

**BALANCE SHEET (UN-AUDITED)
AS AT SEPTEMBER-30, 2005**

NOTES	SEP-2005 Rupees in '000'	JUNE-2005 Rupees in '000'
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ASSETS

FIXED CAPITAL EXPENDITURE

Operating Fixed Assets	4	252,052	222,151
Capital Work In Progress		8,714	7,855
Intangible Assets	5	48,001	46,608
		<u>308,767</u>	<u>276,614</u>

LONG TERM INVESTMENTS

45,000 45,000

LONG TERM LOANS

78,932 73,354

CURRENT ASSETS

Account receivables - Unsecured		131,402	130,835
Excess of revenue over billing		156,620	110,775
Short term investment		140,000	-
Advances, deposits, prepayments and other receivables		72,718	42,743
Due from related parties		2,814	2,806
Cash & bank balances		26,386	18,889
		<u>529,940</u>	<u>306,048</u>
		<u>962,639</u>	<u>701,015</u>

EQUITY & LIABILITIES

SHARE CAPITAL & RESERVES

Authorized Capital

50,000,000 ordinary shares of Rs.10/- each

500,000 500,000

Issued, subscribed and paid up capital

35,482,000 ordinary shares of Rs.10/- each

6 354,820 255,000

Capital reserve

7 189,470 60,000

Share deposit money

8 450 -

Un - appropriated profit

350,156 305,012

Total shareholders' equity

894,896 620,012

NON CURRENT LIABILITIES

Liabilities against assets subject to finance lease

4,264 1,928

Deferred Income

2,464 742

CURRENT LIABILITIES

Current portion of lease liability

4,208 3,101

Short term financing

27,662 22,000

Creditors, accrued and other liabilities

21,731 44,439

Excess of billing over revenue

7,414 8,792

61,015 78,333

CONTINGENCIES & COMMITMENTS

9 - -

962,639 701,015

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

**PROFIT & LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER-30, 2005**

NOTES	SEP-2005 Rupees in '000'	SEP-2004 Rupees in '000'
Revenue	99,422	65,760
Cost of Sales	35,581	22,448
Gross profit	63,841	43,312
Operating expenses		
Administrative and General Expenses	15,751	8,342
Selling & Promotion Expenses	4,218	1,876
	19,969	10,218
Operating profit	43,872	33,094
Other income / (expenses)	2,782	1,205
Financial charges	1,510	926
Net Profit for the period	45,144	33,372
Un - appropriated profit brought forward	305,012	150,902
Un - appropriated profit carried forward	350,156	184,274
Earning Per Share - Basic & Diluted	10	1.39
		166.86

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

SELECTED NOTES TO THE 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

SEP-2005	JUNE-2005
Rupees in '000'	Rupees in '000'

Opening Balance (NBV)		222,151	98,486
Additions:	4.1	33,321	144,213
		<u>255,472</u>	<u>242,699</u>
Less:			
Disposals		-	-202
Depreciation		-3,420	-20,346
		<u>252,052</u>	<u>222,151</u>

4.1 Following is the detail of addition:

Land	23,975	703
Building	-	111,475
Computers	6,136	18,010
Air Conditioners	904	1,629
Furniture & Fixture	472	2,928
Office equipment	365	3,200
Electric fittings	152	4,009
Vehicles	1,317	419
Software	-	2,223
Generator	-	(383)
Total	<u>33,321</u>	<u>144,213</u>

5 Intangible Assets:

Opening Balance (NBV)	46,608	36,625
Additions:	2,284	13,490
	<u>48,892</u>	<u>50,115</u>
Less:		
Amortization	-1,129	-3,507
	<u>47,763</u>	<u>46,608</u>

6 ISSUED, SUBSCRIBED & PAID-UP CAPITAL

SEP-2005	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>35,482,000</u>	<u>25,500,000</u>		<u>354,820</u>	<u>255,000</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.

SELECTED NOTES TO THE ACCOUNTS (UN-AUDITED)

SEP-2005	JUNE-2005
Rupees in '000'	Rupees in '000'

7 CAPITAL RESERVES

Share Premium	7.1	<u>189,470</u>	<u>60,000</u>
7.1	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.		

8 SHARE DEPOSIT MONEY

From general public	8.1	<u>450</u>	-
8.1	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.		
		<u>450</u>	-

9 CONTINGENCIES & COMMITMENTS

The company has no contingent liabilities and commitments outstanding as at September 30, 2005. (Jun-2005: Nil)

10 CASH & CASH EQUIVALENTS

Cash and bank balances	26,386	2,100
Short term investment	140,000	-
Running Finance	-13,396	-5,000
	<u>152,990</u>	<u>-2,900</u>

SEP-2005	SEP-2004
Rupees in '000'	Rupees in '000'

11 EARNING PER SHARE - BASIC & DILUTED

Profit after taxation for the year	<u>45,144</u>	<u>33,372</u>
Average number of ordinary shares in issue during the period	<u>32,553</u>	<u>200</u>
Earning per share basic & diluted	<u>1.39</u>	<u>166.86</u>

12 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October - 15, 2005 by the Board of Directors.

13 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 ruppee

CHIEF EXECUTIVE

DIRECTOR

**CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER-30, 2005**

CASH FLOWS FROM OPERATING ACTIVITIES

	SEP-2005 Rupees in '000'	SEP-2004 Rupees in '000'
Profit for the period	45,144	33,372
Add: Non cash charges to income		
Depreciation - own assets	4,127	2,094
Amortization of lease assets	923	564
(Gain)/Loss on disposal of fixed assets	-	36
Amortization of development cost	1,129	625
Amortization of Deferred revenue	(591)	(93)
Exchange (gain) / loss on debtors	358	(1,142)
	5,946	2,084
<i>Cash flows from operating activities before working capital</i>	51,090	35,456

Decrease / (increase) in current assets & liabilities

Accounts receivables	(46,769)	(27,778)
Due from related parties	(8)	(44)
Advances, prepayments and other receivables	(29,975)	(10,458)
Excess of billing over revenue	(1,378)	(2,785)
Creditors, accrued and other liabilities	(22,375)	(13,375)
<i>Cash generated from operations</i>	(100,505)	(54,440)
<i>Net cash flow from operating activities</i>	(49,415)	(18,984)

CASH FLOWS FROM INVESTING ACTIVITIES

Property and equipments purchased	(33,321)	(11,520)
Sales proceeds of fixed asset	-	5,202
Capital Work in Progress	(859)	(277)
Intangible assets	(2,173)	(1,407)
Long Term Loan	(5,578)	(5,861)
<i>Net cash flow from investing activities</i>	(41,931)	(13,863)

CASH FLOWS FROM FINANCING ACTIVITIES

Issuance of share capital	99,820	-
Share deposit money	450	6,100
Share premium	129,470	-
Received against obligation under capital lease	3,442	5,136
Short term finance	(7,734)	(675)
<i>Net cash flow from financing activities</i>	225,448	10,561
<i>Net (decrease) / increase in cash and cash equivalents</i>	134,101	(22,286)
<i>Cash and cash equivalents at the beginning of the year</i>	18,889	19,386
<i>Cash and cash equivalents at the end of the period</i>	152,990	(2,900)

Note 11

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

**STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2005**

	Share Capital Rupees in '000'	Share Premium Rupees in '000'	Share Deposit Money Rupees in '000'	Foreign Currency Translation Rupees in '000'	Retained Earning Rupees in '000'	Bonus Shares Rupees in '000'	Total Equity Rupees in '000'
Balance at June 30, 2004	2,000	-	174,081	(9,468)	150,902	-	317,515
Net profit for the quarter ended Sep 30, 2004	-	-	-	-	33,372	-	33,372
Share deposit money received	-	-	9,530	-	-	-	9,530
Adjustment of foreign currency translation	-	-	-	(3,430)	-	-	(3,430)
Balance at September 30, 2004	2,000	-	183,611	(12,898)	184,274	-	356,987
Net profit for nine months ended June 30, 2005	-	-	-	-	163,291	-	163,291
Share deposit money received	-	-	-	-	-	-	-
Share issued against share deposit money	183,315	-	(183,315)	-	-	-	-
Right shares issued	30	-	-	-	-	-	30
Bonus shares issued	-	-	-	-	(29,655)	29,655	-
Pre IPO Shares issued	40,000	-	-	-	-	-	40,000
Share premium on Pre IPO	-	60,000	-	-	-	-	60,000
Adjustment of foreign currency translation	-	-	(296)	12,898	(12,898)	-	(296)
Balance at June 30, 2005	225,345	60,000	-	-	305,012	29,655	620,012
Net profit for quarter ended September 30, 2005	-	-	-	-	45,144	-	45,144
Share deposit money received	-	-	450	-	-	-	450
Shares issued against IPO	99,820	-	-	-	-	-	99,820
Share premium on IPO	-	129,470	-	-	-	-	129,470
Balance at September 30, 2005	325,165	189,470	450	-	350,156	29,655	894,896

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR