

NETSOL TECHNOLOGIES LIMITED
CONSOLIDATED BALANCE SHEET - UNAUDITED
AS AT DECEMBER-31, 2007

	NOTES	Dec-07	Jun-07
		Rupees '000'	
ASSETS			
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	4	447,713	392,688
Intangible assets	5	257,848	197,839
		<u>705,561</u>	<u>590,527</u>
CAPITAL WORK IN PROGRESS			
		8,821	-
LONG TERM LOANS & ADVANCES			
	6	16,986	27,088
CURRENT ASSETS			
Current maturity of long term loans & advances	6	17,709	12,806
Account receivables		351,288	377,502
Excess of revenue over billing		606,485	499,012
Advances, deposits, prepayments and other receivables		98,029	89,959
Due from related parties		2,864	3,704
Short term investment		48,347	-
Cash & bank balances		164,037	149,683
		<u>1,288,759</u>	<u>1,132,666</u>
		<u>2,020,127</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	7	497,813	408,043
Capital reserve		189,470	189,470
Share deposit money		313	313
Un - appropriated profit		955,745	766,087
Minority interest		66,407	84,253
Total shareholders' equity		<u>1,709,748</u>	<u>1,448,166</u>
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		9,009	13,031
Long term payable		39,270	39,270
Deferred income		1,076	1,713
CURRENT LIABILITIES			
Current portion of lease liability		9,392	9,773
Short term financing		114,100	127,500
Creditors, accrued and other liabilities		122,591	94,986
Excess of billing over revenue		9,488	11,778
Provision for taxation		5,453	4,064
		<u>261,024</u>	<u>248,101</u>
CONTINGENCIES & COMMITMENTS			
	8	-	-
		<u>2,020,127</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 THE HALF YEAR ENDED DECEMBER-31, 2007

NOTES	Oct-Dec 2007	Oct-Dec 2006	Jul-Dec 2007	Jul-Dec 2006	
Rupees '000'					
Revenue	9	333,789	254,358	683,633	420,405
Cost of sales		128,489	110,022	244,944	192,802
Gross profit		205,300	144,336	438,689	227,603
Operating expenses					
Administrative and general expenses		43,616	26,421	83,208	49,580
Selling & promotion expenses		23,327	17,941	49,820	28,934
		66,943	44,362	133,028	78,514
Operating profit		138,357	99,974	305,661	149,089
Other income / (expenses)		10,675	9,810	14,623	15,400
Financial charges		(3,195)	(2,128)	(6,701)	(3,897)
Net profit for the period before taxation		145,837	107,656	313,583	160,592
Taxation					
Current		948	480	2,521	1,088
Prior		-	15	-	15
Net profit for the period		144,889	107,161	311,062	159,489
Attributable to:					
Equity holders of parent		132,110	100,018	279,428	146,551
Minority interest		12,779	7,143	31,634	12,938
		144,889	107,161	311,062	159,489
Earning per share	10	2.65	2.01	5.61	2.94

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 a majority 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, 2007

4 Operating Fixed Assets

		Dec-07	Jun-07
		Rupees '000'	
Opening Balance (NBV)		392,688	328,749
Additions:	4.1	91,198	130,769
		<u>483,886</u>	<u>459,518</u>
Less:			
Disposals (NBV)		(2,044)	(22,905)
Depreciation		<u>(34,129)</u>	<u>(43,925)</u>
		<u><u>447,713</u></u>	<u><u>392,688</u></u>

4.1 Following is the detail of addition:

Land	26,500	-
Building	-	350
Computers	19,886	80,024
Air Conditioners	729	328
Furniture & Fixture	2,125	2,095
Office equipment	876	3,198
Electric fittings	177	-
Vehicles	2,573	11,550
Generator	-	991
Leasehold improvements	-	2,186
Software	<u>38,332</u>	<u>30,047</u>
Total	<u><u>91,198</u></u>	<u><u>130,769</u></u>

5 Intangible Assets

Opening Balance (NBV)		197,839	68,203
Additions:	5.1	61,869	134,828
		<u>259,708</u>	<u>203,031</u>
Less:			
Amortization		<u>(1,860)</u>	<u>(5,192)</u>
		<u><u>257,848</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	17,485	67,144
Fleet Management System (FMS)	14,663	-
Blue Star	<u>12,064</u>	<u>-</u>
Total	<u><u>61,869</u></u>	<u><u>134,828</u></u>

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

Dec-07	Jun-07
Rupees '000'	

6 LONG TERM LOANS & ADVANCES- Unsecured

Long term loan: considered good

Opening balance			
Loan to employees		10,667	25,928
Loan to directors		-	9,500
		<u>10,667</u>	<u>35,428</u>
Repayment during the year		<u>(2,129)</u>	<u>(24,761)</u>
		8,538	10,667
Less: current maturity	6.3	<u>(1,429)</u>	<u>(1,429)</u>
	6.3	<u>7,109</u>	<u>9,238</u>

6.1 The Company has granted an unsecured long term loan amounting to Rs 9.378 Million to its employees (June-2007: Rs. 10.667 Million). The maximum amount outstanding during the period under this head at any point of time was Rs.10.667 Million.

These loans are provided under staff loan scheme to facilitate purchase/construction of residential houses and are repayable over a period of 10 years. However the loan can be settled earlier at any time with mutual consent.

Long term advance: considered good

Amount advanced		26,157	29,227
Less: current maturity	6.3	<u>(16,280)</u>	<u>(11,377)</u>
	6.3	<u>9,877</u>	<u>17,850</u>

6.2 It represents the advance rent for the space acquired on rent for a period of two years. This amount will be expensed out over a period of two years starting from the date of possession of rented space.

6.3 Long term portion of loans & advances		<u>16,986</u>	27,088
Current portion of loans & advances		<u>17,709</u>	12,806

7 ISSUED, SUBSCRIBED & PAID-UP CAPITAL

Dec-2007	Jun-2007			
(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
17,264,764	8,287,818	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	172,648	82,878
<u>49,781,246</u>	<u>40,804,300</u>		<u>497,813</u>	<u>408,043</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.

8 CONTINGENCIES & COMMITMENTS

The company has no contingent liabilities & commitments outstanding as at December-31, 2007 except to the tune of Rs. 39.95/- 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)

Oct-Dec 2007	Oct-Dec 2006	Jul-Dec 2007	Jul-Dec 2006
Rupees '000'		Rupees '000'	

9 REVENUE

Export Revenue

License	122,600	122,214	213,545	176,817
Services	169,775	101,510	357,450	163,404
Maintenance	11,597	11,415	25,060	19,897

Local Revenue

License	-	18,294	-	36,495
Services	28,659	736	84,877	23,516
Maintenance	1,158	189	2,701	276
	<u>333,789</u>	<u>254,358</u>	<u>683,633</u>	<u>420,405</u>

10 EARNING PER SHARE

Profit after taxation for the year	132,110	100,018	279,428	146,551
Average number of ordinary shares in issue during the period	49,781	49,781	49,781	49,781
Earning per share	2.65	2.01	5.61	2.94

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

11 SEGMENT REPORTING

	Oct-Dec 2007										Total	
	Pakistan		Asia Pacific		Australia & USA		Others			2007	2006	
	2007	2006	2007	2006	2007	2006	2007	2006	'0	0	0'	
R	U	P	E	E	S	i	n					
Revenue	31,014	20,390	64,612	115,089	62,644	83,363	175,519	35,516		333,789	254,358	
Segment result	(1,438)	10,457	31,428	47,812	30,471	34,632	85,375	14,755		145,836	107,656	

	Jul-Dec 2007										Total	
	Pakistan		Asia Pacific		Australia & USA		Others			2007	2006	
	2007	2006	2007	2006	2007	2006	2007	2006	'0	0	0'	
R	U	P	E	E	S	i	n					
Revenue	89,971	62,551	120,157	196,104	229,391	92,827	244,114	68,923		683,633	420,405	
Segment result	37,846	26,822	55,809	73,306	106,545	34,700	113,383	25,764		313,583	160,592	

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

12 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 30, 2007 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 THE HALF YEAR ENDED DECEMBER-31, 2007

	Dec-07	Dec-06
	Rupees '000'	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit for the period before tax	313,583	160,592
Add: Non cash charges to income		
Depreciation - own assets	25,723	17,262
Amortization of lease assets	3,156	2,947
Amortization of intangible assets	1,860	2,596
(Gain)/loss on disposal of fixed assets	1,954	761
Amortization of deferred revenue	(628)	(703)
Exchange (gain) / loss on debtors	(12,388)	(7,966)
Interest expense	6,076	3,308
Interest income	(591)	(6,571)
Bad debts		
	<u>25,162</u>	<u>11,634</u>
<i>Cash flows from operating activities before working capital</i>	338,745	172,226
<i>Decrease / (increase) in current assets & liabilities</i>		
Accounts receivables	(68,957)	(193,452)
Due from related parties	840	(174)
Advances, prepayments and other receivables	(1,377)	25,467
Short term investment	(48,347)	0
Creditors, accrued and other liabilities	26,685	(8,772)
<i>Cash generated from operations</i>	(91,156)	(176,931)
Interest paid	(5,156)	(3,186)
Taxes paid	(8,193)	(1,052)
Dividend paid	(49,480)	
<i>Net cash flow from operating activities</i>	<u>184,760</u>	<u>(8,943)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Property and equipments purchased	(90,257)	(20,656)
Sales proceeds of fixed asset	7	100
Intangible assets	(56,619)	(46,869)
Capital work in progress	(8,821)	-
Long term employee loan	2,129	7,137
Long term payable	-	-
Interest received	959	8,486
<i>Net cash used in investing activities</i>	(152,602)	(51,802)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Paid against obligation under finance lease	(5,331)	(4,673)
Received against obligation under finance lease	927	7,850
Short term finance	(13,400)	35,000
<i>Net cash from financing activities</i>	(17,804)	38,177
<i>Net (decrease) / increase in cash and cash equivalents</i>	14,354	(22,568)
<i>Cash and cash equivalents at the beginning of the year</i>	149,683	160,832
<i>Cash and cash equivalents at the end of the period</i>	<u>164,037</u>	<u>138,264</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 THE HALF YEAR ENDED DECEMBER-31, 2007

	Attributable to equity holders of the Parent					Minority Interest	Total Equity	
	Share Capital	Share Premium	Share Deposit Money	Retained Earning	Bonus Shares			Total
	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	48,328	1,023,604
Net profit for the half year ended December 31, 2006	-	-	-	146,551	-	146,551	5,794	152,345
Balance at December 31, 2006	325,165	189,470	313	577,224	29,655	1,121,827	54,122	1,175,949
Net profit for six months ended June 30, 2007	-	-	-	242,086	-	242,086	30,131	272,217
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	1,448,166
Net profit for the half year ended December 31, 2007	-	-	-	279,428	-	279,428	31,634	311,062
Dividend declared	-	-	-	-	-	-	(49,480)	(49,480)
Bonus shares issued	-	-	-	(89,770)	89,770	-	-	-
Balance at December 31, 2007	325,165	189,470	313	955,745	172,648	1,643,341	66,407	1,709,748

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR