



For The Quarter Ended
March
2016

Financial Statements
(Un-Audited)

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Profile

BOARD OF DIRECTORS

SHAHAB-UD-DIN GHAURI

Chairman/Non-Executive Director

SALIM ULLAH GHAURI

Chief Executive Officer

VASEEM ANVAR

Independent Director

SHAHID JAVED BURKI

Independent Director

ANWAAR HUSSAIN

Independent Director

NAJEEB ULLAH GHAURI

Non-Executive Director

OMAR SHAHAB GHAURI

Executive Director

AUDIT COMMITTEE

VASEEM ANVAR

Chairman

ANWAAR 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 Queen's Centre
Shahra-e-Fatima Jinnah
Lahore

BANKERS

Askari Bank Limited
MCB Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Summit Bank Limited

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

Building No. 26 – C, Main Khayaban-e-Jami
Phase – 7 Extension, Defence, Karachi
Tel: +92-21-35319401-20

WEB PRESENCE

www.netsolpk.com
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Directors' Report



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, 2016.

GENERAL OVERVIEW

The calendar year 2016 started with the challenging opportunity of implementing the next generation product at four different countries at a time. This is part of the twelve country implementation contract which was announced by the company in December 2015. As part of the first phase of implementation, our teams started the workshops in South Korea, South Africa, Australia and China, China being the largest market of all. The teams are busy in various phases of implementation and we expect the major quantum of license and services revenue from these implementations to flow in the following quarters. Though the overall revenues in the current quarter have declined slightly compared to the immediately preceding quarter but we believe, as we start more implementations of Ascent, revenues would automatically start to grow. In addition to it, a handsome amount of change requests were received from our existing customers for customization and enhancement of the product resulting in additional services revenue for the Company. We expect this trend of enhancements to continue in future. On local front, we signed a sizeable contract with a leading mobile company for the provision of information security services as well as equipment.

FINANCIAL PERFORMANCE

Comparison of un-audited consolidated results for the third quarter ended March 31, 2016 with the corresponding period of 2015 as well as cumulative consolidated results for the nine months ended March 31, 2016 with those of March 31, 2015 are given below:

	Jan-Mar 2016	Jan-Mar 2015	Jul-Mar 2016	Jul-Mar 2015
	----- Rupees in '000' -----			
Revenue	984,165	857,737	2,953,309	2,242,945
Gross profit	265,399	208,051	963,983	483,574
Net profit / (Loss)	(16,371)	(31,967)	127,684	(284,896)
EPS/ (LPS) – basic (in Rs.)	(0.18)	(0.36)	1.43	(3.20)
EPS/ (LPS) – diluted (in Rs.)	(0.18)	(0.36)	1.42	(3.19)
EBITDA per share – diluted (in Rs.)	1.93	2.09	7.79	3.96

Revenues during the quarter ended March 31, 2016 have improved by 15% compared to the revenues posted in the same quarter of previous fiscal year. In absolute numbers, the Company posted a net consolidated revenue of PKR 984.2 million compared to PKR 857.7 million in the same quarter of last fiscal year. Major component driving this increase in revenues is the continuous requests from our customers for the enhancement and customization in their systems. In addition to it, services revenue from the legacy system implementation at one of the clients in China is also recognized in the current quarter. Gross profit increased to PKR 265.4 million compared to PKR 208.1 million in the corresponding period. Company posted a consolidated net loss after non-controlling interest of PKR 16.4 million compared to PKR 31.9 million previous year. Loss per diluted share was PKR 0.18 in comparison of PKR 0.36 in the corresponding period of last fiscal year. The main reason for posting loss in the current quarter is decline in revenues compared to immediately preceding quarter in which the company had posted profits. The company is focused on delivering these four markets successfully but couldn't recognize major revenue in this quarter resulting in the overall decline in revenues. However, as the implementations progress, we will notice a reasonable chunk of license and services revenue coming from this deal. On cost side, it has also increased compared to last quarter because of annual salary appraisals. The company posted net EBITDA profit of PKR 1.93 per diluted share compared to PKR 2.09 per share in the corresponding period. On nine month basis, revenues increased to PKR 2,953.3 million compared to PKR 2,242.9 million in the corresponding period. Gross profit improved to PKR 963.9 million in comparison of PKR 483.6 million last year. As a percentage of sales, gross profit increased from 21.6% to 32.6% during the current period. We posted a net profit of PKR 127.7 million versus a net loss of PKR 284.9 million during the same period last year. Diluted profit per share for the nine months ended March 31, 2016 was PKR 1.42 against a diluted loss per share of PKR 3.19 in the corresponding period. Year-to-date EBITDA profit for the current period was PKR 7.79 compared to PKR 3.96 in the preceding period.

FUTURE OUTLOOK

So far during the current fiscal year all the indicators are quite positive. NFS Ascent™ continues to demonstrate exceptional penetration rate in the developed and developing leasing markets of the world and the Company is committed to pushing its next-generation solution. In particular the APAC market is very receptive with numerous prospects of new implementation and upgradation opportunities for NFS Ascent™. The quarters ahead hold some interesting new prospects in the form of new leads. We have already started, from the current quarter, recognizing revenues from the twelve country NFS Ascent™ deal which will continue in the years to follow. Besides this, we believe that the market for the legacy system still exists and we will try to get all these opportunities capitalized. Our joint venture with the UK based partner, Innovation Group, for providing the BPO services is also running at a steady pace. We are getting continuous demand for skilled resources from our partner and we expect this joint venture to perform steadily well in the years to come. Overall on yearly basis, we are quite hopeful to close the full financial year on a positive note.

ACKNOWLEDGEMENT

The Board of Directors places on record its appreciation for the continued support by its esteemed shareholders, valued customers, government agencies and financial institutions who enabled the company to achieve these 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 28, 2016

CONDENSED INTERIM FINANCIAL

Statements

For The Nine Months Ended March 31, 2016

Condensed Interim Balance Sheet - Unaudited

As at March 31, 2016

	NOTE	Mar-16 Unaudited	Jun-15 Audited
Rupees in '000'			
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	5	2,275,817	2,412,894
Intangible assets	6	2,274,821	2,511,297
Long term investments		15,188	15,188
Long term deposits		1,600	1,600
		4,567,426	4,940,979
CURRENT ASSETS			
Trade debts	7	794,674	448,668
Excess of revenue over billing		568,910	367,994
Loans and advances	8	39,963	9,308
Trade deposits & short term prepayments		23,029	24,082
Other receivables		29,825	25,270
Due from related parties		17,367	107,508
Taxation - net		41,806	36,168
Cash & bank balances		386,872	447,595
		1,902,446	1,466,593
TOTAL ASSETS		6,469,872	6,407,572
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
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	4,373,671	4,390,487
		5,265,228	5,280,964
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		24,507	20,730
Deferred Income		-	10
Long term advances		1,890	1,053
		26,397	21,793
CURRENT LIABILITIES			
Trade and other payables		518,892	415,556
Unearned revenue		104,757	237,995
Short term borrowings		515,049	412,645
Current portion of long term liabilities		39,549	38,619
		1,178,247	1,104,815
CONTINGENCIES & COMMITMENTS	11	-	-
TOTAL EQUITY AND LIABILITIES		6,469,872	6,407,572

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

Condensed 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	765,161	701,905	2,312,570	1,806,570
Cost of revenue		(607,781)	(562,563)	(1,676,211)	(1,533,587)
Gross profit		157,380	139,342	636,359	272,983
Selling and promotion expenses		(49,024)	(55,964)	(156,043)	(166,108)
Administrative expenses		(184,583)	(127,376)	(483,049)	(440,959)
Other operating expenses		-	(19,035)	(6,141)	(44,781)
Other income		22,232	13,950	23,753	113,268
Operating (loss)/Profit		(53,995)	(49,083)	14,879	(265,597)
Finance cost		(5,132)	(2,622)	(16,353)	(9,491)
(Loss) before taxation		(59,127)	(51,705)	(1,474)	(275,088)
Taxation					
Current period		(1,810)	(10,615)	(16,035)	(21,078)
(Loss) after taxation for the period		(60,937)	(62,320)	(17,509)	(296,166)

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

Condensed 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'	
(Loss) after taxation for the period	(60,937)	(62,320)	(17,509)	(296,166)
Other comprehensive income	-	-	-	-
Total comprehensive (loss) for the period	(60,937)	(62,320)	(17,509)	(296,166)

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

Condensed Interim Statement of Cash Flows - Unaudited

For The Nine Months Ended March 31, 2016

	Jul-Mar 2016	Jul-Mar 2015
	Rupees in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation for the period	(1,474)	(275,088)
Adjustments for non cash charges and other items:		
Depreciation - own assets	282,187	217,439
Amortization of leased assets	17,329	14,204
Amortization of intangible assets	236,475	178,635
Loss on disposal of fixed assets	-	4,754
Amortization of deferred revenue	(10)	(12)
Exchange loss / (gain) on debtors	6,141	-
Interest expense	15,482	6,497
Interest income	(8,363)	(12,695)
Dividend Income	-	(77,978)
	549,241	330,844
Cash generated from operations before working capital changes	547,767	55,756
Working Capital Changes		
Trade debts	(686,300)	135,208
Loans and advances	(30,655)	2,716
Trade deposits & short term prepayments	1,053	1,364
Other receivables	(4,555)	(6,978)
Due from related parties	90,141	36,166
Trade and other payables	104,439	46,347
Cash (used in) / generated from operations	(525,877)	214,823
Interest paid	(16,694)	(16,532)
Income taxes paid	(21,673)	(19,538)
Dividend paid	(275)	-
Net cash (used in) / generated from operations	(16,752)	234,509
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipments purchased	(128,696)	(130,245)
Sales proceeds of fixed asset	31,405	5,639
Capital work in progress	(64,764)	(35,945)
Interest received	8,363	12,695
Net cash (used in) investing activities	(153,692)	(147,856)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	1,080	-
Share premium	693	-
Paid against obligation under finance lease	(44,608)	(28,217)
Received against obligation under finance lease	49,159	17,407
Long term payable	-	(7,424)
Short term borrowing	102,404	-
Dividend received	-	77,978
Long term advances	993	-
Net cash generated from financing activities	109,721	59,744
Net (decrease) / increase in cash and cash equivalents	(60,723)	146,397
Cash and cash equivalents at the beginning of the period	447,595	339,858
Cash and cash equivalents at the end of the period	386,872	486,255

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

Condensed Interim Statement of Changes in Equity - Unaudited

For The Nine Months Ended March 31, 2016

	Issued, subscribed and paid-up capital	Share deposit money	Employee share option com- pensation reserve	Capital Reserve Share premium	Revenue Reserve Unappropri- ated profit	Total
	R u p e e s I n ' 0 0 0 '					
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 quarter ended December 31, 2014	-	-	-	-	(296,166)	(296,166)
Other comprehensive income	-	-	-	-	-	-
Shares issued against options exercised (76,500 shares at Rs. 10 each)	765	-	-	-	(296,166)	(296,166)
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
Balance as at June 30, 2015	890,464	13	1,767	297,924	4,090,796	5,280,964
Total comprehensive income for the period						
Net loss for the quarter ended March 31, 2016	-	-	-	-	(17,509)	(17,509)
Other comprehensive income	-	-	-	-	-	-
Shares issued against options exercised (108,000 shares at Rs. 10 each)	1,080	-	-	-	(17,509)	(17,509)
Amount transferred to share premium on issuance of shares against options exercised (108,000 shares at Rs. 1.48 each)	-	-	(160)	-	-	(160)
Share premium on shares issued against options exercised	-	-	-	853	-	853
Balance as at March 31, 2016	891,544	13	1,607	298,777	4,073,287	5,265,228

