NetSol Technologies Limited

For the Half Year Ended
December
2013

Financial Statements
(Un-Audited)

This Half Yearly's report

We hope you find it useful and informative.

Contents

Business Review

Financial Statements

Consolidated Financial Statements

Company Profile

BOARD OF DIRECTORS

Naeem Ullah Ghauri
Chairman / Non-Executive Director

Salim Ullah Ghauri
Chief Executive Officer

Vaseem Anvar
Independent Director

Shahid Javed Burki
Independent Director

Fida Hussain
Independent Director

Najeeb Ullah Ghauri
Non-Executive Director

Omer Shahab Ghauri
Executive Director

AUDIT COMMITTEE

Vaseem Anvar
Chairman

Fida Hussain
Member

Najeeb Ullah Ghauri
Member

COMPANY SECRETARY

Boo-Ali Siddiqui

CHIEF INTERNAL AUDITOR

Muhammad Abdul Wahab Hafeez

AUDITORS

Kabani & Company
Chartered Accountants
SKP House,
321-Upper Mall, Lahore.

LEGAL ADVISOR

Corporate Law Associates
1st Floor Queen's Centre,
Shahra-e-Fatima Jinnah,
Lahore.

BANKERS

Askari Bank Limited
Bank Al Habib Limited
First National Bank Modaraba
First Habib Modaraba
MCB Bank Limited
Bank Al falah Limited

SHARE REGISTRAR

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

CONTACT DETAILS

Registered Office

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

Rawalpindi Office

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

Karachi Office

43/1/Q, Amna Villa # 1
Block # 06, P.E.C.H.S, Karachi
Tel: +92-21-111-638-765, 111-672-672
Fax: +92-21-3431-3464

WEB
www.netsolpk.com
info@netsolpk.com

Directors' Review

بسم الله الرحمن الرحيم

On behalf of the Board of Directors of NetSol Technologies Limited, I feel immense pleasure to present the half yearly financial statements of your company together with its consolidated accounts for the period ended December 31, 2013.

GENERAL OVERVIEW

The second quarter of the current fiscal year was really a challenging one for the company. We had announced the completion and marketing of our next generation platform "NFS Ascent™" in October 2013. After the legacy product "NetSol Financial Suite™", this is one of the major announcements made by the company so far. Our customers are much excited about the new product. However in the short term period, this announcement has put on hold some of the deals of our legacy product which were in pipeline. Whenever a new product comes to the market, there is always a transition phase during which sale of the legacy product is negatively impacted whereas customers take some time to accept the new product. As anticipated, this transition has affected our revenues for the quarter under review. The positive news is that our existing customers are not only in tact but continuously requesting for new services as well. The recent successful implementation of mPOS with Mercedes Benz, which went live in December 2013, has been a major breakthrough for NetSol, opening up new opportunities for potential NFS Mobility implementations in the future.

FINANCIAL PERFORMANCE

Comparisons of un-audited results of the second quarter ended December 31, 2013 with the corresponding period of 2012 and cumulative results for the half year ended December 31, 2012 of the company are given below:

	Oct-Dec 2013	Oct-Dec 2012	**Jul-Dec 2013**	Jul-Dec 2012
		Rupees in '000'		
Revenue	**360,500**	690,574	**890,680**	1,073,580
Gross Profit	**3,476**	457,318	**219,236**	609,203
Net (Loss)/Profit	**(140,727)**	373,083	**(570)**	428,872
EPS/ (LPS) – basic (in Rs.)	**(1.60)**	4.34	**(0.01)**	4.99
EPS/ (LPS) – diluted (in Rs.)	**(1.58)**	4.33	**(0.01)**	4.97

Revenues for the quarter ended December 31, 2013 decreased to Rs. 361 million compared with Rs. 691 million in same quarter last year mainly due to the announcement of next generation product "NFS Ascent™". Company is going through the transition phase which have resulted in reduction in overall revenues of the company for the current quarter. We expect this phase to continue for another couple of quarters when the new product will get acceptability and the revenues would also increase. Due to this drop in revenue, gross profit of the company also decreased to just Rs. 3.5 million compared with Rs. 457 million in the same quarter last year. Resultantly company posted a net loss of Rs. 141 million for the current quarter compared with a net profit of Rs. 373 million in December 2012. Basic and diluted loss per share was Rs. 1.60 & Rs. 1.58 for the current quarter compared to earnings per share of Rs. 4.34 and 4.33 respectively for the same quarter last year. On half yearly basis, basic and diluted loss per share is Rs. 0.01 compared to basic & diluted earnings per shares of Rs. 4.99 and 4.97 respectively for the same period last year.

FUTURE OUTLOOK

Building on our strategy to penetrate into new markets as well as enter new segments of existing markets, NetSol has already started marketing of NFS Ascent™, the next generation asset finance and leasing platform. Both our existing customers as well as new prospects are very interestingly reviewing our new product. A number of deals for the next generation product as well as for the legacy product are in pipe some of which are expected to be matured in the quarters to come. Further incremental revenues are also expected from several projects being implemented right now. However the management believes that the license revenue and the services associated with the sale of new license will still remain depressed for at least couple of quarters due to transition of legacy product with NFS Ascent™. Our other outsourcing business with the UK partner is also going very steady.

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

February 10, 2014

KABANI & COMPANY
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS.

Introduction

We have reviewed the accompanying condensed interim balance sheet of **NETSOL TECHNOLOGIES LIMITED** as at December 31, 2013 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the interim financial information for the six-months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for quarters ended December 31, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2013.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six-months period ended December 31, 2013, is not prepared in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

Kabani & Company

February 10, 2014
Lahore.

Kabani and Company
Chartered Accountants

Muhammad Yousaf

Lahore
Head Office
SKP House
321 Upper Mall
Lahore.
T: 92 42 111 77 2000
F: 92 42 35789162

Islamabad
Office # 12, 2nd Floor
Executive Center
I-8 Markaz, Islamabad.
T: 00 92 51 4861245-48
F: 00 92 51 4861247

Dubai
M-09A, Bank Mili Iran
Building Bank Street,
P.O. Box 57116
Dubai UAE
T: 00971-4-2242262
F: 00971-4-2242270

USA
6033 W. Century Blvd.
Suite # 210, Los Angeles
CA 90045, USA
Tel: 310 694 3590
Fax: 310 410 0371

Condensed Interim Financial Statements

For the Half Year Ended December 31, 2013

Condensed Interim Balance Sheet - Unaudited

As at December 31, 2013

	NOTE	Dec-13 Unaudited	Jun-13 Audited
		Rupees in '000'	
ASSETS			
NON-CURRENT ASSETS			
Property & equipment	5	2,313,035	1,894,191
Intangible assets	6	3,063,286	2,873,958
		5,376,321	4,768,149
Long term investments		15,188	15,188
		5,391,509	4,783,337
CURRENT ASSETS			
Trade debts		1,090,930	965,741
Current portion of deferred employee compensation expense		-	54
Excess of revenue over billing		399,078	864,465
Loans and advances		32,676	22,211
Trade deposits & short term prepayments		25,981	14,940
Other receivables		25,176	25,870
Due from related parties		46,437	14,571
Taxation - net		58,632	71,702
Cash & bank balances		463,307	305,571
		2,142,217	2,285,125
TOTAL ASSETS		7,533,726	7,068,462
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital			
150,000,000 ordinary shares of Rs.10/- each	7	1,500,000	1,500,000
Issued, subscribed and paid-up capital	7	883,354	785,717
Share deposit money		4,741	13
Reserves	8	5,190,895	5,339,672
		6,078,990	6,125,402
NON-CURRENT LIABILITIES			
Long term financing		239,569	172,665
Liabilities against assets subject to finance lease		40,541	20,007
Deferred income		44	59
		280,154	192,731
CURRENT LIABILITIES			
Trade and other payables		720,334	398,956
Excess of billing over revenue		180,809	57,723
Short term borrowings		200,000	200,000
Current portion of long term liabilities		73,439	76,889
Provision for taxation		-	16,761
		1,174,582	750,329
CONTINGENCIES & COMMITMENTS	9	-	-
TOTAL EQUITY AND LIABILITIES		7,533,726	7,068,462

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

Chief Executive Officer **Director**

Condensed Interim Profit & Loss Account - Unaudited

For the Half Year Ended December 31, 2013

	NOTE	Oct-Dec 2013	Oct-Dec 2012	Jul-Dec 2013	Jul-Dec 2012
		Rupees in '000'		Rupees in '000'	
Revenue - net	10	**360,500**	690,574	**890,680**	1,073,580
Cost of revenue		**(357,024)**	(233,256)	**(671,444)**	(464,377)
Gross profit		**3,476**	457,318	**219,236**	609,203
Selling and promotion expenses		**(31,176)**	(28,601)	**(73,549)**	(56,756)
Administrative expenses		**(119,755)**	(96,380)	**(257,584)**	(200,075)
Other operating expenses		**(15,723)**	(7,655)	**(20,029)**	(8,777)
Other income		**28,321**	51,234	**140,202**	91,289
Operating (loss) / profit		**(134,857)**	375,916	**8,276**	434,884
Finance cost		**(2,856)**	(2,353)	**(4,943)**	(4,801)
(Loss) / Profit before taxation		**(137,713)**	373,563	**3,333**	430,083
Taxation					
Current period		**(3,014)**	(480)	**(3,903)**	(1,211)
Prior period		**-**	-	**-**	-
		(3,014)	(480)	**(3,903)**	(1,211)
(Loss) / Profit after taxation for the period		**(140,727)**	373,083	**(570)**	428,872
Earnings per share					
Basic - In Rupees	12	**(1.60)**	4.34	**(0.01)**	4.99
Diluted - In Rupees	12	**(1.58)**	4.33	**(0.01)**	4.97

