



# **NETSOL TECHNOLOGIES LIMITED**

**FINANCIAL STATEMENTS (UN-AUDITED)**

**For The Quarter Ended**

**September**

**2017**

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# 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

**H.Y.K & Co.**  
Chartered Accountants  
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

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(Software Technology Park)  
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Lahore Cantt. 54792, Pakistan  
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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 # 03. P.E.C.H.S, Kara-  
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Tel: +92-21-111-638-765  
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## WEB PRESENCE

www.netsolpk.com  
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# Directors' Report



On behalf of the Board of Directors of NetSol Technologies Limited, We feel immense pleasure to present the financial statements of NetSol Technologies Limited (NETSOL or the Company) together with its consolidated financial statements for the period ended September 30, 2017.

## GENERAL OVERVIEW

During the first quarter on new financial year, tax collections remained robust. Total collections of Rs. 765 billion during July-September 2017 demonstrated a growth of over 20% as compared to collections in the first quarter of last year. The overall budget deficit was also recorded at Rs. 324 billion in this quarter as compared to Rs. 438 billion in the same period last year. This was made possible through robust tax collections and lower expenditures. In terms of GDP, the overall deficit decreased to 0.9% as compared to 1.3% recorded in the first quarter of last year.

For NETSOL, the past quarter has been quite eventful with multiple system demonstrations and successful implementations across the globe. We continued to grow, particularly in the APAC region with some noteworthy implementations. The Company also launched its new mobile point of sale system for a major finance company in Indonesia. The Company also successfully implemented its NFS Ascent WFS and CAP applications in Thailand and South Korea respectively for a leading German auto manufacturer. These implementations were part of a larger contract that includes implementations, license, maintenance, services and expected customization fees for the platform across twelve countries. We also experienced a reasonable increase in change request work from our various customers. Change request is an ongoing services revenue stream for the company as the customers keep on changing/ enhancing the systems under their use.

## FINANCIAL PERFORMANCE

Comparisons of un-audited separate as well as consolidated accounts for the quarter ended September 30, 2017 with the corresponding period of fiscal year 2017 are given below:

	SEPARATE ACCOUNTS		CONSOLIDATED	
	Jul-Sep 2017	Jul-Sep 2016	Jul-Sep 2017	Jul-Sep 2016
Revenue (in '000)	832,640	962,795	951,836	1,124,222
Gross Profit (in '000)	261,401	359,566	291,274	421,951
Net Profit (in '000)	125,682	76,538	142,273	97,176
Earnings per share – diluted (in Rs.)	1.40	0.85	1.58	1.08
EBITDA per share – diluted (in Rs.)	2.98	2.68	3.37	3.17

Revenues for the quarter ended September 30, 2017 were Rs. 833 million compared to Rs. 963 million in the same quarter of previous fiscal year. Main reason for decrease in revenues is the reduction in license revenue for the current quarter. Gross profit was Rs. 261 million as compared to Rs. 360 million in the corresponding period. Gross profit has declined only because of reduction in revenues. As a percentage of sales, gross profit reduced from 37.35% in the corresponding quarter to 31.39% in the current quarter. The company posted net profit of Rs. 126 million in the current quarter compared to a net profit of Rs. 77 million in the same quarter last year. The Company recorded an exchange gain of Rs. 99 million in the current quarter compared to an exchange loss of Rs. 26 million last year. Basic and diluted earnings per share was Rs. 1.40 compared to Rs. 0.86 and Rs. 0.85, respectively in the corresponding period. Adjusted EBITDA profit was Rs. 2.98 per diluted share in the current quarter compared to Rs. 2.68 in the same quarter of last fiscal year.

The Company also consolidates financial results of its subsidiary "NetSol Innovation (Pvt) Limited". The subsidiary is involved in the BPO business providing outsourcing support to its customers in UK and USA. Net consolidated revenues for quarter ended September 30, 2017 were Rs. 952 million compared to Rs. 1,124 million the same quarter of previous fiscal year. Consolidated gross profit was Rs. 291 million, down from Rs. 422 million in the same quarter last year. The main reason behind this decline in the consolidated gross profits is the overall decline in revenues due to less license fee recognized during the current quarter. The company posted net consolidated profit of Rs. 142 million in the current quarter attributable to the Company's shareholders compared to a net profit of Rs. 97 million in the same quarter last year. Consolidated basic and diluted earnings per share was Rs. 1.59 and Rs. 1.58 respectively in comparison of Rs. 1.09 & Rs. 1.08 respectively, last year.

## FUTURE OUTLOOK

NFS Ascent, Company's flagship offering, continues to gain attraction across various leasing markets. We will continue our focus on the APAC region as the market continues to be receptive with numerous prospects of new implementations and upgradation opportunities for NFS Ascent. After a noteworthy implementation of the new mobile point of sale system for a major finance company in Indonesia, we also plan to channelize efforts towards this market. Multiple system demonstrations have been requested by various prospective customers across multiple regions. Besides these, the Company has been in the process of delivering a proposal and conducting workshops for vendor selection process initiated by a giant German auto manufacturer for the Asia Pacific region. There have also been serious queries and demo requests from other parts of the world including Europe. Additionally, NFS Ascent is being diversified with new technological upgrades in the enterprise digitization and mobile solutions field that are readily available for existing clients. This gives us an added potential revenue stream by cross selling to our current clients.

In addition to our core business, we also provide outsourcing services, through our subsidiary company NetSol Innovation (Pvt) Limited. Our outsourcing business partner in UK, Innovation Group, has recently decided to consolidate and reduce its insurance operations across the globe. As a result of this decision, our outsourcing business would be negatively impacted because they are the sole customers of the services provided by the joint venture. This decision will also result in immediate reduction of head counts in NetSol Innovation (Pvt) Limited and hence reduced revenues and profitability from the joint venture. After this consolidation, we also do not anticipate it to grow further from that level, at least in the new future.

