

The background of the page is a complex, abstract geometric pattern. It consists of numerous thin, light blue lines that intersect to form a variety of irregular polygons and shapes. Scattered throughout this network of lines are small, solid grey dots of varying sizes. The overall effect is that of a digital or network-based structure, possibly representing data or connectivity. The text is centered in the lower half of the page, overlaid on this pattern.

CONSOLIDATED FINANCIAL  
**STATEMENTS**  
For The Half Year Ended December  
31, 2019

## Condensed Consolidated Interim statement Of Financial Position - Unaudited

As at December 31, 2019

	NOTE	Dec-19 Unaudited	Jun-19 Audited (Restated)
Rupees in '000'			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	5	1,642,816	1,686,461
Intangible assets	6	1,067,649	1,214,401
		2,710,465	2,900,862
Long term Investment	7	254,541	293,379
Long term loans to employees	8	558	470
		2,965,564	3,194,711
<b>CURRENT ASSETS</b>			
Trade debts	9	1,733,325	2,878,928
Contract assets		1,523,487	1,167,646
Loans and advances	10	45,346	52,261
Trade deposits & short term prepayments		34,930	20,948
Other receivables		15,304	7,219
Due from related parties		219,075	23,117
Taxation - net		22,179	52,716
Cash & bank balances		2,078,509	2,053,102
		5,672,155	6,255,936
<b>TOTAL ASSETS</b>		<b>8,637,719</b>	<b>9,450,647</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorized share capital			
150,000,000 ordinary shares of Rs.10/- each	11	1,500,000	1,500,000
Issued, subscribed and paid-up capital	11	898,369	897,229
Share deposit money		13	13
Reserves	12	5,700,370	6,197,317
		6,598,752	7,094,559
Non - controlling Interest		19,207	225,035
		6,617,959	7,319,594
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		35,294	55,404
Deferred income		3,797	5,140
Long term advances		6,815	5,143
		45,906	65,687
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	460,027	492,409
Contract liabilities		83,014	468,827
Short term borrowings		1,380,000	1,053,000
Current portion of long term liabilities		44,435	46,947
Unclaimed dividend		6,378	4,183
		1,973,854	2,065,366
<b>CONTINGENCIES &amp; COMMITMENTS</b>	15	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,637,719</b>	<b>9,450,647</b>

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

**Condensed Consolidated Interim Statement of Profit or Loss - Unaudited**  
For The Half Year Ended December 31, 2019

	NOTE	Oct-Dec 2019	Oct-Dec 2018 (Restated)	Jul-Dec 2019	Jul-Dec 2018 (Restated)
		Rupees in '000'		Rupees in '000'	
Revenue from contracts with customers - Net	16	1,270,148	1,389,441	2,587,731	2,619,655
Cost of revenue		(859,710)	(810,042)	(1,666,653)	(1,576,473)
<b>Gross profit</b>		<b>410,438</b>	<b>579,399</b>	<b>921,078</b>	<b>1,043,182</b>
Selling and promotion expenses		(130,065)	(144,811)	(272,665)	(263,074)
Administrative expenses		(205,005)	(172,984)	(395,470)	(366,243)
		(335,070)	(317,795)	(668,135)	(629,317)
<b>Operating profit</b>		<b>75,368</b>	<b>261,604</b>	<b>252,943</b>	<b>413,865</b>
Other income		70,856	362,733	101,769	402,030
		146,224	624,337	354,712	815,895
Other operating expenses		(68,040)	(40,773)	(434,870)	(76,329)
Finance cost		(12,168)	(8,181)	(21,412)	(20,293)
Loss of share from Associate		(17,645)	-	(38,432)	-
<b>Profit / (Loss) before taxation</b>		<b>48,371</b>	<b>575,383</b>	<b>(140,002)</b>	<b>719,273</b>
Taxation					
Current period	17	(87,328)	(12,179)	(111,970)	(37,882)
Prior period	17	-	2,119	-	2,119
		(87,328)	(10,060)	(111,970)	(35,763)
<b>(Loss) / Profit after taxation for the period</b>		<b>(38,957)</b>	<b>565,323</b>	<b>(251,972)</b>	<b>683,510</b>
<b>Attributable to:</b>					
Equity holders of NetSol Technologies Limited		(58,625)	548,664	(260,031)	675,325
Non - controlling interest		19,669	16,659	8,059	8,185
		(38,957)	565,323	(251,972)	683,510
<b>(Loss) / Earnings per share</b>					
Basic - In Rupees	19	(0.65)	6.12	(2.89)	7.53
Diluted - In Rupees	19	(0.65)	6.11	(2.89)	7.52

