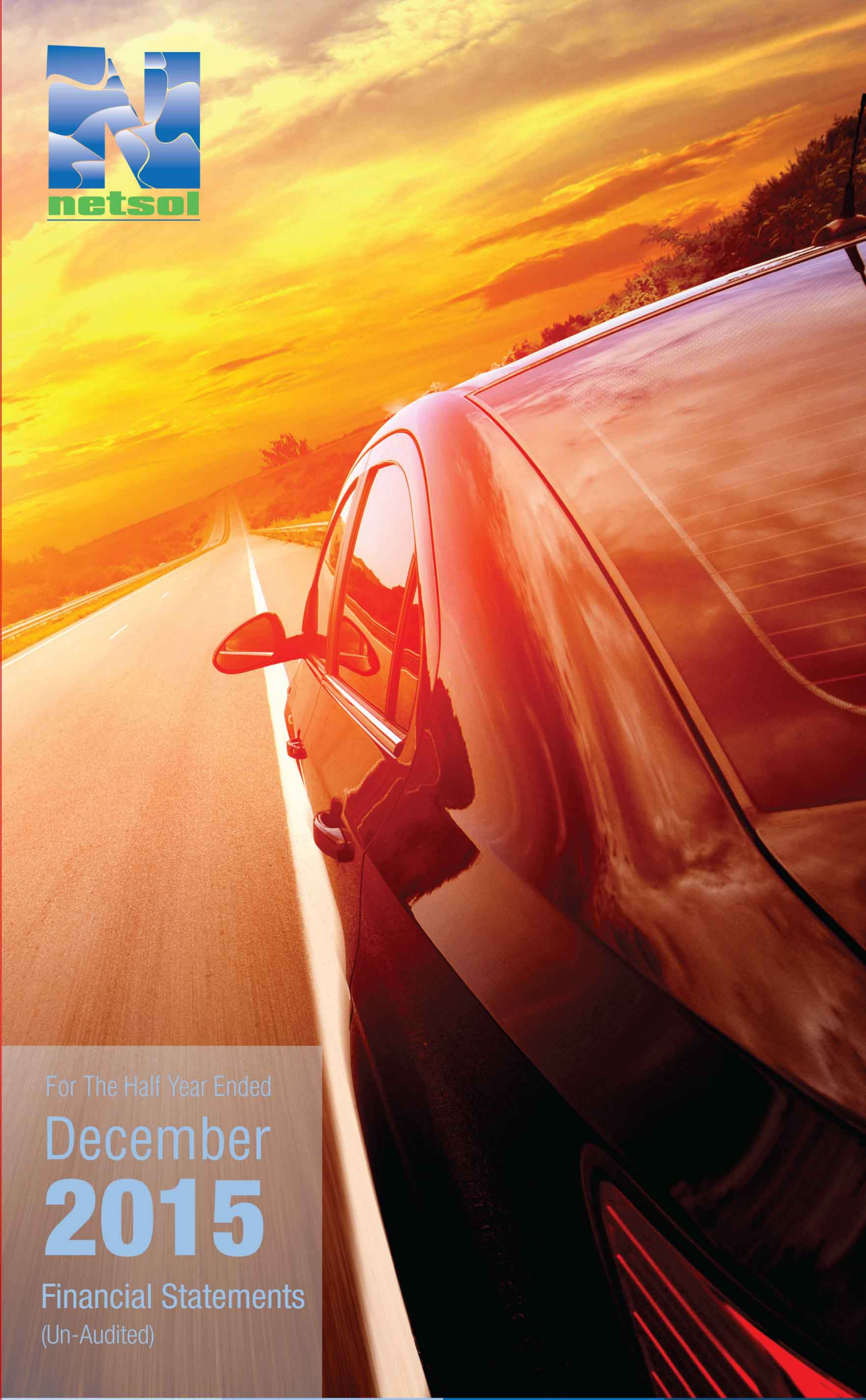

For The Half Year Ended

December 2015

Financial Statements

(Un-Audited)

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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

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

LEGAL ADVISOR

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

BANKERS

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

SHARE REGISTRAR

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

CONTACT DETAILS

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Fax: +92-42-35701046, 35726740

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

WEB PRESENCE

www.netsolpk.com
info@netsolpk.com

Directors' Report

بسم الله الرحمن الرحيم

On behalf of the Board of Directors of NetSol Technologies Limited, I feel pleasure in presenting the half yearly financial statements of the Company together with its consolidated accounts for the period ended December 31, 2015.

GENERAL OVERVIEW

The first half of the fiscal 2016 has demonstrated much improved revenue as well as net margins for the Company. This growth was off the back of some high profile new implementations as well as investments made into personnel and infrastructure in the past few years. China again proved to be an extremely fruitful source of revenue for the Company. We have signed two new contracts with major Chinese companies during this first half of the fiscal year. The deal includes license, business process consultancy, customizations and on-site implementation of the legacy system with the combined value to be more than $3 million. Besides these new contracts, a handsome amount of requests were received from our existing customers for customization and enhancement of the product resulting in additional services revenue for the Company. We expect this trend of enhancements to continue in future. On local front, we also signed a sizeable contract with the foremost telecommunication company of Pakistan, Mobilink, for the installation and deployment of Fortinet Network Security Solution. Fortinet solution offers a comprehensive unified threat management solution for an enterprise network.

The calendar year-end also saw the pivotal and highest valued deal the Company has ever signed. This $100 million plus deal with a long-standing partner, a European automotive giant, is for our latest next-generation platform, NFS Ascent™. The deal includes license, maintenance, services and expected customization fees and will be paid over a period of ten years. It is an upgradation agreement as the customer is already using our legacy system (except for South Africa which a new deployment). The deal constitutes implementation of the system in twelve different countries, namely; Australia, China, Hong Kong, India, Japan, New Zealand, Singapore, South Korea, Taiwan, Thailand, Malaysia and South Africa.

FINANCIAL PERFORMANCE

Comparisons of un-audited consolidated results of the second quarter ended December 31, 2015 with the corresponding period of 2014 as well as cumulative consolidated results for the half year ended December 31, 2015 with those of December 31, 2014 are given below:

	Oct-Dec 2015	Oct-Dec 2014	**Jul-Dec 2015**	Jul-Dec 2014
	Rupees in '000'			
Revenue	**1,098,625**	751,409	**1,969,143**	1,385,208
Gross profit	**464,239**	186,807	**698,584**	275,523
Net profit / (Loss)	**228,979**	(73,224)	**242,616**	(195,247)
EPS/ (LPS) – basic (in Rs.)	**1.93**	(1.09)	**1.62**	(2.84)
EPS/ (LPS) – diluted (in Rs.)	**1.92**	(1.09)	**1.61**	(2.83)
EBITDA per share – diluted (in Rs.)	**4.70**	1.53	**6.96**	2.51

