



CONSOLIDATED FINANCIAL
STATEMENTS
For The Quarter Ended September 30, 2018

Condensed Consolidated Interim statement Of Financial Position - Unaudited
As at September 30, 2018

	NOTE	Sep-18 Unaudited	Jun-18 Audited
Rupees in '000'			
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	5	1,753,818	1,759,889
Intangible assets	6	1,434,529	1,507,905
		3,188,347	3,267,794
Long term Investment	7	293,379	293,379
Long term loans to employees	8	825	356
		3,482,551	3,561,529
CURRENT ASSETS			
Trade debts	9	1,437,780	1,340,024
Contract assets		906,591	1,428,320
Loans and advances	10	73,282	38,489
Trade deposits & short term prepayments		28,974	17,756
Other receivables		7,776	25,908
Due from related parties		115,685	25,878
Taxation - net		54,619	53,879
Cash & bank balances		1,765,704	2,123,337
		4,390,411	5,053,591
Assets-Discontinued operations	13	391,833	441,866
TOTAL ASSETS		8,264,795	9,056,986
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
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	897,229	897,029
Share deposit money		13	13
Reserves	12	5,333,261	5,980,176
		6,230,503	6,877,218
Non - controlling Interest		193,223	201,697
		6,423,726	7,078,915
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		34,130	31,115
Deferred income		7,155	7,826
Long term advances		2,726	686
		44,011	39,627
CURRENT LIABILITIES			
Trade and other payables		446,181	503,417
Contract liabilities		317,916	371,243
Short term borrowings		1,000,000	1,000,000
Current portion of long term liabilities		29,223	27,124
Unclaimed dividend		2,934	2,949
		1,796,254	1,904,733
Liabilities-Discontinued operations	13	804	33,711
CONTINGENCIES & COMMITMENTS	14	-	-
TOTAL EQUITY AND LIABILITIES		8,264,795	9,056,986

The annexed notes from 1 to 23 form an integral part of these condensed consolidated interim financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

Condensed Consolidated Interim Statement of Profit or Loss - Unaudited
For The Quarter Ended September 30, 2018

	NOTE	Jul-Sep 2018	Jul-Sep 2017 (Restated)
Rupees in '000'			
Continuing operations			
Revenue - net	15	1,221,875	832,640
Cost of revenue		(737,762)	(571,739)
Gross profit		484,113	260,901
Selling and promotion expenses		(118,263)	(72,961)
Administrative expenses		(228,481)	(158,504)
Other operating expenses		-	(137)
Other income		32,513	106,044
		(314,231)	(125,558)
Operating profit		169,882	135,343
Finance cost		(12,075)	(11,841)
Profit before taxation from continuing operations		157,807	123,502
Taxation	16	(25,364)	(2,887)
Profit after taxation for the period from continuing operations		132,443	120,615
Discontinued operations:			
(Loss) / Profit after tax for the year from discontinued operations	13	(14,256)	37,908
Profit for the period		118,187	158,523
Attributable to:			
Equity holders of NetSol Technologies Limited		126,661	142,273
Non - controlling interest		(8,474)	16,250
		118,187	158,523
Earning per share			
Basic - In Rupees	19	1.41	1.59
Diluted - In Rupees	19	1.41	1.58
Earnings per share for continuing operations			
Basic - In Rupees	19	1.48	1.35
Diluted - In Rupees	19	1.47	1.34

The annexed notes from 1 to 23 form an integral part of these condensed consolidated interim financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Condensed Consolidated Interim Statement of Other Comprehensive Income - Unaudited
For The Quarter Ended September 30, 2018

	Jul-Sep 2018	Jul-Sep 2017 (Restated)
	Rupees in '000'	
Profit after taxation for the period	118,187	158,523
Other comprehensive income	-	-
Total comprehensive Profit for the period	118,187	158,523
Attributable to:		
Equity holders of NetSol Technologies Limited	126,661	142,273
Non - controlling interest	(8,474)	16,250
	118,187	158,523

The annexed notes from 1 to 23 form an integral part of these condensed consolidated interim financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Condensed Consolidated Interim Statement of Cash Flows - Unaudited
For The Quarter Ended September 30, 2018

	Jul-Sep 2018	Jul-Sep 2017
Rupees in '000		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation from continuing operations	157,807	123,502
(Loss) / profit before taxation from discontinued operations	(13,917)	38,164
Profit before taxation for the period	143,890	161,666
Adjustments for non cash charges and other items:		
Depreciation - own assets	46,581	59,085
Amortization of leased assets	5,556	4,369
Amortization of intangible assets	73,376	73,376
(Gain)/Loss on disposal of fixed assets	(6,481)	924
Amortization of deferred revenue	(671)	-
Exchange (gain) / loss on debtors	(8,061)	(107,777)
Interest expense	11,799	12,615
Interest income	(23,887)	(6,846)
Deferred employee compensation expense	11,673	13,122
(Gain) on short term investment	-	(1,248)
	109,885	47,619
Cash generated from operations before working capital changes	253,775	209,286
Working Capital Changes		
Trade debts	(390,063)	(539,866)
Loans and advances	(35,261)	(8,786)
Trade deposits & short term prepayments	(11,218)	(6,373)
Other receivables	18,162	(25,618)
Due from related parties	(88,853)	1,147
Trade and other payables	(73,300)	18,423
Cash (used in) operations	(580,533)	(561,073)
Interest paid	(14,581)	(18,131)
Income taxes paid	(26,572)	(4,896)
Dividend paid	(15)	-
Net cash (used in) from operations	(367,926)	(374,814)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipments purchased	(40,954)	(8,077)
Sales proceeds of fixed asset	31,067	1,503
Capital work in progress	(19,252)	1,587
Long Term Investment	-	(28,258)
Gain on investments	-	1,248
Interest received	23,887	6,846
Net cash (used in) investing activities	(5,252)	(25,151)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	200	-
Share deposit money	-	574
Share premium	129	-
Paid against obligation under finance lease	(17,582)	(10,063)
Received against obligation under finance lease	17,908	4,420
Short term borrowing	-	(99,263)
Long term advances	(6,108)	(292)
Net cash (Used in) financing activities	(5,453)	(104,624)
Net (decrease) in cash and cash equivalents	(378,631)	(504,589)
Cash and cash equivalents at the beginning of the period	2,235,272	1,070,904
Cash and cash equivalents at the end of the period	1,856,641	566,315

The annexed notes from 1 to 23 form an integral part of these condensed consolidated interim financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

Condensed Consolidated Interim Statement of Changes in Equity - Unaudited
For The Quarter Ended September 30, 2018

	Attributable to equity holders of the Parent					Total	Non Controlling Total Equity Interest	
	Issued, subscribed and paid-up capital	Share deposit money	Capital reserve		Revenue reserve			
			Employee share option compensation reserve	Share premium	Unappropriated profit			
			Rupees In '000'					
Balance as at June 30, 2017	896,359	13	75,549	302,579	4,569,812	5,844,312	163,038	6,007,350
Total comprehensive income for the period								
Net profit for the quarter ended								
September 30, 2017	-	-	-	-	142,273	142,273	16,250	158,523
Other comprehensive income	-	-	-	-	-	-	-	-
Shares deposit money against options exercised		574				574	-	574
Contribution of parent on account of employee share options			13,122			13,122		13,122
	-	574	13,122	-	142,273	155,969	16,250	172,219
Balance as at September 30, 2017	896,359	587	88,671	302,579	4,712,085	6,000,281	179,288	6,179,569
Balance as at June 30, 2018	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)
Total comprehensive income for the period								
Net profit for the quarter ended								
September 30, 2018	-	-	-	-	126,661	126,661	(8,474)	118,186
Shares issued against options exercised (20,000 shares at Rs. 10 each)	200	(328)	(30)	158				
Contribution of parent on account of employee share options			11,673	-	-	11,673	-	11,673
Amount received against option exercised		328				328		328
	200	-	11,643	158	(658,717)	(646,715)	(8,474)	(655,189)
Balance as at September 30, 2018	897,229	13	143,503	303,266	4,886,492	6,230,503	193,223	6,423,726

The annexed notes from 1 to 23 form an integral part of these condensed consolidated interim financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

Notes to the Condensed Consolidated Interim Financial Statements Unaudited

For The Quarter Ended September 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

NetSol Group consists of:

- NetSol Technologies Limited
- NetSol Innovation (Private) Limited

NetSol Technologies Limited ("the Company") was incorporated in Pakistan on August 22, 1996 under the repealed Companies Ordinance, 1984 (Now Companies Act 2017) as a private company, limited by shares and was later on converted into public limited company on November 05, 2004 and subsequently listed on stock exchange on August 26, 2005. The Company is listed on Pakistan Stock Exchange Limited. The business of the Company is development and sale of computer software and provision of related 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
4 Summitmas 2 Ground Floor Jl. Jend Sudirman Kav 61-62 Senayan- Kebayoran Baru Jakarta Selatan 12190, Indonesia	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 NetSol IT Village, Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt. Pakistan.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These 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, 2018.

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 Company for the year ended June 30, 2018 except for change in revenue recognition policies detailed below.

3.2. Revenue recognition

The Company follows IFRS 15 for the recognition of revenue for all its revenue streams. The Company determines revenue recognition through the following steps:

- 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, we satisfy a performance obligation.

The Company records the amount of revenue and related costs by considering whether the entity is a principal (gross presentation) or an agent (net presentation) by evaluating the nature of its promise to the customer. Revenue is presented net of sales, value-added and other taxes collected from customers and remitted to government authorities.

The Company has two primary revenue streams: core revenue or non-core revenue.

Core Revenue:

The Company generates its core revenue from the export of (1) software licenses, (2) services, which include implementation, customization and other consulting services, and (3) maintenance, which includes post contract support, of its enterprise software solutions for the lease and finance industry. The Company offers its software using the traditional on-premises licensing 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 maintenance services to its local customers)

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied by transferring the promised good or service to the customer. The Company identifies the performance obligations at contract inception so that the Company can monitor and account for the performance obligations over the life of the contract.

The Company's contract which contain multiple performance obligations generally consists of the initial sale of licenses and a professional services engagement. Contract generally have multiple performance obligations as customers purchase maintenance 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.

Software Licenses:

Transfer of control for software is considered to have occurred either upon physical delivery of license through CD, USB or electronically using FTP or delivery of the license key by other electronic methods which provides immediate availability of the product to the customer. The Company's typical payment terms tend to vary by region, but its standard payment terms are within 30-120 days of invoice.

Maintenance:

Maintenance revenue is recognized ratably over the term of the maintenance period, which in most instances is one year. Software license updates provide customers with rights to unspecified software product updates, maintenance releases and patches released during the term of the support period on a when-and-if available basis. The Company's customers purchase both product support and license updates when they acquire new software licenses. In addition, a majority of customers renew their support services contracts annually and typical payment terms provide that customers make payment within 30-120 days of invoice."

Professional Services:

Revenue from professional services is typically comprised of implementation, development, customization, enhancements, data migration, training or other consulting services. Consulting services are generally sold on a time-and-materials or fixed fee basis and can include services ranging from software installation to data conversion and building non-complex interfaces to allow the software to operate in integrated environments. The Company recognizes revenue for time-and-materials arrangements as the services are performed. In fixed fee arrangements, revenue is recognized as services are performed as measured by efforts incurred to date, compared to total estimated efforts to complete the services project. Management applies judgment while estimating efforts to complete the services projects. A number of internal and external factors can affect these estimates, including utilization and efficiency variances and specification and testing requirement changes. Services are generally invoiced upon milestones as agreed in the contract and payments are typically due 30-120 days after invoice.

BPO Services:

Revenue from BPO services is recognized when earned. Company recognizes revenue on issuance of billing to the customer.

3.3. Standards, amendments and interpretations to approved accounting standards that are effective in the current period**(i) IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS**

Company implemented the new standard IFRS 15 Revenue from Contracts with Customers as of July 1, 2018. The new standard amends revenue recognition requirements and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations.

The core principle of IFRS 15 is that revenue should be recognised for the amount that is the expected equivalent value of the performance obligation. The new standard employs a five-step model framework for determining the amount and timing of revenue in order to implement this principle.

