



For the Quarter Ended

March

2015

Financial Statements

(Un-Audited)

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NETSOL
Nine Months Ended March 2015

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Company Profile

BOARD OF DIRECTORS

SHAHAB-UD-DIN GHAURI
Chairman

SALIM ULLAH GHAURI
Chief Executive Officer

VASEEM ANVAR
Independent Director

SHAHID JAVED BURKI
Independent Director

FIDA HUSSAIN
Independent Director

NAJEEB ULLAH GHAURI
Non-Executive Director

OMAR SHAHAB GHAURI
Executive Director

AUDIT COMMITTEE

VASEEM ANVAR
Chairman

FIDA HUSSAIN
Member

NAJEEB ULLAH GHAURI
Member

COMPANY SECRETARY

BOO-ALI SIDDIQUI

CHIEF INTERNAL AUDITOR

MUHAMMAD ABDUL WAHAB HAFEEZ

AUDITORS

KABANI & CO.
Chartered Accountants
SKP House
321-Upper Mall, Lahore

LEGAL ADVISOR

CORPORATE LAW ASSOCIATES
1st Floor Queens Centre
Shahra-e-Fatima Jinnah
Lahore

BANKERS

Askari Bank Limited
MCB Bank Limited
Bank Alfalah Limited
Summit Bank Limited
First National Bank Modaraba
First Habib Modaraba

SHARE REGISTRAR

VISION CONSULTING LIMITED
3-C, LDA Flats, Lawrence Road, Lahore
Tel: +92-42-36283096-97
Fax: +92-42-36312550

CONTACT DETAILS

REGISTERED OFFICE

NetSol IT Village (Software Technology Park)
Lahore Ring Road, Ghazi Road Interchange
Lahore Cantt. 54792, Pakistan
Tel: +92-42-111-44-88-00, 35727096-7
Fax: +92-42-35701046, 35726740

RAWALPINDI OFFICE

House No. 04, Safari Villas, Bahria Town
Rawalpindi
Tel: +92-51-5707011
Fax: +92-51-5595376

KARACHI OFFICE

43/1/Q, Amna Villa # 1
Block # 06, P.E.C.H.S, Karachi
Tel: +92-21-111-638-765, 111-672-672
Fax: +92-21-3431-3464

WEB PRESENCE

www.netsolpk.com
info@netsolpk.com

Director's Review



On behalf of the Board of Directors of NetSol Technologies Limited, I feel pleasure to present the financial statements of your company together with its consolidated results for the period ended March 31, 2015.

GENERAL OVERVIEW

The third quarter of the current fiscal year shows positive trend and improved revenues of the company which were initially depressed post announcement of the next generation product around a year ago. We are now experiencing great interest in the NFS Ascent™ from customers in different regions. As a result, our sales teams are currently engaged with a number of prospective customers in the Asia Pacific region. Implementation of the Contract Management System and Credit Application System of NFS Ascent is in process at one of our clients in Indonesia. This is a very complex and massive implementation and therefore, requires time for the complete implementation and data migration. In addition to it, our flagship legacy product, NetSol Financial Suite™ is also performing quite well, specifically, in the Chinese market where couple of new deals are in pipe which are expected to be materialized during the current fiscal year. Besides, new deals of the legacy system, our existing customers are continuously getting their systems upgraded/ enhanced which is the source of generating additional handsome amount of services revenue.

We are continuing to invest in the enterprise mobility division of the company. In recent past, we have enhanced our mobility application suite to five applications including Mobile Account, Mobile Dealer, Mobile Auditor and Mobile Fields Investigator. There is a great potential of mobility solutions in the China's growing finance and leasing industry and we are currently in talks with auto finance companies for the implementation of Mobile Account, Mobile Dealer and Mobile Point of Sale.

FINANCIAL PERFORMANCE

Comparisons of un-audited financial results for the third quarter ended March 31, 2015 with the corresponding period of 2014 and cumulative results for the nine month ended March 31, 2015 with those of March 31, 2014 are given below:

	Quarter Jan-Mar 2015	Quarter Jan-Mar 2014	Nine Month Jul-Mar 2015	Nine Month Jul-Mar 2014
	-----Rupees in '000'-----			
Revenue	701,905	341,162	1,806,570	1,231,842
Gross Profit / (loss)	130,752	(115,713)	249,430	103,523
Net Loss	(62,320)	(274,066)	(296,166)	(274,622)
Loss per share- basic (in Rs.)	(0.70)	(3.09)	(3.33)	(3.13)
Loss Per Share- diluted (in Rs.)	(0.70)	(3.07)	(3.31)	(3.10)
EBITDA - diluted (in Rs.)	1.71	(1.18)	3.73	1.41

