note 4.12, 4.13, 9, 11 and 12 to the financial statements.<br><br>The Company's gross trade debts and contract assets as at June 30, 2024 are Rs. 5,575.80 million and Rs. 1,851.98 million respectively against which allowances for expected credit losses of Rs. 280.60 million and Rs 54.09 million have been recognized. | Our key audit procedures included the following:<br><br>• Considered management's process of application of ECL model to calculate impairment loss against trade debts and contract assets.<br><br>• Evaluated key decisions made by the Company's management with respect to estimates and |

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| | |
|---|---|
| The loss allowance for expected credit losses (ECL model) on trade debts and contract assets has been recognized in the financial statements using the guidance included in IFRS 9 'Financial Instruments'. Determination of ECL provision for trade debts and contract assets requires significant judgment and assumptions including consideration of factors such as historical credit loss experience, time value of money and forward-looking macroeconomic information.<br><br>We have considered this area as a key audit matter due to its size, representing 49.35% of the total assets of the Company as at June 30, 2024 and the significant management judgements involved in valuation. | judgements in relation to application of the ECL model.<br><br>• Evaluated the ECL model for appropriateness of the methodology applied and checked arithmetical accuracy of the model.<br><br>• Checked appropriateness of aging on sample basis.<br><br>• Circularized balance confirmation request for trade debts on sample basis and evaluated responses received.<br><br>• Checked subsequent clearance of balances due as of June 30, 2024 on sample basis.<br><br>• Assessed financial impacts and appropriateness of disclosures made in the financial statements to determine whether they are complied with the accounting and reporting standards as applicable in Pakistan. |

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

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.

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**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, the statement of 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 Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

**Other Matter**

The financial statements of the Company for the year ended June 30, 2023, were audited by another auditor who expressed an unmodified opinion on those financial statements on September 26, 2023.

The engagement partner on the audit resulting in this independent auditor's report is Amin Ali.

Crowe Hussain Ch. & Co.

**CROWE HUSSAIN CHAUDHURY & CO.**
*Chartered Accountants*

Lahore
Dated: September 12, 2024
UDIN: AR202410051OrBvSig7e

# Statement of Financial Position

As at June 30, 2024

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **ASSETS** | | | |
| **NON CURRENT ASSETS** | | | |
| Property and equipment | 6 | **1,216,236** | 1,514,209 |
| Intangible assets | 7 | **-** | 40,386 |
| Long term investments | 8 | **537,218** | 52,281 |
| Long term contract assets | 9 | **52,637** | - |
| Long term loans to employees | 10 | **22,860** | 4,392 |
| | | **1,828,951** | 1,611,268 |
| **CURRENT ASSETS** | | | |
| Trade debts | 11 | **5,295,202** | 5,639,021 |
| Contract assets | 12 | **1,745,245** | 1,968,963 |
| Loans and advances | 13 | **113,150** | 64,849 |
| Deposits and short term prepayments | 14 | **112,654** | 125,949 |
| Other receivables | 15 | **54,018** | 26,109 |
| Due from related parties | 16 | **540,612** | 731,615 |
| Prepaid tax asset | 17 | **35,349** | 6,262 |
| Cash and bank balances | 18 | **4,647,055** | 2,631,171 |
| | | **12,543,285** | 11,193,939 |
| **TOTAL ASSETS** | | **14,372,236** | 12,805,207 |

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

CHIEF EXECUTIVE OFFICER | DIRECTOR | CHIEF FINANCIAL OFFICER

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| Authorized share capital | | | |
| 200,000 (2023: 200,000) ordinary shares of Rs. 10 each | | **2,000,000** | 2,000,000 |
| Issued, subscribed and paid up capital | 19 | **898,369** | 898,369 |
| Reserves | 20 | **9,664,297** | 8,269,052 |
| Share deposit money | | **13** | 13 |
| Shareholders' Equity | | **10,562,679** | 9,167,434 |
| **NON-CURRENT LIABILITIES** | | | |
| Long term financing | 21 | **2,696** | 49,627 |
| Lease liabilities | 22 | **-** | 971 |
| Long term advances | 23 | **1,995** | 16,675 |
| | | **4,691** | 67,273 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 24 | **760,472** | 823,226 |
| Contract liabilities | 25 | **1,446,474** | 1,117,496 |
| Short term borrowings | 26 | **1,580,000** | 1,580,000 |
| Current portion of non-current liabilities | 27 | **14,096** | 45,924 |
| Unclaimed dividends | | **3,824** | 3,854 |
| | | **3,804,866** | 3,570,500 |
| **CONTINGENCIES AND COMMITMENTS** | 28 | **-** | - |
| **TOTAL EQUITY AND LIABILITIES** | | **14,372,236** | 12,805,207 |

*The annexed notes from 1 to 50 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, 2024

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| | | | (Restated) |
| Revenue from contracts with customers - net | 29 | **9,280,647** | 7,670,181 |
| Cost of revenue | 30 | **(5,116,773)** | (5,408,017) |
| **Gross profit** | | **4,163,874** | 2,262,164 |
| Selling and promotional expenses | 31 | **(855,316)** | (669,724) |
| Administrative expenses | 32 | **(1,421,243)** | (1,357,653) |
| | | **(2,276,559)** | (2,027,377) |
| **Operating Profit** | | **1,887,315** | 234,787 |
| Other operating expenses | 33 | **(692,880)** | (547,234) |
| Finance cost | 34 | **(313,783)** | (190,362) |
| Other income | 35 | **674,012** | 2,014,239 |
| Share of loss of associate | 36 | **-** | (33,687) |
| | | **(332,651)** | 1,242,956 |
| **Profit before Final Taxes and Income Tax** | | **1,554,664** | 1,477,743 |
| Final tax / levies | 37 | **(170,505)** | (192,509) |
| **Profit before Income Tax** | | **1,384,159** | 1,285,234 |
| Income tax | | **-** | - |
| **Net Profit for the Year** | | **1,384,159** | 1,285,234 |
| **Earnings per Share** | 38 | | |
| - Basic | | **15.76** | 14.63 |
| - Diluted | | **15.63** | 14.59 |

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

# Statement of Comprehensive Income

For the Year Ended June 30, 2024

| | 2024 | 2023 |
|---|---|---|
| | Rupees in Thousands | |
| **Net Profit for the Year** | **1,384,159** | 1,285,234 |
| **Other comprehensive income** | | |
| *Items that may be re-classified subsequently to profit or loss* | - | - |
| - Reclassification / share of other comprehensive loss of an associate | - | 33,687 |
| *Items that will not be re-classified subsequently to profit or loss* | - | - |
| Total other comprehensive income | - | 33,687 |
| **Total Comprehensive Income for the Year** | **1,384,159** | 1,318,921 |

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

# Statement of Cash Flows

For the Year Ended June 30, 2024

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **Profit before taxation** | | | |
| Adjustments for: | | **1,554,664** | 1,477,743 |
| - Depreciation - own assets | 6 | **339,942** | 389,305 |
| - Depreciation of right of use assets | 6 | **2,246** | 2,673 |
| - Amortization of intangible assets | 7 | **40,386** | 293,504 |
| - (Gain) / Loss on disposal of property and equipment | 6 | **(28,739)** | 6,184 |
| - Foreign exchange loss / (gain) | 33 | **325,562** | (1,695,750) |
| - Finance cost | 34 | **309,977** | 185,973 |
| - Interest income | 35 | **(591,413)** | (315,676) |
| - Employee share option compensation expense | 20 | **11,086** | 21,478 |
| - Amortization of deferred grant | | **-** | (712) |
| - Provision for expected credit losses | 11 | **(51,760)** | 167,574 |
| - Reclassification / share of loss of associate | 36 | **-** | 33,687 |
| | | **357,287** | (911,760) |
| ***Operating profit before working capital changes*** | | **1,911,951** | 565,983 |
| **Decrease / (Increase) in current assets** | | | |
| - Trade debts | 11 | **186,914** | (2,267,157) |
| - Contract assets | 12 | **82,201** | 272,718 |
| - Loans and advances | 13 | **(66,769)** | (29,053) |
| - Trade deposits and short term prepayments | 14 | **13,295** | (72,350) |
| - Other receivables | 15 | **(27,909)** | (12,297) |
| - Due from related parties | 16 | **191,003** | (252,784) |
| **(Decrease) / Increase in current liabilities** | | | |
| - Trade and other payables | 24 | **(46,319)** | 318,748 |
| - Contract liabilities | 25 | **328,978** | 758,992 |
| ***Cash Generated from / (Used in) Operations*** | | **661,394** | (1,283,183) |
| Levy / final tax paid | 17 | **(199,593)** | (197,840) |
| Dividend paid | | **(30)** | (111) |
| | | **(199,623)** | (197,951) |
| ***Net Cash Generated from / (Used in) Operating Activities*** | | **2,373,722** | (915,151) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payment for acquisition of property and equipment | 6 | **(117,647)** | (385,642) |
| Proceeds from disposal of property and equipment | 6 | **105,305** | 82,402 |
| Advance against capital expenditure | 6 | **(3,134)** | 4,080 |
| Long term investment made | 8 | **(484,937)** | - |
| Interest received | 35 | **591,414** | 315,676 |
| ***Net Cash Generated from Investing Activities*** | | **91,001** | 16,516 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repayment of lease liabilities | 22 | **(4,280)** | (4,445) |
| Repayment of long term loan | 10 | **(90,955)** | (140,959) |
| Short term borrowing - net | 26 | **(338,924)** | (119,203) |
| Long term advances - net | 23 | **(14,680)** | 8,700 |
| ***Net cash (used in) financing activities*** | | **(448,839)** | (255,907) |
| ***Net Increase/(Decrease) in Cash and Cash Equivalents*** | | **2,015,884** | (1,154,542) |
| ***Cash and cash equivalents at the beginning of the year*** | | **2,631,171** | 3,785,713 |
| ***Cash and Cash Equivalents at the End of the Year*** | 18 | **4,647,055** | 2,631,171 |

*The annexed notes from 1 to 50 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, 2024

| Particulars | Share Capital | Capital Reserve | | | | Revenue Reserve | Total Reserves | Share Deposit Money | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| | | Treasury Share Reserve | Employee Share Option Compen-sation Reserve | Share Premium | Foreign Currency Translation Reserve | Unappropri-ated Profit | | | |
| | Rupees in Thousands | | | | | | | | |
| **Balance as at June 30, 2022** | 898,369 | (184,739) | 232,223 | 304,167 | (33,687) | 6,610,689 | 6,928,653 | 13 | 7,827,035 |
| Net profit for the year | - | - | - | - | - | 1,285,234 | 1,285,234 | - | 1,285,234 |
| Other comprehensive income for the year | - | - | - | - | 33,687 | - | 33,687 | - | 33,687 |
| **Total comprehensive income for the year** | - | - | - | - | 33,687 | 1,285,234 | 1,318,921 | - | 1,318,921 |
| Employee share option reserve | - | - | 21,478 | - | - | | 21,478 | - | 21,478 |
| **Balance as at June 30, 2023** | 898,369 | (184,739) | 253,701 | 304,167 | - | 7,895,923 | **8,269,052** | **13** | **9,167,434** |
| Net profit for the year | | | | - | - | 1,384,159 | **1,384,159** | - | **1,384,159** |
| Other comprehensive income for the year | - | - | - | - | - | - | **-** | - | **-** |
| **Total comprehensive income for the year** | - | - | - | - | **-** | **1,384,159** | **1,384,159** | - | **1,384,159** |
| Employee share option reserve | - | - | 11,086 | - | - | - | **11,086** | - | **11,086** |
| **Balance as at June 30, 2024** | **898,369** | **(184,739)** | **264,787** | **304,167** | **-** | **9,280,082** | **9,664,297** | **13** | **10,562,679** |

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

# Notes to and forming part of the Financial Statements

For the Year Ended June 30, 2024

## 1. The Company and its Operations

NetSol Technologies Limited ("the Company"), incorporated in Pakistan on August 22, 1996 under the repealed Companies Ordinance, 1984, (now The 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. The Company is domiciled in Pakistan and is principally engaged in the development and sale of computer software and allied services in Pakistan as well as abroad.

Geographical locations and addresses of its business units are as follows:

| | 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 Karachi. | Branch office |
| 3 | House No. 4, Safari Villas 1, Bahria Town, Rawalpindi. Pakistan. | Branch office |
| 4 | 3rd floor, Jasmin's Arcade , Fakhar-e-Alam Road, Peshawar Cantt, Pakistan | Branch office |

NetSol IT Village, (Software Technology Park) also includes House No. 4, House No. 5, House No. 6 and House No. 56-A, Cricketers Colony, NetSol IT Village (Software Technology Park), Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt.

The Company is also using the branch office of its parent company, situated at Sentral Senayan 2 Building, 16th Floor, Asia Afrika Street No. 8, Senayan, Kebayoran Baru, South Jakarta, DKI Jakarta, 10270, Indonesia.

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. The consolidated financial statements of the Company are prepared separately.

### 2.2 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with the approved 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 valuation of certain financial instruments which are carried at fair value / amortized cost as disclosed in respective accounting policies or notes.

### 2.4 Functional and presentation currency

These financial statements are presented in Pak Rupee (Rs.), which is Company's functional as well as presentation currency. All financial information presented in Pak Rupee has been rounded off to the nearest thousand rupees 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, 2023.

### 2.6 Standards, interpretations and amendments to approved accounting standards that are effective in the current year:

The following standards, amendments and interpretations are effective for the year ended June 30, 2024. These standards, amendments and interpretations are either irrelevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

| Standard or Interpretation | | Effective Date - Annual Periods Beginning on or After |
|---|---|---|
| **- IAS 01** | Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting Policies | January 1, 2023 |
| **- IAS 08** | Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates | January 1, 2023 |
| **- IAS 12** | Amendments to IAS 12 ' Income taxes' - International Tax Reform — Pillar Two Model Rules | January 1, 2023 |
| **- IAS 12** | Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction | January 1, 2023 |
| **- IFRS 17** | Initial Application of 'IFRS 17 Insurance Contracts and IFRS 9 - Comparative Information' | January 1, 2023 |

During the year, the Institute of Chartered Accountants of Pakistan (ICAP) has withdrawn Technical Release 27 'IAS 12, Income Taxes (Revised 2012)' and issued the 'IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes' (the Guidance). Accordingly, in accordance with the Guidance, the Company has changed its accounting policy to recognise minimum and final taxes as 'Levy' under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets" which were previously being recognised as 'Income tax'.

The Company has accounted for the effects of these changes in accounting policy retrospectively under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the corresponding figures have been restated in these unconsolidated financial statements. The effects of restatements are as follows:

| | Had there been no change in acounting policy | Impact of change in accounting policy | After incorporating effects of change in accounting policy |
|---|---|---|---|
| | **Rupees in Thousands** | | |
| Effect on statement of profit or loss | | | |
| **For the year ended June 30, 2024** | | | |
| Tax on export sales, dividends on investments and international tax effect | - | 170,505 | 170,505 |
| Profit before tax | 1,554,664 | (170,505) | 1,384,159 |
| Taxation | (170,505) | - | - |
| | 1,384,159 | (170,505) | 1,384,159 |
| Profit after tax | 1,384,159 | - | 1,384,159 |
| **For the year ended June 30, 2023** | | | |
| Tax on export sales, dividends on investments and international tax effect | - | 192,509 | 192,509 |
| Profit before tax | 1,477,743 | (192,509) | 1,285,234 |
| Taxation | (192,509) | - | - |
| | 1,285,234 | (192,509) | 1,285,234 |
| Profit after tax | 1,285,234 | - | 1,285,234 |

The related changes to the statement of cash flows with respect to the amount of profit before taxation have been made as well. There is no impact on profit after tax and earnings per share, basic and diluted.

**2.7 Standards, interpretation and amendments to approved accounting standards that are not yet effective:**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either irrelevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

| Standard or Interpretation | | Effective Date - Annual Periods Beginning on or After |
|---|---|---|
| **- IAS 1** | Presentation of Financial Statements (Amendments) | January 1, 2024 |
| **- IAS 7** | Amendments to IAS 7 "Statement of Cash Flows" | January 1, 2025 |
| **- IAS 21** | The Effects of Changes in Foreign Exchange Rates (Amendments) | January 1, 2024 |
| **- IFRS 7** | Amendments to IFRS 7 "Financial Instruments Disclosures"- Supplier Finance Arrangements | January 1, 2024 |
| **- IFRS 7 & 9** | Amendments to Classification and Measurement of Financial Instruments - Amendments to IFRS 7 and IFRS 9 | January 1, 2026 |
| **- IFRS 16** | Amendments to IFRS 16 "Leases" - Clarification on how seller-lessee subsequently measures sale and lease back transaction | January 1, 2024 |

Other than the aforementioned standards, interpretations, and amendments, IASB has also issued the following standards, which have yet not been notified locally by the Securities and Exchange Commission of Pakistan (SECP) as at the reporting date:

- IFRS 18 - Presentation and Disclosure in Financial Statements
- IFRS 19 - IFRS 19 'Subsidiaries Without Public Accountability - Disclosures'
- IFRS 01 - First Time Adoption of IFRS
- IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information
- IFRS S2 - Climate-Related Disclosures

The management believes that adoption of the new standards, amendments and interpretations, which are in issue but not yet effective, is not likely to have any material impact, on the recognition, measurement, presentation and disclosure of items in the financial statements for current and future periods and foreseeable future transactions.

**3. Use of estimates and judgements**

The preparation of financial statements in conformity with approved accounting and reporting 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, liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The areas involving higher degree of judgement or complexity included in these financial statements are as follows:

- Provision for expected credit losses on accounts receivable / contract assets - Note 4.17, 11 & 12
- Provision for taxation - Note 4.6
- Useful lives and recoverable amounts of depreciable assets - Note 4.1 & 6
- Useful lives of intangible assets - Note 4.2 & 7
- Contingencies - Note 4.8 & 28
- Leases - Note 5.1 & 22
- Revenue recognition - Note 4.10 & 29
- Long term investment - Note 4.18 & 8
- Fair value of employee share options - Note 4.5 & 20

## 4. Material Accounting Policy Information

The Company adopted disclosure of Accounting Policies (Amendments to IAS 1 and IFRS practice statements 2 'Making Materiality Judgments') from 01 July, 2023. Although amendments did not result in any changes to the accounting policies themselves, they impact the accounting policy information disclosed in the financial statements. The amendments require disclosure of 'material', rather than 'significant' accounting policies.

The material 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 and equipment

**(i) Owned assets**

Property and equipment, except for freehold land, are stated at cost less accumulated depreciation and identified impairment losses (if any). Freehold 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 6.1. Depreciation method, residual value and useful lives of assets are reviewed at least at each reporting date and adjusted if impact on depreciation is significant.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases when the asset is derecognized. Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

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.

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.

Day to day maintenance and normal repairs are charged to profit or loss as and when incurred. Gain or loss on scrapping or disposal of assets, if any, is charged to profit or loss. Gain or loss on disposal of assets is the difference between the sale proceeds and the carrying amount of the asset disposed off.

**(ii) Right of use assets**

The Company recognizes 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 identified impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, 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 recognized right-of-use assets are depreciated over the shorter of their 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 6.2. Amortization on additions begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortization of an asset ceases when the asset is derecognized. 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 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.

# Notes to and forming part of the Financial Statements

For the Year Ended June 30, 2024

**Note 4, Material Accounting Policy Information - Continued...**

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 may capitalize 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 may be capitalized and reported at the lower of unamortized cost or recoverable amount. Capitalization will cease 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 reporting date. Rates of amortization are stated in note 7.

**(b) Intangible assets acquired from market**

Intangible assets acquired from market are stated at cost less accumulated amortization and identified 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 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 reporting date. Amortization on additions of acquired intangible assets begins when it is available for use i.e. (i.e., the month when the intangible is ready for use) while no amortization is charged for the month in which the asset is disposed off. Rates of amortization are stated in note 6.1.

**4.3 Impairment of non financial asset**

The Company continually assesses, at each reporting date, whether there is any indication that an asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit 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 and transaction**

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 reporting 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 profit or loss. The fund is administrated by the Trustees.

**(ii) Short-term benefits**

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

**(iii) Employees' share option scheme**

The Company operates an equity settled share based Employee' Share Option Scheme ('Scheme"). The fair value of options granted is determined at the grant date and is recognized as employee compensation expense on a straight line basis over the vesting period in profit or loss with corresponding credit to equity as employee compensation reserve. Fair value of options is arrived at using Black Scholes Pricing Model.

When the options are exercised, the proceeds received equivalent to the face value of related shares is credited to share capital and any amount above the share capital is credited 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 laws 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.

Deferred tax is accounted for using the statement of financial position method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to other comprehensive income in which case it is included in other comprehensive income.

Expenses and assets are recognized net of the amount of sales tax, except:
- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

In accordance with the Income Tax Ordinance, 2001, computation of final taxes is not based on taxable income. Therefore, as per IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes issued by the ICAP, these fall within the scope of IFRIC 21 / IAS 37 and accordingly have been classified as levy in these unconsolidated financial statements, except for taxes on dividends on the Company's investments in subsidiaries and associates which are specifically within the scope of IAS 12 and hence, these continue to be categorised as current income tax.

**4.7 Trade and other payables**

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

Liabilities for trade and other payable in foreign currency are revalued by applying the exchange rate applicable on each reporting date.

**4.8 Provisions and contingencies**

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 reporting date and adjusted to reflect the current best estimate. Where outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

**4.9 Cash and cash equivalents**

Cash and cash equivalents comprise 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.

# Notes to and forming part of the Financial Statements

For the Year Ended June 30, 2024

**4.10 Revenue recognition**

The Company follows IFRS 15 for the recognition of revenue from 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 it 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 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 i.e. 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 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 services 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 contains multiple performance obligations generally consists of the initial sale of licenses and a professional services engagement. Contracts 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 the 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 provide 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 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 120 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 120 days of invoice.

**c) Professional services:**

Performance obligation is satisfied and revenue from professional services is recognized over the time and typically comprises 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. The 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 in 120 days after invoice.

**d) BPO services:**

Revenue from BPO services is recognized when earned. The Company recognizes revenue on issuance of billing to the customer. Payment terms are upto 120 days after invoice.

**e) Miscellaneous income**

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, and is recognised in other income in statement of profit or loss.

**Contract Modifications**

Contract modifications involving changes in scope or price are treated as separate contracts if they add distinct performance obligations at standalone prices. If not, they are either treated as a termination of the existing contract and creation of a new one or, if no new distinct obligations arise, adjustments are made on a cumulative catch-up basis i.e. recognizing in the current period the cumulative effect of changes on current and prior periods according to the revised performance obligations.

**Significant Judgments**

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 stand alone selling price (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.

# Notes to and forming part of the Financial Statements

For the Year Ended June 30, 2024

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 recognises revenue from implementation and customization services using 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. 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 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).

**4.11 Costs to obtain a contract**

The Company does not have a material amount of costs to obtain a contract capitalized at any reporting date. In general, the Company incurs few direct incremental costs for 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.

**4.12 Contract assets**

A contract asset is the right to consideration in exchange for services transferred to the customer. If the Company has satisfied the performance obligation, either in full or partially, by transferring 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.

**4.13 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 4.17 (i) Financial instruments – initial recognition and measurement.

**4.14 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.

**4.15 Related party transactions**

The Company enters into transactions with related parties at 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 best interest of the Company to do so.

**4.16 Off-setting of financial instruments**

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.

**4.17 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.

The 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.

# Notes to and forming part of the Financial Statements

For the Year Ended June 30, 2024

**Impairment of financial assets**

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, based on the groupings for various customers segments that have similar patterns (i.e. by geography and customer wise).

**(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 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**

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

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

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

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

**Derecognition**

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

### 4.18 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.

#### 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 other comprehensive income of those investees is presented as part of the Company's other comprehensive income. 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 financial statements of the associate or joint venture are prepared for the same reporting period as the Company, unless otherwise stated. When necessary, adjustments are made to bring the accounting policies in line with those of the group.

The Company periodically determines whether it is necessary to recognize any impairment loss on its investment in its associate or not. The Company determines on annual basis whether there is any objective evidence that the investment in 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 or loss 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.

## 5. Summary Of Other Accounting Policies

### 5.1 Lease liabilities

At the commencement date of the lease, the Company recognizes 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 recognized 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 re-measured 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.

# Notes to and forming part of the Financial Statements

For the Year Ended June 30, 2024

**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 recognized as expense on a straight-line basis over the lease term.

**Significant judgement in determining the lease term of contracts with renewal & termination 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 or to terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal & termination. 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).

**5.2 Advances and deposits**

These are recognized at nominal amount which is fair value of considerations to be received in future.

**5.3 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.

**5.4 Dividend and appropriation to reserves**

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved. However, if they are approved after the reporting period but before the financial statements are authorized for issue they are disclosed in the notes to financial statements.

**5.5 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.

**5.6 Earnings per share**

The Company presents both 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.

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **6. Property and Equipment** | | | |
| Operating fixed assets | 6.1 | **1,208,998** | 1,505,829 |
| Right of use assets | 6.2 | **4,104** | 8,380 |
| Advance against capital expenditure | | **3,134** | - |
| | | **1,216,236** | 1,514,209 |

### 6.1 Operating fixed assets

| 2024 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Description | COST | | | | | DEPRECIATION | | | | | Written down value as at June 30, 2024 |
| | As at July 01, 2023 | Additions | (Disposals) | As at June 30, 2024 | Rate | As at July 01, 2023 | (Disposals) | Adjust-ments | For the Year | As at June 30, 2024 | |
| | Rupees in Thousands | | | | % | Rupees in Thousands | | | | | |
| **Tangible assets** | | | | | | | | | | | |
| Land - freehold | 254,229 | - | - | 254,229 | - | - | - | - | - | - | 254,229 |
| Building on freehold land | 952,561 | - | - | 952,561 | 5 | 402,331 | - | - | 32,367 | 434,698 | 517,863 |
| Furniture and fixtures | 74,578 | 4,464 | (19,113) | 59,929 | 10 | 55,236 | (18,931) | - | 6,622 | 42,927 | 17,002 |
| Vehicles | 504,133 | 43,780 | (136,745) | 411,168 | 20 | 246,058 | (60,414) | 2,243 | 78,893 | 266,780 | 144,388 |
| Office equipment | 91,307 | 3,300 | - | 94,607 | 10 | 55,275 | - | - | 7,648 | 62,923 | 31,684 |
| Computer equipment and installations | 824,106 | 36,786 | (340) | 860,552 | 20-33 | 603,364 | (287) | - | 133,737 | 736,814 | 123,738 |
| Air conditioners | 71,668 | 1,060 | - | 72,728 | 10 | 50,589 | - | - | 6,785 | 57,374 | 15,354 |
| Electric fittings | 49,371 | - | - | 49,371 | 10 | 38,069 | - | - | 5,651 | 43,720 | 5,651 |
| Generators | 58,191 | 4,675 | (14,145) | 48,721 | 10 | 48,284 | (14,145) | - | 4,458 | 38,597 | 10,124 |
| | 2,880,144 | 94,065 | (170,343) | 2,803,866 | | 1,499,206 | (93,777) | 2,243 | 276,161 | 1,683,833 | 1,120,033 |
| **Intangible assets** | | | | | | | | | | | |
| Computer softwares | 199,655 | 27,855 | - | 227,510 | 33 | 74,764 | - | - | 63,781 | 138,545 | 88,965 |
| | **3,079,799** | **121,920** | **(170,343)** | **3,031,376** | | **1,573,970** | **(93,777)** | **2,243** | **339,942** | **1,822,378** | **1,208,998** |

| 2023 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Description | COST | | | | DEPRECIATION | | | | | | Written down value as at June 30, 2023 |
| | As at July 01, 2022 | Additions | (Disposals) | As at June 30, 2023 | Rate | As at July 01, 2022 | (Disposals) | Adjust-ments | For the Year | As at June 30, 2023 | |
| | Rupees in Thousands | | | | % | Rupees in Thousands | | | | | |
| **Tangible assets** | | | | | | | | | | | |
| Land - freehold | 254,229 | - | - | 254,229 | - | - | - | - | - | - | 254,229 |
| Building on freehold land | 952,561 | - | - | 952,561 | 5 | 369,965 | - | - | 32,366 | 402,331 | 550,230 |
| Furniture and fixtures | 71,655 | 3,550 | (627) | 74,578 | 10 | 47,816 | (493) | - | 7,913 | 55,236 | 19,342 |
| Vehicles | 467,253 | 138,034 | (101,154) | 504,133 | 20 | 181,777 | (43,703) | 27,600 | 80,384 | 246,058 | 258,075 |
| Office equipment | 77,783 | 13,685 | (161) | 91,307 | 10 | 47,467 | (128) | - | 7,936 | 55,275 | 36,032 |
| Computer equipment and installations | 1,225,903 | 142,799 | (544,596) | 824,106 | 20-33 | 928,980 | (513,635) | - | 188,019 | 603,364 | 220,742 |
| Air conditioners | 68,583 | 3,284 | (199) | 71,668 | 10 | 42,437 | (192) | - | 8,344 | 50,589 | 21,079 |
| Electric fittings | 49,371 | - | - | 49,371 | 10 | 32,418 | - | - | 5,651 | 38,069 | 11,302 |
| Generators | 54,902 | 3,289 | - | 58,191 | 10 | 42,398 | - | - | 5,886 | 48,284 | 9,907 |
| | 3,222,240 | 304,641 | (646,737) | 2,880,144 | | 1,693,258 | (558,151) | 27,600 | 336,499 | 1,499,206 | 1,380,938 |
| **Intangible assets** | | | | | | | | | | | |
| Computer softwares | 69,369 | 130,286 | - | 199,655 | 33 | 21,958 | - | - | 52,806 | 74,764 | 124,891 |
| | **3,291,609** | **434,927** | **(646,737)** | **3,079,799** | | **1,715,216** | **(558,151)** | **27,600** | **389,305** | **1,573,970** | **1,505,829** |

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| 6. 1.1 Depreciation charge for the year has been allocated as under: | | | |
| Cost of revenue | 30 | **254,978** | 296,159 |
| Selling and promotional expenses | 31 | **16,999** | 19,465 |
| Administrative expenses | 32 | **67,965** | 73,681 |
| | | **339,942** | 389,305 |

6.1.2 Owned assets include vehicles amounting to Rs. 26.84 million obtained from First Habib Modaraba under finance facility (2023: Rs. 126.76 million).

6.1.3 Particulars of fixed assets disposed off during the year having individual book value exceeding Rs. 500,000 or more are as follows:

| 2024 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Particulars | Cost | Net Book Value | Sales Proceeds | (Loss) / Gain | Mode of Disposal | Particulars of Purchaser | Relationship |
| | Rupees in Thousands | | | | | | |
| Vehicle | 49,858 | 34,107 | 32,400 | (1,707) | Open market | Umer Bajwa | None |
| Vehicle | 2,987 | 531 | 2,940 | 2,409 | Company policy | Amir Chaudhry | Employee |
| Vehicle | 16,235 | 10,823 | 17,000 | 6,177 | Open market | Sameer Khalid | None |
| Vehicle | 28,050 | 8,415 | 20,500 | 12,085 | Open market | Muhammad Tayyab Tariq | None |
| Vehicle | 37,428 | 22,457 | 30,500 | 8,043 | Company policy | Salim Ullah Ghauri | Director |
| | **134,558** | **76,333** | **103,340** | **27,007** | | | |

| 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Particulars | Cost | Net Book Value | Sales Proceeds | (Loss) / Gain | Mode of Disposal | Particulars of Purchaser | Relationship |
| | Rupees in Thousands | | | | | | |
| Computer | 422,190 | 30,559 | 2,485 | (28,074) | Open market | Outstart Tech | None |
| Vehicle | 3,154 | 1,180 | 2,400 | 1,220 | Company policy | Shahid Iqbal Qureshi | Employee |
| Vehicle | 34,208 | 29,647 | 35,000 | 5,353 | Open market | Muhammad Shehryar | None |
| Vehicle | 32,638 | 11,314 | 15,000 | 3,686 | Open market | Maria Faisal | None |
| Vehicle | 3,965 | 789 | 3,000 | 2,211 | Open market | Muaaz Anwar | None |
| Vehicle | 7,600 | 1,261 | 7,500 | 6,239 | Open market | Hafiz Sajjad Motors | None |
| Vehicle | 6,787 | 2,238 | 4,750 | 2,512 | Company policy | Adil Farooq | Employee |
| Vehicle | 10,882 | 10,882 | 11,087 | 205 | Open market | Tahira | None |
| | **521,424** | **87,870** | **81,222** | **(6,648)** | | | |

**6.1.4** Particulars of immovable assets (i.e. land and buildings) of the Company are as follows:

| Location | Address | Total Area (Square feet) | Covered Area (Square feet) |
|---|---|---|---|
| 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 Society Karachi | 4,500 | 13,500 |

6.2 Right of Use Assets

| 2024 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Description | COST | | | | DEPRECIATION | | | | Written down value as at June 30, 2024 |
| | As at July 01, 2023 | (Disposals) | As at June 30, 2024 | Rate | As at July 01, 2023 | (Disposals) | For the Year | As at June 30, 2024 | |
| | Rupees in Thousands | | | % | Rupees in Thousands | | | | |
| Vehicles | 13,366 | (4,273) | 9,093 | 20 | 4,986 | (2,243) | 2,246 | 4,989 | 4,104 |

| 2023 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Description | COST | | | | DEPRECIATION | | | | Written down value as at June 30, 2023 |
| | As at July 01, 2022 | (Disposals) | As at June 30, 2023 | Rate | As at July 01, 2022 | (Disposals) | For the Year | As at June 30, 2023 | |
| | Rupees in Thousands | | | % | Rupees in Thousands | | | | |
| Vehicles | 62,651 | (49,285) | 13,366 | 20 | 29,912 | (27,599) | 2,673 | 4,986 | 8,380 |

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| 6. 2.1 **Depreciation charge for the year has been allocated as under:** | | | |
| Cost of revenue | 30 | 1,685 | 2,004 |
| Selling and promotional expenses | 31 | 112 | 134 |
| Administrative expenses | 32 | 449 | 535 |
| | | 2,246 | 2,673 |

7. Intangible Assets

| 2024 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Description | COST | | | | | DEPRECIATION | | | Written Down Value as at June 30, 2024 |
| | As at July 01, 2023 | Additions | (Disposals) | As at June 30, 2024 | Rate | As at July 01, 2023 | For the Year | As at June 30, 2024 | |
| | Rupees in Thousands | | | | % | Rupees in Thousands | | | |
| **In-house developed software** | | | | | | | | | |
| NFS - Ascent | 2,935,037 | - | - | 2,935,037 | 10 | 2,894,651 | 40,386 | 2,935,037 | - |

| 2023 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Description | COST | | | | | DEPRECIATION | | | Written Down Value as at June 30, 2023 |
| | As at July 01, 2022 | Additions | (Disposals) | As at June 30, 2023 | Rate | As at July 01, 2022 | For the Year | As at June 30, 2023 | |
| | Rupees in Thousands | | | | % | Rupees in Thousands | | | |
| **In-house developed software** | | | | | | | | | |
| NFS - Ascent | 2,935,037 | - | - | 2,935,037 | 10 | 2,601,147 | 293,504 | 2,894,651 | 40,386 |

**7.1** The amortization of intangible assets is allocated to the Cost of Revenue (Note 30).

**7.2** NetSol Financial Suite and NFS - Ascent have been fully amortized, however, the Company is still generating revenues from the sale of its licenses, provision of allied services and maintenance.

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | **Rupees in Thousands** | |
| **8. Long Term Investments** | | | |
| **At cost** | | | |
| NetSol Innovation (Private) Limited | 8.1 | **515,000** | 30,063 |
| NetSol Ascent Middle East Computer Equipment Trading L.L.C. | 8.2 | **-** | - |
| | | **515,000** | 30,063 |
| Subscription money payable | 8.3 | **22,218** | 22,218 |
| | | **537,218** | 52,281 |

**8.1** The wholly owned 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. Main objective of the company is to engage in the business of providing software development & allied IT services. The Company holds 51.5 million (2023: 3.01 million) fully paid ordinary shares of Rs. 10 each i.e. 99.999% (2023: 99.999%) in this subsidiary.

**8.2** This represents 300 ordinary shares of AED 1,000/- each, representing 100% (2023: 100%) shares in the wholly owned subsidiary NetSol Ascent Middle East Computer Equipment Trading L.L.C. The subsidiary is incorporated in Dubai (U.A.E). Main objective of the investee Company is to provide services related to computer systems and communication equipment and softwares. Principal place of business of the subsidiary is situated in Dubai (U.A.E)

**8.3** This represents subscription money payable in respect of wholly owned subsidiary, NetSol Ascent Middle East Computer Equipment Trading L.L.C.

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | **Rupees in Thousands** | |
| **9. Long Term Contract Assets** | | | |
| Considered good - unsecured | | **77,927** | - |
| Less: discounting of contract asset | | **(25,290)** | - |
| | | **52,637** | - |

**9.1** This represents unbilled receivables arising from the recognition of revenue under a long-term contract, in accordance with IFRS 15 "Revenue from Contracts with Customers".

| | | | |
|---|---|---|---|
| **10. Long Term Loans to Employees** | | | |
| Loan to executives - unsecured | | **37,031** | 10,961 |
| Less: Current portion | | **(14,171)** | (6,569) |
| | | **22,860** | 4,392 |

**10.1** These loan are provided to employees as per the Company's policy.

**10.2** These are carried at cost as the effect of carrying these balances at amortized cost would not be material in the overall context of these financial statements.

**10.3** These executive employees do not include any directors.

# Notes to and forming part of the Financial Statements

For the Year Ended June 30, 2024

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **11.** Trade Debts | | | |
| **Related Parties** | | | |
| Considered good - unsecured | | 4,645,262 | 3,185,386 |
| Considered doubtful - unsecured | | 278,192 | 356,271 |
| | | 4,923,454 | 3,541,657 |
| **Other Parties** | | | |
| Considered good - unsecured | | 649,940 | 2,453,635 |
| Considered doubtful - unsecured | | 2,405 | - |
| | | 652,345 | 2,453,635 |
| Less: Provision against expected credit losses | 11.1 | (280,597) | (356,271) |
| | | 5,295,202 | 5,639,021 |

| | 2024 | 2023 |
|---|---|---|
| 11.1 Movement of provision against expected credit losses | | |
| Opening balance | 356,271 | 190,782 |
| Add: Expected credit loss allowance | - | 165,489 |
| | 356,271 | 356,271 |
| Less: Reversal of credit loss allowance | (75,674) | - |
| Closing balance | 280,597 | 356,271 |
| 11.2 Amount receivable from related parties included in trade debts (from exports) are as under: | | |
| NetSol Technologies (Thailand) Limited | 61,866 | 277,821 |
| NetSol Technologies (Beijing) Co., Ltd. | 3,267,132 | 1,925,048 |
| NetSol Technologies Australia Pty Limited | 715,896 | 724,627 |
| NetSol Technologies Americas Inc. | 416,650 | 403,161 |
| NetSol Technologies Europe Limited | 2,015 | 14,318 |
| Ascent Europe Limited | 433,302 | 120,893 |
| OTOZ Thailand Limited | - | 75,789 |
| Tianjin NuoJinZhiCheng Co., Ltd. | 26,593 | - |
| | 4,923,454 | 3,541,657 |
| Less: Provision for expected credit losses | (278,192) | (356,271) |
| | 4,645,262 | 3,185,386 |
| 11.3 Aging of outstanding balances of related parties as at June 30, 2024 is as under: | | |
| Not past due | 1,293,635 | 224,677 |
| Past due 1-180 days | 838,954 | 1,409,070 |
| Past due 181 days -1 year | 1,281,040 | 1,405,376 |
| More than one year | 1,509,825 | 502,534 |
| | 4,923,454 | 3,541,657 |

11.4 Maximum aggregate amount outstanding from related parties at any time during the year was Rs. 4,923.45 million (2023: Rs. 3,837.05 million).

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **12.** Contract Assets | | | |
| Considered good - unsecured | 12.1 | **1,745,245** | 1,968,963 |
| Considered doubtful - unsecured | | **54,097** | 30,183 |
| | | **1,799,342** | 1,999,146 |
| Less: Provision for expected credit losses | 12.3 | **(54,097)** | (30,183) |
| | | **1,745,245** | 1,968,963 |

**12.1** This represents unbilled debtors arising due to recognition of revenue as per IFRS 15 "Revenue from Contracts with Customers".

**12.2** There is a net decrease of Rs. 206 million in contract assets as compared to last year (2023: increase of Rs. 192 million). The explanation of significant changes is as follows:

| | | 2024 | 2023 |
|---|---|---|---|
| Opening balance | | **1,968,964** | 1,756,374 |
| Add: Revenue recognized | | **5,518,016** | 5,810,924 |
| Less: Invoices raised | | **(5,652,855)** | (6,093,943) |
| Add: Foreign exchange (loss) / gain | | **(64,966)** | 497,694 |
| Less: Provision for expected credit losses | | **(23,914)** | (2,086) |
| Closing balance | | **1,745,245** | 1,968,963 |

**12.3** Movement of provision against expected credit losses:

| | | 2024 | 2023 |
|---|---|---|---|
| Opening balance | | **30,183** | 28,097 |
| Add: Expected credit loss allowance | | **23,914** | 2,086 |
| Closing balance | | **54,097** | 30,183 |

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| **13. Loans and Advances** | | | |
| **Considered good - unsecured** | | | |
| Current portion of loans to executives | | **14,171** | 6,569 |
| Advances to employees: | | | |
| - against salaries | | **2,350** | - |
| - against expenses | 13.1 | **96,629** | 58,280 |
| | | **113,150** | 64,849 |

13.1 These advances are given to meet business expenses and are settled as and when the expenses are incurred.

| | | 2024 | 2023 |
|---|---|---|---|
| **14. Deposits and short term prepayments** | | | |
| Security deposits | | **3,589** | 4,878 |
| Prepayments | | **109,065** | 121,071 |
| | | **112,654** | 125,949 |
| **15. Other Receivables** | | | |
| Guarantee margin | | **7,000** | 2,344 |
| Other receivables - considered good | | **47,018** | 23,765 |
| | | **54,018** | 26,109 |

# Notes to and forming part of the Financial Statements

For the Year Ended June 30, 2024

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **16. Due from Related Party** | | | |
| **Considered good - unsecured** | | | |
| Parent | | | |
| NetSol Technologies Inc. | | **96,687** | 155,659 |
| Associates | | | |
| NetSol Technologies Americas Inc. | | **103,556** | 91,182 |
| NetSol Connect (Private) Limited | | **13,858** | 15,745 |
| NetSol Technologies (Thailand) Limited | | **27,938** | - |
| NetSol Technologies (Beijing) Co., Ltd. | | **260,490** | 166,958 |
| OTOZ Thailand Limited | | **28,398** | 41,778 |
| Tianjin NuoJinZhiCheng Co., Ltd. | | **70** | - |
| Wholly owned Subsidiary | | | |
| NetSol Innovation (Private) Limited | 16.2 | **9,615** | 260,293 |
| | | **540,612** | 731,615 |

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

16.2 These relate to normal course of business of the Company and interest at the rate of 6 months KIBOR is charged on the outstanding balance at the end of each month.

16.3 Maximum aggregate amount outstanding from related parties at any month-end during the year was Rs. 1,023.28 million (2023: Rs. 731.62 million).

16.4 The balances with related parties are maintained on a running account basis; therefore, age analysis of amounts due from related parties is not practically possible.

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| **17. Prepaid Tax Asset** | | | |
| Opening balance | | **6,262** | 930 |
| Add: Tax deducted at source / paid during the year | | **125,145** | 72,699 |
| Less: Levy / final tax charged during the year | | **(96,058)** | (67,367) |
| Closing balance | | **35,349** | 6,262 |
| **18. Cash and Bank Balances** | | | |
| **Cash in hand** | | **24,355** | 10,781 |
| **Bank balances:** | | | |
| **In local currency:** | | | |
| - Saving accounts | 18.1 | **4,020,564** | 2,052,658 |
| - Current accounts | 18.2 | **150,529** | 132 |
| | | **4,171,093** | 2,052,790 |
| **In foreign currency:** | | | |
| - Saving accounts | 18.1 | **115,758** | 189,869 |
| - Current accounts | 18.2 | **335,849** | 377,731 |
| | | **451,607** | 567,600 |
| | | **4,647,055** | 2,631,171 |

18.1 Balances in saving accounts include Rs. 1,939.15 million (2023: Rs. 1,247.83 million) maintained in Shariah compliant banks.

18.2 Balances in current accounts include Rs. 435.12 million (2023: Rs. 325.41 million) maintained in Shariah compliant banks.

18.3 Balances in savings accounts carry mark up at 6.76% to 20.55% per annum (2023 : 6.50% to 19.55% per annum).

18.4 The above figures reconcile to the amount of cash and cash equivalents shown in the statement of cash flow.

### 19. Issued, Subscribed and Paid up Capital

| 2024 | 2023 | | NOTE | 2024 | 2023 |
|---|---|---|---|---|---|
| No. of shares in Thousands | | | | Rupees in Thousands | |
| **42,686** | 42,686 | Ordinary shares of Rs. 10 each fully paid in cash | | **426,862** | 426,862 |
| **47,151** | 47,151 | Ordinary shares of Rs. 10 each allotted as fully paid bonus shares | | **471,507** | 471,507 |
| **89,837** | 89,837 | | | **898,369** | 898,369 |

**19.1 Number of shares outstanding as at the reporting date:**

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | No. of shares in Thousands | |
| Opening balance | | **89,837** | 89,837 |
| Treasury shares of Rs. 10 each purchased at market value | 19.7 | **(2,000)** | (2,000) |
| Closing balance | | **87,837** | 87,837 |

**19.2** No shares have been further issued / cancelled during the year.

**19.3** All ordinary shares rank equally with regard to residual assets of the Company. Ordinary shareholders are entitled to receive all distributions including dividends and other entitlements in the form of bonus and right shares as and when declared by the Company. Voting and other rights are in proportion to the shareholding.

**19.4** NetSol Technologies Inc. 16000 Ventura Boulevard STE 770 ENCINO CA 91436, USA is the parent company, holding 67.62% (2023: 67.62%) of issued capital of the Company.

**19.5** The Company is not subject to any externally imposed capital requirements.

**19.6** There are 3 million outstanding options to subscribe for ordinary shares of the Company granted under the employee share option scheme as disclosed in Note 20.2. During the year, no shares (2023: Nil) were issued against options exercised.

**19.7** The share capital includes 2,000,000 ordinary shares (2.23% of its outstanding ordinary shares) held as treasury shares by the Company, which were bought back in financial year 2022. These treasury shares are held in CDC blocked account in the freezed form. These are not entitled to any voting right, cash dividend or any other distribution made by the Company. No sale or disposal of treasury shares has been made during the financial year.

### 20. Reserves

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **Capital reserve** | | | |
| Share premium | 20.1 | **304,167** | 304,167 |
| Employee share option compensation reserve | 20.2 | **264,787** | 253,701 |
| Treasury share reserve | 20.3 | **(184,739)** | (184,739) |
| | | **384,215** | 373,129 |
| **Revenue reserve** | | | |
| Unappropriated profit | | **9,280,082** | 7,895,923 |
| | | **9,664,297** | 8,269,052 |

**20.1** This reserve can be utilized by the Company only for the purposes specified in Section 81(2) of the Companies Act, 2017.