The Company applied the modified retrospective method upon adoption of IFRS 15 on July 1, 2018. This method requires the recognition of the cumulative effect of initially applying IFRS 15 to retained earnings and not to restate prior years. The cumulative effect recorded at July 1, 2018 was a decrease to retained earnings of PKR 785.4 million.

For further information on the impact of adoption of IFRS 15 Revenue from Contracts with Customers see Note 18.

(ii) IFRS 9 FINANCIAL INSTRUMENTS

Company adopted IFRS 9 Financial Instruments as of July 1, 2018, which substantially changes the classification and measurement of financial instruments. The new standard requires impairments to be based on a forward-looking model, changes the approach to hedging financial exposures and related documentation, changes the recognition of certain fair value changes and amends disclosures requirements.

The impairment of financial assets, including trade and lease receivables, is now assessed using an expected credit loss model; previously, the incurred loss model was used. Given the nature of company's financial assets, the company had no significant impact to its provisions for doubtful accounts or impairments from this change.

- (iii) Certain other standards, amendments and interpretations to approved accounting standards are also effective for accounting periods beginning on July 01, 2018, but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in 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, 2018.

		Sep-18 Unaudited	Jun-18 Audited			
Rupees in '000'						
5. PROPERTY, PLANT & EQUIPMENT						
Opening Balance - net book value		1,759,889	1,898,191			
Additions	5.1	60,206	207,947			
		1,820,095	2,106,138			
Less:						
Disposals - net book value	5.2	(14,141)	(97,526)			
Depreciation & amortization		(52,135)	(248,723)			
		1,753,818	1,759,889			
5.1 Following is the detail of additions :						
Building on freehold land		-	-			
Furniture & fixture		938	775			
Vehicles		26,297	125,485			
Computers		11,938	35,182			
Air conditioners		382	3,712			
Office equipment		1,399	5,620			
Generator		-	12,058			
Leasehold improvements		-	-			
Computer software		-	1,077			
Advance against capital expenditure		19,252	24,037			
Capital work-in-progress		-	-			
Total		60,206	207,947			
	Cost	Sep-18 Unaudited Acc. Depreciation	Written down Value	Cost	Jun-18 Audited Acc. Depreci- ation	Written down Value
Rupees in '000'						
5.2 Following is the detail of deletions						
Land - freehold			-	-	-	-
Furniture & fixture	-	-	-	3,046	1,913	1,133
Vehicles	19,229	5,087	14,141	126,814	50,139	76,675
Computers	-	-	-	33,403	29,067	4,337
Air conditioners	-	-	-	3,384	2,322	1,062
Office equipment	-	-	-	2,445	1,619	826
Generator	-	-	-	-	-	-
Total	19,229	5,087	14,141	169,092	85,059	84,033
		Sep-18 Unaudited	Jun-18 Audited			
Rupees in '000'						
6. INTANGIBLE ASSETS						
Opening Balance - net book value		1,507,905	1,801,409			
Additions		-	-			
		1,507,905	1,801,409			
Less:						
Amortization		(73,376)	(293,504)			
		1,434,529	1,507,905			
7. LONG TERM INVESTMENTS - at cost						
WRLD3D Limited (Unquoted company) (Formerly EEGEO Inc.)	7.1	293,379	293,379			
		293,379	293,379			

- 7.1 During the fiscal year 2016, the Company entered into an agreement with WRLD3D Inc (formerly eeGeo, 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. Per agreement, the Company had to provide a minimum of \$200,000 of services in each three-month period and the entire balance was required to be provided within three years of the date of the agreement and the company has successfully complied with the terms and conditions of the agreement. The Company had provided services valued at \$2,777,778 (PKR 293,378,850) which is recorded as investment and 4,092,189 shares are issued to the company.

