

NETSOL TECHNOLOGIES LIMITED
CONSOLIDATED BALANCE SHEET (UN-AUDITED)
AS AT SEPTEMBER-30, 2006

NOTES	Sep-2006	Jun-2006
	Rupees '000'	

ASSETS

FIXED CAPITAL EXPENDITURE

Operating Fixed Assets	4	326,311	328,749
Intangible Assets	5	96,388	68,202
		<u>422,699</u>	<u>396,951</u>

LONG TERM LOANS

	30,727	31,628
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CURRENT ASSETS

Current maturity of long term loans	3,563	3,800
Account receivables - Unsecured	214,969	197,082
Excess of revenue over billing	286,406	251,072
Advances, deposits, prepayments and other receivables	87,515	95,405
Due From related parties	5,590	5,028
Cash & bank balances	159,218	160,832
	757,261	713,219
	<u>1,210,687</u>	<u>1,141,798</u>

EQUITY & LIABILITIES

SHARE CAPITAL & RESERVES

Authorized Capital 50,000,000 ordinary shares of Rs.10/- each		<u>500,000</u>	<u>500,000</u>
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Issued, subscribed and paid up capital 35,482,000 ordinary shares of Rs.10/- each	6	354,820	354,820
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Capital reserve		189,470	189,470
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Share deposit money		313	313
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Un - appropriated profit		477,209	430,673
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Total shareholders' equity		<u>1,021,812</u>	<u>975,276</u>
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MINORITY INTEREST

	54,122	48,328
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NON CURRENT LIABILITIES

Liabilities against assets subject to Finance lease		6,690	7,918
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Deferred Income		2,168	2,495
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CURRENT LIABILITIES

Current portion of lease liability	5,316	5,462
Short term Financing	60,000	40,000
Creditors, accrued and other liabilities	43,612	47,071
Excess of billing over revenue	13,617	12,506
Provision for taxation	3,350	2,742

CONTINGENCIES & COMMITMENTS

	7	125,895	107,781
		-	-
		<u>1,210,687</u>	<u>1,141,798</u>

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
CONSOLIDATED PROFIT & LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER-30, 2006

NOTES	Sep-2006	Sep2005
	Rupees '000'	
Revenue	166,047	140,531
Cost of Sales	84,818	51,848
Gross profit	81,229	88,683
Operating expenses		
Administrative and General Expenses	23,172	17,205
Selling & Promotion Expenses	10,993	7,523
	34,165	24,728
Operating profit	47,064	63,955
Other income / (expenses)	7,643	1,982
Financial charges	(1,769)	(1,523)
Net Profit for the period before taxation	52,938	64,414
Taxation		
Current	608	2,136
Net Profit for the period after taxation before minority interest	52,330	62,278
Minority interest	5,794	8,137
Net Profit for the period after taxation and minority interest	46,536	54,141
Un - appropriated profit brought Forward	430,673	281,686
Un - appropriated profit carried Forward	477,209	335,827
Earning Per Share - Basic & Diluted	8	1.31 1.66

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
SELECTED 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, 2006

4 Operating Fixed Assets

		Sep-2006	Jun-2006
		Rupees '000'	
Opening Balance (NBV)		328,749	234,005
Additions:	4.1	7,480	157,341
		<u>336,229</u>	<u>391,346</u>
Less:			
Disposals		(860)	(17,872)
Depreciation		(9,058)	(44,725)
		<u>326,311</u>	<u>328,749</u>

4.1 Following is the detail of addition:

Land	-	25,476
Building	-	22,112
Computers	3,987	32,064
Air Conditioners	-	3,466
Furniture & Fixture	220	5,500
Office equipment	258	3,436
Electric fittings	-	872
Vehicles	1,106	36,108
Generator	930	8,803
Leasehold improvement	-	2,700
Software	979	16,804
Total		<u>7,480</u>

5 Intangible Assets

Opening Balance (NBV)		68,202	55,441
Additions:	5.1	29,484	16,959
		<u>97,686</u>	<u>72,400</u>
Less:			
Amortization		(1,298)	(4,198)
		<u>96,388</u>	<u>68,202</u>

5.1 Following is the detail of addition:

Knit Info System	-	71
NetSol's Pay Soft	-	1,034
Inbanking (PTS) Software	3,056	15,854
LRMIS	9,406	-
SMART	17,022	-
Total		<u>29,484</u>

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

Sep-2006	Jun-2006
Rupees '000'	

6 ISSUED, SUBSCRIBED & PAID-UP CAPITAL

Sep-2006 (Numbers of shares)	Jun-2006		Sep-2006	Jun-2006
32,516,482	32,516,482	Ordinary Shares of Rs. 10 each (Jun-2005: 10 each) fully paid in cash	325,165	325,165
2,965,518	2,965,518	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	29,655	29,655
35,482,000	35,482,000		354,820	354,820

The Parent Company NetSol Technologies Inc. 24011 Ventura Blvd, Suit No. 101, Calabasas CA 91302, holds 21,496,000 (Jun-2006:21,496,000) ordinary shares of Rs. 10/- each, representing 60.58% (Jun-2006: 60.58%) of the issued capital of the company.

7 CONTINGENCIES & COMMITMENTS

The company has no contingent liabilities & commitments outstanding as at September-30, 2006 except to the tune of Rs. 25.43/- million (June 30, 2006 Rs. 22.38 million) guarantees issued to various customers against sale of software and allied services.

8 EARNING PER SHARE - BASIC & DILUTED

Profit after taxation for the year	46,536	54,141
Average number of ordinary shares in issue during the period	35,482	32,553
Earning per share basic & diluted	1.31	1.66

9 SEGMENT REPORTING

	Asia Pacific			Australia & USA		Others		Total		
	Sep-06 R	Sep-05 U	Sep-05 P	Sep-06 E	Sep-05 E	Sep-06 S	Sep-05 i	Sep-06 '0	Sep-05 0	Sep-05 0'
Revenue	123,057		84,164	9,581	16,442	33,409	39,925	166,047		140,531
Segment result	39,232		38,578	3,055	7,537	10,652	18,300	52,939		64,415

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

10 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October _____, 2006 by the Board of Directors.

11 FIGURES

Figure have been rearranged and reclassified to give the retrospective effect of merger of NetSol (Private) Limited under IAS 22 "Business Combination" for the purpose of comparison.

Figures have been rounded off to the nearest thousand rupee

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER-30, 2006

	2006	2005
	Rupees in '000'	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit for the period before tax	52,938	64,414
Add: Non cash charges to income		
Depreciation - own assets	7,975	5,095
Amortization of lease assets	1,083	923
Amortization of intangible assets	1,298	1,368
(Gain)/Loss on disposal of fixed assets	761	
Amortization of Deferred revenue	(327)	(591)
Exchange (gain) / loss on debtors	(1,915)	817
Interest	432	243
Bad debts		
	<u>9,307</u>	<u>7,855</u>
<i>Cash flows from operating activities before working capital</i>	<u>62,245</u>	<u>72,269</u>
 <i>Decrease / (increase) in current assets & liabilities</i>		
Accounts receivables	(50,197)	(66,824)
Due from related parties	(562)	(184)
Advances, prepayments and other receivables	8,438	(28,926)
Creditors, accrued and other liabilities	(3,459)	(22,043)
	<u>(45,780)</u>	<u>(117,977)</u>
<i>Cash generated from operations</i>	<u>(45,780)</u>	<u>(117,977)</u>
Interest paid	(432)	(243)
Taxes paid	(548)	(3,954)
	<u>15,485</u>	<u>(49,905)</u>
<i>Net cash flow from operating activities</i>	<u>15,485</u>	<u>(49,905)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Property and equipments purchased	(7,479)	(37,320)
Sales proceeds of fixed asset	100	
Capital Work in Progress	-	(859)
Intangible assets	(29,484)	(3,278)
Long term employee loan	1,138	0
	<u>(35,725)</u>	<u>(41,457)</u>
<i>Net cash flow from investing activities</i>	<u>(35,725)</u>	<u>(41,457)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Issuance of share capital	-	99,820
Share deposit money	-	450
Share premium	-	129,470
Paid against obligation under capital lease	(1,374)	(1,155)
Received against obligation under capital lease	-	4,597
Short term finance	20,000	(7,734)
	<u>18,626</u>	<u>225,448</u>
<i>Net cash flow from financing activities</i>	<u>18,626</u>	<u>225,448</u>
<i>Net (decrease) / increase in cash and cash equivalents</i>	<u>(1,614)</u>	<u>134,086</u>
 <i>Cash and cash equivalents at the beginning of the year</i>	<u>160,832</u>	<u>49,315</u>
<i>Cash and cash equivalents at the end of the period</i>	<u>159,218</u>	<u>183,401</u>

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, 2006

	Share Capital	Share Premium	Share Deposit Money	Retained Earning	Bonus Shares	Total Equity
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Balance at June 30, 2005	225,345	60,000	-	289,199	29,655	604,199
Net profit for quarter ended September 30, 2005	-	-	-	54,141	-	54,141
Share deposit money received	-	-	313	-	-	313
Shares issued against IPO	99,820	-	-	-	-	99,820
Share premium on IPO	-	129,470	-	-	-	129,470
Balance at September 30, 2005	325,165	189,470	313	343,340	29,655	887,943
Net profit for nine months ended June 30, 2006	-	-	-	87,333	-	87,333
Balance at June 30, 2006	325,165	189,470	313	430,673	29,655	975,276
Net profit for quarter ended September 30, 2006	-	-	-	46,536	-	46,536
Balance at September 30, 2006	325,165	189,470	313	477,209	29,655	1,021,812

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR