

CONSOLIDATED FINANCIAL  
**STATEMENTS**

For The Half Year Ended December 31, 2020

## Condensed Consolidated Interim statement Of Financial Position - Unaudited

As at December 31, 2020

	NOTE	Dec-20 Unaudited	Jun-20 Audited
Rupees in '000'			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	5	1,584,990	1,550,068
Intangible assets	6	774,145	920,897
		<b>2,359,135</b>	2,470,965
Long term Investment	7	189,569	209,764
Long term loans to employees		2,330	1,571
		<b>2,551,034</b>	2,682,300
<b>CURRENT ASSETS</b>			
Trade debts	8	2,425,324	2,200,933
Contract assets		1,339,989	1,652,633
Loans and advances		24,326	14,145
Trade deposits & short term prepayments		66,404	25,672
Other receivables		9,209	8,672
Due from related parties		525,348	373,619
Taxation - net		16,803	16,533
Cash & bank balances		2,382,823	2,115,872
		<b>6,790,226</b>	6,408,079
<b>TOTAL ASSETS</b>		<b>9,341,260</b>	9,090,379
<b>EQUITY &amp; LIABILITIES</b>			
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorized share capital			
150,000,000 ordinary shares of Rs.10/- each	9	1,500,000	1,500,000
Issued, subscribed and paid-up capital	9	898,369	898,369
Share deposit money		13	13
Reserves	10	6,275,767	6,009,760
		<b>7,174,149</b>	6,908,142
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	11	173,805	172,500
Lease liabilities		2,537	14,924
		<b>176,342</b>	187,424
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	332,977	194,276
Contract liabilities		64,610	311,541
Short term borrowings		1,380,000	1,380,000
Current portion of long term liabilities		207,387	103,106
Unclaimed dividend		5,795	5,890
		<b>1,990,769</b>	1,994,813
<b>CONTINGENCIES &amp; COMMITMENTS</b>	13	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,341,260</b>	9,090,379

The annexed notes from 1 to 21 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, 2020

	NOTE	Oct-Dec 2020	Oct-Dec 2019	Jul-Dec 2020	Jul-Dec 2019
		Rupees in '000'		Rupees in '000'	
Revenue from contracts with customers - Net	14	1,263,491	1,270,148	2,378,801	2,587,731
Cost of revenue		(763,738)	(859,710)	(1,430,771)	(1,666,653)
<b>Gross profit</b>		<b>499,753</b>	<b>410,438</b>	<b>948,030</b>	<b>921,078</b>
Selling and promotion expenses		(120,096)	(130,065)	(250,127)	(272,665)
Administrative expenses		(193,428)	(205,005)	(371,941)	(395,470)
		(313,524)	(335,070)	(622,068)	(668,135)
<b>Operating profit</b>		<b>186,229</b>	<b>75,368</b>	<b>325,962</b>	<b>252,943</b>
Other income		35,251	70,856	89,616	101,769
		221,480	146,224	415,578	354,712
Other operating expenses		(51,247)	(68,040)	(65,517)	(434,870)
Finance cost		(13,925)	(12,168)	(29,744)	(21,412)
Loss of share from Associate		(5,394)	(17,645)	(18,322)	(38,432)
<b>Profit / (Loss) before taxation</b>		<b>150,914</b>	<b>48,371</b>	<b>301,995</b>	<b>(140,002)</b>
Taxation					
Current period	15	(20,998)	(87,328)	(44,296)	(111,970)
Prior period	15	-	-	(694)	-
		(20,998)	(87,328)	(44,990)	(111,970)
<b>Profit / (Loss) after taxation for the period</b>		<b>129,916</b>	<b>(38,957)</b>	<b>257,005</b>	<b>(251,972)</b>
<b>Attributable to:</b>					
Equity holders of NetSol Technologies Limited		129,916	(58,625)	257,005	(260,031)
Non - controlling interest		-	19,669	-	8,059
		129,916	(38,957)	257,005	(251,972)
<b>Earnings / (Loss) per share</b>					
Basic - In Rupees	17	1.45	(0.65)	2.86	(2.89)
Diluted - In Rupees	17	1.45	(0.65)	2.86	(2.89)

The annexed notes from 1 to 21 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, 2020