8. LONG TERM LOANS TO EMPLOYEES-Unsecured		Sep-18	Jun-18
Rupees in '000'			
Considered good			
Loan to employees			
- to executives	8.1	16,917	1,082
- to non-executives		1,937	2,893
Less: current maturity		(18,029)	(3,619)
		825	356

- 8.1 Loans are given to employees for their personal needs and deducted from salaries

9. TRADE DEBTS			
Considered good - unsecured	9.3	1,437,780	1,340,024
Considered doubtful - unsecured	9.2	70,528	70,528
		1,508,308	1,410,552
Less: Provision for doubtful debt		(70,528)	(70,528)
		1,437,780	1,340,024

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

NetSol Technologies (Thailand) Limited		170,333	167,661
NetSol Technologies (Beijing) Company Limited		421,678	74,807
NetSol Australia Pty. Limited		16,795	7,571
Netsol Technologies North Americas		62,251	49,071
NetSol Technologies Europe Ltd		-	496
WRLD3D Inc		73,248	57,605
		744,304	357,211

10. LOANS AND ADVANCES - Unsecured			
Considered good			
Current maturity of loans to employees	8	18,029	3,619
Advances			
- to executives		2,266	153
- against expenses	10.1.	52,986	34,717
		73,282	38,489

- 10.1 Advances to employees are given to meet business expenses and are settled as and when the expenses are incurred.

11. SHARE CAPITAL					
11.1 Authorised share capital					
	Sep-18	Jun-18		Sep-18	Jun-18
	Unaudited	Audited		Unaudited	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
11.2 Issued, subscribed & paid-up capital					
42,572,191	42,552,191		Ordinary Shares of Rs. 10 each fully paid in cash	425,722	425,522
47,150,732	47,150,732		Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	471,507	471,507
89,722,923	89,702,923			897,229	897,029

NetSol Technologies Inc. 23975, Park Sorrento, Suite 250, Calabasas CA 91302, is the parent company holding 66.20% (2018 : 66.21%) of issued capital of the Company.

	Sep-18 Unaudited	Jun-18 Audited
Rupees in '000'		
12. RESERVES		
Capital reserve		
Premium on issue of ordinary shares	303,266	303,108
Employee share option compensation reserve	143,503	131,860
Revenue reserve		
Un - appropriated profit	4,886,492	5,545,209
	5,333,261	5,980,177

13. DISCONTINUED OPERATIONS

On June 21, 2018, the company publicly announced the decision of its Board of Directors made in a board meeting held on June 20, 2018 to discontinue the operations of its subsidiary NetSol Innovation (Pvt) Limited. Subsidiary's outsourcing business partner in UK, Innovation Group had witnessed change in its management in last couple of years and the new management was not much interested in the insurance business and had decided to consolidate and reduce these operations across the globe. As a result of this decision, the subsidiary's outsourcing business was negatively impacted as they were the sole customers of the services provided by the joint venture. Moreover, the joint venture parties had also expressed their willingness to close the operations of NetSol Innovation (Pvt) Limited and as per mutual agreement with two other shareholders last date of business operations of NetSol Innovation (Pvt) Limited was agreed to be July 31, 2018. At June 30, 2018, subsidiary NetSol Innovation (Pvt) Limited was classified as discontinued operation.

The major classes of assets and liabilities of NetSol Innovation (Pvt) Limited classified as discontinued operation are as follows:

Assets		
Property, plant and equipment	9,225	19,670
Trade debts	290,335	306,946
Other receivables	-	30
Income tax - net	1,336	2,332
Due from related parties	-	954
Cash & bank balances	90,937	111,935
Assets classified as discontinued operations	391,833	441,866
Liabilities		
Trade and other payables	804	19,650
Liabilities against assets subject to finance lease	-	5,140
Advances from employees against vehicles	-	7,797
Provision for taxation	-	1,124
Liabilities classified as discontinued operations	804	33,711

The results of NetSol Innovation (Pvt) Limited for the year are presented below:

	Sep-18	Sep-17
	Rupees in '000'	
Revenue-Export	8,339	119,196
Cost of revenue	(28,669)	(88,823)
Gross (loss) / profit	(20,330)	30,373
Administrative expenses	(334)	(1,408)
Other operating expenses	-	(604)
Other income	6,784	10,052
Operating (loss) / profit	(13,880)	38,413
Finance cost	(37)	(249)
(Loss) / profit before taxation for the period from discontinued operations	(13,917)	38,164
Taxation	(339)	(256)
(Loss) / profit after taxation for the period from discontinued operations	(14,256)	37,908
(Loss) / earning per share		
(Loss) / profit after taxation for the year from discontinued operations	(14,256)	37,908
Less Non controlling interest	8,474	(16,250)
(Loss) / profit from discontinued operations attributable to ordinary shareholders of NetSol Technologies Limited	(5,782)	21,658
Basic (loss) / earning per share from discontinued operations	(0.07)	0.24
Diluted (loss) / earning per share from discontinued operations	(0.06)	0.24

14. CONTINGENCIES & COMMITMENTS

14.1 Contingencies

- 14.1.1** Mr. Ahsan Zubair, ex-employee of the Company has filed a case for recovery of damages 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.
- 14.1.2** 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 judgment dated 26-07-2016 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 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 decision is currently pending with the competent authority. The company is confident that final outcome will be in its favour and accordingly no provision has been made in these financial statements in this respect.

14.2 Commitments

- 14.2.1** The Company has issued worth Rs. 9,289 million (2018: 9,289 million) bank guarantees to LESCO and Standard Chartered Bank against its corporate credit cards.
- 14.2.2** The Company has capital commitments of Rs. 20.6 million under capital purchase agreements as at September 30, 2018. (2018 : 41.75 million)

	Jul- Sep 18	Jul-Sep 17 (Restated)
	Rupees in '000'	
15. REVENUE - NET		
Export Revenue		
License	470,736	114,547
Services	439,076	542,348
Maintenance	209,621	175,745
Reimbursable expenses	99,693	-
Local Revenue	1,219,126	832,640
Maintenance	3,189	-
Sales tax	(440)	-
	2,749	-
	1,221,875	832,640

16. 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.

17. 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.

18. Impacts of adoption of IFRS 15

Note 3.2 & 3.3(i) explains the changes and new accounting policies introduced on July 1, 2018 resulting from the adoption of the new accounting standard IFRS 15 Revenue from Contracts with Customers.

The most significant impact to the company, upon adoption of IFRS 15, relates to the identification of contracts with customers, identification of distinct performance obligations and allocation of transaction price to the distinct performance obligations (based on their standalone selling prices).

In case of a multiple element arrangements (e.g contract to deliver various performance obligations to a single customer in various markets), the total transaction price of the bundled contract is allocated among the individual distinct performance obligations based on their relative standalone selling prices.

Company's contracts with customers' entail three separate performance obligations as follows:

1. Software licenses
2. Implementation, customization and consulting services
3. Maintenance services

Company identified all material and significant contracts in hand and not closed or completed by June 30, 2018 and applied IFRS 15 on those contracts to evaluate and analyse the impact IFRS 15 would have made on the revenue recognition from those contract. These contracts outline a fixed fee for the software license and maintenance services and provision of some other related services to the same customer. Total transaction price for these items was allocated to each of these performance obligations based on the relative standalone selling prices. Each performance obligation by geography is considered a distinct performance obligation. Accordingly, the transaction price was allocated based on relative standalone selling price by performance obligation and geography.

The adjustments made to items in the statement of financial position as of July 1, 2018 and attributable to IFRS 15 are as follows:

	Carrying amount in accordance with IAS 18 As on June 30, 2018	Adjustment	Carrying amount in accordance with IAS 18 As on July 01, 2018
ASSETS			
CURRENT ASSETS	1,428,321	(759,372)	668,949
Contract assets			
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Un-appropriated profits	5,354,598	(785,377)	4,569,221
CURRENT LIABILITIES			
Contract liabilities	371,243	26,005	397,248

The following tables provide comparison of carrying values of relevant items from the financial statements as of September 30, 2018 in accordance with IFRS 15 as compared to the old accounting standard, IAS 18 and related interpretations:

	Carrying amount in accordance with IFRS 15 As on Sep 30, 2018	Adjustment	Carrying amount in accordance with IAS 18 As on Sep 30, 2018
ASSETS			
CURRENT ASSETS			
Contract assets	906,591	798,344	1,704,935
Other receivable-Reimbursable cost	6,683	42,166	48,849
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Un-appropriated profits	4,704,533	817,802	5,522,335
CURRENT LIABILITIES			
Contract Liabilities	317,913	(8,771)	309,142

	IFRS 15 Q1 2019	Adjustment	IAS 18 Q1 2019
REVENUE			
License revenue	470,736	7,617	478,353
Maintenance revenue	209,621	18,153	227,774
Revenue against reimbursable cost	99,693	(99,693)	-
COST OF REVENUE			
Travelling & Conveyance-Reimbursable cost	99,693	(99,693)	-
OTHER INCOME			
Gain on foreign currency translation	6,765	6,655	13,420

19. EARNING PER SHARE

	Jul- Sep 18	Jul-Sep 17
Basic	Rupees in '000'	
Profit attributable to ordinary shareholders of NetSol Technologies Limited	126,661	142,273
Profit from continuing operations attributable to ordinary shareholders of NetSol Technologies Limited	132,443	120,615
Weighted average number of ordinary shares in issue during the period	89,722	89,636
Basic - In Rupees	1.41	1.59
Basic - In Rupees Continued operations	1.48	1.35
Diluted		
Profit attributable to ordinary shareholders of NetSol Technologies Limited	126,661	142,273
Profit from continuing operations attributable to ordinary shareholders of NetSol Technologies Limited	132,443	120,615
Weighted average number of ordinary shares in issue during the period	89,835	89,800
Diluted - In Rupees	1.41	1.58
Diluted - In Rupees Continued operations	1.47	1.34

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		
(i) Associated undertaking	Rental Income	225	225
	Provision of services	414,452	157,109
	Purchase of services	6,273	4,729
(ii) Key management personnel	Salaries and benefits	39,578	19,581
	Retirement benefits	718	515
	Commission paid	57,917	-
(iii) Post employment benefit	Contribution to defined contribution plan	24,846	19,527
	(iv) 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.

Sep-18						
				Discontinued operations		
NFS	IS & SSS	BPO	Total	BPO	Total	
Rupees in '000						
Revenue - net						
External sales						
License	470,736	-	-	470,736	-	470,736
Services	397,097	-	41,979	439,076	8,339	447,415
Maintenance	209,621	2,749	-	212,370	-	212,370
Reimbursable expenses	99,693	-	-	99,693	-	99,693
Total revenue	1,177,146	2,749	41,979	1,221,875	8,339	1,230,214
Cost of revenue	(688,163)	(1,923)	(47,676)	(737,762)	(28,669)	(766,431)
Segment results	488,983	826	(5,695)	484,113	(20,330)	463,783
Unallocated corporate expenses:						
Selling and promotion expenses				(118,263)		(118,263)
Administrative expenses				(228,481)	(334)	(228,814)
Other operating expenses				-	-	-
Other income				32,513	6,784	39,296
Finance cost				(12,075)	(37)	(12,112)
Taxation				(25,364)	(339)	(25,703)
Profit after taxation				132,443	(14,256)	118,187

Sep-17						
				Discontinued operations		
NFS	IS & SSS	BPO	Total	BPO	Total	
Rupees in '000						
External sales						
Licence	114,547	-	-	114,547		114,547
Services	492,358	-	49,990	542,348	119,196	661,544
Maintenance	175,745	-	-	175,745		175,745
Inter-segment sales				-		
Total revenue	782,650	-	49,990	832,640	119,196	951,836
Cost of revenue	(533,793)	(4,270)	(33,676)	(571,739)	(88,823)	(660,562)
Segment results	248,857	(4,270)	16,314	260,901	30,373	291,274
Unallocated corporate expenses:						
Selling and promotion expenses				(72,961)	-	(72,961)
Administrative expenses				(158,504)	(1,408)	(159,912)
Other operating expenses				(137)	(604)	(741)
Other income				106,044	10,052	116,096
Finance cost				(11,841)	(249)	(12,090)
Taxation				(2,887)	(256)	(3,143)
Profit after taxation				120,615	37,908	158,523

*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. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 30, 2018 by the Board of Directors.

23. GENERAL

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

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