Revenues during the quarter ended December 31, 2015 have improved by 46% compared to the revenues posted in the same quarter of previous fiscal year. In absolute numbers, the Company posted a net consolidated revenue of PKR 1,099 million compared to PKR 751 million in the same quarter of last fiscal year. Major component driving this increase in revenues is the continuous requests from our customers for the enhancement and customization in their systems. In addition to it, revenue from the legacy system implementation at one of the clients in China is also recognized in the current quarter. Certain revenue for the establishment of model office is also part of the overall revenues for the current quarter. Gross profit increased to PKR 464 million compared to PKR 187 million in the corresponding period. Company posted a consolidated net profit of PKR 229 million compared to a net loss of PKR 73 million previous year. Earnings per diluted share were PKR 1.92 in comparison of a loss per share of PKR 1.09 in the corresponding period of last fiscal year. Company posted net EBITDA profit of PKR 4.70 per diluted share compared to an EBITDA profit of PKR 1.53 per share in the corresponding period. On half yearly basis, revenues increased to PKR 1,969 million compared to PKR 1,385 million in the corresponding period. Gross profit improved to PKR 699 million in comparison of PKR 276 million last year. As a percentage of sales, gross profit increased from 20% to 35% during the current period. We posted a net profit of PKR 243 million versus a net loss of PKR 195 million during the same period last year. Diluted earnings per share for the half year ended December 31, 2015 were PKR 1.61 against a diluted loss per share of PKR 2.83 in the corresponding period. Half year EBIDTA profit for the current period was PKR 6.96 compared to PKR 2.51 in the preceding period.

FUTURE OUTLOOK

So far during the current fiscal year all the indicators are quite positive. NFS Ascent™ continues to demonstrate exceptional penetration rate in the developed and developing leasing markets of the world and the Company is committed to pushing its next-generation solution with renewed vigor and effort. In particular the APAC market is very receptive with numerous prospects of new implementation and upgradation opportunities for NFS Ascent™. We are looking forward to continue the momentum gained during the first six month to replicate the efforts that have brought all this success. The quarters ahead hold some interesting new prospects in the form of new leads and networking opportunities through sponsoring key industry events and seminars. In addition to it, we will start recognizing revenue from the already signed $100 million plus deal as the implementation starts. Besides this, we believe that the market for the legacy system still exists and we will try to get all these opportunities capitalized. Our joint venture with the UK based partner, Innovation Group, for providing the BPO services is also running at a steady pace. We are getting continuous demand for skilled resources from our partner and we expect this joint venture to perform steadily well in the years to come.

ACKNOWLEDGEMENT

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

On behalf of the Board

Shahab-ud-Din Ghauri
Chairman

Lahore: February 10, 2016

بِسۡمِ اللّٰہِ الرَّحۡمٰنِ الرَّحِیۡمِ

ڈائریکٹر رپورٹ

مجھے خوشی ہے کہ میں نیٹ سول بورڈ آف ڈائریکٹرز کے توسط سے کمپنی کی ششماہی مالیاتی گوشوارے بشمول مجموعی مالیاتی گوشوارے جو مجموعی طور پر 31 دسمبر 2015ء کو ختم ہونے والے عرصے پر مشتمل ہے، پیش کر رہا ہوں۔

عمومی جائزہ:۔

2016ء کی پہلی مالی ششماہی ظاہر کرتی ہے کہ کمپنی نے محصولات کے ساتھ ساتھ نیٹ مارجن میں بھی خاطر خواہ ترقی کی ہے۔ یہ ترقی ماضی میں کی گئی اعلیٰ سطحی اصلاحات، افرادی قوت اور ادارہ جاتی ڈھانچے میں سرمایہ کاری کی مرہونِ منت ہے، اور کمپنی کے محاصل کے لئے چین ایک بار پھر فائدہ مند ثابت ہوا۔ ہم نے اس پہلی ششماہی کے دوران چین کی بڑی کمپنیوں سے دو نئے معاہدوں پر دستخط کئے ہیں۔ اس معاہدے میں لائسنس، کاروباری مشاورت، اصلاح اور جائے مقام پر Legacy System کا نفاذ، ان سب کی مشترکہ قدر 3 ملین ڈالر سے زائد ہے۔ ان نئے معاہدوں کے علاوہ موجودہ کسٹمرز سے گزارشات کی مد میں ایک کثیر رقم موصول ہوئی جو کہ مصنوعات کی تقویتی اور اصلاح کے نتیجے میں کمپنی کی خدمات کی مد میں حاصل ہونے والی آمدنی میں اضافہ ہوگا۔ ہم امید کرتے ہیں کہ مستقبل میں بھی اضافہ جات کا رجحان جاری رہے گا۔ نجی سطح پر بھی ہم نے پاکستان کی ایک بڑی ٹیلی کمیونیکیشن کمپنی موبی لنک کے ساتھ ایک بڑا معاہدہ کیا ہے۔ اس کے تحت موبی لنک Fortinet Network Security Solution کی انسٹالیشن اور deployment کریں گے۔ ایک انٹرپرائزر کے نیٹ ورک کو خطرات سے محفوظ رکھنے کے لیے بہترین حل فراہم کرے گا۔

کیلنڈر سال کے آخر میں کمپنی نے ایک اِنتہائی اہم معاہدے پر بھی دستخط کیے یہ 100 ملین ڈالر سے زائد کا یہ معاہدہ ایک دیرینہ شراکتی کمپنی Europens Automotive giant جو ہمارے نئے Next-generation پلیٹ فارم NFS Ascent™ کے لئے کیا گیا۔ یہ گویا معاہدے کی تجدید ہے، کسٹمر کی حیثیت سے ہمارے System کو پہلے سے استعمال کر رہے ہیں (سوائے جنوبی افریقہ، جو کہ ایک نئی deployment ہے)۔ اس معاہدے کے تحت اس عمل کا اطلاق ان 12 ممالک پر ہوگا، جن میں آسٹریلیا، چین، ہانگ کانگ، انڈیا، جاپان، نیوزی لینڈ، سنگاپور، جنوبی کوریا، تائیوان، تھائی لینڈ، ملائیشیا اور جنوبی افریقہ شامل ہیں۔

مالی کارکردگی:۔

31 دسمبر 2015ء اور اسی عرصے 2014ء کو ختم ہونے والی دوسری سہ ماہی اور اس کے ساتھ 31 دسمبر 2015ء اور ان کے ساتھ 2014ء کو ختم ہونے والی مالی ششماہی کے غیر آڈٹ شدہ مالی کارکردگی کا مجموعی جائزہ اور موازنہ مندرجہ ذیل ہے۔

	اکتوبر دسمبر **2015**	اکتوبر دسمبر 2014	جولائی دسمبر **2015**	جولائی دسمبر 2014
	روپوں میں '000'			
محصولات	**1,098,625**	751,409	**1,969,143**	1,385,208
خام منافع	**464,239**	186,807	**698,584**	275,523
نقد منافع/(نقصان)	**228,979**	(73,224)	**242,616**	(195,247)
EPS/(LPS)-basic (in Rs)	**1.93**	(1.09)	**1.62**	(2.84)
EPS/(LPS)-diluted (in Rs)	**1.92**	(1.09)	**1.61**	(2.83)
EBITDA/فی حصص diluted (in Rs)	**4.70**	1.53	**6.96**	2.51