## 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

Salim Ullah Ghauri  
 Chief Executive Officer

Omar Shahab Ghauri  
 Director

میں خوشی ہے کہ ہم نیت سول ٹیکنالوجیز لمیٹڈ ("نیت سول" یا "دی کمپنی") کے بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کے 30 ستمبر 2017 کو ختم ہونے والی مدت کے لیے مالیاتی گوشوارے بشمول مجموعی مالیاتی گوشوارے کے نتائج پیش کر رہے ہیں۔

**عمومی جائزہ (General Overview)**

سنے مالی سال کی پہلی سہ ماہی کے دوران نیکس وصولیاں مستحکم رہیں۔ نیکس وصولیاں جولائی - ستمبر 2017ء کے دوران گزشتہ مالی سال کی پہلی سہ ماہی کے مقابلے میں 20 فیصد اضافے کے ساتھ 765 ملین روپے ہیں۔

اس سہ ماہی میں گزشتہ مالی سال کی اسی مدت میں 438 ملین روپے کے مقابلے میں 324 ملین روپے کا مجموعی بچت خسارہ ریکارڈ کیا گیا۔ یہ مضبوط و مستحکم نیکس وصولیاں اور کم اخراجات کے باعث ہیں۔ بجی ڈی پی (GDP) کے لحاظ سے گزشتہ مالی سال کی پہلی سہ ماہی کے زائد مجموعی خسارے میں 1.3 فیصد کے مقابلے میں 0.9 فیصد کی ریکارڈ کی گئی۔

نیت سول کے لئے گزشتہ سہ ماہی دنیا بھر میں متعدد System demonstration اور کامیاب نافذ کے اعتبار سے بہت اہم واقع ہوئی۔ ہماری ترقی کا مسلسل جاری و ساری ہے، خاص طور پر APAC ریجن میں قابل ذکر نافذ کے ساتھ ہوئی۔

نیت سول نے انڈونیشیا میں ایک بڑی فنانس کمپنی کے لئے نیٹ موہا بل پوائنٹ سیل سسٹم (mPOS) کا آغاز کیا۔ کمپنی نے تھائی لینڈ اور ویتنام میں کوریج میں بائرنٹیب ایک معروف جرمن آڈیٹور ٹیکسٹور کے لیے اپنے WFS، NFS Asent اور CAP ایکٹو ایپلیکیشنز (Applications) کا کامیابی سے نافذ کیا۔ یہ نافذ ایک بڑے معاہدے کا حصہ تھا، جس میں عمل درآمد، انسٹنٹس، بحالی، خدمات اور دستاویز نگہداشت (Customization) میں 12 ممالک کے مشترکہ پیٹنٹ فارم کیلئے ہیں۔ ہمیں اپنے مختلف سگنلز کی جانب سے ان کے متعلقہ مقامات پر تعینات System میں تبدیلی کی خاطر خواہ درخواہ میں موصول ہوئی ہیں، تبدیلی کی درخواست کمپنی کے لیے خدمات کے شعبے میں مسلسل آمدنی کا ذریعہ ہے، کیونکہ سگنلز کو اپنے زیر استعمال سسٹم (System) کو تبدیل کرنا بڑھانے کی ہمیشہ ضرورت رہتی ہے۔

**مالیاتی کارکردگی (Financial Performance)**

مالی سال 2017ء کو اسی مدت کے 30 ستمبر 2017 کو ختم ہونے والی سہ ماہی کے لیے غیر آڈٹ شدہ مجموعی اور علیحدہ علیحدہ مالیاتی گوشواروں کا موازنہ درج ذیل ہے۔

	مجموعی مالیاتی گوشوارے		انفرادی مالیاتی گوشوارے	
	جولائی - ستمبر 2017	جولائی - ستمبر 2016	جولائی - ستمبر 2017	جولائی - ستمبر 2016
محصولات (000)	951,836	962,795	832,640	832,640
خام منافع (000)	291,274	359,566	261,401	261,401
صافی نفع (000)	142,273	76,538	125,682	125,682
منافع فی حصص - تحلیل شدہ (روپوں میں)	1.58	0.85	1.40	1.40
EBITDA فی حصص - تحلیل شدہ (روپوں میں)	3.37	2.68	2.98	2.98

30 ستمبر 2017 کو ختم ہونے والی سہ ماہی کے لیے محصولات گزشتہ مالی سال کی اسی سہ ماہی کے 963 ملین روپے کے مقابلے میں 833 ملین روپے کے ساتھ موجودہ سہ ماہی میں محصولات میں کمی کی بنیادی وجہ انسٹنٹس محصولات میں کمی ہے۔ خام منافع (Gross profit) گزشتہ سال کی اسی مدت کے 360 ملین روپے کے مقابلے میں 261 ملین روپے تھا۔ خام منافع میں کمی کا بنیادی سبب مجموعی محصولات میں کمی ہے۔ فرسٹ ہینڈ کی مدد کے تحت، خام منافع میں کمی 37.35 کے مقابلے میں موجودہ سہ ماہی میں 31.39 فیصد تھی۔ کمپنی کے گزشتہ سال کی اسی سہ ماہی کے 77 ملین روپے کے مقابلے میں اس سال 126 ملین روپے صافی منافع ریکارڈ کیا۔ گزشتہ مالی سال کی اسی سہ ماہی میں غیر ملکی کرنسی کے تبادلے کی مدد میں 26 ملین روپے نقصان کے مقابلے میں اسی سہ ماہی میں غیر ملکی کرنسی کے تبادلے کی مدد میں 99 ملین روپے کا نفع ہوا۔ بنیادی (Basic) اور تحلیل شدہ (Diluted) فی حصص آمدنی گزشتہ مالی سال کی اسی سہ ماہی میں 0.86 روپے اور 0.85 روپے بلترتیب کے مقابلے میں اس سال فی حصص آمدنی 1.40 روپے تھی۔ کمپنی نے اس مدت میں EBITDA منافع گزشتہ مالی سال کی اسی سہ ماہی میں تحلیل شدہ فی حصص آمدنی 2.68 روپے کے مقابلے میں موجودہ سہ ماہی میں فی حصص آمدنی 3.37 روپے کی۔

کمپنی کے ماتحت ادارہ "نیت سول انڈونیشیا (پرائیویٹ) لمیٹڈ" کے مجموعی مالیاتی گوشوارے شامل کر دیے ہیں، یہ ادارہ USA اور UK کے سگنلز کو BPO کاروبار کے حوالے سے آؤٹ سورسنگ سپورٹ فراہم کرتا ہے۔ 30 ستمبر 2017ء کے ختم ہونے والی سہ ماہی کیلئے نقد مجموعی محصولات اسی سہ ماہی 2016ء کے 1,124 ملین روپے کے مقابلے میں 952 ملین روپے تھی۔ مجموعی خام منافع گزشتہ مالی سال کی اسی سہ ماہی کے 422 ملین روپے کے مقابلے میں موجودہ سہ ماہی میں 291 ملین روپے تھی۔ مجموعی خام منافع میں کمی کی بنیادی وجہ موجودہ سہ ماہی کے دوران مجموعی محصولات میں کمی جو کلائنٹس فیس سے کمی کی وجہ سے ٹوٹ گئی۔ کمپنی نے گزشتہ مالی سال کی اسی سہ ماہی کے 97 ملین روپے کے مقابلے میں 142 ملین روپے کمپنی کے حصص داران کے لئے قابل ذکر نقد مجموعی منافع موجودہ سہ ماہی میں درج کیا۔ مجموعی بنیادی اور تحلیل شدہ (Diluted) آمدنی فی حصص گزشتہ سال کے 1.09 روپے اور 1.08 روپے کے مقابلے میں اس سال 1.59 روپے اور 1.58 روپے فی حصص بائرنٹیب ہیں۔

