

CONDENSED CONSOLIDATED INTERIM FINANCIAL

# Statements

For The Nine Months Ended March 31, 2016



**Condensed Consolidated Interim Balance Sheet - Unaudited**

As at March 31, 2016

	NOTE	Mar-16 Unaudited	Jun-15 Audited
Rupees in '000'			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	5	2,336,111	2,477,636
Intangible assets	6	2,274,821	2,511,297
Long term deposits		1,600	1,600
		<b>4,612,532</b>	<b>4,990,533</b>
<b>CURRENT ASSETS</b>			
Trade debts	7	1,435,208	783,280
Excess of revenue over billing		568,910	367,994
Loans and advances	8	42,914	10,227
Trade deposits & short term prepayments		23,682	24,538
Other receivables		31,202	25,464
Due from related parties		19,798	111,312
Taxation - net		42,799	36,618
Cash & bank balances		459,574	514,011
		<b>2,624,087</b>	<b>1,873,444</b>
<b>TOTAL ASSETS</b>		<b>7,236,619</b>	<b>6,863,977</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorized share capital 150,000,000 ordinary shares of Rs.10/- each	9	1,500,000	1,500,000
Issued, subscribed and paid-up capital	9	891,544	890,464
Share deposit money		13	13
Reserves	10	4,716,413	4,588,036
		<b>5,607,970</b>	<b>5,478,513</b>
Non - controlling Interest		350,781	208,574
		<b>5,958,751</b>	<b>5,687,087</b>
<b>NON-CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance lease		28,194	27,743
Deferred income		-	10
Long term advances		7,441	2,750
		<b>35,635</b>	<b>30,503</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		578,444	452,694
Unearned revenue		104,757	237,995
Short term borrowings		515,049	412,645
Current portion of long term liabilities		43,983	43,053
		<b>1,242,233</b>	<b>1,146,387</b>
<b>CONTINGENCIES &amp; COMMITMENTS</b>	11	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,236,619</b>	<b>6,863,977</b>

The annexed notes from 1 to 18 form an integral part of these condensed consolidated interim financial statements.

## Condensed Consolidated Interim Profit & Loss Account - Unaudited

For The Nine Months Ended March 31, 2016

	NOTE	Jan-Mar 2016	Jan-Mar 2015	Jul-Mar 2016	Jul-Mar 2015
		Rupees in '000'		Rupees in '000'	
Revenue - net	12	984,165	857,737	2,953,309	2,242,945
Cost of revenue		(718,766)	(649,686)	(1,989,326)	(1,759,371)
<b>Gross profit</b>		<b>265,399</b>	<b>208,051</b>	<b>963,983</b>	<b>483,574</b>
Selling and promotion expenses		(49,024)	(55,964)	(156,043)	(166,108)
Administrative expenses		(186,171)	(129,078)	(488,150)	(446,092)
Other operating expenses		(533)	(21,712)	(27,574)	(61,545)
Other income		4,876	10,096	11,150	23,879
<b>Operating profit / (loss)</b>		<b>34,547</b>	<b>11,393</b>	<b>303,366</b>	<b>(166,292)</b>
Finance cost		(5,375)	(2,953)	(17,184)	(9,770)
<b>Profit / (loss) before taxation</b>		<b>29,172</b>	<b>8,440</b>	<b>286,182</b>	<b>(176,062)</b>
Taxation					
Current period		(1,895)	(10,677)	(16,291)	(21,423)
<b>Profit / (loss) after taxation for the period</b>		<b>27,277</b>	<b>(2,237)</b>	<b>269,891</b>	<b>(197,485)</b>
<b>Attributable to:</b>					
Equity holders of NetSol Technologies Limited		(16,371)	(31,967)	127,684	(284,896)
Non - controlling interest		43,648	29,730	142,207	87,411
		<b>27,277</b>	<b>(2,237)</b>	<b>269,891</b>	<b>(197,485)</b>
<b>Profit/(Loss) per share</b>					
Basic - In Rupees	14	(0.18)	(0.36)	1.43	(3.20)
Diluted - In Rupees	14	(0.18)	(0.36)	1.42	(3.19)

The annexed notes from 1 to 18 form an integral part of these condensed consolidated interim financial statements.

