



For the Quarter Ended

**March**

**2017**

Financial Statements

(Un-Audited)

**NETSOL Technologies Limited**

# Table of Contents

## Business Review

Company Profile	2
Directors' Report (English)	3
Directors' Report (Urdu)	4

## Financials Statements

Condensed Interim Balance Sheet	6
Condensed Interim Profit & Loss Account	7
Condensed Interim Statement of Comprehensive Income	8
Condensed Interim Statement of Cash Flows	9
Condensed Interim Statement of Changes in Equity	10
Notes to Condensed Interim Financial Statements	11

## Consolidated Financials Statements

Condensed Consolidated Interim Balance Sheet	18
Condensed Consolidated Interim Profit & Loss Account	19
Condensed Consolidated Interim Statement of Comprehensive Income	20
Condensed Consolidated Interim Statement of Cash Flows	21
Condensed Consolidated Interim Statement of Changes in Equity	22
Notes to Condensed Consolidated Interim Financial Statements	23

# Company 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**  
1<sup>st</sup> 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  
Samba 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,  
+92-42-35727096-7  
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  
info@netsolpk.com



# Directors' Report

On behalf of the Board of Directors of NetSol Technologies Limited (NETSOL), I feel pleasure to present the financial statements of your company together-with its consolidated results for the period ended March 31, 2017.

## GENERAL OVERVIEW

The first quarter of calendar 2017 ended with some fruitful implementations and potential leads. We took our next generation wholesale finance system, WFS Ascent, live for a German auto manufacturing giant's operations in Australia. The system went live in February 2017 which is part of a much larger deal signed between NETSOL and the German auto manufacturer in December 2015. Earlier in November 2016, wholesale finance system for the same customer had went live in New Zealand as well. Implementations at three other countries are still in the process which are expected to be completed during the current calendar year.

We also signed a contract with one of Indonesia's foremost multi-finance companies, especially excelling in the auto finance domain. NETSOL has agreed to implement one of its digitization solutions, its mobile origination (point of sale system) at the customer site to enhance its sales and to optimize efficiency and streamline the sale execution process. This deal is expected to open new doors for the Company to market its mobility solutions in the Indonesian market.

The Indonesian market has been the mainstay for NETSOL during the current fiscal year. NETSOL has made its presence felt within the financial technology segment of the country through sponsoring and attending different industry events. This has not only showcased to our potential client base in the country, our products and capabilities but generated interest and potential leads as well. In its bid to create awareness of the brand and network effectively, we have also joined Asosiasi Perusahaan Pembiayaan Indonesia (APPI), Indonesia's primary Financial Services Association.

## FINANCIAL PERFORMANCE

Comparison of un-audited consolidated results for the third quarter ended March 31, 2017 with the corresponding period of 2016 as well as cumulative consolidated results for the nine months ended March 31, 2017 with those of March 31, 2016 are given below:

	Jan-Mar 2017	Jan-Mar 2016	Jul-Mar 2017	Jul-Mar 2016
	----- Rupees in '000' -----			
Revenue	<b>1,128,959</b>	984,165	<b>3,584,727</b>	2,953,309
Gross Profit	<b>379,030</b>	265,399	<b>1,322,171</b>	963,983
Net profit / (Loss) after non-controlling interest	<b>88,145</b>	(16,371)	<b>310,815</b>	127,684
EPS/ (LPS) – basic (in Rs.)	<b>0.99</b>	(0.18)	<b>3.48</b>	1.43
EPS/ (LPS) – diluted (in Rs.)	<b>0.98</b>	(0.18)	<b>3.45</b>	1.42
EBITDA per share – diluted (in Rs.)	<b>2.82</b>	1.93	<b>10.20</b>	7.79

Consolidated revenues for the quarter ended March 31, 2017 improved by 15% compared to the revenues posted in the same quarter of previous fiscal year. In absolute numbers, the Company posted net consolidated revenues of PKR 1,129 million compared to PKR 984 million in the same quarter of last fiscal year. The increase in revenues is primarily due to recognition of license as well as the services revenue associated with the implementation of NFS Ascent™ in the four markets which is currently in progress. In addition to it, certain customization revenue has also been recognized during the quarter. Gross profit increased to PKR 379 million compared to PKR 265 million in the corresponding period. Company posted a consolidated net profit after non-controlling interest of PKR 88 million compared to a net loss of PKR 16 million last year. Profit per diluted share was PKR 0.98 in comparison of a diluted loss per share of PKR 0.18 in the corresponding period. Net EBITDA profit (earnings before interest, tax, depreciation and amortization) was PKR 2.82 per diluted share compared to PKR 1.93 per share in the corresponding period last year. On nine-months basis, revenues increased to PKR 3,585 million compared to PKR 2,953 million in the corresponding period. Gross profit improved to PKR 1,322 million in comparison of PKR 964 million last year. The Company posted a net profit of PKR 311 million versus PKR 128 million during the same period last year. Diluted profit per share for the nine months ended March 31, 2017 was PKR 3.45 compared to PKR 1.42 in the corresponding period. Year-to-date EBITDA profit for the current period was PKR 10.20 compared to PKR 7.79 per share in the preceding period.

## FUTURE OUTLOOK

The Indonesian market will remain to be the main focus for NETSOL in the short to midterm. NETSOL will continue to sponsor and attend industry events within Indonesia as a considerable growth potential has been identified for the company in the country. We now have an Indonesia ready system therefore; conversion time has dropped down considerably. NETSOL's sales and marketing teams will continue to chase up qualified leads in the coming months and make efforts towards acquiring new business and creating new opportunities. What's encouraging is that there is an appetite for not just NETSOL's core product but other digitization solutions, consultancy and services.

Besides Indonesia, we have also generated interest and potential leads from other regions as well. There are a few auto manufacturing companies in China and Europe who are interested in NFS Ascent™ as well as our mobility products. Our focus is to convert some of them into potential contracts.

We also have plans to aggressively pursue marketing activities all over the world and there are several industry events lined up for this year. There are at least three prominent recurring industry events in China where NETSOL is the leading sponsor of this year along with a couple of networking events in Thailand, UK, U.S and Australia.

## 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 29, 2017





FINANCIAL  
**STATEMENTS**

For The Nine Months Ended March 31, 2017

## Condensed Interim Balance Sheet - Unaudited

As at March 31, 2017

	NOTE	Mar-17 Unaudited	Jun-16 Audited
Rupees in '000'			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	5	2,010,065	2,203,006
Intangible assets	6	1,874,785	2,195,996
		<b>3,884,850</b>	4,399,002
Long term investments	7	156,549	32,455
Long term deposits		1,600	1,600
		<b>4,042,999</b>	4,433,057
<b>CURRENT ASSETS</b>			
Trade debts	8	1,105,862	1,198,056
Excess of revenue over billing		1,468,795	618,020
Loans and advances	9	29,075	24,732
Trade deposits & short term prepayments		20,574	23,672
Other receivables		47,237	148,427
Due from related parties		13,396	20,068
Taxation - net		47,894	31,688
Cash & bank balances		332,115	108,473
		<b>3,064,948</b>	2,173,136
<b>TOTAL ASSETS</b>		<b>7,107,947</b>	<b>6,606,193</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorized share capital 150,000,000 ordinary shares of Rs.10/- each	10	1,500,000	1,500,000
Issued, subscribed and paid-up capital	10	895,019	891,544
Share deposit money		1,556	1,490
Reserves	11	4,780,981	4,443,382
		<b>5,677,556</b>	5,336,416
<b>NON-CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance lease		31,086	37,064
Long term advances		3,377	2,430
		<b>34,463</b>	39,494
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	513,113	402,833
Unearned revenue		235,315	271,579
Short term borrowings		614,191	514,561
Current portion of long term liabilities		33,309	41,310
		<b>1,395,928</b>	1,230,283
<b>CONTINGENCIES &amp; COMMITMENTS</b>	13	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,107,947</b>	<b>6,606,193</b>

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

## Condensed Interim Profit & Loss Account - Unaudited

For The Nine Months Ended March 31, 2017

	NOTE	Jan-Mar 2017	Jan-Mar 2016	Jul-Mar 2017	Jul-Mar 2016
		Rupees in '000'		Rupees in '000'	
Revenue - net	14	977,412	765,161	3,123,474	2,312,570
Cost of revenue		(651,481)	(607,781)	(1,973,534)	(1,676,211)
<b>Gross profit</b>		<b>325,931</b>	157,380	<b>1,149,940</b>	636,359
Selling and promotion expenses		(141,873)	(49,024)	(353,706)	(156,043)
Administrative expenses		(156,720)	(184,583)	(483,362)	(483,049)
Other operating expenses		(304)	-	(50,470)	(6,141)
Other income		43,122	22,232	104,084	23,753
<b>Operating Profit/(Loss)</b>		<b>70,156</b>	(53,995)	<b>366,486</b>	14,879
Finance cost		(5,431)	(5,132)	(16,281)	(16,353)
<b>Profit/(Loss) before taxation</b>		<b>64,725</b>	(59,127)	<b>350,205</b>	(1,474)
Taxation	15				
Current period		(2,941)	(1,810)	(20,466)	(16,035)
Prior period		(107)	-	(673)	-
		(3,048)	(1,810)	(21,139)	(16,035)
<b>Profit/ (Loss) after taxation for the period</b>		<b>61,677</b>	(60,937)	<b>329,066</b>	(17,509)
<b>Earnings per share</b>					
Basic - In Rupees	17	<b>0.69</b>	(0.68)	<b>3.69</b>	(0.20)
Diluted - In Rupees	17	<b>0.68</b>	(0.68)	<b>3.66</b>	(0.19)

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

## Condensed Interim Statement of Comprehensive Income - Unaudited

For The Nine Months Ended March 31, 2017

	Jan-Mar 2017	Jan-Mar 2016	Jul-Mar 2017	Jul-Mar 2016
	Rupees in '000'		Rupees in '000'	
<b>Profit/(Loss) after taxation for the period</b>	<b>61,677</b>	(60,937)	<b>329,066</b>	(17,509)
Other comprehensive income	-	-	-	-
<b>Total comprehensive Income/(Loss) for the period</b>	<b>61,677</b>	(60,937)	<b>329,066</b>	(17,509)

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

## Condensed Interim Statement of Cash Flows - Unaudited

For The Nine Months Ended March 31, 2017

	Jul-Mar 2017	Jul-Mar 2016
	Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation for the period	350,205	(1,474)
Adjustments for non cash charges and other items:		
Depreciation - own assets	221,457	282,187
Amortization of leased assets	21,698	17,329
Amortization of intangible assets	321,211	236,475
Loss on disposal of fixed assets	3,587	-
Amortization of deferred revenue	-	(10)
Exchange loss on debtors	47,052	6,141
Interest expense	15,332	15,482
Interest income	(3,040)	(8,363)
Dividend Income	(88,485)	-
Deferred employee compensation expense	50,925	-
	589,738	549,241
<b>Cash generated from operations before working capital changes</b>	939,942	547,767
<b>Working Capital Changes</b>		
Trade debts	(841,897)	(686,300)
Loans and advances	(4,343)	(30,655)
Trade deposits & short term prepayments	3,098	1,053
Other receivables	101,192	(4,555)
Due from related parties	6,672	90,141
Trade and other payables	110,765	104,439
<b>Cash used in operations</b>	(624,513)	(525,877)
Interest paid	(18,907)	(16,694)
Income taxes paid	(25,715)	(21,673)
Dividend paid	(39,433)	(275)
<b>Net cash used in operations</b>	231,374	(16,752)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property and equipments purchased	(54,512)	(128,696)
Sales proceeds of fixed asset	677	31,405
Capital work in progress	(2,637)	(64,764)
Long Term Investment	(124,094)	-
Interest received	3,040	8,363
<b>Net cash (used in) investing activities</b>	(177,526)	(153,692)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of share capital	3,475	1,080
Share deposit money	66	-
Share premium	2,231	693
Paid against obligation under finance lease	(37,783)	(44,608)
Received against obligation under finance lease	22,989	49,159
Short term borrowing	99,630	102,404
Dividend received	77,424	-
Long term advances	1,762	993
<b>Net cash (used in) / generated from financing activities</b>	169,794	109,721
<b>Net Increase / (decrease) in cash and cash equivalents</b>	223,642	(60,723)
<b>Cash and cash equivalents at the beginning of the period</b>	108,473	447,595
<b>Cash and cash equivalents at the end of the period</b>	332,115	386,872

The annexed notes from 1 to 20 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, 2017

	Issued, subscribed and paid-up capital	Share deposit money	Employee share op- tion com- pensation reserve	Capital Reserve	Revenue Reserve	Total
				Share premium	Unappropri- ated profit	
Rupees In '000'						
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 nine months 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	(1,773)	(160)	853	-	-
Amount received against option exercised	-	1,773	-	-	-	1,773
	1,080	-	(160)	853	(17,509)	(15,736)
<b>Balance as at March 31, 2016</b>	<b>891,544</b>	<b>13</b>	<b>1,607</b>	<b>298,777</b>	<b>4,073,287</b>	<b>5,265,228</b>
<b>Balance as at June 30, 2016</b>	<b>891,544</b>	<b>1,490</b>	<b>1,607</b>	<b>298,777</b>	<b>4,142,998</b>	<b>5,336,416</b>
Total comprehensive income for the period						
Net profit for the nine months ended						
March 31, 2017	-	-	-	-	329,066	329,066
Other comprehensive income						
Shares issued against options exercised (347,500 shares at Rs. 10 each)	3,475	(5,706)	(513)	2,744	-	-
Amount received against option exercised	-	5,772	-	-	-	5,772
Dividend paid					(44,622)	(44,622)
Contribution of parent on account of employee share options	-	-	50,925	-	-	50,925
	3,475	66	50,412	2,744	284,443	341,141
<b>Balance as at March 31, 2017</b>	<b>895,019</b>	<b>1,556</b>	<b>52,019</b>	<b>301,521</b>	<b>4,427,441</b>	<b>5,677,557</b>

The annexed notes from 1 to 20 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, 2017

### 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, 2016.

#### 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

**3.1** The accounting policies adopted for the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the Company for the year ended June 30, 2016.

#### **3.2 Standards, amendments and interpretations to approved accounting standards that are effective in the current period**

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2016, but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in this condensed interim financial information.

### 4. USE OF ESTIMATES AND JUDGMENT

The preparation of condensed 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, 2016.

		Mar-17 Unaudited	Jun-16 Audited			
		Rupees in '000'				
<b>5. PROPERTY, PLANT &amp; EQUIPMENT</b>						
Opening Balance - net book value		2,203,006	2,412,894			
Additions	5.1	80,929	272,963			
		2,283,935	2,685,857			
Less:						
Disposals - net book value	5.2	(30,714)	(78,626)			
Depreciation & amortization		(243,156)	(404,225)			
		2,010,065	2,203,006			
<b>5.1 Following is the detail of addition / (transfer) :</b>						
Building on freehold land		-	45,898			
Furniture & fixture		3,624	10,148			
Vehicles		29,025	159,462			
Office equipment		2,346	8,838			
Computers		27,189	42,127			
Air conditioners		16,108	3,332			
Generator		-	7,372			
Leasehold improvements		-	19,381			
Computer software		-	56			
Advance against capital expenditure		2,637	-			
Capital work-in-progress		-	(23,651)			
Total		80,929	272,963			
<b>5.2 Following is the detail of deletions</b>						
	Cost	Mar-17 Unaudited Acc. De- preciation	Written down Value	Cost	Jun-16 Audited Acc. Depre- ciation	Written down Value
		Rupees in '000'				
Furniture & fixture	1,409	865	544	60	19	41
Vehicles	15,273	6,798	8,475	97,827	20,986	76,841
Office equipment	145	86	59	8	4	4
Computers	35,953	28,064	7,889	6,318	4,659	1,659
Air conditioners	19,140	5,393	13,747	163	82	81
Total	71,920	41,206	30,714	104,376	25,750	78,626
<b>6. INTANGIBLE ASSETS</b>						
Opening Balance - net book value		2,195,996	2,511,297			
Additions		-	-			
		2,195,996	2,511,297			
Less:						
Amortization	6.1	(321,211)	(315,301)			
		1,874,785	2,195,996			

6.1 In house developed softwares namely SMART, HMIS & Business Intelligence have been fully amortized in previous quarter by charging accelerated amortization of Rs. 90.184 Million.