**مستقبل کا جائزہ (Future Outlook)**

این ایف اے ایس اینٹ (NFS Asent) نیت سول کی flagship offering مختلف لیڈنگ مارکیٹوں میں بھر پور توجہ کا مرکز ہے۔ ہم اپنی توجہ APAC ریجن پر مرکوز رکھے گے۔ کیونکہ اس مارکیٹ میں NFS Asent کے نئے نافذ اور اپ گریڈیشن (Upgradation) کے متعدد مواقع اور امکانات موجود ہیں۔ انڈونیشیا میں ایک بڑی فنانس کمپنی کے لئے موہا بل پوائنٹ کے سہ ماہی کے قابل ذکر نافذ کے بعد اس مارکیٹ میں ہم نے اپنی کوششوں کو پھیلانا شروع کیا ہے۔ ایک سے زیادہ خطوں میں مختلف کمپنیوں کی طرف سے ایک سے زیادہ سگنلز کی demonstrations کرنے کی درخواست کی گئی ہے۔ ان کے علاوہ ایٹیا پیٹنٹ خطے کیلئے ایک بڑے جزیں آڈیٹور کے کاروبار کی طرف سے کمپنی کی ایک تجویز کی فراہمی کے عمل میں اور وینڈر کے انتخاب کے عمل کے لئے درکارا ہے شروع کئے۔ یہاں پور پسمت دنیا کے دوسرے حصوں سے بھی اہم سوالات اور demo کی درخواستیں کی جا چکی ہیں۔ مزید برآں، این ایف اے ایس اینٹ (NFS Asent) اور solutions field mobile solutions کی ایک کمپنی کی ایک گریڈ کے ساتھ متنوع کیا جا رہا ہے۔ جو موجودہ صارفین کے لیے آسانی سے دستیاب ہے۔ یہ ہمیں موجودہ کلائنٹس کی مقابل فرسٹ ہینڈ (Cross Selling) سے ایک اضافی منہ آمدن فراہم کرتی ہے۔

ہمارے بنیادی کاروبار کے ذریعہ کے علاوہ، ہمارا ماتحت ادارہ نیت سول انڈونیشیا (پرائیویٹ) لمیٹڈ آؤٹ سورسنگ کی سروس بھی مہیا کرتا ہے۔ برطانیہ میں ہمارے آؤٹ سورسنگ کاروبار کی ترقی اور "انڈونیشیا گروپ" (Innovation Group) کے دنیا بھر میں انوٹورس آپریشنز (Insurance Operations) کو محدود کرنے کا فیصلہ کیا ہے۔ اس فیصلے کے نتیجے کے طور پر، ہمارے آؤٹ سورسنگ کے کاروبار پر منفی اثر ڈالے گا، کیونکہ جو انٹرنیشنل وینڈر جو ہمارے ساتھ ہیں۔ اس فیصلے کے نتیجے میں نیت سول انڈونیشیا (پرائیویٹ) لمیٹڈ کے Head Count میں کمی ہوگی، جس کا اثر جو انٹرنیشنل وینڈر کے محصولات اور منافع پر بھی پڑے گا اس کی بعد ہم اس کاروبار میں مستقبل قریب میں کسی ترقی کی توقع نہیں رکھتے ہیں۔

**اعتراف**

بورڈ آف ڈائریکٹرز کمپنی کے حصص یافتگان، قابل قدر صارفین، سرکاری اداروں اور مالیاتی اداروں کی جانب سے حمایت و معاونت کے لیے ان کی تعریف کرتا ہے اور خراج تحسین پیش کرتا ہے۔ بورڈ کمپنی کے تمام ممبر کلائنٹز اور اسٹاک ہولڈرز کے قابل قدر خدمات و وفاداری اور ان کی مسلسل کوششوں کو قدر کی نگاہ سے دیکھتا ہے اور ان کی بھی خراج تحسین پیش کرتا ہے اور امید کرتا ہے کہ مستقبل میں بھی ان کی تحفانہ کوششیں جاری و ساری رہیں گی۔

ازدرف بورڈ آف ڈائریکٹر

سلیم اللہ غوری

(چیف ایگزیکٹو آفیسر)

لاہور

30 ستمبر 2017ء

محمد شہاب غوری  
(ڈائریکٹر)

A large, abstract gold-colored graphic that resembles a stylized 'S' or a curved arrow, starting from the top left and curving towards the bottom right. It has a slight gradient and a soft shadow effect.

FINANCIAL

# STATEMENTS

For the Quarter Ended September 30, 2017

## Condensed Interim Balance Sheet - Unaudited

As at September 30, 2017

	NOTE	Sep-17 Unaudited	Jun-17 Audited
Rupees in '000'			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	5	1,842,087	1,898,191
Intangible assets	6	1,728,033	1,801,409
		3,570,120	3,699,600
Long term investments	7	247,131	218,873
Long term loans to employees	8	658	446
		3,817,909	3,918,919
<b>CURRENT ASSETS</b>			
Trade debts	9	738,186	669,272
Excess of revenue over billing		2,201,929	1,788,568
Loans and advances	10	39,779	31,410
Trade deposits & short term prepayments		19,684	13,519
Other receivables		44,572	19,392
Due from related parties		14,478	16,055
Taxation - net		51,046	49,523
Cash & bank balances		441,353	874,942
		3,551,027	3,462,681
<b>TOTAL ASSETS</b>		<b>7,368,936</b>	<b>7,381,600</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorized share capital 150,000,000 ordinary shares of Rs.10/- each	11	1,500,000	1,500,000
Issued, subscribed and paid-up capital	11	896,359	896,359
Share deposit money		587	13
Reserves	12	4,934,945	4,796,141
		5,831,891	5,692,513
<b>NON-CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance lease		15,819	19,397
Long term advances		930	3,254
		16,749	22,651
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	421,455	384,855
Unearned revenue		58,585	142,471
Short term borrowings		1,014,450	1,113,713
Current portion of long term liabilities		25,806	25,397
		1,520,296	1,666,436
<b>CONTINGENCIES &amp; COMMITMENTS</b>	14	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,368,936</b>	<b>7,381,600</b>