**20.2** Movement in employee stock option scheme

| | 2024 | 2023 |
|---|---|---|
| Balance as at the beginning of the year | **253,701** | 232,223 |
| Compensation expense booked during the period | **11,086** | 21,478 |
| Balance at the end of the year | **264,787** | 253,701 |

# Notes to and forming part of the Financial Statements

For the Year Ended June 30, 2024

**Description of scheme**

As per the approved employee stock option scheme, the Board and the compensation committee granted three million stock options to employees on December 27, 2021 at a grant price of Rs. 77.84 per option. No amount is paid or payable by any employee on receipt of the option. No option carries the right to vote or dividend. According to the scheme, 50% of the options will become exercisable after completion of 12 months from date of grant, another 30% of the granted option after completion of 24 months from the grant date and the remaining 20% of the granted option will become exercisable after completion of 36 months from the date of grant. The options are exercisable within a period of 10 years with un-exercised options to lapse on December 27, 2031.

**Measurement of fair value**

The Company uses "Black Scholes Pricing Model" to determine the fair value of options at the grant date. Fair value at grant date of the equity settled share based arrangement was calculated using the following assumptions.

| | **2024** | 2023 |
|---|---|---|
| Total number of options granted | **3,000,000** | 3,000,000 |
| Per option fair value at the grant date | **Rs. 14.82** | Rs. 14.82 |
| Average 30 days per share price preceding the date of grant | **Rs. 96.79** | Rs. 96.79 |
| Exercise price per option | **Rs. 77.84** | Rs. 77.84 |
| Annual rate of quarterly dividends | **13.50%** | 13.50% |
| Discount Rate - bond equivalent yield | **11.80%** | 11.80% |
| Annual volatility | **55.08%** | 55.08% |

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

**Movement in employee share options during the year:**

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price** | Number of options | Weighted average exercise price |
| Options outstanding at the beginning of the year | **3,000** | **-** | 3,000 | - |
| Options granted during the year | **-** | **-** | - | - |
| Options outstanding at the end of the year | **3,000** | **-** | 3,000 | - |

Out of the total 3 million options granted, the directors and executives are entitiled to 1.625 million (2023: 1.625 million) and 1.335 million (2023: 1.335 million) options respectively.

**20.3** This represents the cost of the treasury shares held by the Company. As at 30 June 2024, the Company held 2 million treasury shares (2023: 2 million)

| | NOTE | **2024** | 2023 |
|---|---|---|---|
| | | **Rupees in Thousands** | |
| **21. Long Term Financing** | | | |
| Loan obligation | 21.1 | **15,820** | 92,195 |
| Less: Current portion of long term financing | | **(13,124)** | (42,568) |
| | | **2,696** | 49,627 |

**21.1** This represents finance facilities obtained from time to time, from First Habib Modaraba, for purchase of various vehicles. The facility is repayable in 36 equal monthly installments and carries mark up at rates ranging between 22.71% to 24.16% (2023: 16.12% to 23.23%) per annum. These facilities are secured through lien marking in favor of financial institutions.

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **22. Lease Liabilities - Secured** | | | |
| Opening balance | | **4,327** | 7,718 |
| Add: Interest expense | | **925** | 1,441 |
| Less: Payments made | | **(4,280)** | (4,832) |
| Gross liability | | **972** | 4,327 |
| Less: Current portion | | **(972)** | (3,356) |
| Closing balance | | **-** | 971 |

22.1 The summary of amounts relating to leases charged in different line items of the financial statements is as follows:

| | Included in | | | |
|---|---|---|---|---|
| Carrying amount of right of use assets | Statement of financial position | 6.2 | 4,104 | 8,380 |
| Depreciation charge | Statement of profit or loss | 6.2.1 | 2,246 | 2,673 |
| Interest expense | Finance cost | 34 | 925 | 1,441 |

**22.2** Maturity analysis of contractually undiscounted cash flows

| | Within One Year | Between Two to Five Years | Later than Five Years |
|---|---|---|---|
| | Rupees in Thousands | | |
| **At June 30, 2024** | **1,019** | **-** | **-** |
| **At June 30, 2023** | 3,960 | 1,019 | - |

**22.3 Nature of leasing activities**

The Company's leases comprise vehicles taken from Askari Bank Limited for employees. Present value of minimum lease payments have been discounted at an implicit interest rate ranging between 22.71% to 24.16% per annum (2023: 13.20% to 23.23%). The lessee has the option to purchase the assets after expiry of the lease term.

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **23. Long Term Advances - Unsecured** | | | |
| Long term advances - Against Vehicles | 23.1 | **1,995** | 16,675 |

**23.1** This represents advance received from a Director amounting to Rs. Nil (2023: Rs. 16.675 million) and from an Executive amounting to Rs. 1.995 million (2023: Rs. Nil) against purchase of motor vehicles. This advance shall be adjusted against the future sale of the vehicle.

**23.2** These are carried at cost as the effect of carrying these balances at amortized cost would not be material in the overall context of these financial statements.

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| **24. Trade and Other Payables** | | | |
| Creditors - unsecured | 24.1 | **28,993** | 26,621 |
| Accrued liabilities | | **598,702** | 592,649 |
| Interest accrued - secured | | **13,597** | 58,050 |
| Due to related parties - unsecured | 24.2 | **1,296** | - |
| Withholding tax payable | | **51,212** | 54,157 |
| Sales tax payable | | **5,017** | 7,355 |
| Provident fund payable | | **23,545** | 53,949 |
| Other payables | | **15,379** | 6,994 |
| Subscription money payable | 24.3 | **22,731** | 23,451 |
| | | **760,472** | 823,226 |

# Notes to and forming part of the Financial Statements

For the Year Ended June 30, 2024

**24.1** Creditors include Rs. 1.08 million (2023: Rs. 1 million) payable to a related party HospitAll (Private) Limited against provision of medical services.

**24.2** This represents amount due to a related party, OTOZ Inc, in the normal course of business.

**24.3** This represents subscription money payable in respect of wholly owned subsidiary, NetSol Ascent Middle East Computer Equipment Trading L.L.C amounting to AED 300,000 (2023: AED 300,000).

| | NOTE | **2024** | 2023 |
|---|---|---|---|
| | | **Rupees in Thousands** | |
| **25. Contract Liabilities** | | | |
| Opening balance | | **1,117,496** | 358,504 |
| Add: Invoices raised | | **4,041,580** | 3,229,317 |
| Less: Revenue recognized | | **(3,712,602)** | (2,470,325) |
| Closing balance | 25.1 | **1,446,474** | 1,117,496 |

**25.1** This represents license, subscription & 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 are transferred to revenue over time.

| | NOTE | **2024** | 2023 |
|---|---|---|---|
| **26. Short Term Borrowings** | | | |
| Askari Bank Limited - ERF - II | 26.1 | **500,000** | 500,000 |
| Samba Bank Limited - ERF - II | 26.2 | **380,000** | 380,000 |
| Habib Metropolitan Bank Limited - Istisna / Al Bai - Islamic Banking | 26.3 | **700,000** | 700,000 |
| | | **1,580,000** | 1,580,000 |

**26.1** Export refinance (ERF)/FAPC I & II, running finance and Letter of guarantee facilities available from Askari Bank Limited under mark-up arrangements amount to Rs. 575 million (2023: Rs. 575 million) towards the pre & post shipment and working capital requirements. Mark up on ERF facility is charged at SBP rate + 1% (2023: SBP rate + 1%) and markup on running finance facility is charged at 3 months KIBOR + 2% (2023: 3 months KIBOR + 2%) per annum. These are secured by first joint pari passu charge on present and future assets, mortgage on property of the Company and personal guarantees of directors. The unutilized portion in respect of these facilities amounts to Rs. 57 million (2023: Rs. 57 million). Corporate credit cards facility amounting to Rs. 10 million as a sublimit of running finance (2023: Rs. 10 million) is also available for the Company.

**26.2** ERF part I & II / LAPC from own source facility available from Samba Bank Limited under mark-up arrangements amount to Rs. 380 million (2023: Rs. 380 million) towards the working capital needs. Mark up is charged at SBP rate + 1% (2023: SBP rate + 1%) per annum. These facilities are secured by first joint pari passu charge on present and future assets, mortgage on property of the Company and personal guarantees of directors.

**26.3** IERF - I & II (Istisna / Al Bai / Working Capital Musharakah), WCM Musharakah, Letter of guarantee and EFS discounting facilities available from Habib Metropolitan Bank Limited under mark-up arrangements amount to Rs. 1,500 million (2023: Rs. 900 million) towards the working capital requirements. Mark up is charged at SBP rate + 1% (2023: SBP rate + 1%) per annum. These facilities are secured by first joint pari passu charge on present and future assets, mortgage on property of the Company and personal guarantees of directors. The unutilized portion in respect of above facilities amounts to Rs. 700 million (2023: Rs. 700 million).

**26.4** "Finance Against Packing Credit facility" available from Bank Al Habib Limited under mark-up arrangement amounts to Rs. 400 million (2023: Nil) towards the working capital requirements. Mark up is charged at SBP rate + 1% (2023: Nil) per annum. These are secured by first joint pari passu charge on present and future assets, mortgage of property of the Company and personal guarantees of directors. These facilities have yet not been utilized as at the reporting date.

| | NOTE | **2024** | 2023 |
|---|---|---|---|
| **27. Current Portion of Long Term Liabilities** | | | |
| Current portion of long term financing | 21 | **13,124** | 42,568 |
| Current portion of lease liability | 22 | **972** | 3,356 |
| | | **14,096** | 45,924 |

## 28. Contingencies and Commitments

### 28.1 Contingencies

Mr. Ahsan Zubair, an ex-employee of the Company has filed a case for recovery of damages dated January 26, 2013 for malicious prosecution before the Honourable Civil Court, Lahore and has sought damages to the tune of Rs. 500 million. The case was filed five years after a complaint lodged by NetSol Technologies Limited with Federal Investigation Authority pertaining to use of NetSol's IP without authority by a company formed by the employee 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. In the opinion of the legal advisor, the outcome of the case is expected in favour of the Company, hence, no provision is incorporated in these financial statements.

### 28.2 Commitments

Bank guarantees have been issued amounting to Rs. 60.93 million (2023: Rs. 36.21 million) against performance of various contracts, to LESCO and to Standard Chartered Bank (Pakistan) Limited against its corporate credit cards.

The Company has capital commitments of Rs 1.32 million as at June 30, 2024 (2023: Nil).

| | NOTE | **2024** | 2023 |
|---|---|---|---|
| | | **Rupees in Thousands** | |
| **29. Revenue from Contracts with Customers - Net** | | | |
| **Disaggregation of revenue from contract with customers** | | | |
| Set out below is the disaggregation of the Company's revenue from contracts with customers: | | | |
| **Export Revenue** | | | |
| - License | | **802,390** | 374,203 |
| - Services | | **3,747,438** | 3,293,530 |
| - Subscription and Support | | **4,659,473** | 3,849,115 |
| | | **9,209,301** | 7,516,848 |
| **Local Revenue** | | | |
| - License | | **-** | 42,653 |
| - Services | | **36,212** | 114,797 |
| - Subscription and Support | | **38,844** | - |
| Less: Sales tax | | **(3,710)** | (4,117) |
| | | **71,346** | 153,333 |
| | | **9,280,647** | 7,670,181 |
| **29.1** Amount of revenue recognized from opening balance of contract liabilities: | | | |
| Opening balance of contract liabilities | 25 | **1,117,496** | 358,504 |
| Revenue recognized | | **1,117,496** | 358,504 |
| **29.2** The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at June 30, are as follows: | | | |
| - Within one year | | **3,063,398** | 2,515,710 |
| - More than one year | | **1,375,950** | 3,882,102 |
| | | **4,439,348** | 6,397,812 |
| **29.3** Timing of revenue recognition: | | | |
| - At a point in time | | **802,390** | 374,203 |
| - Over the time | | **8,478,257** | 7,295,978 |
| | | **9,280,647** | 7,670,181 |

# Notes to and forming part of the Financial Statements

For the Year Ended June 30, 2024

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **30. Cost of Revenue** | | | |
| Salaries and benefits | 30.1 | **3,517,263** | 3,657,886 |
| Software licenses | | **326,329** | 239,257 |
| Staff training | | **2,354** | 2,069 |
| Rent, rates and taxes | 30.2 | **3,216** | 4,960 |
| Travelling and conveyance | | **453,791** | 375,459 |
| Communication | | **75,860** | 83,754 |
| Utilities | | **81,762** | 69,487 |
| Printing and stationery | | **1,625** | 2,445 |
| Entertainment | | **70,687** | 63,891 |
| Insurance | | **1,150** | 1,371 |
| Vehicle running and maintenance | | **242,054** | 260,210 |
| Repairs and maintenance | | **43,007** | 54,823 |
| Fees and subscription | | **626** | 738 |
| Depreciation | 6.1 | **254,978** | 296,159 |
| Depreciation of right of use assets | 6.2.1 | **1,685** | 2,004 |
| Amortization of intangible assets | 7.1 | **40,386** | 293,504 |
| | | **5,116,773** | 5,408,017 |

**30.1** Salaries and benefits include Rs. 144.48 million (2023 : Rs. 154.33 million) in respect of retirement benefits.

**30.2** This represents amount paid in respect of short term leases.

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| **31. Selling and Promotional Expenses** | | | |
| Salaries and benefits | 31.1 | **399,111** | 315,905 |
| Staff training | | **840** | - |
| Rent, rates and taxes | 31.2 | **25,346** | 11,288 |
| Travelling and conveyance | | **107,341** | 75,453 |
| Communication | | **4,113** | 3,480 |
| Utilities | | **3,203** | 2,278 |
| Printing and stationery | | **331** | 260 |
| Entertainment | | **5,329** | 2,426 |
| Insurance | | **1,643** | 1,414 |
| Vehicle running expenses | | **17,682** | 16,850 |
| Repairs and maintenance | | **2,553** | 7,218 |
| Commission on sales | | **249,523** | 187,921 |
| Sale promotional expenses | | **21,190** | 25,632 |
| Depreciation | 6.1 | **16,999** | 19,465 |
| Depreciation of right of use assets | 6.2.1 | **112** | 134 |
| | | **855,316** | 669,724 |

**31.1** Salaries and benefits include Rs. 10.08 million (2023: Rs. 9.47 million) in respect of retirement benefits.

**31.2** This represents amount paid in respect of short term leases.

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | **Rupees in Thousands** | |
| **32. Administrative Expenses** | | | |
| Salaries and benefits | 32.1 | **826,657** | 779,205 |
| Staff training | | **1,408** | 143 |
| Rent, rates and taxes | 32.2 | **24,505** | 22,919 |
| Travelling and conveyance | | **43,356** | 72,760 |
| Communication and postage | | **35,380** | 30,594 |
| Printing and stationery | | **6,542** | 5,534 |
| Utilities | | **61,056** | 34,867 |
| Entertainment | | **57,981** | 48,017 |
| Insurance | | **60,302** | 50,936 |
| Advertisement | | **383** | 678 |
| Vehicle running expenses | | **72,173** | 60,259 |
| Repairs and maintenance | | **38,194** | 51,814 |
| Legal and professional charges | | **9,825** | 11,570 |
| Auditor's remuneration | 32.3 | **8,611** | 4,500 |
| Office supplies | | **8,024** | 10,523 |
| Charity and donation | 32.4 | **21,404** | 43,242 |
| Fees and subscription | | **77,028** | 55,876 |
| Depreciation | 6.1 | **67,965** | 73,681 |
| Depreciation of right of use assets | 6.2.1 | **449** | 535 |
| | | **1,421,243** | 1,357,653 |

**32.1** Salaries and benefits include Rs. 34.88 million (2023: Rs. 26.31 million) in respect of retirement benefits and Rs. 11.09 million (2023: Rs. 21.5 million) in respect of share-based payment transactions.

**32.2** Rent, rates and taxes include expense in respect of short term leases amounting to Rs 19.72 million (2023: Rs. 19.06 million).

**32.3** Auditors' remuneration:

| | 2024 | 2023 |
|---|---|---|
| - Statutory audit fee | **4,500** | 3,700 |
| - Review and other certifications fee | **2,729** | - |
| - Certifications of group reporting | **683** | 600 |
| - Out of pocket expenses | **699** | 200 |
| | **8,611** | 4,500 |

**32.4** The details of donation to a single party exceeding 10% of the Company's total amount of donation are as follows:

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| Developments in Literacy Foundation | | 5,152 | 5,376 |
| Million Smiles Foundation | | 5,100 | 7,025 |
| Al Khidmat Foundation | | - | 5,600 |
| | | 10,252 | 18,001 |

Interest of the Directors or their spouses in the donations made during the year is as follows:

| Name of Donee and address | Name of interested directors and nature of interest | 2024 | 2023 |
|---|---|---|---|
| Million Smiles Foundation | Zeshan Afzal - Independent Director | 5,100 | 7,025 |

**33. Other Operating Expenses**

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| Loss on disposal of assets | | - | 6,184 |
| Loss on foreign currency translation | | 325,562 | - |
| Research and development cost | | 367,318 | 373,476 |
| Provision for expected credit losses | | - | 167,574 |
| | | 692,880 | 547,234 |

**34. Finance Cost**

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| Lease finance charges | | 925 | 1,053 |
| Mark up on loans | 34.1 | 309,052 | 184,920 |
| Lease documentation charges | | - | 30 |
| Bank charges | | 3,806 | 4,359 |
| | | 313,783 | 190,362 |

**34.1** Mark up on loans include Rs. 130.08 million (2023: Rs. 68.78 million) paid on Islamic mode of financing.

**35. Other Income**

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| **Income from financial assets** | | | |
| Profit on bank deposits & short term investments | 35.1 | 512,948 | 295,416 |
| Interest income from related party | | 78,465 | 20,261 |
| | | 591,413 | 315,677 |
| **Income from non-financial assets** | | | |
| Gain on foreign currency translation | | - | 1,695,750 |
| Gain on disposal of assets | | 28,739 | - |
| Rental income | | 2,100 | 2,100 |
| Amortization of deferred grant | | - | 712 |
| Reversal of provision for expected credit losses | | 51,760 | - |
| | | 82,599 | 1,698,562 |
| | | 674,012 | 2,014,239 |

**35.1** Income is earned under both conventional mark-up arrangement and Shariah compliant arrangement. It includes Rs. 477.22 million profit earned on Shariah compliant bank deposits & investments (2023: Rs. 268.96 million).

| | | NOTE | 2024 | 2023 |
|---|---|---|---|---|
| | | | Rupees in Thousands | |
| **36.** | **Share of Loss of Associate** | | | |
| | Share of loss of associate | | - | 33,687 |

**36.1** As a result of the loss of significant influence of the WRLD3D (a US based entity having its principal place of business at 800 W. El Camino Real, Suite 320, Mountain View, California 94040 and engaged in gaming and 3D mapping business) in the prior period, the Company discontinued the use of the equity method. Upon discontinuation of the use of the equity method, as per requirement of IAS-28, the Company reclassified the foreign currency translation reserve of Rs. 33.69 million to profit or loss account.

**37. Final Taxes / Levies**

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| Final taxes / levies | 37.1 | 96,058 | 67,367 |
| International tax effect | | 75,227 | 124,684 |
| Prior year adjustment | | (780) | 458 |
| | | 170,505 | 192,509 |

**37.1** This represents portion of final tax paid under section 169 of the Income Tax Ordinance, 2001 representing levy in terms of requirements of IFRIC 21/IAS 37.

**37.2** For exporters of IT and IT enabled services, export income is taxable under FTR at 0.25% of the export remittances realized through normal banking channels. However, tax as per applicable rates is charged to the income of the Company generated from sources other than export income.

**37.3** Reconciliation of current tax charged as per tax laws for the year, with current tax recognised in the statement of profit or loss, is as follows:

| | 2024 | 2023 |
|---|---|---|
| Current tax expense for the year as per applicable tax laws | 171,285 | 192,051 |
| Portion of current tax expense as per tax laws, representing income tax under IAS 12 | - | - |
| Portion of current tax computed as per tax laws, representing levy in terms of requirements of IFRIC 21/IAS 37 | (96,058) | (67,367) |
| International tax effect | (75,227) | (124,684) |
| Difference | - | - |

**37.4** The aggregate of final tax and income tax, amounting to Rs. 171.29 million represents tax expense of the Company calculated under the relevant provisions of the Income Tax Ordinance, 2001.

| **38. Earnings Per Share - Basic and Diluted** | | 2024 | 2023 |
|---|---|---|---|
| Profit attributable to ordinary shareholders | Rupees | 1,384,159 | 1,285,234 |
| **Weighted average number of ordinary shares (Basic)** | | | |
| Issued ordinary shares at beginning of the year | | 89,837 | 89,837 |
| Less: weighted average number of treasury shares held by the Company | | (2,000) | (2,000) |
| Weighted average number of ordinary shares as at June 30, | | 87,837 | 87,837 |
| Earnings per share - basic | Numbers | 15.76 | 14.63 |
| Weighted average number of ordinary shares (Diluted) | | | |
| Weighted average number of ordinary shares (Basic) | | 87,837 | 87,837 |
| Effect of exercise of share options | | 717 | 248 |
| Weighted average number of ordinary shares (diluted) | | 88,554 | 88,085 |
| Earnings per share - diluted | Numbers | 15.63 | 14.59 |

# Notes to and forming part of the Financial Statements

For the Year Ended June 30, 2024

## 39. Remuneration of Chief Executive, Directors and Executives

| | Chief Executive | | Directors | | Executives | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | Rupees in Thousands | | | | | | | |
| Managerial remuneration | **27,200** | 24,000 | **24,000** | 21,600 | **1,589,267** | 1,803,333 | **1,640,467** | 1,848,933 |
| Retirement benefits | **2,176** | 1,920 | **1,920** | 1,728 | **127,141** | 144,267 | **131,237** | 147,915 |
| Rent and house maintenance | **10,880** | 9,600 | **9,600** | 8,640 | **635,707** | 721,333 | **656,187** | 739,573 |
| Utilities | **2,720** | 2,400 | **2,400** | 2,160 | **158,927** | 180,333 | **164,047** | 184,893 |
| Medical expenses | **10,373** | 8,678 | **3,897** | 2,699 | **66,666** | 74,614 | **80,936** | 85,991 |
| Other allowances | **-** | | **-** | - | **361,444** | 445,897 | **361,444** | 445,897 |
| Commission / bonus | **-** | - | **-** | - | **59,690** | 18,609 | **59,690** | 18,609 |
| Employee share option expense | **3,880** | 7,517 | **2,125** | 4,117 | **4,933** | 9,557 | **10,938** | 21,191 |
| | **57,229** | 54,115 | **43,942** | 40,944 | **3,003,775** | 3,397,943 | **3,104,946** | 3,493,002 |
| Number of persons | **1** | 1 | **1** | 1 | **612** | 909 | **614** | 911 |

**39.1** An Executive is defined as an employee, other than the Chief Executive and directors, whose basic salary exceeds Rs. 1.2 million in a financial year.

**39.2** The Company has provided the Chief Executive, one Director and certain Executives with the Company maintained vehicles.

**39.3** No share options were granted to the Chief Executive and other executives during the year (2023: Nil).

**39.4** 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. During the year, an amount of Rs. 6.6 million (2023: Rs. 7.8 million) was paid.

## 40. Transactions with Related Parties

Related parties comprise the parent company, subsidiary companies, associated companies, staff retirement funds, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. The Company enters into transactions with related parties on the basis of mutually agreed terms. Outstanding balances at the reporting date are unsecured. There have been no guarantees provided or received for any related party receivables or payables.