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

**Condensed Consolidated Interim Statement of Other Comprehensive Income - Unaudited**  
For The Half Year Ended December 31, 2019

	Oct-Dec 2019	Oct-Dec 2018 (Restated)	Jul-Dec 2019	Jul-Dec 2018 (Restated)
	Rupees in '000'		Rupees in '000'	
<b>(Loss) / Profit after taxation for the period</b>	<b>(38,957)</b>	565,323	<b>(251,972)</b>	683,510
<b>Other comprehensive income / (Loss)</b>				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):				
Share of other comprehensive income /(loss) of an associate	1,031	-	(406)	-
<b>Total comprehensive (Loss) / Income for the period</b>	<b>(37,926)</b>	565,323	<b>(252,378)</b>	683,510
<b>Attributable to:</b>				
Equity holders of NetSol Technologies Limited	<b>(57,594)</b>	548,664	<b>(260,437)</b>	675,325
Non - controlling interest	<b>19,669</b>	16,659	<b>8,059</b>	8,185
	<b>(37,926)</b>	565,323	<b>(252,378)</b>	683,510

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

## Condensed Consolidated Interim Statement of Cash Flows - Unaudited

For The Half Year Ended December 31, 2019

NOTE	Jul-Dec 2019	Jul-Dec 2018
	Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / Profit before taxation for the period	(140,002)	719,273
Adjustments for non cash charges and other items:		
Depreciation - own assets	85,431	94,303
Amortization of Right of use assets	14,577	12,080
Amortization of intangible assets	146,752	146,752
(Gain) on disposal of fixed assets	(36)	(7,087)
Amortization of deferred revenue	(1,343)	(1,343)
Foreign exchange Loss / (gain)	240,216	(348,318)
Interest expense	20,615	19,658
Interest income	(99,940)	(44,858)
Deferred employee compensation expense	14,321	27,111
Provision for expected credit losses	46,874	-
Share of loss of Associate	38,432	-
	<b>505,899</b>	<b>(101,702)</b>
<b>Cash generated from operations before working capital changes</b>	<b>365,898</b>	<b>617,571</b>
<b>Working Capital Changes</b>		
Trade debts & Contract Assets/Liabilities	116,860	(715,559)
Loans and advances	6,827	(97,217)
Trade deposits & short term prepayments	(13,982)	(8,275)
Other receivables	(8,085)	(14,447)
Due from related parties	(195,959)	(27,596)
Trade and other payables	(32,747)	(88,090)
<b>Cash (used in) operations</b>	<b>(127,086)</b>	<b>(951,185)</b>
Interest paid	(20,250)	(20,828)
Income taxes paid	(81,433)	(38,845)
Dividend paid	(463,236)	(221,745)
<b>Net cash (used in) operations</b>	<b>(326,107)</b>	<b>(615,032)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment purchased	(84,872)	(121,129)
Sales proceeds of fixed asset	5,690	67,097
Advances against capital expenditure	22,854	(33,012)
Interest received	99,940	44,858
<b>Net cash generated from/ (used in) investing activities</b>	<b>43,609</b>	<b>(42,208)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of share capital	1,140	200
Share premium	714	129
Paid against lease liabilities	(20,934)	(33,974)
Received against lease liabilities	-	53,474
Short term borrowing	327,000	-
Long term advances	(15)	(5,051)
<b>Net cash generated from financing activities</b>	<b>307,905</b>	<b>14,778</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>25,407</b>	<b>(642,462)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2,053,102</b>	<b>2,235,272</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>2,078,509</b>	<b>1,592,810</b>

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

## Condensed Consolidated Interim Statement of Changes in Equity - Unaudited

For The Half Year Ended December 31, 2019

	Attributable to equity holders of the Parent						Non Controlling Interest	Total Equity	
	Issued, subscribed and paid-up capital	Share deposit money	Capital reserve			Revenue reserve			
			Employee share option compe-nsa- tion reserve	Share premium	Foreign currency translation reserve	Unappropri- ated profit			
Total									
Rupees In '000'									
<b>Balance as at June 30, 2018</b>	897,029	13	131,860	303,108	-	5,545,208	6,877,218	201,697	7,078,915
Restatement on initial application of IFRS 15						(785,377)	(785,377)		(785,377)
Net profit for the half year ended December 31, 2018	-	-	-	-	-	675,325	675,325	8,185	683,510
Shares deposit money against options exercised	-	328	-	-	-	-	328	-	328
Shares issued against options exercised (20,000 shares at Rs. 10 each)	200	(328)	(30)	158	-	-	-	-	-
<b>Distributions to owners</b>									
cash dividend						(224,307)	(224,307)		(224,307)
Contribution of parent on account of employee share options			27,111				27,111		27,111
	200	-	27,081	158	-	(334,360)	(306,921)	8,185	(298,735)
<b>Balance as at December 31, 2018</b>	897,229	13	158,941	303,266	-	5,210,848	6,570,298	209,882	6,780,180
<b>Balance as at June 30, 2019</b>	897,229	13	167,025	303,266	-	5,727,026	7,094,559	225,035	7,319,594
Net loss for the period	-	-	-	-	-	(260,031)	(260,031)	8,059	(251,972)
Other comprehensive loss for the period					(406)		(406)		(406)
Total comprehensive loss for the period					(406)	(260,031)	(260,437)	8,059	(252,378)
Shares issued against options exercised (114,000 shares at Rs. 10 each)	1,140	(1,872)	(168)	900					
cash dividend						(251,543)	(251,543)	(213,888)	(465,431)
Contribution of parent on account of employee share options			14,321	-		-	14,321	-	14,321
Lapse of 13,500 share options			(20)				(20)		(20)
Amount received against option exercised		1,872					1,872		1,872
	1,140	-	14,133	900	(406)	(511,575)	(495,807)	(205,829)	(701,636)
<b>Balance as at December 31, 2019</b>	898,369	13	181,158	304,167	(406)	5,215,451	6,598,752	19,207	6,617,959

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

## Notes to the Condensed Consolidated Interim Financial Statements Unaudited

For The Half Year Ended December 31, 2019

### 1. LEGAL STATUS AND NATURE OF BUSINESS

NetSol Group consists of:

- NetSol Technologies Limited
- NetSol Innovation (Private) Limited

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

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

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

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

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

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

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

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

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

#### 2.2 Basis of measurement

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

#### 2.3 Functional and presentation currency

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

### 3. ACCOUNTING POLICIES

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

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

#### (i) IFRS 16 Leases

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

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

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

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

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

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

#### b) Summary of new accounting policies

##### Right-of-use assets

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

##### Lease liabilities

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



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

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

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

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

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

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

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

#### **4. USE OF ESTIMATES AND JUDGMENT**

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

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

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

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

		Dec-19 Unaudited	Jun-19 Audited (Restated)			
Rupees in '000'						
<b>5. PROPERTY, PLANT &amp; EQUIPMENT</b>						
Net book value of owned assets	5.1	1,518,304	1,513,696			
Net book value of right of use assets	5.2	124,512	149,911			
Advances against capital expenditure		-	22,854			
		<b>1,642,816</b>	<b>1,686,461</b>			
<b>5.1 PROPERTY, PLANT &amp; EQUIPMENT</b>						
Opening Balance - net book value		1,513,696	1,645,422			
Additions	5.1.1	95,694	207,560			
		<b>1,609,390</b>	<b>1,852,982</b>			
Less:						
Disposals - net book value	5.1.2	(5,654)	(144,879)			
Depreciation & amortization		(85,431)	(194,407)			
		<b>1,518,304</b>	<b>1,513,696</b>			
<b>5.1.1 Following is the detail of addition / (transfer)</b>						
Furniture & fixture		2,432	4,598			
Vehicles		51,116	161,420			
Office equipment		3,290	4,065			
Computers		35,479	31,817			
Air conditioners		2,744	5,659			
Computer software		634	-			
<b>Total</b>		<b>95,694</b>	<b>207,560</b>			
<b>5.1.2 Following is the detail of deletions</b>						
		Dec-19 Unaudited		Jun-19 Audited (Restated)		
	Cost	Accumulated Depreciation	Written down Value	Cost	Accumulated Depreciation	Written down Value
	Rupees in '000'					
Furniture & fixture	-	-	-	1,563	755	809
Vehicles	9,335	4,442	4,893	166,926	24,302	142,624
Office equipment	-	-	-	141	46	95
Computers	1,131	952	179	4,870	3,624	1,246
Air conditioners	1,926	1,343	582	134	29	105
<b>Total</b>	<b>12,391</b>	<b>6,737</b>	<b>5,654</b>	<b>173,634</b>	<b>28,755</b>	<b>144,879</b>
<b>5.2 RIGHT OF USE ASSETS</b>						
Opening Balance - net book value		149,911	103,140			
Additions	5.2.1	-	102,858			
		<b>149,911</b>	<b>205,998</b>			
Less:						
Disposals - net book value	5.2.2	(10,822)	(26,327)			
Amortization		(14,577)	(29,760)			
		<b>124,512</b>	<b>149,911</b>			
<b>5.2.1 Following is the detail of addition / (transfer) :</b>						
Vehicles		-	96,550			
Computers		-	6,308			
<b>Total</b>		<b>-</b>	<b>102,858</b>			

5.2.2 Following is the detail of deletions	Dec-19 Unaudited			Jun-19 Audited (Restated)		
	Cost	Accumulated Depreciation	Written down Value	Cost	Accumulated Depreciation	Written down Value
Rupees in '000'						
Vehicles	20,320	9,498	10,822	42,648	16,321	26,327
Total	20,320	9,498	10,822	42,648	16,321	26,327
Rupees in '000'						
<b>6. INTANGIBLE ASSETS</b>					<b>Dec-19 Unaudited</b>	<b>Jun-19 Audited (Restated)</b>
Opening Balance - net book value					1,214,401	1,507,905
Additions					-	-
					1,214,401	1,507,905
Less:						
Amortization					(146,752)	(293,504)
					1,067,649	1,214,401
<b>7. LONG TERM INVESTMENTS - at cost</b>						
<b>Investment in associate</b>						
WRLD3D inc. (Unquoted company)				7.1	254,541	293,379
					254,541	293,379
7.1	During the fiscal year 2016, the Company entered into an agreement with WRLD3D Inc a USA based gaming and 3D mapping Company (a Delaware Corporation) to purchase 4,092,189 preference BB shares for \$2,777,778 which was to be earned over the period partly by providing IT and enterprise software solutions and partly in cash. The company had successfully complied with the terms and conditions of the agreement and 4,092,189 shares are issued to the company. Company holds 12.2% ownership interest in WRLD3D. The Company uses equity method to account for investment in associate.					
<b>8. LONG TERM LOANS TO EMPLOYEES-Unsecured</b>						
Loan to employees				8.1	6,535	5,237
Less: current maturity					(5,977)	(4,767)
					558	470
8.1	Long term loans have been carried at cost as the effect of carrying these balances at amortised cost would not be material in the overall context of these financial statements					
<b>9. TRADE DEBTS</b>						
Considered good - unsecured				9.3	1,733,325	2,878,928
Considered doubtful - unsecured				9.2	163,332	143,709
					1,896,657	3,022,637
Less: Provision for Expected credit losses					(163,332)	(143,709)
					1,733,325	2,878,928
9.1	It represents amount receivable from customers. It is unsecured but considered good by the management.					
9.2	This is a general provision created by the Company for any future doubtful trade debts.					
9.3	<b>Amount receivable from related parties included in trade debts are as under:</b>					
NetSol Technologies (Thailand) Limited					162,836	179,957
NetSol Technologies (Beijing) Company Limited					855,432	604,477
NetSol Australia Pty. Limited					13,546	14,156
Netsol Technologies North Americas					167,177	139,767
WRLD3D Inc					190,648	166,417
1Insurer Limited					-	321,812
The Innovation group-UK BPS					-	350,888
1Insurer Inc					-	52,241
					1,389,638	1,829,715

