

**NETSOL TECHNOLOGIES LIMITED**  
**CONSOLIDATED BALANCE SHEET (UN-AUDITED)**  
**AS AT MARCH-31, 2006**

NOTES	MAR-2006 Rupees in '000'	JUNE-2005 Rupees in '000'
-------	-----------------------------	------------------------------

**ASSETS**

**FIXED CAPITAL EXPENDITURE**

Operating Fixed Assets	4	316,240	234,005
Capital Work In Progress		8,262	7,855
Intangible Assets	5	76,590	66,565
		<u>401,092</u>	<u>308,425</u>

**LONG TERM LOANS**

40,428 40,428

**CURRENT ASSETS**

Account receivables - Unsecured		186,201	161,504
Excess of revenue over billing		205,262	117,302
Short term investment	6	90,000	-
Advances, deposits, prepayments and other receivables		80,010	49,657
Due from related parties		5,610	2,871
Cash & bank balances		94,203	49,315
		<u>661,286</u>	<u>380,650</u>
		<u>1,102,806</u>	<u>729,503</u>

**EQUITY & LIABILITIES**

**SHARE CAPITAL & RESERVES**

<b>Authorized Capital</b> 50,000,000 ordinary shares of Rs.10/- each		<u>500,000</u>	<u>500,000</u>
<b>Issued, subscribed and paid up capital</b> 35,482,000 ordinary shares of Rs.10/- each	7	354,820	255,000
<b>Capital reserve</b>	8	189,470	60,000
<b>Share deposit money</b>	9	350	-
<b>Un - appropriated profit</b>		400,212	301,907
<b>Total shareholders' equity</b>		<u>944,852</u>	<u>616,907</u>

**NON CURRENT LIABILITIES**

<b>Minority interest</b>		46,648	25,653
Liabilities against assets subject to finance lease		2,605	1,928
Deferred Income		1,949	742

**CURRENT LIABILITIES**

Current portion of lease liability		3,273	3,101
Short term financing		45,363	22,000
Creditors, accrued and other liabilities		35,705	49,136
Provision for taxation		4,441	1,150
Excess of billing over revenue		17,970	8,886
		<u>106,752</u>	<u>84,273</u>
<b>CONTINGENCIES &amp; COMMITMENTS</b>	10		
		<u>1,102,806</u>	<u>729,503</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 HALF YEAR ENDED DECEMBER-31, 2006**

NOTES	For the 3rd Quarter		Cumulative	
	Jan-Mar 2006	Jan-Mar 2005	Jul-Mar 2006	Jul-Mar 2005
	Rupees in '000'	Rupees in '000'	Rupees in '000'	Rupees in '000'
<b>Revenue</b>	<b>152,778</b>	110,717	<b>410,160</b>	285,481
<b>Cost of Sales</b>	<b>75,380</b>	49,455	<b>187,104</b>	95,366
Gross profit	<b>77,398</b>	61,262	<b>223,056</b>	190,115
<b>Operating expenses</b>				
Administrative and General Expenses	<b>23,975</b>	18,386	<b>66,531</b>	40,242
Selling & Promotion Expenses	<b>18,705</b>	6,769	<b>39,317</b>	11,589
	<b>42,680</b>	25,155	<b>105,848</b>	51,831
<b>Operating profit</b>	<b>34,718</b>	36,107	<b>117,208</b>	138,284
Other income / (expenses)	<b>2,653</b>	-273	<b>9,417</b>	1,393
Financial charges	<b>1,343</b>	1,535	<b>3,984</b>	3,299
<b>Net profit for the period before tax and minority interest</b>	<b>36,028</b>	34,299	<b>122,641</b>	136,378
<b>Taxation</b>	<b>782</b>	28	<b>3,336</b>	28
<b>Net profit for the period after tax and before minority interest</b>	<b>35,246</b>	34,271	<b>119,305</b>	136,350
<b>Minority interest</b>	<b>6,174</b>	1,317	<b>21,000</b>	1,317
<b>Net profit for the period after tax and minority interest</b>	<b>29,072</b>	32,954	<b>98,305</b>	135,033
Un - appropriated profit brought forward	<b>371,140</b>	210,428	<b>301,907</b>	150,902
Translation loss on Share deposit money				-12,898
<b>Profit available for appropriation</b>	<b>400,212</b>	243,382	<b>400,212</b>	273,037
<b>Appropriation:</b>				
Bonus Shares	-	-	-	-29,655
Un - appropriated profit carried forward	<b>400,212</b>	243,382	<b>400,212</b>	243,382
<b>Earning Per Share - Basic &amp; Diluted</b>	<b>1.02</b>	1.57	<b>3.55</b>	6.23