	Oct-Dec 2020	Oct-Dec 2019	Jul-Dec 2020	Jul-Dec 2019
	Rupees in '000'		Rupees in '000'	
<b>Profit / (Loss) after taxation for the period</b>	<b>129,916</b>	(38,957)	257,005	(251,972)
<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	<b>(18,297)</b>	1,031	(1,873)	(406)
<b>Total comprehensive Income / (Loss) for the period</b>	<b>111,619</b>	(37,926)	255,132	(252,378)
<b>Attributable to:</b>				
Equity holders of NetSol Technologies Limited	<b>111,619</b>	(57,594)	255,132	(260,437)
Non - controlling interest	-	19,669	-	8,059
	<b>111,619</b>	(37,926)	255,132	(252,378)

The annexed notes from 1 to 21 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, 2020

NOTE	Jul-Dec 2020	Jul-Dec 2019
	Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before taxation for the period	301,995	(140,002)
Adjustments for non cash charges and other items:		
Depreciation - own assets	100,671	85,431
Amortization of Right of use assets	9,980	14,577
Amortization of intangible assets	146,752	146,752
(Gain) on disposal of fixed assets	(2,870)	(36)
Amortization of deferred revenue	(1,343)	(1,343)
Foreign exchange (gain) / Loss	(20,520)	240,216
Interest expense	38,611	20,615
Interest income	(64,433)	(99,940)
Deferred employee compensation expense	10,875	14,321
Amortization of deferred grant	(9,383)	-
Provision for expected credit losses	53,463	46,874
Share of loss of Associate	18,322	38,432
	<b>280,125</b>	<b>505,899</b>
<b>Cash generated from operations before working capital changes</b>	<b>582,120</b>	<b>365,897</b>
<b>Working Capital Changes</b>		
Trade debts & Contract Assets/Liabilities	(191,621)	116,860
Loans and advances	(10,941)	6,827
Trade deposits & short term prepayments	(40,732)	(13,982)
Other receivables	(537)	(8,085)
Due from related parties	(151,729)	(195,959)
Trade and other payables	132,883	(32,747)
<b>Cash (used in) operations</b>	<b>(262,676)</b>	<b>(127,086)</b>
Interest paid	(32,792)	(20,250)
Income taxes paid	(45,259)	(81,433)
Dividend paid	(95)	(463,236)
<b>Net cash generated from / (used in) operations</b>	<b>241,297</b>	<b>(326,107)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment purchased	(143,158)	(84,872)
Sales proceeds of fixed asset	5,455	5,690
Advances against capital expenditure	(5,000)	22,854
Interest received	64,433	99,940
<b>Net cash generated from / (used in) investing activities</b>	<b>(78,270)</b>	<b>43,609</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of share capital	-	1,140
Share premium	-	714
Paid against lease liabilities	(19,847)	(20,934)
Long term payable	116,921	-
Deferred grant	8,021	-
Short term borrowing	-	327,000
Long term advances	(1,171)	(15)
<b>Net cash generated from financing activities</b>	<b>103,924</b>	<b>307,905</b>
<b>Net increase in cash and cash equivalents</b>	<b>266,951</b>	<b>25,407</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2,115,872</b>	<b>2,053,102</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>2,382,823</b>	<b>2,078,509</b>

The annexed notes from 1 to 21 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, 2020

	Attributable to equity holders of the Parent						Total	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			
Rupees In '000'									
<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									
December 31, 2019	-	-	-	-	-	(260,031)	(260,031)	8,059	(251,972)
Other comprehensive (loss)	-	-	-	-	(406)	-	(406)	-	(406)
Total comprehensive (loss) / profit for the period					(406)	(260,031)	(260,437)	8,059	(252,378)
Amount received against options exercised	-	1,872	-	-	-	-	1,872	-	1,872
Shares issued against options exercised (114,000 shares at Rs. 10 each) cash dividend	1,140	(1,872)	(168)	900	-	-	-	-	-
Lapse of 13,500 share options			(20)				(20)		(20)
Contribution of parent on account of employee share options			14,321				14,321		14,321
	1,140	-	14,133	900	(406)	(511,575)	(495,807)	(205,829)	(701,636)
<b>Balance as at December 31, 2019</b>	<b>898,369</b>	<b>13</b>	<b>181,158</b>	<b>304,167</b>	<b>(406)</b>	<b>5,215,451</b>	<b>6,598,752</b>	<b>19,206</b>	<b>6,617,959</b>
<b>Balance as at June 30, 2020</b>	<b>898,369</b>	<b>13</b>	<b>206,555</b>	<b>304,167</b>	<b>(16,830)</b>	<b>5,515,868</b>	<b>6,908,142</b>	<b>-</b>	<b>6,908,142</b>
Net Profit for the period	-	-	-	-	-	257,005	257,005	-	257,005
Other comprehensive (loss) for the period					(1,873)		(1,873)		(1,873)
Total comprehensive (loss) / profit for the period	-	-	-	-	(1,873)	257,005	255,132	-	255,132
Contribution of parent on account of employee share options			10,875	-		-	10,875	-	10,875
	-	-	10,875	-	(1,873)	257,005	266,007	-	266,007
<b>Balance as at December 31, 2020</b>	<b>898,369</b>	<b>13</b>	<b>217,430</b>	<b>304,167</b>	<b>(18,703)</b>	<b>5,772,873</b>	<b>7,174,149</b>	<b>-</b>	<b>7,174,149</b>

The annexed notes from 1 to 21 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, 2020

### 1. LEGAL STATUS AND NATURE OF BUSINESS

NetSol Group consists of:

- NetSol Technologies Limited
- NetSol Innovation (Private) Limited

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

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

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

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

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

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

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

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

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

#### 2.2 Basis of measurement

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

#### 2.3 Functional and presentation currency

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

### 3. ACCOUNTING POLICIES

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

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

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

## 4. USE OF ESTIMATES AND JUDGMENT

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

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

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

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

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

Effective July 01, 2020, Group has reassessed the remaining useful lives of all of its fixed assets and changed its method of depreciation from reducing balance method to straight line method of depreciation. Effect of change in this accounting estimate has been recognised prospectively as required by IAS 8, i-e change in accounting estimate is recognized in period of change and future periods. Due to change in this accounting estimate depreciation/amortization charge on property, plant & equipment is increased by Rs. 17.67 Million for 6 months ended December 31, 2020. Effect of change in accounting estimate for future periods is not disclosed because estimating it is impracticable.

		Dec-20 Unaudited	Jun-20 Audited
Rupees in '000'			
<b>5. PROPERTY, PLANT &amp; EQUIPMENT</b>			
Net book value of owned assets	5.1	1,493,908	1,451,130
Net book value of right of use assets	5.2	86,082	98,938
Advances against capital expenditure		5,000	-
		<b>1,584,990</b>	<b>1,550,068</b>
<b>5.1 PROPERTY, PLANT &amp; EQUIPMENT</b>			
Opening Balance - net book value		1,451,130	1,513,696
Additions	5.1.1	146,034	127,335
		<b>1,597,164</b>	<b>1,641,031</b>
Less:			
Disposals - net book value	5.1.2	(2,585)	(13,611)
Depreciation & amortization		(100,671)	(176,290)
		<b>1,493,908</b>	<b>1,451,130</b>
<b>5.1.1 Following is the detail of addition / (transfer)</b>			
Furniture & fixture		244	3,431
Vehicles		30,972	62,788
Office equipment		7,860	4,576
Computers		106,868	52,454
Air conditioners		90	3,453
Computer software		-	634
<b>Total</b>		<b>146,034</b>	<b>127,335</b>



5.1.2 Following is the detail of deletions	Cost	Dec-20 Unaudited Accumulated Depreciation	Written down Value	Cost	Jun-20 Audited Accumulated Depreciation	Written down Value
Furniture & fixture	-	-	-	-	-	-
Vehicles	5,947	4,256	1,691	20,979	8,312	12,667
Office equipment	33	19	14	-	-	-
Computers	16,866	15,987	880	2,204	1,842	363
Air conditioners	-	-	-	1,926	1,343	582
<b>Total</b>	<b>22,846</b>	<b>20,261</b>	<b>2,585</b>	<b>25,109</b>	<b>11,497</b>	<b>13,611</b>

**5.2 RIGHT OF USE ASSETS**

Opening Balance - net book value					98,938	149,911
Less:						
Disposals - net book value				5.2.1	(2,876)	(22,495)
Depreciation & amortization					(9,980)	(28,478)
					<b>86,082</b>	<b>98,938</b>

5.2.1 Following is the detail of deletions	Cost	Dec-20 Unaudited Accumulated Depreciation	Written down Value	Cost	Jun-20 Audited Accumulated Depreciation	Written down Value
Vehicles	5,553	2,677	2,876	39,068	16,573	22,495
<b>Total</b>	<b>5,553</b>	<b>2,677</b>	<b>2,876</b>	<b>39,068</b>	<b>16,573</b>	<b>22,495</b>

6. INTANGIBLE ASSETS					Dec-20	Jun-20
					Unaudited	Audited
Rupees in '000'						
Opening Balance - net book value					920,897	1,214,401
Less:						
Amortization					(146,752)	(293,504)
					<b>774,145</b>	<b>920,897</b>
7. LONG TERM INVESTMENTS - at cost						
Investment in associate						
WRLD3D inc. (Unquoted company)				7.1	189,569	209,764
					<b>189,569</b>	<b>209,764</b>

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

	NOTE	Dec-20 Unaudited	Jun-20 Audited
Rupees in '000'			
<b>8. TRADE DEBTS</b>			
Considered good - unsecured	8.3	2,425,324	2,200,933
Considered doubtful - unsecured	8.2	284,358	233,499
		2,709,682	2,434,432
Less: Provision for Expected credit losses		(284,358)	(233,499)
		2,425,324	2,200,933
<b>8.1</b>	It represents amount receivable from customers. It is unsecured but considered good by the management.		
<b>8.2</b>	This is a general provision created by the Company for any future doubtful trade debts.		
<b>8.3</b>	<b>Amount receivable from related parties included in trade debts are as under:</b>		
NetSol Technologies (Thailand) Limited		74,624	84,995
NetSol Technologies (Beijing) Company Limited		1,577,860	702,287
NetSol Australia Pty. Limited		73,683	36,363
Netsol Technologies North Americas		250,064	219,825
WRLD3D Inc		237,624	247,362
		2,213,857	1,290,832
<b>9. SHARE CAPITAL</b>			
<b>9.1 Authorised share capital</b>			
		Dec-20 Unaudited	Jun-20 Audited
		Number of shares	
		150,000,000	150,000,000
		Ordinary Shares of Rs. 10 each.	
		1,500,000	1,500,000
<b>9.2 Issued, subscribed &amp; paid-up capital</b>			
		42,686,191	42,686,191
		Ordinary Shares of Rs. 10 each fully paid in cash	
		426,862	426,862
		47,150,732	47,150,732
		Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	
		471,507	471,507
		89,836,923	89,836,923
		898,369	898,369
		NetSol Technologies Inc. 23975, Park Sorrento, Suite 250, Calabasas CA 91302, is the parent company holding 66.12% (2020 : 66.12%) of issued capital of the Company.	
<b>10. RESERVES</b>			
<b>Capital reserve</b>			
Premium on issue of ordinary shares		304,167	304,167
Employee share option compensation reserve		217,430	206,555
Foreign currency translation reserve		(18,703)	(16,830)
<b>Revenue reserve</b>			
Un - appropriated profit		5,772,873	5,515,868
		6,275,767	6,009,760
<b>11. LONG TERM FINANCING</b>			
Long term Finance facility		328,862	211,941
Deferred grant		18,740	20,102
<b>Less: Current portion shown under current liabilities:</b>			
Current portion of Long term finance facility		(159,189)	(49,546)
Current portion of deferred grant		(14,608)	(9,996)
		(173,797)	(59,543)
		173,805	172,500
<b>12. Trade and other payables also include payable to related parties, detail of which is given below:</b>			
<b>12.1 Due to related party</b>			
<i>Associated</i>			
NetSol Technologies Europe Ltd		4,557	11,561
		4,557	11,561
<b>12.1.1</b>	These relate to normal course of business of the Group and are interest free.		

**13. CONTINGENCIES & COMMITMENTS****13.1 Contingencies**

**13.1.1** Mr. Ahsan Zubair, ex-employee of the Company has filed a case for recovery of damages dated 26th January 2013 for malicious prosecution before the civil court, Lahore and has sought 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. Moreover none of the ingredients forming basis for allowing a case of malicious prosecution are attracted. Therefore, on the facts of the case, there appears to be no chances of the case being allowed and there is no likelihood of this case having any adverse financial impact on the Company.

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

**13.2 Commitments**

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

**13.2.2** The Company has capital commitments of Rs. 13.17M under capital purchase agreements as at December 31, 2020. (2020: Nil)

	Oct-Dec 2020	Oct-Dec 2019	Jul-Dec 2020	Jul-Dec 2019
	Rupees in '000'		Rupees in '000'	
<b>14. REVENUE FROM CONTRACTS WITH CUSTOMERS</b>				
<b>DISAGGREGATION OF REVENUE:</b>				
<b>Export Revenue</b>				
License	239,988	-	239,988	389,129
Services	500,559	839,731	1,125,938	1,375,503
Maintenance	522,944	427,393	1,012,875	817,050
	<b>1,263,491</b>	<b>1,267,124</b>	<b>2,378,801</b>	<b>2,581,682</b>
<b>Local Revenue</b>				
Maintenance	-	3,508	-	7,016
Sales tax	-	(484)	-	(968)
		6,532		6,049
	<b>1,263,491</b>	<b>1,270,148</b>	<b>2,378,801</b>	<b>2,587,731</b>

