



NetSol
Technologies
Limited

For the Quarter Ended
September
2013

Financial Statements

(Un-Audited)





This Quarterly report

We hope you find it useful and informative.

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Company Profile

BOARD OF DIRECTORS

Naeem Ullah Ghauri
Chairman/Non-Executive Director

Salim Ullah Ghauri
Chief Executive Officer

Vaseem Anvar
Independent Director

Shahid Javed Burki
Non-Executive Director

Fida Hussain
Independent Director

Najeeb Ullah Ghauri
Non-Executive Director

Omer Shahab Ghauri
Executive Director

AUDIT COMMITTEE

Vaseem Anvar
Chairman

Fida Hussain
Member

Najeeb Ullah Ghauri
Member

COMPANY SECRETARY

Boo-Ali Siddiqui

CHIEF INTERNAL AUDITOR

Muhammad Abdul Wahab Hafeez

AUDITORS

Kabani & Company
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
Bank Al Habib Limited
First National Bank Modaraba
First Habib Modaraba
MCB Bank Limited
Bank Al falah Limited

SHARE REGISTRAR

Vision Consulting Limited
3-C, LDA Flats, Lawrence Rd, Lahore.
Tel: +92-42-36375531, 36375339
Fax: +92-42-36312550

CONTACT DETAILS

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

RAWALPINDI OFFICE

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

KARACHI OFFICE

43/1/Q, AMNA Villa # 1
Block # 06, P.E.C.H.S, Karachi.
Tel: +92-21-111-638-765, 111-672-672
Fax: +92-21-34313464

WEB PRESENCE

www.netsolpk.com
info@netsolpk.com

Directors' Review



On behalf of the Board of Directors of NetSol Technologies Limited, I feel immense pleasure to present the financial statements of your company together with its consolidated financial statements for the period ended September 30, 2013.

GENERAL OVERVIEW

During the period Pak Rupee remained under severe pressure as it dipped to all time low of 110 against USD on September 26, 2013 but closed at 105.4 following State Bank's intervention. Pak Rupee has already shed 5.9% during the first quarter of this fiscal year. Despite the new deal with International Monetary Fund (\$6.64 billion finalized in September), the pressure on rupee couldn't be stemmed as external reserve position is expected to remain weak in the absence of other visible inflows due to continuing worse security situation in the country. The headline inflation for the month of Sep-13 eased to 7.40% YoY versus 8.55% in the preceding month. This decline has come from easing food prices that escalated in August, post Ramadan and floods. The monetary policy statement released by State Bank of Pakistan in the month of September brought the long easing cycle to an end, with an increase in interest rate by 50 bps to 9.50%. The move taken was a result of State bank's concern with regard to the future inflationary environment and which, in its view, is likely to increase between 11%-12% during the current fiscal year.

NetSol, has however done well in this quarter despite an uncertain environment and your company continue to gain confidence from a strong pipeline of large deals. Historically our first half is always slower compared with the second half of the fiscal year. However we were able to close deals of our flagship product "NetSol Financial Suite" in China. We also expect incremental revenue from these sales in the coming periods. The currency devaluation also had a positive impact on our earnings as our major receivables are in foreign currencies.

FINANCIAL PERFORMANCE

Comparisons of un-audited consolidated results of the quarter ended September 30, 2013 with the corresponding period of 2012 are given below:

	For the Quarter July-Sep 2013	For the Quarter July-Sep 2012
Revenue	530,180	383,006
Gross Profit	215,760	151,885
Net Profit	140,154	55,789
EPS – basic (in Rs.)	1.75	0.72
EPS – diluted (in Rs.)	1.57	0.72

Performance of your company during the first quarter of the fiscal year 2013-2014 remained good compared with the corresponding period of last fiscal year. Revenue for the quarter ended September 30, 2013 remained at Rs. 530 million compared with Rs. 383 million in the corresponding period last year. Company's net profit for the quarter rose to Rs. 140 million as compared to Rs. 56 million in the comparable period. Major reason for this increase is the devaluation of Pak rupee against other currencies having positive impact on our earnings. Basic and diluted earnings per share were Rs. 1.75 and 1.57 respectively for the current quarter as compared to Rs. 0.72 in the comparative period of last year.

FUTURE OUTLOOK

Our current strategies being made are with the objective of sustaining the growth of the company by penetration into different markets, developing an enhanced product line and constantly innovating. The company has recently launched its next generation platform in the name "NFS Ascend". It provides a full web-enabled, service-orientated architecture and foundation level business process manager that enables rapid business process re-engineering with optimal performance delivery to run multi-billion dollar leasing portfolios. The framework also allows for streamlined third party integration through web services and mobile deployment integration. At the core of the Ascent platform is a lease accounting and contract processing engine, which allows for an array of interest calculation methods, as well as robust accounting of multi-billion dollar lease portfolios under various types of generally accepted accounting principles (GAAP), as well international financial reporting standards (IFRS). Indeed this is a next generation platform to take care of all the requirements of leasing and finance industry. We believe that the future of your company lies in it. However, this transition from the legacy product to next generation will take some time and meanwhile, we expect that the sale of our legacy product will remain under-pressure. This might result in reduction in license and services income from any new customer in the following quarters but gradually, as the sale of NFS Ascend takes off, our revenues will also increase.

ACKNOWLEDGEMENT

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

On behalf of the Board

Naeem Ullah Ghauri
Chairman

Condensed Interim Financial Statements

For the Quarter Ended September 30, 2013

Condensed Interim Balance Sheet - Unaudited

As at September 30, 2013

	NOTE	Sep-13	Jun-13
		Rupees in '000'	
ASSETS			
NON-CURRENT ASSETS			
Property & equipment	5	2,076,134	1,894,191
Intangible assets	6	2,990,825	2,873,958
		5,066,959	4,768,149
Long term investments		15,188	15,188
		5,082,147	4,783,337
CURRENT ASSETS			
Trade debts		1,332,614	965,741
Current portion of deferred employee compensation expense		-	54
Excess of revenue over billing		735,446	864,465
Loans and advances		82,641	22,211
Trade deposits & short term prepayments		16,855	14,940
Other receivables		31,522	25,870
Due from related parties		61,735	14,571
Taxation		75,000	71,702
Cash & bank balances		144,307	305,571
		2,480,120	2,285,125
TOTAL ASSETS		7,562,267	7,068,462
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital			
150,000,000 ordinary shares of Rs.10/- each	7	1,500,000	1,500,000
Issued, subscribed and paid-up capital	7	797,457	785,717
Share deposit money		13	13
Reserves	8	5,487,363	5,339,672
		6,284,833	6,125,402
NON-CURRENT LIABILITIES			
Long term financing		180,394	172,665
Liabilities against assets subject to finance lease		24,787	20,007
Deferred Income		51	59
		205,232	192,731
CURRENT LIABILITIES			
Trade and other payables		535,713	398,956
Excess of billing over revenue		252,806	57,723
Short term borrowings		200,000	200,000
Current portion of long term liabilities		66,033	76,889
Provision for taxation		17,650	16,761
		1,072,202	750,329
CONTINGENCIES & COMMITMENTS	9	-	-
TOTAL EQUITY AND LIABILITIES		7,562,267	7,068,462

The annexed notes from 1-15 form an integral part of these financial statements.

Condensed Interim Profit & Loss Account - Unaudited

For the Quarter Ended September 30, 2013

	NOTE	Jul-Sep 2013	Jul-Sep 2012
		Rupees in '000'	
Revenue - Net	10	530,180	383,006
Cost of revenue		(314,420)	(231,121)
Gross profit		215,760	151,885
Selling and promotion expenses		(42,373)	(28,155)
Administrative expenses		(137,829)	(103,695)
Other operating expenses		(4,306)	(1,153)
Other income		111,878	40,086
Operating profit		143,130	58,968
Finance cost		(2,087)	(2,448)
Profit before taxation		141,043	56,520
Taxation			
Current period		(889)	(731)
		(889)	(731)
Profit after taxation for the period		140,154	55,789

The annexed notes from 1-15 form an integral part of these financial statements.

Condensed Interim Statement of Comprehensive Income - Unaudited

For the Quarter Ended September 30, 2013

	NOTE	Jul-Sep 2013	Jul-Sep 2012
		Rupees in '000'	
Profit after taxation for the period		140,154	55,789
Other comprehensive income		-	-
Total comprehensive income for the period		140,154	55,789
Earnings per share			
Basic - In Rupees	12	1.75	0.72
Diluted - In Rupees	12	1.57	0.72

The annexed notes from 1-15 form an integral part of these financial statements.

Condensed Interim Statement of Cash Flows - Unaudited

For the Quarter Ended September 30, 2013

	Jul-Sep 2013	Jul-Sep 2012
	Rupees in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation for the period	141,043	56,520
Adjustments for non cash charges and other items:		
Depreciation - own assets	68,539	43,169
Amortization of leased assets	4,795	4,028
Amortization of intangible assets	26,359	26,984
Loss on disposal of fixed assets	1,428	(699)
Amortization of deferred revenue	(7)	(4)
Exchange (gain) on debtors	(104,861)	(32,900)
Interest expense	1,693	2,089
Interest income	(2,516)	(2,371)
Deferred employee compensation expense	54	215
Provision for doubtful debts	26,060	-
	21,544	40,511
Cash generated from operations before working capital changes	162,587	97,031
Decrease / (increase) in current assets & liabilities		
Trade debts	36,030	122,910
Loans and advances	(60,430)	25,056
Trade deposits & short term prepayments	(1,915)	(3,934)
Other receivables	(5,652)	2,469
Due from related parties	(47,164)	(5,776)
Trade and other payables	135,806	64,927
Cash generated from operations	56,675	205,652
Interest paid	(7,772)	(14,403)
Income taxes paid	(3,298)	(1,911)
Net cash generated from operations	208,192	286,369
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipments purchased	(164,436)	(101,579)
Sales proceeds of fixed asset	3,874	3,110
Intangible assets	(141,035)	(104,349)
Capital work in progress	(91,271)	(17,594)
Interest received	2,482	2,069
Net cash (used in) investing activities	(390,386)	(218,343)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	11,740	-
Share premium	7,537	-
Paid against obligation under finance lease	(10,450)	(6,491)
Received against obligation under finance lease	16,874	14,476
Long term payable	(4,771)	(10,959)
Net cash generated from / (used in) financing activities	20,930	(2,974)
Net (decrease) / increase in cash and cash equivalents	(161,264)	65,052
Cash and cash equivalents at the beginning of the period	305,571	130,255
Cash and cash equivalents at the end of the period	144,307	195,307

The annexed notes from 1-15 form an integral part of these financial statements.

Condensed Interim Statement of Changes in Equity - Unaudited

For the Quarter Ended September 30, 2013

	Issued, subscribed and paid-up capital	Share deposit money	Employee share option compensation reserve Rupees	Capital Reserve Share premium In '000'	Revenue Reserve Unappropri- ated profit	Total
Balance as at June 30, 2012	779,102	13	6,426	273,016	3,896,375	4,954,932
Total comprehensive income for the period						
Net profit for the quarter ended September 30, 2012	-	-	-	-	55,789	55,789
Other comprehensive income	-	-	-	-	-	-
	-	-	-	-	55,789	55,789
Balance as at September 30, 2012	779,102	13	6,426	273,016	3,952,164	5,010,721
Balance as at June 30, 2013	785,717	13	5,449	278,240	5,055,983	6,125,402
Total comprehensive income for the period						
Net profit for the quarter ended September 30, 2013	-	-	-	-	140,154	140,154
Other comprehensive income	-	-	-	-	-	-
	-	-	-	-	140,154	140,154
Shares issued against options exercised (1,174,000 shares at Rs. 10 each)	11,740	-	-	-	-	11,740
Transferred to Share premium on exercis of options (1,174,000 shares at Rs. 1.48 each)	-	-	(1,734)	-	-	(1,734)
Share premium on shares issued against options exercised	-	-	-	9,271	-	9,271
Balance as at September 30, 2013	797,457	13	3,715	287,511	5,196,137	6,284,833

The annexed notes from 1-15 form an integral part of these financial statements.

Notes To The Condensed Interim Financial Statements - Unaudited

For the Quarter Ended September 30, 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

NetSol Technologies Limited ("the Company") incorporated in Pakistan on August 22, 1996 under the Companies Ordinance, 1984 as a private company limited by shares was later on converted into public limited company on November 05, 2004. The Company was listed on Karachi Stock Exchange on August 26, 2005 and subsequently also got listed on Lahore and Islamabad Stock Exchanges. The business of the Company is development and sale of computer software and its related services in Pakistan as well as abroad. The registered office of the Company is situated NetSol IT Village, Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt. Pakistan.

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 are being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984. 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, 2013.

2.3 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention, except for revaluation of certain financial instruments at fair value as disclosed in respective accounting notes.

2.4 Functional and presentation currency

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

3. ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the company for the year ended June 30, 2013.

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 on going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if there is a change in the estimate only that period, or in the period of revision and future periods if there is a change in the estimate that 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, 2013.

		Sep-13	Jun-13
		Rupees in '000'	
5. PROPERTY & EQUIPMENT			
Opening Balance - net book value		1,894,191	1,361,923
Additions:	5.1	262,770	801,168
Less:		2,156,961	2,163,091
Disposals - net book value		(5,302)	(19,563)
Depreciation & amortization		(75,525)	(249,337)
		2,076,134	1,894,191
5.1 Following is the detail of addition:			
Land - freehold		-	55,071
Building on freehold land		-	39,722
Computers		125,437	252,615
Air conditioners		575	2,330
Furniture & fixture		2,737	5,801
Office equipment		477	5,685
Vehicles		14,924	43,819
Generator		-	9,705
Computer software		20,285	265,577
Capital work-in-progress		98,335	120,843
Total		262,770	801,168
6. INTANGIBLE ASSETS			
Opening Balance - net book value		2,873,958	2,501,052
Additions:	6.1	143,227	480,842
Less:		3,017,185	2,981,894
Amortization		(26,360)	(107,936)
		2,990,825	2,873,958
6.1 Following is the detail of addition / (transfer):			
Fleet Management System (FMS)		59,450	218,618
Blue Star		78,722	243,190
HMIS		1,182	4,078
Loan Origination System		1,098	5,185
Business Intelligence Scoring Model & Risk Management		2,774	9,771
		143,226	480,842
7. SHARE CAPITAL			
7.1 Authorised share capital			
		Sep-13	Jun-13
		Number of shares	
		150,000,000	150,000,000
	Ordinary Shares of Rs. 10 each.	1,500,000	1,500,000
7.2 Issued, subscribed & paid-up capital			
		Sep-13	Jun-13
		Number of shares	
		40,577,191	39,403,191
	Ordinary Shares of Rs. 10 each fully paid in cash	405,772	394,032
		39,168,512	39,168,512
	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	391,685	391,685
		79,745,703	78,571,703
		797,457	785,717

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.

During the quarter ended September 30, 2013, 1,174,000 shares were issued against employees' share options exercised at Rs. 16.42 per share.

Sep-13 Jun-13
Rupees in '000'

8. RESERVES

Capital reserve		
Premium on issue of ordinary shares	287,511	278,240
Revenue reserve		
Un - appropriated profit	5,196,137	5,055,983
Employee share option compensation reserve	3,715	5,449
	5,487,363	5,339,672

9. CONTINGENCIES & COMMITMENTS**9.1 Contingencies**

There are no contingencies as at September 30, 2013 (June 2013 : nil) to which the Company is a party.

9.2 Commitments

9.2.1 The Company has issued worth Rs. 15.32 million (June 2013 : Rs. 18.636 million) bank guarantees and bid bonds to various customers against sale of software and allied services.

Jul-Sep Jul-Sep
2013 2012
Rupees in '000'

10. REVENUE - NET

Export Revenue		
License	205,122	37,840
Services	200,751	264,739
Maintenance	119,770	74,946
	525,643	377,525
Local Revenue		
Services	3,014	1,850
Maintenance	1,926	3,677
	4,940	5,527
Sales tax	(403)	(46)
	530,180	383,006

11. TAXATION

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

12. EARNINGS PER SHARE

Basic		
Profit after taxation for the period	140,154	55,789
Average number of ordinary shares in issue during the period	79,963	77,910
Basic - In Rupees	1.75	0.72
Diluted		
Profit after taxation for the period	140,154	55,789
Average number of ordinary shares in issue during the period	89,488	77,974
Diluted - In Rupee	1.57	0.72

13. TRANSACTION WITH RELATED PARTIES

Related parties comprise of holding company, associated undertakings, directors of the Company, key employees and staff retirement fund. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Parent, subsidiary and associated undertakings also have some common directorship.

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

		Jul-Sep 2013	July-Sep 2012
		Rupees in '000'	
Relationship with the Company	Nature of transactions		
(i) Parent	Management fee	15,720	14,356
(ii) Subsidiary	Rental income	4,430	4,112
	Provision of services	1,575	1,462
	Mark-up income	34	302
	Mark-up expense	91	-
(iii) Associated undertaking	Provision of services	129,561	49,831

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

14. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 25, 2013 by the Board of Directors.

15. FIGURES

Figures have been rounded off to the nearest thousand rupee.

**Condensed Consolidated Interim
Financial Statements**
For the Quarter Ended September 30, 2013

Condensed Consolidated Interim Balance Sheet - Unaudited

As at September 30, 2013

	NOTE	Sep-13	Jun-13
Rupees in '000'			
ASSETS			
NON-CURRENT ASSETS			
Property & equipment	5	2,098,987	1,918,099
Intangible assets	6	2,990,825	2,873,958
		5,089,812	4,792,057
CURRENT ASSETS			
Trade debts		1,565,756	1,159,755
Current portion of deferred employee compensation expense		-	54
Excess of revenue over billing		735,446	864,466
Loans and advances		83,526	22,366
Trade deposits & short term prepayments		18,360	16,341
Other receivables		32,132	26,447
Due from related parties		82,816	28,625
Taxation		75,187	71,855
Cash & bank balances		167,234	330,827
		2,760,457	2,520,736
TOTAL ASSETS		7,850,269	7,312,793
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital 150,000,000 ordinary shares of Rs.10/- each	7	1,500,000	1,500,000
Issued, subscribed and paid-up capital	7	797,457	785,717
Share deposit money		13	13
Reserves	8	5,617,398	5,443,480
Non - controlling Interest		142,464	116,777
		6,557,332	6,345,987
NON-CURRENT LIABILITIES			
Long term financing		180,394	172,665
Liabilities against assets subject to finance lease		24,787	20,007
Deferred income		51	59
		205,232	192,731
CURRENT LIABILITIES			
Trade and other payables		551,056	422,586
Excess of billing over revenue		252,806	57,723
Short term borrowings		200,000	200,000
Current portion of long term liabilities		66,033	76,889
Provision for taxation		17,810	16,877
		1,087,705	774,075
CONTINGENCIES & COMMITMENTS	9	-	-
TOTAL EQUITY AND LIABILITIES		7,850,269	7,312,793

The annexed notes from 1-15 form an integral part of these financial statements.

Condensed Consolidated Interim Profit & Loss Account - Unaudited

For the Quarter Ended September 30, 2013

	NOTE	Jul-Sep 2013	Jul-Sep 2012
Rupees in '000'			
Revenue - Net	10	630,366	459,692
Cost of revenue		(371,471)	(282,375)
Gross profit		258,895	177,317
Selling and promotion expenses		(42,373)	(28,155)
Administrative expenses		(139,525)	(105,188)
Other operating expenses		(5,366)	(1,694)
Other income		123,387	41,288
Operating profit		195,018	83,568
Finance cost		(2,017)	(2,568)
Profit before taxation		193,001	81,000
Taxation			
Current period		(933)	(758)
		(933)	(758)
Profit after taxation for the period		192,068	80,242
Attributable to:			
Equity holders of NetSol Technologies Limited		166,381	68,143
Non - controlling interest		25,687	12,099
		192,068	80,242

The annexed notes from 1-15 form an integral part of these financial statements.

Condensed Consolidated Interim Statement Of Comprehensive Income - Unaudited

For the Quarter Ended September 30, 2013

NOTE	Jul-Sep 2013	Jul-Sep 2012
	Rupees in '000'	
Profit after taxation for the period	192,068	80,242
Other comprehensive income	-	-
Total comprehensive income for the period	192,068	80,242
Attributable to:		
Equity holders of NetSol Technologies Limited	166,381	68,143
Non - controlling interest	25,687	12,099
	192,068	80,242

The annexed notes from 1-15 form an integral part of these financial statements.

Condensed Consolidated Interim Statement of Cash Flows - Unaudited

For the Quarter Ended September 30, 2013

	Jul-Sep 2013	Jul-Sep 2012
	Rupees in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation for the period	193,001	81,000
Adjustments for non cash charges and other items:		
Depreciation - own assets	70,128	44,655
Amortization of leased assets	4,795	4,028
Amortization of intangible assets	26,359	26,984
Loss / (Gain) on disposal of fixed assets	1,428	(1,361)
Amortization of deferred revenue	(7)	(4)
Exchange gain on debtors	(120,591)	(37,776)
Interest expense	1,602	2,166
Interest income	(2,557)	(2,147)
Deferred employee compensation expense	54	215
Gain on short term investment	(168)	-
Provision for doubtful debts	26,060	-
	7,103	36,760
Cash generated from operations before working capital changes	200,104	117,760
Decrease / (increase) in current assets & liabilities		
Trade debts	12,636	109,991
Loans and advances	(61,160)	25,528
Trade deposits & short term prepayments	(2,019)	(4,379)
Other receivables	(5,685)	1,538
Due from related parties	(54,191)	(4,563)
Trade and other payables	127,576	63,730
Cash generated from operations	17,157	191,845
Interest paid	(7,772)	(14,480)
Income taxes paid	(3,337)	(1,957)
Net cash generated from operations	206,152	293,168
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipments purchased	(164,968)	(101,883)
Sales proceeds of fixed asset	3,874	4,066
Intangible assets	(141,035)	(104,349)
Capital work in progress	(91,271)	(17,594)
Gain on investments	168	2,147
Interest received	2,557	-
Net cash (used in) investing activities	(390,675)	(217,613)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	11,740	-
Share premium	7,537	-
Paid against obligation under finance lease	(10,450)	(6,491)
Received against obligation under finance lease	16,874	14,476
Long term payable	(4,771)	(10,959)
Net cash generated from / (used in) financing activities	20,930	(2,974)
Net (decrease) / increase in cash and cash equivalents	(163,593)	72,581
Cash and cash equivalents at the beginning of the period	330,827	138,957
Cash and cash equivalents at the end of the period	167,234	211,538

The annexed notes from 1-15 form an integral part of these financial statements.

Condensed Consolidated Interim Statement of Changes in Equity - Unaudited

For the Quarter Ended September 30, 2013

	Attributable to equity holders of the Parent					Total	Non Controlling Interest	Total Equity
	Issued, subscribed and paid- up capital	Share deposit money	Employee share option compe- nsation reserve	Capital Reserve	Revenue Reserve			
				Share premium	Unappropri- ated profit			
	Rupees in '000'							
Balance as at June 30, 2012	779,102	13	6,426	273,016	3,3984,827	5,043,384	101,736	5,145,120
Total comprehensive income for the period								
Net profit for the quarter ended September 30, 2012	-	-	-	-	68,143	68,143	12,099	80,242
Other comprehensive income	-	-	-	-	-	-	-	-
	-	-	-	-	68,143	68,143	12,099	80,242
Balance as at September 30, 2012	779,102	13	6,426	273,016	4,052,970	5,111,527	113,835	5,225,362
Balance as at June 30, 2013	785,717	13	5,449	278,240	5,159,791	6,229,210	116,777	6,345,987
Total comprehensive income for the period								
Net profit for the quarter ended September 30, 2013	-	-	-	-	166,381	166,381	25,687	192,068
Other comprehensive income	-	-	-	-	-	-	-	-
	-	-	-	-	166,381	166,381	25,687	192,068
Share deposit money against options exercised	-	-	-	-	-	-	-	-
Shares issued against options exercised (1,174,000 shares at Rs. 10 each)	11,740	-	-	-	-	11,740	-	11,740
Transferred to Share premium on exercise of options 1,174,000 shares at Rs. 1.48 each)	-	-	(1,734)	-	-	(1,734)	-	(1,734)
Shares premium on shares issued against options exercised	-	-	-	9,271	-	9,271	-	9,271
Balance as at September 30, 2013	797,457	13	3,715	287,511	5,326,172	6,414,868	142,464	6,557,332

The annexed notes from 1-15 form an integral part of these financial statements.

Notes To The Condensed Consolidated Interim Financial Statements- unaudited For the Quarter Ended September 30, 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

NetSol Group consists of:

- NetSol Technologies Limited
- NetSol Innovation (Private) Limited

NetSol Technologies Limited ("the Company") incorporated in Pakistan on August 22, 1996 under the Companies Ordinance, 1984 as a private company limited by shares was later on converted into public limited company on November 05, 2004. The Company was listed on Karachi Stock Exchange on August 26, 2005 and subsequently also got listed on Lahore Stock Exchange and Islamabad Stock Exchange. The business of the Company is development and sale of computer software and its related services in Pakistan as 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 interim financial statements have been prepared in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting" and are being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

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, 2013.

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, 2013.

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 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, 2013.

		Sep-13	Jun-13
		Rupees in '000'	
5. PROPERTY & EQUIPMENT			
Opening Balance - net book value		1,918,099	1,384,544
Additions:	5.1	263,303	809,867
		2,181,402	2,194,411
Less:			
Disposals - net book value		(5,302)	(20,516)
Depreciation & amortization		(77,113)	(255,796)
		2,098,987	1,918,099
5.1 Following is the detail of addition:			
Land - freehold		-	55,071
Building on freehold land		-	39,722
Computers		125,890	258,675
Air conditioners		575	2,369
Furniture & fixture		2,817	6,501
Office equipment		477	5,685
Vehicles		14,924	45,719
Generator		-	9,705
Computer software		20,285	265,577
Capital work-in-progress		98,335	120,843
Total		263,303	809,867
6. INTANGIBLE ASSETS			
Opening Balance - net book value		2,873,958	2,501,052
Additions:	6.1	143,227	480,842
		3,017,185	2,981,894
Less:			
Amortization		(26,360)	(107,936)
		2,990,825	2,873,958
6.1 Following is the detail of addition / (transfer):			
Fleet Management System (FMS)		59,450	218,618
Blue Star		78,722	243,190
HMS		1,182	4,078
Loan Origination System		1,098	5,185
Business Intelligence Scoring Model & Risk Management		2,774	9,771
		143,226	480,842
7. SHARE CAPITAL			
7.1 Authorised share capital			
	Sep-13	Jun-13	
	Number of shares		
	150,000,000	150,000,000	Ordinary Shares of Rs. 10 each.
			1,500,000
7.2 Issued, subscribed & paid-up capital			
	Sep-13	Jun-13	
	Number of shares		
	40,577,191	39,403,191	Ordinary Shares of Rs. 10 each fully paid in cash
	39,168,512	39,168,512	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares
	79,745,703	78,571,703	797,457
			785,717

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.

