

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

NOTES	Sep-06	Jun-06
	Rupees '000'	

ASSETS

FIXED CAPITAL EXPENDITURE

Operating Fixed Assets	4	304,823	307,788
Intangible Assets	5	96,388	68,202
		<u>401,211</u>	<u>375,990</u>

LONG TERM INVESTMENTS

15,188 15,188

LONG TERM LOANS

30,727 31,628

CURRENT ASSETS

Current maturity of long term loans	3,563	3,800
Account receivables - Unsecured	183,315	150,765
Excess of revenue over billing	286,406	251,072
Advances, deposits, prepayments and other receivables	86,293	93,786
Due From related parties	3,318	5,109
Cash & bank balances	98,094	127,276
	<u>660,989</u>	<u>631,808</u>
	<u>1,108,115</u>	<u>1,054,614</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		437,134	396,516
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Total shareholders' equity		<u>981,737</u>	<u>941,119</u>
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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	36,454	43,191
Excess of billing over revenue	13,617	12,506
Provision for taxation	2,133	1,923
	<u>117,520</u>	<u>103,082</u>

CONTINGENCIES & COMMITMENTS

	7	-	
		<u>1,108,115</u>	<u>1,054,614</u>

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

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

NOTES	Sep-06	Sep-05
	Rupees '000'	
Revenue	136,569	120,487
Cost of Sales	65,902	46,289
Gross profit	70,667	74,198
Operating expenses		
Administrative and General Expenses	22,978	17,044
Selling & Promotion Expenses	10,993	7,523
	33,971	24,567
Operating profit	36,696	49,631
Other income / (expenses)	5,898	2,177
Financial charges	(1,766)	(1,522)
Net Profit for the period before taxation	40,828	50,286
Taxation		
Current	210	2,136
Net Profit for the period after taxation	40,618	48,150
Un - appropriated profit brought Forward	396,516	281,686
Translation loss on share deposit money		
Un - appropriated profit carried Forward	437,134	329,836
Earning Per Share - Basic & Diluted	8	1.14
		1.48

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

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

1 STATUS & ACTIVITIES

NetSol Technologies Limited incorporated in Pakistan on August-22, 1996 under the Companies Ordinance, 1984 as a private company limited by shares was later converted into Public Limited Company on November-05, 2004. Now the company has been listed on Karachi Stock Exchange on August 26, 2005. The business of the Company is export of computer software and its related services developed in Pakistan.

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-06	Jun-06
		Rupees '000'	
Opening Balance (NBV)		307,788	222,845
Additions:	4.1	5,591	140,564
		<u>313,379</u>	<u>363,409</u>
Less:			
Disposals		(860)	(17,872)
Depreciation		(7,695)	(37,749)
		<u>304,824</u>	<u>307,788</u>

4.1 Following is the detail of addition:

Land	-	25,476
Building	-	22,112
Computers	3,096	26,139
Air Conditioners	-	3,056
Furniture & Fixture	152	5,024
Office equipment	258	2,496
Electric fittings	-	872
Vehicles	1,106	32,624
Generator	-	8,803
Software	979	13,962
Total	<u>5,591</u>	<u>140,564</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>	<u>16,959</u>

6 ISSUED, SUBSCRIBED & PAID-UP CAPITAL

Jun-2006	Jun-2005			
(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
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>35,482,000</u>		<u>354,820</u>	<u>354,820</u>

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.

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

Sep-06	Sep-05
Rupees '000'	

8 EARNING PER SHARE - BASIC & DILUTED

Profit after taxation for the year	<u>40,618</u>	<u>48,150</u>
Average number of ordinary shares in issue during the period	<u>35,482</u>	<u>32,553</u>
Earning per share basic & diluted	<u>1.14</u>	<u>1.48</u>

9 SEGMENT REPORTING

	Asia Pacific			Australia & USA		Others		Total			
	Sep-06		Sep-05	Sep-06	Sep-05	Sep-06	Sep-05	Sep-06	Sep-05		
	R	U	P	E	E	S	i	n	'0	0	0'
Revenue		123,868	97,185	9,642	18,989	3,059		4,313	136,569		120,487
Segment result		37,030	40,560	2,882	7,925	915		1,801	40,827		50,286

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

	Sep-06	Sep-05
	Rupees '000'	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit for the period before tax	40,828	50,282
Add: Non cash charges to income		
Depreciation - own assets	6,613	4,160
Amortization of lease assets	1,082	923
Amortization of intangible assets	1,298	1,129
(Gain)/Loss on disposal of fixed assets	761	-
Amortization of Deferred revenue	(327)	(591)
Exchange (gain) / loss on debtors	(1,232)	356
Interest	432	243
Bad debts		
	<u>8,627</u>	<u>6,220</u>
<i>Cash flows from operating activities before working capital</i>	49,455	56,502
<i>Decrease / (increase) in current assets & liabilities</i>		
Accounts receivables	(65,541)	(68,185)
Due from related parties	1,791	(60)
Advances, prepayments and other receivables	7,917	(29,975)
Short term investment	-	-
Creditors, accrued and other liabilities	(6,737)	(22,214)
	<u>(62,570)</u>	<u>(120,434)</u>
<i>Cash generated from operations</i>	(62,570)	(120,434)
Interest paid	(432)	(243)
Taxes paid	(424)	(62)
	<u>(13,971)</u>	<u>(64,237)</u>
<i>Net cash flow from operating activities</i>	(13,971)	(64,237)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Property and equipments purchased	(5,591)	(33,356)
Sales proceeds of fixed asset	100	-
Capital Work in Progress	-	(859)
Intangible assets	(29,484)	(3,278)
Long Term Investment	-	-
Long Term Loan	1,138	-
	<u>(33,837)</u>	<u>(37,493)</u>
<i>Net cash flow from investing activities</i>	(33,837)	(37,493)
<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>	18,626	225,448
<i>Net (decrease) / increase in cash and cash equivalents</i>	(29,182)	123,718
<i>Cash and cash equivalents at the beginning of the year</i>	127,276	30,962
<i>Cash and cash equivalents at the end of the period</i>	<u>98,094</u>	<u>154,680</u>

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
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
	Rupees In '000'					
Balance at June 30, 2005	225,345	60,000	-	281,686	29,655	596,686
Net profit for quarter ended September 30, 2005	-	-	-	48,150	-	48,150
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	329,836	29,655	874,439
Net profit for nine months ended June 30, 2006	-	-	-	66,680	-	66,680
Balance at June 30, 2006	325,165	189,470	313	396,516	29,655	941,119
Net profit for quarter ended September 30, 2006	-	-	-	40,618	-	40,618
Balance at September 30, 2006	325,165	189,470	313	437,134	29,655	981,737

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR