



CONSOLIDATED FINANCIAL
STATEMENTS
For The Half Year Ended December 31, 2018

Condensed Consolidated Interim statement Of Financial Position - Unaudited
As at December 31, 2018

	NOTE	Dec-18 Unaudited	Jun-18 Audited
Rupees in '000'			
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	5	1,759,166	1,759,889
Intangible assets	6	1,361,153	1,507,905
		3,120,319	3,267,794
Long term Investment	7	293,379	293,379
Long term loans to employees	8	738	356
		3,414,436	3,561,529
CURRENT ASSETS			
Trade debts	9	1,678,439	1,340,024
Contract assets		1,259,414	1,428,320
Loans and advances	10	135,325	38,489
Trade deposits & short term prepayments		26,031	17,756
Other receivables		40,385	25,908
Due from related parties		54,428	25,878
Taxation - net		56,670	53,879
Cash & bank balances	11	1,498,555	2,123,337
		4,749,247	5,053,591
Assets-Discontinued operations	15	424,823	441,866
TOTAL ASSETS		8,588,506	9,056,986
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital			
150,000,000 ordinary shares of Rs.10/- each	12	1,500,000	1,500,000
Issued, subscribed and paid-up capital	12	897,229	897,029
Share deposit money		13	13
Reserves	13	5,673,056	5,980,176
		6,570,298	6,877,218
Non - controlling Interest		209,882	201,697
		6,780,180	7,078,915
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		47,026	31,115
Deferred income		6,483	7,826
Long term advances		2,373	686
		55,882	39,627
CURRENT LIABILITIES			
Trade and other payables	14	433,684	503,417
Contract liabilities		276,212	371,243
Short term borrowings		1,000,000	1,000,000
Current portion of long term liabilities		36,911	27,124
Unclaimed dividend		5,511	2,949
		1,752,319	1,904,733
Liabilities-Discontinued operations	15	125	33,711
CONTINGENCIES & COMMITMENTS	16	-	-
TOTAL EQUITY AND LIABILITIES		8,588,506	9,056,986

The annexed notes from 1 to 25 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, 2018

	NOTE	Oct-Dec 2018	Oct-Dec 2017 (Restated)	Jul-Dec 2018	Jul-Dec 2017 (Restated)
		Rupees in '000'		Rupees in '000'	
Continuing operations					
Revenue - net	17	1,389,441	1,123,064	2,611,316	1,955,704
Cost of revenue		(810,085)	(537,166)	(1,547,847)	(1,108,905)
Gross profit		579,356	585,898	1,063,469	846,799
Selling and promotion expenses		(144,811)	(96,630)	(263,074)	(169,591)
Administrative expenses		(213,757)	(165,557)	(442,238)	(324,062)
Other operating expenses		-	(854)	-	(991)
Other income		329,166	174,248	361,679	280,295
		(29,402)	(88,793)	(343,633)	(214,348)
Operating profit		549,954	497,105	719,836	632,451
Finance cost		(8,181)	(10,793)	(20,256)	(22,633)
Profit before taxation from continuing operations		541,773	486,312	699,580	609,818
Taxation					
Current period	18	(11,881)	(8,153)	(37,245)	(11,040)
Prior period	18	1,762	(435)	1,762	(435)
		(10,119)	(8,588)	(35,483)	(11,475)
Profit after taxation for the period from continuing operations		531,654	477,724	664,097	598,343
Discontinued operations:					
Profit after tax for the period from discontinued operations	15	33,669	23,818	19,413	61,725
Profit for the period		565,323	501,542	683,510	660,068
Attributable to:					
Equity holders of NetSol Technologies Limited		548,664	492,161	675,325	634,437
Non - controlling interest		16,659	9,381	8,185	25,631
		565,323	501,542	683,510	660,068
Earning per share					
Basic - In Rupees	21	6.12	5.49	7.53	7.08
Diluted - In Rupees	21	6.11	5.48	7.52	7.06
Earnings per share for continuing operations					
Basic - In Rupees	21	5.93	5.33	7.40	6.67
Diluted - In Rupees	21	5.92	5.32	7.39	6.66