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

| Relationship with the Company | Nature of Transactions | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| Parent | Commission | **111,384** | - |
| Subsidiary | Admin and IT services | **2,400** | 2,400 |
| | Rental income | **1,200** | 1,200 |
| | Expenses on behalf of subsidiary | **128,510** | 129,268 |
| | Mark-up income | **78,465** | 20,261 |
| Associated undertaking | Rental charges - net | **900** | 900 |
| | Expenses on behalf of related parties | **266,892** | 428,814 |
| | Expenses incurred by related parties | **429,559** | 556,290 |
| | Provision of services | **2,751,833** | 2,060,592 |
| | Purchase of services | **46,614** | 45,048 |
| Executives / key management personnel | Long term advance received | **1,995** | - |
| Post employment benefit | Contribution to defined contribution plan | **171,075** | 190,106 |

**40.1** Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place:

| S.No. | Company Name | Country of Incorporation | Relationship | Percentage of Shareholding |
|---|---|---|---|---|
| 1 | NetSol Technologies Inc. | USA | Holding Company | 67.62% |
| 2 | NetSol Ascent Middle East Computer Equipment Trading L.L.C. | Middle East | Wholly owned Subsidiary | Nil |
| 3 | NetSol Technologies (Thailand) Limited | Thailand | Associate | Nil |
| 4 | NetSol Technologies (Beijing) Co., Ltd | China | Associate | Nil |
| 5 | NetSol Technologies Australia Pty Limited | Australia | Associate | Nil |
| 6 | NetSol Technologies Americas Inc. | USA | Associate | Nil |
| 7 | NetSol Technologies Europe Limited | UK | Associate | Nil |
| 8 | OTOZ Thailand Limited | Thailand | Associate | Nil |
| 9 | Ascent Europe Limited | UK | Associate | Nil |
| 10 | Tianjin NuoJinZhiCheng Co., Ltd | China | Associate | Nil |

**40.2** Details of related parties with whom the Company had entered into transaction or had agreements other than already disclosed in note 40.1 above are as follows:

| S. No. | Company Name | Relationship | Common Directorship | Percentage of Shareholding |
|---|---|---|---|---|
| 1 | NetSol Innovation (Pvt.) Limited | Wholly owned Subsidiary | Yes | Nil |
| 2 | NetSol Connect (Pvt.) Limited | Associate | Yes | Nil |
| 3 | HospitAll (Pvt.) Ltd. | Associate | No | Nil |

| S. No. | Other Related Parties | Basis of Relationship | Percentage of Shareholding |
|---|---|---|---|
| 1 | Salim Ullah Ghauri | Director | 1.16% |
| 2 | Naeem Ullah Ghauri | Director | Nil |
| 3 | Zeshan Afzal | Director | Nil |
| 4 | Vaseem Anvar | Director | Nil |
| 5 | Hamna Ghauri | Director | Nil |
| 6 | Omer Shahab Ghauri | Director | Nil |
| 7 | Anwaar Hussain | Director | Nil |
| 8 | Boo Ali | Key Management Personnel | Nil |
| 9 | Sehrish Ishtiaq | Key Management Personnel | Nil |
| 10 | Muhammad Abdul Wahab Hafeez | Key Management Personnel | Nil |
| 11 | Khurram Shahnawaz Rana | Key Management Personnel | Nil |
| 12 | Asad Ullah Ghauri | Key Management Personnel | Nil |
| 13 | Mohsin Hanif | Key Management Personnel | Nil |
| 14 | Asif Zafar | Key Management Personnel | Nil |
| 15 | Naheed Kausar | Key Management Personnel | Nil |
| 16 | Majid Bashir | Key Management Personnel | Nil |
| 17 | Syed Umer Qadri | Key Management Personnel | Nil |

## 41. Capital Risk Management

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk.

In line with the norms, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital is calculated as equity as shown in the statement of financial position plus net debt. As at the reporting date, the gearing ratio of the Company was worked out as under:

| | **2024** | 2023 |
|---|---|---|
| | **Rupees in Thousands** | |
| Borrowings | **1,596,792** | 1,676,522 |
| Cash and bank balances | **(4,647,055)** | (2,631,171) |
| Net debt | **-** | - |
| Equity | **10,562,679** | 9,167,434 |
| Total capital employed | **10,562,679** | 9,167,434 |
| Gearing ratio | **Not Geared** | Not Geared |

## 42. Financial Risk Management

### 42.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management process. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management processes are reviewed regularly to reflect changes in market conditions and the Company's activities.

**(a) Market risk**

**(i) Currency risk**

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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. As at the reporting date, the Company's exposure to currency risk was as follows:

| | | |
|---|---|---|
| Trade debts | **5,295,202** | 5,482,137 |
| Cash and bank balances | **473,441** | 576,286 |
| Due from related parties | **517,069** | 450,712 |
| Due to related parties | **(1,296)** | (18,586) |
| | **6,284,416** | 6,490,549 |

The following analysis demonstrates the impact of a 5% strengthening/weakening of the Pak Rupee against US$, RMB¥, Euro and other currencies including UK£, AUS$, HKD & THB on June 30, 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 2023.

| | 2024 | | | | |
|---|---|---|---|---|---|
| | **USD** | **RMB** | **EURO** | **Others** | **Total** |
| | **Rupees in Thousands** | | | | |
| **Impact on statement of profit or loss (net of tax)** | | | | | |
| As at June 30, | | | | | |
| Strengthening | **(7,343,667)** | **(2,158,278)** | **(62,508)** | **(562,268)** | **(10,126,721)** |
| Weakening | **7,343,667** | **2,158,278** | **62,508** | **562,268** | **10,126,721** |
| **Impact on equity** | | | | | |
| As at June 30, | | | | | |
| Strengthening | **(10,343,193)** | **(3,039,827)** | **(88,039)** | **(791,926)** | **(14,262,985)** |
| Weakening | **10,343,193** | **3,039,827** | **88,039** | **791,926** | **14,262,985** |

| | 2023 | | | | |
|---|---|---|---|---|---|
| | **USD** | **RMB** | **EURO** | **Others** | **Total** |
| **Impact on statement of profit or loss (net of tax)** | | | | | |
| As at June 30, | | | | | |
| Strengthening | (1,265,358) | (2,677,583) | (581,744) | (1,205,078) | (5,729,763) |
| Weakening | 1,265,358 | 2,677,583 | 581,744 | 1,205,078 | 5,729,763 |
| **Impact on equity** | | | | | |
| As at June 30, | | | | | |
| Strengthening | (1,782,195) | (3,771,244) | (819,358) | (1,697,293) | (8,070,090) |
| Weakening | 1,782,195 | 3,771,244 | 819,358 | 1,697,293 | 8,070,090 |

**(ii) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from bank borrowings, lease liabilities, term deposits, deposits in profit and loss/saving accounts with banks and investments in mutual funds. The Company mitigates its interest rate risk by investing available cash in mutual funds and bank deposits, generating more return compared to the finance cost.

The interest rate profile of the Company's interest-bearing financial instruments as at the reporting date is as follows:

| | **2024** | 2023 |
|---|---|---|
| | **Rupees in Thousands** | |
| **Floating rate instruments** | | |
| **Financial assets** | | |
| Bank balances | **4,136,322** | 2,242,527 |
| **Financial Liabilities** | | |
| Lease liabilities | **972** | 4,326 |
| Long term financing | **15,820** | 92,195 |
| Short term borrowings | **1,580,000** | 1,580,000 |
| | **1,596,792** | 1,676,521 |

# Notes to and forming part of the Financial Statements

For the Year Ended June 30, 2024

The Company has no instruments subject to fixed interest rate.

**Cash flow sensitivity analysis for variable rate instruments**

As at June 30, 2024, if floating interest rates had been 1% higher / lower with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 7.74 million (2023: Rs. 3.75 million), mainly as a result of interest exposure on variable rate borrowings.

**(iii) Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to significant other price risk.

**(b) Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk of the Company arises from trade debts, loans and advances, trade deposits, other receivables and deposits with banks. To reduce exposure to credit risk, the Company has developed a formal approval process. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors and makes provision against those balances (if required). The utilization of credit limits is regularly monitored. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings, if any. As at June 30, 2024, the maximum exposure to credit risk is equal to the carrying amount of the financial assets as detailed below:

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | **Rupees in Thousands** | |
| Trade debts | 11 | **5,575,799** | 5,995,292 |
| Loans and advances | 13 | **39,381** | 10,961 |
| Deposits and short term prepayments | 14 | **3,589** | 4,878 |
| Other receivables | 15 | **54,018** | 26,109 |
| Due from related parties | 16 | **540,612** | 731,615 |
| Bank balances | 18 | **4,622,700** | 2,620,390 |
| | | **10,836,099** | 9,389,245 |
| Aging of trade debts at June 30 is as follows: | | | |
| Not past due | | **1,510,015** | 2,394,018 |
| Past due 1-180 days | | **1,264,714** | 1,690,881 |
| Past due 181 days -1 year | | **1,289,111** | 1,407,859 |
| More than one year | | **1,511,959** | 502,534 |
| | | **5,575,799** | 5,995,292 |

The Company does not have significant exposure to any individual customer. At June 30, the Company had 31 customers owing Rs. 5.58 billion. The Company has made allowances, where necessary, for potential losses on credits extended.

For trade receivables and contract assets, the Company uses a simplified approach to calculate expected credit losses (ECLs). A provision matrix has been established based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. This matrix is based on the segments that exhibit similar patterns, such as geography and customer type.

The management estimates the recoverability of trade receivables on the basis of financial position and past history of its customers based on the objective evidence that it may not receive the amount due from the particular customer. The provision is written off by the Company when it expects that it cannot recover the balance due. Any subsequent repayments in relation to amounts written off are credited directly to profit or loss.

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

| | Rating | | Rating Agency | 2024 | 2023 |
|---|---|---|---|---|---|
| | Short term | Long Term | | | |
| | | | | Rupees in Thousands | |
| Askari Bank Limited | A1+ | AA+ | PACRA | **1,346,394** | 744,736 |
| MCB Bank Limited | A1+ | AAA | PACRA | **49** | 41 |
| Samba Bank Limited | A1 | AA | PACRA | **632,064** | 302,381 |
| Meezan Bank Limited | A-1+ | AAA | VIS | **313,599** | 259,134 |
| Dubai Islamic Bank Pakistan Limited | A-1+ | AA | VIS | **18** | 768 |
| Al Baraka Bank Limited | A-1 | A+ | VIS | **415,833** | 155,476 |
| Habib Metropolitan Bank Limited | A1+ | AA+ | PACRA | **1,021,088** | 744,730 |
| Bank Alfalah Limited | A1+ | AAA | PACRA | **623,730** | 413,124 |
| Bank Al Habib Limited | A1+ | AAA | PACRA | **20** | - |
| Habib Bank Limited | A1+ | AAA | VIS | **269,905** | - |
| | | | | **4,622,700** | 2,620,390 |

**(c) Liquidity risk**

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. The Company follows an effective cash management and planning process to ensure availability of funds and to take appropriate actions for new requirements. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

| Description | 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | With in 1 year | 1-2 Years | 2-5 Years | Above 5 Years |
| | Rupees in Thousands | | | | | |
| Contractual maturities of financial liabilities as at June 30, 2024: | | | | | | |
| Lease liabilities | **972** | **1,019** | **1,019** | **-** | **-** | **-** |
| Trade and other payables | **684,522** | **684,522** | **684,522** | **-** | **-** | **-** |
| Short term borrowings | **1,580,000** | **1,856,500** | **1,856,500** | **-** | **-** | **-** |
| Long term financing | **15,820** | **18,221** | **15,335** | **2,886** | **-** | **-** |
| | **2,281,314** | **2,560,262** | **2,557,376** | **2,886** | **-** | **-** |

| Description | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | With in 1 year | 1-2 Years | 2-5 Years | Above 5 Years |
| | Rupees in Thousands | | | | | |
| Contractual maturities of financial liabilities as at June 30, 2023: | | | | | | |
| Lease liabilities | 4,326 | 4,978 | 3,960 | 1,018 | - | - |
| Trade and other payables | 704,454 | 704,454 | 704,454 | - | - | - |
| Short term borrowings | 1,580,000 | 1,859,400 | 1,859,400 | - | - | - |
| Long term financing | 92,195 | 113,958 | 57,876 | 56,082 | - | - |
| | 2,380,975 | 2,682,790 | 2,625,690 | 57,100 | - | - |

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

**(d) Fair value of financial instruments**

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

Fair value is determined on the basis of objective evidence at each reporting date. The management assessed that the fair values of financial assets and financial liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

| | | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| 42.2 | **Financial instruments by categories** | | |
| | **Financial assets at amortized cost** | | |
| | Trade debts | **5,575,799** | 5,995,292 |
| | Loans and advances | **39,381** | 10,961 |
| | Deposits and short term prepayments | **3,589** | 4,878 |
| | Other receivables | **54,018** | 26,109 |
| | Due from related parties | **540,612** | 731,615 |
| | Bank balances | **4,622,700** | 2,620,390 |
| | | **10,836,099** | 9,389,245 |
| | **Financial liabilities at amortized cost** | | |
| | Lease liabilities | **972** | 4,326 |
| | Trade and other payables | **684,522** | 704,454 |
| | Short term borrowings | **1,580,000** | 1,580,000 |
| | Long term financing | **15,820** | 92,195 |
| | | **2,281,314** | 2,380,975 |

## 43. Changes in Liabilities Arising from Financing Activities

| | As at June 30, 2023 | Non-cash changes | Cash flows (Net) | As at June 30, 2024 |
|---|---|---|---|---|
| | Rupees in Thousands | | | |
| Long term financing - net | 92,195 | 14,580 | (90,955) | **15,820** |
| Short term borrowings - net | 1,638,050 | (294,471) | (338,924) | **1,004,655** |
| Lease liabilities | 4,327 | 925 | (4,280) | **972** |
| Long term advances | 16,675 | - | (14,680) | **1,995** |
| | 1,751,247 | (278,966) | (434,159) | **1,023,442** |

| | As at June 30, 2022 | Non-cash changes | Cash flows (Net) | As at June 30, 2023 |
|---|---|---|---|---|
| | Rupees in Thousands | | | |
| Long term financing - net | 213,315 | 19,839 | (140,959) | 92,195 |
| Short term borrowings - net | 1,592,172 | 165,081 | (119,203) | 1,638,050 |
| Lease liabilities | 7,718 | 1,441 | (4,832) | 4,327 |
| Long term advances | 7,975 | - | 8,700 | 16,675 |
| | 1,821,180 | 186,361 | (256,294) | 1,751,247 |

**44. Shariah Screening Disclosures by Company Listed on Islamic Index**

| | Disclosed in |
|---|---|
| Loans/advances obtained as per Islamic mode | Note 26 |
| Shariah compliant bank deposits/bank balances | Note 18 |
| Profit earned from Shariah compliant bank deposits/ bank balances | Note 35.1 |
| Revenue earned from a shariah compliant business segment | Note 29 |
| Gain/loss or dividend earned from shariah compliant investments | Note 35 |
| Exchange gain earned | Note 33 |
| Mark up paid on Islamic mode of financing | Note 34.1 |
| Profits earned on any conventional loan or advance | Note 35.1 |
| Interest paid on any conventional loan or advance | Note 34.1 |
| Relationship with Shariah compliant banks | Note 26 |

**45. Provident Fund Related Disclosures**

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.

| | **2024** | 2023 |
|---|---|---|
| | **Number** | **Number** |
| **46.** Number of Employees | | |
| Number of employees as at June 30, | **1,136** | 1,441 |
| Average number of employees during the year | **1,516** | 1,565 |

**47. 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 cannot be determined.

**48. Authorization of Financial Statements**

These financial statements were approved and authorized by the Board of Directors of the Company for issuance on September 12, 2024.

**49. Subsequent Events**

The Board of Directors of the Company has proposed a final cash dividend of 30% i.e. Rs. 3 per share for the year ended June 30, 2024 for approval of members at the Annual General Meeting. These financial statements do not include the effect of the above event which will be accounted for in the year in which it is approved.

# Notes to and forming part of the Financial Statements

For the Year Ended June 30, 2024

**50. General**

Corresponding figures are rearranged / reclassified for better presentation and comparison. The following re-arrangements / reclassifications have been made in these financial statements for better presentation of the financial statements.

| Nature | From | To | 2023<br>Rupees in Thousands |
|---|---|---|---|
| Related party balance | Trade and other payables (Note 24) | Due from related parties (Note 16) | 4,865 |
| Provident fund | Provident fund payable (Note 24) | Accrued liabilities (Note 24) | 2,930 |
| Vehicle running expenses | Salaries & benefits - Cost of revenue (Note 30) | Vehicle running expenses - Cost of revenue (Note 30) | 226,737 |
| Vehicle running expenses | Salaries & benefits - Selling & Promotional Expense (Note 31) | Vehicle running expenses - Selling & Promotional Expense (Note 31) | 12,941 |
| Vehicle running expenses | Salaries & benefits - Administrative expenses (Note 32) | Vehicle running expenses - Administrative expense (Note 32) | 46,494 |
| Amortization of deferred grant | Finance cost (Note 34) | Other income (Note 35) | 712 |
| Trade and other payables | Other payables (Note 24) | Withholding tax (Note 24) | 630 |
| Trade and other payable | Due to related parties (Note 24) | Subscription money payable (Note 24) | 23,451 |
| Levy / final taxation | Income tax (Note 37) | Final tax / levies (Note 37) | 192,509 |
| Lease Finance Charges | Finance cost - Lease Finance Charges (Note 34) | Finance Cost -Mark-up on loans (Note 34) | 19,839 |

CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER


# Consolidated Financial Statements

For the Year Ended June 30, 2024

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Crowe

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# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF NETSOL TECHNOLOGIES LIMITED

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### 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, 2024 and the consolidated statement of profit or loss, the consolidated statement of 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 material accounting policy information 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, 2024 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.

### 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.

Following are the key audit matters:

| Key Audit Matters | How the matter was addressed in our audit |
|---|---|
| **1. Revenue Recognition** | |
| Refer to Notes 4.10 and 28 to the financial statements.<br><br>The Group has earned revenue of Rs. 9,579.64 million for the year ending June 30, 2024. The Group's revenue is derived from multiple revenue streams, as referred to in | Our key audit procedures included the following:<br><br>• Obtained an understanding of the Group's processes and related internal controls for revenue recognition and on a sample basis, tested the operating effectiveness of those controls. |

| | |
|---|---|
| Note 28 to the accompanying financial statements, including license, rendering of services and subscription and support. Each stream has its own revenue recognition policy based on the nature of revenue and underlying contractual arrangements as referred to in Note 4.10. Certain contracts with customers require significant management judgment to determine the appropriate timing and method of revenue recognition.<br><br>Large contracts are typically bundled and often include license, rendering of services and subscription and support revenues.<br><br>We consider revenue recognition as a key audit matter due to revenue being one of the key performance indicators of the Group with multiple revenue streams, inherent risk of material misstatement and significant increase in revenue from last year. | • Assessed the appropriateness of the Group's revenue recognition policies and their compliance with applicable accounting and reporting standards.<br><br>• Compared a sample of transactions comprising of various revenue streams during the year with underlying documentation including contracts with customers, sales invoices and where relevant, underlying time sheets, completion certificates and other supporting documents to assess whether the revenue was recorded in accordance with the Group's revenue accounting policy and applicable financial reporting framework.<br><br>• Agreed license revenue to signed contracts, file transfer protocol logs or software license agreements.<br><br>• Agreed the revenue to subsequent payment as evidence of collectability.<br><br>• Critically assessed the significant management judgments applied in determining the timing and method of revenue recognition, particularly for complex contracts requiring significant estimation.<br><br>• Performed a comparative analysis of the revenue recognized in the current year with that of the prior year, investigating any significant variances or trends.<br><br>• Performed cut-off procedures on sales to ensure revenue has been recorded in the correct period.<br><br>• Checked receipts from customers to whom sales were made.<br><br>• Considered adequacy of the related disclosures provided under the revenue standard IFRS-15 and assessed the completeness and mathematical accuracy of the relevant disclosures. |
| **2. Valuation of trade debts and contract assets** | |
| Refer to note 4.12, 4.13, 8, 10 and 11 to the financial statements.<br><br>The Group's gross trade debts and contract assets as at June 30, 2024 are Rs. 5,607.58 million and Rs. 1,893.98 million respectively | Our key audit procedures included:<br><br>• Considered management's process of application of ECL model to calculate impairment loss against trade debts and contract assets. |

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| | |
|---|---|
| against which allowances for expected credit losses of Rs. 280.60 million and Rs 54.10 million have been recognized.<br><br>The loss allowance for expected credit losses (ECL model) on trade debts and contract assets has been recognized in the consolidated financial statements using the guidance included in IFRS 9 'Financial Instruments'. Determination of ECL provision for trade debts and contract assets requires significant judgment and assumptions including consideration of factors such as historical credit loss experience, time value of money and forward-looking macroeconomic information.<br><br>We have considered this area as a key audit matter due to its size, representing 51.49% of the total assets of the Group as at June 30, 2024 and the significant management judgement involved in valuation. | • Evaluated key decisions made by the Group's management with respect to estimates and judgements in relation to application of the ECL model.<br><br>• Evaluated the ECL model for appropriateness of the methodology applied and checked arithmetical accuracy of the model.<br><br>• Checked appropriateness of aging on sample basis.<br><br>• Circularized balance confirmation request for trade debts on sample basis and evaluated responses received.<br><br>• Checked subsequent clearance of balances due as of June 30, 2024 on sample basis.<br><br>• Assessed financial impacts and appropriateness of disclosures made in the consolidated financial statements to determine whether they are complied with the accounting and reporting standards as applicable in Pakistan. |

**Information Other than the Consolidated and Unconsolidated 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 report 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 Board of Directors for the Consolidated 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 the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of 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.

Board of Directors are 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.

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.

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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.

**Other Matter**

The consolidated financial statements of the Group for the year ended June 30, 2023, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on September 26, 2023.

The engagement partner on the audit resulting in this independent auditor's report is Amin Ali.

Crowe Hussain Ch. & Co.

**CROWE HUSSAIN CHAUDHURY & CO.**
*Chartered Accountants*

Lahore
Dated: September 12, 2024
UDIN: AR202410051FGilC9b8j

# Consolidated Statement of Financial Position

As at June 30, 2024

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **ASSETS** | | | |
| **NON CURRENT ASSETS** | | | |
| Property and equipment | 6 | **1,221,182** | 1,521,472 |
| Intangible assets | 7 | **-** | 40,386 |
| Long term contract assets | 8 | **52,637** | - |
| Long term loans to employees | 9 | **22,860** | 4,392 |
| | | **1,296,679** | 1,566,250 |
| **CURRENT ASSETS** | | | |
| Trade debts | 10 | **5,326,984** | 5,662,696 |
| Contract assets | 11 | **1,787,247** | 1,979,310 |
| Loans and advances | 12 | **118,428** | 64,849 |
| Deposits and short term prepayments | 13 | **116,701** | 128,720 |
| Other receivables | 14 | **54,026** | 26,109 |
| Due from related parties | 15 | **514,396** | 466,457 |
| Prepaid tax asset | 16 | **35,730** | 6,388 |
| Cash and bank balances | 17 | **4,669,162** | 2,633,066 |
| | | **12,622,674** | 10,967,595 |
| **TOTAL ASSETS** | | **13,919,353** | 12,533,845 |

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| Authorized share capital | | | |
| 200,000 (2023: 200,000) ordinary shares of Rs. 10 each | | **2,000,000** | 2,000,000 |
| Issued, subscribed and paid up capital | 18 | **898,369** | 898,369 |
| Reserves | 19 | **9,208,065** | 7,994,307 |
| Share deposit money | | **13** | 13 |
| Shareholders' Equity | | **10,106,447** | 8,892,689 |
| **NON-CURRENT LIABILITIES** | | | |
| Long term financing | 20 | **2,696** | 49,627 |
| Lease liabilities | 21 | **-** | 971 |
| Long term advances | 22 | **1,995** | 16,675 |
| | | **4,691** | 67,273 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 23 | **763,340** | 819,451 |
| Contract liabilities | 24 | **1,446,955** | 1,124,654 |
| Short term borrowings | 25 | **1,580,000** | 1,580,000 |
| Current portion of non-current liabilities | 26 | **14,096** | 45,924 |
| Unclaimed dividends | | **3,824** | 3,854 |
| | | **3,808,215** | 3,573,883 |
| **CONTINGENCIES AND COMMITMENTS** | 27 | **-** | - |
| **TOTAL EQUITY AND LIABILITIES** | | **13,919,353** | 12,533,845 |

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

CHIEF EXECUTIVE OFFICER    DIRECTOR    CHIEF FINANCIAL OFFICER

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# Consolidated Statement of Profit or Loss

For the Year Ended June 30, 2024

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| | | | (Restated) |
| Revenue from contracts with customers - net | 28 | **9,579,636** | 7,787,816 |
| Cost of revenue | 29 | **(5,393,989)** | (5,638,308) |
| **Gross profit** | | **4,185,647** | 2,149,508 |
| Selling and promotional expenses | 30 | **(957,063)** | (777,153) |
| Administrative expenses | 31 | **(1,440,338)** | (1,368,810) |
| | | **(2,397,401)** | (2,145,963) |
| **Operating Profit** | | **1,788,246** | 3,545 |
| Other operating expenses | 32 | **(694,632)** | (547,234) |
| Finance cost | 33 | **(315,048)** | (189,813) |
| Other income | 34 | **597,988** | 1,998,474 |
| Share of loss of associate | 35 | **-** | (33,687) |
| | | **(411,692)** | 1,227,740 |
| **Profit before Final Taxes and Income Tax** | | **1,376,554** | 1,231,285 |
| Final tax / levies | 36 | **(173,501)** | (192,832) |
| **Profit before Income Tax** | | **1,203,053** | 1,038,453 |
| Income Tax | | **-** | - |
| **Net Profit for the Year** | | **1,203,053** | 1,038,453 |
| **Earnings per Share** | 37 | | |
| - Basic | | **13.70** | 11.82 |
| - Diluted | | **13.59** | 11.79 |

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

CHIEF EXECUTIVE OFFICER　　DIRECTOR　　CHIEF FINANCIAL OFFICER

# Consolidated Statement of Comprehensive Income

For the Year Ended June 30, 2024

| | 2024 | 2023 |
|---|---|---|
| | Rupees in Thousands | |
| **Net Profit for the Year** | **1,203,053** | 1,038,453 |
| **Other comprehensive income** | | |
| *Items that may be re-classified subsequently to profit or loss* | **-** | - |
| -Exchange difference on translation of foreign operation | **(381)** | 925 |
| -Reclassification / share of other comprehensive loss of an associate | **-** | 33,687 |
| *Items that will not be re-classified subsequently to profit or loss* | **-** | - |
| Total other comprehensive income | **(381)** | 34,612 |
| **Total Comprehensive Income for the Year** | **1,202,672** | 1,073,065 |

*The annexed notes from 1 to 50 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, 2024

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **Profit before taxation** | | **1,376,554** | 1,231,285 |
| Adjustments for: | | | |
| - Depreciation - own assets | 6 | **344,297** | 393,361 |
| - Depreciation of right of use assets | 6 | **2,246** | 2,674 |
| - Amortization of intangible assets | 7 | **40,386** | 293,504 |
| - (Gain) / Loss on disposal of property and equipment | 6 | **(28,739)** | 6,184 |
| - Foreign exchange loss / (gain) | 32 | **327,314** | (1,701,418) |
| - Finance cost | 33 | **309,977** | 185,973 |
| - Interest income | 34 | **(514,589)** | (296,156) |
| - Employee share option compensation expense | 19 | **11,086** | 21,478 |
| - Amortization of deferred grant | | **-** | (712) |
| - Provision for expected credit losses | 11 | **(51,760)** | 167,574 |
| - Reclassification / share of loss of associate | 35 | **-** | 33,687 |
| | | **440,218** | (893,851) |
| ***Operating profit before working capital changes*** | | **1,816,772** | 337,434 |
| **Decrease / (Increase) in current assets** | | | |
| - Trade debts | 10 | **177,722** | (1,611,019) |
| - Contract assets | 11 | **49,892** | (214,327) |
| - Loans and advances | 12 | **(72,047)** | (28,706) |
| - Trade deposits and short term prepayments | 13 | **12,019** | (74,270) |
| - Other receivables | 14 | **(27,917)** | (12,299) |
| - Due from related parties | 15 | **(47,939)** | (16,675) |
| **(Decrease) / Increase in current liabilities** | | | |
| - Trade and other payables | 23 | **(39,676)** | 153,750 |
| - Contract liabilities | 24 | **322,301** | 766,150 |
| ***Cash Generated from / (Used in) Operations*** | | **374,355** | (1,037,396) |
| Levy / final tax paid | 36 | **(202,843)** | (198,465) |
| Dividend paid | | **(30)** | (111) |
| | | **(202,873)** | (198,576) |
| ***Net Cash Generated from / (Used in) Operating Activities*** | | **1,988,254** | (898,538) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payment for acquisition of property and equipment | 6 | **(119,683)** | (390,185) |
| Proceeds from disposal of property and equipment | 6 | **105,304** | 82,403 |
| Advance against capital expenditure | 6 | **(3,134)** | 4,080 |
| Interest received | 34 | **514,589** | 296,156 |
| ***Net Cash Generated from Investing Activities*** | | **497,076** | (7,546) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repayment of lease liabilities | 21 | **(4,280)** | (4,445) |
| Repayment of long term loan | 9 | **(90,955)** | (140,959) |
| Short term borrowing - net | 25 | **(338,924)** | (119,203) |
| Long term advances - net | 22 | **(14,680)** | 8,700 |
| ***Net Cash Used in Financing Activities*** | | **(448,839)** | (255,907) |
| ***Net Increase/(Decrease) in Cash and Cash Equivalents*** | | **2,036,491** | (1,161,991) |
| Net foreign exchange difference | | **(395)** | 925 |
| Cash and cash equivalents at the beginning of year | | **2,633,066** | 3,794,132 |
| ***Cash and Cash Equivalents at the End of the Year*** | | **4,669,162** | 2,633,066 |

*The annexed notes from 1 to 50 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, 2024

| Particulars | Share Capital | Capital Reserve | | | | Revenue Reserve | Total Reserves | Share Deposit Money | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| | | Treasury Share Reserve | Employee Share Option Compen-sation Reserve | Share Premium | Foreign Currency Translation Reserve | Unappropri-ated Profit | | | |
| | Rupees in Thousands | | | | | | | | |
| **Balance as at June 30, 2022** | 898,369 | (184,739) | 232,881 | 304,167 | (33,687) | 6,581,142 | 6,899,764 | 13 | 7,798,146 |
| Net profit for the year | - | - | - | - | - | 1,038,453 | 1,038,453 | - | 1,038,453 |
| Other comprehensive income for the year | - | - | - | - | 34,612 | - | 34,612 | - | 34,612 |
| Total comprehensive income for the year | - | - | - | - | 34,612 | 1,038,453 | 1,073,065 | - | 1,073,065 |
| Employee share option reserve | - | - | 21,478 | - | - | - | 21,478 | - | 21,478 |
| **Balance as at June 30, 2023** | 898,369 | (184,739) | 254,359 | 304,167 | 925 | 7,619,595 | **7,994,307** | **13** | **8,892,689** |
| Net profit for the year | - | - | - | - | - | 1,203,053 | **1,203,053** | - | **1,203,053** |
| Other comprehensive income for the year | - | - | - | - | (381) | - | **(381)** | - | **(381)** |
| **Total comprehensive income for the year** | **-** | **-** | **-** | | **(381)** | **1,203,053** | **1,202,672** | - | **1,202,672** |
| Employee share option reserve | - | - | 11,086 | - | - | - | **11,086** | - | **11,086** |
| **Balance as at June 30, 2024** | **898,369** | **(184,739)** | **265,445** | **304,167** | **544** | **8,822,648** | **9,208,065** | **13** | **10,106,447** |

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

CHIEF EXECUTIVE OFFICER　　DIRECTOR　　CHIEF FINANCIAL OFFICER

# Notes to and forming part of the Consolidated Financial Statements

For the Year Ended June 30, 2024

## 1. The Company and its Operations

**NetSol Group ("the Group") consists of:**

- NetSol Technologies Limited
- NetSol Innovation (Private) Limited
- NetSol Ascent Middle East Computer Equipment Trading L.L.C.

NetSol Technologies Limited ("the Holding Company"), incorporated in Pakistan on August 22, 1996 under the repealed Companies Ordinance, 1984, (Now The 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. The Company is domiciled in Pakistan and is principally engaged in the development and sale of computer software and allied services in Pakistan as well as abroad.

Geographical locations and addresses of its business units are as follows:

| | 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 | 3rd floor, Jasmin's Arcade , Fakhar-e-Alam Road, Peshawar Cantt, Pakistan | Branch office |
| 5 | Khalifa Abdulla Ali Bin Belaila Almheiri P.O. Box Mf-A70 Abu Hail. | Subsidiary office |

NetSol IT Village, (Software Technology Park) also includes House No. 4, House No. 5, House No. 6 and House No. 56-A, Cricketers Colony, NetSol IT Village (Software Technology Park), Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt.

NetSol Innovation (Private) Limited ("the subsidiary Company" or 'Subsidiary" ) is incorporated in Pakistan as a private limited company and is a wholly owned 99.999% (2023: 99.999%) subsidiary of NetSol Technologies Limited. The subsidiary is engaged in the business of providing software development and allied IT services. Registered office of the subsidiary is situated at NetSol IT Village, Lahore Ring Road, Ghazi Road interchange, Lahore Cantt, Pakistan.

NetSol Ascent Middle East Computer Equipment Trading L.L.C. is incorporated in Dubai Emirate as a limited liability company. NetSol Technologies Limited owns 100% of its shareholding. The subsidiary is engaged in the business of development and sale of computer systems and communication equipment and software.

The Company is also using the branch office of its parent Company, situated at Sentral Senayan 2 Building, 16th Floor, Asia Afrika Street No. 8, Senayan, Kebayoran Baru, South Jakarta, DKI Jakarta, 10270.

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

## 2. Basis of Preparation

### 2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the approved 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 / amortized cost as disclosed in respective accounting policies or notes.

### 2.3 Functional and presentation currency

These consolidated financial statements are presented in Pak Rupee (Rs.), which is Group's functional as well as presentation currency. All financial information presented in Pak Rupee has been rounded off to the nearest thousand rupees 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, 2023.

**2.5 Standards, interpretations and amendments to approved accounting standards that are effective in the current year:**

The following standards, amendments and interpretations are effective for the year ended June 30, 2024. These standards, amendments and interpretations are either irrelevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than certain additional disclosures.

| Standard or Interpretation | | Effective Date - Annual Periods Beginning on or After |
|---|---|---|
| **- IAS 01** | Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting Policies | January 1, 2023 |
| **- IAS 08** | Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates | January 1, 2023 |
| **- IAS 12** | Amendments to IAS 12 ' Income taxes' - International Tax Reform — Pillar Two Model Rules | January 1, 2023 |
| **- IAS 12** | Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction | January 1, 2023 |
| **- IFRS 17** | Initial Application of 'IFRS 17 Insurance Contracts and IFRS 9 - Comparative Information' | January 1, 2023 |

During the year, the Institute of Chartered Accountants of Pakistan (ICAP) has withdrawn Technical Release 27 "IAS 12, Income Taxes (Revised 2012)" and issued the "IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes" (the Guidance). Accordingly, the Group has changed its accounting policy to recognise minimum and final taxes as 'Levy' under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" which were previously being recognised as 'Income tax'.

The Group has accounted for the effects of these changes in accounting policy retrospectively under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the corresponding figures have been restated in these consolidated financial statements. The effects of restatements are as follows:

| | Had there been no change in acounting policy | Impact of change in accounting policy | After incorporating effects of change in accounting policy |
|---|---|---|---|
| | | Rupees in Thousands | |
| **Effect on consolidated statement of profit or loss** | | | |
| **For the year ended June 30, 2024** | | | |
| Tax on export sales, dividends on investments, international tax effect and prior year adjustments | - | 173,501 | 173,501 |
| Profit before tax | 1,376,554 | (173,501) | 1,203,053 |
| Taxation | (173,501) | - | - |
| | 1,203,053 | (173,501) | 1,203,053 |
| Profit after tax | 1,203,053 | - | 1,203,053 |
| **For the year ended June 30, 2023** | | | |
| Tax on export sales, dividends on investments, international tax effect and prior year adjustments | - | 192,832 | 192,832 |
| Profit before tax | 1,231,285 | (192,832) | 1,038,453 |
| Taxation | (192,832) | - | - |
| | 1,038,453 | (192,832) | 1,038,453 |
| Profit after tax | 1,038,453 | - | 1,038,453 |

# Notes to and forming part of the Consolidated Financial Statements

For the Year Ended June 30, 2024

**2.6 Standards, interpretation and amendments to approved accounting standards that are not yet effective:**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either irrelevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than certain additional disclosures:

| Standard or Interpretation | | Effective Date - Annual Periods Beginning on or After |
|---|---|---|
| **- IAS 1** | Presentation of Financial Statements (Amendments) | January 1, 2024 |
| **- IAS 7** | Amendments to IAS 7 "Statement of Cash Flows" | January 1, 2025 |
| **- IAS 21** | The Effects of Changes in Foreign Exchange Rates (Amendments) | January 1, 2024 |
| **- IFRS 7** | Amendments to IFRS 7 "Financial Instruments Disclosures"- Supplier Finance Arrangements | January 1, 2024 |
| **- IFRS 7 & 9** | Amendments to Classification and Measurement of Financial Instruments - Amendments to IFRS 7 and IFRS 9 | January 1, 2026 |
| **- IFRS 16** | Amendments to IFRS 16 "Leases" - Clarification on how seller-lessee subsequently measures sale and lease back transaction | January 1, 2024 |

Other than the aforementioned standards, interpretations, and amendments, IASB has also issued the following standards, which have yet not been notified locally by the Securities and Exchange Commission of Pakistan (SECP) as at the reporting date:

- IFRS 18 - Presentation and Disclosure in Financial Statement
- IFRS 19 - Subsidiaries Without Public Accountability - Disclosures
- IFRS 01 - First Time Adoption of IFRS
- IFRS S1 - General Requirements for Disclosure of Sustainability related Financial Information
- IFRS S2 - Climate Related Disclosures

The management believes that adoption of the new standards, amendments and interpretations, which are in issue but not yet effective, is not likely to have any material impact, on the recognition, measurement, presentation and disclosure of items in the financial statements for current and future periods and foreseeable future transactions.

**2.7 Basis of consolidation**

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

The assets and liabilities of the subsidiaries, 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 Judgements**

The preparation of Consolidated financial statements in conformity with approved accounting and reporting 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 estimates is made:

The areas involving higher degree of judgement or complexity included in these financial statements are as follows:

i. Provision for expected credit losses on accounts receivable / contract assets - Note 4.17, 10 & 11.
ii. Provision for taxation - Note 4.6
iii. Useful lives and recoverable amounts of depreciable assets - Note 4.1 & 6
iv. Useful lives of intangible assets - Note 4.2 & 7
v. Provision and Contingencies - Note 4.8 & 27
vi. Leases - Note 5.1 & 21
vii. Revenue recognition - Note 4.10 & 28
viii. Long term investment - Note 4.18
ix. Fair value of employee share options - Note 4.5 & 19

**4. Material Accounting Policy Information**

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

**4.1 Property and equipment**

**(i) Owned assets**

Property and equipment, except for freehold land, are stated at cost less accumulated depreciation and identified impairment losses (if any). Freehold 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 6.1. Depreciation method, residual value and useful lives of assets are reviewed at least at each reporting date and adjusted if impact on depreciation is significant.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases when the asset is derecognized. Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

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.

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.

Day to day maintenance and normal repairs are charged to profit or loss as and when incurred. Gain or loss on scrapping or disposal of assets, if any, is charged to profit or loss. Gain or loss on scrapping or disposal of assets, if any, is charged to statement of profit or loss. Profit or loss on disposal of assets is the difference between the sale proceeds and the carrying amount of the asset disposed off.

**(ii) Right of use assets**

The Group recognizes 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 re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of identified lease liabilities recognized, 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 recognized right-of-use assets are depreciated over the shorter of their 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 6.2. 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 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 may capitalize 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 may be capitalized and reported at the lower of unamortized cost or recoverable amount. Capitalization will cease 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 reporting date. Rates of amortization are stated in Note 7.

**(b) Intangible assets acquired from market**

Intangible assets acquired from market are stated at cost less accumulated amortization and identified 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 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 reporting date. Amortization on additions of acquired intangible assets begins when it is available for use (i.e., the month when the intangible is ready for use) while no amortization is charged for the month in which the asset is disposed off. Rates of amortization are stated in Note 6.1.

**4.3 Impairment of non financial asset**

The Group continually assesses at each reporting date, whether there is any indication that an asset may be impaired. If such indication exists', the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit 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 and transaction**

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 reporting 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 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 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"). The fair value of options granted is determined at the grant date and is recognized as employee compensation expense on a straight line basis over the vesting period in profit or loss with corresponding credit to equity as employee compensation reserve. Fair value of options is arrived at using Black Scholes Pricing Model.

When the options are exercised, the proceeds received equivalent to the face value of related shares is credited to share capital and any amount above the share capital is credited 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 laws 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.

Deferred tax is accounted for using the statement of financial position method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to other comprehensive income in which case it is included in other comprehensive income.

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

In accordance with the Income Tax Ordinance, 2001, computation of final taxes is not based on taxable income. Therefore, as per IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes issued by the ICAP, these fall within the scope of IFRIC 21 / IAS 37 and accordingly have been classified as levy in these unconsolidated financial statements, except for taxes on dividends on the Company's investments in subsidiaries and associates which are specifically within the scope of IAS 12 and hence these continue to be categorised as current income tax.

**4.7 Trade and other payables**

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

Liabilities for trade and other payable in foreign currency are revalued by applying the exchange rate applicable on each reporting date.

**4.8 Provisions and contingencies**

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 reporting date and adjusted to reflect the current best estimate. Where outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

# Notes to and forming part of the Consolidated Financial Statements

For the Year Ended June 30, 2024

**4.9 Cash and cash equivalents**

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

**4.10 Revenue recognition**

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

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

The Group records the amount of revenue and related costs by considering whether it 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 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 contains multiple performance obligations generally consists of the initial sale of licenses and a professional services engagement. Contracts 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 the Group's performance obligations are summarized below:

**a) Software licenses:**

Performance obligation is satisfied and revenue from software licenses is recognized at the point in time when transfer of control for software is occurred either upon physical delivery of license through CD, USB or electronically using FTP or delivery of the license key by other electronic methods which provide 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 120 days of invoice.

**b) Subscription and support:**

Subscription revenue is recognized rateably 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 Group generally invoices its customers in advance in quarterly or annual instalments and typical payment terms provide that customers make payment within 120 days of invoice. Performance obligation against support revenue is recognized rateably 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 Group's customers purchase both product support and license updates when they acquire new software licenses. In addition, a majority of customers renew their support services contracts annually and typical payment terms provide that customers make payment within 120 days of invoice.

**c) Professional services:**

Performance obligation is satisfied and revenue from professional services is recognized over the time and typically comprises 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. The 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 duein 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 up to 120 days after invoice.

**e) Miscellaneous income**

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, and is recognised in other income in profit or loss.

**Contract Modifications**

Contract modifications involving changes in scope or price are treated as separate contracts if they add distinct performance obligations at standalone prices. If not, they are either treated as a termination of the existing contract and creation of a new one or, if no new distinct obligations arise, adjustments are made on a cumulative catch-up basis i.e. recognizing in the current period the cumulative effect of changes on current and prior periods according to the revised performance obligations.

**Significant Judgments**

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 standalone selling price ("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 analyses 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) 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 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 completion basis. The output method is used for measuring percentage of completion by taking into account the 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, support 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. These costs are recorded within sales and marketing expense in the consolidated 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).

**4.11 Costs to obtain a contract**

The Group has no significant capitalized costs related to obtaining contracts as of any reporting date. Generally, the Group incurs minimal direct incremental costs when securing new customer contracts. It is uncommon for the Group to incur additional costs for reviewing or entering into contractual agreements with customers. Furthermore, while the Group's sales personnel receive commissions, these fees are not solely tied to acquiring new customers. Their responsibilities extend beyond signing new deals, encompassing customer account management and cash collection efforts.

**4.12 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.

**4.13 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 4.17 (i) Financial instruments – initial recognition and measurement.

**4.14 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.

**4.15 Related party transactions**

The Group enters into transactions with related parties at an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods, not in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the best interest of the Group to do so.

**4.16 Off-setting of financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the consolidated 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.

**4.17 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 of financial assets**

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, based on the groupings for various customers segments that have similar patterns (i.e. by geography and customer wise).

**(ii) Financial liabilities**

At initial recognition, financial liabilities are categorized as either financial liabilities at fair value through profit or loss, loans and borrowings, payables, or derivatives designated as hedging instruments in a qualifying hedge, as applicable.

All financial liabilities are initially recognized at fair value, with loans, borrowings, and payables recorded 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**

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 consolidated 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 consolidated statement of profit or loss. Any gain or loss on de-recognition is also recognized in the consolidated 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 consolidated statement of profit or loss.

**4.18 Investments**

**a) 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, 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 consolidated 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 consolidated statement of changes in equity.

**4.19 Earnings per share**

The Group presents both 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.

**4.20 Dividend and appropriation to reserves**

Dividend and appropriation to reserves are recognized in the consolidated financial statements in the period in which these are approved. However, if they are approved after the reporting period but before the financial statements are authorized for issue they are disclosed in the notes to the consolidated financial statements.

**4.21 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 Note # 45 & 46, including the factors used to identify the reportable segments and the measurement basis of segment information.

**5. Summary Of Other Accounting Policies**

**5.1 Lease liabilities**

At the commencement date of the lease, the Group recognizes 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 recognized 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 premeasured 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.

**5.2 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 recognized as expense on a straight-line basis over the lease term.

**5.3 Significant judgement in determining the lease term of contracts with renewal & termination 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 or to terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal and termination. 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).

**5.4 Deferred grant**

Deferred grant is recognized 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 recognized 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 recognized 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.

**5.5 Advances and deposits**

These are recognized at nominal amount which is fair value of considerations to be received in future.

**5.6 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.

**5.7 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 consolidated 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.

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **6. Property and Equipment** | | | |
| Operating fixed assets | 6.1 | **1,213,944** | 1,513,092 |
| Right of use assets | 6.2 | **4,104** | 8,380 |
| Advance against capital expenditure | | **3,134** | - |
| | | **1,221,182** | 1,521,472 |

### 6.1 Operating fixed assets

| Description | COST: As at July 01, 2023 | COST: Additions | COST: (Disposals) | COST: As at June 30, 2024 | Rate | DEPRECIATION: As at July 01, 2023 | DEPRECIATION: (Disposals) | DEPRECIATION: Adjust-ments | DEPRECIATION: For the Year | DEPRECIATION: As at June 30, 2024 | Written down value as at Jun 30, 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2024 | | | | | | | | | | | |
| | Rupees in Thousands | | | | % | Rupees in Thousands | | | | | |
| **Tangible assets** | | | | | | | | | | | |
| Land - freehold | 254,229 | - | - | 254,229 | - | - | - | - | - | - | 254,229 |
| Building on freehold land | 952,561 | - | - | 952,561 | 5 | 402,331 | - | - | 32,367 | 434,698 | 517,863 |
| Furniture and fixtures | 74,680 | 4,464 | (19,113) | 60,031 | 10 | 55,281 | (18,931) | - | 6,599 | 42,949 | 17,082 |
| Vehicles | 504,833 | 43,780 | (136,744) | 411,869 | 20 | 246,303 | (60,414) | 2,243 | 79,033 | 267,165 | 144,704 |
| Office equipment | 91,446 | 3,300 | - | 94,746 | 10 | 55,284 | - | - | 7,662 | 62,946 | 31,800 |
| Computer equipment and installations | 835,831 | 38,822 | (339) | 874,314 | 20-33 | 608,468 | (287) | - | 137,961 | 746,142 | 128,172 |
| Air conditioners | 71,668 | 1,060 | - | 72,728 | 10 | 50,589 | - | - | 6,785 | 57,374 | 15,354 |
| Electric fittings | 49,371 | - | - | 49,371 | 10 | 38,069 | - | - | 5,651 | 43,720 | 5,651 |
| Generators | 58,191 | 4,675 | (14,145) | 48,721 | 10 | 48,284 | (14,145) | - | 4,458 | 38,597 | 10,124 |
| | 2,892,810 | 96,101 | (170,341) | 2,818,570 | | 1,504,609 | (93,777) | 2,243 | 280,516 | 1,693,591 | 1,124,979 |
| **Intangible assets** | | | | | | | | | | | |
| Computer softwares | 199,655 | 27,855 | - | 227,510 | 33 | 74,764 | - | - | 63,781 | 138,545 | 88,965 |
| | **3,092,465** | **123,956** | **(170,341)** | **3,046,080** | | **1,579,373** | **(93,777)** | **2,243** | **344,297** | **1,832,136** | **1,213,944** |

# Notes to and forming part of the Consolidated Financial Statements

For the Year Ended June 30, 2024

| 2023 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Description | COST | | | | DEPRECIATION | | | | | | Written down value as at Jun 30, 2023 |
| | As at July 01, 2022 | Additions | (Disposals) | As at June 30, 2023 | Rate | As at July 01, 2022 | (Disposals) | Adjust-ments | For the Year | As at June 30, 2023 | |
| | Rupees in Thousands | | | | % | Rupees in Thousands | | | | | |
| **Tangible assets** | | | | | | | | | | | |
| Land - freehold | 254,229 | - | - | 254,229 | - | - | - | - | - | - | 254,229 |
| Building on freehold land | 952,561 | - | - | 952,561 | 5 | 369,965 | - | - | 32,366 | 402,331 | 550,230 |
| Furniture and fixtures | 71,719 | 3,588 | (627) | 74,680 | 10 | 47,853 | (494) | - | 7,922 | 55,281 | 19,399 |
| Vehicles | 467,954 | 138,033 | (101,154) | 504,833 | 20 | 181,882 | (43,703) | 27,600 | 80,524 | 246,303 | 258,530 |
| Office equipment | 77,783 | 13,824 | (161) | 91,446 | 10 | 47,467 | (128) | - | 7,945 | 55,284 | 36,162 |
| Computer equipment and installations | 1,233,260 | 147,167 | (544,596) | 835,831 | 20-33 | 930,186 | (513,634) | - | 191,916 | 608,468 | 227,363 |
| Air conditioners | 68,583 | 3,284 | (199) | 71,668 | 10 | 42,437 | (192) | - | 8,344 | 50,589 | 21,079 |
| Electric fittings | 49,371 | - | - | 49,371 | 10 | 32,418 | - | - | 5,651 | 38,069 | 11,302 |
| Generators | 54,902 | 3,289 | - | 58,191 | 10 | 42,398 | - | - | 5,886 | 48,284 | 9,907 |
| | 3,230,362 | 309,185 | (646,737) | 2,892,810 | | 1,694,606 | (558,151) | 27,600 | 340,554 | 1,504,609 | 1,388,201 |
| **Intangible assets** | | | | | | | | | | | |
| Computer softwares | 69,369 | 130,286 | - | 199,655 | 33 | 21,958 | - | - | 52,806 | 74,764 | 124,891 |
| | **3,299,731** | **439,471** | **(646,737)** | **3,092,465** | | **1,716,564** | **(558,151)** | **27,600** | **393,360** | **1,579,373** | **1,513,092** |

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| 6. 1.1 **Depreciation charge for the year has been allocated as under:** | | | |
| Cost of revenue | 29 | **258,198** | 299,201 |
| Selling and promotional expenses | 30 | **18,072** | 20,479 |
| Administrative expenses | 31 | **68,027** | 73,681 |
| | | **344,297** | 393,361 |

6.1.2 Owned assets include vehicles amounting to Rs. 26.84 million obtained from First Habib Modaraba under finance facility (2023: Rs. 126.76 million).

6.1.3 Particulars of fixed assets disposed off during the year having individual book value exceeding Rs. 500,000 or more are as follows:

| 2024 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Particulars | Cost | Net Book Value | Sales Proceeds | (Loss) / Gain | Mode of Disposal | Particulars of Purchaser | Relationship |
| | Rupees in Thousands | | | | | | |
| Vehicle | 49,858 | 34,107 | 32,400 | (1,707) | Open market | Umer Bajwa | None |
| Vehicle | 2,987 | 531 | 2,940 | 2,409 | Company policy | Amir Chaudhry | Employee |
| Vehicle | 16,235 | 10,823 | 17,000 | 6,177 | Open market | Sameer Khalid | None |
| Vehicle | 28,050 | 8,415 | 20,500 | 12,085 | Open market | Muhammad Tayyab Tariq | None |
| Vehicle | 37,428 | 22,457 | 30,500 | 8,043 | Company policy | Salim Ullah Ghauri | Director |
| | **134,558** | **76,333** | **103,340** | **27,007** | | | |

| 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Particulars | Cost | Net Book Value | Sales Proceeds | (Loss) / Gain | Mode of Disposal | Particulars of Purchaser | Relationship |
| | Rupees in Thousands | | | | | | |
| Computer | 422,190 | 30,559 | 2,485 | (28,074) | Open market | Outstart Tech | None |
| Vehicle | 3,154 | 1,180 | 2,400 | 1,220 | Company policy | Shahid Iqbal Qureshi | Employee |
| Vehicle | 34,208 | 29,647 | 35,000 | 5,353 | Open market | Muhammad Shehryar | None |
| Vehicle | 32,638 | 11,314 | 15,000 | 3,686 | Open market | Maria Faisal | None |
| Vehicle | 3,965 | 789 | 3,000 | 2,211 | Open market | Muaaz Anwar | None |
| Vehicle | 7,600 | 1,261 | 7,500 | 6,239 | Open market | Hafiz Sajjad Motors | None |
| Vehicle | 6,787 | 2,238 | 4,750 | 2,512 | Company policy | Adil Farooq | Employee |
| Vehicle | 10,882 | 10,882 | 11,087 | 205 | Open market | Tahira | None |
| | **521,424** | **87,870** | **81,222** | **(6,648)** | | | |

**6.1.4** Particulars of immovable assets (i.e. land and buildings) of the Group are as follows:

| Location | Address | Total Area (Square feet) | Covered Area (Square feet) |
|---|---|---|---|
| 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 |

6.2 Right of Use Assets

| 2024 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Description | COST | | | | DEPRECIATION | | | | Written down value as at June 30, 2024 |
| | As at July 01, 2023 | (Disposals) | As at June 30, 2024 | Rate | As at July 01, 2023 | (Disposals) | For the Year | As at June 30, 2024 | |
| | Rupees in Thousands | | | % | Rupees in Thousands | | | | |
| Vehicles | **13,366** | **(4,273)** | **9,093** | **20** | **4,986** | **(2,243)** | **2,246** | **4,989** | **4,104** |

| 2023 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Description | COST | | | | DEPRECIATION | | | | Written down value as at June 30, 2023 |
| | As at July 01, 2022 | (Disposals) | As at June 30, 2023 | Rate | As at July 01, 2022 | (Disposals) | For the Year | As at June 30, 2023 | |
| | Rupees in Thousands | | | % | Rupees in Thousands | | | | |
| Vehicles | 62,651 | (49,285) | 13,366 | 20 | 29,912 | (27,600) | 2,674 | 4,986 | 8,380 |

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **6. 2.1 Depreciation charge for the year has been allocated as under:** | | | |
| Cost of revenue | 29 | **1,685** | 2,005 |
| Selling and promotional expenses | 30 | **112** | 134 |
| Administrative expenses | 31 | **449** | 535 |
| | | **2,246** | 2,674 |

**7. Intangible Assets**

| 2024 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Description | COST | | | | DEPRECIATION | | | | Written Down Value as at June 30, 2024 |
| | As at July 01, 2023 | Additions | (Disposals) | As at June 30, 2024 | Rate | As at July 01, 2023 | For the Year | As at June 30, 2024 | |
| | Rupees in Thousands | | | | % | Rupees in Thousands | | | |
| <u>In-house developed software</u> | | | | | | | | | |
| NFS - Ascent | **2,935,037** | **-** | **-** | **2,935,037** | **10** | **2,894,651** | **40,386** | **2,935,037** | **-** |

| 2023 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Description | COST | | | | DEPRECIATION | | | | Written Down Value as at June 30, 2023 |
| | As at July 01, 2022 | Additions | (Disposals) | As at June 30, 2023 | Rate | As at July 01, 2022 | For the Year | As at June 30, 2023 | |
| | Rupees in Thousands | | | | % | Rupees in Thousands | | | |
| <u>In-house developed software</u> | | | | | | | | | |
| NFS - Ascent | 2,935,037 | - | - | 2,935,037 | 10 | 2,601,147 | 293,504 | 2,894,651 | 40,386 |

| | | | |
|---|---|---|---|
| **7.1** Amortization charge for the year has been allocated as under: | | | |
| Cost of revenue | 29 | **40,386** | 293,503 |
| | | **40,386** | 293,503 |

**7.2** NetSol Financial Suite and NFS - Ascent have been fully amortized, however, the Group is still generating revenues from the sale of its licenses, provision of allied services and maintenance.

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **8. Long Term Contract Assets** | | | |
| Considered good - unsecured | | 77,927 | - |
| Less: discounting of contract asset | | (25,290) | - |
| | | 52,637 | - |

**8.1** This represents unbilled receivables arising from the recognition of revenue under a long-term contract, in accordance with IFRS 15 "Revenue from Contracts with Customers".

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| **9. Long Term Loans to Employees** | | | |
| Loan to executives - unsecured | | 42,229 | 10,961 |
| Less: current portion | | (19,369) | (6,569) |
| | | 22,860 | 4,392 |

**9.1** These loan are provided to employees as per the Group's policy.

**9.2** These are carried at cost as the effect of carrying these balances at amortized cost would not be material in the overall context of these financial statements.

**9.3** These executive employees do not include any directors.

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **10. Trade Debts** | | | |
| **Related Parties** | | | |
| Considered good - unsecured | | 4,674,987 | 3,209,061 |
| Considered doubtful - unsecured | | 278,192 | 356,271 |
| | | 4,953,179 | 3,565,332 |
| **Other Parties** | | | |
| Considered good - unsecured | | 651,997 | 2,453,635 |
| Considered doubtful - unsecured | | 2,405 | - |
| | | 654,402 | 2,453,635 |
| Less: Provision against expected credit losses | 10.1 | (280,597) | (356,271) |
| | | 5,326,984 | 5,662,696 |
| **10.1 Movement of provision against expected credit losses (ECL)** | | | |
| Opening balance | | 356,271 | 190,782 |
| Add: Credit loss allowance for the year | | - | 165,489 |
| | | 356,271 | 356,271 |
| Less: Reversal of credit loss allowance | | (75,674) | - |
| Closing balance | | 280,597 | 356,271 |

# Notes to and forming part of the Consolidated Financial Statements

For the Year Ended June 30, 2024

| | | NOTE | 2024 | 2023 |
|---|---|---|---|---|
| | | | Rupees in Thousands | |
| **10.2** | **Amount receivable from related parties included in trade debts (from exports) are as under:** | | | |
| | NetSol Technologies (Thailand) Limited | | **61,866** | 277,821 |
| | NetSol Technologies (Beijing) Co., Ltd. | | **3,267,132** | 1,925,048 |
| | NetSol Technologies Australia Pty. Limited | | **715,896** | 724,627 |
| | NetSol Technologies Americas Inc. | | **422,801** | 403,161 |
| | NetSol Technologies Europe Limited | | **25,589** | 37,993 |
| | Ascent Europe Limited | | **433,302** | 120,893 |
| | OTOZ Thailand Limited | | **-** | 75,789 |
| | Tianjin NuoJinZhiCheng Co., Ltd. | | **26,593** | - |
| | | | **4,953,179** | 3,565,332 |
| | Less: Provision for expected credit losses | | **(278,192)** | (356,271) |
| | | | **4,674,987** | 3,209,061 |

| | | | 2024 | 2023 |
|---|---|---|---|---|
| **10.3** | **Aging of outstanding balances of related parties at June 30 is as under:** | | | |
| | Not past due | | **1,323,360** | 248,352 |
| | Past due 1-180 days | | **838,954** | 1,409,070 |
| | Past due 181 days -1 year | | **1,281,040** | 1,405,376 |
| | More than one year | | **1,509,825** | 502,534 |
| | | | **4,953,179** | 3,565,332 |

**10.4** Maximum aggregate amount outstanding from related party - trade debts at the end of any month during the year was Rs. 4,991.58 million (2023: Rs. 3,855.14 million).

**11. Contract Assets**

| | | NOTE | 2024 | 2023 |
|---|---|---|---|---|
| | Considered good - unsecured | 11.1 | **1,787,247** | 1,979,310 |
| | Considered doubtful - unsecured | | **54,097** | 30,183 |
| | | | **1,841,344** | 2,009,493 |
| | Less: Provision for expected credit losses | 11.2 | **(54,097)** | (30,183) |
| | | | **1,787,247** | 1,979,310 |

**11.1** This represents unbilled debtors arising due to recognition of revenue as per IFRS 15 "Revenue from Contracts with Customers".

| | | | 2024 | 2023 |
|---|---|---|---|---|
| **11.2** | **Movement of provision against expected credit losses:** | | | |
| | Opening balance | | **30,183** | 28,097 |
| | Add: Expected credit loss allowance | | **23,914** | 2,086 |
| | Closing balance | | **54,097** | 30,183 |

**11.3** There is a net decrease of Rs. 192 million in contract assets as compared to last year (2023: increase of Rs. 212.24 million). The significant changes is as follows:

| | | | 2024 | 2023 |
|---|---|---|---|---|
| | Opening balance | | **1,979,310** | 1,767,069 |
| | Add: Revenue recognized | | **5,640,022** | 5,821,405 |
| | Less: Invoices raised | | **(5,742,889)** | (6,104,930) |
| | Add: Foreign exchange (losses) / gains | | **(65,282)** | 497,852 |
| | Less: Provision for expected credit losses | | **(23,914)** | (2,086) |
| | Closing balance | | **1,787,247** | 1,979,310 |

| | 2024 | 2023 |
|---|---|---|
| | Rupees in Thousands | |
| **12. Loans and Advances** | | |
| Considered good - unsecured | | |
| Current portion of loans to executives | 19,369 | 6,569 |
| Advances to employees: | | |
| - against salaries | 2,350 | - |
| - against expenses | 96,709 | 58,280 |
| | 118,428 | 64,849 |

12.1 These advances are given to meet business expenses and are settled as and when the expenses are incurred.

| | 2024 | 2023 |
|---|---|---|
| **13. Deposits and Short Term Prepayments** | | |
| Security deposits | 3,983 | 4,878 |
| Prepayments | 112,718 | 123,842 |
| | 116,701 | 128,720 |
| **14. Other Receivables** | | |
| Guarantee margin | 7,000 | 2,344 |
| Other receivables - considered good | 47,026 | 23,765 |
| | 54,026 | 26,109 |
| **15. Due from Related Party** | | |
| **Considered good - unsecured** | | |
| Parent | | |
| NetSol Technologies Inc. | 80,086 | 150,794 |
| Associates | | |
| NetSol Technologies Americas Inc. | 103,556 | 91,182 |
| NetSol Connect (Private) Limited | 13,858 | 15,745 |
| NetSol Technologies (Thailand) Limited | 27,938 | - |
| NetSol Technologies (Beijing) Ltd. | 260,490 | 166,958 |
| OTOZ Thailand Limited | 28,398 | 41,778 |
| Tianjin NuoJinZhiCheng Co., Ltd. | 70 | - |
| | 514,396 | 466,457 |

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

15.1 Maximum aggregate amount outstanding from related party at any month-end during the year was Rs. 576.99 million (2023 : Rs. 731.62 million).

15.3 The balances with related parties are maintained on a running account basis; therefore, age analysis of amounts due from related parties is not practically possible, as it shall not accurately reflect the true picture.

| | 2024 | 2023 |
|---|---|---|
| **16. Prepaid Tax Asset** | | |
| Opening balance | 6,388 | 754 |
| Add: Tax deducted at source / paid during the year | 126,637 | 73,324 |
| Less: Levy / final tax charged during the year | (97,295) | (67,690) |
| Closing balance | 35,730 | 6,388 |

# Notes to and forming part of the Consolidated Financial Statements

For the Year Ended June 30, 2024

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **17. Cash and Bank Balances** | | | |
| **Cash in hand** | | **24,785** | 10,943 |
| **Bank balances:** | | | |
| **In local currency:** | | | |
| - Saving accounts | 17.1 | **4,038,632** | 2,054,391 |
| - Current accounts | 17.2 | **151,355** | 132 |
| | | **4,189,987** | 2,054,523 |
| **In foreign currency:** | | | |
| - Saving accounts | 17.1 | **115,758** | 189,869 |
| - Current accounts | 17.2 | **338,632** | 377,731 |
| | | **454,390** | 567,600 |
| | | **4,669,162** | 2,633,066 |

**17.1** Balances in saving accounts include Rs. 1,939.38 million maintained in Shariah compliant bank accounts (2023: Rs. 1,248.11 million).

**17.2** Balances in current accounts include Rs. 435.12 million maintained in shariah compliant bank accounts (2023: Rs. 325.41 million).

**17.3** The balances in savings accounts bear mark up at 6.50% to 20.55% per annum. (2023: 6.50% to 19.55% per annum).

**17.4** The above figures reconcile to the amount of cash and cash equivalents shown in the statement of cash flow.

## 18. Issued, Subscribed and Paid up Capital

| 2024 | 2023 | | NOTE | 2024 | 2023 |
|---|---|---|---|---|---|
| No. of shares in Thousands | | | | Rupees in Thousands | |
| **42,686** | 42,686 | Ordinary shares of Rs. 10 each fully paid in cash | | **426,862** | 426,862 |
| **47,151** | 47,151 | Ordinary shares of Rs. 10 each allotted as fully paid bonus shares | | **471,507** | 471,507 |
| **89,837** | 89,837 | | | **898,369** | 898,369 |

| **18.1 Number of shares outstanding as at the reporting date:** | | No. of Shares in Thousands | |
|---|---|---|---|
| Opening balance | | **89,837** | 89,837 |
| Treasury shares of Rs. 10 each purchased at market value | 18.7 | **(2,000)** | (2,000) |
| Closing balance | | **87,837** | 87,837 |

**18.2** No shares have been further issued / cancelled during the year.

**18.3** All ordinary shares rank equally with regard to residual assets of the Group. Ordinary shareholders are entitled to receive all distributions including dividends and other entitlements in the form of bonus and right shares as and when declared by the Group. Voting and other rights are in proportion to the shareholding.

**18.4** NetSol Technologies Inc. 16000 Ventura Boulevard STE 770 ENCINO CA 91436, USA is the parent company holding 67.62% (2023 : 67.62%) of issued capital of the Group.

**18.5** There are 3 million outstanding options to subscribe for ordinary shares of the Group granted under the employee share option plan as disclosed in Note 19.2.

**18.6** The holding Company is not subject to any externally imposed capital requirements for the financial years 2024 and 2023.

**18.7** The share capital includes 2,000,000 ordinary shares (2.23% of its outstanding ordinary shares) held as treasury shares by the company, which was bought back in 2022. These treasury shares are held in CDC blocked account in the freeze form. These are not entitled to any voting right, cash dividend or any other distribution made by the company. No sale or disposal of treasury shares has been made during the financial year.

| | Note | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **19. Reserves** | | | |
| **Capital reserve** | | | |
| Premium on issue of ordinary shares | 19.1 | 304,167 | 304,167 |
| Employee share option compensation reserve | 19.2 | 265,445 | 254,359 |
| Foreign currency translation reserve | | 544 | 925 |
| Treasury share reserve | | (184,739) | (184,739) |
| | | **385,417** | 374,712 |
| **Revenue reserve** | | | |
| Unappropriated profit | | **8,822,648** | 7,619,595 |
| | | **9,208,065** | 7,994,307 |

**19.1** This reserve can be utilized by the Group only for the purposes specified in Section 81(2) of the Companies Act, 2017.

**19.2** Movement in the employee stock option scheme

| | 2024 | 2023 |
|---|---|---|
| Balance as at the beginning of the year | **254,359** | 232,881 |
| Compensation expense booked during the period | **11,086** | 21,478 |
| Balance at the end of the year | **265,445** | 254,359 |

**Description of scheme**

As per the approved employee stock option scheme, the Board and the compensation committee granted three million stock options to employees on December 27, 2021 at a grant price of Rs. 77.84 per option. No amount is paid or payable by any employee on receipt of the option. No option carries the right to vote or dividend. According to the scheme, 50% of the options will become exercisable after completion of 12 months from date of grant, another 30% of the granted option after completion of 24 months from the grant date and the remaining 20% of the granted option will become exercisable after completion of 36 months from the date of grant. The options are exercisable within a period of 10 years with un-exercised options to lapse on December 27, 2031.

**Measurement of fair value**

The Group uses Black Scholes Pricing Model to determine the fair value of options at the grant date. The Group calculated fair value of options at the grant date using the following assumptions:

| | 2024 | 2023 |
|---|---|---|
| Total number of options granted | **3,000,000** | 3,000,000 |
| Per option fair value at the grant date | **Rs. 14.82** | Rs. 14.82 |
| Average 30 days per share price preceding the date of grant | **Rs. 96.79** | Rs. 96.79 |
| Exercise price per option | **Rs. 77.84** | Rs. 77.84 |
| Annual rate of quarterly dividends | **13.50%** | 13.50% |
| Discount Rate - bond equivalent yield | **11.80%** | 11.80% |
| Annual volatility | **55.08%** | 55.08% |

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

**Movement in employee share options during the year:**

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Options outstanding at the beginning of the year | **3,000** | **-** | 3,000 | - |
| Options granted during the year | **-** | **-** | - | - |
| Options outstanding at the end of the year | **3,000** | **-** | 3,000 | - |

Out of the total 3 million option granted,the director and executives are entitled to 1.625 million (2023: 1.625 million) and 1.335 million (2023: 1.335 million) options respectively

This represents the cost of the treasury shares held by the Group. As at 30 June 2024, the Group held 2 million treasury shares (2023: 2 million)

| | NOTE | **2024** | 2023 |
|---|---|---|---|
| | | **Rupees in Thousands** | |
| **20. Long Term Financing - Secured** | | | |
| Loan obligation | 20.1 | **15,820** | 92,195 |
| | | **15,820** | 92,195 |
| Less: Current portion of long term financing | | **(13,124)** | (42,568) |
| | | **2,696** | 49,627 |

20.1 This represents finance facilities obtained from time to time, from First Habib Modaraba, for purchase of various vehicles. The facility is repayable in 36 equal monthly installments and carries mark up at rates ranging between 22.71% to 24.16% (2023: 16.12% to 23.23%) per annum. These facilities are secured through lien marking in favor of financial institutions.

| | | |
|---|---|---|
| **21. Lease Liabilities - Secured** | | |
| Opening balance | **4,327** | 7,718 |
| Add: Interest expense | **630** | 1,441 |
| Less: Payments made | **(3,985)** | (4,832) |
| Gross liability | **972** | 4,327 |
| Less: Current portion | **(972)** | (3,356) |
| Closing balance | **-** | 971 |

**21.1** The summary of amounts relating to leases charged in different line items of the financial statements is as follows:

| | **Included in** | | | |
|---|---|---|---|---|
| Carrying amount of right of use assets | Statement of financial position | 6.2 | 4,104 | 8,380 |
| Depreciation charge | Statement of profit or loss | 6.2.1 | 2,246 | 2,673 |
| Interest expense | Finance cost | 34 | 630 | 1,441 |

**21.2 Maturity analysis of contractually undiscounted cash flows**

| | **Within One Year** | **Between Two to Five Years** | **Later than Five Years** |
|---|---|---|---|
| | **Rupees in Thousands** | | |
| **At June 30, 2024** | **1,019** | **-** | **-** |
| **At June 30, 2023** | 3,960 | 1,019 | - |

**21.3 Nature of leasing activities**

The Group's leases comprise vehicles taken from Askari Bank Limited for employees. Present value of minimum lease payments have been discounted at an implicit interest rate ranging between 22.71% to 24.16% per annum (2023: 13.20 % to 23.23%). The lessee has the option to purchase the assets after expiry of the lease term.