31 دسمبر 2015ء کو ختم ہونے والی سہ ماہی کے دوران محصولات کی مد میں پچھلے سال اسی سہ ماہی کے مقابلے میں 46 فیصد اضافہ ہوا۔ مطلقہ اعداد کے مطابق 2014ء میں کمپنی کے مجموعی محصولات 751 ملین روپے درج کئے جب کہ 2015ء میں یہ محصولات بڑھ کر 1,099 ملین روپے ہو گئے۔ ہمارے کسٹمرز کی جانب سے اپنے اصلاحی نظام اور اضافے کے لئے مسلسل گزارشات محصولات میں نمایاں اضافے کا باعث بنا۔ مزید برآں موجودہ سہ ماہی میں Legacy Implenitation System کے اطلاق سے ایک چائینیز کلائنٹ نے نہ صرف اعتماد کا اظہار کیا بلکہ یہ موجودہ سہ ماہی میں محصولات میں اضافے کا باعث بھی ثابت ہوا۔ موجودہ سہ ماہی میں ماڈل دفتر کے قیام کے لئے مخصوص آمدنی جو مجموعی آمدنی کا حصہ ہے۔ اس سہ ماہی میں خام منافع میں اضافہ 464 ملین روپے کے مقابلہ میں گزشتہ سال اسی سہ ماہی میں 187 ملین روپے تھا۔ کمپنی نے مجموعی نقد منافع 229 ملین روپے درج کیا جب کہ پچھلے سال 73 ملین روپے نقد نقصان تھا۔ diluted آمدنی فی حصص 1.92 روپے رہی جب کہ پچھلے مالی سال کے اسی عرصہ میں نقصان فی حصص 1.09 روپے تھا۔ کمپنی نے نقد EBITDA منافع 4.70 روپے فی diluted حصص کے مقابلہ میں اسی مدت میں EBITDA منافع 1.53 روپے فی حصص درج کیا۔ مالی ششماہی بنیاد پر، محصولات میں اضافہ 1,969 ملین روپے کے مقابلہ میں اسی مدت میں 1,385 ملین روپے تھا۔ خام منافع 699 ملین روپے بہتری کے موازنے میں پچھلے سال 276 ملین روپے تھا۔ موجودہ مالی عرصے کے دوران سیلز کی شرع کے مطابق، خام منافع میں اضافہ 20 فیصد سے 35 فیصد رہا۔ کمپنی کا نقد منافع 243 ملین روپے کے مقابلے میں نقد نقصان 195 ملین روپے پچھلے سال اسی مالی عرصے میں درج کیا۔ 31 دسمبر 2015ء کو ختم ہونے والی مالی ششماہی میں diluted آمدنی فی حصص 1.61 روپے کے برعکس diluted نقصان فی حصص 2.83 روپے اسی مالی عرصے میں تھا۔ موجودہ عرصے کے لیے ششماہی نقد EBITDA منافع 6.96 روپے کے مقابلے میں پچھلے عرصے میں 2.51 روپے تھا۔

مستقبل کا نقطہ نظر:۔

اب تک موجودہ مالی سال کے دوران تمام مالی اشارے کافی مثبت ہیں۔ NFS Ascent™ عالمی سطح پر ترقی پزیر لیزنگ مارکیٹ کا نہ صرف غیر معمولی حصہ رہا ہے بلکہ اپنی Next-generation سلیوشن کی شناخت کو پر جوش اور کوشش کے ساتھ نمایاں طور پر بلند رکھے ہوئے ہے۔ خاص طور پر APAC مارکیٹ کی اس بے شمار خصوصیات پر آمادگی NFS Ascent™ کے لیے نئی تکمیل اور ترقی کے مواقع پیدا کرے گا۔ ہم آئندہ منتظر ہیں کہ پہلی ششماہی کے دوران مسلسل اسی رفتار سے ترقی کے حصول کے لئے دوہرائیں گے تاکہ یہ سب کے لئے کامیابی کا باعث بنے۔ اگلی سہ ماہی دلچسپ اور نئے توقعات کی حامل ہے جو کہ نئی ممکنہ ترقی اور نیٹ ورکنگ کے مواقع اہم صنعتی ایونٹ اور سیمینار کے تعاون کے ذریعہ حاصل ہوں گے۔ یہ اصل میں پہلے سے دستخط شدہ 100 ملین ڈالر سے زائد معاہدے سے ہم محاصل کو تسلیم کریں گے۔ اس کے علاوہ، ہمیں یقین ہے کہ Legacy System کے لیے مارکیٹ اب بھی موجود ہے اور ہم ان تمام مواقع سے سرمایہ کاری حاصل کرنے کی کوشش کریں گے۔ ہمارا مشترکہ منصوبہ جو کہ UK بیس پارٹنر Innovation Group کو BPO کے لیے خدمات فراہم کرنا یہ بھی ایک مستحکم رفتار سے چل رہا ہے۔ ہمارے پارٹنر ہم سے ہنر مند افرادی قوت کے لئے مسلسل طلب گار ہیں اور ہم اس مشترکہ منصوبے پر امید رکھتے ہیں کہ آنے والے سالوں میں مسلسل اچھی کارکردگی دکھائے گا۔

اعترافی نوٹ:۔

بورڈ آف ڈائریکٹرز اپنے تمام کاروباری شراکت داروں، مالیاتی حکومتی اداروں اور تمام کسٹمرز کو قدر کی نگاہ سے دیکھتا ہے، ان کی بدولت ہی کمپنی اپنے مطلوبہ مقاصد کے حصول میں ہمیشہ کامیاب و کامران رہی ہے اور ساتھ ہی ساتھ کمپنی اپنے تمام ایگزیکٹو اسٹاف ممبرز کی بھی مشکور ہے جن کی شبانہ روز محنت سے کمپنی ترقی کی راہ پر گامزن ہے۔ ہم امید کرتے ہیں کہ یہ مستقبل میں مسلسل اسی جذبے کو جاری رکھیں گے۔

بورڈ کی طرف سے

شہاب الدین غوری
چیئرمین
لاہور۔ 10 فروری 2016ء

KABANI & COMPANY

CHARTERED ACCOUNTANTS

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of NetSol Technologies Limited as at December 31, 2015 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 accounts for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed 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 the quarters ended December 31, 2015 and 2014 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2015.

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 condensed interim financial information as of and for half year ended December 31, 2015, is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

Kabani & Company
Chartered Accountants
Lahore
Dated: February 10, 2016

Engagement Partner: Younus Kamran

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CONDENSED INTERIM FINANCIAL

Statements

For The Half Year Ended December 31, 2015

Condensed Interim Balance Sheet - Unaudited

As at December 31, 2015

	NOTE	Dec-15 Unaudited	Jun-15 Audited
		Rupees in '000'	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	**2,287,739**	2,412,894
Intangible assets	6	**2,353,647**	2,511,297
Long term investments		**15,188**	15,188
Long term deposits		**1,600**	1,600
		4,658,174	4,940,979
CURRENT ASSETS			
Trade debts	7	**832,476**	448,668
Excess of revenue over billing		**306,504**	367,994
Loans and advances	8	**41,482**	9,308
Trade deposits & short term prepayments		**23,284**	24,082
Other receivables		**38,919**	25,270
Due from related parties		**107,296**	107,508
Taxation - net		**39,877**	36,168
Cash and bank balances		**410,999**	447,595
		1,800,837	1,466,593
TOTAL ASSETS		**6,459,011**	6,407,572
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital (150,000,000 ordinary shares of Rs.10/- each)	9	**1,500,000**	1,500,000
Issued, subscribed and paid-up capital	9	**890,464**	890,464
Share deposit money		**13**	13
Reserves	10	**4,433,918**	4,390,487
		5,324,395	5,280,964
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		**17,173**	20,730
Deferred Income		**3**	10
Long term advances		**1,412**	1,053
		18,588	21,793
CURRENT LIABILITIES			
Trade and other payables		**487,622**	415,556
Unearned revenue		**174,441**	237,995
Short term borrowings		**415,364**	412,645
Current portion of long term liabilities		**38,601**	38,619
		1,116,028	1,104,815
CONTINGENCIES & COMMITMENTS	11	**-**	-
TOTAL EQUITY AND LIABILITIES		**6,459,011**	6,407,572