*The annexed notes form an integral part of these accounts.*

CHIEF EXECUTIVE

DIRECTOR

**NETSOL TECHNOLOGIES LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR NINE MONTHS ENDED MARCH-31, 2006**

	MAR-2006 Rupees in '000'	MAR-2005 Rupees in '000'
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Profit for the period before tax and minority interest	122,641	136,378
Add: Non cash charges to income		
Depreciation - own assets	25,210	9,183
Amortization of lease assets	2,688	1,654
(Gain )/Loss on disposal of fixed assets	2,256	36
Amortization of development cost	3,387	2,378
Amortization of Deferred revenue	(773)	(278)
Exchange (gain) / loss on debtors	753	(996)
Interest	769	798
Bad debts	1,593	-
	<b>35,883</b>	<b>12,775</b>
<b><i>Cash flows from operating activities before working capital</i></b>	<b>158,524</b>	<b>149,153</b>
<b><i>Decrease / (increase) in current assets &amp; liabilities</i></b>		
Accounts receivables	(113,913)	(177,464)
Due from related parties	(2,739)	(909)
Advances, prepayments and other receivables	(30,353)	(34,854)
Excess of billing over revenue	9,084	7,118
Short term investment	(90,000)	-
Creditors, accrued and other liabilities	(13,431)	3,683
	<b>(241,352)</b>	<b>(202,426)</b>
<b><i>Cash generated from operations</i></b>	<b>(241,352)</b>	<b>(202,426)</b>
Taxes Paid	(1,125)	(2,734)
Interest paid	(769)	(798)
Staff retirement benefits paid	(452)	-
<b><i>Net cash flow from operating activities</i></b>	<b>(84,722)</b>	<b>(56,805)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Property and equipments purchased	(112,372)	(38,343)
Sales proceeds of fixed asset	873	2,685
Capital Work in Progress	(407)	29,775
Intangible assets	(12,335)	(27,329)
Long Term Loan	-	111
	<b>(124,241)</b>	<b>(33,101)</b>
<b><i>Net cash flow from investing activities</i></b>	<b>(124,241)</b>	<b>(33,101)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Issuance of share capital	99,820	223,345
Share deposit money	350	(177,513)
Capital Reserve	129,470	60,000
Paid against obligation under capital lease	(3,749)	(2,744)
Received against obligation under capital lease	4,597	5,990
Short term finance	23,363	788
	<b>253,851</b>	<b>109,866</b>
<b><i>Net cash flow from financing activities</i></b>	<b>253,851</b>	<b>109,866</b>
<b><i>Net (decrease) / increase in cash and cash equivalents</i></b>	<b>44,888</b>	<b>19,960</b>
<b><i>Cash and cash equivalents at the beginning of the year</i></b>	<b>49,315</b>	<b>24,386</b>
<b><i>Cash and cash equivalents at the end of the period</i></b>	<b>94,203</b>	<b>44,346</b>

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 NINE MONTHS ENDED MARCH-31, 2006**

	Share Capital	Share Premium	Share Deposit Money	Foreign Currency Translation Rupees In '000'	Retained Earning	Bonus Shares	Total Equity
<b>Balance at June 30, 2004</b>	2,000	-	174,081	(9,468)	150,902	-	317,515
Net profit for nine months ended Mar 31, 2005	-	-	-	-	135,033	-	135,033
Share deposit money received	-	-	15,255	-	-	-	15,255
Shares issued against share deposit money	183,315	-	(183,315)	-	-	-	0
Right shares issued	30	-	-	-	-	-	30
Bonus shares issued	-	-	-	-	(29,655)	29,655	0
Pre IPO Shares issued	40,000	-	-	-	-	-	40,000
Share premium on Pre IPO	-	60,000	-	-	-	-	60,000
Transferred to inter company loan	-	-	(9,451)	-	-	-	(9,451)
Adjustment of foreign currency translation	-	-	3,430	9,468	(12,898)	-	-
<b>Balance at March 31, 2005</b>	225,345	60,000	-	-	243,382	29,655	558,382
Net profit for three months ended June 30, 2005	-	-	-	-	58,525	-	58,525
<b>Balance at June 30, 2005</b>	225,345	60,000	-	-	301,907	29,655	616,907
Net profit for nine months ended March 31, 2006	-	-	-	-	98,305	-	98,305
Share deposit money received	-	-	350	-	-	-	350
Share deposit money returned	-	-	-	-	-	-	-
Shares issued against IPO	99,820	-	-	-	-	-	99,820
Share premium on IPO	-	129,470	-	-	-	-	129,470
<b>Balance at March 31, 2006</b>	325,165	189,470	350	-	400,212	29,655	944,852

*The annexed notes form an integral part of these accounts.*

**CHIEF EXECUTIVE**

**DIRECTOR**

**NETSOL TECHNOLOGIES LIMITED**  
**SELECTED NOTES TO THE CONSOLIDATED 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

**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**

MAR-2006	JUNE-2005
Rupees in '000'	Rupees in '000'

Opening Balance (NBV)		234,005	98,486
Additions:	4.1	112,372	159,221
		<u>346,377</u>	<u>257,707</u>
Less:			
Disposals		(3,149)	-202
Depreciation		<u>-26,988</u>	<u>-23,500</u>
		<u><u>316,240</u></u>	<u><u>234,005</u></u>

**4.1 Following is the detail of addition:**

Land	33,395	703
Building	7,355	111,475
Computers	16,246	24,134
Air Conditioners	1,925	2,166
Furniture & Fixture	2,939	3,864
Office equipment	3,234	3,335
Electric fittings	392	4,009
Vehicles	27,273	995
Software	15,938	2,223
Generator	3,675	(386)
Lease hold improvements		6,703
<b>Total</b>	<u><u>112,372</u></u>	<u><u>159,221</u></u>

**5 Intangible Assets:**

Opening Balance (NBV)	55,442	40,307
Additions:	13,412	18,642
	<u>68,854</u>	<u>58,949</u>
Less:		
Amortization	-3,387	-3,507
	<u>65,467</u>	<u>55,442</u>
Goodwill on consolidation	11,123	11,123
	<u><u>76,590</u></u>	<u><u>66,565</u></u>

**6 SHORT TERM INVESTMENT**

This amount represents the placement of funds in term deposits with different banks.

**7 ISSUED, SUBSCRIBED & PAID-UP CAPITAL**

MAR-2006	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><u>35,482,000</u></u>	<u><u>25,500,000</u></u>		<u><u>354,820</u></u>	<u><u>255,000</u></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.

**8 CAPITAL RESERVES**

Share Premium	8.1	<u><u>189,470</u></u>	60,000
8.1	Total premium of Rs. 209.73/- Million was charged 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.		

**9 SHARE DEPOSIT MONEY**

From general public	9.1	<u><u>350</u></u>	-
9.1	This represents amount received from general public for issuance of shares which is confiscated by the company due to duplication of applications. The case has been referred to SECP for further decision. Originally this amount was Rs. 450,000/- out of which Rs. 100,000/- has been refunded as per directions of SECP.		

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

**10 CONTINGENCIES & COMMITMENTS**

The company has no commitments outstanding as at March 31, 2006. However, NetSol (Private) Limited (the subsidiary company) has given bank guarantees of Rs. 17,587,938/- to various customers against sale of softwares and allied services.

For the 3rd Quarter		Cumulative	
Jan-Mar 2006	Jan-Mar 2005	Jul-Mar 2006	Jul-Mar 2005
Rupees in '000'	Rupees in '000'	Rupees in '000'	Rupees in '000'

**11 EARNING PER SHARE - BASIC & DILUTED**

Profit after taxation for the year	<b>36,028</b>	34,299	<b>122,641</b>	136,378
Average number of ordinary shares in issue during the period	<b>35,482</b>	21,900	<b>34,498</b>	21,900
Earning per share basic & diluted	<b>1.02</b>	1.57	<b>3.55</b>	6.23

**12 SEGMENT REPORTING**

	Asia Pacific		Australia & USA		Others		Total	
	Mar-06	Mar-05	Mar-06	Mar-05	Mar-06	Mar-05	Mar-06	Mar-05
RUPEES IN THOUSAND								
QUARTERLY RESULTS								
Revenue	<b>121,509</b>	61,565	<b>2,457</b>	39,988	<b>28,812</b>	9,164	<b>152,778</b>	110,717
Segment result	<b>23,122</b>	19,057	<b>468</b>	12,378	<b>5,483</b>	2,836	<b>29,073</b>	34,271
NINE MONTHS RESULTS								
Revenue	<b>296,694</b>	175,772	<b>30,287</b>	62,185	<b>83,179</b>	47,524	<b>410,160</b>	285,481
Segment result	<b>71,110</b>	83,951	<b>7,259</b>	29,700	<b>19,936</b>	22,699	<b>98,305</b>	136,350

**13 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on April -28, 2006 by the Board of Directors.

**14 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 rupee

**CHIEF EXECUTIVE**

**DIRECTOR**