The annexed notes from 1 to 25 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, 2018

	Oct-Dec 2018	Oct-Dec 2017 (Restated)	Jul-Dec 2018	Jul-Dec 2017 (Restated)
	Rupees in '000'		Rupees in '000'	
Profit after taxation for the period	565,323	501,542	683,510	660,068
Other comprehensive income	-	-	-	-
Total comprehensive Profit for the period	565,323	501,542	683,510	660,068
Attributable to:				
Equity holders of NetSol Technologies Limited	548,664	492,161	675,325	634,437
Non - controlling interest	16,659	9,381	8,185	25,631
	565,323	501,542	683,510	660,068

The annexed notes from 1 to 25 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, 2018

	Jul-Dec 2018	Jul-Dec 2017
Rupees in '000		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation from continuing operations	699,580	609,818
Profit before taxation from discontinued operations	19,693	62,522
Profit before taxation for the period	719,273	672,340
Adjustments for non cash charges and other items:		
Depreciation - own assets	94,303	118,699
Amortization of leased assets	12,080	8,809
Amortization of intangible assets	146,752	146,752
(Gain)/Loss on disposal of fixed assets	(7,087)	1,875
Amortization of deferred revenue	(1,343)	-
Exchange (gain) on debtors	(348,318)	(292,850)
Interest expense	19,658	23,212
Interest income	(44,858)	(10,426)
Deferred employee compensation expense	27,111	26,881
(Gain) on short term investment	-	(2,265)
	(101,702)	20,686
Cash generated from operations before working capital changes	617,571	693,027
Working Capital Changes		
Trade debts	(715,559)	(877,757)
Loans and advances	(97,217)	(5,183)
Trade deposits & short term prepayments	(8,275)	(3,733)
Other receivables	(14,447)	(41,186)
Due from related parties	(27,596)	2,566
Trade and other payables	(88,090)	70,866
Cash (used in) operations	(951,185)	(854,427)
Interest paid	(20,828)	(27,095)
Income taxes paid	(38,845)	(14,517)
Dividend paid	(221,745)	(132,211)
Net cash (used in) operations	(615,032)	(335,223)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipments purchased	(121,129)	(28,870)
Sales proceeds of fixed asset	67,097	9,499
Capital work in progress	(33,012)	6,861
Long Term Investment	-	(64,070)
Gain on investments	-	2,265
Interest received	44,858	10,426
Net cash (used in) investing activities	(42,208)	(63,889)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	200	500
Share premium	129	321
Paid against obligation under finance lease	(33,974)	(23,531)
Received against obligation under finance lease	53,474	12,520
Short term borrowing	-	(38,716)
Long term advances	(5,051)	(130)
Net cash generated from/ (Used in) financing activities	14,778	(49,036)
Net (decrease) in cash and cash equivalents	(642,462)	(448,148)
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	1,592,810	622,756

The annexed notes from 1 to 25 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, 2018

	Attributable to equity holders of the Parent					Non Controlling Total Equity Interest		
	Issued, subscribed and paid-up capital	Share deposit money	Capital reserve		Revenue reserve	Total		
			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 half year ended								
December 31, 2017	-	-	-	-	634,437	634,437	25,631	660,068
Shares deposit money against options exercised	-	821	-	-	-	821	-	-
Shares issued against options exercised (50,000 shares at Rs. 10 each)	500	(821)	(74)	395			-	821
Distributions to owners								
cash dividend					(130,045)	(130,045)		(130,045)
Contribution of parent on account of employee share options			26,881			26,881		26,881
	500	-	26,807	395	504,392	532,094	25,631	557,725
Balance as at December 31, 2017	896,859	13	102,356	302,974	5,074,204	6,376,406	188,669	6,565,075
Balance as at June 30, 2018	897,029	13	131,860	303,108	5,545,208	6,877,218	201,697	7,078,916
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
Other comprehensive income								
Shares issued against options exercised (20,000 shares at Rs. 10 each)	200	(328)	(30)	158				
cash dividend	-				(224,307)	(224,307)		(224,307)
Contribution of parent on account of employee share options			27,111	-	-	27,111	-	27,111
Amount received against option exercised		328		-	-	328	-	328
	200	-	27,081	158	334,360	306,921	8,185	298,735
Balance as at December 31, 2018	897,229	13	158,941	303,266	5,210,848	6,570,298	209,882	6,780,180

The annexed notes from 1 to 25 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, 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, 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, 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 20.

- (ii) Certain other standards, amendments and interpretations to approved accounting standards are also effective for accounting periods beginning on July 01, 2018, but are neither relevant nor 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.

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. 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		Dec-18	Jun-18
Rupees in '000'			
Considered good			
Loan to employees			
- to executives	8.1	55,246	1,082
- to non-executives	8.1	1,749	2,893
Less: current maturity		(56,257)	(3,619)
		738	356

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

9. TRADE DEBTS			
Considered good - unsecured	9.3	1,678,439	1,340,024
Considered doubtful - unsecured	9.2	48,318	70,528
		1,726,757	1,410,552
Less: Provision for doubtful debt		(48,318)	(70,528)
		1,678,439	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		191,998	167,661
NetSol Technologies (Beijing) Company Limited		510,497	74,807
NetSol Australia Pty. Limited		14,912	7,571
Netsol Technologies North Americas		86,773	49,071
NetSol Technologies Europe Ltd		2,442	496
WRLD3D Inc		104,710	57,605
		911,332	357,211

10. LOANS AND ADVANCES - Unsecured			
Considered good			
Current maturity of loans to employees	8	56,257	3,619
Advances			
- to executives		151	153
- against expenses	10.1.	78,916	34,717
		135,325	38,489

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

11. For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 Dec:			
		Dec-18	Dec-17
Rupees in '000'			
Cash and bank balances		1,498,555	517,324
Cash and bank balances-Discontinued operations	15	94,255	105,434
		1,592,810	622,758

12. SHARE CAPITAL					
12.1 Authorised share capital					
		Dec-18	Jun-18		
		Unaudited	Audited	Dec-18	Jun-18
		Number of shares		Rupees in '000'	
	150,000,000	150,000,000		1,500,000	1,500,000
12.2 Issued, subscribed & paid-up capital					
	42,572,191	42,552,191		425,722	425,522
	47,150,732	47,150,732		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.

		Dec-18 Unaudited	Jun-18 Audited
Rupees in '000'			
13. RESERVES			
	Capital reserve		
	Premium on issue of ordinary shares	303,266	303,108
	Employee share option compensation reserve	158,941	131,860
	Revenue reserve		
	Un - appropriated profit	5,210,848	5,545,208
		5,673,056	5,980,176
14.	Trade and other payables also include payable to related parties, detail of which is given below:		
	14.1 Due to related party		
	<i>Parent</i>		
	NetSol Technologies Inc. 14.1.1	-	92,962
	<i>Associated</i>		
	NetSol Technologies Europe Ltd 14.1.1	5,664	6,397
		5,664	99,359

14.1.1 This relates to normal course of business of the Group and is interest free.

15. 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 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	8,163	19,670
	Trade debts	320,908	306,946
	Other receivables	-	30
	Income tax	1,497	2,332
	Due from related parties	-	954
	Cash & bank balances	94,255	111,935
	Assets classified as discontinued operations	424,823	441,866
Liabilities			
	Trade and other payables	125	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	125	33,711

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

	Oct-Dec 2018	Oct-Dec 2017	Jul-Dec 2018	Jul-Dec 2017
	Rupees in '000'		Rupees in '000'	
Revenue-Export	-	84,956	8,339	204,152
Cost of revenue	43	(75,170)	(28,626)	(163,994)
Gross profit/(loss)	43	9,786	(20,287)	40,158
Administrative expenses	-	(761)	(334)	(2,170)
Other operating expenses	-	(97)	-	(701)
Other income	33,567	15,642	40,351	25,697
Operating profit	33,610	24,570	19,730	62,984
Finance cost	-	(210)	(37)	(461)
Profit before taxation for the period from discontinued operations	33,610	24,360	19,693	62,523
Taxation				
Current period	(298)	(198)	(637)	(454)
Prior period	357	(344)	357	(344)
Profit after taxation for the period from discontinued operations	33,669	23,818	19,413	61,725
Earning per share				
Profit after taxation for the year from discontinued operations	33,669	23,818	19,413	61,725
Less Non controlling interest	(16,659)	(9,381)	(8,185)	(25,631)
Profit from discontinued operations attributable to ordinary shareholders of NetSol Technologies Limited	17,010	14,437	11,227	36,093
Basic earning per share from discontinued operations	0.19	0.16	0.13	0.41
Diluted earning per share from discontinued operations	0.19	0.16	0.12	0.40

16. CONTINGENCIES & COMMITMENTS

16.1 Contingencies

- 16.1.1** 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.
- 16.1.2** 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.

16.2 Commitments

- 16.2.1** The Company has issued worth Rs. 11.489 million (2018: 9.289 million) bank guarantees to LESCO and Standard Chartered Bank against its corporate credit cards.
- 16.2.2** The Company has capital commitments of Rs. 4.45 million under capital purchase agreements as at December 31, 2018. (2018: 41.75 million)

	Oct-Dec 2018	Oct-Dec 2017 (Restated)	Jul-Dec 2018	Jul-Dec 2017 (Restated)
	Rupees in '000'		Rupees in '000'	
17. REVENUE - NET				
Export Revenue				
License	433,774	202,051	904,510	316,598
Services	555,408	740,445	994,484	1,282,793
Maintenance	235,448	180,568	445,068	356,313
Reimbursable expenses	162,062	-	261,755	-
Local Revenue	1,386,692	1,123,064	2,605,817	1,955,704
Maintenance	3,189	-	6,378	-
Sales tax	(440)	-	(880)	-
	2,749	-	5,499	
	1,389,441	1,123,064	2,611,316	1,955,704

18. TAXATION

As per clause 133 of part 1 of the Second Schedule to the Income Tax Ordinance, 2001, income of the Group from export of computer software and its related services developed in Pakistan is exempt from tax up to June 30, 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. However tax as per applicable rates is charged to the income of the Group generated from other than core business activities.

19. 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.

20. 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 IFRS 15 As on July 01, 2018
ASSETS			
CURRENT ASSETS	1,428,321	(759,372)	668,949
Contract assets			
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Revenue reserve			
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 December 31, 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 Dec 31, 2018	Adjustment	Carrying amount in accordance with IAS 18 As on Dec 31, 2018
ASSETS			
CURRENT ASSETS			
Contract assets	1,259,414	899,721	2,159,135
Other receivable-Reimbursable cost	-	31,895	31,895
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Revenue reserve			
Un-appropriated profits	5,210,848	950,936	6,161,784
CURRENT LIABILITIES			
Contract Liabilities	276,212	107	276,319
	IFRS 15 Jul-Dec 2018	Adjustment	IAS 18 Jul-Dec 2018
REVENUE			
License revenue	904,510	19,427	923,937
Maintenance revenue	445,068	46,474	491,542
Revenue against reimbursable cost	261,755	(261,755)	-
COST OF REVENUE			
Travelling & Conveyance-Reimbursable cost	261,755	(261,755)	-
OTHER INCOME			
Gain on foreign currency translation	314,798	99,658	414,456

The overviews presented above contain only those items of financial statements that are affected by the application of IFRS 15.

21. EARNING PER SHARE	Oct-Dec	Oct-Dec	Jul-Dec	Jul-Dec
	2018	2017	2018	2017
Basic	Rupees in '000'		Rupees in '000'	
Profit attributable to ordinary shareholders of NetSol Technologies Limited	548,664	492,161	675,325	634,437
Profit from continuing operations attributable to ordinary shareholders of NetSol Technologies Limited	531,654	477,724	664,097	598,343
Weighted average number of ordinary shares in issue during the period	89,723	89,681	89,722	89,658
Basic - In Rupees	6.12	5.49	7.53	7.08
Basic - In Rupees Continued operations	5.93	5.33	7.40	6.67
Diluted	Rupees in '000'		Rupees in '000'	
Profit attributable to ordinary shareholders of NetSol Technologies Limited	548,664	492,161	675,325	634,437
Profit from continuing operations attributable to ordinary shareholders of NetSol Technologies Limited	531,654	477,724	664,097	598,343
Weighted average number of ordinary shares in issue during the period	89,831	89,807	89,833	89,803
Diluted - In Rupees	6.11	5.48	7.52	7.06
Diluted - In Rupees Continued operations	5.92	5.32	7.39	6.66

22. 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
		2018	2017
		Rupees in '000'	
(i) Associated undertaking	Rental Income	450	450
	Provision of services	559,676	318,820
	Purchase of services	12,886	10,299
(ii) Parent	Dividend	118,793	68,836
	Repayment of loan	-	113,713
(iii) Key management personnels	Salaries and benefits	73,571	31,623
	Retirement benefits	1,454	976
	Commission paid	116,751	21,302
(iv) Post employment benefit	Contribution to defined contribution plan	49,880	37,846
(v)	There are no transactions with any key management personnel other than under the terms of employment.		

23. SEGMENT REVENUES AND RESULTS

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

	Dec-18					
	Continued operations				Discontinued operations	
	NFS	IS & SSS	BPO	Total	BPO	Total
	Rupees in '000'					
Revenue - net						
External sales						
Licence	904,510	-	-	904,510	-	904,510
Services	911,982	-	82,501	994,484	8,339	1,002,823
Maintenance	445,068	5,499	-	450,567		450,567
Reimbursable expenses	246,720	-	15,035	261,755		261,755
Total revenue	2,508,281	5,498	97,537	2,611,316	8,339	2,619,655
Cost of revenue	(1,445,236)	(3,083)	(99,528)	(1,547,847)	(28,626)	(1,576,473)
Segment results	1,063,045	2,415	(1,991)	1,063,469	(20,287)	1,043,182
Unallocated corporate expenses:						
Selling and promotion expenses				(263,074)	-	(263,074)
Administrative expenses				(442,238)	(334)	(442,572)
Other income				361,679	40,351	402,030
Finance cost				(20,256)	(37)	(20,293)
Taxation				(35,483)	(280)	(35,763)
Profit after taxation				664,097	19,413	683,510

	Dec-17					
	Continued operations				Discontinued operations	
	NFS	IS & SSS	BPO	Total	BPO	Total
	Rupees in '000'					
Revenue - net						
External sales						
Licence	316,598	-	-	316,598	-	316,598
Services	1,178,208	-	104,585	1,282,793	204,152	1,486,945
Maintenance	356,313	-	-	356,313		356,313
Total revenue	1,851,119	-	104,585	1,955,704	204,152	2,159,856
Cost of revenue	(1,044,288)	(5,019)	(59,598)	(1,108,905)	(163,994)	(1,272,899)
Segment results	806,831	(5,019)	44,987	846,799	40,158	886,957
Unallocated corporate expenses:						
Selling and promotion expenses				(169,591)	-	(169,591)
Administrative expenses				(324,062)	(2,170)	(326,232)
Other operating expenses				(991)	(701)	(1,692)
Other income				281,264	25,697	306,961
Finance cost				(23,603)	(461)	(24,064)
Taxation				(11,475)	(798)	(12,273)
Profit after taxation				598,343	61,725	660,067

*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.

24. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 12, 2019 by the Board of Directors.

25. 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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