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **22. Long Term Advances** | | | |
| Long term advances - Against Vehicles | 22.1 | **1,995** | 16,675 |

**22.1** This represents advance received from a director amounting to Rs. Nil (2023 : Rs. 16.675 million) and from an Executive amounting to Rs. 1.995 million (2023 : Nil) against purchase of motor vehicle. This advance shall be adjusted against the future sale of vehicle.

**22.2** These are carried at cost as the effect of carrying these balances at amortized cost would not be material in overall context of these financial statements.

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| **23. Trade and Other Payables** | | | |
| Creditors - unsecured | 23.1 | **29,038** | 26,648 |
| Accrued liabilities | | **614,835** | 608,100 |
| Interest accrued - secured | | **13,597** | 58,050 |
| Due to related parties - unsecured | 23.2 | **6,858** | - |
| Withholding tax | | **53,428** | 56,150 |
| Sales tax payable | | **5,017** | 7,355 |
| Provident fund payable | | **25,132** | 56,099 |
| Other payables | | **15,435** | 7,049 |
| | | **763,340** | 819,451 |

**23.1** Creditors include Rs. 1.08 million (2023: Rs. 1 million) payable to a related party, HospitAll (Private) Limited, for the provision of medical services.

**23.2** This represents due to related parties in the normal course of business:

| | 2024 | 2023 |
|---|---|---|
| NetSol Technologies Australia Pty. Limited - Associated Company | **5,562** | - |
| OTOZ Inc. - Associated Company | **1,296** | - |
| | **6,858** | - |

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **24. Contract Liabilities** | | | |
| Opening balance | | **1,124,654** | 358,504 |
| Add: Invoices raised | | **4,212,223** | 3,387,640 |
| Less: Revenue recognized | | **(3,889,922)** | (2,621,490) |
| Closing balance | 24.1 | **1,446,955** | 1,124,654 |

**24.1** This 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 are transferred to revenue over time.

# Notes to and forming part of the Consolidated Financial Statements

For the Year Ended June 30, 2024

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **25. Short Term Borrowings** | | | |
| Askari Bank Limited - ERF - II | 25.1 | **500,000** | 500,000 |
| Samba Bank Limited - ERF - II | 25.2 | **380,000** | 380,000 |
| Habib Metropolitan Bank Limited - Istisna / Al Bai - Islamic Banking | 25.3 | **700,000** | 700,000 |
| | | **1,580,000** | 1,580,000 |

**25.1** Export refinance (ERF) / FAPC I & II, running finance and letter of guarantee facilities available from Askari Bank Limited under mark-up arrangements amount to Rs. 575 million (2023: Rs. 575 million) towards the pre & post shipment and working capital requirements. Mark up on ERF facility is charged at SBP rate + 1% (2023: SBP rate + 1%) and markup on running finance facility is charged at 3 months KIBOR + 2% (2023: 3 months KIBOR + 2%) per annum. These are secured by first joint pari passu charge on present and future assets, mortgage on property of the Company and personal guarantees of directors. The unutilized portion in respect of these facilities amounts to Rs. 57 million (2023: Rs. 57 million). Corporate credit cards facility amounting Rs.10 million as a submit of running finance (2023: 10 million) is also available to the Group.

**25.2** ERF part I & II/ LAPC from own source facility available from Samba Bank Limited under mark-up arrangements amount to Rs. 380 million (2023: Rs. 380 million) towards the working capital requirements. Mark up is charged at SBP rate + 1% (2023: SBP rate + 1%) per annum. These facilities are secured by first joint pari passu charge on present and future assets, mortgage on property of the Group and personal guarantees of directors.

**25.3** IERF - I & II (Istisna / Al Bai / Working Capital Musharakah), WCM Musharakah, letter of guarantee and EFS discounting facilities available from Habib Metropolitan Bank Limited under mark-up arrangements amount to Rs. 1,500 million (2023: Rs. 900 million) towards the working capital requirements. Mark up is charged at SBP rate + 1% (2023: SBP rate + 1%) per annum. These facilities are secured by first joint pari passu charge on present and future assets, mortgage on property of the Company and personal guarantees of directors. The unutilized portion in respect of above facilities amounts to Rs. 700 million (2023: Rs. 700 million).

**25.4** "Finance Against Packing Credit facility" available from Bank Al Habib Limited under mark-up arrangement amounts to Rs. 400 million (2023: Nil) towards the working capital requirements. Mark up is charged at SBP rate + 1% (2023: Nil) per annum. These are secured by first joint pari passu charge on present and future assets, mortgage of property of the Group and personal guarantees of directors. These facilities have yet not been utilized as at the reporting date.

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| **26. Current Portion of Long Term Liabilities** | | | |
| Current portion of long term financing | 20 | **13,124** | 42,568 |
| Current portion of lease liability | 21 | **972** | 3,356 |
| | | **14,096** | 45,924 |

## 27. Contingencies and Commitments

### 27.1 Contingencies

Mr. Ahsan Zubair, an ex-employee of the Group has filed a case for recovery of damages dated January 26, 2013 for malicious prosecution before the Honourable Civil Court, Lahore and has sought damages to the tune of Rs. 500 million. The case was filed five years after a complaint lodged by NetSol Technologies Limited with Federal Investigation Authority pertaining to use of NetSol's IP without authority by a company formed by the employee and his partner who was also an ex-employee of the Group. 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. In the opinion of the legal advisor, the outcome of the case is expected in favour of the Group.

### 27.2 Commitments

Bank guarantees have been issued amounting to Rs. 60.93 million (2023: Rs. 36.21 million) against performance of various contracts, to LESCO and to Standard Chartered Bank Limited against its corporate credit cards.

The Group has capital commitments of Rs 1.32 million as at June 30, 2024 (2023: Nil).

| | 2024 | 2023 |
|---|---|---|
| | **Rupees in Thousands** | |
| **28. Revenue from Contracts with Customers - Net** | | |
| **Disaggregation of revenue from contract with customers** | | |
| Set out below is the disaggregation of the Group's revenue from contracts with customers: | | |
| **Export Revenue** | | |
| - License | **802,390** | 374,203 |
| - Services | **4,041,032** | 3,410,592 |
| - Subscription and Support | **4,659,473** | 3,849,115 |
| | **9,502,895** | 7,633,910 |
| **Local Revenue** | | |
| - License | **-** | 42,653 |
| - Services | **41,877** | 115,399 |
| - Subscription and Support | **38,844** | - |
| Less: Sales tax | **(3,980)** | (4,146) |
| | **76,741** | 153,906 |
| | **9,579,636** | 7,787,816 |
| **28.1** Amount of revenue recognized from opening balance of contract liabilities: | | |
| Opening balance of contract liabilities | **1,124,654** | 358,504 |
| Revenue recognized | **1,124,654** | 358,504 |
| **28.2** The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at June 30, are as follows: | | |
| - Within one year | **3,105,399** | 2,526,057 |
| - More than one year | **1,375,950** | 3,882,102 |
| | **4,481,349** | 6,408,159 |
| **28.3** Timing of revenue recognition: | | |
| - At a point in time | **802,390** | 374,203 |
| - Over the time | **8,777,246** | 7,413,613 |
| | **9,579,636** | 7,787,816 |

# Notes to and forming part of the Consolidated Financial Statements

For the Year Ended June 30, 2024

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **29. Cost of Revenue** | | | |
| Salaries and benefits | 29.1 | **3,724,349** | 3,866,338 |
| Software licenses | | **372,557** | 239,257 |
| Consultancy charges | | **-** | 4,501 |
| Technical services | | **-** | 830 |
| Staff training | | **3,348** | 2,069 |
| Rent, rates and taxes | 29.2 | **3,216** | 4,960 |
| Travelling and conveyance | | **457,298** | 375,613 |
| Communication | | **76,218** | 84,120 |
| Utilities | | **81,783** | 69,506 |
| Printing and stationery | | **1,625** | 2,445 |
| Entertainment | | **73,113** | 66,715 |
| Insurance | | **1,373** | 1,377 |
| Vehicle running and maintenance | | **255,122** | 269,764 |
| Repair and maintenance | | **43,083** | 55,359 |
| Fees and subscription | | **635** | 744 |
| Depreciation | 6.1 | **258,198** | 299,201 |
| Depreciation of right of use assets | 6.2.1 | **1,685** | 2,005 |
| Amortization of intangible assets | 7 | **40,386** | 293,504 |
| | | **5,393,989** | 5,638,308 |

**29.1** Salaries and benefits include Rs. 153.15 million (2023 : Rs. 162.36 million) in respect of retirement benefits.

**29.2** This represents amount paid in respect of short term leases.

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| **30. Selling and Promotional Expenses** | | | |
| Salaries and benefits | 30.1 | **455,835** | 411,837 |
| Staff training | | **840** | 457 |
| Rent, rates and taxes | 30.2 | **25,823** | 11,616 |
| Travelling and conveyance | | **121,884** | 78,552 |
| Fee and subscription | | **672** | - |
| Communication | | **4,188** | 3,480 |
| Utilities | | **3,203** | 2,278 |
| Printing and stationery | | **615** | 260 |
| Entertainment | | **5,794** | 2,485 |
| Insurance | | **1,661** | 1,414 |
| Vehicle running expenses | | **17,682** | 16,850 |
| Repairs and maintenance | | **2,643** | 7,219 |
| Commission on sales | | **261,706** | 187,921 |
| Sale promotional expenses | | **36,333** | 32,171 |
| Depreciation | 6.1 | **18,072** | 20,479 |
| Depreciation of right of use assets | 6.2.1 | **112** | 134 |
| | | **957,063** | 777,153 |

**30.1** Salaries and benefits include Rs. 11.06 million (2023: Rs. 9.47 million ) in respect of retirement benefits.

**30.2** This represents amount paid in respect of short term leases.

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **31. Administrative Expenses** | | | |
| Salaries and benefits | 31.1 | **837,129** | 780,786 |
| Staff training | | **1,408** | 143 |
| Rent, rates and taxes | 31.2 | **27,470** | 22,949 |
| Travelling and conveyance | | **43,361** | 72,760 |
| Communication & postage | | **35,380** | 30,594 |
| Printing and stationery | | **6,622** | 5,537 |
| Utilities | | **61,056** | 34,867 |
| Entertainment | | **57,981** | 48,017 |
| Insurance | | **60,302** | 50,936 |
| Advertisement | | **383** | 678 |
| Vehicle running expenses | | **72,173** | 60,259 |
| Repairs and maintenance | | **38,194** | 51,816 |
| Legal and professional charges | | **13,165** | 19,768 |
| Auditor's remuneration | 31.3 | **10,660** | 5,800 |
| Office supplies | | **8,024** | 10,531 |
| Charity and donation | 31.4 | **21,410** | 43,251 |
| Fees and subscription | | **77,144** | 55,902 |
| Depreciation | 6.1 | **68,027** | 73,681 |
| Depreciation of right of use assets | 6.2.1 | **449** | 535 |
| | | **1,440,338** | 1,368,810 |

**31.1** Salaries and benefits include Rs. 34.88 million (2023: Rs. 26.31 million ) in respect of retirement benefits and Rs. 11.09 million (2023: Rs. 21.5 million) in respect of share-based payment transactions.

**31.2** Rent, rates and taxes include expense in respect of short term leases amounted to Rs 19.72 million (2023: Rs. 19.06 million).

**31.3** Auditor's remuneration:

| | 2024 | 2023 |
|---|---|---|
| - Statutory audit fee | **5,556** | 4,100 |
| - Review and other certifications fee | **3,630** | 900 |
| - Certifications of group reporting | **683** | 600 |
| - Out of pocket expenses | **791** | 200 |
| | **10,660** | 5,800 |

# Notes to and forming part of the Consolidated Financial Statements

For the Year Ended June 30, 2024

**31.4** The details of donation to a single party exceeding 10% of the Company's total amount of donation are as follows:

| | | | **2024** | 2023 |
|---|---|---|---|---|
| | | | **Rupees in Thousands** | |
| Developments in Literacy Foundation | | | **5,152** | 5,376 |
| Million Smiles Foundation | | | **5,100** | 7,025 |
| Al Khidmat Foundation | | | **-** | 5,600 |
| | | | **10,252** | 18,001 |
| Interest of the Directors or their spouses in the donations made during the year is as follows: | | | | |
| **Name of Donee and address** | **Name of interested directors and nature of interest** | | | |
| Million Smiles Foundation | Zeshan Afzal - Independent Director | | **5,100** | 7,025 |
| **32. Other Operating Expenses** | | | | |
| Loss on disposal of assets | | | **-** | 6,184 |
| Loss on foreign currency translation | | | **327,314** | - |
| Research and development cost | | | **367,318** | 373,476 |
| Provision for expected credit losses | | | **-** | 167,574 |
| | | | **694,632** | 547,234 |
| **33. Finance Cost** | | | | |
| Lease finance charges | | | **926** | 1,053 |
| Mark up on loans | | 33.1 | **309,051** | 184,920 |
| Amortization of deferred grant | | | **-** | (712) |
| Lease documentation charges | | | **-** | 30 |
| Bank charges | | | **5,071** | 4,522 |
| | | | **315,048** | 189,813 |

**33.1** Mark up on loans include Rs. 130.08 million paid on Islamic mode of financing (2023: Rs 68.78 million).

| | | | | |
|---|---|---|---|---|
| **34. Other Income** | | | | |
| **Income from financial assets** | | | | |
| Profit on bank deposits & short term investments | | 34.1 | **514,589** | 296,156 |
| **Income from non-financial assets** | | | | |
| Gain on foreign currency translation | | | **-** | 1,701,418 |
| Gain on disposal of assets | | | **28,739** | - |
| Rental income | | | **900** | 900 |
| Reversal of provision for expected credit losses | | | **51,760** | - |
| Miscellaneous income | | | **2,000** | - |
| | | | **83,399** | 1,702,318 |
| | | | **597,988** | 1,998,474 |

**34.1** Income is earned under both conventional mark-up arrangement and Shariah compliant arrangement. It includes Rs. 477.35 million profit earned on Sharia compliant bank deposits & Investments (2023: Rs 269.07 million).

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| **35. Share of Loss of Associate** | | | |
| Share of loss of associate | | - | 33,687 |

**35.1** As a result of the loss of significant influence of the WRLD3D (a US based entity having its principal place of business at 800 W. El Camino Real, Suite 320, Mountain View, California 94040 and engaged in gaming and 3D mapping business) in the prior period, the Group discontinued the use of the equity method. Upon discontinuation of the use of the equity method, as per requirement of IAS-28, the Company reclassified the foreign currency translation reserve of Rs. 33.69 million to profit or loss account.

**36. Final Taxes / Levies**

| | NOTE | 2024 | 2023 |
|---|---|---|---|
| Final taxes / levies | 36.1 | 97,295 | 67,690 |
| International tax effect | | 76,986 | 124,684 |
| Prior year adjustment | | (780) | 458 |
| | | 173,501 | 192,832 |

**36.1** This represents portion of minimum tax paid under section 169 of the Income Tax Ordinance, 2001 representing levy in terms of requirements of IFRIC 21/IAS 37.

**36.2** For exporters of IT & IT enabled services, export income is taxable under FTR at 0.25% of the export remittances realized through normal banking channels. However tax as per applicable rates is charged to the income of the company generated from sources other than export income.

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.

**36.3** Reconciliation of current tax charged as per tax laws for the year, with current tax recognised in the statement of profit or loss, is as follows:

| | 2024 | 2023 |
|---|---|---|
| Current tax expense for the year as per applicable tax laws | 174,281 | 192,374 |
| Portion of current tax charged as per tax laws, representing income tax under IAS 12 | - | - |
| Portion of current tax computed as per tax laws, representing levy in terms of requirements of IFRIC 21/ IAS 37 | (97,295) | (67,690) |
| International tax effect | (76,986) | (124,684) |
| Difference | - | - |

The aggregate of final tax and income tax, amounting to Rs. 173.50 million represents tax expense of the Group calculated under the relevant provisions of the Income Tax Ordinance, 2001.

| **37. Earnings Per Share - Basic and Diluted** | | 2024 | 2023 |
|---|---|---|---|
| Profit attributable to ordinary shareholders | Rupees | 1,203,053 | 1,038,453 |
| **Weighted average number of ordinary shares (Basic)** | | | |
| Issued ordinary shares at beginning of the year | | 89,837 | 89,837 |
| Less: weighted average number of treasury shares held by the Group | | (2,000) | (2,000) |
| Weighted average number of ordinary shares as at June 30, | Numbers | 87,837 | 87,837 |
| Earnings per share - basic | | 13.70 | 11.82 |
| Weighted average number of ordinary shares (Diluted) | | | |
| Weighted average number of ordinary shares (Basic) | | 87,837 | 87,837 |
| Effect of exercise of share options | | 717 | 248 |
| Weighted average number of ordinary shares (diluted) | Numbers | 88,554 | 88,085 |
| Earnings per share - diluted | | 13.59 | 11.79 |

## 38. Remuneration of Chief Executive, Directors and 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 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | Rupees in Thousands | | | | | | | |
| Managerial remuneration | 27,200 | 24,000 | 24,000 | 21,600 | 1,672,717 | 1,886,587 | 1,723,917 | 1,932,187 |
| Retirement benefits | 2,176 | 1,920 | 1,920 | 1,728 | 133,435 | 150,927 | 137,531 | 154,575 |
| Rent and house maintenance | 10,880 | 9,600 | 9,600 | 8,640 | 667,177 | 660,305 | 687,657 | 678,545 |
| Utilities | 2,720 | 2,400 | 2,400 | 2,160 | 166,795 | 282,988 | 171,915 | 287,548 |
| Medical expenses | 10,373 | 8,678 | 3,897 | 2,699 | 70,659 | 77,448 | 84,929 | 88,825 |
| Other allowances | - | | - | - | 384,380 | 469,971 | 384,380 | 469,971 |
| Commission / bonus | - | - | - | - | 59,690 | 18,609 | 59,690 | 18,609 |
| Employee share option expense | 3,880 | 7,517 | 2,125 | 4,117 | 4,933 | 9,557 | 10,938 | 21,191 |
| | 57,229 | 54,115 | 43,942 | 40,944 | 3,159,786 | 3,556,392 | 3,260,957 | 3,651,451 |
| Number of persons | 1 | 1 | 1 | 1 | 642 | 942 | 644 | 944 |

**38.1** An Executive is defined as an employee, other than the Chief Executive Officer and directors, whose basic salary exceeds Rs. 1.2 million in a financial year.

**38.2** The Group provides the Chief Executive Officer and certain directors and executives with company maintained vehicles.

**38.3** No share options were granted to Chief Executive and other executives during the year (2023: Nil).

**38.4** 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. During the year, an amount of Rs. 6.6 million (2023: Rs. 7.8 million) was paid.

## 39. Transactions with Related Parties

Related parties comprise Holding company, associated undertakings, staff retirement funds, directors and key management personnel. The Group in the normal course of business carries out transactions with various related parties. The Group enters into transactions with related parties on the basis of mutually agreed terms. Outstanding balances at the reporting date are unsecured. There have been no guarantees provided or received for any related party receivables or payables.

