

**NETSOL TECHNOLOGIES LIMITED**  
**CONSOLIDATED BALANCE SHEET (UN-AUDITED)**  
**AS AT MARCH-31, 2007**

NOTES	Mar-07	Jun-06
	Rupees '000'	

**ASSETS**

**FIXED CAPITAL EXPENDITURE**

Operating Fixed Assets	4	346,043	328,749
Intangible Assets	5	152,290	68,202
		<u>498,333</u>	<u>396,951</u>

**LONG TERM LOANS**

24,375 31,628

**CURRENT ASSETS**

Current maturity of long term loans		2,950	3,800
Account receivables - Unsecured		335,124	197,082
Excess of revenue over billing		437,572	251,072
Advances, deposits, prepayments and other receivables		87,492	95,405
Due From related parties		7,071	5,028
Cash & bank balances		100,348	160,832
		<u>970,557</u>	<u>713,219</u>
		<u>1,493,265</u>	<u>1,141,798</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>	6	354,820	354,820
35,482,000 ordinary shares of Rs.10/- each			
<b>Capital reserve</b>		189,470	189,470
<b>Share deposit money</b>		313	313
<b>Un - appropriated profit</b>		678,777	430,673
<b>Total shareholders' equity</b>		<u>1,223,380</u>	<u>975,276</u>

**LONG TERM LOAN**

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**MINORITY INTEREST**

68,372 48,328

**NON CURRENT LIABILITIES**

Liabilities against assets subject to Finance lease		7,899	7,918
Deferred Income		2,283	2,495

**CURRENT LIABILITIES**

Current portion of lease liability		6,522	5,462
Short term Financing		95,000	40,000
Creditors, accrued and other liabilities		60,566	47,071
Excess of billing over revenue		22,656	12,506
Provision for taxation		6,587	2,742

191,331 107,781

**CONTINGENCIES & COMMITMENTS**

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1,493,265 1,141,798

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

CHIEF EXECUTIVE

DIRECTOR

**NETSOL TECHNOLOGIES LIMITED**  
**CONSOLIDATED PROFIT & LOSS ACCOUNT (UN-AUDITED)**  
**FOR NINE MONTHS ENDED MARCH-31, 2007**

NOTES	For the 3rd Quarter		Cumulative		
	Jan-Mar 2007	Jan-Mar 2006	Jul - Mar 2007	Jul - Mar 2006	
Rupees '000'					
<b>Revenue</b>	<b>8</b>	<b>317,062</b>	<b>152,778</b>	<b>737,468</b>	<b>410,160</b>
Cost of Sales		<b>148,767</b>	<b>75,380</b>	<b>341,573</b>	<b>187,104</b>
<b>Gross profit</b>		<b>168,295</b>	<b>77,398</b>	<b>395,895</b>	<b>223,056</b>
<b>Operating expenses</b>					
Administrative and General Expenses		<b>36,574</b>	23,986	<b>86,154</b>	66,551
Selling & Promotion Expenses		<b>18,603</b>	18,694	<b>47,537</b>	39,297
		<b>55,177</b>	42,680	<b>133,691</b>	105,848
<b>Operating profit</b>		<b>113,118</b>	34,718	<b>262,204</b>	117,208
Other income / (expenses)		<b>1,776</b>	2,653	<b>17,183</b>	9,417
Financial charges		<b>(2,668)</b>	(1,343)	<b>(6,564)</b>	(3,984)
<b>Net Profit for the period before taxation</b>		<b>112,226</b>	36,028	<b>272,823</b>	122,641
<b>Taxation</b>					
Current		<b>3,575</b>	782	<b>4,663</b>	3,336
Prior		-	-	<b>15</b>	-
<b>Net Profit for the period after taxation before minority interest</b>		<b>108,651</b>	35,246	<b>268,145</b>	119,305
Minority interest		<b>7,102</b>	5,303	<b>20,042</b>	18,458
<b>Net Profit for the period after taxation and minority interest</b>		<b>101,549</b>	29,943	<b>248,103</b>	100,847
Un - appropriated profit brought Forward		<b>577,228</b>	360,103	<b>430,674</b>	289,199
<b>Un - appropriated profit carried Forward</b>		<b>678,777</b>	390,046	<b>678,777</b>	390,046
<b>Earning Per Share - Basic &amp; Diluted</b>	<b>9</b>	<b>2.86</b>	0.84	<b>6.99</b>	2.92

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

CHIEF EXECUTIVE

DIRECTOR

**NETSOL TECHNOLOGIES LIMITED**  
**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**

		Mar-07	Jun-06
		Rupees '000'	
Opening Balance (NBV)		328,749	234,005
Additions:	4.1	65,297	157,341
		<u>394,046</u>	<u>391,346</u>
Less:			
Disposals (NBV)		(9,652)	(17,872)
Depreciation		(38,351)	(44,725)
		<u>346,043</u>	<u>328,749</u>

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

Land	-	25,476
Building	-	22,112
Computers	18,048	32,064
Air Conditioners	51,00	3,466
Furniture & Fixture	1,667	5,500
Office equipment	1,539	3,436
Electric fittings	35,00	872
Vehicles	11,245	36,108
Generator	991	8,803
Leasehold improvements	2,186.00	2,700
Software	29,535	16,804
<b>Total</b>	<u>65,297</u>	<u>157,341</u>

**5 Intangible Assets**

Opening Balance (NBV)		68,202	55,441
Additions:	5.1	87,982	16,959
		<u>156,184</u>	<u>72,400</u>
Less:			
Amortization		(3,894)	(4,198)
		<u>152,290</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	9,804	15,854
LRMIS	36,832	-
SMART	41,346	-
<b>Total</b>	<u>87,982</u>	<u>16,959</u>

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

Dec-2006	Jun-2006			
(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-2005:21,496,000) ordinary shares of Rs. 10/- each, representing 60.58% (Jun-2005: 84%) of the issued capital of the company.

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

**7 CONTINGENCIES & COMMITMENTS**

The company has no contingent liabilities & commitments outstanding as at March-31, 2007 except to the tune of Rs. 31.77/- million (June 30, 2006 Rs. 22.38 million) guarantees issued to various customers against sale of software and allied services.

**8 REVENUE**

**Export Revenue**

	For the 3rd Quarter		Cumulative	
	Jan-Mar 2007	Jan-Mar 2006	Jul - Mar 2007	Jul - Mar 2006
License	145,692	58,908	322,509	88,873
Services	83,426	60,106	246,831	240,605
Maintenance	10,379	7,769	30,276	19,113

**Local Revenue**

License	-	-	36,495	2,880
Services	77,187	25,995	100,703	58,689
Maintenance	378	-	654	-
	<b>317,062</b>	<b>152,778</b>	<b>737,468</b>	<b>410,160</b>

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

Profit after taxation for the year	<b>101,549</b>	29,943	<b>248,103</b>	100,847
Average number of ordinary shares in issue during the period	<b>35,482</b>	35,482	<b>35,482</b>	34,498
Earning per share basic & diluted	<b>2.86</b>	0.84	<b>6.99</b>	2.92

**10 SEGMENT REPORTING**

	Asia Pacific			Australia & USA		Others		Total		
	2007	2006		2007	2006	2007	2006	2007	2006	
	R	U	P	E	E	S	i	n	'0	0
	<b>For the 2nd Quarter</b>									
Revenue	278,602	135,484		10,622	14,499	27,838		2,795	317,062	152,778
Segment result	98,614	31,950		3,759	3,420	9,853		658	112,226	36,028
	<b>Cumulative</b>									
Sales	534,517	353,353		105,384	41,385	97,567		15,422	737,468	410,160
Segment result	197,741	105,656		38,986	12,374	36,096		4,611	272,823	122,641

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

**11 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on April 27, 2007 by the Board of Directors.

**12 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**  
**FOR NINE MONTHS ENDED MARCH-31, 2007**

	2007	2006
	Rupees in '000'	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Profit for the period before tax	272,823	122,641
Add: Non cash charges to income		
Depreciation - own assets	31,154	25,210
Amortization of lease assets	3,978	2,688
Amortization of intangible assets	3,894	3,387
(Gain )/Loss on disposal of fixed assets	1,225	2,256
Amortization of Deferred revenue	(1,104)	(773)
Exchange (gain) / loss on debtors	(8,262)	753
Interest	1,441	769
Bad debts	-	1,593
	<u>32,326</u>	<u>35,883</u>
<i>Cash flows from operating activities before working capital</i>	<b>305,149</b>	<b>158,524</b>
 <i>Decrease / (increase) in current assets &amp; liabilities</i>		
Accounts receivables	(306,416)	(104,829)
Due from related parties	(2,043)	(2,739)
Advances, prepayments and other receivables	11,451	(30,353)
Creditors, accrued and other liabilities	13,495	(13,431)
	<u>(283,513)</u>	<u>(151,352)</u>
<i>Cash generated from operations</i>	<b>(283,513)</b>	<b>(151,352)</b>
Interest paid	(1,441)	(769)
Taxes paid	(3,538)	(1,125)
	<u>16,657</u>	<u>5,278</u>
<i>Net cash flow from operating activities</i>	<b>16,657</b>	<b>5,278</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Property and equipments purchased	(57,447)	(112,372)
Sales proceeds of fixed asset	923	873
Capital Work in Progress	-	(407)
Intangible assets	(84,763)	(12,335)
Short term investment	-	(90,000)
Long term employee loan	8,103	0
	<u>(133,184)</u>	<u>(214,241)</u>
<i>Net cash flow from investing activities</i>	<b>(133,184)</b>	<b>(214,241)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Issuance of share capital	-	99,820
Share deposit money	-	350
Share premium	-	129,470
Paid against obligation under capital lease	(6,807)	(3,749)
Received against obligation under capital lease	7,850	4,597
Short term finance	55,000	23,363
	<u>56,043</u>	<u>253,851</u>
<i>Net cash flow from financing activities</i>	<b>56,043</b>	<b>253,851</b>
<i>Net (decrease) / increase in cash and cash equivalents</i>	<b>(60,484)</b>	<b>44,888</b>
<i>Cash and cash equivalents at the beginning of the year</i>	<b>160,832</b>	<b>49,315</b>
<i>Cash and cash equivalents at the end of the period</i>	<b>100,348</b>	<b>94,203</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, 2007**

	Share Capital	Share Premium	Share Deposit Money	Retained Earning	Bonus Shares	Total Equity
	Rupees In '000'					
<b>Balance at June 30, 2005</b>	225,345	60,000	-	289,199	29,655	604,199
Net profit for nine months ended March 31, 2006	-	-	-	100,847	-	100,847
Share deposit money received	-	-	313	-	-	313
Shares issued against IPO	99,820	-	-	-	-	99,820
Share premium on IPO	-	129,470	-	-	-	129,470
<b>Balance at December 31, 2005</b>	325,165	189,470	313	390,046	29,655	934,649
Net profit for three months ended June 30, 2006	-	-	-	40,627	-	40,627
<b>Balance at June 30, 2006</b>	325,165	189,470	313	430,673	29,655	975,276
Net profit for nine months ended March 31, 2007	-	-	-	248,103	-	248,103
<b>Balance at March 31, 2007</b>	325,165	189,470	313	678,776	29,655	1,223,379

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

**CHIEF EXECUTIVE**

**DIRECTOR**