

NETSOL TECHNOLOGIES LIMITED
CONSOLIDATED BALANCE SHEET - UNAUDITED
AS AT MARCH-31, 2008

NOTES	Mar-08	Jun-07
	Rupees '000'	

ASSETS

FIXED CAPITAL EXPENDITURE

Operating fixed assets	4	442,397	392,688
Intangible assets	5	283,724	197,839
		<u>726,121</u>	<u>590,527</u>

CAPITAL WORK IN PROGRESS

9,813 -

LONG TERM LOANS & ADVANCES

13,094 27,088

CURRENT ASSETS

Current maturity of long term loans & advances	17,280	12,806
Account receivables	477,661	377,502
Excess of revenue over billing	740,939	499,012
Advances, deposits, prepayments and other receivables	165,073	89,959
Due from related parties	2,911	3,704
Short term investment	47,520	-
Cash & bank balances	49,099	149,683
	<u>1,500,483</u>	<u>1,132,666</u>
	<u>2,249,511</u>	<u>1,750,281</u>

EQUITY & LIABILITIES

SHARE CAPITAL & RESERVES

Authorized Capital 80,000,000 ordinary shares of Rs.10/- each		<u>800,000</u>	<u>500,000</u>
Issued, subscribed and paid up capital 49,781,246 ordinary shares of Rs.10/- each	6	497,813	408,043
Capital reserve		189,470	189,470
Share deposit money		313	313
Un - appropriated profit		1,121,201	766,087
Minority interest		76,961	84,253
Total shareholders' equity		<u>1,885,758</u>	<u>1,448,166</u>

NON CURRENT LIABILITIES

Liabilities against assets subject to finance lease	11,344	13,031
Long term payable	39,222	39,270
Deferred income	1,880	1,713

CURRENT LIABILITIES

Current portion of lease liability	11,174	9,773
Short term financing	124,100	127,500
Creditors, accrued and other liabilities	144,744	94,986
Excess of billing over revenue	26,211	11,778
Provision for taxation	5,078	4,064

CONTINGENCIES & COMMITMENTS

	7	-	-
		<u>2,249,511</u>	<u>1,750,281</u>

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
CONSOLIDATED PROFIT & LOSS ACCOUNT - UNAUDITED
FOR NINE MONTHS ENDED MARCH-31, 2008

	NOTES	Jan-Mar 2008	Jan-Mar 2007	Jul-Mar 2008	Jul-Mar 2007
Rupces '000'					
Revenue	8	386,716	317,062	1,070,348	737,468
Cost of sales		167,632	148,767	412,912	341,573
Gross profit		219,084	168,295	657,436	395,895
Operating expenses					
Administrative and general expenses		46,218	36,574	129,386	86,154
Selling & promotion expenses		22,280	18,603	72,100	47,537
		68,498	55,177	201,486	133,691
Operating profit		150,586	113,118	455,950	262,204
Other income / (expenses)		27,765	1,776	42,984	17,183
Financial charges		(3,011)	(2,668)	(9,715)	(6,564)
Net profit for the period before taxation		175,340	112,226	489,219	272,823
Taxation					
Current		869	3,575	2,146	4,663
Prior		-	-	-	15
Net profit for the period		174,471	108,651	487,073	268,145
Attributable to:					
Equity holders of parent		163,917	101,549	444,885	248,103
Minority interest		10,554	7,102	42,188	20,042
		174,471	108,651	487,073	268,145
Earning per share	9				
Basic		3.29	2.04	8.94	4.98
Diluted		2.74	1.70	7.45	4.15

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
- 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, 2007

4 Operating Fixed Assets

		Mar-08	Jun-07
		Rupees '000'	
Opening Balance (NBV)		392,688	328,749
Additions:	4.1	111,095	130,769
		<u>503,783</u>	<u>459,518</u>
Less:			
Disposals (NBV)		(9,434)	(22,905)
Depreciation		<u>(51,952)</u>	<u>(43,925)</u>
		<u><u>442,397</u></u>	<u><u>392,688</u></u>