		Mar-17 Unaudited	Jun-16 Audited
Rupees in '000'			
<b>7 LONG TERM INVESTMENTS - at cost</b>			
EEGEO Inc. (Unquoted company)	7.1	141,361	17,267
NETSOL Innovation (Pvt) Limited (Unquoted subsidiary company)	7.2	15,188	15,188
		<b>156,549</b>	<b>32,455</b>
<b>7.1</b>	During the fiscal year 2016, the Company entered into an agreement with eeGeo, Inc. a UK based gaming and 3D mapping Company (a Delaware Corporation) to purchase 12.2% investment for \$2,777,778 which will be earned over future periods partly by providing IT and enterprise software solutions and partly in cash. Per agreement, the Company will provide a minimum of \$200,000 of services in each three-month period and the entire balance is required to be provided within three years of the date of the agreement. As of March 31, 2017, the Company has provided cash and services valued at \$1,350,864 (PKR 141,361,000) which is recorded as investment.		
<b>7.2</b>	The subsidiary is incorporated in Pakistan. The Company holds 1,518,785 (2016 : 1,518,785) fully paid ordinary shares of Rs. 10/- each i.e. 50.52% of Equity held (2016 : 50.52%) Mr. Salim Ullah Ghauri is the Chief Executive Officer of the subsidiary company.		
<b>8. TRADE DEBTS</b>			
Considered good - unsecured	8.1	1,105,862	1,198,056
Considered doubtful - unsecured	8.2	48,748	48,748
		<b>1,154,610</b>	<b>1,246,804</b>
Less: Provision against doubtful recovery		<b>(48,748)</b>	<b>(48,748)</b>
		<b>1,105,862</b>	<b>1,198,056</b>
<b>8.1</b>	It represents amount receivable from customers. It is unsecured but considered good by the management.		
<b>8.2</b>	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.		
<b>8.3</b>	Amount receivable from related parties included in trade debts are as under:		
		118,355	183,968
NetSol Technologies (Thailand) Limited		120,358	163,364
NetSol Technologies (Beijing) Company Limited		10,720	28,759
NetSol Australia Pty. Limited		18,403	-
NetSol Technologies North America		<b>267,836</b>	<b>376,091</b>
<b>9. LOANS AND ADVANCES - Unsecured</b>			
Considered good			
Loan to employees-Executives		4,611	6,984
Advances			
- to executives		131	150
- against expenses	9.1	24,333	17,598
		<b>29,075</b>	<b>24,732</b>
<b>9.1</b>	The advances to employees are given to meet business expenses and are settled as and when the expenses are incurred.		
<b>10. SHARE CAPITAL</b>			
<b>10.1 Authorised share capital</b>			
	Mar-17	Jun-16	
	Unaudited	Audited	
	Number of shares		
	150,000,000	150,000,000	Ordinary Shares of Rs. 10 each.
	<b>1,500,000</b>	<b>1,500,000</b>	
<b>10.2 Issued, subscribed &amp; paid-up capital</b>			
	42,351,191	42,003,691	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
	<b>89,501,923</b>	<b>89,154,423</b>	
	<b>423,512</b>	<b>420,037</b>	
	<b>471,507</b>	<b>471,507</b>	
	<b>895,019</b>	<b>891,544</b>	

NETSOL Technologies Inc., 24025 Park Sorrento, Suite 410, Calabasas CA 91302, USA, is the parent company holding majority of issued capital of the Company.

		Dec-16 Unaudited	Jun-16 Audited
<b>11. RESERVES</b>		<b>Rupees in '000'</b>	
<b>Capital reserve</b>			
Premium on issue of ordinary shares		301,521	298,777
<b>Revenue reserve</b>			
Un - appropriated profit		4,427,441	4,142,998
<b>Employee share option compensation reserve</b>		52,019	1,607
		<b>4,780,981</b>	<b>4,443,382</b>
<b>12. Trade and other payables also include payable to related parties, detail of which is given below:</b>			
<b>12.1 DUE TO RELATED PARTIES</b>			
<b>Parent</b>			
NetSol Technologies Inc.	12.1.1	<b>138,864</b>	111,474
<b>Associated</b>			
NetSol Technologies Europe Limited		<b>29,164</b>	-
		<b>168,028</b>	<b>111,474</b>

12.1.1 This relates to normal course of business of the Company and is interest free.

### 13. CONTINGENCIES & COMMITMENTS

#### 13.1 Contingencies

**13.1.1** Mr. Ahsan Zubair, ex-employee of the Company has filed a case for recovery of damages for malicious prosecution before the civil court, Lahore and has sought the damages to the tune of PKR 500 million. The case was filed after the complaint filed by NETSOL pertaining to use of NetSol's IP without authority by a company formed by Mr. Ahsan Zubair and his partner who was also an ex-employee of the Company. Keeping in view the facts and circumstances of the case, including the nature of evidence of the plaintiff and the laws applicable, it can safely be inferred that, on merits, no case for damages is made out. This is also endorsed by the fact that case is barred by the laws relating to limitation as it has been filed by some two years beyond prescribed time. Moreover none of the ingredients forming basis for allowing a case of malicious prosecution are attracted. Therefore, on the facts of the case, there appears to be no chances of the case being allowed and there is no likelihood of this case having any adverse financial impact on the Company.

**13.1.2** While disposing off a show cause notice issued by FBR under section 161 of the Income Tax Ordinance, 2001 for the tax year 2015, the assessing authority, in its judgement dated 26-07-2016 contended and considered the commission paid to a non-resident as fee for technical services and imposed a tax of Rs. 1,516,535 u/s 152 of the Income Tax Ordinance, 2001. The company filed an appeal u/s 127 of the said Ordinance before the Commissioner Inland Revenue (Appeals), Lahore on the grounds that amount paid to non resident is in respect of commission and cannot be considered fee for technical services, hence exempt from tax. The decision is currently pending with the competent authority. The company is confident that final outcome will be in its favour and accordingly no provision has been made in these financial statements in this respect.

#### 13.2 Commitments

The Company has issued worth Rs. 7.977 million (June 2016: 7.062 million) bank guarantees and bid bonds to LESCO and various customers against sale of software and allied services.

	Jan-Mar 2017	Jan-Mar 2016	Jul-Mar 2017	Jul-Mar 2016
	<b>Rupees in '000'</b>		<b>Rupees in '000'</b>	
<b>14. REVENUE - NET</b>				
<b>Export Revenue</b>				
License	<b>285,288</b>	52,997	<b>1,062,398</b>	198,170
Services	<b>490,803</b>	511,514	<b>1,451,099</b>	1,572,059
Maintenance	<b>199,048</b>	183,871	<b>600,528</b>	514,497
	<b>975,139</b>	748,382	<b>3,114,025</b>	2,284,726
<b>Local Revenue</b>				
Services	-	14,942	<b>3,417</b>	22,808
Maintenance	<b>2,637</b>	3,364	<b>6,817</b>	9,560
	<b>2,637</b>	18,306	<b>10,234</b>	32,368
Sales tax	<b>(364)</b>	(1,527)	<b>(785)</b>	(4,524)
	<b>977,412</b>	765,161	<b>3,123,474</b>	2,312,570

**15. TAXATION**

Income of the Company from export of computer software and its related services developed in Pakistan is exempt from tax up to 2019 provided that eighty per cent of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels 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.