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

| Relationship with the Company | Nature of Transactions | 2024 | 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| Parent | Commission | 111,384 | - |
| Associated undertaking | Rental Income | 900 | 900 |
| | Expenses on behalf of related parties | 266,892 | 428,814 |
| | Expenses incurred by related parties | 429,559 | 556,290 |
| | Provision of services | 2,913,905 | 2,164,949 |
| | Purchase of services | 46,614 | 45,048 |
| Executives / key management personnel | Long term advance received | 1,995 | - |
| Post employment benefit | Contribution to defined contribution plan | 179,305 | 198,139 |

**39.1** Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place:

| S. No. | Company Name | Country of Incorporation | Relationship | Percentage of Shareholding |
|---|---|---|---|---|
| 1 | NetSol Technologies Inc. | USA | Holding Company | 67.62% |
| 2 | NetSol Technologies (Thailand) Limited | Thailand | Associate | Nil |
| 3 | NetSol Technologies (Beijing) Co., Ltd. | China | Associate | Nil |
| 4 | NetSol Technologies Australia pty. Limited | Australia | Associate | Nil |
| 5 | NetSol Technologies Americas Inc. | USA | Associate | Nil |
| 6 | NetSol Technologies Europe Limited | UK | Associate | Nil |
| 7 | OTOZ Thailand Limited | Thailand | Associate | Nil |
| 8 | Ascent Europe Limited | UK | Associate | Nil |
| 9 | Tianjin NuoJinZhiCheng Co., Ltd. | China | Associate | Nil |

**39.2** Details of related parties with whom the Group had entered into transaction or had agreements other than already disclosed in note 39 above are as follows:

| S. No. | Company Name | Basis of Relationship | Common Directorship | Percentage of Shareholding |
|---|---|---|---|---|
| 1 | NetSol Connect (Pvt.) Limited | Associate | Yes | Nil |
| 2 | HospitAll (Pvt.) Ltd. | Associate | No | Nil |

| S. No. | Other Related Parties | Basis of Relationship | Percentage of Shareholding |
|---|---|---|---|
| 1 | Salim Ullah Ghauri | Director | 1.16% |
| 2 | Naeem Ullah Ghauri | Director | Nil |
| 3 | Zeshan Afzal | Director | Nil |
| 4 | Vaseem Anvar | Director | Nil |
| 5 | Hamna Ghauri | Director | Nil |
| 6 | Omer Shahab Ghauri | Director | Nil |
| 7 | Anwaar Hussain | Director | Nil |
| 8 | Boo Ali | Key Management Personnel | Nil |
| 9 | Sehrish Ishtiaq | Key Management Personnel | Nil |
| 10 | Muhammad Abdul Wahab Hafeez | Key Management Personnel | Nil |
| 11 | Khurram Shahnawaz Rana | Key Management Personnel | Nil |
| 12 | Asad Ullah Ghauri | Key Management Personnel | Nil |
| 13 | Mohsin Hanif | Key Management Personnel | Nil |
| 14 | Asif Zafar | Key Management Personnel | Nil |
| 15 | Naheed Kausar | Key Management Personnel | Nil |
| 16 | Majid Bashir | Key Management Personnel | Nil |
| 17 | Syed Umer Qadri | Key Management Personnel | Nil |
| 18 | Sahibzada Ali Mahmud | Key Management Personnel | Nil |

# Notes to and forming part of the Consolidated Financial Statements

For the Year Ended June 30, 2024

## 40. Capital and Financial Risk Management

### 40.1 Capital Risk Management

The Group 's objective when managing capital are to safeguard the Group 's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

In line with the norms, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital is calculated as equity as shown in the statement of financial position plus net debt. As at the reporting date, the gearing ratio of the Group was worked out as under:

| | 2024 | 2023 |
|---|---|---|
| | Rupees in Thousands | |
| Borrowings | **1,596,792** | 1,676,522 |
| Cash and bank balances | **(4,669,162)** | (2,633,066) |
| Net debt | **-** | - |
| Equity | **10,106,447** | 8,892,689 |
| Total capital employed | **10,106,447** | 8,892,689 |
| Gearing ratio | **Not Geared** | Not Geared |

### 40.2 Financial Risk Management

**Financial risk factors**

The Group's activities are exposed to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group 's overall risk management programme focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

'The Board of Directors of the Group have overall responsibility for the establishment and oversight of the Group's risk management process. Risk management is carried out in accordance with established policies and guidelines approved by the Board of Directors. 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) Market risk**

**(i) Currency risk**

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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 in currencies other than Pak Rupees. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. As at the reporting date the Group's exposure to currency risk was as follows:

| | | |
|---|---|---|
| Trade debts | **5,326,984** | 5,505,812 |
| Cash and bank balances | **476,654** | 576,286 |
| Due from related parties | **500,538** | 450,712 |
| Due to related parties | **(6,858)** | - |
| Net exposure | **6,297,318** | 6,532,810 |

**Sensitivity Analysis**

The following analysis demonstrates the impact of a 5% strengthening/weakening of the Pak Rupee against US$, RMB¥, Euro and other currencies including UK£, AUS$, HKD & THB at June 30, 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 2023.

| | 2024 | | | | |
|---|---|---|---|---|---|
| | USD | RMB | EURO | Others | Total |
| | Rupees in Thousands | | | | |
| **Impact on statement of profit or loss (net of tax)** | | | | | |
| As at June 30, | | | | | |
| Strengthening | **(7,418,083)** | **(2,158,278)** | **(62,508)** | **(579,208)** | **(10,218,077)** |
| Weakening | **7,418,083** | **2,158,278** | **62,508** | **579,208** | **10,218,077** |
| **Impact on equity** | | | | | |
| As at June 30, | | | | | |
| Strengthening | **(10,448,005)** | **(3,039,827)** | **(88,039)** | **(815,786)** | **(14,391,657)** |
| Weakening | **10,448,005** | **3,039,827** | **88,039** | **815,786** | **14,391,657** |

| | 2023 | | | | |
|---|---|---|---|---|---|
| | USD | RMB | EURO | Others | Total |
| **Impact on statement of profit or loss (net of tax)** | | | | | |
| As at June 30, | | | | | |
| Strengthening | (1,265,358) | (2,677,583) | (581,744) | (1,205,078) | (5,729,763) |
| Weakening | 1,265,358 | 2,677,583 | 581,744 | 1,205,078 | 5,729,763 |
| **Impact on equity** | | | | | |
| As at June 30, | | | | | |
| Strengthening | (1,782,195) | (3,771,244) | (819,358) | (1,697,293) | (8,070,090) |
| Weakening | 1,782,195 | 3,771,244 | 819,358 | 1,697,293 | 8,070,090 |

**(ii) 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, lease liabilities, term deposits and deposits in profit and loss/saving accounts with banks and investments in mutual funds. The Group mitigates its interest rate risk by investing available cash in mutual funds and bank deposits, generating more return compared to the finance cost. At the statement of financial position date profile of the Group's interest-bearing financial instrument is:

The interest rate profile of the Group's interest-bearing financial instruments as at the reporting date is as follows:

| | 2024 | 2023 |
|---|---|---|
| | Rupees in Thousands | |
| **Floating rate instruments** | | |
| **Financial assets** | | |
| Bank balances | **4,154,390** | 2,244,260 |
| **Financial liabilities** | | |
| Finance Lease liabilities | **972** | 4,327 |
| Long term loan | **15,820** | 92,195 |
| Short term borrowings | **1,580,000** | 1,580,000 |
| | **1,596,792** | 1,676,522 |

The Company has no instruments subject to fixed interest rate.

**Cash flow sensitivity analysis for variable rate instruments**

As at June 30, 2024, if floating interest rates had been 1% higher / lower with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 5.020 million (2023: Rs. 2.931 million), mainly as a result of interest exposure on variable rate borrowings.

**(iii) Other price risk**

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The company is not exposed to significant other price risk as its investments are stated at cost.

The Company is not exposed to any market price risk.

**(b) Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables), including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk of the Group arises from trade debts, loan and advances, trade deposits, other receivables and deposits with banks. To reduce exposure to credit risk the Group has developed a formal approval process. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors and makes provision against those balances considered doubtful of recovery. The utilization of credit limits is regularly monitored. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

The Group monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings, if any. As at June 30, 2024, the maximum exposure to credit risk is equal to the carrying amount of the financial assets as detailed below:

| | NOTE | **2024** | 2023 |
|---|---|---|---|
| | | **Rupees in Thousands** | |
| Trade debts | 10 | **5,607,581** | 6,018,967 |
| Loans and advances | 12 | **44,579** | 10,961 |
| Security deposits | 13 | **3,983** | 4,878 |
| Other receivables | 14 | **54,026** | 26,109 |
| Due from related parties | 15 | **514,396** | 466,457 |
| Bank balances | 17 | **4,644,377** | 2,622,123 |
| | | **10,868,942** | 9,149,495 |
| Aging of trade debts at June 30 is as follows: | | | |
| Not past due | | **1,541,797** | 2,417,693 |
| Past due 1-180 days | | **1,264,714** | 1,690,881 |
| Past due 181 days -1 year | | **1,289,111** | 1,407,859 |
| More than one year | | **1,511,959** | 502,534 |
| | | **5,607,581** | 6,018,967 |

The Group does not have significant exposure to any individual customer. At June 30, the Group had 31 customers owing Rs. 5.58 billion. The Group has made allowances, where necessary, for potential losses on credits extended.

For trade receivables and contract assets, the Group uses a simplified approach to calculate expected credit losses (ECLs). A provision matrix has been established based on the company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. This matrix is based on the customer segments that exhibit similar patterns, such as geography and customer type.

The management estimates the recoverability of trade receivables on the basis of financial position and past history of its customers based on the objective evidence that it may not receive the amount due from the particular customer. The provision is written off by the Group when it expects that it cannot recover the balance due. Any subsequent repayments in relation to amounts written off are credited directly to profit or loss.

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

| | Rating Short Term | Rating Long Term | Rating Agency | 2024 | 2023 |
|---|---|---|---|---|---|
| | | | | Rupees in Thousands | |
| Askari Bank Limited | A1+ | AA+ | PACRA | **1,364,203** | 746,241 |
| MCB Bank Limited | A1+ | AAA | PACRA | **73** | 61 |
| Samba Bank Limited | A1 | AA | PACRA | **632,064** | 302,381 |
| Meezan Bank Limited | A-1+ | AAA | VIS | **313,599** | 259,134 |
| Dubai Islamic Bank Pakistan Limited | A-1+ | AA | VIS | **18** | 768 |
| Al Baraka Bank | A-1 | A+ | VIS | **415,833** | 155,476 |
| Habib Metro Bank Limited | A1+ | AA+ | PACRA | **1,021,088** | 744,730 |
| Bank Alfalah | A1+ | AAA | PACRA | **623,965** | 413,332 |
| Emirates NBD | A2 | P -1 | Moody's | **3,609** | - |
| Standard Chartered Bank | A1+ | AAA | PACRA | **-** | - |
| Bank Al Habib | A1+ | AAA | PACRA | **20** | - |
| Habib Bank Limited | A1+ | AAA | VIS | **269,905** | - |
| | | | | **4,644,377** | 2,622,123 |

**(c) 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:

| Description | 2024 Carrying amount | Contractual cash flows | With in 1 year | 1-2 Years | 2-5 Years | Above 5 Years |
|---|---|---|---|---|---|---|
| | Rupees in Thousands | | | | | |
| Contractual maturities of financial liabilities as at June 30, 2024: | | | | | | |
| Finance lease liability | **972** | **1,019** | **1,019** | **-** | **-** | **-** |
| Trade and other payables | **683,587** | **683,587** | **683,587** | **-** | **-** | **-** |
| Short-term borrowings | **1,580,000** | **1,856,500** | **1,856,500** | **-** | **-** | **-** |
| Long term borrowings | **15,820** | **18,221** | **15,335** | **2,886** | **-** | **-** |
| | **2,280,379** | **2,559,327** | **2,556,441** | **2,886** | **-** | **-** |

| Description | 2023 Carrying amount | Contractual cash flows | With in 1 year | 1-2 Years | 2-5 Years | Above 5 Years |
|---|---|---|---|---|---|---|
| | Rupees in Thousands | | | | | |
| Contractual maturities of financial liabilities as at June 30, 2023: | | | | | | |
| Finance lease liability | 4,326 | 4,978 | 3,960 | 1,018 | - | - |
| Trade and other payables | 701,400 | 701,400 | 701,400 | - | - | - |
| Short-term borrowings | 1,580,000 | 1,859,400 | 1,859,400 | - | - | - |
| Long term borrowings | 92,195 | 113,958 | 57,877 | 56,082 | - | - |
| | 2,377,921 | 2,679,736 | 2,622,637 | 57,100 | - | - |

# Notes to and forming part of the Consolidated Financial Statements

For the Year Ended June 30, 2024

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.

**(d) Fair value of financial instruments**

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

Fair value is determined on the basis of objective evidence at each reporting date. The management assessed that the fair values of financial assets and financial liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

| | **2024** | 2023 |
|---|---|---|
| | **Rupees in Thousands** | |
| **Financial instruments by categories** | | |
| **Financial assets at amortized cost** | | |
| Trade debts | **5,326,984** | 5,662,696 |
| Loans and advances | **44,579** | 10,961 |
| Trade deposits & short term prepayments | **3,983** | 4,878 |
| Other receivables | **54,026** | 26,109 |
| Due from related parties | **514,396** | 466,457 |
| Bank balances | **4,644,377** | 2,622,123 |
| | **10,588,345** | 8,793,224 |
| **Financial liabilities at amortized cost** | | |
| Finance lease liability | **972** | 4,327 |
| Trade and other payables | **600,010** | 579,494 |
| Long-term borrowings | **15,820** | 92,195 |
| Short-term borrowings | **1,580,000** | 1,580,000 |
| | **2,196,802** | **2,256,016** |

## 41. Changes in Liabilities Arising from Financing Activities

| | As at June 30, 2023 | Cash flows (Net) | As at June 30, 2024 |
|---|---|---|---|
| | | Rupees in Thousands | |
| Long term financing - net | 92,195 | (90,955) | **15,820** |
| Short term borrowings - net | 1,638,050 | (338,924) | **1,004,655** |
| Lease liabilities | 4,327 | (4,280) | **972** |
| Long term advances | 16,675 | (14,680) | **1,995** |
| | 1,751,247 | (434,159) | **1,023,442** |

| | As at June 30, 2022 | Cash flows (Net) | As at June 30, 2023 |
|---|---|---|---|
| | | Rupees in Thousands | |
| Long term financing - net | 213,315 | (140,959) | 92,195 |
| Short term borrowings - net | 1,592,172 | (119,203) | 1,638,050 |
| Lease liabilities | 7,718 | (4,445) | 4,326 |
| Long term advances | 7,975 | 8,700 | 16,675 |
| | 1,821,180 | (255,907) | 1,751,246 |

## 42. Shariah Screening Disclosures by Company Listed on Islamic Index

| | Disclosed in |
|---|---|
| Loans/advances obtained as per Islamic mode | Note 25 |
| Shariah compliant bank deposits/bank balances | Note 17 |
| Profit earned from Shariah compliant bank deposits/ bank balances | Note 34.1 |
| Revenue earned from a shariah compliant business segment | Note 28 |
| Gain/loss or dividend earned from shariah compliant investments | Note 34 |
| Exchange gain earned | Note N/A |
| Mark up paid on Islamic mode of financing | Note 33.1 |
| Profits earned on any conventional loan or advance | Note 34.1 |
| Interest paid on any conventional loan or advance | Note 33.1 |
| Relationship with Shariah compliant banks | Note N/A |

## 43. Provident Fund Related Disclosures

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.

| | **2024** | 2023 |
|---|---|---|
| | **Number** | |
| **44. Number of Employees** | | |
| Number of employees as at June 30, | **1,582** | 1,627 |
| Average number of employees during the year | **1,195** | 1,514 |

## 45. Segment Reporting

For Management purposes, the Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different to industries.

The Group measures the performance of its operating segments through a measure of segment's gross profit or loss referred to as segment results. Segment results are determined by deducting directly attributable segment expenses from segment revenues. The accounting policies of the reportable segments are the same as that of the Group's accounting policies. This measure is reported to the CODM for the purposes of resource allocation and assessment of performance. All other expenses are reported separately to CODM.

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.

# Notes to and forming part of the Consolidated Financial Statements

For the Year Ended June 30, 2024

**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) Product Based Solutions and Ancillary Services (PBS)**

The Group is primarily engaged in the selling of licenses of its state-of-the-art NFS Ascent and NFS Digital, its customization and subscription and support. This segment provides worldwide services but mainly operates in Asia Pacific region.

**(ii) Professional Services (PS)**

The Group globally offers a technical consultancy, web development, app development, digital marketing & cloud services to organizations in different regions in order to enable them to meet their business objectives.

**(iii) Business Process Outsourcing (BPO)**

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

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

**46. Segment Revenues and Results**

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

| | 2024 | | | |
|---|---|---|---|---|
| | PBS | PS | BPO | Total |
| | Rupees in Thousands | | | |
| **Revenue - net** | | | | |
| External sales | | | | |
| -License | 802,390 | - | - | **802,390** |
| -Services | 3,689,505 | 315,299 | 74,887 | **4,079,691** |
| -Subscription and Support | 4,697,555 | - | - | **4,697,555** |
| **Total revenue** | 9,189,450 | 315,299 | 74,887 | **9,579,636** |
| Cost of revenue | (5,068,134) | (276,017) | (49,838) | **(5,393,989)** |
| Segment results | 4,121,316 | 39,282 | 25,049 | **4,185,647** |
| Unallocated corporate expenses: | | | | |
| -Selling and promotion expenses | | | | **(957,063)** |
| -Administrative expenses | | | | **(1,440,338)** |
| -Other income | | | | **597,988** |
| -Other operating expenses | | | | **(694,632)** |
| -Finance cost | | | | **(315,048)** |
| -Final tax / levies | | | | **(173,501)** |
| **Profit after taxation** | | | | **1,203,053** |

| | 2023 | | | |
|---|---|---|---|---|
| | PBS | PS | BPO | Total |
| | Rupees in Thousands | | | |
| Revenue - net | | | | |
| External sales | | | | |
| -License | 416,020 | - | - | 416,020 |
| -Services | 3,324,265 | 125,134 | 73,282 | 3,522,681 |
| -Subscription and Support | 3,849,115 | - | - | 3,849,115 |
| Total revenue | 7,589,400 | 125,134 | 73,282 | 7,787,816 |
| Cost of revenue | (5,341,418) | (228,985) | (67,905) | (5,638,308) |
| Segment | 2,247,982 | (103,851) | 5,377 | 2,149,508 |
| Unallocated corporate expenses: | | | | |
| -Selling and promotion expenses | | | | (777,153) |
| -Administrative expenses | | | | (1,368,810) |
| -Other income | | | | 1,998,474 |
| -Other operating expenses | | | | (547,234) |
| -Finance cost | | | | (189,813) |
| -Share of loss of associate | | | | (33,687) |
| -Final tax / levies | | | | (192,832) |
| Profit after taxation | | | | 1,038,453 |

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

**46.1 Revenue by geographic regions**

The revenue is generated from clients in following geographical regions:

| | Pakistan | Asia Pacific | Australia & USA | UK | Others | Total |
|---|---|---|---|---|---|---|
| **2024** | **76,740** | **7,065,358** | **1,452,722** | **666,202** | **318,614** | **9,579,636** |
| **2023** | 153,907 | 4,980,772 | 1,885,777 | 578,819 | 188,541 | 7,787,816 |

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

**46.2 Revenue from major customers**

The revenue from major customer during the year was Rs. 4,226 million (2023: 3,663 million).

**46.3 Non current assets**

Net book value of non-current assets held in foreign countries is Rs. Nil (2023 : Rs. Nil).

**47. 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 and forming part of the Consolidated Financial Statements

For the Year Ended June 30, 2024

**48. Authorization of Financial Statements**

These consolidated financial statements were approved and authorized by the Board of Directors of the Group for issuance on September 12, 2024.

**49. Subsequent Events**

The Board of Directors of the Group has proposed a final cash dividend of 30% i.e. Rs. 3 per share for the year ended June 30, 2024 for approval of members at the Annual General Meeting. These consolidated financial statements do not include the effect of the above event which will be accounted for in the year in which it is approved.

**50. General**

Corresponding figures are rearranged / reclassified for better presentation and comparison. The following re-arrangements / reclassifications has been made in these consolidated financial statements for better presentation of the consolidated financial statements.

| Nature | From | To | 2023 |
|---|---|---|---|
| | | | Rupees in Thousands |
| Vehicle running expenses | Cost of revenue - Salaries and benefits (Note 29) | Cost of revenue - Vehicle running and maintenance (Note 29) | 234,912 |
| Vehicle running expenses | Selling and promotion expenses - Salaries and benefits (Note 30) | Selling and promotion expenses - Vehicle running expenses (Note 30) | 12,941 |
| Vehicle running expenses | Administrative expenses - Salaries and benefits (Note 31) | Administrative expenses - Vehicle running expenses (Note 31) | 46,494 |
| Other payables | Trade and other payables - Other payable (Note 23) | Trade and other payables -Withholding tax (Note 23) | 630 |
| Provident fund | Provident fund payable (Note 23) | Accrued Liabilities (Note 23) | 2,930 |
| Vehicle running expenses | Vehicle running expenses- Administrative expense (Note 31) | Vehicle running expenses - Cost of revenue (Note 29) | 106 |
| Lease Finance Charges | Finance cost - Lease finance charges (Note 33) | Finance cost - Mark up on loans (Note 33) | 19,839 |
| Levy / final taxation | Income tax (Note 36) | Final tax / levies (Note 36) | 192,832 |

CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER

# NETSOL TECHNOLOGIES LIMITED

**E-Dividend Mandate Letter**

To:

Subject: Bank Account details for Payment of Dividend through Electronic Mode

Dear Sir/Madam

I/We/Messrs.,______________________________________ being a/the shareholder(s) of NetSol Technologies Limited [the "Company"], hereby, authorize the Company, to directly credit cash dividends declared by it, in my bank account as detailed below:

| | |
|---|---|
| (i) Shareholder's details: | |
| Name of the Shareholder | |
| Folio No/CDC Participant ID & Sub-Account No./CDC IAS | |
| CNIC/NICOP/Passport/NTN No. (please attach copy) | |
| Contact Number (Landline & Cell Nos.) | |
| Shareholder's Address | |
| Email Address | |
| (ii) Shareholder's Bank account details: | |
| Title of Bank Account | |
| IBAN (See Note 1 below) | |
| Bank's Name | |
| Branch Name & Code No. | |
| Branch Address | |

It is stated that the above particulars given by me are correct and I shall keep the Company, informed in case of any changes in the said particulars in future.

Your truly

______________________________
Signature of the shareholder/authorized signatories
(Please affix company stamp in case of corporate entity)

Notes:

1. Please provide complete IBAN, after checking with your concerned Bank branch to enable electronic credit directly into your bank account
2. This letter must be sent to shareholder's participant/CDC Investor Account Services which maintain his/her CDC account for incorporation of bank account details for direct credit of cash dividend declared by the Company from time to time. In case of physical shares, the form must be sent to the Company's Share Registrar.
3. Pursuant to the directives of the Securities and Exchange Commission of Pakistan (SECP) your Computerized National Identity Card (CNIC) is mandatorily required to be mentioned on your dividend warrant and if your CNIC number is not available in our records, your dividend warrant will not be issued / dispatched to you. In order to comply with this regulatory requirement, you are requested to kindly send a photocopy of your valid CNIC to the registered office of NetSol Technologies Limited or to the 'Share Registrar Department, Central Depository Company of Pakistan Limited, CDC House, 99-B, Block 'B' , S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400, Pakistan' . Kindly ignore if you have already provided your CNIC number to us.

# Form of Proxy

I/We____________________________________________________________________________

(Name)

Of______________________________________________________________________________

(Place)

being a member(s) of *NETSOL TECHNOLOGIES LIMITED* hereby appoint

________________________________________________________________________________

(Name and Folio No. / Participant Account No. & Sub-Account No.)

Of______________________________________________________________________________

(Place)

who is also a member of the Company, as my/our proxy to attend and vote on my/our behalf at the Annual General Meeting of the Company to be held at the Registered Office of the Company situated at NetSol IT Village (Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt., and virtually on Friday October 18, 2024 at 11:00 a.m. and at any adjournment thereof.

Signed at_____________this________________Day of __________2024.

Witness 1:

Signature: ________________

Name: ________________

Address: ________________

________________

CNIC or
Passport No.____________________

Fifty Rupees
Revenue Stamp

Witness 2 :

Signature: ________________

Name: ________________

Address: ________________

________________

CNIC or
Passport No.____________________

Signature of Member(s)

Shareholder's Folio No.________________

and/or Participant I.D. No.____________

Note:

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

2) A Proxy must be a member of the Company. Signature should agree with the specimen registered with the Company.

Second Fold

Affix Revenue
Stamp

The Company Secretary

**NetSol Technologies Limited**

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

First Fold

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# پراکسی فارم

میں مسمیٰ/ مسماۃ ____________________

(نام)

ساکن ____________________

(جگہ)

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

مسمیٰ/ مسماۃ ____________________

(نام اور فولیو نمبر/ پارٹیسیپنٹ اکاؤنٹ نمبر اور سب اکاؤنٹ نمبر)

ساکن ____________________

(جگہ)

جو کہ کمپنی کا ایک ممبر بھی ہے، کو بطور مختار (پراکسی) مقرر کرتا/ کرتی ہوں تا کہ وہ میری جگہ اور میری طرف سے کمپنی کے سالانہ اجلاس عام جو مورخہ 18 اکتوبر 2024ء بروز جمعہ صبح 11:00 بجے بمقام کمپنی کے رجسٹرڈ آفس واقع نیٹ سول ٹیکنالوجیز لمیٹڈ نیٹ سول آئی ٹی ویلیج (سوفٹ ویئر ٹیکنالوجی پارک) لاہور رنگ روڈ، غازی روڈ انٹرچینج لاہور کینٹ اور بذریعہ ویڈیو لنک منعقد یا کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

دستخط کی جگہ __________ تاریخ __________ دن __________ 2024ء۔

گواہی نمبر ۱

دستخط: ____________________

نام: ____________________

پتہ: ____________________

____________________

کمپیوٹرائز قومی شناختی کارڈ

یا پاسپورٹ نمبر: ____________________

پچاس روپے کی
رسیدی ٹکٹ

گواہی نمبر ۲

دستخط: ____________________

نام: ____________________

پتہ: ____________________

____________________

ممبر کے دستخط: ____________________

فولیو نمبر: ____________________

اور یا/ پارٹیسپنٹ آئی۔ڈی نمبر: ____________________

کمپیوٹرائز 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 ویلیج (سوفٹ ویئر ٹیکنالوجی پارک) لاہور رنگ روڈ، غازی روڈ انٹرچینج لاہور کینٹ میں کم از کم اجلاس سے ۴۸ گھنٹے قبل جمع کرانا ہوگا۔

۲) پراکسی کمپنی کا ممبر ہوں۔ دستخط کمپنی کے ریکارڈ شدہ نمونہ سے تصدیق ہو۔

Second Fold

Affix Revenue Stamp

The Company Secretary

NetSol Technologies Limited

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

Third Fold and Tuck In

First Fold


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