



For the Quarter Ended
September
2015

Financial Statements
(Un-Audited)

Contents

Business Review

02

02 Company Profile

03 Directors' Report

Financial Statements

05

06 Condensed Interim Balance Sheet

07 Condensed Interim Profit & Loss Account

08 Condensed Interim Statement of Comprehensive Income

09 Condensed Interim Statement of Cash Flows

10 Condensed Interim Statement of Changes in Equity

11 Notes to Condensed Interim Financial Statements

Consolidated Financial Statements

16 Condensed Consolidated Interim Balance Sheet

17 Condensed Consolidated Interim Profit & Loss Account

18 Condensed Consolidated Interim Statement of Comprehensive Income

19 Condensed Consolidated Interim Statement of Cash Flows

20 Condensed Consolidated Interim Statement of Changes in Equity

21 Notes to Condensed Consolidated Interim Financial Statements

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

FIDA HUSSAIN
Independent Director

NAJEEB ULLAH GHAURI
Non-Executive Director

OMAR SHAHAB GHAURI
Executive Director

AUDIT COMMITTEE

VASEEM ANVAR
Chairman

FIDA HUSSAIN
Member

NAJEEB ULLAH GHAURI
Member

COMPANY SECRETARY

BOO-ALI SIDDIQUI

CHIEF INTERNAL AUDITOR

MUHAMMAD ABDUL WAHAB HAFEEZ

AUDITORS

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

LEGAL ADVISOR

CORPORATE LAW ASSOCIATES
1str Floor Queen's Centre
Shahra-e-Fatima Jinnah
Lahore

BANKERS

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

SHARE REGISTRAR

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

CONTACT DETAILS

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

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

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

WEB PRESENCE

www.netsolpk.com
info@netsolpk.com

Directors' Report

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 results for the period ended September 30, 2015.

GENERAL OVERVIEW

The Company has started the new fiscal year with an impressive increase in its revenues compared to last year. Main driver of this increase in revenues in the demand of our flagship product – NetSol Financial Suite™. The demand for the product is increasing particularly in the Asia-Pacific region. During the current quarter, we have signed two new contracts in China for the implementation of our legacy product, NFS. The total value of the contracts is more than three million dollars over the contract term. Implementation of the system was started at one customer site in the month of September with the second site to be started in the second quarter. This quick turn over in application implementation demonstrates the efficiency and accuracy NetSol has achieved in delivering superior tailored solutions to the satisfaction of clients and their business objectives. These two wins further validate readiness as well as demand of NFS in China. In addition to the revenues being constantly generated through the legacy product, we are getting increasing traction from our customers for NFS Ascent™ as well. The deal for the implementation of NFS Ascent at various sites of a European luxury car manufacturer is at very advanced stage. The Company has also signed a two million euro deal with the same customer for the establishment of 'Model Office' in Asia to oversee those implementations. We believe that this could be a game changer deal for the Company.

FINANCIAL PERFORMANCE

Comparisons of our non-audited consolidated results of the quarter ended September 30, 2015 with the corresponding period of fiscal 2015 are given below:

	For the quarter ended Jul – Sep 2015	For the quarter ended Jul – Sep 2014
	----- Rupees in '000' -----	
Revenue	870,518	633,799
Gross Profit	234,349	100,836
Net Loss	(28,005)	(155,776)
Loss per share – diluted (in Rs.)	(0.31)	(1.74)
EBITDA per share – diluted (in Rs.)	2.26	0.98