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

**Condensed Interim Profit & Loss Account - Unaudited**  
For The Quarter Ended September 30, 2017

	NOTE	Jul-Sep 2017	Jul-Sep 2016
Rupees in '000'			
Revenue - net	15	832,640	962,795
Cost of revenue		(571,239)	(603,229)
<b>Gross profit</b>		<b>261,401</b>	<b>359,566</b>
Selling and promotion expenses		(72,961)	(90,950)
Administrative expenses		(157,671)	(164,323)
Other operating expenses		(137)	(26,177)
Other income		110,212	5,557
<b>Operating Profit</b>		<b>140,844</b>	<b>83,673</b>
Finance cost		(12,275)	(5,334)
<b>Profit before taxation</b>		<b>128,569</b>	<b>78,339</b>
Taxation			
Current Period		(2,887)	(1,235)
Prior Period		-	(566)
		(2,887)	(1,801)
<b>Profit after taxation for the period</b>		<b>125,682</b>	<b>76,538</b>
<b>Earnings per share</b>			
Basic - In Rupees	18	1.40	0.86
Diluted - In Rupees	18	1.40	0.85

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

**Condensed Interim Statement of Comprehensive Income - Unaudited**  
For The Quarter Ended September 30, 2017

	Jul-Sep 2017	Jul-Sep 2016
	Rupees in '000'	
<b>Profit after taxation for the period</b>	<b>125,682</b>	76,538
Other comprehensive income	-	-
<b>Total comprehensive Profit for the period</b>	<b>125,682</b>	76,538

*The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.*

Condensed Interim Statement of Cash Flows - Unaudited  
For The Quarter Ended September 30, 2017

	Jul-Sep 2017	Jul-Sep 2016
	Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation for the period	128,569	78,339
Adjustments for non cash charges and other items:		
Depreciation - own assets	57,116	72,985
Amortization of leased assets	3,326	7,051
Amortization of intangible assets	73,376	78,825
(Gain)/Loss on disposal of fixed assets	320	(25)
Exchange (gain)/ loss on debtors	(99,205)	26,177
Interest expense	11,959	4,922
Interest income	(6,616)	(1,206)
Deferred employee compensation expense	13,122	18,932
	53,398	207,661
<b>Cash generated from operations before working capital changes</b>	181,967	286,000
<b>Working Capital Changes</b>		
Trade debts	(466,955)	(145,136)
Loans and advances	(8,581)	(9,668)
Trade deposits & short term prepayments	(6,165)	(1,493)
Other receivables	(25,180)	86,148
Due from related parties	1,577	(5,158)
Trade and other payables	42,115	108,776
<b>Cash (used in) / generated from operations</b>	(463,189)	33,469
Interest paid	(17,475)	(8,508)
Income taxes paid	(4,410)	(16,211)
Dividend paid	-	259
<b>Net cash (used in) / generated from operations</b>	(303,107)	295,009
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property and equipments purchased	(7,176)	(23,906)
Sales proceeds of fixed asset	933	12
Capital work in progress	1,587	(4,356)
Long Term Investment	(28,258)	(26,045)
Interest received	6,614	1,206
<b>Net cash (used in) investing activities</b>	(26,300)	(53,087)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of share capital	-	900
Share deposit money	574	(1,477)
Share premium	-	710
Paid against obligation under finance lease	(8,014)	(9,618)
Received against obligation under finance lease	4,420	9,359
Short term borrowing	(99,263)	(2,010)
Long term advances	(1,899)	787
<b>Net cash (used in) financing activities</b>	(104,182)	(1,349)
<b>Net Increase / (decrease) in cash and cash equivalents</b>	(433,589)	240,573
<b>Cash and cash equivalents at the beginning of the period</b>	874,942	108,473
<b>Cash and cash equivalents at the end of the period</b>	441,353	349,046

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

### Condensed Interim Statement of Changes in Equity - Unaudited

For The Quarter Ended September 30, 2017

	Issued, subscribed and paid- up capital	Share deposit money	Employee share option compen- sation reserve	Capital Reserve		Revenue Reserve	Total
				Share premium	Unappropri- ated profit		
R u p e e s I n ' 0 0 0 '							
<b>Balance as at June 30, 2016</b>	891,544	1,490	1,607	298,777	4,142,998		5,336,416
Total comprehensive income for the period							
Net profit for the quarter ended							
September 30, 2016	-	-	-	-	76,538		76,538
Other comprehensive income	-	-	-	-	-		-
Shares issued against options exercised (90,000 shares at Rs. 10 each)	900	(1,477)	(133)	710			
Contribution of parent on account of employee share options			18,932				18,932
	900	(1,477)	18,799	710	76,538		95,470
<b>Balance as at September 30, 2016</b>	<b>892,444</b>	<b>13</b>	<b>20,406</b>	<b>299,487</b>	<b>4,219,536</b>		<b>5,431,886</b>
<b>Balance as at June 30, 2017</b>	<b>896,359</b>	<b>13</b>	<b>74,890</b>	<b>302,579</b>	<b>4,418,672</b>		<b>5,692,513</b>
Total comprehensive income for the period							
Net Profit for the quarter ended							
September 30, 2017	-	-	-	-	125,682		125,682
Other comprehensive income	-	-	-	-	-		-
Amount received against options exercised	-	574	-	-	-		574
Contribution of parent on account of employee share options	-	-	13,122	-	-		13,122
	-	574	13,122	-	125,682		139,379
<b>Balance as at September 30, 2017</b>	<b>896,359</b>	<b>587</b>	<b>88,012</b>	<b>302,579</b>	<b>4,544,354</b>		<b>5,831,891</b>

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

## Notes to the Condensed Interim Financial Statements - Unaudited

For The Quarter Ended September 30, 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 at 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

A new Companies Act 2017 was promulgated on May 30, 2017 through which the companies were required to prepare their financial statements under the new Act. Later on, Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 23 of 2017 dated October 4, 2017 clarified that companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. On a clarification sought by Institute of Chartered Accountants of Pakistan regarding preparation of interim financial statements of companies for the periods ending on or before December 31, 2017, SECP has also advised to prepare interim financial statements for the periods ending on or before December 31, 2017 in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, 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 repealed Companies Ordinance, 1984 and are being submitted to the shareholders as required by Section 237 of the Companies Act 2017. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 have been followed. These condensed interim financial statements are unaudited and do not include full disclosures and information required in 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, 2017.

#### 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, 2017.

#### 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, 2017, 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, 2017.

		Sep-17 Unaudited	Jun-17 Audited
Rupees in '000'			
<b>5. PROPERTY, PLANT &amp; EQUIPMENT</b>			
Opening Balance - net book value		1,898,191	2,203,006
Additions	5.1	26,945	127,401
		<b>1,925,136</b>	<b>2,330,407</b>
Less:			
Disposals - net book value	5.2	(22,608)	(95,378)
Depreciation & amortization		(60,441)	(336,838)
		<b>1,842,087</b>	<b>1,898,191</b>
<b>5.1 Following is the detail of addition / (transfer) :</b>			
Building on freehold land		-	-
Furniture & fixture		10	3,707
Vehicles		17,256	63,356
Office equipment		208	4,717
Computers		4,305	32,552
Air conditioners		85	16,108
Generator		5,917	-
Leasehold improvements		-	-
Computer software		751	-
Advance against capital expenditure		(1,587)	6,961
Total		<b>26,945</b>	<b>127,401</b>

5.2 Following is the detail of deletions	Cost	Sep-17 Unaudited Accumulated Depreciation	Written down Value	Cost	Jun-17 Audited Accumulated Depreciation	Written down Value
Furniture & fixture	105	67	38	1,409	865	543
Vehicles	28,486	15,123	13,363	92,875	23,976	68,899
Office equipment	579	336	243	145	86	60
Computers	13,664	10,673	2,991	44,552	32,424	12,129
Air conditioners	154	100	55	19,140	5,393	13,747
Generator	8,545	2,627	5,918	-	-	-
Total	<b>51,534</b>	<b>28,926</b>	<b>22,608</b>	158,121	62,743	95,378

		Sep-17 Unaudited	Jun-17 Audited
Rupees in '000'			
<b>6. INTANGIBLE ASSETS</b>			
Opening Balance - net book value		1,801,409	2,195,996
Additions		-	-
		<b>1,801,409</b>	<b>2,195,996</b>
Less:			
Amortization		(73,376)	(394,587)
		<b>1,728,033</b>	<b>1,801,409</b>

		Sep-17 Unaudited	Jun-17 Audited
		Rupees in '000'	
<b>7. LONG TERM INVESTMENTS - at cost</b>			
WRLD3D Limited (Unquoted company) (Formerly EEGEO Inc.)	7.1	231,943	203,685
NetSol Innovation (Pvt) Limited (Unquoted subsidiary company)	7.2	15,188	15,188
		<b>247,131</b>	<b>218,873</b>
<b>7.1</b>	During the fiscal year 2016, the Company entered into an agreement with WRLD3D Limited (formerly 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 September 30, 2017, the Company has provided cash and services valued at \$2,214,209 (PKR 231,942,858) which is recorded as investment.		
<b>7.2</b>	The subsidiary is incorporated in Pakistan. The Company holds 1,518,785 (2017 : 1,518,785) fully paid ordinary shares of Rs. 10/- each i.e. 50.52% of Equity held (2017 : 50.52%) Mr. Salim Ullah Ghauri is the Chief Executive Officer of the subsidiary company.		
<b>8. LONG TERM LOANS TO EMPLOYEES-Unsecured</b>			
Considered good			
<b>Loan to employees</b>			
- to executives	8.1	8,105	8,212
- to non-executives		1,339	1,021
Less: current maturity		(8,786)	(8,787)
		<b>658</b>	<b>446</b>
<b>8.1</b>	Loans are given to employees for their personal needs and deducted from salaries		
<b>9. TRADE DEBTS</b>			
Considered good - unsecured	9.1	738,186	669,272
Considered doubtful - unsecured	9.2	35,225	35,225
		<b>773,411</b>	<b>704,497</b>
Less: Provision against doubtful recovery		(35,225)	(35,225)
		<b>738,186</b>	<b>669,272</b>
<b>9.1</b>	It represents amount receivable from customers. It is unsecured but considered good by the management.		
<b>9.2</b>	This is a general provision created by the Company for any future doubtful trade debts.		
<b>9.3</b>	Amount receivable from related parties included in trade debts are as under:		
NetSol Technologies (Thailand) Limited		86,735	97,439
NetSol Technologies (Beijing) Company Limited		101,872	121,937
NetSol Australia Pty. Limited		21,123	9,475
NetSol Technologies North America		4,835	-
		<b>214,565</b>	<b>228,851</b>
<b>10. LOANS AND ADVANCES - Unsecured</b>			
Considered good			
Current maturity of loans to employees	8	8,786	8,787
<b>Advances</b>		-	-
- to executives		-	43
- against expenses	10.1	30,993	22,580
		<b>39,779</b>	<b>31,410</b>
<b>10.1</b>	The advances to employees are given to meet business expenses and are settled as and when the expenses are incurred.		
<b>11. SHARE CAPITAL</b>			
<b>11.1</b>	Authorised share capital		
	Sep-17 Unaudited	Jun-17 Audited	
			Sep-17 Unaudited
			Jun-17 Audited
	Number of shares		Rupees in '000'
	150,000,000	150,000,000	1,500,000
		Ordinary Shares of Rs. 10 each.	1,500,000
<b>11.2</b>	Issued, subscribed & paid-up capital		
	42,485,191	42,485,191	424,852
	47,150,732	47,150,732	471,507
		Ordinary Shares of Rs. 10 each fully paid in cash	424,852
		Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	471,507
	<b>89,635,923</b>	<b>89,635,923</b>	<b>896,359</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.

		Sep-17	Jun-17
		Unaudited	Audited
Rupees in '000'			
<b>12. RESERVES</b>			
	<b>Capital reserve</b>		
	Premium on issue of ordinary shares	302,579	302,579
	<b>Revenue reserve</b>		
	Un - appropriated profit	4,544,354	4,418,672
	<b>Employee share option compensation reserve</b>	88,012	74,890
		<b>4,934,945</b>	<b>4,796,141</b>
<b>13.</b>	Trade and other payables also include payable to related parties, detail of which is given below:		
<b>13.1</b>	<b>DUE TO RELATED PARTIES</b>		
	<i>Parent</i>		
	NetSol Technologies Inc.	13.1.1	51,794
			111,474
			<b>51,794</b>
			<b>111,474</b>
	<b>13.1.1</b> This relates to normal course of business of the Company and is interest free.		
<b>14. CONTINGENCIES &amp; COMMITMENTS</b>			
<b>14.1 Contingencies</b>			
<b>14.1.1</b>	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.		
<b>14.1.2</b>	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.		
<b>14.2 Commitments</b>			
	The Company has issued worth Rs. 7.977 million (2017: 7.977 million) bank guarantees and bid bonds to LESCO and various customers against sale of software and allied services.		
<b>15. REVENUE - NET</b>			
	<b>Export Revenue</b>		
	License	114,547	418,107
	Services	542,348	362,632
	Maintenance	175,745	177,152
		<b>832,640</b>	<b>957,891</b>
	<b>Local Revenue</b>		
	Services	-	3,360
	Maintenance	-	2,272
		-	5,632
	Sales Tax	-	(728)
		<b>832,640</b>	<b>962,795</b>
<b>16. TAXATION</b>			
	Income of the Company from export of computer software and its related services developed in Pakistan is exempt from tax up to June 30, 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 part 1 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.		

## 17. 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.

	Jul-Sep 2017	Jul-Sep 2016
	Rupees in '000'	
<b>18. EARNINGS PER SHARE</b>		
<b>Basic</b>		
Profit after taxation for the period	125,682	76,538
Average number of ordinary shares in issue during the period	89,636	89,233
Basic - In Rupees	1.40	0.86
<b>Diluted</b>		
Profit after taxation for the period	125,682	76,538
Average number of ordinary shares in issue during the period	89,800	89,946
Diluted - In Rupee	1.40	0.85

## 19. 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		
(i)	Subsidiary	Rental income	4,167	4,101
		Provision of services	1,334	1,312
		Mark-up expense	434	18
(ii)	Associated undertaking	Rental income	225	225
		Provision of services	37,912	49,663
		Purchase of services	4,729	4,851
(iii)	Key management personnels	Remuneration of CEO and Directors	5,042	4,313
(iv)	Post employment benefit	Contribution to defined		
		contribution plan	16,583	20,180

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

## 20. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 30, 2017 by the Board of Directors.

## 21. GENERAL

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





CONSOLIDATED FINANCIAL

# STATEMENTS

For the Quarter Ended September 30, 2017

**Condensed Consolidated Interim Balance Sheet - Unaudited**

As at September 30, 2017

	NOTE	Sep-17 Unaudited	Jun-17 Audited
Rupees in '000'			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	5	1,896,711	1,956,098
Intangible assets	6	1,728,033	1,801,409
		3,624,744	3,757,507
Long term Investment	7	231,943	203,685
Long term loans to employees	8	658	446
		3,857,345	3,961,638
<b>CURRENT ASSETS</b>			
Trade debts	9	972,716	822,323
Excess of revenue over billing		2,201,929	1,788,568
Loans and advances	10	40,197	31,623
Trade deposits & short term prepayments		21,499	15,126
Other receivables		45,507	19,889
Due from related parties		18,599	19,746
Taxation - net		52,773	51,020
Cash & bank balances		566,314	1,070,904
		3,919,534	3,819,199
<b>TOTAL ASSETS</b>		<b>7,776,879</b>	<b>7,780,837</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorized share capital			
150,000,000 ordinary shares of Rs.10/- each	11	1,500,000	1,500,000
Issued, subscribed and paid-up capital	11	896,359	896,359
Share deposit money		587	13
Reserves	12	5,103,335	4,947,940
		6,000,281	5,844,312
Non - controlling Interest		179,288	163,038
		6,179,569	6,007,350
<b>NON-CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance lease		19,903	24,537
Long term advances		3,412	5,309
		23,315	29,846
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	456,375	443,468
Unearned revenue		58,585	142,471
Short term borrowings		1,014,450	1,113,713
Current portion of long term liabilities		44,585	43,989
		1,573,995	1,743,641
<b>CONTINGENCIES &amp; COMMITMENTS</b>	14	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,776,879</b>	<b>7,780,837</b>

The annexed notes from 1 to 22 form an integral part of these condensed consolidated interim financial statements.

**Condensed Consolidated Interim Profit & Loss Account - Unaudited**  
For The Quarter Ended September 30, 2017

	NOTE	Jul-Sep 2017	Jul-Sep 2016
Rupees in '000'			
Revenue - net	15	951,836	1,124,222
Cost of revenue		(660,562)	(702,271)
<b>Gross profit</b>		<b>291,274</b>	<b>421,951</b>
Selling and promotion expenses		(72,961)	(90,950)
Administrative expenses		(159,912)	(166,228)
Other operating expenses		(741)	(42,302)
Other income		116,964	2,670
<b>Operating profit</b>		<b>174,624</b>	<b>125,141</b>
Finance cost		(12,958)	(5,567)
<b>Profit before taxation</b>		<b>161,666</b>	<b>119,574</b>
Taxation			
Current period		(3,143)	(1,449)
Prior period		-	(734)
		(3,143)	(2,183)
<b>Profit after taxation for the period</b>		<b>158,523</b>	<b>117,391</b>
<b>Attributable to:</b>			
Equity holders of NetSol Technologies Limited		142,273	97,176
Non - controlling interest		16,250	20,215
		158,523	117,391
<b>Earning per share</b>			
Basic - In Rupees	18	1.59	1.09
Diluted - In Rupees	18	1.58	1.08

The annexed notes from 1 to 22 form an integral part of these condensed consolidated interim financial statements.

**Condensed Consolidated Interim Statement of Comprehensive Income - Unaudited**  
For The Quarter Ended September 30, 2017

	Jul-Sep 2017	Jul-Sep 2016
	Rupees in '000'	
<b>Profit after taxation for the period</b>	<b>158,523</b>	117,391
Other comprehensive income	-	-
<b>Total comprehensive Profit for the period</b>	<b>158,523</b>	117,391
<b>Attributable to:</b>		
Equity holders of NetSol Technologies Limited	<b>142,273</b>	97,176
Non - controlling interest	<b>16,250</b>	20,215
	<b>158,523</b>	117,391

*The annexed notes from 1 to 22 form an integral part of these condensed consolidated interim financial statements.*