The annexed notes from 1 to 18 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, 2015

	NOTE	**Oct-Dec 2015**	Oct-Dec 2014	**Jul-Dec 2015**	Jul-Dec 2014
		Rupees in '000'		**Rupees in '000'**	
Revenue - net	12	**873,607**	612,127	**1,547,409**	1,104,665
Cost of revenue		**(533,662)**	(495,628)	**(1,068,430)**	(971,025)
Gross profit		**339,945**	116,499	**478,979**	133,640
Selling and promotion expenses		**(63,081)**	(59,077)	**(107,019)**	(110,136)
Administrative expenses		**(146,124)**	(155,998)	**(298,466)**	(313,581)
Other operating expenses		**(11,518)**	(27,158)	**(20,017)**	(26,412)
Other income		**7,036**	91,767	**15,400**	99,975
Operating Profit / (loss)		**126,258**	(33,967)	**68,877**	(216,514)
Finance cost		**(5,470)**	(2,883)	**(11,221)**	(6,869)
Profit / (Loss) before taxation		**120,788**	(36,850)	**57,656**	(223,383)
Taxation					
Current period	13	**(6,848)**	(6,761)	**(14,225)**	(10,463)
Profit / (loss) after taxation for the period		**113,940**	(43,611)	**43,431**	(233,846)

The annexed notes from 1 to 18 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, 2015

	Oct-Dec 2015	Oct-Dec 2014	**Jul-Dec 2015**	Jul-Dec 2014
	Rupees in '000'		**Rupees in '000'**	
Profit / (loss) after taxation for the period	**113,940**	(43,611)	**43,431**	(233,846)
Other comprehensive income	**-**	-	**-**	-
Total comprehensive income / (loss) for the period	**113,940**	(43,611)	**43,431**	(233,846)

The annexed notes from 1 to 18 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, 2015

	Jul-Dec 2015	Jul-Dec 2014
	Rupees in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation for the period	**57,656**	(223,383)
Adjustments for non cash charges and other items:		
Depreciation - own assets	**186,701**	217,439
Amortization of leased assets	**10,541**	14,204
Amortization of intangible assets	**157,650**	178,635
Loss on disposal of fixed assets	**1,476**	4,754
Amortization of deferred revenue	**(7)**	(12)
Exchange loss on debtors	**18,541**	-
Interest expense	**10,700**	6,497
Interest income	**(6,147)**	(12,695)
Dividend Income	**-**	(77,978)
	379,455	330,844
Cash generated from operations before working capital changes	**437,111**	107,461
working capital changes		
Trade debts	**(404,412)**	135,208
Loans and advances	**(32,174)**	2,716
Trade deposits & short term prepayments	**798**	1,364
Other receivables	**(13,649)**	(6,978)
Due from related parties	**212**	36,166
Trade and other payables	**72,978**	46,347
Cash generated from operations	**(376,247)**	214,823
Interest paid	**(11,772)**	(16,532)
Income taxes paid	**(17,935)**	(19,538)
Dividend paid	**(11)**	-
Net cash generated from operations	**31,146**	286,214
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, Plant and equipments purchased	**(68,908)**	(130,245)
Sales proceeds of fixed asset	**16,321**	5,639
Capital work in progress	**(20,805)**	(35,945)
Interest received	**6,147**	12,695
Net cash (used in) investing activities	**(67,245)**	(147,856)
CASH FLOWS FROM FINANCING ACTIVITIES		
Paid against obligation under finance lease	**(25,577)**	(28,217)
Received against obligation under finance lease	**22,230**	17,407
Long term payable	**-**	(7,424)
Short term borrowing	**2,719**	-
Dividend received	**-**	77,978
Long term advances	**131**	-
Net cash (used in) / generated from financing activities	**(497)**	59,744
Net (decrease) / increase in cash and cash equivalents	**(36,596)**	198,102
Cash and cash equivalents at the beginning of the period	**447,595**	339,858
Cash and cash equivalents at the end of the period	**410,999**	537,960

The annexed notes from 1 to 18 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, 2015

	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, 2014	889,699	13	1,880	297,320	4,277,821	5,466,733
Total comprehensive income for the period						
Net (loss) for the half year ended December 31, 2014	-	-	-	-	(233,846)	(233,846)
Other comprehensive income	-	-	-	-	-	-
	-	-	-	-	(233,846)	(233,846)
Balance as at December 31, 2014	889,699	13	1,880	297,320	4,043,975	5,232,887
Balance as at June 30, 2015	890,464	13	1,767	297,924	4,090,796	**5,280,964**
Total comprehensive income for the period						
Net profit for the half year ended December 31, 2015	-	-	-	-	43,431	**43,431**
Other comprehensive income	-	-	-	-	-	**-**
	-	-	-	-	43,431	**43,431**
Balance as at December 31, 2015	**890,464**	**13**	**1,767**	**297,924**	**4,134,227**	**5,324,395**

The annexed notes from 1 to 18 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, 2015

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-mutualisation of stock exchanges, all these stock exchanges were integrated on January 11, 2016 to form Pakistan Stock Exchange. As a result of this merger, the company is now listed at Pakistan Stock Exchange. The business of the Company is development and sale of computer software and provision of related services in Pakistan as well as abroad. The registered office of the Company is situated NetSol IT Village,(Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore, Pakistan.

The Company is a majority owned subsidiary of NetSol Technologies Inc., USA.

2. BASIS OF PREPARATION

2.1 Separate financial statements

These condensed interim financial statements are separate condensed interim financial statements of the Company. Condensed 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, 2015.