	NOTE	Dec-19 Unaudited	Jun-19 Audited (Restated)
		Rupees in '000'	
<b>10. LOANS AND ADVANCES - Unsecured</b>			
Current maturity of loans to employees	8	5,977	4,767
<b>Advances</b>			
- to executives		10	33
- against expenses	10.1	39,359	47,461
		<b>45,346</b>	<b>52,261</b>
10.1 Advances to employees are given to meet business expenses and are settled as and when the expenses are incurred.			
<b>11. SHARE CAPITAL</b>			
<b>11.1 Authorised share capital</b>			
		Dec-19 Unaudited	Jun-19 Audited
		Number of shares	
		Rupees in '000'	
		150,000,000	150,000,000
		Ordinary Shares of Rs. 10 each.	
		1,500,000	1,500,000
<b>11.2 Issued, subscribed &amp; paid-up capital</b>			
		42,686,191	42,572,191
		Ordinary Shares of Rs. 10 each fully paid in cash	
		47,150,732	47,150,732
		Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	
		89,836,923	89,722,923
		<b>898,369</b>	<b>897,229</b>
NetSol Technologies Inc. 23975, Park Sorrento, Suite 250, Calabasas CA 91302, is the parent company holding 66.12% (2019 : 66.20%) of issued capital of the Company.			
<b>12. RESERVES</b>			
<b>Capital reserve</b>			
Premium on issue of ordinary shares		304,167	303,266
Employee share option compensation reserve		181,158	167,025
Foreign currency translation reserve		(406)	-
<b>Revenue reserve</b>			
Un - appropriated profit		5,215,451	5,727,026
		<b>5,700,370</b>	<b>6,197,317</b>
<b>13. Trade and other payables also include payable to related parties, detail of which is given below:</b>			
<b>13.1 Due to related party</b>			
<i>Parent</i>			
NetSol Technologies Inc.		-	19,779
<i>Associated</i>			
NetSol Technologies Europe Ltd		7,435	7,076
Nadoz Green		267	300
		<b>7,702</b>	<b>27,155</b>

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

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

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

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

## 15. CONTINGENCIES & COMMITMENTS

### 15.1 Contingencies

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

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

### 15.2 Commitments

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

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

	Oct-Dec 2019	Oct-Dec 2018 (Restated)	Jul-Dec 2019	Jul-Dec 2018 (Restated)
	Rupees in '000'		Rupees in '000'	
<b>16. REVENUE FROM CONTRACTS WITH CUSTOMERS</b>				
<b>DISAGGREGATION OF REVENUE:</b>				
<b>Export Revenue</b>				
License	-	433,774	389,129	904,510
Services	839,731	717,470	1,375,503	1,264,578
Maintenance	427,393	235,448	817,050	445,068
	1,267,124	1,386,692	2,581,682	2,614,156
<b>Local Revenue</b>				
Maintenance	3,508	3,189	7,016	6,378
	3,508	3,189	7,016	6,378
Sales tax	(484)	(440)	(968)	(880)
	1,270,148	1,389,441	2,587,731	2,619,655

## 17. TAXATION

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

## 18. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### Financial risk factors

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

### Fair value of financial assets and liabilities

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

	Oct-Dec 2019	Oct-Dec 2018 (Restated)	Jul-Dec 2019	Jul-Dec 2018 (Restated)
<b>19. (LOSS) / EARNING PER SHARE</b>				
<b>Basic</b>	Rupees in '000'		Rupees in '000'	
(Loss) / Earning attributable to ordinary shareholders of NetSol Technologies Limited	<b>(58,625)</b>	548,664	<b>(260,031)</b>	675,325
Weighted average number of ordinary shares in issue during the period	<b>89,837</b>	89,723	<b>89,821</b>	89,722
Basic - In Rupees	<b>(0.65)</b>	6.12	<b>(2.89)</b>	7.53
<b>Diluted</b>				
(Loss) / Profit attributable to ordinary shareholders of NetSol Technologies Limited	<b>(58,625)</b>	548,664	<b>(260,031)</b>	675,325
Weighted average number of ordinary shares in issue during the period	<b>89,837</b>	89,831	<b>89,834</b>	89,833
Diluted - In Rupees	<b>(0.65)</b>	6.11	<b>(2.89)</b>	7.52

**20. TRANSACTION WITH RELATED PARTIES**

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

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

Relationship with the Company	Nature of transactions	Jul-Dec 2019	Jul-Dec 2018
		Rupees in '000'	
(i) Associated undertaking	Rental Income	450	450
	Provision of services	551,391	568,015
	Purchase of services	14,873	12,886
	Purchase of fixed assets	180	-
(ii) Parent	Dividend	116,417	118,793
(iii) Key management personnel	Salaries and benefits	90,240	73,571
	Retirement benefits	2,588	1,454
	Commission paid	108,454	116,751
(iv) Post employment benefit	Contribution to defined contribution plan	57,921	49,880
(v)	There are no transactions with any key management personnel other than under the terms of employment.		

**21. SEGMENT REVENUES AND RESULTS**

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

	Dec-19			Total
	NFS	IS & SSS	BPO	
	Rupees in '000'			
Revenue - net				
External sales				
License	389,129	-	-	389,129
Services	1,284,728	-	90,775	1,375,503
Maintenance	817,050	6,049	-	823,099
Total revenue	2,490,907	6,049	90,775	2,587,731
Cost of revenue	(1,569,409)	(2,219)	(95,025)	(1,666,653)
Segment results	921,499	3,829	(4,249)	921,078
Unallocated corporate expenses:				
Selling and promotion expenses				(272,665)
Administrative expenses				(395,470)
Other income				101,769
Other operating expenses				(434,870)
Finance cost				(21,412)
Loss of share from Associate				(38,432)
Taxation				(111,970)
<b>Loss after taxation</b>				<b>(251,972)</b>

	Dec-18			Total
	(Restated)			
	NFS	IS & SSS	BPO	
Rupees in '000				
Revenue - net				
External sales				
Licence	904,510	-	-	904,510
Services	1,158,702	-	105,876	1,264,578
Maintenance	445,068	5,499	-	450,567
Total revenue	2,508,280	5,499	105,876	2,619,655
Cost of revenue	(1,445,236)	(3,083)	(128,154)	(1,576,473)
Segment results	1,063,044	2,416	(22,279)	1,043,182
Unallocated corporate expenses:				
Selling and promotion expenses				(263,074)
Administrative expenses				(366,243)
Other income				402,030
Other operating expenses				(76,329)
Finance cost				(20,293)
Taxation				(35,763)
<b>Profit after taxation</b>				<b>683,510</b>

\*Key

NFS = NetSol Financial Suite & NFS Ascent

IS = Information Security and other services

BPO = Business Process Outsourcing

SSS = Software Services and Solutions

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

22. CORRESPONDING FIGURES			Jul-Dec	Jul-Dec
			2019	2018
		Rupees in '000'		
Corresponding figures have been re-classified for better presentation, in respect of following:				
<b>From</b>	<b>To</b>			
Research and development cost-Administrative expenses	Research and development cost-Other Operating expenses"			
		<b>159,521</b>		76,329
Provision for doubtful debts-Administrative expenses	Provision for doubtful debts-Other Operating expenses	<b>19,794</b>		-
Reimbursable expenses-Export revenue	Services revenue-Export Revenue	<b>155,830</b>		<b>261,755</b>

23. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 12, 2020 by the Board of Directors.

24. GENERAL

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR







## NETSOL Technologies Limited

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