**Condensed Consolidated Interim Statement of Cash Flows - Unaudited**  
For The Quarter Ended September 30, 2017

	Jul-Sep 2017	Jul-Sep 2016
Rupees in '000		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation for the period	161,666	119,574
Adjustments for non cash charges and other items:		
Depreciation - own assets	59,085	75,518
Amortization of leased assets	4,369	7,622
Amortization of intangible assets	73,375	78,825
Loss on disposal of fixed assets	924	6
Exchange (gain) / loss on debtors	(107,777)	42,271
Interest expense	12,615	5,130
Interest income	(6,846)	(1,439)
Deferred employee compensation expense	13,122	19,591
(Gain) on short term investment	(1,248)	(945)
	47,619	226,579
<b>Cash generated from operations before working capital changes</b>	209,285	346,153
<b>Working Capital Changes</b>		
Trade debts	(539,866)	(195,068)
Loans and advances	(8,786)	(9,141)
Trade deposits & short term prepayments	(6,373)	(2,367)
Other receivables	(25,618)	(18,918)
Due from related parties	1,147	(5,158)
Trade and other payables	18,423	80,799
<b>Cash (used in) operations</b>	(561,073)	(149,853)
Interest paid	(18,131)	(8,716)
Income taxes paid	(4,896)	(16,648)
Dividend paid	-	259
<b>Net cash (used in) / generated from operations</b>	(374,814)	171,195
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant and equipments purchased	(8,077)	(24,804)
Sales proceeds of fixed asset	1,503	204
Capital work in progress	1,587	(15,730)
Long Term Investment	(28,258)	(26,045)
Gain on investments	1,248	945
Interest received	6,846	1,439
<b>Net cash (used in) investing activities</b>	(25,151)	(63,991)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of share capital	-	900
Share deposit money	574	(1,477)
Share premium	-	577
Paid against obligation under finance lease	(10,063)	(719)
Received against obligation under finance lease	4,420	9,359
Short term borrowing	(99,263)	(2,010)
Long term advances	(292)	2,025
<b>Net cash generated from/ (Used in) financing activities</b>	(104,624)	8,655
<b>Net increase / (decrease) in cash and cash equivalents</b>	(504,590)	115,859
<b>Cash and cash equivalents at the beginning of the period</b>	1,070,904	326,902
<b>Cash and cash equivalents at the end of the period</b>	566,314	442,761

The annexed notes from 1 to 22 form an integral part of these condensed consolidated interim financial statements.

## Condensed Consolidated Interim Statement of Changes in Equity - Unaudited

For The Quarter Ended September 30, 2017

	Attributable to equity holders of the Parent					Non Controlling Total Equity Interest			
	Issued, subscribed and paid-up capital	Share deposit money	Employee share option compensation reserve	Capital reserve Share premium	Revenue reserve Unappropriated profit	Total			
	Rupees In '000'								
<b>Balance as at June 30, 2016</b>	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 the quarter ended									
September 30, 2016	-	-	-	-	97,176	97,176	20,215	117,391	
Other comprehensive income	-	-	-	-	-	-	-	-	
Shares deposit money against options exercised						-	-	-	
Shares issued against options exercised (90,000 shares at Rs. 10 each)	900	(1,477)	(133)	710		-	-	-	
<b>Distributions to owners</b>									
- By subsidiary to non-controlling interest cash dividend									
Contribution of parent on account of employee share options			19,591			19,591		19,591	
	900	(1,477)	19,458	710	97,176	116,767	20,215	136,982	
<b>Balance as at September 30, 2016</b>	<b>892,444</b>	<b>13</b>	<b>21,065</b>	<b>299,487</b>	<b>4,515,299</b>	<b>5,728,308</b>	<b>304,685</b>	<b>6,032,993</b>	
<b>Balance as at June 30, 2017</b>	<b>896,359</b>	<b>13</b>	<b>75,549</b>	<b>302,579</b>	<b>4,569,812</b>	<b>5,844,312</b>	<b>163,038</b>	<b>6,007,350</b>	
Total comprehensive income for the period									
Net profit for year ended									
September 30, 2017	-	-	-	-	142,273	142,273	16,250	<b>158,523</b>	
<b>Distributions to owners</b>									
Contribution of parent on account of employee share options			13,122	-	-	13,122	-	<b>13,122</b>	
Amount received against option exercised	-	574		-	-	574	-	<b>574</b>	
		574	13,122		142,273	155,969	16,250	<b>172,219</b>	
<b>Balance as at September 30, 2017</b>	<b>896,359</b>	<b>587</b>	<b>88,671</b>	<b>302,579</b>	<b>4,712,085</b>	<b>6,000,281</b>	<b>179,288</b>	<b>6,179,569</b>	

The annexed notes from 1 to 22 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

A new Companies Act 2017 was promulgated on May 30, 2017 through which the companies were required to prepare their financial statements under the new Act. Later on, Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 23 of 2017 dated October 4, 2017 clarified that companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. On a clarification sought by Institute of Chartered Accountants of Pakistan regarding preparation of interim financial statements of companies for the periods ending on or before December 31, 2017, SECP has also advised to prepare interim financial statements for the periods ending on or before December 31, 2017 in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, 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 repealed Companies Ordinance, 1984 and are being submitted to the shareholders as required by Section 237 of the Companies Act 2017. In case where requirements differ, the provisions of or directives issued under the repealed 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, 2017.

#### 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, 2017.

#### 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, 2017, 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, 2017.

		Sep-17 Unaudited	Jun-17 Audited			
Rupees in '000'						
<b>5. PROPERTY, PLANT &amp; EQUIPMENT</b>						
Opening Balance - net book value		1,956,098	2,261,721			
Additions	5.1	27,846	143,172			
		1,983,944	2,404,893			
Less:						
Disposals - net book value	5.2	(23,782)	(97,756)			
Depreciation & amortization		(63,451)	(351,038)			
		1,896,711	1,956,098			
<b>5.1 Following is the detail of additions :</b>						
Building on freehold land		-	-			
Furniture & fixture		10	3,707			
Vehicles		17,256	78,860			
Computers		4,935	33,881			
Air conditioners		85	16,197			
Office equipment		479	5,255			
Generator		5,917	-			
Leasehold improvements		-	-			
Computer software		751	147			
Advance against capital expenditure		(1,587)	5,125			
Capital work-in-progress		-	-			
Total		27,846	143,172			
	Cost	Sep-17 Unaudited Acc. Depreciation	Written down Value	Cost	Jun-17 Audited Acc. Depreci- ation	Written down Value
Rupees in '000'						
<b>5.2 Following is the detail of deletions</b>						
Land - freehold	-	-	-	-	-	-
Furniture & fixture	105	67	38	1,409	865	543
Vehicles	30,405	15,894	14,511	96,126	25,001	71,126
Computers	13,836	10,819	3,017	45,328	33,048	12,281
Air conditioners	154	100	55	19,140	5,393	13,747
Office equipment	579	336	243	145	86	60
Generator	8,545	2,627	5,918	-	-	-
Total	53,625	29,843	23,782	162,148	64,392	97,756
		Sep-17 Unaudited	Jun-17 Audited			
Rupees in '000'						
<b>6. INTANGIBLE ASSETS</b>						
Opening Balance - net book value		1,801,409	2,195,996			
Additions		-	-			
		1,801,409	2,195,996			
Less:						
Amortization		(73,376)	(394,587)			
		1,728,033	1,801,409			
<b>7. LONG TERM INVESTMENTS - at cost</b>						
WRLD3D Limited (Unquoted company) (Formerly EEGEO Inc.)	7.1	231,943	203,685			
		231,943	203,685			

7.1 During the fiscal year 2016, the Company entered into an agreement with WRLD3D Limited (formerly 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 September 30, 2017, the Company has provided cash and services valued at \$2,214,209 (PKR 231,942,858) which is recorded as investment.

		Sep-17	Jun-17
		Rupees in '000'	
Considered good			
<b>Loan to employees</b>			
- to executives	8.1	8,105	8,212
- to non-executives		1,339	1,021
Less: current maturity		(8,786)	(8,787)
		658	446

8.1 Loans are given to employees for their personal needs and deducted from salaries.

9. TRADE DEBTS			
Considered good - unsecured	9.3	972,716	822,323
Considered doubtful - unsecured	9.2	35,225	35,225
		1,007,941	857,548
Less: Provision for doubtful debt		(35,225)	(35,225)
		972,716	822,323

9.1 It represents amount receivable from customers. It is unsecured but considered good by the management.

9.2 This is a general provision created by the Company for any future doubtful trade debts.

9.3 Amount receivable from related parties included in trade debts are as under:

1Insurer Limited, UK		227,392	121,904
The Innovation Group - UK BPS		1,015	20,739
1Insurer Inc, USA		17,918	10,408
NetSol Technologies (Thailand) Limited		86,735	97,439
NetSol Technologies (Beijing) Company Limited		101,872	121,937
NetSol Australia Pty. Limited		21,123	9,475
Netsol Technologies North America		4,835	-
		460,890	381,901

10. LOANS AND ADVANCES - Unsecured			
Considered good			
Current maturity of loans to employees			
<b>Advances</b>			
- to executives		-	111
- against expenses	10.1.	31,411	22,725
		40,197	31,623

10.1 The advances to employees are given to meet business expenses and are settled as and when the expenses are incurred.

11. SHARE CAPITAL					
11.1 Authorised share capital					
Sep-17		Jun-17			
Unaudited		Audited		Audited	
Number of shares		Rupees in '000'			
150,000,000	150,000,000	Ordinary Shares of Rs. 10 each.		1,500,000	1,500,000
11.2 Issued, subscribed & paid-up capital					
42,485,191	42,485,191	Ordinary Shares of Rs. 10 each fully paid in cash		424,852	424,852
47,150,732	47,150,732	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares		471,507	471,507
89,635,923	89,635,923			896,359	896,359

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

		Sep-17 Unaudited	Jun-17 Audited
Rupees in '000'			
<b>12. RESERVES</b>			
<b>Capital reserve</b>			
Premium on issue of ordinary shares		302,579	302,579
<b>Revenue reserve</b>			
Un - appropriated profit		4,712,085	4,569,812
<b>Employee share option compensation reserve</b>		88,671	75,549
		<b>5,103,335</b>	<b>4,947,940</b>
<b>13. Trade and other payables also include payable to related parties, detail of which is given below:</b>			
<b>13.1 Due to related party</b>			
<b>Parent</b>			
NetSol Technologies Inc.	13.2	51,794	101,355
<b>Associated</b>			
NetSol Technologies Europe Ltd		60	768
		<b>51,854</b>	<b>102,123</b>
<b>13.2</b>	This relates to normal course of business of the Group and is interest free.		
<b>14. CONTINGENCIES &amp; COMMITMENTS</b>			
<b>14.1 Contingencies</b>			
<b>14.1.1</b>	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.		
<b>14.1.2</b>	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 judgment 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.		
<b>14.2 Commitments</b>			
<b>14.2.1</b>	The Company has issued worth Rs. 7.977 million (June 2017: 7.977 million) bank guarantees and bid bonds to LESCO and various customers against sale of software and allied services.		
<b>14.2.2</b>	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.		
<b>15. REVENUE - NET</b>			
<b>Export Revenue</b>			
License		114,547	418,107
Services		661,544	524,059
Maintenance		175,745	177,152
		<b>951,836</b>	<b>1,119,318</b>
<b>Local Revenue</b>			
Services		-	3,360
Maintenance		-	2,272
		-	5,632
Sales tax		-	(728)
		<b>951,836</b>	<b>1,124,222</b>

## 16. TAXATION

Income of the Group from export of computer software and its related services developed in Pakistan is exempt from tax up to June 30, 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 part 1 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.

## 17. 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.

## 18. EARNING PER SHARE

### Basic

Profit after taxation for the period	142,273	97,176
Average number of ordinary shares in issue during the period	89,636	89,233
Basic - In Rupees	1.59	1.09

### Diluted

Profit after taxation for the period	142,273	97,176
Average number of ordinary shares in issue during the period	89,800	89,946
Diluted - In Rupee	1.58	1.08

## 19. 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		
(i) Associated undertaking	Rental Income	225	600
	Provision of services	157,109	211,090
	Purchase of services	4,729	4,851
(ii) Key management personnel	Remuneration of CEO and Directors	5,042	4,313
(iii) Post employment benefit	Contribution to defined contribution plan	19,527	23,481
	(vi) There are no transactions with any key management personnel other than under the terms of employment.		

**20. SEGMENT REVENUES AND RESULTS**

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

	Sep-17			Total
	NFS	IS & SSS	BPO	
	Rupees in '000			
Revenue - net				
External sales				
Licence	114,547	-	-	114,547
Services	492,358	-	169,186	661,544
Maintenance	175,745	-	-	175,745
Total revenue	782,650	-	169,186	951,836
Cost of revenue	(533,793)	(4,270)	(122,499)	(660,562)
Segment results	248,857	(4,270)	46,687	291,274
Unallocated corporate expenses:				
Selling and promotion expenses				(72,961)
Administrative expenses				(159,912)
Other operating expenses				(741)
Other income				116,964
Finance cost				(12,958)
Taxation				(3,143)
Profit after taxation				158,523

	Sep-16			Total
	NFS	IS & SSS	BPO	
	Rupees in '000			
Revenue - net				
External sales				
Licence	418,107	-	-	418,107
Services	305,574	2,632	218,485	526,691
Maintenance	177,152	2,272	-	179,424
Inter-segment sales				-
Total revenue	900,833	4,904	218,485	1,124,222
Cost of revenue	(558,368)	(18,314)	(125,589)	(702,271)
Segment results	342,465	(13,410)	92,896	421,951
Unallocated corporate expenses:				
Selling and promotion expenses				(90,950)
Administrative expenses				(166,228)
Other operating expenses				(42,302)
Other income				2,670
Finance cost				(5,567)
Taxation				(2,183)
Profit after taxation				117,391

\*Key

NFS = NetSol Financial Solutions

IS = Information Security and other services

BPO = Business Process Outsourcing

SSS = Software Services and Solutions

**21. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on October 30, 2017 by the Board of Directors.

**22. GENERAL**

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

## **NETSOL TECHNOLOGIES LIMITED**

NETSOL IT Village (Software Technology Park)  
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