2.3 Basis of measurement

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

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

4. USE OF ESTIMATES AND JUDGMENT

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

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

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

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

	Note	Dec-15 Unaudited	Jun-15 Audited
		Rupees in '000'	
5. PROPERTY, PLANT AND EQUIPMENT			
Net book value of owned assets		**2,165,789**	2,287,271
Net book value of leased assets		**104,716**	101,972
Capital work in progress		**17,234**	23,651
		2,287,739	2,412,894
Opening Balance - net book value		**2,412,894**	2,704,408
Additions	5.1	**98,828**	300,874
		2,511,722	3,005,282
Less:			
Disposals - net book value	5.2	**(26,741)**	(113,068)
Depreciation & amortization		**(197,242)**	(479,320)
Closing Balance		**2,287,739**	2,412,894

5.1 Following is the detail of addition:

	Dec-15	Jun-15
Building on freehold land	**-**	288,183
Furniture & fixture	**5,097**	15,664
Vehicles	**42,335**	26,271
Office equipment	**4,452**	10,523
Computers	**27,165**	126,663
Air conditioners	**1,657**	20,658
Electric fittings	**-**	48,253
Generator	**5,158**	8,500
Leasehold improvements	**19,381**	-
Computer software	**-**	25,540
Capital work-in-progress	**(6,417)**	(269,381)
Total	**98,828**	300,874

5.2 Following is the detail of disposals	**Cost**	**Dec-15 Unaudited Accumulated Depreciation**	**Written Down Value**	Cost	Jun-15 Audited Accumulated Depreciation	Written down Value
			Rupees in '000'			
Land - freehold	-	-	**-**	76,915	-	76,915
Furniture & fixture	60	19	**41**	1,349	705	644
Vehicles	35,596	10,561	**25,035**	46,708	21,917	24,791
Office equipment	8	4	**4**	169	72	97
Computers	6,318	4,657	**1,661**	28,416	21,645	6,771
Air conditioners	-	-	**-**	53	35	18
Computer software	-	-	**-**	32,520	28,688	3,832
Total	**41,982**	**15,241**	**26,741**	186,130	73,062	113,068

	Dec-15 Unaudited	Jun-15 Audited
	Rupees in '000'	
6. INTANGIBLE ASSETS		
Opening Balance - net book value	**2,511,297**	2,868,568
Additions	**-**	-
	2,511,297	2,868,568
Less:		
Amortization	**(157,650)**	(357,271)
Closing balance	**2,353,647**	2,511,297

			Dec-15 Unaudited	Jun-15 Audited
			Rupees in '000'	
7.	**TRADE DEBTS**			
	Considered good - unsecured	7.1	**832,476**	448,668
	Considered doubtful - unsecured	7.2	**48,748**	51,850
			881,224	500,518
	Less: Provision against doubtful recovery		**(48,748)**	(51,850)
			832,476	448,668

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

7.2 The Company has created a general provision for doubtful debts and the management believes that this provision provides sufficient cover for any future bad debts, based on the premise of a minimum bad debt history and a history of generally high recoveries from its debtors.

		Dec-15	Jun-15
8.	**LOANS AND ADVANCES - Unsecured**		
	Considered good		
	Loan to employees	**10,753**	3,096
	Advances		
	- to executives	**1,251**	163
	- against expenses	**29,478**	6,049
		41,482	9,308

9. SHARE CAPITAL

9.1 Authorised share capital

Dec-15 Unaudited	Jun-15 Audited		Dec-15	Jun-15
Number of shares				
150,000,000	150,000,000	Ordinary Shares of Rs. 10/- each.	**1,500,000**	1,500,000

9.2 Issued, subscribed and paid-up capital

Dec-15	Jun-15		Dec-15	Jun-15
41,895,691	41,895,691	Ordinary Shares of Rs. 10/- each fully paid in cash	**418,957**	418,957
47,150,732	47,150,732	Ordinary Shares of Rs. 10/- each issued as fully paid bonus shares	**471,507**	471,507
89,046,423	89,046,423		**890,464**	890,464

NetSol Technologies Inc., 24025 Park Sorrento, Suite 410, Calabasas CA 91302, USA, is the parent of the Company and holds majority of issued capital of the Company.

		Dec-15	Jun-15
10.	**RESERVES**		
	Capital reserve		
	Premium on issue of ordinary shares	**297,924**	297,924
	Revenue reserve		
	Unappropriated profit	**4,134,227**	4,090,796
	Employee share option compensation reserve	**1,767**	1,767
		4,433,918	4,390,487

11. CONTINGENCIES & COMMITMENTS

11.1 Contingencies
There are no contingencies as at December 31, 2015 (June 2015: Nil) to which the Company is a party.

11.2 Commitments

11.2.1 The Company has issued bank guarantees worth Rs. 7.016 million (June 2015: Rs. 6.204 Million) and bid bonds to various customers against sale of software and allied services.

11.2.2 Except as stated above, there is no change in commitments of the Company from June 30, 2015.

		Oct-Dec 2015	Oct-Dec 2014	Jul-Dec 2015	Jul-Dec 2014
		Rupees in '000'		Rupees in '000'	
12.	**REVENUE - NET**				
	Export Revenue				
	License	**48,931**	-	**145,173**	147,465
	Services	**643,888**	448,859	**1,060,545**	667,731
	Maintenance	**175,127**	156,488	**330,626**	280,233
		867,946	605,347	**1,536,344**	1,095,429
	Local Revenue				
	Services	**3,303**	3,808	**7,866**	6,657
	Maintenance	**3,098**	3,756	**6,196**	3,756
		6,401	7,564	**14,062**	10,413
	Sales tax	**(740)**	(784)	**(2,997)**	(1,177)
		873,607	612,127	**1,547,409**	1,104,665

13. TAXATION

Income of the Company from export of computer software and its related services developed in Pakistan is exempt from tax up to Tax Year 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.

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

14.1 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.

14.2 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.

15. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of its holding company, subsidiary, associated undertakings, key management personnel of the company and post employment benefit plans. The Company in its normal course of business carries out transactions with various related parties. The amounts due from and to related parties are included in receivables and payables. Parent, subsidiary and associated undertakings also have some common directorship. Details of transactions with related parties during the period are outlined below:

Relationship with the Company		Nature of transactions	Jul-Dec 2015	Jul-Dec 2014
			Rupees in '000'	
(i)	Parent	Management fee	**-**	30,779
(ii)	Subsidiary	Rental income	**8,646**	8,956
		Provision of services	**3,074**	3,185
		Dividend received	**-**	77,978
		Mark-up income	**38**	412
		Mark-up expense	**4**	147
(iii)	Associated undertaking	Rental income	**600**	300
		Provision of services	**319,342**	155,153
		Purchase of services	**8,033**	2,398
		Purchase of assets	**-**	47,657
(iv)	Key management personnel	Remuneration of CEO and Directors	**8,659**	6,625
		Commission paid to Key Management Personnel	**2,721**	63,014
(v)	Post employment benefit	Contribution to defined contribution plan	**32,817**	23,778

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

16 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparison. During the period following corresponding figures have been reclassified for better presentation

Description	Head of Account in Financial Statements for the period ended June 30, 2015	Head of Account in Financial Statements for the period ended December 31, 2015	Dec-15 Unaudited	Jun-15 Audited
			Rupees in '000'	
Security deposits	Trade deposits and short term prepayments	Long term deposits	**1,600**	1,600

Description	Head of Account in Financial Statements for the period ended December 31, 2014	Head of Account in Financial Statements for the period ended December 31, 2015	Dec-15 Unaudited	Dec-14 Unaudited
			Rupees in '000'	
Research and development cost	Cost of revenue	Administrative expenses	**24,089**	14,963

17. GENERAL

Figures have been rounded off to the nearest thousand of rupees.

18. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 10, 2016 by the Board of Directors.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

CONDENSED CONSOLIDATED INTERIM FINANCIAL Statements

For The Half Year Ended December 31, 2015

Condensed Consolidated Interim Balance Sheet - Unaudited

As at December 31, 2015

	NOTE	**Dec-15 Unaudited**	Jun-15 Audited
		Rupees in '000'	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	**2,350,598**	2,477,636
Intangible assets	6	**2,353,647**	2,511,297
Long term deposits		**1,600**	1,600
		4,705,845	4,990,533
CURRENT ASSETS			
Trade debts	7	**1,402,146**	783,280
Excess of revenue over billing		**306,504**	367,994
Loans and advances	8	**42,211**	10,227
Trade deposits & short term prepayments		**24,268**	24,538
Other receivables		**39,668**	25,464
Due from related parties		**107,296**	111,312
Taxation - net		**40,697**	36,618
Cash and bank balances		**464,357**	514,011
		2,427,147	1,873,444
TOTAL ASSETS		**7,132,992**	6,863,977
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital (150,000,000 ordinary shares of Rs.10/- each)	9	**1,500,000**	1,500,000
Issued, subscribed and paid-up capital	9	**890,464**	890,464
Share deposit money		**13**	13
Reserves	10	**4,732,093**	4,588,036
		5,622,570	5,478,513
Non - controlling Interest		**307,133**	208,574
		5,929,703	5,687,087
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		**21,968**	27,743
Deferred income		**3**	10
Long term advances		**5,687**	2,750
		27,658	30,503
CURRENT LIABILITIES			
Trade and other payables		**542,791**	452,694
Unearned revenue		**174,441**	237,995
Short term borrowings		**415,364**	412,645
Current portion of long term liabilities		**43,035**	43,053
		1,175,631	1,146,387
CONTINGENCIES & COMMITMENTS	11	**-**	-
TOTAL EQUITY AND LIABILITIES		**7,132,992**	6,863,977

The annexed notes from 1 to 20 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, 2015

	NOTE	Oct-Dec 2015	Oct-Dec 2014	Jul-Dec 2015	Jul-Dec 2014
		Rupees in '000'		Rupees in '000'	
Revenue - net	12	**1,098,625**	751,409	**1,969,143**	1,385,208
Cost of revenue		**(634,386)**	(564,602)	**(1,270,559)**	(1,109,685)
Gross profit		**464,239**	186,807	**698,584**	275,523
Selling and promotion expenses		**(63,081)**	(59,077)	**(107,019)**	(110,136)
Administrative expenses		**(147,937)**	(157,656)	**(301,978)**	(317,012)
Other operating expenses		**(14,773)**	(43,412)	**(28,517)**	(40,499)
Other income		**3,198**	9,990	**7,723**	14,441
Operating profit / (loss)		**241,646**	(63,348)	**268,793**	(177,683)
Finance cost		**(5,737)**	(2,929)	**(11,780)**	(6,818)
Profit / (loss) before taxation		**235,909**	(66,277)	**257,013**	(184,501)
Taxation					
Current period	13	**(6,930)**	(6,947)	**(14,397)**	(10,746)
Profit / (loss) after taxation for the period		**228,979**	(73,224)	**242,616**	(195,247)
Attributable to:					
Equity holders of NetSol Technologies Limited		**172,057**	(97,155)	**144,057**	(252,928)
Non - controlling interest		**56,922**	23,931	**98,559**	57,681
		228,979	(73,224)	**242,616**	(195,247)
Profit / (Loss) per share					
Basic - In Rupees	14	**1.93**	(1.09)	**1.62**	(2.84)
Diluted - In Rupees	14	**1.92**	(1.09)	**1.61**	(2.83)

The annexed notes from 1 to 20 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, 2015

	Oct-Dec 2015	Oct-Dec 2014	**Jul-Dec 2015**	Jul-Dec 2014
	Rupees in '000'		**Rupees in '000'**	
Profit/(Loss) after taxation for the period	**228,979**	(73,224)	**242,616**	(195,247)
Other comprehensive income	**-**	-	**-**	-
Total comprehensive income / (loss) for the period	**228,979**	(73,224)	**242,616**	(195,247)
Attributable to:				
Equity holders of NetSol Technologies Limited	**172,057**	(97,155)	**144,057**	(252,928)
Non - controlling interest	**56,922**	23,931	**98,559**	57,681
	228,979	(73,224)	**242,616**	(195,247)

The annexed notes from 1 to 20 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, 2015

	Jul-Dec 2015	Jul-Dec 2014
	Rupees in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation for the period	**257,013**	(184,501)
Adjustments for non cash charges and other items:		
Depreciation - own assets	**192,606**	223,918
Amortization of leased assets	**11,970**	14,204
Amortization of intangible assets	**157,650**	178,635
Loss on disposal of fixed assets	**1,488**	8,221
Amortization of deferred revenue	**(7)**	(12)
Exchange loss on debtors	**27,029**	29,893
Interest expense	**11,207**	6,356
Interest income	**(6,239)**	(12,558)
(Gain) on short term investment	**(869)**	(1,537)
	394,835	447,120
Cash generated from operations before working capital changes	**651,848**	262,619
working capital changes		
Trade debts	**(647,957)**	109,488
Loans and advances	**(31,983)**	8,856
Trade deposits & short term prepayments	**270**	1,050
Other receivables	**(14,204)**	(7,392)
Due from related parties	**4,016**	43,605
Trade and other payables	**91,009**	48,643
Cash (used in) / generated from operations	**(598,849)**	204,250
Interest paid	**(12,279)**	(16,803)
Income taxes paid	**(18,477)**	(19,950)
Dividend paid	**(11)**	(76,372)
Net cash generated from operations	**22,232**	353,744
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipments purchased	**(74,384)**	(148,932)
Sales proceeds of fixed asset	**16,331**	7,420
Capital work in progress	**(20,805)**	(35,945)
Gain on investments	**869**	1,537
Interest received	**6,239**	12,558
Net cash (used in) investing activities	**(71,750)**	(163,362)
CASH FLOWS FROM FINANCING ACTIVITIES		
Paid against obligation under finance lease	**(27,794)**	(28,217)
Received against obligation under finance lease	**22,230**	17,407
Long term payable	**-**	(7,424)
Short term borrowing	**2,719**	-
Long term advances	**2,709**	-
Net cash (used in) from financing activities	**(136)**	(18,234)
Net decrease in cash and cash equivalents	**(49,654)**	172,148
Cash and cash equivalents at the beginning of the period	**514,011**	389,987
Cash and cash equivalents at the end of the period	**464,357**	562,135

The annexed notes from 1 to 20 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, 2015

	Attributable to equity holders of the NetSol Technologies Limited						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, 2014	889,699	13	1,880	297,320	4,417,072	5,605,984	151,491	5,757,475
Net (loss)/ profit for the half year ended December 31, 2014	-	-	-	-	(252,928)	(252,928)	57,681	(195,247)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the peroid	-	-	-	-	(252,928)	(252,928)	57,681	(195,247)
Balance as at December 31, 2014	889,699	13	1,880	297,320	4,164,144	5,353,056	209,172	5,562,228
Balance as at June 30, 2015	890,464	13	1,767	297,924	4,288,345	5,478,513	208,574	**5,687,087**
Net profit for the half year ended December 31, 2015	-	-	-	-	144,057	144,057	98,559	**242,616**
Other comprehensive income	-	-	-	-	-	-	-	**-**
Total comprehensive income for the peroid	-	-	-	-	144,057	144,057	98,559	**242,616**
Balance as at December 31, 2015	**890,464**	**13**	**1,767**	**297,924**	**4,432,402**	**5,622,570**	**307,133**	**5,929,703**

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

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") 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-mutualisation of stock exchanges, all these stock exchanges were integrated on January 11, 2016 to form Pakistan Stock Exchange. As a result of this merger, the Company is now listed at Pakistan Stock Exchange. The business of the Company is development and sale of computer software and provision of related services in Pakistan as well as abroad. The registered office of the Company is situated NetSol IT Village,(Software Technology Park) Lahore Ring Road, Ghazi Road Interchange, Lahore, 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 a 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, Pakistan.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

2.2 Basis of measurement

These condensed consolidated interim financial statements have been prepared under the historical cost convention and follow accrual basis of accounting.

2.3 Functional and presentation currency

These condensed consolidated interim financial statements are presented in Pakistani Rupee, which is the Group’s functional currency as well its presentation currency.

3. ACCOUNTING POLICIES

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

4. USE OF ESTIMATES AND JUDGMENT

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

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

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

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

			Dec-15 Unaudited	Jun-15 Audited
			Rupees in '000'	
5.	**PROPERTY, PLANT & EQUIPMENT**			
	Opening Balance - net book value		**2,477,636**	2,749,862
	Additions	5.1	**104,303**	340,050
			2,581,939	3,089,912
	Less:			
	Disposals - net book value	5.2	**(26,763)**	(118,907)
	Depreciation & amortization		**(204,578)**	(493,369)
			2,350,598	2,477,636

5.1 Following is the detail of additions:

Building on freehold land	**-**	288,183
Furniture & fixture	**5,118**	19,667
Vehicles	**42,334**	45,187
Computers	**32,567**	132,669
Air conditioners	**1,710**	20,658
Office equipment	**4,452**	10,763
Electric fittings	**-**	48,253
Generator	**5,158**	8,500
Leasehold improvements	**19,381**	10,011
Computer software	**-**	25,540
Capital work-in-progress	**(6,417)**	(269,381)
Total	**104,303**	340,050

5.2 Following is the detail of disposals:

	Dec-15 Unaudited			Jun-15 Audited		
	Cost	**Acc. Deprecia-tion**	**Written down Value**	Cost	Acc. Depre-ciation	Written down Value
	Rupees in '000'					
Land - freehold				76,915	-	76,915
Furniture & fixture	**60**	**19**	**41**	2,918	1,314	1,604
Vehicles	**35,596**	**10,561**	**25,035**	48,507	22,982	25,525
Computers	**6,449**	**4,765**	**1,684**	37,231	29,924	7,307
Air conditioners	**-**	**-**	**-**	987	538	449
Office equipment	**8**	**5**	**3**	169	72	97
Leasehold improvements	**-**	**-**	**-**	11,589	9,989	1,600
Computer software	**-**	**-**	**-**	49,846	44,436	5,410
Total	**42,113**	**15,350**	**26,763**	228,162	109,255	118,907

			Dec-15 Unaudited	Jun-15 Audited
			Rupees in '000'	
6.	**INTANGIBLE ASSETS**			
	Opening Balance - net book value		**2,511,297**	2,868,568
	Additions		**-**	-
			2,511,297	2,868,568
	Less:			
	Amortization		**(157,650)**	(357,271)
			2,353,647	2,511,297
7.	**TRADE DEBTS**			
	Considered good - unsecured	7.1	**1,402,146**	783,280
	Considered doubtful - unsecured	7.2	**48,748**	51,850
			1,450,894	835,130
	Less: provision for doubtful debts		**(48,748)**	(51,850)
			1,402,146	783,280

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

7.2 The Company has created a general provision for doubtful debts and the management believes that this provision provides sufficient cover for any future bad debts, based on the premise of a minimum bad debt history and a history of generally high recoveries from its debtors.

		Dec-15 Unaudited	Jun-15 Audited
		Rupees in '000'	
8.	**LOANS AND ADVANCES - Unsecured**		
	Loan to employees - considered good	**10,753**	3,096
	Advances		
	- to employees	**1,252**	227
	- against expenses	**30,206**	6,904
		42,211	10,227

9. SHARE CAPITAL

9.1 Authorised share capital

Dec-15 Unaudited	Jun-15 Audited			
Number of shares				
150,000,000	150,000,000	Ordinary Shares of Rs. 10/- each.	**1,500,000**	1,500,000

9.2 Issued, subscribed & paid-up capital

41,895,691	41,895,691	Ordinary Shares of Rs. 10/- each fully paid in cash	**418,957**	418,957
47,150,732	47,150,732	Ordinary Shares of Rs. 10/- each issued as fully paid bonus shares	**471,507**	471,507
89,046,423	89,046,423		**890,464**	890,464

NetSol Technologies Inc., 24025 Park Sorrento, Suite 410, Calabasas CA 91302, USA, is the parent of the Company and holds majority of issued capital of the Company.

10.	**RESERVES**		
	Capital reserve		
	Premium on issue of ordinary shares	**297,924**	297,924
	Revenue reserve		
	Un - appropriated profit	**4,432,402**	4,288,345
	Employee share option compensation reserve	**1,767**	1,767
		4,732,093	4,588,036

11. CONTINGENCIES & COMMITMENTS

11.1 Contingencies

There are no contingencies as at December 31, 2015 (June 2015: Nil) to which the Company is a party.

11.2 Commitments

11.2.1 The Company has issued worth Rs. 7.016 million (June 2015: Rs. 6.204 Million) bank guarantees and bid bonds to various customers against sale of software and allied services.

11.2.2 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 2015	Oct-Dec 2014	Jul-Dec 2015	Jul-Dec 2014
		Rupees in '000'		Rupees in '000'	
12.	**REVENUE - NET**				
	Export Revenue				
	License	**48,931**	-	**145,173**	147,465
	Services	**868,906**	588,141	**1,482,279**	948,274
	Maintenance	**175,127**	156,488	**330,626**	280,233
		1,092,964	744,629	**1,958,078**	1,375,972
	Local Revenue				
	Services	**3,303**	3,808	**7,866**	6,657
	Maintenance	**3,098**	3,756	**6,196**	3,756
		6,401	7,564	**14,062**	10,413
	Sales tax	**(740)**	(784)	**(2,997)**	(1,177)
		1,098,625	751,409	**1,969,143**	1,385,208

13. TAXATION

Income of the Company from export of computer software and its related services developed in Pakistan is exempt from tax up to Tax Year 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.