During the quarter ended September 30, 2013, 1,174,000 shares were issued against employees' share options exercised at Rs. 16.42 per share.

8. RESERVES	Sep-13	Jun-13
	Rupees in '000'	
Capital reserve		
Premium on issue of ordinary shares	287,511	278,240
Revenue reserve		
Un - appropriated profit	5,326,172	5,159,791
Employee share option compensation reserve	3,715	5,449
	5,617,398	5,443,480

9. CONTINGENCIES & COMMITMENTS

9.1 Contingencies

There are no contingencies as at September 30, 2013 (June 2013 : nil) to which the Company is a party.

9.2 Commitments

9.2.1 The Company has issued worth Rs. 15.32 million (June 2013:Rs. 18.636 million) bank guarantees and bid bonds to various customers against sale of software and allied services.

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

10. REVENUE - NET	Jul-Sep 2013	Jul-Sep 2012
	Rupees in '000'	
Export Revenue		
License	205,122	37,840
Services	300,937	341,425
Maintenance	119,770	74,946
	625,829	454,211
Local Revenue		
Services	3,014	1,850
Maintenance	1,926	3,677
	4,940	5,527
Sales tax	(403)	(46)
	630,366	459,692

11. TAXATION

Income of the Group 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 Group generated from other than core business activities.

12. TRANSACTION WITH RELATED PARTIES

Related parties comprise of holding company, associated undertakings, directors of the Company, key employees and staff retirement fund. The Group in the normal 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 else where in these financial statements are as follows.

Relationship with the Company	Nature of transactions		
(i) Parent	Management fee	15,720	14,356
(ii) Associated undertaking	Provision of services	229,747	126,584

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

13. SEGMENT REVENUES AND RESULTS

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

	Sep-13				Total
	NFS	IS	SSS	BPO	
	Rupees in '000'				
Revenue					
External sales					
Licence	205,122	-	-	-	205,122
Services	176,226	2,611	233	124,478	303,548
Maintenance	119,770	-	1,926	-	121,696
Inter-segment sales					-
Total revenue	501,118	2,611	2,159	124,478	630,366
Cost of revenue	(274,765)	(9,462)	(14,801)	(72,443)	(371,471)
Segment results	226,353	(6,851)	(12,642)	52,035	258,895
Unallocated corporate expenses:					
Selling and promotion expenses					(42,373)
Administrative expenses					(139,525)
Other operating expenses					(5,366)
Other income					123,387
Finance cost					(2,017)
Taxation					(933)
Profit after taxation					192,068

	Sep-12				Total
	NFS	IS	SSS	BPO	
	Rupees in '000'				
Revenue					
External sales					
Licence	37,840	-	-	-	37,840
Services	241,392	1,714	90	100,033	343,229
Maintenance	74,946	3,677	-	-	78,623
Inter-segment sales					-
Total revenue	354,178	5,391	90	100,033	459,692
Cost of revenue	(160,237)	(41,187)	(64,974)	(15,977)	(282,375)
Segment results	193,941	(35,796)	(64,884)	84,056	177,317
Unallocated corporate expenses:					
Selling and promotion expenses					(28,155)
Administrative expenses					(105,188)
Other operating expenses					(1,694)
Other income					41,288
Finance cost					(2,568)
Taxation					(758)
Profit after taxation					80,242

*Key

NFS = NetSol Financial Solutions

IS = Information Security

SSS = Software Services and Solutions

BPO = Business Process Outsourcing

14. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 25, 2013 by the Board of Directors.

15. FIGURES

Figures have been rounded off to the nearest thousand rupee.



NetSol Technologies Limited

NetSol IT Village (Software Technology Park)
Lahore Ring Road, Ghazi Road Interchange
Lahore Cantt. 54792, Pakistan
www.netsolpk.com
Email: info@netsolpk.com