

**NETSOL TECHNOLOGIES LIMITED**  
**CONSOLIDATED BALANCE SHEET - UNAUDITED**  
**AS AT SEPTEMBER-30, 2008**

NOTES	Sep-08	Jun-08
	Rupees '000'	

**ASSETS**

**NON CURRENT ASSETS**

Property & equipments	4	582,995	556,474
Intangible assets	5	475,709	435,688
		<u>1,058,704</u>	<u>992,162</u>

**CAPITAL WORK IN PROGRESS**

14,995      14,988

**LONG TERM LOANS & ADVANCES**

1,420      7,390

**CURRENT ASSETS**

Trade debts	777,811	574,231
Current maturity of long term loans & advances	14,830	14,997
Excess of revenue over billing	889,126	741,634
Advances, deposits, prepayments and other receivables	117,327	159,637
Due from related parties	2,664	2,911
Cash & bank balances	61,354	147,807
	<u>1,871,469</u>	<u>1,641,217</u>

**TOTAL ASSETS**

2,946,588      2,655,757

**EQUITY & LIABILITIES**

**SHARE CAPITAL & RESERVES**

<b>Authorized Capital</b>			
150,000,000 ordinary shares of Rs.10/- each		<u>1,500,000</u>	<u>800,000</u>
<b>Issued, subscribed and paid up capital</b>	6	597,375	597,375
<b>Share deposit money</b>		313	313
<b>Reserves</b>	7	1,698,530	1,479,668
<b>Minority interest</b>		111,878	91,610
<b>Total shareholders' equity</b>		<u>2,408,096</u>	<u>2,168,966</u>

**NON CURRENT LIABILITIES**

Liabilities against assets subject to finance lease	14,900	18,092
Long term payable	39,214	39,214
Deferred income	2,189	2,482

**CURRENT LIABILITIES**

Current portion of lease liability	14,390	14,759
Short term financing	200,000	200,000
Creditors, accrued and other liabilities	165,839	179,763
Excess of billing over revenue	32,540	23,331
Dividend payable	59,737	-
Provision for taxation	9,683	9,150

**CONTINGENCIES & COMMITMENTS**

8      -      -

**TOTAL EQUITY AND LIABILITIES**

2,946,588      2,655,757

*The annexed notes form an integral part of these financial statements.*

CHIEF EXECUTIVE

DIRECTOR

**NETSOL TECHNOLOGIES LIMITED**  
**CONSOLIDATED PROFIT & LOSS ACCOUNT - UNAUDITED**  
**FOR THE QUARTER ENDED SEPTEMBER-30, 2008**

	NOTES	Sep-08 Rupees '000'	Sep-07
<b>Revenue</b>	9	460,309	349,873
Cost of sales		207,993	116,510
<b>Gross profit</b>		252,316	233,363
<b>Operating expenses</b>			
Administrative expenses		62,695	39,624
Selling & promotion expenses		23,192	26,493
		85,887	66,117
<b>Operating profit</b>		166,429	167,246
Other income / (expenses)		138,251	3,951
Financial cost		(5,281)	(3,506)
<b>Net profit for the period before taxation</b>		299,399	167,691
Taxation		532	1,579
<b>Net profit for the period</b>		298,867	166,112
<b>Attributable to:</b>			
Equity holders of parent		278,599	147,261
Minority interest		20,268	18,851
		298,867	166,112
<b>Earning per share</b>	10		
Basic		4.66	2.47
Diluted		3.89	2.05

*The annexed notes form an integral part of these financial statements.*

**CHIEF EXECUTIVE**

**DIRECTOR**

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

**1 STATUS & ACTIVITIES**

NetSol Group comprises of:

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

The company is involved in the business 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 presented to the shareholders as required by Sec 245 of Companies Ordinance 1984

**3 ACCOUNTING POLICIES**

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, 2008

**4 Operating Fixed Assets**

		Sep-08	Jun-08
		Rupees '000'	
Opening Balance (NBV)		556,474	392,688
Additions:	4.1	<u>63,478</u>	<u>271,413</u>
		619,952	664,101
Less:			
Disposals (NBV)		(12,275)	(23,367)
Depreciation		<u>(24,682)</u>	<u>(84,260)</u>
		<u>582,995</u>	<u>556,474</u>

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

Land	56,197	26,500
Computers	5,621	147,082
Air Conditioners	558	2,396
Furniture & Fixture	237	3,357
Office equipment	588	10,232
Electric fittings	-	177
Vehicles	-	8,964
Generator	-	5,015
Software	277	67,690
<b>Total</b>	<u>63,478</u>	<u>271,413</u>

**5 Intangible Assets**

Opening Balance (NBV)		435,688	197,839
Additions:	5.1	<u>44,115</u>	<u>243,972</u>
		479,803	441,811
Less:			
Amortization		(4,094)	(6,123)
		<u>475,709</u>	<u>435,688</u>

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

LRMIS	-	17,657
SMART	5,579	63,913
Fleet Management System (FMS)	16,995	44,643
Blue Star	19,455	88,626
HMIS	701	8,483
Loan Origination System	545	14,000
Business Intelligence Scoring Model & Risk Management	840	6,650
<b>Total</b>	<u>44,115</u>	<u>243,972</u>

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

Sep-08	Jun-08
Rupees '000'	

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

Sep-08 (Numbers of shares)	Jun-08		Sep-08	Jun-08
32,516,482	32,516,482	Ordinary Shares of Rs. 10 each fully paid in cash	325,165	325,165
27,221,013	27,221,013	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	272,210	272,210
<b>59,737,495</b>	<b>59,737,495</b>		<b>597,375</b>	<b>597,375</b>

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 RESERVES**

<b>Capital reserve</b>				
Premium on issue of ordinary shares			189,470	189,470
<b>Revenue reserve</b>				
Un - appropriated profit			1,509,060	1,290,198
			<b>1,698,530</b>	<b>1,479,668</b>

**8 CONTINGENCIES & COMMITMENTS**

The company has no contingent liabilities & commitments outstanding as at September-30, 2008 except to the tune of Rs. 19.30/- million (June 30, 2008 Rs. 32.38 million) guarantees issued to various customers against sale of software and allied services.

Sep-08	Sep-07
Rupees '000'	

**9 REVENUE**

<b>Export Revenue</b>				
License			141,773	90,945
Services			292,335	187,674
Maintenance			18,501	13,463
<b>Local Revenue</b>				
License			1,350	-
Services			5,044	56,248
Maintenance			1,306	1,543
			<b>460,309</b>	<b>349,873</b>

**10 EARNING PER SHARE**

<b>Basic</b>				
Profit after taxation for the year			278,599	147,261
Average number of ordinary shares in issue during the period			59,737	59,737
Earning per share			4.66	2.47
<b>Diluted</b>				
Profit after taxation for the year			278,599	147,261
Average number of ordinary shares in issue during the period			71,685	71,685
Earning per share			3.89	2.05

**11 SEGMENT REPORTING**

	Pakistan		Asia Pacific		Australia & USA		Others		Total		
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	
	R	U	P	E	E	S	i	n	'0	0	0'
Revenue		7,700	58,957	240,516	55,565	38,291	166,753	173,801	68,598	460,308	349,873
Segment result		(2,973)	7,154	160,680	30,662	25,581	92,020	116,111	37,855	299,399	167,691

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

**12 TAXATION**

Income of the Company from export of computer software and its related services developed in Pakistan is exempt from tax up to 2016 as per clause 133 of the Second Schedule to the Income Tax Ordinance, 2001. However tax as per applicable rates is charged to the income of the company generated from local business activities.

**13 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on October 30, 2008 by the Board of Directors.

**14 FIGURES**

Figures have been rounded off to the nearest thousand rupee

CHIEF EXECUTIVE

DIRECTOR

**NETSOL TECHNOLOGIES LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT - UNAUDITED**  
**FOR THE QUARTER ENDED SEPTEMBER-30, 2008**

	Sep-08	Sep-07
	Rupees '000'	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Profit for the period before tax	299,399	167,691
Add: Non cash charges to income		
Depreciation - own assets	18,749	12,070
Amortization of leased assets	2,922	1,555
Amortization of intangible assets	4,094	1,915
(Gain )/loss on disposal of fixed assets	12,276	1,951
Amortization of deferred revenue	(293)	(347)
Exchange (gain) / loss on debtors	(148,940)	(3,643)
Interest expense	4,895	3,113
Interest income	(390)	(1,405)
Unrealized gain on short term investment	(393)	-
	<b>(107,080)</b>	<b>15,209</b>
<b><i>Cash flows from operating activities before working capital</i></b>	<b>192,319</b>	<b>182,900</b>
<b><i>Decrease / (increase) in current assets &amp; liabilities</i></b>		
Trade debts	(189,006)	(106,319)
Due from related parties	247	890
Advances, prepayments and other receivables	43,799	(11,607)
Short term investment	(7,964)	0
Creditors, accrued and other liabilities	(15,856)	(704)
	<b>(168,780)</b>	<b>(117,740)</b>
<b><i>Cash generated from operations</i></b>	<b>(168,780)</b>	<b>(117,740)</b>
Interest paid	(2,963)	(2,489)
Taxes paid	(1,489)	(6,605)
	<b>19,087</b>	<b>56,066</b>
<b><i>Net cash flow from operating activities</i></b>	<b>19,087</b>	<b>56,066</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Property and equipments purchased	(63,478)	(36,805)
Sales proceeds of fixed asset	-	5
Intangible assets	(41,104)	(29,183)
Capital work in progress	(7)	(453)
Long term employee loan	2,400	280
Interest received	390	1,396
	<b>(101,799)</b>	<b>(64,760)</b>
<b><i>Net cash used in investing activities</i></b>	<b>(101,799)</b>	<b>(64,760)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Paid against obligation under finance lease	(3,741)	(2,865)
Short term finance	-	(7,500)
	<b>(3,741)</b>	<b>(10,365)</b>
<b><i>Net cash from financing activities</i></b>	<b>(3,741)</b>	<b>(10,365)</b>
<b><i>Net (decrease) / increase in cash and cash equivalents</i></b>	<b>(86,453)</b>	<b>(19,059)</b>
<b><i>Cash and cash equivalents at the beginning of the year</i></b>	<b>147,807</b>	<b>149,683</b>
<b><i>Cash and cash equivalents at the end of the period</i></b>	<b>61,354</b>	<b>130,624</b>

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**NETSOL TECHNOLOGIES LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - UNAUDITED**  
**FOR THE QUARTER ENDED SEPTEMBER-30, 2008**

	Attributable to equity holders of the Parent					Total	Minority Interest	Total Equity
	Share Capital	Share Premium	Share Deposit Money	Retained Earnings	Bonus Shares			
	<b>R u p e e s I n ' 0 0 0 '</b>							
<b>Balance at June 30, 2007</b>	325,165	189,470	313	766,087	82,878	1,363,913	84,253	1,448,166
Net profit for the quarter ended September 30, 2007				147,261		147,261	18,851	166,112
Dividend paid	-	-	-	-		-	(49,480)	(49,480)
<b>Balance at September 30, 2007</b>	325,165	189,470	313	913,348	82,878	1,511,174	53,624	1,564,798
Net profit for nine months ended June 30, 2008				566,182		566,182	37,986	604,168
Bonus shares issued	-	-	-	(189,332)	189,332	-		-
<b>Balance at June 30, 2008</b>	325,165	189,470	313	1,290,198	272,210	2,077,356	91,610	2,168,966
Net profit for the quarter ended September 30, 2008				278,599		278,599	20,268	298,867
Dividend declared				(59,737)		(59,737)		(59,737)
<b>Balance at September 30, 2008</b>	325,165	189,470	313	1,509,060	272,210	2,296,218	111,878	2,408,096

*The annexed notes form an integral part of these financial statements.*

CHIEF EXECUTIVE

DIRECTOR