### Condensed Consolidated Interim Statement of Comprehensive Income - Unaudited

For The Nine Months Ended March 31, 2016

	Jan-Mar 2016	Jan-Mar 2015	Jul-Mar 2016	Jul-Mar 2015
	Rupees in '000'		Rupees in '000'	
<b>Profit/(Loss) after taxation for the period</b>	<b>27,277</b>	<b>(2,237)</b>	<b>269,891</b>	<b>(197,485)</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive Profit/(loss) for the period</b>	<b>27,277</b>	<b>(2,237)</b>	<b>269,891</b>	<b>(197,485)</b>
<b>Attributable to:</b>				
Equity holders of NetSol Technologies Limited	<b>(16,371)</b>	<b>(31,967)</b>	<b>127,684</b>	<b>(284,896)</b>
Non - controlling interest	<b>43,648</b>	<b>29,730</b>	<b>142,207</b>	<b>87,411</b>
	<b>27,277</b>	<b>(2,237)</b>	<b>269,891</b>	<b>(197,485)</b>

The annexed notes from 1 to 18 form an integral part of these condensed consolidated interim financial statements.

## Condensed Consolidated Interim Statement of Cash Flows - Unaudited

For The Nine Months Ended March 31, 2016

	Jul-Mar 2016	Jul-Mar 2015
	Rupees in '000'	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation for the period	286,182	(176,062)
Adjustments for non cash charges and other items:		
Depreciation - own assets	291,325	342,377
Amortization of leased assets	19,472	21,290
Amortization of intangible assets	236,475	267,953
Loss on disposal of fixed assets	18	7,564
Amortization of deferred revenue	(10)	(16)
Exchange loss / (gain) on debtors	27,556	53,981
Interest expense	16,229	8,902
Interest income	(8,629)	(21,569)
(Gain) on short term investment	(1,061)	(1,690)
	581,375	678,792
<b>Cash generated from operations before working capital changes</b>	867,557	502,730
<b>Decrease / (increase) in current assets and liabilities</b>		
Trade debts	(1,013,638)	(228,231)
Loans and advances	(32,687)	4,140
Trade deposits & short term prepayments	856	7,063
Other receivables	(5,738)	(5,794)
Due from related parties	91,514	73,941
Trade and other payables	126,853	76,284
<b>Cash (used in) / generated from operations</b>	(832,840)	(72,597)
Interest paid	(17,441)	(24,974)
Income taxes paid	(22,471)	(22,734)
Dividend paid	(275)	(76,386)
<b>Net cash (used in) / generated from operations</b>	(5,470)	306,039
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property and equipments purchased	(135,591)	(199,123)
Sales proceeds of fixed asset	31,449	10,483
Capital work in progress	(64,764)	(44,625)
Gain on investments	1,061	1,690
Interest received	8,629	21,569
<b>Net cash (used in) investing activities</b>	(159,216)	(210,006)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of share capital	1,080	765
Share premium	693	491
Paid against obligation under finance lease	(47,934)	(37,774)
Received against obligation under finance lease	49,159	31,348
Long term payable	-	(54,904)
Short term borrowing	102,404	-
Long term advances	4,847	-
<b>Net cash (used in) / generated from financing activities</b>	110,249	(60,074)
<b>Net (decrease) / increase in cash and cash equivalents</b>	(54,437)	35,959
<b>Cash and cash equivalents at the beginning of the period</b>	514,011	389,987
<b>Cash and cash equivalents at the end of the period</b>	459,574	425,946

The annexed notes from 1 to 18 form an integral part of these condensed consolidated interim financial statements.