The annexed notes from 1 to 17 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, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

NetSol Technologies Limited ("the Company") was incorporated in Pakistan on August 22, 1996 under the Companies Ordinance, 1984 as a private company, limited by shares and 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 and Islamabad Stock Exchanges. 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 provision of 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 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.

2.3 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. These accounts have been prepared under accrual basis of accounting.

2.4 Functional and presentation currency

These condensed interim financial statements are presented in Pakistani Rupee, which is the Company's functional currency as well its presentation currency.

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, 2015.

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, 2015.

		Mar-16 Unaudited	Jun-15 Audited
Rupees in '000'			
5. PROPERTY, PLANT & EQUIPMENT			
Opening Balance - net book value		2,412,894	2,704,408
Additions	5.1	204,091	300,874
		2,616,985	3,005,282
Less:			
Disposals - net book value	5.2	(41,652)	(113,068)
Depreciation & amortization		(299,516)	(479,320)
		2,275,817	2,412,894
5.1 Following is the detail of addition / (transfer) :			
Building on freehold land		28,451	288,183
Furniture & fixture		7,354	15,664
Vehicles		87,531	26,271
Office equipment		6,192	10,523
Computers		37,578	126,663
Air conditioners		2,640	20,658
Electric fittings		-	48,253
Generator		5,661	8,500
Leasehold improvements		19,381	-
Computer software		-	25,540
Capital work-in-progress		9,303	(269,381)
Total		204,091	300,874

		Mar-16 Unaudited Accumulated Depreciation	Written Down Value	Cost	Jun-15 Audited Accumulated Depreciation	Written down Value
Rupees in '000'						
5.2 Following is the detail of deletions						
	Cost			Cost		
Land - freehold	-	-	-	76,915	-	76,915
Furniture & fixture	60	19	41	1,349	705	644
Vehicles	58,079	18,131	39,948	46,708	21,917	24,791
Office equipment	8	4	4	169	72	97
Computers	6,318	4,659	1,659	28,416	21,645	6,771
Air conditioners	-	-	-	53	35	18
Computer software	-	-	-	32,520	28,688	3,832
Total	64,465	22,813	41,652	186,130	73,062	113,068

		Mar-16 Unaudited	Jun-15 Audited
Rupees in '000'			
6. INTANGIBLE ASSETS			
Opening Balance - net book value		2,511,297	2,868,568
Additions		-	-
		2,511,297	2,868,568
Less:			
Amortization		(236,476)	(357,271)
Closing balance		2,274,821	2,511,297

		Mar-16 Unaudited	Jun-15 Audited
		Rupees in '000'	
7. TRADE DEBTS			
Considered good - unsecured	7.1	794,674	448,668
Considered doubtful - unsecured	7.2	48,748	51,850
		843,422	500,518
Less: Provision against doubtful recovery		(48,748)	(51,850)
		794,674	448,668
7.1	It represents amount receivable from customers. It is unsecured but considered good by the management.		
7.2	The Company has created a general provision for future doubtful debts, if any. However, there is no history of doubtful debts from any of existing customers.		
8. LOANS AND ADVANCES - Unsecured			
Considered good		11,017	3,096
Loan to employees		-	-
Advances		648	163
- to executives		28,298	6,049
- against expenses		-	-
		39,963	9,308
9. SHARE CAPITAL			
9.1 Authorised share capital			
	Mar-16	Jun-15	
	Unaudited	Audited	
	Number of shares		
	150,000,000	150,000,000	Ordinary Shares of Rs. 10 each.
	1,500,000	1,500,000	
9.2 Issued, subscribed & paid-up capital			
	42,003,691	41,895,691	Ordinary Shares of Rs. 10 each fully paid in cash
	47,150,732	47,150,732	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares
	89,154,423	89,046,423	891,544
			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			
Capital reserve			
Premium on issue of ordinary shares		298,777	297,924
Revenue reserve			
Un - appropriated profit		4,073,287	4,090,796
Employee share option compensation reserve		1,607	1,767
		4,373,671	4,390,487
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	Except as stated above, there is no change in commitments of the Company from June 30, 2015.		

	Jan-Mar 2016	Jan-Mar 2015	Jul-Mar 2016	Jul-Mar 2015
	Rupees in '000'		Rupees in '000'	
12. REVENUE - NET				
Export Revenue				
License	52,997	57,802	198,170	205,267
Services	511,514	491,265	1,572,059	1,158,996
Maintenance	183,871	150,272	514,497	430,505
	748,382	699,339	2,284,726	1,794,768
Local Revenue				
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)
	765,161	701,905	2,312,570	1,806,570

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.

	Jan-Mar 2016	Jan-Mar 2015	Jul-Mar 2016	Jul-Mar 2015
	Rupees in '000'		Rupees in '000'	
14. EARNING PER SHARE				
Basic				
(Loss) after taxation for the period	(60,937)	(62,320)	(17,509)	(296,166)
Average number of ordinary shares in issue during the period	89,107	89,011	89,066	88,983
Basic - In Rupees	(0.68)	(0.70)	(0.20)	(3.33)
Diluted				
(Loss) after taxation for the period	(60,937)	(62,320)	(17,509)	(296,166)
Average number of ordinary shares in issue during the period	89,903	89,470	89,830	89,381
Diluted - In Rupee	(0.68)	(0.70)	(0.19)	(3.31)

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
	Relationship with the Company	Nature of transactions	Rupees in '000	
(i)	Subsidiary	Rental income	13,994	13,162
		Provision of services	4,506	4,680
		Dividend received	-	77,978
		Mark-up income	38	434
		Mark-up expense	32	149
(ii)	Associated undertaking	Rental income	1,050	450
		Provision of services	440,480	347,619
		Purchase of services	12,919	4,972
(iii)	Key management personnels	Remuneration of CEO and Directors	14,231	10,947
		Commission paid to Key Management Personnel	3,790	81,815
(iv)	Post employment benefit	Contribution to defined contribution plan	51,838	38,514

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

16. DATE OF AUTHORIZATION FOR ISSUE

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

17. FIGURES

Figures have been rounded off to the nearest thousand rupee.

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'			
ASSETS			
NON-CURRENT ASSETS			
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
		4,612,532	4,990,533
CURRENT ASSETS			
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
		2,624,087	1,873,444
TOTAL ASSETS		7,236,619	6,863,977
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
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
		5,607,970	5,478,513
Non - controlling Interest		350,781	208,574
		5,958,751	5,687,087
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		28,194	27,743
Deferred income		-	10
Long term advances		7,441	2,750
		35,635	30,503
CURRENT LIABILITIES			
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
		1,242,233	1,146,387
CONTINGENCIES & COMMITMENTS	11	-	-
TOTAL EQUITY AND LIABILITIES		7,236,619	6,863,977

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 Rupees in '000'	Jan-Mar 2015	Jul-Mar 2016 Rupees in '000'	Jul-Mar 2015
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)
Gross profit		265,399	208,051	963,983	483,574
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
Operating profit / (loss)		34,547	11,393	303,366	(166,292)
Finance cost		(5,375)	(2,953)	(17,184)	(9,770)
Profit / (loss) before taxation		29,172	8,440	286,182	(176,062)
Taxation					
Current period		(1,895)	(10,677)	(16,291)	(21,423)
Profit / (loss) after taxation for the period		27,277	(2,237)	269,891	(197,485)
Attributable to:					
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
		27,277	(2,237)	269,891	(197,485)
Profit/(Loss) per share					
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'	
Profit/(Loss) after taxation for the period	27,277	(2,237)	269,891	(197,485)
Other comprehensive income	-	-	-	-
Total comprehensive Profit/(loss) for the period	27,277	(2,237)	269,891	(197,485)
Attributable to:				
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
	27,277	(2,237)	269,891	(197,485)

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'	
CASH FLOWS FROM OPERATING ACTIVITIES		
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
Cash generated from operations before working capital changes	867,557	502,730
Decrease / (increase) in current assets and liabilities		
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
Cash (used in) / generated from operations	(832,840)	(72,597)
Interest paid	(17,441)	(24,974)
Income taxes paid	(22,471)	(22,734)
Dividend paid	(275)	(76,386)
Net cash (used in) / generated from operations	(5,470)	306,039
CASH FLOWS FROM INVESTING ACTIVITIES		
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
Net cash (used in) investing activities	(159,216)	(210,006)
CASH FLOWS FROM FINANCING ACTIVITIES		
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	-
Net cash (used in) / generated from financing activities	110,249	(60,074)
Net (decrease) / increase in cash and cash equivalents	(54,437)	35,959
Cash and cash equivalents at the beginning of the period	514,011	389,987
Cash and cash equivalents at the end of the period	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'							
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 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
Distribution to owners								
By subsidiary to non-controlling interest								
- Cash dividend	-	-	-	-	-	-	(76,372)	(76,372)
Balance as at March 31, 2015	890,464	13	1,767	297,924	4,132,176	5,322,344	162,530	5,484,874
Balance as at June 30, 2015	890,464	13	1,767	297,924	4,288,345	5,478,513	208,574	5,687,087
Total comprehensive income for the period								
Net (loss) / profit for the quarter ended March 31, 2016	-	-	-	-	127,684	127,684	142,207	269,891
Other comprehensive income	-	-	-	-	-	-	-	-
	-	-	-	-	127,684	127,684	142,207	269,891
Shares issued against options exercised (108,000 shares at Rs. 10 each)	1,080	-	-	-	-	1,080	-	1,080
Amount transferred to share premium on issuance of shares against options exercised (108,000 shares at Rs. 1.48 each)	-	-	(160)	-	-	(160)	-	(160)
Share premium on shares issued against options exercised	-	-	-	853	-	853	-	853
Distributions to owners								
- By subsidiary to non-controlling interest								
cash dividend	-	-	-	-	-	-	-	-
Balance as at March 31, 2016	891,544	13	1,607	298,777	4,416,029	5,607,970	350,781	5,958,751

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'			
5. PROPERTY, PLANT & EQUIPMENT			
Opening Balance - net book value		2,477,636	2,749,862
Additions	5.1	210,986	340,050
		2,688,622	3,089,912
Less:			
Disposals - net book value	5.2	(41,714)	(118,907)
Depreciation & amortization		(310,797)	(493,369)
		2,336,111	2,477,636
5.1 Following is the detail of additions :			
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		210,986	340,050

	Cost	Mar-16 Unaudited Accumulated Depreciation	Written down Value	Cost	Jun-15 Audited Accumulated Depreciation	Written down Value
Rupees in '000'						
5.2 Following is the detail of deletions						
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	64,640	22,926	41,714	228,162	109,255	118,907

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

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

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

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

9.2 Issued, subscribed & paid-up capital

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

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

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'	
12. REVENUE - NET				
Export Revenue				
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
Local Revenue				
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

Average number of ordinary shares in issue during the period

Basic - In Rupees

Diluted

Loss after taxation for the period

Average number of ordinary shares in issue during the period

Diluted - In Rupee

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'	
Relationship with the Company	Nature of transactions		
(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)
Profit after taxation				269,891

	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)
(Loss) after taxation				(197,485)

*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

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