

**CONSOLIDATED BALANCE SHEET (UN-AUDITED)
AS AT SEPTEMBER-30, 2005**

NOTES	SEP-2005 Rupees in '000'	JUN-2005 Rupees in '000'
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ASSETS

FIXED CAPITAL EXPENDITURE

Operating Fixed Assets	4	266,938	234,005
Capital Work In Progress	5	8,714	7,855
Intangible Assets		68,824	66,565
		<u>344,476</u>	<u>308,425</u>

LONG TERM LOANS

40,428 40,428

CURRENT ASSETS

Account receivables - Unsecured		165,766	161,504
Excess of revenue over billing		177,640	117,302
Short term investment		140,000	-
Advances, deposits, prepayments and other receivables		82,537	49,657
Due from related parties		3,055	2,871
Cash & bank balances		56,797	49,315
		625,795	380,649
		<u>1,010,699</u>	<u>729,002</u>

EQUITY & LIABILITIES

SHARE CAPITAL & RESERVES

Authorized Capital 50,000,000 ordinary shares of Rs.10/- each		500,000	500,000
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Issued, subscribed and paid up capital 35,482,000 ordinary shares of Rs.10/- each	6	354,820	255,000
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Capital reserve	7	189,470	60,000
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Share deposit money	8	450	-
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Un - appropriated profit		356,048	301,907
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Total shareholders' equity		<u>900,788</u>	<u>616,907</u>
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Minority Interest		33,790	25,653
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NON CURRENT LIABILITIES

Liabilities against assets subject to finance lease		4,264	1,928
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Deferred Income		2,464	742
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CURRENT LIABILITIES

Current portion of lease liability		4,208	3,101
Short term financing		27,662	22,000
Creditors, accrued and other liabilities		26,760	49,136
Excess of billing over revenue		7,477	8,886
Provision for taxation		3,286	1,150
		69,393	84,273

CONTINGENCIES & COMMITMENTS

9 - -

1,010,699 729,003

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

**CONSOLIDATED PROFIT & LOSS ACCOUNT (UN-AUDITED)
FOR THE FIRST QUARTER ENDED SEPTEMBER-30, 2005**

NOTES	SEP-2005 Rupees in '000'	SEP-2004 Rupees in '000'
Revenue	140,531	65,760
Cost of Sales	51,848	22,448
Gross profit	<u>88,683</u>	43,312
Operating expenses		
Administrative and General Expenses	<u>17,197</u>	8,342
Selling & Promotion Expenses	<u>7,531</u>	1,876
	<u>24,728</u>	10,218
Operating profit	<u>63,955</u>	33,094
Other income / (expenses)	<u>1,982</u>	1,205
Financial charges	<u>(1,523)</u>	(926)
Net Profit for the period before tax	<u>64,414</u>	33,372
Taxation	<u>2,136</u>	-
Net Profit for the period after tax and before minority interest	<u>62,278</u>	33,372
Minority interest	<u>8,137</u>	-
Net Profit for the period after tax and minority interest	<u>54,141</u>	33,372
Un - appropriated profit brought forward	<u>301,907</u>	150,902
Un - appropriated profit carried forward	<u>356,048</u>	184,274
Earning Per Share - Basic & Diluted	<u>11</u>	<u>1.66</u>
		166.86

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

SELECTED NOTES TO THE CONSOLIDATED ACCOUNTS (UN-AUDITED)

1 STATUS & ACTIVITIES

The NetSol Group consists of:

- NetSol Technologies Ltd
- NetSol (Pvt) 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.

NetSol (Pvt) Ltd ("the Subsidiary") is incorporated in Pakistan as a Private limited company and is a wholly owned subsidiary company of NetSol Technologies Ltd.

TiG-NetSol (Pvt) Ltd ("the Sub-subsidiary") is incorporated in Pakistan as a Private limited company and is a subsidiary of NetSol (Pvt) Ltd with a share holding of 51%, as a result subsidiary of NetSol Technologies Ltd.

The Company is engaged in the business of export of computer software and its related services developed in Pakistan. The Subsidiary is engaged in the business of computer software development & related services provided in Pakistan. The Sub-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

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, 2005

4 Operating Fixed Assets

	SEP-2005	JUN-2005
	Rupees in '000'	Rupees in '000'
Opening Balance (NBV)	234,004	98,486
Additions:	37,321	144,213
	<u>271,325</u>	<u>242,699</u>
Less:		
Disposals	-	(202)
Depreciation	(4,387)	(20,346)
	<u>266,938</u>	<u>222,151</u>

Note 4.1

4.1 Following is the detail of addition:

Land	23,975	703
Building	0	111,475
Computers	7,142	18,010
Air Conditioners	938	1,629
Furniture & Fixture	576	2,928
Office equipment	1,245	3,200
Electric fittings	152	4,009
Vehicles	1,317	419
Software	1,976	2,223
Generator	-	(383)
Total	<u>37,321</u>	<u>144,213</u>

5 Intangible Assets

Opening Balance (NBV)	55,441	36,625
Additions:	3,389	13,490
	<u>58,830</u>	<u>50,115</u>
Less:		
Amortization	(1,129)	(3,507)
	<u>57,701</u>	<u>46,608</u>

6 ISSUED, SUBSCRIBED & PAID-UP CAPITAL

SEP-2005	JUN-2005		SEP-2005	JUN-2005
(Numbers of shares)				
32,516,482	22,534,482	Ordinary Shares of Rs. 10 each (Jun-2005: 10 each) fully paid in cash	325,165	225,345
2,965,518	2,965,518	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	29,655	29,655
<u>35,482,000</u>	<u>25,500,000</u>		<u>354,820</u>	<u>255,000</u>

The Parent Company NetSol Technologies Inc. 24011 Ventura Blvd, Suit No. 101, Calabasas CA 91302, holds 21,496,000 (Jun-2005:21,496,000) ordinary shares of Rs. 10/- each, representing 60.58% (Jun-2005: 84%) of the issued capital of the company.

SELECTED NOTES TO THE CONSOLIDATED ACCOUNTS (UN-AUDITED)

SEP-2005	JUN-2005
Rupees in '000'	Rupees in '000'

7 CAPITAL RESERVES

Share Premium	189,470	60,000
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Total Rs. 209.73/- Million was charged on account of premium on issuance of 13,982,000 ordinary shares of Rs. 10/- each @ premium of Rs. 15/- per share. This account has been adjusted for expenses directly attributable to the IPO of the company.

8 SHARE DEPOSIT MONEY

From general public	450	-
	450	-

This represents amount received from general public for issuance of shares which is confiscated by the company due to duplication of application. The case has been referred to SECP for further decision.

9 CONTINGENCIES & COMMITMENTS

The company has no contingent liabilities and commitments outstanding as at September 30, 2005. (Jun-2005: Nil)

10 CASH & CASH EQUIVALENTS

Cash and bank balances	56,797	2,100
Short term investments	140,000	-
Running finance	(13,396)	(5,000)
	183,401	(2,900)

SEP-2005	SEP-2004
Rupees in '000'	Rupees in '000'

11 EARNING PER SHARE - BASIC & DILUTED

Profit after taxation for the year	54,141	33,372
Average number of ordinary shares in issue during the year	32,553	200
Earning per share basic & diluted	1.66	166.86

12 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October - 15, 2005 by the Board of Directors.

13 FIGURES

Comparative figures relating to balance sheet are of previous year and that of profit & loss and cash flow are of corresponding quarter of previous year.

Figure have been rearranged and reclassified wherever necessary for the purpose of comparison. However, no material rearrangement is made in those accounts.

Figures have been rounded off to the nearest thousand ruppee

CHIEF EXECUTIVE

DIRECTOR

**CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE FIRST QUARTER ENDED SEPTEMBER-30, 2005**

NOTES	SEP-2005	SEP-2004
	Rupees in '000'	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit / (loss) for the period	64,414	33,372
Add: Non cash charges to income		
Depreciation - own assets	5,095	2,094
Amortization of lease assets	923	564
(Gain)/Loss on disposal of fixed assets	-	36
Amortization of development cost	1,368	625
Amortization of Deferred revenue	(591)	(93)
Exchange (gain) / loss on debtors	817	(1,142)
	7,612	2,084
<i>Cash flows from operating activities before working capital</i>	72,026	35,456
 <i>Decrease / (increase) in current assets & liabilities</i>		
Accounts receivables	(65,415)	(27,778)
Due from related parties	(184)	(44)
Advances, prepayments and other receivables	(32,880)	(10,458)
Excess of billing over revenue	(1,409)	(2,785)
Creditors, accrued and other liabilities	(22,043)	(13,375)
	(121,931)	(54,440)
<i>Cash generated from operations</i>	(121,931)	(54,440)
 <i>Net cash inflow / (outflow) from operating activities</i>	(49,905)	(18,984)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Property and equipments purchased	(37,321)	(11,520)
Sales proceeds of fixed asset	-	5,202
Capital Work in Progress	(859)	(277)
Intangible assets	(3,278)	(1,407)
Long Term Loan	-	(5,861)
	(41,458)	(13,863)
<i>Net cash inflow / (outflow) from investing activities</i>	(41,458)	(13,863)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Issuance of share capital	99,820	-
Share deposit money	450	6,100
Share premium	129,470	-
Received against obligation under capital lease	3,443	5,136
Short term finance	(7,734)	(675)
	225,449	10,561
<i>Net cash inflow / (outflow) from financing activities</i>	225,449	10,561
 <i>Net (decrease) / increase in cash and cash equivalents</i>	134,086	(22,286)
 <i>Cash and cash equivalents at the beginning of the year</i>	49,315	19,386
 <i>Cash and cash equivalents at the end of the period</i>	183,401	(2,900)

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The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE FIRST QUARTER ENDED SEPTEMBER-30, 2005**

	Share Capital Rupees in '000'	Share Premium Rupees in '000'	Share Deposit Money Rupees in '000'	Foreign Currency Translation Rupees in '000'	Retained Earning Rupees in '000'	Bonus Shares Rupees in '000'	Total Equity Rupees in '000'
Balance at June 30, 2004	2,000	-	174,081	(9,468)	150,902	-	317,515
Net profit for the quarter ended Sep 30, 2004	-	-	-	-	33,372	-	33,372
Share deposit money received	-	-	9,530	-	-	-	9,530
Adjustment of foreign currency translation	-	-	-	(3,430)	-	-	(3,430)
Balance at September 30, 2004	2,000	-	183,611	(12,898)	184,274	-	356,987
Net profit for nine months ended June 30, 2005	-	-	-	-	160,186	-	160,186
Share deposit money received	-	-	-	-	-	-	-
Share issued against share deposit money	183,315	-	(183,315)	-	-	-	-
Right shares issued	30	-	-	-	-	-	30
Bonus shares issued	-	-	-	-	(29,655)	29,655	-
Pre IPO Shares issued	40,000	-	-	-	-	-	40,000
Share premium on Pre IPO	-	60,000	-	-	-	-	60,000
Adjustment of foreign currency translation	-	-	(296)	12,898	(12,898)	-	(296)
Balance at June 30, 2005	225,345	60,000	-	-	301,907	29,655	616,907
Net profit for quarter ended September 30, 2005	-	-	-	-	54,141	-	54,141
Share deposit money received	-	-	450	-	-	-	450
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	450	-	356,048	29,655	900,788

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR