

NETSOL TECHNOLOGIES LIMITED



**FINANCIAL STATEMENTS
(UN-AUDITED)
FOR THE FIRST QUARTER ENDED
September - 30, 2007**

NETSOL TECHNOLOGIES LIMITED
BALANCE SHEET - UNAUDITED
AS AT SEPTEMBER-30, 2007

NOTES	Sep-07	Jun-07
	Rupees '000'	

ASSETS

FIXED CAPITAL EXPENDITURE

Operating fixed assets	4	382,954	364,151
Intangible assets	5	227,082	197,839
		<u>610,036</u>	<u>561,990</u>

CAPITAL WORK IN PROGRESS

453 -

LONG TERM INVESTMENTS

15,188 15,188

LONG TERM LOANS & ADVANCES

24,178 27,088

CURRENT ASSETS

Current maturity of long term loans & advances	15,436	12,806
Account receivables	348,876	319,109
Excess of revenue over billing	552,205	499,012
Advances, deposits, prepayments and other receivables	104,850	87,560
Due from related parties	2,814	2,814
Cash & bank balances	81,635	67,529
	<u>1,105,816</u>	<u>988,830</u>
	<u>1,755,671</u>	<u>1,593,096</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

40,804,300 ordinary shares of Rs.10/- each

6 408,043 408,043

Capital reserve

189,470 189,470

Share deposit money

313 313

Un - appropriated profit

873,864 695,335

Total shareholders' equity

1,471,690 1,293,161

NON CURRENT LIABILITIES

Liabilities against assets subject to finance lease	10,625	13,031
Long term payable	39,270	39,270
Deferred income	1,366	1,713

CURRENT LIABILITIES

Current portion of lease liability	9,314	9,773
Short term financing	120,000	127,500
Creditors, accrued and other liabilities	83,144	94,635
Excess of billing over revenue	16,927	11,778
Provision for taxation	3,335	2,235

232,720 245,921

CONTINGENCIES & COMMITMENTS

7 - -

1,755,671 1,593,096

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
PROFIT & LOSS ACCOUNT - UNAUDITED
FOR THE QUARTER ENDED SEPTEMBER-30, 2007

	NOTES	Sep-07 Rupees '000'	Sep-06
Revenue	8	287,312	136,569
Cost of sales		95,454	65,902
Gross profit		191,858	70,667
Operating expenses			
Administrative and general expenses		38,458	22,978
Selling & promotion expenses		26,493	10,993
		64,951	33,971
Operating profit		126,907	36,696
Other income / (expenses)		5,759	5,898
Financial charges		(3,557)	(1,766)
Dividend income		50,520	0
Net profit for the period before taxation		179,629	40,828
Taxation		1,100	210
Net profit for the period after taxation		178,529	40,618
Earning per share - basic	9	4.38	1.00
Earning per share - diluted	9	3.59	0.82

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
CASH FLOW STATEMENT - UNAUDITED
FOR THE QUARTER ENDED SEPTEMBER-30, 2007

	Sep-07	Sep-06
	Rupees '000'	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit for the period before tax	179,629	40,828
Add: Non cash charges to income		
Depreciation - own assets	10,249	6,613
Amortization of lease assets	1,555	1,082
Amortization of intangible assets	1,915	1,298
(Gain)/loss on disposal of fixed assets	1,951	761
Amortization of Deferred revenue	(347)	(327)
Exchange (gain) / loss on debtors	(3,358)	(1,232)
Interest expense	3,244	1,608
Interest income	(185)	(2,589)
Dividend income	(50,520)	-
	(35,496)	7,214
<i>Cash flows from operating activities before working capital</i>	144,133	48,042
<i>Decrease / (increase) in current assets & liabilities</i>		
Accounts receivables	(82,895)	(65,541)
Due from related parties	-	1,791
Advances, prepayments and other receivables	(10,307)	6,734
Creditors, accrued and other liabilities	(12,115)	(6,792)
<i>Cash generated from operations</i>	(105,317)	(63,808)
Interest paid	(2,620)	(1,553)
Taxes paid	(6,463)	(424)
<i>Net cash flow from operating activities</i>	29,733	(17,743)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Property and equipments purchased	(34,641)	(5,591)
Sales proceeds of fixed asset	5	100
Intangible assets	(15,638)	(29,484)
Capital work in progress	(453)	-
Long term loan	280	1,138
Long term payable	-	-
Interest received	185	3,772
Dividend received	45,000	-
<i>Net cash used in investing activities</i>	(5,262)	(30,065)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Paid against obligation under capital lease	(2,865)	(1,374)
Short term finance	(7,500)	20,000
<i>Net cash from financing activities</i>	(10,365)	18,626
<i>Net (decrease) / increase in cash and cash equivalents</i>	14,106	(29,182)
<i>Cash and cash equivalents at the beginning of the year</i>	67,529	127,276
<i>Cash and cash equivalents at the end of the period</i>	81,635	98,094

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
STATEMENT OF CHANGES IN EQUITY - UNAUDITED
FOR THE QUARTER ENDED SEPTEMBER-30, 2007

	Share Capital	Share Premium	Share Deposit Money	Retained Earning	Bonus Shares	Total Equity
	R u p e e s I n ' 0 0 0 '					
Balance at June 30, 2006	325,165	189,470	313	396,516	29,655	941,119
Net profit for the quarter ended September 30, 2006	-	-	-	40,618	-	40,618
Balance at September 30, 2006	325,165	189,470	313	437,134	29,655	981,737
Net profit for nine months ended June 30, 2007	-	-	-	311,424	-	311,424
Bonus shares issued				(53,223)	53,223	-
Balance at June 30, 2007	325,165	189,470	313	695,335	82,878	1,293,161
Net profit for the quarter ended September 30, 2007	-	-	-	178,529	-	178,529
Balance at September 30, 2007	325,165	189,470	313	873,864	82,878	1,471,690

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
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 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

		Sep-07	Jun-07
		Rupees '000'	
Opening Balance (NBV)		364,151	307,788
Additions:	4.1	<u>34,641</u>	<u>120,022</u>
		398,792	427,810
Less:			
Disposals		(2,059)	(26,306)
Depreciation		<u>(13,779)</u>	<u>(37,353)</u>
		<u>382,954</u>	<u>364,151</u>

4.1 Following is the detail of addition:

Building	-	350
Computers	7,199	73,226
Air Conditioners	436	102
Furniture & Fixture	148	1,433
Office equipment	93	3,152
Electric fittings	110	-
Vehicles	953	12,108
Generator	-	61
Software	<u>25,702</u>	<u>29,590</u>
Total	<u>34,641</u>	<u>120,022</u>

5 Intangible Assets

Opening Balance (NBV)		197,839	68,203
Additions:	5.1	<u>31,158</u>	<u>134,828</u>
		228,997	203,031
Less:			
Amortization		(1,915)	(5,192)
		<u>227,082</u>	<u>197,839</u>

5.1 Following is the detail of addition:

Inbanking (PTS) Software	-	13,515
LRMIS	8,529	54,169
Net-SMART	9,084	67,144
Fleet Management System (FMS)	7,663	-
Blue Star	5,882	-
Total	<u>31,158</u>	<u>134,828</u>

6 ISSUED, SUBSCRIBED & PAID-UP CAPITAL

Jun-2007 (Numbers of shares)	Jun-2006		325,165	325,165
32,516,482	32,516,482	Ordinary Shares of Rs. 10 each fully paid in cash		
8,287,818	2,965,518	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	82,878	82,878
<u>40,804,300</u>	<u>35,482,000</u>		<u>408,043</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.

7 CONTINGENCIES & COMMITMENTS

The company has no contingent liabilities & commitments outstanding as at September-30, 2007 except to the tune of Rs. 40/- million (June 30, 2007 Rs. 34.82 million) guarantees issued to various customers against sale of software and allied services.

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

Sep-07	Sep-06
Rupees '000'	

8 REVENUE		
Export Revenue		
License	90,945	54,603
Services	123,947	31,323
Maintenance	13,463	8,482
Local Revenue		
License	-	18,201
Services	57,414	23,873
Maintenance	1,543	87
	<u>287,312</u>	<u>136,569</u>

9 EARNING PER SHARE

Basic		
Profit after taxation for the year	<u>178,529</u>	<u>40,618</u>
Average number of ordinary shares in issue during the period	<u>40,804</u>	<u>40,804</u>
Earning per share basic	<u>4.38</u>	<u>1.00</u>
Diluted		
Profit after taxation for the year	<u>178,529</u>	<u>40,618</u>
Average number of ordinary shares in issue during the period after the effect of 22% bonus shares	<u>49,781</u>	<u>49,781</u>
Earning per share diluted	<u>3.59</u>	<u>0.82</u>

10 SEGMENT REPORTING

	Pakistan		Asia Pacific		Australia & USA		Others		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	R	U	P	E	E	S	i	n	'0	0
Revenue	58,957	42,161	55,810	81,710	167,407	9,639	5,138	3,059	287,312	
Segment result	10,467	19,457	41,343	18,496	124,013	2,183	3,806	692	179,629	

10.1 Asia Pacific includes : 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 October 30, 2007 by the Board of Directors.

12 FIGURES

Figures have been rounded off to the nearest thousand rupee

CHIEF EXECUTIVE

DIRECTOR