**16. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS****Financial risk factors**

The Company's activities expose it to a variety of financial risks namely market risk (including currency risk, price risk and interest rate risk), credit risk, foreign exchange risk and liquidity risk. There has been no change in the risk management policies during the period, consequently this condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements.

**Fair value of financial assets and liabilities**

The carrying value of all financial assets and liabilities reflected in this condensed interim financial information approximate their fair value.

17. EARNINGS PER SHARE	Jan-Mar	Jan-Mar	Jul-Mar	Jul-Mar
	2017	2016	2017	2016
	Rupees in '000'		Rupees in '000'	
<b>Basic</b>				
Profit/(Loss) after taxation for the period	61,677	(60,937)	329,066	(17,509)
Average number of ordinary shares in issue during the period	89,360	89,107	89,271	89,066
Basic - In Rupees	0.69	(0.68)	3.69	(0.20)
<b>Diluted</b>				
Profit after taxation for the period	61,677	(60,937)	329,066	(17,509)
Average number of ordinary shares in issue during the period	90,074	89,903	89,983	89,830
Diluted - In Rupee	0.68	(0.68)	3.66	(0.19)

**18. TRANSACTION WITH RELATED PARTIES**

Related parties comprise of holding company, subsidiary, associated undertakings, key management personnel of the company and post employment benefits. The Company in its normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Parent, subsidiary and associated undertakings also have some common directorship.

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows.

Relationship with the Company	Nature of transactions	Jul-Mar	Jul-Mar
		2017	2016
		Rupees in '000	
(i) Subsidiary	Rental income	11,884	13,994
	Provision of services	3,803	4,505
	Mark-up income	-	38
	Mark-up expense	368	32
(ii) Associated undertaking	Rental income	675	1,050
	Provision of services	225,014	440,480
	Purchase of services	14,469	12,919
(iii) Key management personnels	Remuneration of CEO and Directors	13,690	14,231
	Commission paid to Key Management Personnel	61,966	3,790
(iv) Post employment benefit	Contribution to defined contribution plan	57,811	51,838

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

**19. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on April 29, 2017 by the Board of Directors.

**20. GENERAL**

Figures have been rounded off to the nearest thousand rupee unless otherwise stated.



CONDENSED CONSOLIDATED INTERIM FINANCIAL  
**STATEMENTS**

For The Nine Months Ended March 31, 2017

## Condensed Consolidated Interim Balance Sheet - Unaudited

As at March 31, 2017

	NOTE	Mar-17 Unaudited	Jun-16 Audited
Rupees in '000'			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	5	2,071,686	2,261,721
Intangible assets	6	1,874,785	2,195,996
		3,946,471	4,457,717
Long term Investment	7	141,361	17,267
Long term deposits		1,600	1,600
		4,089,432	4,476,584
<b>CURRENT ASSETS</b>			
Trade debts	8	1,503,214	1,692,592
Excess of revenue over billing		1,468,794	618,020
Loans and advances	9	29,153	25,625
Trade deposits & short term prepayments		23,309	24,032
Other receivables		47,496	44,301
Due from related parties		13,396	20,068
Taxation - net		49,298	32,837
Cash & bank balances		494,343	326,902
		3,629,003	2,784,377
<b>TOTAL ASSETS</b>		<b>7,718,435</b>	<b>7,260,961</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorized share capital 150,000,000 ordinary shares of Rs.10/- each	10	1,500,000	1,500,000
Issued, subscribed and paid-up capital	10	895,019	891,544
Share deposit money		1,556	1,490
Reserves	11	5,039,172	4,718,507
		5,935,747	5,611,541
Non - controlling Interest		266,599	284,470
		6,202,346	5,896,011
<b>NON-CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance lease		37,282	40,744
Long term advances		5,000	8,937
		42,282	49,681
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	573,504	482,488
Unearned revenue		235,315	271,579
Short term borrowings		614,191	514,561
Current portion of long term liabilities		50,797	46,641
		1,473,807	1,315,269
<b>CONTINGENCIES &amp; COMMITMENTS</b>	13	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,718,435</b>	<b>7,260,961</b>

The annexed notes from 1 to 21 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, 2017

	NOTE	Jan-Mar 2017	Jan-Mar 2016	Jul-Mar 2017	Jul-Mar 2016
		Rupees in '000'		Rupees in '000'	
Revenue - net	14	1,128,959	984,165	3,584,727	2,953,309
Cost of revenue		(749,929)	(718,766)	(2,262,556)	(1,989,326)
<b>Gross profit</b>		<b>379,030</b>	<b>265,399</b>	<b>1,322,171</b>	<b>963,983</b>
Selling and promotion expenses		(141,873)	(49,024)	(353,706)	(156,043)
Administrative expenses		(158,435)	(186,171)	(488,698)	(488,150)
Other operating expenses		(304)	(533)	(68,144)	(27,574)
Other income		44,357	4,876	7,599	11,150
<b>Operating profit</b>		<b>122,775</b>	<b>34,547</b>	<b>419,222</b>	<b>303,366</b>
Finance cost		(5,435)	(5,375)	(17,592)	(17,184)
Profit before taxation		117,340	29,172	401,630	286,182
Taxation	15				
Current period		(3,164)	(1,895)	(21,083)	(16,291)
Prior period		(107)	-	(939)	-
		(3,271)	(1,895)	(22,022)	(16,291)
<b>Profit after taxation for the period</b>		<b>140,069</b>	<b>27,277</b>	<b>379,608</b>	<b>269,891</b>
Attributable to:					
Equity holders of NetSol Technologies Limited		88,145	(16,371)	310,815	127,684
Non - controlling interest		25,924	43,648	68,793	142,207
		114,069	27,277	379,608	269,891
Earnings per share					
Basic - In Rupees	17	0.99	(0.18)	3.48	1.43
Diluted - In Rupees	17	0.98	(0.18)	3.45	1.42

The annexed notes from 1 to 21 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, 2017

	Jan-Mar 2017	Jan-Mar 2016	Jul-Mar 2017	Jul-Mar 2016
	Rupees in '000'		Rupees in '000'	
<b>Profit after taxation for the period</b>	<b>114,069</b>	27,277	<b>379,608</b>	269,891
Other comprehensive income	-	-	-	-
<b>Total comprehensive Income for the period</b>	<b>114,069</b>	27,277	<b>379,608</b>	269,891
<b>Attributable to:</b>				
Owners of NETSOL Technologies Limited	<b>88,145</b>	(16,371)	<b>310,815</b>	127,684
Non - controlling interest	<b>25,924</b>	43,648	<b>68,793</b>	142,207
	<b>114,069</b>	27,277	<b>379,608</b>	269,891

The annexed notes from 1 to 21 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, 2017

	Jul-Mar 2017	Jul-Mar 2016
	Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation for the period	401,630	286,182
Adjustments for non cash charges and other items:		
Depreciation - own assets	229,126	291,325
Amortization of leased assets	24,412	19,472
Amortization of intangible assets	321,211	236,475
Loss on disposal of fixed assets	3,203	18
Amortization of deferred revenue	-	(10)
Exchange loss on debtors	65,110	27,556
Interest expense	16,565	16,229
Interest income	(3,943)	(8,629)
Deferred employee compensation expense	52,241	-
Gain on short term investment	(2,245)	(1,061)
	705,680	581,375
<b>Cash generated from operations before working capital changes</b>	1,107,310	867,557
<b>Working Capital Changes</b>		
Trade debts	(762,770)	(1,013,638)
Loans and advances	(3,528)	(32,687)
Trade deposits & short term prepayments	723	856
Other receivables	(3,195)	(5,738)
Due from related parties	6,672	91,514
Trade and other payables	91,498	126,853
Cash used in operations	(670,600)	(832,840)
Interest paid	(20,140)	(17,441)
Income taxes paid	(37,905)	(22,471)
Dividend paid	(126,097)	(275)
	252,569	(5,470)
<b>Net cash (used in) / generated from operations</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property and equipments purchased	(70,922)	(135,591)
Sales proceeds of fixed asset	2,343	31,449
Capital work in progress	(801)	(64,764)
Long Term Investment	(124,094)	-
Gain on investments	2,245	1,061
Interest received	3,943	8,629
	(187,286)	(159,216)
<b>Net cash used in investing activities</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of share capital	3,475	1,080
Share deposit money	66	-
Share premium	2,231	693
Paid against obligation under finance lease	(47,233)	(47,934)
Received against obligation under finance lease	37,417	49,159
Short term borrowing	99,630	102,404
Long term advances	6,573	4,847
	102,159	110,249
<b>Net cash generated from financing activities</b>		
<b>Net decrease in cash and cash equivalents</b>	167,441	(54,437)
<b>Cash and cash equivalents at the beginning of the period</b>	326,902	514,011
<b>Cash and cash equivalents at the end of the period</b>	494,343	459,574

The annexed notes from 1 to 21 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, 2017

	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 compensation reserve	Capital reserve	Revenue reserve			
				Share premium	Unappropriated profit			
Rupees In '000'								
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 profit for the nine months ended								
March 31, 2016	-	-	-	-	127,684	127,684	142,207	269,891
Other comprehensive income	-	-	-	-	-	-	-	-
Shares deposit money against options exercised	-	1,773	-	-	-	- 1,773	-	1,773
Shares issued against options exercised (108,000 shares at Rs. 10 each)	1,080	(1,773)	(160)	853	-	-	-	-
	1,080	-	(160)	853	127,684	129,457	142,207	271,664
<b>Balance as at March 31, 2016</b>	<b>891,544</b>	<b>13</b>	<b>1,607</b>	<b>298,777</b>	<b>4,416,029</b>	<b>5,607,970</b>	<b>350,781</b>	<b>5,958,751</b>
Balance as at June 30, 2016	891,544	1,490	1,607	298,777	4,418,123	5,611,541	284,470	5,896,011
Total comprehensive income for the period								
Net profit for nine months ended								
March 31, 2017	-	-	-	-	310,815	310,815	68,793	379,608
Other comprehensive income	-	-	-	-	-	-	-	-
Shares issued against options exercised (347,500 shares at Rs. 10 each)	3,475	(5,706)	(513)	2,744	-	-	-	-
Final cash dividend Rs. 0.5 per share (5% per share)	-	-	-	-	(44,622)	(44,622)	-	(44,622)
- By subsidiary to non-controlling interest cash dividend	-	-	-	-	-	-	(86,664)	(86,664)
Contribution of parent on account of employee share options	-	-	52,241	-	-	52,241	-	52,241
Amount received against option exercised	-	5,772	-	-	-	5,772	-	5,772
	3,475	66	51,728	2,744	577,008	635,021	50,922	685,943
<b>Balance as at March 31, 2017</b>	<b>895,019</b>	<b>1,556</b>	<b>53,335</b>	<b>301,521</b>	<b>4,684,316</b>	<b>5,935,747</b>	<b>266,599</b>	<b>6,202,346</b>

The annexed notes from 1 to 21 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, 2016.

#### 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

3.1 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, 2016.

#### 3.2 Standards, amendments and interpretations to approved accounting standards that are effective in the current period

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2016, but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in this condensed interim financial information.

### 4. USE OF ESTIMATES AND JUDGMENT

The preparation of condensed consolidated interim financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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, 2016.

		Mar-17 Unaudited	Jun-16 Audited
Rupees in '000'			
<b>5. PROPERTY, PLANT &amp; EQUIPMENT</b>			
Opening Balance - net book value		2,261,721	2,477,636
Additions	5.1	96,579	282,267
		2,358,300	2,759,903
Less:			
Disposals - net book value	5.2	(33,072)	(78,687)
Depreciation & amortization		(253,542)	(419,495)
		2,071,686	2,261,721
<b>5.1 Following is the detail of additions :</b>			
Building on freehold land		-	45,898
Furniture & fixture		3,624	10,407
Vehicles		44,529	159,549
Computers		28,486	48,686
Air conditioners		16,108	3,385
Office equipment		2,884	9,348
Generator		-	7,372
Leasehold improvements		-	19,381
Computer software		147	56
Advance against capital expenditure		801	-
Capital work-in-progress		-	(21,815)
Total		96,579	282,267

	Cost	Mar-17 Unaudited Acc. Deprecia- tion	Written down Value Rupees in '000'	Cost	Jun-16 Audited Acc. Deprecia- tion	Written down Value
<b>5.2 Following is the detail of deletions</b>						
Furniture & fixture	1,409	865	544	60	19	41
Vehicles	18,524	7,823	10,701	97,871	20,991	76,880
Computers	36,623	28,602	8,021	6,449	4,767	1,682
Air conditioners	19,140	5,393	13,747	163	82	81
Office equipment	145	86	59	8	5	3
Total	75,841	42,769	33,072	104,551	25,864	78,687

		Mar-17 Unaudited	Jun-16 Audited
Rupees in '000'			
<b>6. INTANGIBLE ASSETS</b>			
Opening Balance - net book value		2,195,996	2,511,297
Additions		-	-
		2,195,996	2,511,297
Less:			
Amortization	6.1	(321,211)	(315,301)
		1,874,785	2,195,996

**6.1** In house developed softwares namely SMART, HMIS & Business Intelligence have been fully amortized in previous quarter by charging accelerated amortization of Rs. 90.184 Million.

		Mar-17 Unaudited	Jun-16 Audited
Rupees in '000'			
<b>7 LONG TERM INVESTMENTS - at cost</b>			
EEGEO Inc. (Unquoted company)	7.1	141,361	17,267
		141,361	17,267
<b>7.1</b>	During the fiscal year 2016, the Company entered into an agreement with eeGeo, Inc. a UK based gaming and 3D mapping Company (a Delaware Corporation) to purchase 12.2% investment for \$2,777,778 which will be earned over future periods partly by providing IT and enterprise software solutions and partly in cash. Per agreement, the Company will provide a minimum of \$200,000 of services in each three-month period and the entire balance is required to be provided within three years of the date of the agreement. As of March 31, 2017, the Company has provided cash and services valued at \$1,350,864 (PKR 141,361,051) which is recorded as investment.		
<b>8. TRADE DEBTS</b>			
Considered good - unsecured	8.3	1,503,214	1,692,592
Considered doubtful - unsecured	8.2	48,748	48,748
		1,551,962	1,741,340
Less: provision for doubtful debts		(48,748)	(48,748)
		1,503,214	1,692,592
<b>8.1</b>	It represents amount receivable from customers. It is unsecured but considered good by the management.		
<b>8.2</b>	The Group has created a general provision for future doubtful debts, if any. However, there is no history of doubtful debts from any of existing customers.		
<b>8.3</b>	Amount receivable from related parties included in trade debts are as under:		
The Innovation Group (EMEA) Limited - UK		19,413	14,834
1Insurer Inc. USA (Formerly The Innovation Group - US)		202,310	223,647
1Insurer Limited, UK		175,629	256,055
NetSol Technologies (Thailand) Limited		118,355	183,968
NetSol Technologies (Beijing) Company Limited		120,358	163,364
NetSol Australia Pty. Limited		10,720	28,759
Netsol Technologies North America		18,403	-
		665,188	870,627
<b>9. LOANS AND ADVANCES - Unsecured</b>			
Considered good			
Loan to employees-Executives		4,611	6,984
Advances			
- to executives		131	159
- against expenses	9.1.	24,411	18,482
		29,153	25,625
<b>9.1</b>	The advances to employees are given to meet business expenses and are settled as and when the expenses are incurred.		
<b>10. SHARE CAPITAL</b>			
<b>10.1 Authorised share capital</b>			
	Mar-17	Jun-16	
	Unaudited	Audited	
	Number of shares		
	150,000,000	150,000,000	Ordinary Shares of Rs. 10 each.
	1,500,000	1,500,000	
<b>10.2 Issued, subscribed &amp; paid-up capital</b>			
	42,351,191	42,003,691	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
	89,501,923	89,154,423	
	895,019	891,544	

NETSOL Technologies Inc., 24025 Park Sorrento, Suite 410, Calabasas CA 91302, USA, is the parent company holding majority of issued capital of the Company.