Revenues during the quarter ended September 30, 2015 have improved by 37% compared to the revenues posted in the same quarter of previous fiscal year. In absolute numbers, the Company posted a net consolidated revenue of PKR 871 million compared to PKR 634 million in the same quarter of last fiscal year. Major component driving this increase in revenues is the sale of NFS to two different customers in China. In addition to it, certain revenue related to establishment of model office for a prospective customer of NFS Ascent has also been recognized in this quarter. Gross profit increased to PKR 234 million compared to PKR 101 million in the corresponding period. Company posted a net loss of PKR 28 million compared to a loss of PKR 156 million previous year. Here it is worth to highlight that there is a cyclical trend in our revenues. First two quarters of our financial year are historically slow compared to the last two quarters. The reason for this variation is that most of our customers also have their financial years ending on June 30th and they try to utilize their budgets before they get expired. That's why in the first half of the financial year, our revenues are low compared to the second half resulting in the net loss for the company. However, our target is to increase our recurring revenue to the extent that we remain profitable whether we sign a new license deal or not. Loss per diluted share was PKR 0.31 in comparison of a loss per share of PKR 1.74 in the corresponding period of last fiscal year. Included in the net loss is depreciation and amortization expense of PKR 180 million (2015: PKR 206 million) as well as loss on foreign currency translation worth PKR 12.5 million. Company posted net EBITDA profit of PKR 2.26 per diluted share compared to an EBITDA profit of PKR 0.98 per share in the corresponding period.

FUTURE OUTLOOK

We are experiencing a positive outlook from the finance and leasing industry globally. So far during the current fiscal year all the indicators are quite positive. In addition to the deals already signed for NFS, there are certain deals under negotiation both in China and other countries for the implementation of our legacy system. We believe that the market for the legacy system still exists and we will try to get all these opportunities capitalized. Apart from this, the negotiations with the European luxury car manufacturer for the implementation of NFS Ascent at its various sites, is at a very advanced stage. With several strong prospects in pipeline for NetSol Financial Suite, NFS Ascent and NFS Mobility, we aim to generate further prospects through several industry events and promotional campaigns in the upcoming quarters. Besides, our joint venture with the UK partner for providing the BPO services is also running at a steady pace. We are getting continuous demand for skilled resources from our UK based partner and we expect this joint venture to perform much better in the years to come.

ACKNOWLEDGEMENT

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

On behalf of the Board



Shahab-ud-Din Ghauri
Chairman

Lahore: October 30, 2015

CONDENSED INTERIM FINANCIAL

Statements

For The Quarter Ended September 30, 2015

Condensed Interim Balance Sheet - Unaudited

As at September 30, 2015

	NOTE	Sep-15 Unaudited	Jun-15 Audited
Rupees in '000'			
ASSETS			
NON-CURRENT ASSETS			
Property & equipment	5	2,347,753	2,412,894
Intangible assets	6	2,432,473	2,511,297
		4,780,226	4,924,191
Long term investments		15,188	15,188
		4,795,414	4,939,379
CURRENT ASSETS			
Trade debts		823,414	448,668
Excess of revenue over billing		340,874	367,994
Loans and advances		18,614	9,308
Trade deposits & short term prepayments		26,143	25,682
Other receivables		33,025	25,270
Due from related parties		101,962	107,508
Taxation - net		38,285	36,168
Cash & bank balances		146,204	447,595
		1,528,521	1,468,193
TOTAL ASSETS		6,323,935	6,407,572
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital			
150,000,000 ordinary shares of Rs.10/- each	7	1,500,000	1,500,000
Issued, subscribed and paid-up capital	7	890,464	890,464
Share deposit money		13	13
Reserves	8	4,319,973	4,390,487
		5,210,450	5,280,964
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		18,893	20,730
Deferred Income		7	10
Long term advances		1,327	1,053
		20,227	21,793
CURRENT LIABILITIES			
Trade and other payables		425,610	415,556
Unearned revenue		215,044	237,995
Short term borrowings		413,996	412,645
Current portion of long term liabilities		38,608	38,619
		1,093,258	1,104,815
CONTINGENCIES & COMMITMENTS	9	-	-
TOTAL EQUITY AND LIABILITIES		6,323,935	6,407,572

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

Condensed Interim Profit & Loss Account - Unaudited

For The Quarter Ended September 30, 2015

	NOTE	Jul-Sep 2015	Jul-Sep 2014
Rupees in '000'			
Revenue - net	10	673,802	492,538
Cost of revenue		(534,767)	(463,272)
Gross profit		139,035	29,266
Selling and promotion expenses		(43,938)	(51,059)
Administrative expenses		(152,343)	(169,709)
Other operating expenses		(8,504)	-
Other income		8,364	8,955
Operating loss		(57,386)	(182,547)
Finance cost		(5,751)	(3,986)
Loss before taxation		(63,137)	(186,533)
Taxation			
Current		(7,377)	(3,702)
Loss after taxation for the period		(70,514)	(190,235)

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

Condensed Interim Statement of Comprehensive Income - Unaudited

For The Quarter Ended September 30, 2015

	Jul-Sep 2015	Jul-Sep 2014
	Rupees in '000'	
Loss after taxation for the period	(70,514)	(190,235)
Other comprehensive income	-	-
Total comprehensive loss for the period	(70,514)	(190,235)

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

Condensed Interim Statement of Cash Flows - Unaudited

For The Quarter Ended September 30, 2015

	Jul-Sep 2015	Jul-Sep 2014
	Rupees in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation for the period	(63,137)	(186,533)
Adjustments for non cash charges and other items:		
Depreciation - own assets	92,613	106,558
Amortization of leased assets	5,029	7,169
Amortization of intangible assets	78,825	89,318
Loss on disposal of fixed assets	1,219	796
Amortization of deferred revenue	(3)	(7)
Exchange loss / (gain) on debtors	7,285	(312)
Interest expense	5,608	3,801
Interest income	(3,884)	(3,457)
	186,692	203,866
Cash generated from operations before working capital changes	123,555	17,333
Working Capital Changes		
Trade debts	(377,862)	(181,799)
Loans and advances	(9,306)	(4,844)
Trade deposits & short term prepayments	(461)	1,726
Other receivables	(7,755)	(6,746)
Due from related parties	5,546	10,700
Trade and other payables	10,206	185,330
Cash (used in) / generated from operations	(379,632)	4,367
Interest paid	(5,753)	(7,713)
Income taxes paid	(9,495)	(4,374)
Dividend paid	(10)	-
Net cash (used in) / generated from operations	(271,335)	9,613
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipments purchased	(38,231)	(52,642)
Sales proceeds of fixed asset	10,161	408
Capital work in progress	(5,647)	(13,190)
Interest received	3,884	3,457
Net cash (used in) investing activities	(29,833)	(61,967)
CASH FLOWS FROM FINANCING ACTIVITIES		
Paid against obligation under finance lease	(13,772)	(14,868)
Received against obligation under finance lease	12,830	17,408
Long term payable	-	9,194
Short term borrowing	1,351	-
Long term advances	(632)	-
Net cash (used in) / generated from financing activities	(223)	11,734
Net (decrease) in cash and cash equivalents	(301,391)	(40,620)
Cash and cash equivalents at the beginning of the period	447,595	339,858
Cash and cash equivalents at the end of the period	146,204	299,238

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

Condensed Interim Statement of Changes in Equity - Unaudited

For The Quarter Ended September 30, 2015

	Issued, subscribed and paid-up capital	Share deposit money	Employee share option compensa- tion reserve	Capital Reserve		Revenue Reserve	Total
				Share premium	Unappropri- ated profit		
Rupees In '000'							
Balance as at June 30, 2014	889,699	13	1,880	297,320	4,277,821		5,466,733
Total comprehensive income for the period							
Net loss for the quarter ended September 30, 2014	-	-	-	-	(190,235)		(190,235)
Other comprehensive income	-	-	-	-	-		-
	-	-	-	-	(190,235)		(190,235)
Balance as at September 30, 2014	889,699	13	1,880	297,320	4,087,586		5,276,498
Balance as at June 30, 2015	890,464	13	1,767	297,924	4,090,796		5,280,964
Total comprehensive income for the period							
Net loss for the quarter ended September 30, 2015	-	-	-	-	(70,514)		(70,514)
Other comprehensive income	-	-	-	-	-		-
	-	-	-	-	(70,514)		(70,514)
Balance as at September 30, 2015	890,464	13	1,767	297,924	4,020,282		5,210,450

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

Notes to the Condensed Interim Financial Statements - Unaudited

For The Quarter Ended September 30, 2015

1. LEGAL STATUS AND NATURE OF BUSINESS

NetSol Technologies Limited ("the Company") incorporated in Pakistan on August 22, 1996 under the Companies Ordinance, 1984 as a private company limited by shares was later on converted into public limited company on November 05, 2004. The Company was listed on Karachi Stock 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, (Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt. Pakistan.

The company is a majority owned 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 interim consolidated financial statements of the company are prepared separately.

2.2 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984 and are being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. These condensed interim financial statements are unaudited and do not include all the disclosures and information required in the annual financial statements and should be read in conjunction with the preceding annual published financial statements of the company for the year ended June 30, 2015.

2.3 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention, except for revaluation of certain financial instruments at fair value 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, 2015.

4. USE OF ESTIMATES AND JUDGMENT

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In preparing these condensed interim financial statements, the judgments, estimates and assumptions made by the management were the same as those that were applied to the preceding annual published financial statements of the company for the year ended June 30, 2015.

7.2 Issued, subscribed & paid-up capital

Sep-15		Jun-15		Sep-15	Jun-15
Unaudited	Audited			Unaudited	Audited
Number of shares				Rupees in '000'	
41,895,691	41,895,691	Ordinary Shares of Rs. 10 each fully paid in cash		418,957	418,957
47,150,732	47,150,732	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares		471,507	471,507
89,046,423	89,046,423			890,464	890,464

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

8. RESERVES

Capital reserve					
Premium on issue of ordinary shares			297,924		297,924
Revenue reserve					
Un - appropriated profit			4,020,282		4,090,796
Employee share option compensation reserve			1,767		1,767
			4,319,973		4,390,487

9. CONTINGENCIES & COMMITMENTS**9.1 Contingencies**

There are no contingencies as at September 30, 2015 (June 2015 : nil) to which the Company is a party.

9.2 Commitments

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

	Jul-Sep 2015	Jul-Sep 2014
	Rupees in '000'	
10. REVENUE - NET		
Export Revenue		
License	96,242	147,465
Services	416,657	218,872
Maintenance	155,499	123,745
	668,398	490,082
Local Revenue		
Services	4,563	2,849
Maintenance	3,098	-
Sales tax	(2,257)	(393)
	673,802	492,538

11. TAXATION

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

12. TRANSACTION WITH RELATED PARTIES

Related parties comprise of holding company, subsidiary, 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 2015	Jul-Sep 2014
		Rupees in '000'	
Relationship with the Company	Nature of transactions		
(i) Subsidiary	Rental income	4,327	4,563
	Provision of services	-	1,623
	Mark-up income	33	-
	Mark-up expense	-	147
(ii) Associated undertaking	Rental income	150	150
	Provision of services	138,305	17,062
	Purchase of services	3,186	914
(iii) Key management personnels	Remuneration of CEO and Directors	4,257	2,578
(iv) Post employment benefit	Contribution to defined contribution plan	16,452	11,778

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

13. DATE OF AUTHORIZATION FOR ISSUE

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

14. FIGURES

Figures have been rounded off to the nearest thousand rupee.

CONDENSED CONSOLIDATED INTERIM FINANCIAL

Statements

For The Quarter Ended September 30, 2015

Condensed Consolidated Interim Balance Sheet - Unaudited

As at September 30, 2015

	NOTE	Sep-15 Unaudited	Jun-15 Audited
Rupees in '000'			
ASSETS			
NON-CURRENT ASSETS			
Property & equipment	5	2,411,805	2,477,636
Intangible assets	6	2,432,473	2,511,297
		4,844,278	4,988,933
CURRENT ASSETS			
Trade debts		1,275,223	783,280
Excess of revenue over billing		340,874	367,994
Loans and advances		20,021	10,227
Trade deposits & short term prepayments		27,407	26,138
Other receivables		33,366	25,464
Due from related parties		101,962	111,312
Taxation - net		38,927	36,618
Cash & bank balances		177,974	514,011
		2,015,754	1,875,044
TOTAL ASSETS		6,860,032	6,863,977
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital			
150,000,000 ordinary shares of Rs.10/- each	7	1,500,000	1,500,000
Issued, subscribed and paid-up capital	7	890,464	890,464
Share deposit money		13	13
Reserves	8	4,560,031	4,588,036
		5,450,508	5,478,513
Non - controlling Interest		250,210	208,574
		5,700,718	5,687,087
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		24,797	27,743
Deferred income		7	10
Long term advances		4,320	2,750
		29,124	30,503
CURRENT LIABILITIES			
Trade and other payables		458,108	452,694
Unearned revenue		215,044	237,995
Short term borrowings		413,996	412,645
Current portion of long term liabilities		43,042	43,053
		1,130,190	1,146,387
CONTINGENCIES & COMMITMENTS	9	-	-
TOTAL EQUITY AND LIABILITIES		6,860,032	6,863,977

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

Condensed Consolidated Interim Profit & Loss Account - Unaudited

For The Quarter Ended September 30, 2015

	NOTE	Jul-Sep 2015	Jul-Sep 2014
Rupees in '000'			
Revenue - net	10	870,518	633,799
Cost of revenue		(636,169)	(532,963)
Gross profit		234,349	100,836
Selling and promotion expenses		(43,938)	(51,059)
Administrative expenses		(154,043)	(171,481)
Other operating expenses		(13,753)	(3,037)
Other income		4,527	10,555
Operating profit / (loss)		27,142	(114,186)
Finance cost		(6,044)	(4,040)
Profit / (loss) before taxation		21,098	(118,226)
Taxation			
Current		(7,467)	(3,799)
Profit / (loss) after taxation for the period		13,631	(122,025)
Attributable to:			
Owners of NetSol Technologies Limited		(28,005)	(155,776)
Non - controlling interest		4,1636	33,751
		13,631	(122,025)
Loss per share			
Basic - In Rupees	12	(0.31)	(1.75)
Diluted - In Rupees	12	(0.31)	(1.74)

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

Condensed Consolidated Interim Statement of Comprehensive Income - Unaudited
For The Quarter Ended September 30, 2015

	Jul-Sep 2015	Jul-Sep 2014
	Rupees in '000'	
Profit / (loss) after taxation for the period	13,631	(122,025)
Other comprehensive income	-	-
Total comprehensive Income / (loss) for the period	13,631	(122,025)
Attributable to:		
Owners of NetSol Technologies Limited	(28,005)	(155,776)
Non - controlling interest	41,636	33,751
	13,631	(122,025)

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

Condensed Consolidated Interim Statement of Cash Flows - Unaudited

For The Quarter Ended September 30, 2015

	Jul-Sep 2015	Jul-Sep 2014
	Rupees in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation for the period	21,098	(118,226)
Adjustments for non cash charges and other items:		
Depreciation - own assets	95,488	109,727
Amortization of leased assets	5,743	7,169
Amortization of intangible assets	78,825	89,318
Loss on disposal of fixed assets	1,231	1,553
Amortization of deferred revenue	(3)	(7)
Exchange loss / (gain) on debtors	12,522	(5,517)
Interest expense	5,873	3,812
Interest income	(3,918)	(3,609)
(Gain) on short term investment	(456)	(654)
	195,305	201,792
Cash generated from operations before working capital changes	216,403	83,566
Working Capital Changes		
Trade debts	(500,296)	(226,718)
Loans and advances	(9,794)	1,184
Trade deposits & short term prepayments	(1,269)	1,162
Other receivables	(7,902)	(6,526)
Due from related parties	9,350	9,930
Trade and other payables	5,566	188,212
Cash (used in) operations	(504,345)	(32,756)
Interest paid	(6,018)	(7,723)
Income taxes paid	(9,777)	(4,545)
Dividend paid	(10)	-
Net cash (used in) / generated from operations	(303,747)	38,542
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipments purchased	(41,156)	(70,462)
Sales proceeds of fixed asset	10,175	1,929
Capital work in progress	(5,647)	(13,190)
Gain on investments	456	654
Interest received	3,918	3,609
Net cash (used in) investing activities	(32,254)	(77,460)
CASH FLOWS FROM FINANCING ACTIVITIES		
Paid against obligation under finance lease	(14,881)	(14,868)
Received against obligation under finance lease	12,830	17,408
Long term payable	-	9,194
Short term borrowing	1,351	-
Long term advances	664	-
Net cash (used in) / generated from financing activities	(36)	11,734
Net (decrease) in cash and cash equivalents	(336,037)	(27,184)
Cash and cash equivalents at the beginning of the period	514,011	389,987
Cash and cash equivalents at the end of the period	177,974	362,803

