



CONSOLIDATED FINANCIAL
STATEMENTS
For The Nine Months Ended March 31, 2019

Condensed Consolidated Interim statement Of Financial Position - Unaudited
As at March 31, 2019

	NOTE	Mar-19 Unaudited	Jun-18 Audited
Rupees in '000'			
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	5	1,735,824	1,759,889
Intangible assets	6	1,287,777	1,507,905
		3,023,601	3,267,794
Long term Investment	7	293,379	293,379
Long term loans to employees	8	462	356
		3,317,442	3,561,529
CURRENT ASSETS			
Trade debts	9	2,770,057	1,340,024
Contract assets		929,729	1,428,320
Loans and advances	10	70,483	38,489
Trade deposits & short term prepayments		28,644	17,756
Other receivables		25,209	25,908
Due from related parties		103,437	25,878
Taxation - net		55,418	53,879
Cash & bank balances	11	1,526,511	2,123,337
		5,509,488	5,053,591
Assets-Discontinued operations	15	436,383	441,866
TOTAL ASSETS		9,263,313	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	5,865,546	5,980,176
		6,762,788	6,877,218
Non - controlling Interest		215,603	201,697
		6,978,391	7,078,915
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		66,195	31,115
Deferred income		5,812	7,826
Long term advances		2,915	686
		74,922	39,627
CURRENT LIABILITIES			
Trade and other payables	14	447,515	503,417
Contract liabilities		657,277	371,243
Short term borrowings		1,052,987	1,000,000
Current portion of long term liabilities		47,611	27,124
Unclaimed dividend		4,485	2,949
		2,209,875	1,904,733
Liabilities-Discontinued operations	15	125	33,711
CONTINGENCIES & COMMITMENTS	16	-	-
TOTAL EQUITY AND LIABILITIES		9,263,313	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 Nine Months Ended March 31, 2019

	NOTE	Jan-Mar 2019	Jan-Mar 2018 (Restated)	Jul-Mar 2019	Jul-Mar 2018 (Restated)
		Rupees in '000'		Rupees in '000'	
Continuing operations					
Revenue - net	17	1,435,740	1,287,933	4,047,056	3,243,637
Cost of revenue		(874,257)	(567,748)	(2,422,104)	(1,676,652)
Gross profit		561,483	720,185	1,624,952	1,566,985
Selling and promotion expenses		(133,715)	(164,936)	(396,789)	(334,527)
Administrative expenses		(252,767)	(175,109)	(695,005)	(499,172)
Other operating expenses		-	(1,758)	-	(2,749)
Other income		28,167	262,074	389,846	542,372
		(358,315)	(79,729)	(701,948)	(294,076)
Operating profit		203,168	640,456	923,004	1,272,909
Finance cost		(9,046)	(10,331)	(29,302)	(32,965)
Profit before taxation from continuing operations		194,122	630,125	893,702	1,239,944
Taxation					
Current period	18	(11,558)	(17,341)	(48,803)	(28,381)
Prior period	18	-	(534)	1,762	(969)
		(11,558)	(17,875)	(47,041)	(29,350)
Profit after taxation for the period from continuing operations		182,564	612,250	846,661	1,210,594
Discontinued operations:					
Profit after tax for the period from discontinued operations	15	11,561	45,680	30,974	107,407
Profit for the period		194,125	657,931	877,635	1,318,001
Attributable to:					
Equity holders of NetSol Technologies Limited		188,405	637,819	863,729	1,272,258
Non - controlling interest		5,720	20,112	13,906	45,743
		194,125	657,931	877,635	1,318,001
Earning per share					
Basic - In Rupees	21	2.10	7.11	9.63	14.19
Diluted - In Rupees	21	2.10	7.10	9.61	14.17
Earnings per share for continuing operations					
Basic - In Rupees	21	2.03	6.83	9.44	13.50
Diluted - In Rupees	21	2.03	6.82	9.42	13.48

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 Nine Months Ended March 31, 2019

	Jan-Mar 2019	Jul-Mar 2018 (Restated)	Jan-Mar 2019	Jul-Mar 2018 (Restated)
	Rupees in '000'		Rupees in '000'	
Profit after taxation for the period	194,125	657,931	877,635	1,318,001
Other comprehensive income	-	-	-	-
Total comprehensive Profit for the period	194,125	657,931	877,635	1,318,001
Attributable to:				
Equity holders of NetSol Technologies Limited	188,405	637,819	863,729	1,272,258
Non - controlling interest	5,720	20,112	13,906	45,743
	194,125	657,931	877,635	1,318,001

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 Nine Months Ended March 31, 2019

	NOTE	Jul-Mar 2019	Jul-Mar 2018
Rupees in '000			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation from continuing operations		893,702	1,239,944
Profit before taxation from discontinued operations		31,591	110,432
Profit before taxation for the period		925,293	1,350,376
Adjustments for non cash charges and other items:			
Depreciation - own assets		144,212	178,609
Amortization of leased assets		20,659	14,052
Amortization of intangible assets		220,128	220,128
(Gain)/Loss on disposal of fixed assets		(12,318)	(2,515)
Amortization of deferred revenue		(2,014)	-
Exchange (gain) on debtors		(364,988)	(572,683)
Interest expense		28,457	33,441
Interest income		(62,127)	(16,178)
Deferred employee compensation expense		31,197	41,264
(Gain) on short term investment		-	(3,076)
		3,206	(106,959)
Cash generated from operations before working capital changes		928,499	1,243,417
Working Capital Changes			
Trade debts		(1,088,834)	(933,841)
Loans and advances		(32,100)	(18,339)
Trade deposits & short term prepayments		(10,888)	(266)
Other receivables		729	(58,360)
Due from related parties		(76,605)	(9,420)
Trade and other payables		(72,096)	95,801
Cash (used in) operations		(1,279,795)	(924,425)
Interest paid		(31,788)	(38,414)
Income taxes paid		(49,308)	(34,085)
Dividend paid		(222,771)	(132,522)
Net cash (used in)/ Generated from operations		(655,163)	113,972
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipments purchased		(264,997)	(68,772)
Sales proceeds of fixed asset		132,441	22,926
Capital work in progress		16,297	6,961
Long Term Investment		-	(69,244)
Gain on investments		-	3,076
Interest received		62,127	16,178
Net cash (used in) investing activities		(54,132)	(88,875)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of share capital		200	670
Share premium		129	430
Paid against obligation under finance lease		(54,049)	(35,861)
Received against obligation under finance lease		102,857	35,201
Short term borrowing		52,987	(113,713)
Long term advances		(3,949)	(10,990)
Net cash generated from/ (Used in) financing activities		98,175	(124,263)
Net (decrease) in cash and cash equivalents		(611,120)	(99,166)
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	11	1,624,152	971,738

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 Nine Months Ended March 31, 2019

	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 Nine Months ended								
March 31, 2018	-	-	-	-	1,272,258	1,272,258	45,743	1,318,001
Shares deposit money against options exercised	-	1,100	-	-	-	1,100	-	1,100
Shares issued against options exercised (67,000 shares at Rs. 10 each)	670	(1,100)	(99)	529			-	-
Distributions to owners								
cash dividend					(130,045)	(130,045)		(130,045)
Contribution of parent on account of employee share options			41,264			41,264		41,264
	670	-	41,165	529	1,142,213	1,184,577	45,743	1,230,320
Balance as at March 31, 2018	897,029	13	116,714	303,108	5,712,025	7,028,889	208,781	7,237,670
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 Nine Months ended								
March 31, 2019					863,729	863,729	13,906	877,635
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			31,197	-	-	31,197	-	31,197
Amount received against option exercised		328		-	-	328	-	328
	200	-	31,167	158	(145,955)	(114,430)	13,906	(100,525)
Balance as at March 31, 2019	897,229	13	163,027	303,266	5,399,253	6,762,788	215,603	6,978,391

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 Nine Months Ended March 31, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

NetSol Group consists of:

- NetSol Technologies Limited
- NetSol Innovation (Private) Limited

NetSol Technologies Limited ("the Company") 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

		Mar-19 Unaudited	Jun-18 Audited
Rupees in '000'			
Considered good			
Loan to employees			
- to executives	8.1	25,331	1,082
- to non-executives	8.1	1,538	2,893
Less: current maturity		(26,407)	(3,619)
		462	356

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

9. TRADE DEBTS

Considered good - unsecured	9.1	2,770,057	1,340,024
Considered doubtful - unsecured	9.2	48,318	70,528
		2,818,375	1,410,552
Less: Provision for doubtful debt		(48,318)	(70,528)
		2,770,057	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		193,555	167,661
NetSol Technologies (Beijing) Company Limited		459,147	74,807
NetSol Australia Pty. Limited		8,719	7,571
Netsol Technologies North Americas		105,862	49,071
NetSol Technologies Europe Ltd		2,961	496
WRLD3D Inc		126,561	57,605
		896,805	357,211

10. LOANS AND ADVANCES - Unsecured

Considered good			
Current maturity of loans to employees	8	26,407	3,619
Advances			
- to executives		34	153
- against expenses	10.1.	44,042	34,717
		70,483	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 Mar:

		Mar-19 Unaudited	Mar-18 Audited
Rupees in '000'			
Cash and bank balances		1,526,511	896,079
Cash and bank balances-Discontinued operations	15	97,641	75,659
		1,624,152	971,738

12. SHARE CAPITAL

12.1 Authorised share capital

	Mar-19 Unaudited	Jun-18 Audited		Mar-19 Unaudited	Jun-18 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

12.2 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.

		Mar-19 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	163,027	131,860
	Revenue reserve		
	Un - appropriated profit	5,399,253	5,545,208
		5,865,546	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	6,228	6,397
		6,228	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	7,441	19,670
	Trade debts	329,983	306,946
	Other receivables	-	30
	Income tax	1,318	2,332
	Due from related parties	-	954
	Cash & bank balances	97,641	111,935
	Assets classified as discontinued operations	436,383	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:

	Jan-Mar 2019	Jan-Mar 2018	Jul-Mar 2019	Jul-Mar 2018
	Rupees in '000'		Rupees in '000'	
Revenue-Export	-	86,707	8,339	290,860
Cost of revenue	-	(68,674)	(28,626)	(232,667)
Gross profit/(loss)	-	18,033	(20,287)	58,193
Administrative expenses	-	(659)	(334)	(2,829)
Other operating expenses	-	-	-	-
Other income	11,898	30,701	52,249	55,696
Operating profit	11,898	48,075	31,628	111,060
Finance cost	-	(167)	(37)	(628)
Profit before taxation for the period from discontinued operations	11,898	47,908	31,591	110,432
Taxation	-	-	-	-
Current period	(337)	(1,791)	(974)	(2,244)
Prior period	-	(437)	357	(781)
Profit after taxation for the period from discontinued operations	11,561	45,680	30,974	107,407
Earning per share				
Profit after taxation for the year from discontinued operations	11,561	45,680	30,974	107,407
Less Non controlling interest	(5,720)	(20,112)	(13,906)	(45,743)
Profit from discontinued operations attributable to ordinary shareholders of NetSol Technologies Limited	5,841	25,568	17,068	61,664
Basic earning per share from discontinued operations	0.07	0.28	0.19	0.69
Diluted earning per share from discontinued operations	0.07	0.28	0.19	0.69

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. 5 million under capital purchase agreements as at March 31, 2019. (2018: 41.75 million)

	Jan-Mar 2019	Jan-Mar 2018 (Restated)	Jul-Mar 2019	Jul-Mar 2018 (Restated)
	Rupees in '000'		Rupees in '000'	
17. REVENUE - NET				
Export Revenue				
License	305,853	304,817	1,210,363	621,415
Services	744,200	780,541	1,738,684	2,063,334
Maintenance	247,832	195,077	692,900	551,390
Reimbursable expenses	134,826	-	396,581	-
Local Revenue	1,432,711	1,280,435	4,038,528	3,236,139
Services	325	-	325	-
Maintenance	3,189	8,698	9,568	8,698
	3,514	8,698	9,892	8,698
Sales tax	(485)	(1,200)	(1,364)	(1,200)
	1,435,740	1,287,933	4,047,056	3,243,637

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 March 31, 2019 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 March 31, 2019	Adjustment	Carrying amount in accordance with IAS 18 As on March 31, 2019
ASSETS			
CURRENT ASSETS			
Contract assets	929,729	842,332	1,772,061
Other receivable-Reimbursable cost	-	42,883	42,883
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Revenue reserve			
Un-appropriated profits	5,399,253	995,889	6,395,142
CURRENT LIABILITIES			
Contract Liabilities	657,277	(111,763)	545,514
	IFRS 15 Jul-Mar 2019	Adjustment	IAS 18 Jul-Mar 2019
REVENUE			
License revenue	1,210,363	42,998	1,253,361
Maintenance revenue	692,900	77,646	770,546
Revenue against reimbursable cost	396,581	(396,581)	-
COST OF REVENUE			
Travelling & Conveyance-Reimbursable cost	396,581	(396,581)	-
OTHER INCOME			
Gain on foreign currency translation	321,849	89,868	411,717