14.	EARNING PER SHARE	Oct-Dec 2015	Oct-Dec 2014	Jul-Dec 2015	Jul-Dec 2014
		Rupees in '000'		Rupees in '000'	
	Basic				
	Profit / (loss) after taxation for the period	**172,057**	(97,155)	**144,057**	(252,928)
	Average number of ordinary shares in issue during the period	**89,046**	88,970	**89,046**	88,970
	Basic - In Rupees	**1.93**	(1.09)	**1.62**	(2.84)
	Diluted				
	Profit / (loss) after taxation for the period	**172,057**	(97,155)	**144,057**	(252,928)
	Average number of ordinary shares in issue during the period	**89,555**	89,392	**89,563**	89,355
	Diluted - In Rupee	**1.92**	(1.09)	**1.61**	(2.83)

15. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of its holding company, subsidiary, associated undertakings, key management personnel of the company and post employment benefit plans. The Company in its normal course of business carries out transactions with various related parties. The amounts due from and to related parties are included in receivables and payables. Parent, subsidiary and associated undertakings also have some common directorship. Details of transactions with related parties during the period are outlined below:

Relationship with the Company		Nature of transactions	Jul-Dec 2015	Jul-Dec 2014
			Rupees in '000'	
(i)	Parent	Management fee	**-**	30,779
(ii)	Associated undertaking	Rental Income	**600**	150
		Provision of services	**741,076**	435,695
		Purchase of services	**8,033**	3,889
		Purchase of assets	**-**	47,657
(iii)	Key management personnels	Remuneration of CEO and Directors	**8,659**	6,625
		Commission paid to Key Management Personnel	**2,721**	63,014
(iv)	Post employment benefit	Contribution to defined contribution plan	**38,208**	28,179

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

16. SEGMENT REVENUES AND RESULTS

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

	Dec-15 (Unaudited)			
	NFS	IS	BPO	Total
	Rupees in '000'			
Revenue - net				
External sales				
Licence	145,173	-	-	**145,173**
Services	1,015,510	4,869	466,769	**1,487,148**
Maintenance	330,626	6,196	-	**336,822**
Total revenue	1,491,309	11,065	466,769	**1,969,143**
Cost of revenue	(978,572)	(63,135)	(228,852)	**(1,270,559)**
Segment results	512,737	(52,070)	237,917	**698,584**
Unallocated corporate expenses:				
Selling and promotion expenses				**(107,019)**
Administrative expenses				**(301,978)**
Other operating expenses				**(28,517)**
Other income				**7,723**
Finance cost				**(11,780)**
Taxation				**(14,397)**
Profit after taxation				**242,616**

	Dec-14 (Unaudited)			
	NFS	IS	BPO	Total
	Rupees in '000'			
Revenue - net				
External sales				
Licence	147,465	-	-	147,465
Services	635,254	5,480	312,899	953,754
Maintenance	280,233	3,756	-	283,989
Total revenue	1,062,952	9,236	312,899	1,385,208
Cost of revenue	(883,517)	(67,505)	(158,663)	(1,109,685)
Segment results	179,435	(58,269)	154,236	275,523
Unallocated corporate expenses:				
Selling and promotion expenses				(110,136)
Administrative expenses				(317,012)
Other operating expenses				(40,499)
Other income				14,441
Finance cost				(6,818)
Taxation				(10,746)
(Loss) after taxation				(195,247)

*Key

NFS = NetSol Financial Solutions IS = Information Security and other services

BPO = Business Process Outsourcing

17 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

17.1 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.

17.2 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. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparison. During the period following corresponding figures have been reclassified for better presentation

Description	Head of Account in Financial Statements for the period ended June 30, 2015	Head of Account in Financial Statements for the period ended December 31, 2015	**Dec-15 Unaudited**	Jun-15 Audited
			Rupees in '000'	
Security deposits	Trade deposits and short term prepayments	Long term deposits	**1,600**	1,600

Description	Head of Account in Financial Statements for the period ended December 31, 2014	Head of Account in Financial Statements for the period ended December 31, 2015	**Dec-15 Unaudited**	Dec-14 Unaudited
			Rupees in '000'	
Research and development cost	Cost of revenue	Administrative expenses	**24,089**	14,963

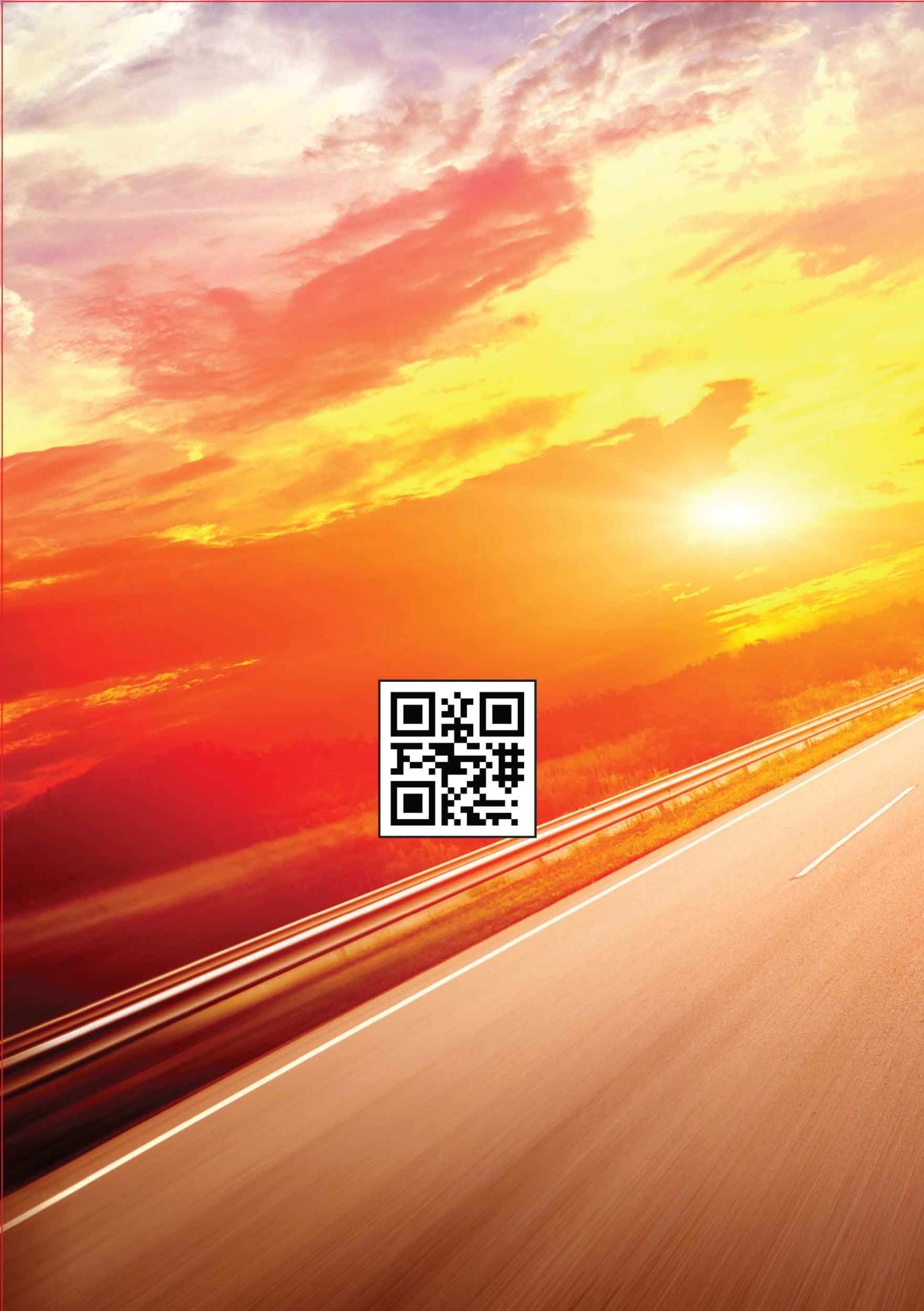
19. GENERAL

Figures have been rounded off to the nearest thousand of rupees.

20. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 10, 2016 by the Board of Directors.

CHIEF EXECUTIVE OFFICER **DIRECTOR**



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printed by: www.bphprinters.com