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

Chief Executive Officer **Director**

Condensed Interim Statement of Comprehensive Income - Unaudited
For the Half Year Ended December 31, 2013

	Oct-Dec 2013	Oct-Dec 2012	**Jul-Dec 2013**	Jul-Dec 2012
	Rupees in '000'		**Rupees in '000'**	
(Loss) / Profit after taxation for the period	**(140,727)**	373,083	**(570)**	428,872
Other comprehensive income	**-**	-	**-**	-
Total comprehensive income for the period	**(140,727)**	373,083	**(570)**	428,872

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

Chief Executive Officer **Director**

Condensed Interim Statement of Cash Flows - Unaudited

For the Half Year Ended December 31, 2013

	Jul-Dec 2013	Jul-Dec 2012
	Rupees in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation for the period	3,333	430,083
Adjustments for non cash charges and other items:		
Depreciation - own assets	153,413	89,696
Amortization of leased assets	11,190	8,960
Amortization of intangible assets	63,056	53,969
Loss / (Gain) on disposal of fixed assets	19,961	(668)
Amortization of deferred revenue	(15)	(8)
Exchange (gain) on debtors	(107,673)	(76,760)
Interest expense	4,135	4,046
Interest income	(5,278)	(5,515)
Deferred employee compensation expense	54	375
Provision for doubtful debts	26,060	-
	164,903	74,095
Cash generated from operations before working capital changes	168,236	504,178
Working Capital Changes		
Trade debts	544,897	239,700
Loans and advances	(10,465)	25,535
Trade deposits & short term prepayments	(11,041)	(4,377)
Other receivables	694	(602)
Due from related parties	(31,866)	(26,438)
Trade and other payables	320,027	38,212
Cash generated from operations	812,246	272,030
Interest paid	(21,543)	(25,527)
Income taxes paid	(7,594)	(2,908)
Dividend paid	(78,444)	-
Net cash generated from operations	872,901	747,773
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipments purchased	(456,147)	(260,074)
Sales proceeds of fixed asset	6,417	4,110
Intangible assets	(247,979)	(207,930)
Capital work in progress	(140,668)	(49,901)
Interest received	5,244	4,840
Net cash (used in) investing activities	(833,133)	(508,955)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	17,815	180
Share deposit money	4,728	-
Share premium	11,437	115
Paid against obligation under finance lease	(29,445)	(17,626)
Received against obligation under finance lease	59,029	24,625
Long term payable	54,404	(8,481)
Net cash generated from / (used in) financing activities	117,968	(1,187)
Net increase in cash and cash equivalents	157,736	237,631
Cash and cash equivalents at the beginning of the period	305,571	130,255
Cash and cash equivalents at the end of the period	463,307	367,886

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

Chief Executive Officer   Director

Condensed Interim Statement of Changes in Equity - Unaudited

For the Half Year Ended December 31, 2013

	Issued, subscribed and paid-up capital	Share deposit money	Employee share option compensation reserve	Capital Reserve	Revenue Reserve	Total
				Share premium	Unappropriated profit	
	Rupees In '000'					
Balance as at June 30, 2012	779,102	13	6,426	273,016	3,896,375	4,954,932
Total comprehensive income for the period						
Net profit for the half year ended December 31, 2012	-	-	-	-	428,872	428,872
Other comprehensive income	-	-	-	-	-	-
	-	-	-	-	428,872	428,872
Shares issued against options exercised (18,000 shares at Rs. 10 each)	180	-	-	-	-	180
Share premium on shares issued against options exercised (18,000 shares at Rs. 6.42 each)	-	-	-	115	-	115
Balance as at December 31, 2012	779,282	13	6,426	273,131	4,325,247	5,384,099
Balance as at June 30, 2013	785,717	13	5,449	278,240	5,055,983	**6,125,402**
Total comprehensive income for the period						
Net profit for the half year ended December 31, 2013	-	-	-	-	(570)	**(570)**
Other comprehensive income	-	-	-	-	-	-
	-	-	-	-	(570)	**(570)**
Share Deposit money for issuance of shares against exercise of options	-	4,728	-	-	-	**4,728**
Shares issued against options exercised (1,781,500 shares at Rs. 10 each)	17,815	-	-	-	-	**17,815**
Amount transferred to share premium on issuance of shares against options execised (1,781,500 shares at Rs. 1.48 each)	-	-	(2,632)	-	-	**(2,632)**
Shares premium on shares issued against options exercised	-	-	-	14,069	-	**14,069**
Distribution to owners						
Final dividend for the year ended June 30, 2013						
- Cash dividend of 10% (Rs. 1 per share)	-	-	-	-	(79,822)	**(79,822)**
- Bonus shares issued (10%) one for every ten ordinary shares held	79,822	-	-	-	(79,822)	**-**
Balance as at December 31, 2013	**883,354**	**4,741**	**2,817**	**292,309**	**4,895,769**	**6,078,990**

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

Chief Executive Officer **Director**

Notes to the Condensed Interim Financial Statements - Unaudited
For the Half Year Ended December 31, 2013

1. **LEGAL STATUS AND NATURE OF BUSINESS**

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

The company is a subsidiary of NetSol Technologies Inc., USA.

2. **BASIS OF PREPARATION**

2.1 **Separate financial statements**

These condensed interim financial statements are separate condensed interim financial statements of the company. Condensed consolidated interim financial statements of the company are prepared separately.

2.2 **Statement of compliance**

These condensed interim financial statements have been prepared in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting"and provisions of and directives issued under the Companies Ordinance, 1984 and are being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. These condensed interim financial statements are unaudited and do not include all the disclosures and information required in the annual financial statements and should be read in conjunction with the preceding annual published financial statements of the company for the year ended June 30, 2013. The figures for the half year ended December 31, 2013 have been subjected to limited scope review by the auditors as required by the Code of Corporate Governance.

2.3 **Basis of measurement**

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

2.4 **Functional and presentation currency**

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

3. **ACCOUNTING POLICIES**

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

4. **USE OF ESTIMATES AND JUDGMENT**

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

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

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

In preparing these condensed interim financial statements, the judgments, estimates and assumptions made by the management were the same as those that were applied to the preceding annual published financial statements of the company for the year ended June 30, 2013.

		Dec-13 Unaudited	Jun-13 Audited
		Rupees in '000'	
5. PROPERTY & EQUIPMENT			
Opening Balance - net book value		**1,894,191**	1,361,923
Additions	5.1	**614,229**	801,168
		2,508,420	2,163,091
Less:			
Disposals - net book value		**(26,378)**	(19,563)
Depreciation & amortization		**(169,007)**	(249,337)
		2,313,035	1,894,191

			Dec-13 Unaudited	Jun-13 Audited
			Rupees in '000'	
5.1	**Following is the detail of additions:**			
	Land - freehold		**6,000**	55,071
	Building on freehold land		**5,664**	39,722
	Computers		**265,274**	252,615
	Air conditioners		**19,971**	2,330
	Furniture & fixture		**4,142**	5,801
	Office equipment		**919**	5,685
	Vehicles		**18,256**	43,819
	Generator		**-**	9,705
	Computer software		**135,920**	265,577
	Capital work-in-progress		**158,083**	120,843
	Total		**614,229**	801,168
6.	**INTANGIBLE ASSETS**			
	Opening Balance - net book value		**2,873,959**	2,501,052
	Additions	6.1	**252,383**	480,842
			3,126,342	2,981,894
	Less:			
	Amortization		**(63,056)**	(107,936)
			3,063,286	2,873,958
6.1	**Following is the detail of additions:**			
	Fleet Management System (FMS)		**121,781**	218,618
	Blue Star		**120,687**	243,190
	HMIS		**2,385**	4,078
	Loan Origination System		**2,223**	5,185
	Business Intelligence Scoring Model & Risk Management		**5,307**	9,771
			252,383	480,842

7. SHARE CAPITAL

7.1 Authorised share capital

Dec-13 Unaudited	Jun-13 Audited			
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

Dec-13 Unaudited	Jun-13 Audited			
Number of shares				
41,184,691	39,403,191	Ordinary Shares of Rs. 10 each fully paid in cash	**411,847**	394,032
47,150,732	39,168,512	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	**471,507**	391,685
88,335,423	78,571,703		**883,354**	785,717

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

During the half year ended December 31, 2013, 1,781,500 shares were issued against employees' share options exercised at Rs. 16.42 per share.

		Dec-13 Unaudited	Jun-13 Audited
		Rupees in '000'	
8.	**RESERVES**		
	Capital reserve		
	Premium on issue of ordinary shares	**292,309**	278,240
	Revenue reserve		
	Un - appropriated profit	**4,895,769**	5,055,983
	Employee share option compensation reserve	**2,817**	5,449
		5,190,895	5,339,672

9. CONTINGENCIES & COMMITMENTS

9.1 Contingencies

There are no contingencies as at December 31, 2013 (June 2013 : nil) to which the Company is a party.

9.2 Commitments

9.2.1 The Company has issued worth Rs. 15.757 million (June 2013 : Rs. 18.636 million) bank guarantees and bid bonds to various customers against sale of software and allied services.

		Oct-Dec 2013	Oct-Dec 2012	Jul-Dec 2013	Jul-Dec 2012
		Rupees in '000		Rupees in '000	
10.	**REVENUE - NET**				
	Export Revenue				
	License	**-**	189,705	**205,122**	227,545
	Services	**236,633**	373,521	**437,384**	638,260
	Maintenance	**117,958**	117,898	**237,728**	192,844
		354,591	681,124	**880,234**	1,058,649
	Local Revenue				
	Services	**5,814**	10,679	**8,828**	12,523
	Maintenance	**1,362**	-	**3,288**	3,677
		7,176	10,679	**12,116**	16,200
	Sales tax	**(1,267)**	(1,229)	**(1,670)**	(1,269)
		360,500	690,574	**890,680**	1,073,580

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.

		Oct-Dec 2013	Oct-Dec 2012 Restated	Jul-Dec 2013	Jul-Dec 2012 Restated
		Rupees in '000		Rupees in '000	
12.	**EARNINGS PER SHARE**				
	Basic				
	(Loss) / Profit after taxation for the period	**(140,727)**	373,083	**(570)**	428,872
	Average number of ordinary shares in issue during the period	**87,985**	85,898	**87,378**	85,904
	Basic - In Rupees	**(1.60)**	4.34	**(0.01)**	4.99
	Diluted				
	(Loss) / Profit after taxation for the period	**(140,727)**	373,083	**(570)**	428,872
	Average number of ordinary shares in issue during the period	**88,875**	86,180	**88,286**	86,335
	Diluted - In Rupee	**(1.58)**	4.33	**(0.01)**	4.97

During the half year ended December 31, 2013, the company has issued 10% bonus shares which has resulted in restatement of basic and dilutive earning per share for the half year ended December 31, 2012.

13. TRANSACTION WITH RELATED PARTIES

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

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

			Jul-Dec 2013	Jul-Dec 2012
			Rupees in '000'	
	Relationship with the Company	**Nature of transactions**		
(i)	Parent	Management fee	**31,904**	28,927
		Dividend paid to parent	**51,222**	-
		Bonus shares issued to parent	**51,222**	-
(ii)	Subsidiary	Rental income	**9,177**	8,330
		Provision of services	**3,263**	2,962
		Mark-up income	**34**	675
		Mark-up expense	**339**	-
(iii)	Associated undertaking	Provision of services	**169,183**	91,319
(vi)	Key management personnels	Remuneration of CEO and Directors	**5,015**	4,728
		Received against share options excercised	**3,695**	-
(v)	Post employment benefit	Contribution to defined contribution plan	**16,639**	11,332

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

14. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 10, 2014 by the Board of Directors.

15. FIGURES

Figures have been rounded off to the nearest thousand rupee.

Chief Executive Officer **Director**

Condensed Consolidated Interim Financial Statements

For the Half Year Ended December 31, 2013

Condensed Consolidated Interim Balance Sheet - Unaudited

As at December 31, 2013

	NOTE	Dec-13 Unaudited	Jun-13 Audited
		Rupees in '000'	
ASSETS			
NON-CURRENT ASSETS			
Property & equipment	5	2,336,314	1,918,099
Intangible assets	6	3,063,286	2,873,958
		5,399,600	4,792,057
CURRENT ASSETS			
Trade debts		1,373,967	1,159,755
Current portion of deferred employee compensation expense		-	54
Excess of revenue over billing		399,078	864,466
Loans and advances		33,039	22,366
Trade deposits & short term prepayments		27,729	16,341
Other receivables		25,787	26,447
Due from related parties		67,197	28,625
Taxation - net		58,871	71,855
Cash & bank balances		518,576	330,827
		2,504,244	2,520,736
TOTAL ASSETS		7,903,844	7,312,793
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital			
150,000,000 ordinary shares of Rs.10/- each	7	1,500,000	1,500,000
Issued, subscribed and paid-up capital	7	883,354	785,717
Share deposit money		4,741	13
Reserves	8	5,354,960	5,443,480
Non - controlling Interest		175,794	116,777
		6,418,849	6,345,987
NON-CURRENT LIABILITIES			
Long term financing		239,569	172,665
Liabilities against assets subject to finance lease		40,541	20,007
Deferred income		44	59
		280,154	192,731
CURRENT LIABILITIES			
Trade and other payables		750,335	422,586
Excess of billing over revenue		180,809	57,723
Short term borrowings		200,000	200,000
Current portion of long term liabilities		73,439	76,889
Provision for taxation		258	16,877
		1,204,841	774,075
CONTINGENCIES & COMMITMENTS	9	-	-
TOTAL EQUITY AND LIABILITIES		7,903,844	7,312,793

The annexed notes from 1 to 15 form an integral part of these condensed consolidated interim financial statements.