		Mar-17 Unaudited	Jun-16 Audited
<b>11. RESERVES</b>			
<b>Capital reserve</b>		<b>Rupees in '000'</b>	
Premium on issue of ordinary shares		301,521	298,777
<b>Revenue reserve</b>			
Un - appropriated profit		4,684,316	4,418,123
<b>Employee share option compensation reserve</b>		53,335	1,607
		<b>5,039,172</b>	<b>4,718,507</b>
<b>12. Trade and other payables also include payable to related parties, detail of which is given below:</b>			
<b>12.1 Due to related party</b>			
<i>Parent</i>			
NetSol Technologies Inc.	12.2	139,049	134,936
<i>Associated</i>			
NetSol Technologies Europe Ltd		30,607	3,486
		<b>169,656</b>	<b>138,422</b>

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

### 13. CONTINGENCIES & COMMITMENTS

#### 13.1 Contingencies

**13.1.1** Mr. Ahsan Zubair, ex-employee of the Company has filed a case for recovery of damages for malicious prosecution before the civil court, Lahore and has sought the damages to the tune of PKR 500 million. The case was filed after the complaint filed by NetSol pertaining to use of NETSOL's IP without authority by a company formed by Mr. Ahsan Zubair and his partner who was also an ex-employee of the Company. Keeping in view the facts and circumstances of the case, including the nature of evidence of the plaintiff and the laws applicable, it can safely be inferred that, on merits, no case for damages is made out. This is also endorsed by the fact that case is barred by the laws relating to limitation as it has been filed by some two years beyond prescribed time. Moreover none of the ingredients forming basis for allowing a case of malicious prosecution are attracted. Therefore, on the facts of the case, there appears to be no chances of the case being allowed and there is no likelihood of this case having any adverse financial impact on the Company.

**13.1.2** While disposing off a show cause notice issued by FBR under section 161 of the Income Tax Ordinance, 2001 for the tax year 2015, the assessing authority, in its judgement dated 26-07-2016 contended and considered the commission paid to a non-resident as fee for technical services and imposed a tax of Rs. 1,516,535 u/s 152 of the Income Tax Ordinance, 2001. The company filed an appeal u/s 127 of the said Ordinance before the Commissioner Inland Revenue (Appeals), Lahore on the grounds that amount paid to non resident is in respect of commission and cannot be considered fee for technical services, hence exempt from tax. The decision is currently pending with the competent authority. The company is confident that final outcome will be in its favour and accordingly no provision has been made in these financial statements in this respect.

#### 13.2 Commitments

**13.2.1** The Company has issued worth Rs. 7.977 million (June 2016: 7.062 million) bank guarantees and bid bonds to LESCO and various customers against sale of software and allied services.

**13.2.2** 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 2017	Jan-Mar 2016	Jul-Mar 2017	Jul-Mar 2016
	<b>Rupees in '000'</b>		<b>Rupees in '000'</b>	
<b>14. REVENUE - NET</b>				
<b>Export Revenue</b>				
License	285,288	52,997	1,062,398	198,170
Services	642,350	730,518	1,912,352	2,212,798
Maintenance	199,048	183,871	600,528	514,497
	<b>1,126,686</b>	<b>967,386</b>	<b>3,575,278</b>	<b>2,925,465</b>
<b>Local Revenue</b>				
Services	-	14,942	3,417	22,808
Maintenance	2,637	3,364	6,817	9,560
	<b>2,637</b>	<b>18,306</b>	<b>10,234</b>	<b>32,368</b>
Sales tax	(364)	(1,527)	(785)	(4,524)
	<b>1,128,959</b>	<b>984,165</b>	<b>3,584,727</b>	<b>2,953,309</b>

**15. TAXATION**

Income of the Company from export of computer software and its related services developed in Pakistan is exempt from tax up to 2019 provided that eighty per cent of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels 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.

**16. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS****Financial risk factors**

The Company's activities expose it to a variety of financial risks namely market risk (including currency risk, price risk and interest rate risk), credit risk, foreign exchange risk and liquidity risk. There has been no change in the risk management policies during the period, consequently this condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements.

**Fair value of financial assets and liabilities**

The carrying value of all financial assets and liabilities reflected in this condensed interim financial information approximate their fair value.

**17. EARNING PER SHARE**

	Jan-Mar 2017	Jan-Mar 2016	Jul-Mar 2017	Jul-Mar 2016
Basic	Rupees in '000'		Rupees in '000'	
Profit/(Loss) after taxation for the period	88,145	(16,371)	310,815	127,684
Average number of ordinary shares in issue during the period	89,360	89,107	89,271	89,066
Basic - In Rupees	0.99	(0.18)	3.48	1.43
Diluted				
Profit/(Loss) after taxation for the period	88,145	(16,371)	310,815	127,684
Average number of ordinary shares in issue during the period	90,074	89,903	89,983	89,830
Diluted - In Rupee	0.98	(0.18)	3.45	1.42

**18. 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 2017	Jul-Mar 2016
	Relationship with the Company	Nature of transactions	Rupees in '000'	
(i)	Associated undertaking	Rental Income	675	1,050
		Provision of services	686,267	1,081,218
		Purchase of services	14,469	12,919
(ii)	Key management personnels	Remuneration of CEO and Directors	13,690	14,231
		Commission paid to Key Management Personnel	61,966	2,721
(iii)	Post employment benefit	Contribution to defined contribution plan	67,190	64,017

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

**19. SEGMENT REVENUES AND RESULTS**

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

	Mar-17			Total
	NFS	IS	BPO	
	Rupees in '000'			
Revenue - net				
External sales				
Licence	1,062,397	-	-	1,062,397
Services	1,273,784	2,632	638,569	1,914,985
Maintenance	600,529	6,816	-	607,345
Inter-segment sales				-
Total revenue	2,936,710	9,448	638,569	3,584,727
Cost of revenue	(1,695,989)	(170,370)	(396,197)	(2,262,556)
Segment results	1,240,721	(160,922)	242,372	1,322,171
Unallocated corporate expenses:				
Selling and promotion expenses				(353,706)
Administrative expenses				(488,699)
Other operating expenses				(68,144)
Other income				7,599
Finance cost				(17,592)
Taxation				(22,022)
<b>Profit after taxation</b>				<b>379,608</b>

	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

\*Key

NFS = NetSol Financial Solutions

IS = Information Security and other services

BPO = Business Process Outsourcing

**20. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on April 29, 2017 by the Board of Directors.

**21. GENERAL**

Figures have been rounded off to the nearest thousand rupee unless otherwise stated.



## NETSOL Technologies Limited

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