Revenues for the quarter ended March 31, 2015 increased to Rs. 702 million compared with Rs. 341 million in same quarter of last year. The increase in current quarter's revenues is primarily due to increase in customization and enhancement requests from the existing customers for our legacy system. Company has also recorded license and services revenue of more than PKR 220 million against the implementation of NFS Ascent at a customer site in Indonesia. This is in addition to the PKR 80 million revenue recognized from the same project during the last fiscal quarter. Gross profit of the company was Rs. 131 million compared to a loss of Rs. 116 million in the comparative quarter of last fiscal year. The company posted a net loss of Rs. 62 million or a loss of Rs. 0.70 per diluted share in comparison of a net loss of Rs. 274 million or Rs. 3.07 per diluted share in the same quarter of fiscal 2014. Included in the loss is a dividend income of Rs. NIL (2014: 74 million) received from the subsidiary company. Adjusted EBITDA profit was Rs. 1.71 per share in the current quarter compared to an EBITDA loss of Rs. 1.18 in the same period of last fiscal year. For the cumulative nine months period, EBITDA profit was Rs. 3.73 versus Rs. 1.41 for the same period a year ago. EBITDA is a non-IFRS measure which is commonly used by the investors and analysts to analyze the financial health of any company. EBITDA is earnings before interest, tax, depreciation and amortization. Due to better realization of accounts receivables, the Company is showing improved trends in its cash flows. The management believes that the Company is back on its track and the loss for the period is primarily due to the non-cash expense of depreciation and amortization of NFS Ascent which was earlier capitalized.

FUTURE OUTLOOK

The finance and leasing industry is showing a positive outlook, not only in the regions where this sector is already matured but also where the industry is still at a progressive stage. So far during the current fiscal year all the indicators are positive and we have already started experiencing improvements in the topline. There are couple of deals under negotiation in China for the implementation of our legacy system. We believe that the market for the legacy system still exists and we will try to get all these opportunities capitalized. We have also launched our next generation solution for the asset finance and leasing industry in several markets including Australia, China, Thailand, Europe and the Middle East. The finance and leasing industry is still in early stages in the Middle East and we believe that it has made the entry in the market at the right time to gain the first movers' advantage. With several strong prospects in the pipeline for NetSol Financial Suite, NFS Ascent and NFS Mobility, we aim to generate further prospects through several industry events and promotional campaigns in the upcoming quarters. Our joint venture with the UK partner for providing the BPO services is also running at a steady pace. We are getting continuous demand for skilled resources from our UK based partner and we expect this joint venture to perform much better in the years to come.

ACKNOWLEDGEMENT

The Board of Directors places on record its appreciation for the continued support by its shareholders, valued customers, government agencies and financial institutions which enabled the company to achieve these tremendous results. The board would also like to express its appreciation for the services, loyalty and efforts being continuously rendered by the executives and all the staff members of the company and hope that they will continue with the same spirit in future.

On behalf of the Board

Shahab-ud-Din Ghauri
Chairman

Lahore: April 30, 2015

**Condensed Interim
Financial Statements**

For The Nine Months Ended March 31, 2015

Condensed Interim Balance Sheet - Unaudited

As at March 31, 2015

	NOTE	Mar-15 Unaudited	Jun-14 Audited
Rupees in '000'			
ASSETS			
NON-CURRENT ASSETS			
Property & equipment	5	2,534,918	2,672,924
Intangible assets	6	2,600,615	2,868,568
		5,135,533	5,541,492
Long term investments		15,188	15,188
		5,150,721	5,556,680
CURRENT ASSETS			
Trade debts		483,591	317,226
Excess of revenue over billing		331,776	138,261
Loans and advances		32,505	38,096
Trade deposits & short term prepayments		17,405	24,921
Other receivables		28,766	23,824
Due from related parties		23,686	89,729
Taxation - net		46,934	45,803
Cash & bank balances		373,756	339,858
		1,338,419	1,017,718
TOTAL ASSETS		6,489,140	6,574,398
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital 150,000,000 ordinary shares of Rs.10/- each	7	1,500,000	1,500,000
Issued, subscribed and paid-up capital	7	890,464	889,699
Share deposit money		13	13
Reserves	8	4,281,346	4,577,021
		5,171,823	5,466,733
NON-CURRENT LIABILITIES			
Long term financing		182,958	212,862
Liabilities against assets subject to finance lease		27,256	43,689
Deferred Income		14	29
		210,228	256,580
CURRENT LIABILITIES			
Trade and other payables		598,473	523,694
Excess of billing over revenue		268,799	60,064
Short term borrowings		200,000	200,000
Current portion of long term liabilities		39,817	67,327
		1,107,089	851,085
CONTINGENCIES & COMMITMENTS	9	-	-
TOTAL EQUITY AND LIABILITIES		6,489,140	6,574,398