Chief Executive Officer **Director**

Condensed Consolidated Interim Profit & Loss Account - Unaudited

For the Half Year Ended December 31, 2013

	NOTE	Oct-Dec 2013	Oct-Dec 2012	Jul-Dec 2013	Jul-Dec 2012
		Rupees in '000'		Rupees in '000'	
Revenue - net	10	495,357	778,422	1,125,723	1,238,114
Cost of revenue		(417,857)	(285,409)	(789,326)	(567,785)
Gross profit		77,500	493,013	336,397	670,329
Selling and promotion expenses		(31,182)	(28,601)	(73,555)	(56,756)
Administrative expenses		(121,715)	(98,159)	(261,241)	(203,347)
Other operating expenses		(17,100)	(8,273)	(22,466)	(9,936)
Other income		25,122	50,352	148,261	91,609
Operating (loss) / profit		(67,375)	408,332	127,396	491,899
Finance cost		(2,878)	(2,473)	(4,648)	(5,040)
(Loss) / Profit before taxation		(70,253)	405,859	122,748	486,859
Taxation					
Current period		(3,111)	(506)	(4,044)	(1,264)
Prior period		-	-	-	-
		(3,111)	(506)	(4,044)	(1,264)
(Loss) / Profit after taxation for the period		(73,364)	405,353	118,704	485,595
Attributable to:					
Equity holders of NetSol Technologies Limited		(106,695)	389,385	59,687	457,528
Non - controlling interest		33,331	15,968	59,017	28,067
		(73,364)	405,353	118,704	485,595

The annexed notes from 1 to 15 form an integral part of these condensed consolidated interim financial statements.

Chief Executive Officer **Director**

Condensed Consolidated Interim Statement of Comprehensive Income - Unaudited
For the Half Year Ended December 31, 2013

	Oct-Dec 2013	Oct-Dec 2012	**Jul-Dec 2013**	Jul-Dec 2012
	Rupees in '000'		Rupees in '000'	
(Loss) / Profit after taxation for the period	**(73,364)**	405,353	**118,704**	485,595
Other comprehensive income	**-**	-	**-**	-
Total comprehensive income for the period	**(73,364)**	405,353	**118,704**	485,595
Attributable to:				
Equity holders of NetSol Technologies Limited	**(106,695)**	389,385	**59,687**	457,528
Non - controlling interest	**33,331**	15,968	**59,017**	28,067
	(73,364)	405,353	**118,704**	485,595

The annexed notes from 1 to 15 form an integral part of these condensed consolidated interim financial statements.

Chief Executive Officer **Director**

Condensed Consolidated Interim Statement of Cash Flows-Unaudited

For the Half Year Ended December 31, 2013

	Jul-Dec 2013	Jul-Dec 2012
	Rupees in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation for the period	122,748	486,859
Adjustments for non cash charges and other items:		
Depreciation - own assets	156,696	92,674
Amortization of leased assets	11,190	8,960
Amortization of intangible assets	63,056	53,969
Loss / (Gain) on disposal of fixed assets	19,961	(1,330)
Amortization of deferred revenue	(15)	(8)
Exchange gain on debtors	(124,162)	(85,207)
Interest expense	3,796	4,213
Interest income	(5,424)	(4,967)
Deferred employee compensation expense	54	375
Gain on short term investment	(601)	(89)
Provision for doubtful debts	26,060	-
	150,611	68,590
Cash generated from operations before working capital changes	273,359	555,449
Working Capital Changes		
Trade debts	472,364	192,392
Loans and advances	(10,673)	26,732
Trade deposits & short term prepayments	(11,388)	(5,541)
Other receivables	660	(1,544)
Due from related parties	(38,572)	(8,064)
Trade and other payables	326,703	34,105
Cash generated from operations	739,094	238,080
Interest paid	(21,543)	(25,694)
Income taxes paid	(7,681)	(2,989)
Dividend paid	(78,444)	-
Net cash generated from operations	904,785	764,846
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipments purchased	(458,829)	(260,443)
Sales proceeds of fixed asset	6,447	5,066
Intangible assets	(247,979)	(207,930)
Capital work in progress	(140,668)	(49,901)
Gain on investments	601	89
Interest received	5,424	4,967
Net cash (used in) investing activities	(835,004)	(508,152)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	17,815	180
Share deposit money	4,728	-
Share premium	11,437	115
Paid against obligation under finance lease	(29,445)	(17,626)
Received against obligation under finance lease	59,029	24,625
Long term payable	54,404	(8,481)
Net cash generated from / (used in) financing activities	117,968	(1,187)
Net increase in cash and cash equivalents	187,749	255,507
Cash and cash equivalents at the beginning of the period	330,827	138,957
Cash and cash equivalents at the end of the period	518,576	394,464

The annexed notes from 1 to 15 form an integral part of these condensed consolidated interim financial statements.

Chief Executive Officer

Director

Condensed Consolidated Interim Statement of Changes in Equity - Unaudited

For the Half Year Ended December 31, 2013

	Attributable to equity holders of the Parent						Non Controlling Interest	Total Equity
	Issued, subscribed and paid-up capital	Share deposit money	Employee share option compensation reserve	Capital Reserve	Revenue Reserve	Total		
				Share premium	Unappropriated profit			
	Rupees In '000'							
Balance as at June 30, 2012	779,102	13	6,426	273,016	3,984,827	5,043,384	101,736	5,145,120
Total comprehensive income for the period								
Net profit for the half year ended December 31, 2012	-	-	-	-	457,528	457,528	28,067	485,595
Other comprehensive income	-	-	-	-	-	-	-	-
	-	-	-	-	457,528	457,528	28,067	485,595
Shares issued against options exercised (18,000 shares at Rs. 10 each)	180	-	-	-	-	180	-	180
Shares premium on shares issued against options exercised	-	-	-	115	-	115	-	115
Balance as at December 31, 2012	779,282	13	6,426	273,131	4,442,355	5,501,207	129,803	5,631,010
Balance as at June 30, 2013	785,717	13	5,449	278,240	5,159,791	6,229,210	116,777	**6,345,987**
Total comprehensive income for the period								
Net profit for the half year ended December 31, 2013	-	-	-	-	59,687	59,687	59,017	**118,704**
Other comprehensive income	-	-	-	-	-	-	-	-
	-	-	-	-	59,687	59,687	59,017	**118,704**
Share deposit money against options exercised	-	4,728	-	-	-	4,728	-	**4,728**
Shares issued against options exercised (1,781,500 shares at Rs. 10 each)	17,815	-	-	-	-	17,815	-	**17,815**
Amount transferred to share premium on issuance of shares against options exercised (1,781,500 shares at Rs. 1.48 each)	-	-	(2,632)	-	-	(2,632)	-	**(2,632)**
Shares premium on shares issued against options exercised	-	-	-	14,069	-	14,069	-	**14,069**
Distribution to owners								
Final dividend for the year ended June 30, 2013								
- Cash dividend of 10% (Rs. 1 per share)	-	-	-	-	(79,822)	(79,822)	-	**(79,822)**
- Bonus shares issued (10%) one for every ten ordinary shares held	79,822	-	-	-	(79,822)	-	-	**-**
Balance as at December 31, 2013	883,354	4,741	2,817	292,309	5,059,834	6,243,055	175,794	6,418,849

The annexed notes from 1 to 15 form an integral part of these condensed consolidated interim financial statements.

Chief Executive Officer **Director**

Notes to the Condensed Consolidated Interim Financial Statements - Unaudited
For the Half Year Ended December 31, 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

NetSol Group consists of:

- NetSol Technologies Limited
- NetSol Innovation (Private) Limited

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

NetSol Innovation (Private) Limited ("the subsidiary Company" or "Subsidiary") is incorporated in Pakistan as a private limited company in which NetSol Technologies Limited has share holding of 50.52%. The subsidiary company is engaged in business of providing online software development services. The registered office of the Company is situated NetSol IT Village, Lahore Ring Road, Ghazi Road Interchange, Lahore Cantt. Pakistan.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed 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, 2013.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3. ACCOUNTING POLICIES

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

4. USE OF ESTIMATES AND JUDGMENT

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

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

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

In preparing these condensed 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, 2013.

		Dec-13 Unaudited	Jun-13 Audited
		Rupees in '000'	
5. PROPERTY & EQUIPMENT			
Opening Balance - net book value		1,918,099	1,384,544
Additions	5.1	616,912	809,867
		2,535,011	2,194,411
Less:			
Disposals - net book value		(26,408)	(20,516)
Depreciation & amortization		(172,289)	(255,796)
		2,336,314	1,918,099
5.1 Following is the detail of additions:			
Land - freehold		6,000	55,071
Building on freehold land		5,664	39,722
Computers		267,611	258,675
Air conditioners		19,971	2,369
Furniture & fixture		4,488	6,501
Office equipment		919	5,685
Vehicles		18,256	45,719
Generator		-	9,705
Computer software		135,920	265,577
Capital work-in-progress		158,083	120,843
Total		616,912	809,867
6. INTANGIBLE ASSETS			
Opening Balance - net book value		2,873,959	2,501,052
Additions	6.1	252,383	480,842
		3,126,342	2,981,894
Less:			
Amortization		(63,056)	(107,936)
		3,063,286	2,873,958
6.1 Following is the detail of additions:			
Fleet Management System (FMS)		121,781	218,618
Blue Star		120,687	243,190
HMIS		2,385	4,078
Loan Origination System		2,223	5,185
Business Intelligence Scoring Model & Risk Management		5,307	9,771
		252,383	480,842

7. SHARE CAPITAL

7.1 Authorised share capital

Dec-13 Unaudited	Jun-13 Audited			
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

Dec-13 Unaudited	Jun-13 Audited			
Number of shares				
41,184,691	39,403,191	Ordinary Shares of Rs. 10 each fully paid in cash	411,847	394,032
47,150,732	39,168,512	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	471,507	391,685
88,335,423	78,571,703		883,354	785,717

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

During the half year ended December 31, 2013, 1,781,500 shares were issued against employees' share options exercised at Rs. 16.42 per share.

		Dec-13 Unaudited	Jun-13 Audited
		Rupees in '000'	
8.	**RESERVES**		
	Capital reserve		
	Premium on issue of ordinary shares	**292,309**	278,240
	Revenue reserve		
	Un - appropriated profit	**5,059,834**	5,159,791
	Employee share option compensation reserve	**2,817**	5,449
		5,354,960	5,443,480

9. CONTINGENCIES & COMMITMENTS

9.1 Contingencies

There are no contingencies as at December 31, 2013 (June 2013 : nil) to which the Company is a party.

9.2 Commitments

9.2.1 The Company has issued worth Rs. 15.757 million (June 2013 : Rs. 18.636 million) bank guarantees and bid bonds to various customers against sale of software and allied services.

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

		Oct-Dec 2013	Oct-Dec 2012	Jul-Dec 2013	Jul-Dec 2012
		Rupees in '000'		Rupees in '000'	
10.	**REVENUE-NET**				
	Export Revenue				
	License	**-**	189,705	**205,122**	227,545
	Services	**371,490**	461,369	**672,427**	802,794
	Maintenance	**117,958**	117,898	**237,728**	192,844
		489,448	768,972	**1,115,277**	1,223,183
	Local Revenue				
	Services	**5,814**	10,679	**8,828**	12,523
	Maintenance	**1,362**	-	**3,288**	3,677
		7,176	10,679	**12,116**	16,200
	Sales tax	**(1,267)**	(1,229)	**(1,670)**	(1,269)
		495,357	778,422	**1,125,723**	1,238,114

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, 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.

			Jul - Dec 2013	Jul - Dec 2012
			Rupees in '000'	
	Relationship with the Company	**Nature of transactions**		
(i)	Parent	Management fee	**31,904**	28,927
		Dividend paid to parent	**51,222**	-
		Bonus shares issued to parent	**51,222**	-
(ii)	Associated undertaking	Provision of services	**398,930**	255,920
(iii)	Key management personnels	Remuneration of CEO and Directors	**5,015**	4,728
		Received against share options exercised	**3,695**	-
(vi)	Post employment benefit	Contribution to defined contribution plan	**19,614**	13,736

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

13. SEGMENT REVENUES AND RESULTS

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

	Dec-13				
	NFS	IS	SSS	BPO	Total
	Rupees in '000				
Revenue - net					
External sales					
Licence	205,122	-	-	-	**205,122**
Services	388,204	7,158	336	283,887	**679,585**
Maintenance	237,728	-	3,288	-	**241,016**
Inter-segment sales					
Total revenue	831,054	7,158	3,624	283,887	**1,125,723**
Cost of revenue	(584,453)	(25,609)	(30,870)	(148,394)	**(789,326)**
Segment results	246,601	(18,451)	(27,246)	135,493	**336,397**
Unallocated corporate expenses:					
Selling and promotion expenses					**(73,555)**
Administrative expenses					**(261,241)**
Other operating expenses					**(22,466)**
Other income					**148,261**
Finance cost					**(4,648)**
Taxation					**(4,044)**
Profit after taxation					**118,704**

	Dec-12				
	NFS	IS	SSS	BPO	Total
	Rupees in '000				
Revenue - net					
External sales					
Licence	227,545	-	-	-	227,545
Services	587,736	11,165	90	215,057	814,048
Maintenance	192,844	3,677	-	-	196,521
Inter-segment sales					
Total revenue	1,008,125	14,842	90	215,057	1,238,114
Cost of revenue	(344,931)	(57,191)	(85,858)	(79,805)	(567,785)
Segment results	663,194	(42,349)	(85,768)	135,252	670,329
Unallocated corporate expenses:					
Selling and promotion expenses					(56,756)
Administrative expenses					(203,347)
Other operating expenses					(9,936)
Other income					91,609
Finance cost					(5,040)
Taxation					(1,264)
Profit after taxation					485,595

*Key
NFS = NetSol Financial Solutions
IS = Information Security
SSS = Software Services and Solutions
BPO = Business Process Outsourcing

14. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 10, 2014 by the Board of Directors.

15. FIGURES

Figures have been rounded off to the nearest thousand rupee.

Chief Executive Officer **Director**

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

Concept, Design & Printed by: **Al-Imran** www.alimranprinters.com