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

For The Nine Months Ended March 31, 2016

	Attributable to equity holders of the NetSol Technologies Limited						Non Controlling Interest	Total Equity
	Issued, subscribed and paid-up capital	Share deposit money	Employee share option compensation reserve	Capital reserve	Revenue reserve	Total		
				Share premium	Unappropri- ated profit			
	Rupees In '000'							
<b>Balance as at June 30, 2014</b>	889,699	13	1,880	297,320	4,417,072	5,605,984	151,491	5,757,475
Total comprehensive income for the period								
Net (loss) / profit for the quarter ended March 31, 2015	-	-	-	-	(284,896)	(284,896)	87,411	(197,485)
Other comprehensive income	-	-	-	-	-	-	-	-
	-	-	-	-	(284,896)	(284,896)	87,411	(197,485)
Shares issued against options exercised (76,500 shares at Rs. 10 each)	765	-	-	-	-	765	-	765
Amount transferred to share premium on issuance of shares against options exercised (76,500 shares at Rs. 1.48 each)	-	-	(113)	-	-	(113)	-	(113)
Shares premium on shares issued against options exercised	-	-	-	604	-	604	-	604
<b>Distribution to owners</b>								
By subsidiary to non-controlling interest								
- Cash dividend	-	-	-	-	-	-	(76,372)	(76,372)
<b>Balance as at March 31, 2015</b>	890,464	13	1,767	297,924	4,132,176	5,322,344	162,530	5,484,874
<b>Balance as at June 30, 2015</b>	890,464	13	1,767	297,924	4,288,345	5,478,513	208,574	<b>5,687,087</b>
Total comprehensive income for the period								
Net (loss) / profit for the quarter ended March 31, 2016	-	-	-	-	127,684	127,684	142,207	<b>269,891</b>
Other comprehensive income	-	-	-	-	-	-	-	-
	-	-	-	-	127,684	127,684	142,207	<b>269,891</b>
Shares issued against options exercised (108,000 shares at Rs. 10 each)	1,080	-	-	-	-	1,080	-	<b>1,080</b>
Amount transferred to share premium on issuance of shares against options exercised (108,000 shares at Rs. 1.48 each)	-	-	(160)	-	-	(160)	-	<b>(160)</b>
Share premium on shares issued against options exercised	-	-	-	853	-	853	-	<b>853</b>
<b>Distributions to owners</b>								
- By subsidiary to non-controlling interest								
cash dividend	-	-	-	-	-	-	-	-
<b>Balance as at March 31, 2016</b>	<b>891,544</b>	<b>13</b>	<b>1,607</b>	<b>298,777</b>	<b>4,416,029</b>	<b>5,607,970</b>	<b>350,781</b>	<b>5,958,751</b>

The annexed notes from 1 to 18 form an integral part of these condensed consolidated interim financial statements.

## Notes to the Condensed Consolidated Interim Financial Statements Unaudited

### 1. LEGAL STATUS AND NATURE OF BUSINESS

NetSol Group consists of:

- NetSol Technologies Limited
- NetSol Innovation (Private) Limited

NetSol Technologies Limited ("the Company") incorporated in Pakistan on August 22, 1996 under the Companies Ordinance, 1984 as a private company limited by shares was later on converted into public limited company on November 05, 2004. The Company was listed on Karachi Stock Exchange on August 26, 2005 and subsequently also got listed on Lahore Stock Exchange and Islamabad Stock Exchange. Due to de-mutualization of stock exchanges, all these stock exchanges have merged in 2015 to form Pakistan Stock Exchange. As a result of this merger, the company is now listed at Pakistan Stock Exchange. The business of the Company is development and sale of computer software and its related services in Pakistan as well as abroad. The registered office of the Company is situated NetSol IT Village, Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt. Pakistan.

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.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984 and are being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 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, 2015.

#### 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.

#### 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

The accounting policies adopted for the preparation of these condensed consolidated interim financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the Group for the year ended June 30, 2015.

### 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, 2015.



		Mar-16 Unaudited	Jun-15 Audited
		Rupees in '000'	
<b>5. PROPERTY, PLANT &amp; EQUIPMENT</b>			
Opening Balance - net book value		2,477,636	2,749,862
Additions	5.1	210,986	340,050
		<b>2,688,622</b>	3,089,912
Less:			
Disposals - net book value	5.2	(41,714)	(118,907)
Depreciation & amortization		(310,797)	(493,369)
		<b>2,336,111</b>	2,477,636
<b>5.1 Following is the detail of additions :</b>			
Building on freehold land		28,451	288,183
Furniture & fixture		7,375	19,667
Vehicles		87,531	45,187
Computers		44,137	132,669
Air conditioners		2,693	20,658
Office equipment		6,454	10,763
Electric fittings		-	48,253
Generator		5,661	8,500
Leasehold improvements		19,381	10,011
Computer software		-	25,540
Capital work-in-progress		9,303	(269,381)
Total		<b>210,986</b>	340,050

	Cost	Mar-16 Unaudited Accumulated Depreciation	Written down Value	Cost	Jun-15 Audited Accumulated Depreciation	Written down Value
Rupees in '000'						
<b>5.2 Following is the detail of deletions</b>						
Land - freehold	-	-	-	76,915	-	76,915
Furniture & fixture	60	19	41	2,918	1,314	1,604
Vehicles	58,123	18,135	39,988	48,507	22,982	25,525
Computers	6,449	4,767	1,682	37,231	29,924	7,307
Air conditioners	-	-	-	987	538	449
Office equipment	8	5	3	169	72	97
Leasehold improvements	-	-	-	11,589	9,989	1,600
Computer software	-	-	-	49,846	44,436	5,410
Total	<b>64,640</b>	<b>22,926</b>	<b>41,714</b>	228,162	109,255	118,907

		Mar-16 Unaudited	Jun-15 Audited
		Rupees in '000'	
<b>6. INTANGIBLE ASSETS</b>			
Opening Balance - net book value		2,511,297	2,868,568
Additions		-	-
		<b>2,511,297</b>	2,868,568
Less:			
Amortization		(236,476)	(357,271)
Closing balance		<b>2,274,821</b>	2,511,297
<b>7. TRADE DEBTS</b>			
Considered good - unsecured		1,435,208	783,280
Considered doubtful - unsecured		48,748	51,850
		<b>1,483,956</b>	835,130
Less: provision for doubtful debts		(48,748)	(51,850)
		<b>1,435,208</b>	783,280

7.1 It represents amount receivable from customers. It is unsecured but considered good by the management.

7.2 The Group has created a general provision for future doubtful debts, if any. However, there is no history of doubtful debts from any of existing customers.

<b>8. LOANS AND ADVANCES - Unsecured</b>	<b>Mar-16</b>	<b>Jun-15</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>Rupees in '000'</b>	
Considered good		
Loan to employees	11,017	3,096
Advances		
- to employees	648	227
- against expenses	31,249	6,904
	<b>42,914</b>	<b>10,227</b>

**8.1** The advances to employees are given to meet business expenses and are settled as and when the expenses are incurred.

## 9. SHARE CAPITAL

### 9.1 Authorised share capital

	<b>Mar-16</b>	<b>Jun-15</b>		<b>Unaudited</b>	<b>Audited</b>
	<b>Number of shares</b>				
	<b>150,000,000</b>	150,000,000	Ordinary Shares of Rs. 10 each.	<b>1,500,000</b>	1,500,000

### 9.2 Issued, subscribed & paid-up capital

	<b>42,003,691</b>	41,895,691	Ordinary Shares of Rs. 10 each fully paid in cash	<b>420,037</b>	418,957
	<b>47,150,732</b>	47,150,732	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	<b>471,507</b>	471,507
	<b>89,154,423</b>	89,046,423		<b>891,544</b>	890,464

NetSol Technologies Inc., 24025 Park Sorrento, Suite 410, Calabasas CA 91302, USA, is the parent company holding majority of issued capital of the Company. No shares are held by any other related party.

## 10. RESERVES

<b>Capital reserve</b>					
Premium on issue of ordinary shares				298,777	297,924
<b>Revenue reserve</b>					
Un - appropriated profit				4,416,029	4,288,345
<b>Employee share option compensation reserve</b>				1,607	1,767
				<b>4,716,413</b>	<b>4,588,036</b>

## 11. CONTINGENCIES & COMMITMENTS

### 11.1 Contingencies

There are no contingencies as at March 31, 2016 (June 2015 : nil) to which the Company is a party.

### 11.2 Commitments

**11.2.1** The Company has issued worth Rs. 7.062 million (June 2015 : Rs. 6.204 million) bank guarantees and bid bonds to various customers against sale of software and allied services.

**11.2.2** The subsidiary shall indemnify Innovation Group (EMEA) Limited up to £2,000,000 in case of physical damage or loss to its tangible property. However at present the subsidiary is not using / in possession of any tangible property of Innovation Group (EMEA) Limited.

	Jan-Mar 2016	Jan-Mar 2015	Jul-Mar 2016	Jul-Mar 2015
	Rupees in '000'		Rupees in '000'	
<b>12. REVENUE - NET</b>				
<b>Export Revenue</b>				
License	52,997	57,802	198,170	205,267
Services	730,518	647,097	2,212,798	1,595,371
Maintenance	183,871	150,272	514,497	430,505
	967,386	855,171	2,925,465	2,231,143
<b>Local Revenue</b>				
Services	14,942	1,381	22,808	8,039
Maintenance	3,364	1,877	9,560	5,633
	18,306	3,258	32,368	13,672
Sales tax	(1,527)	(692)	(4,524)	(1,870)
	984,165	857,737	2,953,309	2,242,945

**13. TAXATION**

Income of the Company from export of computer software and its related services developed in Pakistan is exempt from tax up to 2016 as per clause 133 of the Second Schedule to the Income Tax Ordinance, 2001. However tax as per applicable rates is charged to the income of the Company generated from other than core business activities.

**14. EARNING PER SHARE****Basic**

Loss after taxation for the period

(16,371) (31,967) 127,684 (284,896)

Average number of ordinary shares in issue during the period

89,107 89,011 89,066 88,983

Basic - In Rupees

(0.18) (0.36) 1.43 (3.20)

**Diluted**

Loss after taxation for the period

(16,371) (31,967) 127,684 (284,896)

Average number of ordinary shares in issue during the period

89,903 89,470 89,830 89,381

Diluted - In Rupee

(0.18) (0.36) 1.42 (3.19)

**15. 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.

			Jul-Mar 2016	Jul-Mar 2015
			Rupees in '000'	
<b>Relationship with the Company</b>	<b>Nature of transactions</b>			
(i) Associated undertaking	Rental Income		600	150
	Provision of services		1,081,218	435,695
	Purchase of services		12,919	3,889
(ii) Key management personnels	Remuneration of CEO and Directors		8,659	6,625
(iii) Post employment benefit	Contribution to defined contribution plan		38,208	28,179
(vi) There are no transactions with any key management personnel other than under the terms of employment.				

**16. SEGMENT REVENUES AND RESULTS**

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

	Mar-16			Total
	NFS	IS	BPO	
	Rupees in '000'			
Revenue - net				
External sales				
Licence	198,170	-	-	198,170
Services	1,496,335	18,285	716,462	2,231,082
Maintenance	514,497	9,560	-	524,057
Inter-segment sales				-
Total revenue	2,209,002	27,845	716,462	2,953,309
Cost of revenue	(1,525,784)	(83,977)	(379,565)	(1,989,326)
Segment results	683,218	(56,132)	336,897	963,983
Unallocated corporate expenses:				
Selling and promotion expenses				(156,043)
Administrative expenses				(488,150)
Other operating expenses				(27,574)
Other income				11,150
Finance cost				(17,184)
Taxation				(16,291)
<b>Profit after taxation</b>				<b>269,891</b>

	Mar-15			Total
	NFS	IS	BPO	
	Rupees in '000'			
Revenue - net				
External sales				
Licence	205,267	-	-	205,267
Services	1,111,792	6,169	483,579	1,601,540
Maintenance	430,505	5,633	-	436,138
Inter-segment sales				-
Total revenue	1,747,564	11,802	483,579	2,242,945
Cost of revenue	(1,403,914)	(20,516)	(334,941)	(1,759,371)
Segment results	343,650	(8,714)	148,638	483,574
Unallocated corporate expenses:				
Selling and promotion expenses				(166,108)
Administrative expenses				(446,092)
Other operating expenses				(61,545)
Other income				23,879
Finance cost				(9,770)
Taxation				(21,423)
<b>(Loss) after taxation</b>				<b>(197,485)</b>

\*Key

NFS = NetSol Financial Solutions

IS = Information Security and other services

BPO = Business Process Outsourcing

**17. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on April 28, 2016 by the Board of Directors.

**18. FIGURES**

Figures have been rounded off to the nearest thousand rupee.



## NetSol Technologies Limited

NetSol IT Village (Software Technology Park)  
Lahore Ring Road, Ghazi Road Interchange  
Lahore Cantt, 54792, Pakistan

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Email: [info@netsolpk.com](mailto:info@netsolpk.com)