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

Chief Executive Officer

Director

Condensed Interim Profit & Loss Account - Unaudited

For The Nine Months Ended March 31, 2015

	NOTE	Jan-Mar 2015	Jan-Mar 2014	Jul-Mar 2015	Jul-Mar 2014
		Rupees in '000'		Rupees in '000'	
Revenue - net	10	701,905	341,162	1,806,570	1,231,842
Cost of revenue		(571,153)	(456,875)	(1,557,140)	(1,128,319)
Gross profit / (loss)		130,752	(115,713)	249,430	103,523
Selling and promotion expenses		(55,964)	(40,636)	(166,108)	(114,185)
Administrative expenses		(118,786)	(126,966)	(417,406)	(384,550)
Other operating expenses		(19,035)	(65,287)	(44,781)	(19,993)
Other income		13,950	87,879	113,268	162,772
Operating (loss)		(49,083)	(260,723)	(265,597)	(252,433)
Finance cost		(2,622)	(2,700)	(9,491)	(7,643)
(Loss) before taxation		(51,705)	(263,423)	(275,088)	(260,076)
Taxation					
Current period		(10,615)	(10,643)	(21,078)	(14,546)
(Loss) after taxation for the period		(62,320)	(274,066)	(296,166)	(274,622)
(Loss) per share					
Basic - In Rupees	12	(0.70)	(3.09)	(3.33)	(3.13)
Diluted - In Rupees	12	(0.70)	(3.07)	(3.31)	(3.10)

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

Chief Executive Officer

Director

Condensed Interim Statement of Comprehensive Income - Unaudited

For The Nine Months Ended March 31, 2015

	Jan-Mar 2015	Jan-Mar 2014	Jul-Mar 2015	Jul-Mar 2014
	Rupees in '000'		Rupees in '000'	
(Loss) after taxation for the period	(62,320)	(274,066)	(296,166)	(274,622)
Other comprehensive income	-	-	-	-
Total comprehensive (loss) for the period	(62,320)	(274,066)	(296,166)	(274,622)

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

Interim Statement of Cashflows-Unaudited

For The Nine Months Ended March 31, 2015

	Jul-Mar 2015	Jul-Mar 2014
	Rupees in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) before taxation for the period	(275,088)	(260,076)
Adjustments for non cash charges and other items:		
Depreciation - own assets	332,587	252,317
Amortization of leased assets	21,075	18,502
Amortization of intangible assets	267,953	120,424
Loss on disposal of fixed assets	3,301	20,789
Amortization of deferred revenue	(16)	(22)
Exchange loss / (gain) on debtors	41,480	(42,364)
Interest expense	8,783	6,609
Interest income	(21,598)	(13,370)
Dividend Income	(77,978)	(74,189)
Deferred employee compensation expense	-	54
Provision for doubtful debts	-	26,060
	575,587	314,810
Cash generated from operations before working capital changes (increase) / Decrease in current assets & liabilities	300,499	54,734
Trade debts	(192,625)	907,482
Loans and advances	5,591	526
Trade deposits & short term prepayments	7,516	(15,768)
Other receivables	(4,942)	(6,572)
Due from related parties	66,043	(108,848)
Trade and other payables	76,264	380,960
Cash (used in) / generated from operations	(42,153)	1,157,780
Interest paid	(24,720)	(26,206)
Income taxes paid	(22,211)	(12,636)
Dividend paid	-	(78,785)
Net cash generated from operations	211,415	1,094,887
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipments purchased	(168,941)	(715,002)
Sales proceeds of fixed asset	9,498	6,430
Intangible assets	-	(312,935)
Capital work in progress	(44,625)	(161,007)
interest received	21,164	13,163
Net cash (used in) investing activities	(182,904)	(1,169,351)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	765	20,695
Share deposit money	-	5,689
Share premium	491	13,286
Paid against obligation under finance lease	(40,515)	(46,905)
Received against obligation under finance lease	21,572	97,468
Long term payable	(54,904)	28,194
Dividend received	77,978	74,189
Net cash generated from financing activities	5,387	192,616
Net increase in cash and cash equivalents	33,898	118,152
Cash and cash equivalents at the beginning of the period	339,858	305,571
Cash and cash equivalents at the end of the period	373,756	423,723

