

NETSOL TECHNOLOGIES LIMITED



**CONSOLIDATED FINANCIAL STATEMENTS
(UN-AUDITED)
FOR THE FIRST QUARTER ENDED
SEPTEMBER 30, 2007**

NETSOL TECHNOLOGIES LIMITED
CONSOLIDATED BALANCE SHEET - UNAUDITED
AS AT SEPTEMBER-30, 2007

NOTES	Sep-07	Jun-07
	Rupees '000'	

ASSETS

FIXED CAPITAL EXPENDITURE

Operating fixed assets	4	411,835	392,688
Intangible assets	5	227,082	197,839
		<u>638,917</u>	<u>590,527</u>

CAPITAL WORK IN PROGRESS

453 -

LONG TERM LOANS & ADVANCES

24,178 27,088

CURRENT ASSETS

Current maturity of long term loans & advances	15,436	12,806
Account receivables	439,605	377,502
Excess of revenue over billing	552,205	499,012
Advances, deposits, prepayments and other receivables	108,096	89,959
Due from related parties	2,814	3,704
Cash & bank balances	130,624	149,683
	<u>1,248,780</u>	<u>1,132,666</u>
	<u>1,912,328</u>	<u>1,750,281</u>

EQUITY & LIABILITIES

SHARE CAPITAL & RESERVES

Authorized Capital		
50,000,000 ordinary shares of Rs.10/- each	500,000	500,000
Issued, subscribed and paid up capital	6	6
40,804,300 ordinary shares of Rs.10/- each	408,043	408,043
Capital reserve	189,470	189,470
Share deposit money	313	313
Un - appropriated profit	863,867	766,087
Minority interest	103,104	84,253
Total shareholders' equity	<u>1,564,797</u>	<u>1,448,166</u>

NON CURRENT LIABILITIES

Liabilities against assets subject to finance lease	10,625	13,031
Long term payable	39,270	39,270.00
Deferred income	1,366	1,713

CURRENT LIABILITIES

Current portion of lease liability	9,314	9,773
Short term financing	120,000	127,500
Creditors, accrued and other liabilities	144,386	94,986
Excess of billing over revenue	16,927	11,778
Provision for taxation	5,643	4,064

CONTINGENCIES & COMMITMENTS

7	-	-
	<u>1,912,328</u>	<u>1,750,281</u>

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
CONSOLIDATED PROFIT & LOSS ACCOUNT - UNAUDITED
FOR THE QUARTER ENDED SEPTEMBER-30, 2007

	NOTES	Sep-07	Sep-06
		Rupees '000'	
Revenue	8	349,873	166,047
Cost of sales		116,510	84,818
Gross profit		233,363	81,229
Operating expenses			
Administrative and general expenses		39,624	23,172
Selling & promotion expenses		26,493	10,993
		66,117	34,165
Operating profit		167,246	47,064
Other income / (expenses)		3,951	7,643
Financial charges		(3,506)	(1,769)
Net profit for the period before taxation		167,691	52,938
Taxation		1,579	608
Net profit for the period		166,112	52,330
Attributable to:			
Equity holders of parent		147,261	46,536
Minority interest		18,851	5,794
		166,112	52,330
Earning per share - basic	9	3.61	1.14
Earning per share - diluted	9	2.96	0.93

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
CONSOLIDATED CASH FLOW STATEMENT - (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER-30, 2007

	Sep-07	Sep-06
	Rupees '000'	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit for the period before tax	167,691	52,938
Add: Non cash charges to income		
Depreciation - own assets	12,070	7,975
Amortization of lease assets	1,555	1,083
Amortization of intangible assets	1,915	1,298
(Gain)/loss on disposal of fixed assets	1,951	761
Amortization of deferred revenue	(347)	(327)
Exchange (gain) / loss on debtors	(3,643)	(1,915)
Interest expense	3,113	1,608
Interest income	(1,405)	(3,651)
	<u>15,209</u>	<u>6,832</u>
<i>Cash flows from operating activities before working capital</i>	182,900	59,770
<i>Decrease / (increase) in current assets & liabilities</i>		
Accounts receivables	(106,319)	(50,197)
Due from related parties	890	(562)
Advances, prepayments and other receivables	(11,607)	7,161
Creditors, accrued and other liabilities	(704)	(3,514)
	<u>(117,740)</u>	<u>(47,112)</u>
<i>Cash generated from operations</i>	(117,740)	(47,112)
Interest paid	(2,489)	(1,553)
Taxes paid	(6,605)	(548)
	<u>56,066</u>	<u>10,557</u>
<i>Net cash flow from operating activities</i>	56,066	10,557
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Property and equipments purchased	(36,805)	(7,479)
Sales proceeds of fixed asset	5	100
Intangible assets	(29,183)	(29,484)
Capital work in progress	(453)	-
Long term employee loan	280	1,138
Interest received	1,396	4,928
	<u>(64,760)</u>	<u>(30,797)</u>
<i>Net cash used in investing activities</i>	(64,760)	(30,797)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Paid against obligation under finance lease	(2,865)	(1,374)
Short term finance	(7,500)	20,000
	<u>(10,365)</u>	<u>18,626</u>
<i>Net cash from financing activities</i>	(10,365)	18,626
<i>Net (decrease) / increase in cash and cash equivalents</i>	(19,059)	(1,614)
<i>Cash and cash equivalents at the beginning of the year</i>	149,683	160,832
<i>Cash and cash equivalents at the end of the period</i>	130,624	159,218

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER-30, 2007

	Attributable to equity holders of the Parent					Minority Interest	Total Equity	
	Share Capital	Share Premium	Share Deposit Money	Retained Earning	Bonus Shares			Total
	Rupees In '000'							
Balance at June 30, 2006	325,165	189,470	313	430,673	29,655	975,276	48,328	1,023,604
Net profit for the quarter ended September 30, 2006	-	-	-	46,536	-	46,536	5,794	52,330
Balance at September 30, 2006	325,165	189,470	313	477,209	29,655	1,021,812	54,122	1,075,934
Net profit for nine months ended June 30, 2007	-	-	-	342,101	-	342,101	30,130	372,231
Bonus shares issued	-	-	-	(53,223)	53,223	-	-	-
Balance at June 30, 2007	325,165	189,470	313	766,087	82,878	1,363,913	84,252	1,448,165
Net profit for the quarter ended September 30, 2007	-	-	-	147,261	-	147,261	18,851	166,112
Dividend declared	-	-	-	(49,480)	-	(49,480)	-	(49,480)
Balance at September 30, 2007	325,165	189,470	313	863,868	82,878	1,461,694	103,103	1,564,797

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
CONSOLIDATED NOTES TO THE ACCOUNTS (UN-AUDITED)

1 STATUS & ACTIVITIES

NetSol Group comprises of:

- NetSol Technologies Ltd
- TiG-NetSol (Pvt) Ltd

NetSol Technologies Limited ("the Company") is incorporated in Pakistan and is listed on Karachi Stock Exchange on August-26, 2005.

TiG-NetSol (Pvt) Ltd ("the Subsidiary") is incorporated in Pakistan as a Private limited company and is 50.52% owned subsidiary of NetSol Technologies Limited.

The Company is engaged in the business of export of computer software and its related services developed in Pakistan. The Subsidiary company is engaged in business of providing online software development services.

2 BASIS OF PREPARATION

2.1 These interim financial statements have been prepared under "Historical Cost Convention" except certain exchange differences which have been incorporated in the cost of relevant assets and are in compliance with the International Accounting Standard (IAS) 34, Interim Financial Reporting.

2.2 These interim financial statements are unaudited and are being submitted to the shareholders as required by Sec 245 of Companies Ordinance 1984

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these 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, 2007

4 Operating Fixed Assets

		Sep-07	Jun-07
		Rupees '000'	
Opening balance (NBV)		392,688	328,749
Additions:	4.1	<u>36,805</u>	<u>130,769</u>
		429,493	459,518
Less:			
Disposals (NBV)		(2,058)	(22,905)
Depreciation		<u>(15,600)</u>	<u>(43,925)</u>
		<u>411,835</u>	<u>392,688</u>

4.1 Following is the detail of addition:

Building		-	350
Computers		7,229	80,024
Air Conditioners		587	328
Furniture & Fixture		205	2,095
Office equipment		93	3,198
Electric fittings		110	-
Vehicles		2,510	11,550
Generator		-	991
Leasehold improvements		-	2186
Software		<u>26,071</u>	<u>30,047</u>
Total		<u>36,805</u>	<u>130,769</u>

5 Intangible Assets

Opening balance (NBV)		197,839	68,203
Additions:	5.1	<u>31,158</u>	<u>134,828</u>
		228,997	203,031
Less:			
Amortization		<u>(1,915)</u>	<u>(5,192)</u>
		<u>227,082</u>	<u>197,839</u>

5.1 Following is the detail of addition:

Inbanking (PTS) Software		-	13,515
LRMIS		8,529	54,169
Net-SMART		9,084	67,144
Fleet Management System (FMS)		7,663	-
Blue Star		5,882	-
Total		<u>31,158</u>	<u>134,828</u>

6 ISSUED, SUBSCRIBED & PAID-UP CAPITAL

Jun-2007	Jun-2006		
(Numbers of shares)			
32,516,482	32,516,482	Ordinary Shares of Rs. 10 each (Jun-2005: 10 each) fully paid in cash	325,165 325,165
8,287,818	2,965,518	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	82,878 82,878
<u>40,804,300</u>	<u>35,482,000</u>		<u>408,043</u> <u>408,043</u>

NetSol Technologies Inc. 24011 Ventura Blvd, Suit No. 101, Calabasas CA 91302, is the parent company holding majority of issued capital of the company.

7 CONTINGENCIES & COMMITMENTS

The company has no contingent liabilities & commitments outstanding as at September-30, 2007 except to the tune of Rs. 39.95/- million (June 30, 2007 Rs. 34.82 million) guarantees issued to various customers against sale of software and allied services.

NETSOL TECHNOLOGIES LIMITED
CONSOLIDATED NOTES TO THE ACCOUNTS (UN-AUDITED)

	Sep-07	Sep-06
	Rupees '000'	
8 REVENUE		
Export Revenue		
License	90,945	54,603
Services	187,674	61,894
Maintenance	13,463	8,482
Local Revenue		
License	-	18,201
Services	56,248	22,780
Maintenance	1,543	87
	349,873	166,047
9 EARNING PER SHARE - BASIC & DILUTED		
Basic		
Profit after taxation for the year	147,261	46,536
Average number of ordinary shares in issue during the period	40,804	40,804
Earning per share basic	3.61	1.14
Diluted		
Profit after taxation for the year	147,261	46,536
Average number of ordinary shares after the effect of 22% bonus shares	49,781	49,781
Earning per share diluted	2.96	0.93

10 SEGMENT REPORTING

	Pakistan		Asia Pacific		Australia & USA		Others		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	R	U	P	E	E	S	i	n	'0	0
Revenue	58,957	42,161	55,565	81,703	166,753	9,638	68,598	32,545	349,873	166,047
Segment result	10,467	19,457	30,029	22,081	90,121	2,605	37,073	8,795	167,690	52,938

10.1 Asia Pacific includes : China, Thailand, Japan, Taiwan & Korea ; Australia & USA includes: Australia, New Zealand & USA Others include Europe & Middle East.

11 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 30, 2007 by the Board of Directors.

12 FIGURES

Figures have been rounded off to the nearest thousand rupee

CHIEF EXECUTIVE

DIRECTOR