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

Condensed Consolidated Interim Statement of Changes in Equity - Unaudited

For The Quarter Ended September 30, 2015

	Attributable to owners of the NetSol Technologies Limited						Non Controlling Interest	Total Equity
	Issued, sub- scribed and paid-up capital	Share deposit money	Employee share option com- pensation reserve	Capital reserve Share premi- um	Revenue reserve Unappro- priated profit	Total		
	R u p e e s I n ' 0 0 0 '							
Balance as at June 30, 2014	889,699	13	1,880	297,320	4,417,072	5,605,984	151,491	5,757,475
Total comprehensive income for the period								
Net (loss) / profit for the quarter ended September 30, 2014	-	-	-	-	(155,776)	(155,776)	33,751	(122,025)
Other comprehensive income	-	-	-	-	-	-	-	-
	-	-	-	-	(155,776)	(155,776)	33,751	(122,025)
Balance as at September 30, 2014	889,699	13	1,880	297,320	4,261,296	5,450,208	185,242	5,635,450
Balance as at June 30, 2015	890,464	13	1,767	297,924	4,288,345	5,478,513	208,574	5,687,087
Total comprehensive income for the period								
Net (loss) / profit for the quarter ended September 30, 2015	-	-	-	-	(28,005)	(28,005)	41,636	13,631
Other comprehensive income	-	-	-	-	-	-	-	-
	-	-	-	-	(28,005)	(28,005)	41,636	13,631
Balance as at September 30, 2015	890,464	13	1,767	297,924	4,260,340	5,450,508	250,210	5,700,718

The annexed notes from 1 to 16 form an integral part of these condensed 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. The business of the Company is development and sale of computer software and its related services in Pakistan as well as abroad. The registered office of the Company is situated NetSol IT Village, (Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt. Pakistan.

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, (Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt. Pakistan.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

These condensed interim financial statements are unaudited and do not include all the disclosures and information required in the annual financial statements and should be read in conjunction with the preceding annual published financial statements of the company for the year ended June 30, 2015.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3. ACCOUNTING POLICIES

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

4. USE OF ESTIMATES AND JUDGMENT

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In preparing these condensed consolidated interim financial statements, the judgements, estimates and assumptions made by the management were the same as those that were applied to the preceding annual published financial statements of the company for the year ended June 30, 2015.

		Sep-15 Unaudited	Jun-15 Audited
		Rupees in '000'	
5. PROPERTY & EQUIPMENT			
Opening Balance - net book value		2,477,636	2,749,862
Additions	5.1	53,364	340,050
		2,531,000	3,089,912
Less:			
Disposals - net book value	5.2	(17,962)	(1,18,907)
Depreciation & amortization		(101,233)	(493,369)
		2,411,805	2,477,636
5.1 Following is the detail of additions :			
Building on freehold land		-	288,183
Furniture & fixture		3,680	19,667
Vehicles		27,608	45,187
Computers		15,063	132,669
Air conditioners		1,519	20,658
Office equipment		2,699	10,763
Electric fittings		-	48,253
Generator		5,158	8,500
Leasehold improvements		12,129	10,011
Computer software		-	25,540
Capital work-in-progress		(14,492)	(269,381)
Total		53,364	340,050

		Sep-15 Unaudited Acc. Depre- ciation	Written down Value	Cost	Jun-15 Audited Acc. Depre- ciation	Written down Value	
		Rupees in '000'					
5.2 Following is the detail of deletions							
Land - freehold				76,915	-	76,915	
Furniture & fixture	60	19	41	2,918	1,314	1,604	
Vehicles	25,639	7,908	17,731	48,507	22,982	25,525	
Computers	820	634	186	37,231	29,924	7,307	
Air conditioners	-	-	-	987	538	449	
Office equipment	8	4	4	169	72	97	
Leasehold improvements	-	-	-	11,589	9,989	1,600	
Computer software	-	-	-	49,846	44,436	5,410	
Total	26,527	8,565	17,962	228,162	109,255	118,907	

		Sep-15 Unaudited	Jun-15 Audited
		Rupees in '000'	
6. INTANGIBLE ASSETS			
Opening Balance - net book value		2,511,297	2,868,568
Additions	6.1	-	-
		2,511,297	2,868,568
Less:			
Amortization		(78,824)	(357,271)
		2,432,473	2,511,297

7. SHARE CAPITAL		Sep-15 Unaudited	Jun-15 Audited
7.1 Authorised share capital		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			
		41,895,691	41,895,691
	Ordinary Shares of Rs. 10 each fully paid in cash	418,957	418,957
		47,150,732	47,150,732
	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	471,507	471,507
		89,046,423	89,046,423
		890,464	890,464

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

	Sep-15 Unaudited	Jun-15 Audited
8. RESERVES		
Capital reserve		
Premium on issue of ordinary shares	297,924	297,924
Revenue reserve		
Un - appropriated profit	4,260,340	4,288,345
Employee share option compensation reserve	1,767	1,767
	4,560,031	4,588,036

9. CONTINGENCIES & COMMITMENTS

9.1 Contingencies

There are no contingencies as at September 30, 2015 (June 2014 : nil) to which the Company is a party.

9.2 Commitments

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

922 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

Export Revenue

License

96,242 147,465

Services

613,373 360,133

Maintenance

155,499 123,745

865,114 631,343

Local Revenue

Services

4,563 2,849

Maintenance

3,098 -

7,661 2,849

Sales tax

(2,257) (393)

870,518 633,799

11. TAXATION

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

12. LOSS PER SHARE

Basic

Loss after taxation for the period

(28,005) (155,776)

Average number of ordinary shares in issue during the period

89,046 88,970

Basic - In Rupees

(0.31) (1.75)

Diluted

Loss after taxation for the period

(28,005) (155,776)

Average number of ordinary shares in issue during the period

89,565 89,306

Diluted - In Rupee

(0.31) (1.74)

13. TRANSACTION WITH RELATED PARTIES

Related parties comprise of holding company, associated undertakings, directors of the Company, key employees and staff retirement fund. The Group in the normal 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		
(i)	Associated undertaking	Rental Income	150	150
		Provision of services	335,021	158,323
		Purchase of services	4,060	1,400
(ii)	Key management personnels	Remuneration of CEO and Directors	4,257	2,578
(iii)	Post employment benefit	Contribution to defined contribution plan	19,093	13,996
(vi)	There are no transactions with any key management personnel other than under the terms of employment.			

14. SEGMENT REVENUES AND RESULTS

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

	Sep-15			Total
	NFS	IS	BPO	
	Rupees in '000'			
Revenue - net				
External sales				
Licence	96,242	-	-	96,242
Services	397,294	2,307	216,078	615,679
Maintenance	155,499	3,098	-	158,597
Inter-segment sales				-
Total revenue	649,035	5,405	216,078	870,518
Cost of revenue	(491,677)	(30,871)	(113,621)	(636,169)
Segment results	157,358	(25,466)	102,457	234,349
Unallocated corporate expenses:				
Selling and promotion expenses				(43,938)
Administrative expenses				(154,043)
Other operating expenses				(13,753)
Other income				4,527
Finance cost				(6,044)
Taxation				(7,467)
Profit after taxation				13,631

	Sep-14			Total
	NFS	IS	BPO	
	Rupees in '000'			
Revenue - net				
External sales				
Licence	147,465	-	-	147,465
Services	202,048	2,549	157,992	362,589
Maintenance	123,745	-	-	123,745
Inter-segment sales				-
Total revenue	473,258	2,549	157,992	633,799
Cost of revenue	(421,243)	(32,286)	(79,434)	(532,963)
Segment results	52,015	(29,737)	78,558	100,836
Unallocated corporate expenses:				
Selling and promotion expenses				(51,059)
Administrative expenses				(171,481)
Other operating expenses				(3,037)
Other income				10,555
Finance cost				(4,040)
Taxation				(3,799)
(Loss) after taxation				(122,025)

*Key

NFS = NetSol Financial Solutions

BPO = Business Process Outsourcing

IS = Information Security and other Services

15. DATE OF AUTHORIZATION FOR ISSUE

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

16. 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