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

Chief Executive Officer

Director

Condensed Interim Statement of Changes in Equity - Unaudited

For The Nine Months Ended March 31, 2015

	Issued, subscribed and paid-up capital	Share deposit money	Employee share option compensation reserve Rupees	Capital Reserve Share premium In '000'	Revenue Reserve Unappropri- ated profit	Total
Balance as at June 30, 2013	785,717	13	5,449	278,240	5,055,983	6,125,402
Net (loss) for the nine months ended March 31, 2014	-	-	-	-	(274,622)	(274,622)
Other comprehensive income	-	-	-	-	-	-
	-	-	-	-	(274,622)	(274,622)
Share Deposit money for issuance of shares against exercise of options	-	5,689	-	-	-	5,689
Shares issued against options exercised (2,069,500 shares at Rs.10 each)	20,695	-	-	-	-	20,695
Amount transferred to share premium on issuance of shares against options exercised (2,069,500 shares at Rs. 1.48 each)	-	-	(3,057)	-	-	(3,057)
Share premium on shares issued against options exercised	-	-	-	16,343	-	16,343
Distribution to owners						
Final dividend for the year ended June 30, 2013						
- Cash dividend of 10% (Rs. 1 per share)	-	-	-	-	(79,822)	(79,822)
- Bonus shares issued (10%) one for every ten ordinary shares held	79,822	-	-	-	(79,822)	-
Balance as at March 31, 2014	886,234	5,702	2,392	294,583	4,621,717	5,810,628
Balance as at June 30, 2014	889,699	13	1,880	297,320	4,277,821	5,466,733
Total comprehensive income for the period						
Net (loss) for the nine months ended March 31, 2015	-	-	-	-	(296,166)	(296,166)
Other comprehensive income	-	-	-	-	-	-
	-	-	-	-	(296,166)	(296,166)
Shares issued against options exercised (76,500 shares at Rs.10 each)	765	-	-	-	-	765
Amount transferred to share premium on issuance of shares against options exercised (76,500 shares at Rs. 1.48 each)	-	-	(113)	-	-	(113)
Share premium on shares issued against options exercised	-	-	-	604	-	604
Balance as at March 31, 2015	890,464	13	1,767	297,924	3,981,655	5,171,823

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

Notes to the Condensed Interim Financial Statements - Unaudited

For The Nine Months Ended March 31, 2015

1. LEGAL STATUS AND NATURE OF BUSINESS

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 on August 26, 2005 and subsequently also got listed on Lahore and Islamabad Stock Exchanges. 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, (Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt. Pakistan.

The company is a subsidiary of NetSol Technologies Inc., USA.

2. BASIS OF PREPARATION

2.1 Separate financial statements

These condensed interim financial statements are separate condensed interim financial statements of the company. Condensed consolidated interim financial statements of the company are prepared separately.

2.2 Statement of compliance

These condensed 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 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, 2014.

2.3 Basis of measurement

These condensed 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.

2.4 Functional and presentation currency

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

3. ACCOUNTING POLICIES

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, 2014.

4. USE OF ESTIMATES AND JUDGMENT

The preparation of condensed 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 interim financial statements, the judgments, 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, 2014.

		Mar-15 Unaudited	Jun-14 Audited
		Rupees in '000'	
5. PROPERTY & EQUIPMENT			
Opening Balance - net book value		2,672,924	1,894,191
Additions	5.1	236,180	1,242,876
		2,909,104	3,137,067
Less:			
Disposals - net book value	5.2	(20,524)	(51,574)
Depreciation & amortization		(353,662)	(412,569)
		2,534,918	2,672,924
5.1 Following is the detail of additions:			
Land - freehold		-	82,915
Building on freehold land		-	377,173
Computers		120,098	578,795
Air conditioners		1,889	23,128
Furniture & fixture		4,484	21,659
Office equipment		7,788	9,076
Vehicles		18,873	64,674
Generator		8,500	17,535
Computer software		15,034	310,256
Capital work-in-progress		59,514	(242,335)
Total		236,180	1,242,876

5.2 Following is the detail of deletions	Cost	Mar-15 Unaudited Accumulated Depreciation	Written down Value	Cost	Jun-14 Audited Accumulated Depreciation	Written down Value
Computers	10,953	7,568	3,385	149,076	126,484	22,592
Furniture & fixture	782	388	394	1,633	650	983
Office equipment	-	-	-	96	27	69
Vehicles	20,374	7,461	12,913	35,798	16,555	19,243
Computer software	32,520	28,688	3,832	100,883	92,196	8,687
Total	64,629	44,105	20,524	287,486	235,912	51,574

		Mar-15 Unaudited	Jun-14 Audited
		Rupees in '000'	
6. INTANGIBLE ASSETS			
Opening Balance - net book value		2,868,568	2,873,958
Additions		-	341,921
		2,868,568	3,215,879
Less:			
Amortization		(267,953)	(347,311)
		2,600,615	2,868,568

7. SHARE CAPITAL**7.1 Authorised share capital**

Mar-15 Unaudited	Jun-14 Audited		Mar-15 Unaudited	Jun-14 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

7.2 Issued, subscribed & paid-up capital

Mar-15 Unaudited	Jun-14 Audited		Mar-15 Unaudited	Jun-14 Audited
Number of shares			Rupees in '000'	
41,895,691	41,819,191	Ordinary Shares of Rs. 10 each fully paid in cash	418,957	418,192
47,150,732	47,150,732	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	471,507	471,507
89,046,423	88,969,923		890,464	889,699

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.

8. RESERVES

Capital reserve Premium on issue of ordinary shares		297,924	297,320
Revenue reserve Un - appropriated profit		3,981,655	4,277,821
Employee share option compensation reserve		1,767	1,880
		4,281,346	4,577,021

9. Contingencies & Commitments**9.1 Contingencies**

There are no contingencies as at March 31, 2015 (June 2014: nil) to which the Company is a party.

9.2 Commitments

The Company has issued worth Rs. 6.2 million (June 2014 : Rs. 15.843 million) bank guarantees and bid bonds to various customers against sale of software and allied services.

	Jan-Mar 2015	Jan-Mar 2014	Jul-Mar 2015	Jul-Mar 2014
	Rupees in '000'		Rupees in '000'	
10. REVENUE - NET				
Export Revenue				
License	57,802	74,574	205,267	279,696
Services	491,265	143,812	1,158,996	581,196
Maintenance	150,272	118,219	430,505	355,947
	699,339	336,605	1,794,768	1,216,839
Local Revenue				
Services	1,381	5,286	8,039	14,114
Maintenance	1,877	-	5,633	3,288
	3,258	5,286	13,672	17,402
Sales tax	(692)	(729)	(1,870)	(2,399)
	701,905	341,162	1,806,570	1,231,842

11. 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.

12. (LOSS) PER SHARE	Jan-Mar	Jan-Mar	Jul-Mar	Jul-Mar
	2015	2014	2015	2014
	Rupees in '000'		Rupees in '000'	
Basic				
(Loss) after taxation for the period	(62,320)	(274,066)	(296,166)	(274,622)
Average number of ordinary shares in issue during the period	89,011	88,604	88,983	87,775
Basic - In Rupees	(0.70)	(3.09)	(3.33)	(3.13)
Diluted				
(Loss) after taxation for the period	(62,320)	(274,066)	(296,166)	(274,622)
Average number of ordinary shares in issue during the period	89,470	89,294	89,381	88,495
Diluted - In Rupee	(0.70)	(3.07)	(3.31)	(3.10)

13. TRANSACTION WITH RELATED PARTIES

Related parties comprise of holding company, associated undertakings, directors of the Company, key employees and staff retirement fund. The Company in the 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
		2015	2014
		Rupees in '000'	
(i) Parent	Management fee	-	47,484
	Dividend paid to parent	-	51,222
	Bonus shares issued to parent	-	51,222
(ii) Subsidiary	Rental income	13,162	13,835
	Provision of services	4,680	4,919
	Dividend received	77,978	74,189
	Mark-up income	434	207
	Mark-up expense	149	339
(iii) Associated undertaking	Rental income	450	450
	Provision of services	347,619	254,902
	Purchase of services	4,972	3,234
	Purchase of assets	47,657	-
(vi) Key management personnels	Remuneration of CEO and Directors	10,947	7,429
(v) Post employment benefit	Contribution to defined contribution plan	38,514	27,660

(vi) There are no transactions with any key management personnel other than under the terms of employment.

14. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on April 30, 2015 by the Board of Directors.

15. FIGURES

Figures have been rounded off to the nearest thousand rupee.

**Condensed Consolidated Interim
Financial Statements**

For The Nine Months Ended March 31, 2015

Condensed Consolidated Interim Balance Sheet - Unaudited

As at March 31, 2015

	NOTE	Mar-15 Unaudited	Jun-14 Audited
Rupees in '000'			
ASSETS			
NON-CURRENT ASSETS			
Property & equipment	5	2,595,299	2,718,378
Intangible assets	6	2,600,615	2,868,568
		5,195,914	5,586,946
CURRENT ASSETS			
Trade debts		727,301	537,831
Excess of revenue over billing		331,776	138,261
Loans and advances		41,490	45,630
Trade deposits & short term prepayments		18,766	25,829
Other receivables		29,780	23,986
Due from related parties		27,473	101,414
Taxation - net		47,322	46,011
Cash & bank balances		425,946	389,987
		1,649,854	1,308,949
TOTAL ASSETS		6,845,768	6,895,895
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital 150,000,000 ordinary shares of Rs.10/- each	7	1,500,000	1,500,000
Issued, subscribed and paid-up capital	7	890,464	889,699
Share deposit money		13	13
Reserves	8	4,431,867	4,716,272
		5,322,344	5,605,984
Non-controlling Interest		162,530	151,491
		5,484,874	5,757,475
NON-CURRENT LIABILITIES			
Long term financing		182,958	212,862
Liabilities against assets subject to finance lease		35,339	43,689
Deferred Income		14	29
		218,311	256,580
CURRENT LIABILITIES			
Trade and other payables		629,533	554,449
Excess of billing over revenue		268,799	60,064
Short term borrowings		200,000	200,000
Current portion of long term liabilities		44,251	67,327
		1,142,583	881,840
CONTINGENCIES & COMMITMENTS	9	-	-
TOTAL EQUITY AND LIABILITIES		6,845,768	6,895,895

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

Condensed Consolidated Interim Profit & Loss Account - Unaudited

For The Nine Months Ended March 31, 2015

	NOTE	Jan-Mar 2015	Jan-Mar 2014	Jul-Mar 2015	Jul-Mar 2014
		Rupees in '000'		Rupees in '000'	
Revenue - net	10	857,737	489,462	2,242,945	1,615,186
Cost of revenue		(658,276)	(528,729)	(1,782,924)	(1,318,054)
Gross profit / (loss)		199,461	(39,267)	460,021	297,132
Selling and promotion expenses		(55,964)	(40,636)	(166,108)	(114,185)
Administrative expenses		(120,488)	(128,861)	(422,539)	(390,108)
Other operating expenses		(21,712)	(91,139)	(61,545)	(23,350)
Other income		10,096	9,523	23,879	67,527
Operating profit / (loss)		11,393	(290,380)	(166,292)	(162,984)
Finance cost		(2,953)	(2,753)	(9,770)	(7,401)
Profit / (loss) before taxation		8,440	(293,133)	(176,062)	(170,385)
Taxation					
Current period		(10,677)	(10,528)	(21,423)	(14,572)
(Loss) after taxation for the period		(2,237)	(303,661)	(197,485)	(184,957)
Attributable to:					
Equity holders of NetSol Technologies Limited		(31,967)	(325,718)	(284,896)	(266,031)
Non - controlling interest		29,730	22,057	87,411	81,074
		(2,237)	(303,661)	(197,485)	(184,957)
(Loss) per share					
Basic - In Rupees	12	(0.36)	(3.68)	(3.20)	(3.03)
Diluted - In Rupees	12	(0.36)	(3.65)	(3.19)	(3.01)

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

Condensed Consolidated Interim Statement of Comprehensive Income - Unaudited

For The Nine Months Ended March 31, 2015

	Jan-Mar 2015	Jan-Mar 2014	Jul-Mar 2015	Jul-Mar 2014
	Rupees in '000'		Rupees in '000'	
(Loss) after taxation for the period	(2,237)	(303,661)	(197,485)	(184,957)
Other comprehensive income	-	-	-	-
Total comprehensive (loss) for the period	(2,237)	(303,661)	(197,485)	(184,957)
Attributable to:				
Equity holders of NetSol Technologies Limited	(31,967)	(325,718)	(284,896)	(266,031)
Non - controlling interest	29,730	22,057	87,411	81,074
	(2,237)	(303,661)	(197,485)	(184,957)

The annexed notes from 1 to 16 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, 2015

	Jul-Mar 2015	Jul-Mar 2014
	Rupees in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) before taxation for the period	(176,062)	(170,385)
Adjustments for non cash charges and other items:		
Depreciation - own assets	342,377	257,787
Amortization of leased assets	21,290	18,502
Amortization of intangible assets	267,953	120,424
Loss on disposal of fixed assets	7,564	20,006
Amortization of deferred revenue	(16)	(22)
Exchange gain / (loss) on debtors	53,981	(33,907)
Interest expense	8,902	6,270
Interest income	(21,569)	(13,419)
Deferred employee compensation expense	-	54
(Gain) on short term investment	(1,690)	(1,187)
Provision for doubtful debts	-	26,060
	678,792	400,568
Cash generated from operations before working capital changes	502,730	230,183
Decrease / (increase) in current assets and liabilities		
Trade debts	(228,231)	841,441
Loans and advances	4,140	(5,979)
Trade deposits & short term prepayments	7,063	(16,260)
Other receivables	(5,794)	(6,562)
Due from related parties	73,941	(36,994)
Trade and other payables	76,284	387,321
Cash (used in) / generated from operations	(72,597)	1,162,967
Interest paid	(24,974)	(26,206)
Income taxes paid	(22,734)	(12,809)
Dividend paid	(76,386)	(151,446)
Net cash generated from operations	306,039	1,202,689
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipments purchased	(199,123)	(725,321)
Sales proceeds of fixed asset	10,483	7,243
Intangible assets	-	(312,935)
Capital work in progress	(44,625)	(161,007)
Gain on investments	1,690	1,187
Interest received	21,569	13,419
Net cash (used in) investing activities	(210,006)	(1,177,414)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	765	20,695
Share deposit money	-	5,689
Share premium	491	13,286
Paid against obligation under finance lease	(37,774)	(8,466)
Received against obligation under finance lease	31,348	59,029
Long term payable	(54,904)	28,194
Net cash (used in) / generated from financing activities	(60,074)	118,427
Net increase in cash and cash equivalents	35,959	143,702
Cash and cash equivalents at the beginning of the period	389,987	330,827
Cash and cash equivalents at the end of the period	425,946	474,529

The annexed notes from 1 to 16 form an integral part of these condensed consolidated interim financial statements.

Chief Executive Officer

Director

Condensed Consolidated Interim Statement of Changes in Equity - Unaudited

For The Nine Months Ended March 31, 2015

	Attributable to equity holders of the Parent					Total	Non Controlling Interest	Total Equity
	Issued, subscribed and paid- up capital	Share deposit money	Employee share option compe- nsation reserve	Capital	Revenue			
				reserve	reserve			
				Share premium	Unappropri- ated profit			
				Rupees In '000'				
Balance as at June 30, 2013	785,717	13	5,449	278,240	5,159,791	6,229,210	116,777	6,345,987
Total comprehensive income for the period								
Net (loss) / profit for the nine months ended March 31, 2014	-	-	-	-	(266,031)	(266,031)	81,074	(184,957)
Other comprehensive income	-	-	-	-	-	-	-	-
	-	-	-	-	(266,031)	(266,031)	81,074	(184,957)
Shares deposit money against options exercised	-	5,689	-	-	-	5,689	-	5,689
Shares issued against options exercised (2,069,500 shares at Rs. 10 each)	20,695	-	-	-	-	20,695	-	20,695
Amount transferred to share premium on issuance of shares against options exercised (2,069,500 shares at Rs. 1.48 each)	-	-	(3,057)	-	-	(3,057)	-	(3,057)
Shares premium on shares issued against options exercised	-	-	-	16,343	-	16,343	-	16,343
Distribution to owners								
Final dividend for the year ended June 30, 2013								
- Cash dividend of 10% (Rs. 1 per share)	-	-	-	-	(79,822)	(79,822)	-	(79,822)
- Bonus shares issued (10%) one for every ten ordinary shares held By subsidiary to non-controlling interest	79,822	-	-	-	(79,822)	-	-	-
- Cash dividend	-	-	-	-	-	-	(72,661)	(72,661)
Balance as at March 31, 2014	886,234	5,702	2,392	294,583	4,734,116	5,923,027	125,190	6,048,217
Balance as at June 30, 2014	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 nine months 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)
Share Premium on shares issued against options exercised	-	-	-	604	-	604	-	604
Distributions to owners								
By subsidiary to non-controlling interest								
- cash dividend	-	-	-	-	-	-	(76,372)	(76,372)
Balance as at March, 2015	890,464	13	1,767	297,924	4,132,176	5,322,344	162,530	5,484,874

The annexed notes from 1 to 16 form an integral part of these condensed consolidated interim financial statements.

Chief Executive Officer

Director

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. The business of the Company is development and sale of computer software and its related services in Pakistan 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 providing online software development services. The registered office of the Company is situated NetSol IT Village, of 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, 2014.

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 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, 2014.

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 company for the year ended June 30, 2014.

		Mar-15 Unaudited Rupees in '000'	Jun-14 Audited
5. PROPERTY & EQUIPMENT			
Opening Balance - net book value		2,718,378	1,918,099
Additions	5.1	266,362	1,272,805
		2,984,740	3,190,904
Less:			
Disposals - net book value	5.2	(25,772)	(51,604)
Depreciation & amortization		(363,669)	(420,922)
		2,595,299	2,718,378
5.1 Following is the detail of additions :			
Land - freehold		-	82,915
Building on freehold land		-	377,173
Computers		124,596	587,087
Air conditioners		1,889	25,894
Furniture & fixture		8,488	24,697
Office equipment		8,028	9,343
Vehicles		30,302	69,015
Generator		8,500	17,535
Leasehold improvements		10,011	11,225
Computer software		15,034	310,256
Capital work-in-progress		59,514	(242,335)
Total		266,362	1,272,805

	Mar-15 Unaudited	Written down Value		Jun-14 Audited	Written down Value
5.2 Following is the detail of deletions	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation	Cost
	Rupees in '000'				
Computers	10,953	7,567	3,386	149,249	126,627
Air conditioners	934	503	431	-	-
Furniture & fixture	2,351	997	1,354	1,633	650
Office equipment	-	-	-	96	27
Vehicles	22,116	8,525	13,591	35,798	16,555
Leasehold improvements	11,589	9,989	1,600	-	-
Computer software	49,846	44,436	5,410	100,883	92,196
Total	97,789	72,017	25,772	287,659	236,055

	Mar-15 Unaudited Rupees in '000'	Jun-14 Audited
6. INTANGIBLE ASSETS		
Opening Balance - net book value	2,868,568	2,873,958
Additions	-	341,921
	2,868,568	3,215,879
Less:		
Amortization	(267,953)	(347,311)
	2,600,615	2,868,568

7. SHARE CAPITAL**7.1 Authorised share capital**

Mar-15 Unaudited	Jun-14 Audited		Mar-15 Unaudited	Jun-14 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

7.2 Issued, subscribed & paid-up capital

Mar-15 Unaudited	Jun-14 Audited		Mar-15 Unaudited	Jun-14 Audited
Number of shares			Rupees in '000'	
41,895,691	41,819,191	Ordinary Shares of Rs. 10 each fully paid in cash	418,957	418,192
47,150,732	47,150,732	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	471,507	471,507
89,046,423	88,969,923		890,464	889,699

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.

8. RESERVES**Capital reserve**

Premium on issue of ordinary shares

Mar-15 Unaudited: 297,924
Jun-14 Audited: 297,320

Revenue reserve

Un - appropriated profit

Mar-15 Unaudited: 4,132,176
Jun-14 Audited: 4,417,072

Employee share option compensation reserve

Mar-15 Unaudited: 1,767
Jun-14 Audited: 1,880

Mar-15 Unaudited: 4,431,867
Jun-14 Audited: 4,716,272

9. Contingencies & Commitments**9.1 Contingencies**

There are no contingencies as at March 31, 2015 (June 2014 : nil) to which the Company is a party.

9.2 Commitments

9.2.1 The Company has issued worth Rs. 6.2 million (June 2014 : Rs. 15.843 million) bank guarantees and bid bonds to various customers against sale of software and allied services.

9.2.2 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 2015	Jan-Mar 2014	Jul-Mar 2015	Jul-Mar 2014
	Rupees in '000'		Rupees in '000'	
10. REVENUE - NET				
Export Revenue				
License	57,802	74,574	205,267	279,696
Services	647,097	292,112	1,595,371	964,540
Maintenance	150,272	118,219	430,505	355,947
	855,171	484,905	2,231,143	1,600,183
Local Revenue				
Services	1,381	5,286	8,039	14,114
Maintenance	1,877	-	5,633	3,288
	3,258	5,286	13,672	17,402
Sales tax	(692)	(729)	(1,870)	(2,399)
	857,737	489,462	2,242,945	1,615,186

11. 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.

12. (LOSS) PER SHARE	Jan-Mar	Jan-Mar	Jul-Mar	Jul-Mar
	2015	2014	2015	2014
Basic	Rupees in '000'		Rupees in '000'	
Loss after taxation for the period	(31,967)	(325,718)	(284,896)	(266,031)
Average number of ordinary shares in issue during the period	89,011	88,604	88,983	87,775
Basic - In Rupees	(0.36)	(3.68)	(3.20)	(3.03)
Diluted	Rupees in '000'		Rupees in '000'	
Loss after taxation for the period	(31,967)	(325,718)	(284,896)	(266,031)
Average number of ordinary shares in issue during the period	89,470	89,294	89,381	88,495
Diluted - In Rupee	(0.36)	(3.65)	(3.19)	(3.01)

13. TRANSACTION WITH RELATED PARTIES

Related parties comprise of holding company, associated undertakings, directors of the Company, key employees and staff retirement fund. The Group in the normal of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and course 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
		2015	2014
		Rupees in '000'	
(i) Parent	Management fee	-	47,484
	Dividend paid to parent	-	51,222
	Bonus shares issued to parent	-	51,222
(ii) Associated undertaking	Rental Income	450	450
	Provision of services	347,619	254,902
	Purchase of services	7,264	5,554
	Purchase of fixed assets	47,657	-
(iii) Key management personnels	Remuneration of CEO and Directors	10,947	7,429
(vi) Post employment benefit	Contribution to defined contribution plan	45,556	32,556

(v) There are no transactions with any key management personnel other than under the terms of employment.

14. SEGMENT REVENUES AND RESULTS

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

	Mar-15				Total
	NFS	IS	SSS	BPO	
	Rupees in '000'				
Revenue - net					
External sales					
Licence	205,267	-	-	-	205,267
Services	1,111,792	6,169	126	483,453	1,601,540
Maintenance	430,505	5,633	-	-	436,138
Inter-segment sales					-
Total revenue	1,747,564	11,802	126	483,453	2,242,945
Cost of revenue	(1,427,467)	(20,516)	(78,993)	(255,948)	(1,782,924)
Segment results	320,097	(8,714)	(78,867)	227,505	460,021
Unallocated corporate expenses:					
Selling and promotion expenses					(166,108)
Administrative expenses					(422,539)
Other operating expenses					(61,545)
Other income					23,879
Finance cost					(9,770)
Taxation					(21,423)
(Loss) after taxation					(197,485)

	Ma-14				Total
	NFS	IS	SSS	BPO	
Rupees in '000'					
Revenue - net					
External sales					
Licence	279,696	-	-	-	279,696
Services	506,588	11,715	462	457,490	976,255
Maintenance	355,947	-	3,288	-	359,235
Inter-segment sales					-
Total revenue	1,142,231	11,715	3,750	457,490	1,615,186
Cost of revenue	(961,028)	(66,411)	(54,244)	(236,371)	(1,318,054)
Segment results	181,203	(54,696)	(50,494)	(221,119)	297,132
Unallocated corporate expenses:					
Selling and promotion expenses					(114,185)
Administrative expenses					(390,108)
Other operating expenses					(23,350)
Other income					67,527
Finance cost					(7,401)
Taxation					(14,572)
(Loss) after taxation					(184,957)

*Key

NFS = NetSol Financial Solutions

IS = Information Security

SSS = Software Services and Solutions

BPO = Business Process Outsourcing

15. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on April 30, 2015 by the Board of Directors.

16. FIGURES

Figures have been rounded off to the nearest thousand rupee.

Chief Executive Officer

Director



NetSol Technologies Limited

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

www.netsolpk.com
Email: info@netsolpk.com