**15. TAXATION**

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

**16. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS****Financial risk factors**

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

**Fair value of financial assets and liabilities**

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

17. EARNING / (LOSS) PER SHARE	Oct-Dec	Oct-Dec	Jul-Dec	Jul-Dec
	2020	2019	2020	2019
Basic	Rupees in '000'		Rupees in '000'	
Profit / (Loss) attributable to ordinary shareholders of NetSol Technologies Limited	129,916	(58,625)	257,005	(260,031)
Weighted average number of ordinary shares in issue during the period	89,837	89,837	89,837	89,821
Basic - In Rupees	1.45	(0.65)	2.86	(2.89)
<b>Diluted</b>				
Profit / (Loss) attributable to ordinary shareholders of NetSol Technologies Limited	129,916	(58,625)	257,005	(260,031)
Weighted average number of ordinary shares in issue during the period	89,837	89,837	89,837	89,834
Diluted - In Rupees	1.45	(0.65)	2.86	(2.89)

**18. TRANSACTION WITH RELATED PARTIES**

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

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

Relationship with the Company	Nature of transactions	Jul-Dec	Jul-Dec
		2020	2019
		Rupees in '000'	
(i) Associated undertaking	Rental Income	450	450
	Provision of services	871,089	551,391
	Purchase of services	13,124	14,873
	Purchase of fixed assets	-	180
(ii) Parent	Dividend	-	116,417
(iii) Key management personnel	Salaries and benefits	71,063	90,240
	Retirement benefits	3,688	2,588
	Commission paid	132,159	108,454
(iv) Post employment benefit	Contribution to defined contribution plan	64,232	57,921
(v)	There are no transactions with any key management personnel other than under the terms of employment.		

**19. SEGMENT REVENUES AND RESULTS**

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

	Dec-20			Total
	NFS	IS & SSS	BPO	
Rupees in '000'				
Revenue - net				
External sales				
License	239,988	-	-	239,988
Services	1,039,560	-	86,378	1,125,937
Maintenance	1,012,875	-	-	1,012,876
Total revenue	2,292,423	-	86,378	2,378,801
Cost of revenue	(1,352,755)	(287)	(77,729)	(1,430,771)
Segment results	939,668	(287)	8,650	948,030
Unallocated corporate expenses:				
Selling and promotion expenses				(250,127)
Administrative expenses				(371,941)
Other income				89,616
Other operating expenses				(65,517)
Finance cost				(29,744)
Loss of share from Associate				(18,322)
Taxation				(44,990)
<b>Profit after taxation</b>				<b>257,005</b>

	Dec-19			Total
	NFS	IS & SSS	BPO	
Rupees in '000'				
Revenue - net				
External sales				
Licence	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	921,498	3,830	(4,250)	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>

\*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.

**20. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on February 11, 2021 by the Board of Directors.

**21. GENERAL**

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



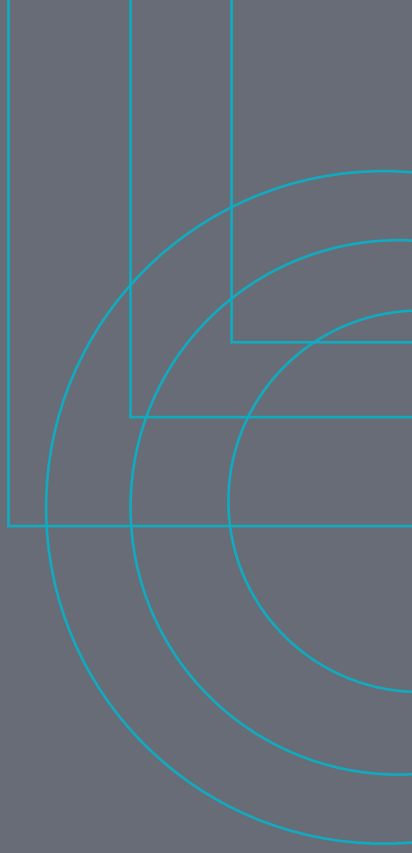
CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR



# NETSOL Technologies Limited

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