21. EARNING PER SHARE	Jan-Mar	Jan-Mar	Jul-Mar	Jul-Mar
	2019	2018	2019	2018
Basic	Rupees in '000'		Rupees in '000'	
Profit attributable to ordinary shareholders of NetSol Technologies Limited	188,405	637,819	863,729	1,272,258
Profit from continuing operations attributable to ordinary shareholders of NetSol Technologies Limited	182,564	612,250	846,661	1,210,594
Weighted average number of ordinary shares in issue during the period	89,723	89,699	89,723	89,672
Basic - In Rupees	2.10	7.11	9.63	14.19
Basic - In Rupees Continued operations	2.03	6.83	9.44	13.50
Diluted				
Profit attributable to ordinary shareholders of NetSol Technologies Limited	188,405	637,819	863,729	1,272,258
Profit from continuing operations attributable to ordinary shareholders of NetSol Technologies Limited	182,564	612,250	846,661	1,210,594
Weighted average number of ordinary shares in issue during the period	89,825	89,815	89,832	89,808
Diluted - In Rupees	2.10	7.10	9.61	14.17
Diluted - In Rupees Continued operations	2.03	6.82	9.42	13.48

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-Mar	Jul-Mar
		2019	2018
		Rupees in '000'	
(i) Associated undertaking	Rental Income	675	675
	Provision of services	774,659	435,220
	Purchase of services	19,663	16,086
(ii) Parent	Dividend	118,793	68,836
	Repayment of loan	-	113,713
(iii) Key management personnels	Salaries and benefits	100,185	64,055
	Retirement benefits	1,950	1,536
	Commission	136,189	44,339
(vi) Post employment benefit	Contribution to defined contribution plan	78,173	57,758
(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.

	Mar-19					
	Continued operations				Discontinued operations	
	NFS	IS & SSS	BPO	Total	BPO	Total
	Rupees in '000'					
Revenue - net						
External sales						
Licence	1,210,363	-	-	1,210,363	-	1,210,363
Services	1,614,162	280	124,522	1,738,964	8,339	1,747,303
Maintenance	692,900	8,248	-	701,148		701,148
Reimbursable expenses	373,893	-	22,688	396,581		396,581
Total revenue	3,891,318	8,528	147,210	4,047,056	8,339	4,055,395
Cost of revenue	(2,270,973)	(4,231)	(146,900)	(2,422,104)	(28,626)	(2,450,730)
Segment results	1,620,344	4,297	310	1,624,952	(20,287)	1,604,665
Unallocated corporate expenses:						
Selling and promotion expenses				(396,789)	-	(396,789)
Administrative expenses				(695,005)	(334)	(695,339)
Other income				389,846	52,249	442,095
Finance cost				(29,302)	(37)	(29,339)
Taxation				(47,041)	(617)	(47,658)
Profit after taxation				846,661	30,974	877,635

	Mar-18					
	Continued operations				Discontinued operations	
	NFS	IS & SSS	BPO	Total	BPO	Total
	Rupees in '000'					
Revenue - net						
External sales						
Licence	621,415	-	-	621,415	-	621,415
Services	1,919,602	7,498	143,732	2,070,832	290,860	2,361,692
Maintenance	551,390	-	-	551,390		551,390
Total revenue	3,092,407	7,498	143,732	3,243,637	290,860	3,534,497
Cost of revenue	(1,583,001)	(5,856)	(87,795)	(1,676,652)	(232,667)	(1,909,319)
Segment results	1,509,406	1,642	55,937	1,566,985	58,193	1,625,178
Unallocated corporate expenses:						
Selling and promotion expenses				(334,527)	-	(334,527)
Administrative expenses				(499,172)	(2,829)	(502,001)
Other operating expenses				2,698	-	2,698
Other income				537,907	55,696	593,603
Finance cost				(33,947)	(628)	(34,575)
Taxation				(29,350)	(3,025)	(32,375)
Profit after taxation				1,210,594	107,407	1,318,001

*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 April 30, 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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