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

Land	26,500	-
Building	-	350
Computers	37,410	80,024
Air Conditioners	1,510	328
Furniture & Fixture	2,957	2,095
Office equipment	1,743	3,198
Electric fittings	177	-
Vehicles	7,050	11,550
Generator	-	991
Leasehold improvements	-	2,186
Software	<u>33,748</u>	<u>30,047</u>
Total	<u><u>111,095</u></u>	<u><u>130,769</u></u>

5 Intangible Assets

Opening Balance (NBV)		197,839	68,203
Additions:	5.1	89,691	134,828
		<u>287,530</u>	<u>203,031</u>
Less:			
Amortization		<u>(3,806)</u>	<u>(5,192)</u>
		<u><u>283,724</u></u>	<u><u>197,839</u></u>

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

Inbanking (PTS) Software	-	13,515
LRMIS	17,657	54,169
Net-SMART	31,932	67,144
Fleet Management System (FMS)	23,739	-
Blue Star	14,537	-
HMIS	1,826	-
Total	<u><u>89,691</u></u>	<u><u>134,828</u></u>

6 ISSUED, SUBSCRIBED & PAID-UP CAPITAL

Mar-2008	Jun-2007		
(Numbers of shares)			
32,516,482	32,516,482	325,165	325,165
		Ordinary Shares of Rs. 10 each fully paid in cash	
17,264,764	8,287,818	172,648	82,878
		Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	
<u><u>49,781,246</u></u>	<u><u>40,804,300</u></u>	<u><u>497,813</u></u>	<u><u>408,043</u></u>

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 CONTINGENCIES & COMMITMENTS

The company has no contingent liabilities & commitments outstanding as at March-31, 2008 except to the tune of Rs. 36.60/- million (June 30, 2007 Rs. 34.82 million) guarantees issued to various customers against sale of software and allied services.

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

Jan-Mar 2008	Jan-Mar 2007	Jul-Mar 2008	Jul-Mar 2007
Rupees '000'		Rupees '000'	

8 REVENUE

Export Revenue

License	143,676	145,692	357,221	322,509
Services	201,211	83,426	558,660	246,831
Maintenance	18,569	10,379	43,629	30,276

Local Revenue

License	-	-	-	36,495
Services	22,353	77,187	107,230	100,703
Maintenance	907	378	3,608	654

386,716	317,062	1,070,348	737,468
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9 EARNING PER SHARE

Basic

Profit after taxation for the year	163,917	101,549	444,885	248,103
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Average number of ordinary shares in issue during the period

49,781	49,781	49,781	49,781
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Earning per share

3.29	2.04	8.94	4.98
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Diluted

Profit after taxation for the year	163,917	101,549	444,885	248,103
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Average number of ordinary shares in issue during the period

59,737	59,737	59,737	59,737
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Earning per share

2.74	1.70	7.45	4.15
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10 SEGMENT REPORTING

	Jan-Mar 2008										Total	
	Pakistan		Asia Pacific		Australia & USA		Others				2008	2007
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	0	0'
Revenue	19,837	78,711	193,675	185,914	53,748	10,082	119,456	42,355	386,716	317,062		
Segment result	9,885	27,636	87,343	65,980	24,240	3,579	53,872	15,031	175,340	112,226		

	Jul-Mar 2008										Total	
	Pakistan		Asia Pacific		Australia & USA		Others				2008	2007
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	0	0'
Revenue	109,808	141,262	311,215	381,930	285,088	103,024	364,237	111,252	1,070,348	737,468		
Segment result	47,689	54,368	143,057	139,942	131,046	37,750	167,427	40,763	489,219	272,823		

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

11 TAXATION

Income of the Company from export of computer software and its related services developed in Pakistan is exempt from tax upto 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.

12 DATE OF AUTHORIZATION FOR ISSUE

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

13 FIGURES

Figures have been rounded off to the nearest thousand rupee

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
CONSOLIDATED CASH FLOW STATEMENT - (UN-AUDITED)
FOR NINE MONTHS ENDED MARCH-31, 2008

	Mar-08	Mar-07
	Rupees '000'	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit for the period before tax	489,219	272,823
Add: Non cash charges to income		
Depreciation - own assets	39,178	31,154
Amortization of lease assets	6,492	3,978
Amortization of intangible assets	3,806	3,894
(Gain)/loss on disposal of fixed assets	2,029	1,225
Amortization of deferred revenue	(940)	(1,104)
Exchange (gain) / loss on debtors	(38,042)	(8,262)
Interest expense	8,871	5,532
Interest income	(1,346)	(7,658)
Unrealized gain on short term investment	(3,162)	-
	<u>16,886</u>	<u>28,759</u>
<i>Cash flows from operating activities before working capital</i>	<u>506,105</u>	<u>301,582</u>
 <i>Decrease / (increase) in current assets & liabilities</i>		
Accounts receivables	(282,306)	(306,416)
Due from related parties	793	(2,043)
Advances, prepayments and other receivables	(67,709)	9,154
Short term investment	(44,358)	
Creditors, accrued and other liabilities	49,474	11,735
	<u>(282,306)</u>	<u>(306,416)</u>
<i>Cash generated from operations</i>	<u>(344,106)</u>	<u>(287,570)</u>
Interest paid	(8,587)	(3,772)
Taxes paid	(9,160)	(3,538)
Dividend paid	(49,480)	
	<u>(167,227)</u>	<u>(6,843)</u>
<i>Net cash flow from operating activities</i>	<u>94,772</u>	<u>6,702</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Property and equipments purchased	(102,769)	(57,447)
Sales proceeds of fixed asset	21	923
Intangible assets	(83,409)	(84,763)
Capital work in progress	(9,813)	
Long term employee loan	2,380	8,103
Long term payable	(48)	
Interest received	1,968	9,955
	<u>(192,770)</u>	<u>(133,292)</u>
<i>Net cash used in investing activities</i>	<u>(191,670)</u>	<u>(123,229)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Paid against obligation under finance lease	(8,595)	(6,807)
Received against obligation under finance lease	8,309	7,850
Short term finance	(3,400)	55,000
	<u>(3,686)</u>	<u>56,043</u>
<i>Net cash from financing activities</i>	<u>(3,686)</u>	<u>56,043</u>
<i>Net (decrease) / increase in cash and cash equivalents</i>	<u>(100,584)</u>	<u>(60,484)</u>
<i>Cash and cash equivalents at the beginning of the year</i>	<u>149,683</u>	<u>160,832</u>
<i>Cash and cash equivalents at the end of the period</i>	<u>49,099</u>	<u>100,348</u>

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, 2008

	Attributable to equity holders of the Parent					Total	Minority Interest	Total Equity
	Share Capital	Share Premium	Share Deposit Money	Retained Earning	Bonus Shares			
	R u p e e s I n ' 0 0 0 '							
Balance at June 30, 2006	325,165	189,470	313	430,673	29,655	975,276	48,329	1,023,604
Net profit for nine months ended March 31, 2007	-	-	-	248,103	-	248,103	20,043	268,146
Balance at March 31, 2007	325,165	189,470	313	678,776	29,655	1,223,379	68,372	1,291,750
Net profit for three months ended June 30, 2007	-	-	-	140,534	-	140,534	15,881	156,415
Bonus shares issued	-	-	-	(53,223)	53,223	-	-	-
Balance at June 30, 2007	325,165	189,470	313	766,087	82,878	1,363,913	84,253	1,448,165
Net profit for nine months ended March 31, 2008	-	-	-	444,885	-	444,885	42,188	487,073
Dividend declared	-	-	-	-	-	-	(49,480)	(49,480)
Bonus shares issued	-	-	-	(89,770)	89,770	-	-	-
Balance at March 31, 2008	325,165	189,470	313	1,121,202	172,648	1,808,798	76,961	1,885,758

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR