

NETSOL TECHNOLOGIES LIMITED
BALANCE SHEET - UNAUDITED
AS AT SEPTEMBER-30, 2008

NOTES	Sep-08	Jun-08
	Rupees '000'	

ASSETS

NON CURRENT ASSETS

Property & equipments	4	550,553	522,553
Intangible assets	5	475,709	435,688
		<u>1,026,262</u>	<u>958,241</u>

CAPITAL WORK IN PROGRESS

14,995 14,988

LONG TERM INVESTMENTS

15,188 15,188

LONG TERM LOANS & ADVANCES

1,420 7,390

CURRENT ASSETS

Trade debts	586,376	432,861
Current maturity of long term loans & advances	14,830	14,997
Excess of revenue over billing	889,126	741,634
Advances, deposits, prepayments and other receivables	107,370	148,618
Due from related parties	4,525	15,648
Cash & bank balances	61,136	127,933

1,663,363 1,481,691

TOTAL ASSETS

2,721,228 2,477,498

EQUITY & LIABILITIES

SHARE CAPITAL & RESERVES

Authorized Capital

150,000,000 ordinary shares of Rs.10/- each

1,500,000 800,000

Issued, subscribed and paid up capital

6 597,375 597,375

Share deposit money

313 313

Reserves

7 1,599,443 1,401,358

Total shareholders' equity

2,197,131 1,999,046

NON CURRENT LIABILITIES

Liabilities against assets subject to finance lease	14,900	18,092
Long term payable	39,214	39,214
Deferred income	2,189	2,482

CURRENT LIABILITIES

Current portion of lease liability	14,390	14,759
Short term financing	200,000	200,000
Creditors, accrued and other liabilities	152,121	172,076
Excess of billing over revenue	32,540	23,331
Dividend payable	59,737	-
Provision for taxation	9,006	8,498

467,794 418,664

CONTINGENCIES & COMMITMENTS

8 - -

TOTAL EQUITY AND LIABILITIES

2,721,228 2,477,498

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
PROFIT & LOSS ACCOUNT - UNAUDITED
FOR THE QUARTER ENDED SEPTEMBER-30, 2008

	NOTES	Sep-08 Rupees '000'	Sep-07
Revenue	9	369,476	287,312
Cost of sales		157,382	95,454
Gross profit		212,094	191,858
Operating expenses			
Administrative expenses		61,395	38,458
Selling & promotion expenses		23,190	26,493
		84,585	64,951
Operating profit		127,509	126,907
Other income / (expenses)		136,051	5,759
Financial cost		(5,230)	(3,557)
Dividend income		-	50,520
Net profit for the period before taxation		258,330	179,629
Taxation		508	1,100
Net profit for the period after taxation		257,822	178,529
Earning per share	10		
Basic		4.32	2.99
Diluted		3.60	2.49

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
NOTES TO THE ACCOUNTS

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 company is involved in the business 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, 2008

4 Operating Fixed Assets

		Sep-08	Jun-08
		Rupees '000'	
Opening Balance (NBV)		522,553	364,151
Additions:	4.1	<u>62,719</u>	<u>256,594</u>
		585,272	620,745
Less:			
Disposals		(12,277)	(23,351)
Depreciation		<u>(22,442)</u>	<u>(74,841)</u>
		<u>550,553</u>	<u>522,553</u>

4.1 Following is the detail of addition:

Land		56,197	26,500
Computers		5,279	141,347
Air Conditioners		558	2,215
Furniture & Fixture		237	3,091
Office equipment		448	9,519
Electric fittings		-	177
Vehicles		-	7,368
Generator		-	5,015
Software		-	61,362
Total		<u>62,719</u>	<u>256,594</u>

5 Intangible Assets

Opening Balance (NBV)		435,688	197,839
Additions:	5.1	<u>44,115</u>	<u>243,972</u>
		479,803	441,811
Less:			
Amortization		(4,094)	(6,123)
		<u>475,709</u>	<u>435,688</u>

5.1 Following is the detail of addition:

LRMIS		-	17,657
SMART		5,579	63,913
Fleet Management System (FMS)		16,995	44,643
Blue Star		19,455	88,626
HMIS		701	8,483
Loan Origination System		545	14,000
Business Intelligence Scoring Model & Risk Management		840	6,650
Total		<u>44,115</u>	<u>243,972</u>

NETSOL TECHNOLOGIES LIMITED
NOTES TO THE ACCOUNTS

6 ISSUED, SUBSCRIBED & PAID-UP CAPITAL

		Sep-08 Jun-08 Rupees '000'	
	Sep-08 (Numbers of shares)	Jun-08	
	32,516,482	32,516,482	
			325,165 325,165
	27,221,013	27,221,013	
			272,210 272,210
	<u>59,737,495</u>	<u>59,737,495</u>	
			<u>597,375 597,375</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 RESERVES

Capital reserve		
Premium on issue of ordinary shares	189,470	189,470
Revenue reserve		
Un - appropriated profit	1,409,973	1,211,888
	<u>1,599,443</u>	<u>1,401,358</u>

8 CONTINGENCIES & COMMITMENTS

The company has no contingent liabilities & commitments outstanding as at September-30, 2008 except to the tune of Rs. 19.30/- million (June 30, 2008 Rs. 32.38 million) guarantees issued to various customers against sale of software and allied services.

9 REVENUE

		Total Sep-08 Total Sep-07 Rupees '000'	
Export Revenue			
License	141,773	90,945	
Services	201,502	123,947	
Maintenance	18,501	13,463	
Local Revenue			
License	1,350	-	
Services	5,044	57,414	
Maintenance	1,306	1,543	
	<u>369,476</u>	<u>287,312</u>	

10 EARNING PER SHARE

Basic		
Profit after taxation for the year	257,822	178,529
Average number of ordinary shares in issue during the period	59,737	59,737
Earning per share basic	4.32	2.99
Diluted		
Profit after taxation for the year	257,822	178,529
Average number of ordinary shares in issue during the period	71,685	71,685
Earning per share basic	3.60	2.49

11 SEGMENT REPORTING

	Pakistan		Asia Pacific		Australia & USA		Others		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenue	7,700	58,957	240,545	55,810	38,312	167,407	82,919	5,138	369,476	287,312
Segment result	340	60,987	171,538	28,996	27,321	86,977	59,132	2,669	258,331	179,629

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

12 TAXATION

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

13 DATE OF AUTHORIZATION FOR ISSUE

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

14 FIGURES

Figures have been rounded off to the nearest thousand rupee

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
CASH FLOW STATEMENT - UNAUDITED
FOR THE QUARTER ENDED SEPTEMBER-30, 2008

	Sep-08	Sep-07
	Rupees '000'	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit for the period before tax	258,330	179,629
Add: Non cash charges to income		
Depreciation - own assets	16,509	10,249
Amortization of leased assets	2,922	1,555
Amortization of intangible assets	4,094	1,915
Provision for impairment	-	-
(Gain)/loss on disposal of fixed assets	12,276	1,951
Amortization of Deferred revenue	(293)	(347)
Exchange (gain) / loss on debtors	(143,046)	(3,358)
Interest expense	4,895	3,244
Interest income	(681)	(185)
Dividend income	-	(50,520)
<i>Cash flows from operating activities before working capital</i>	(103,324)	(35,496)
	155,006	144,133
<i>Decrease / (increase) in current assets & liabilities</i>		
Trade debts	(144,972)	(82,895)
Due from related parties	11,123	0
Advances, prepayments and other receivables	42,693	(10,307)
Creditors, accrued and other liabilities	(21,887)	(12,115)
<i>Cash generated from operations</i>	(113,043)	(105,317)
Interest paid	(2,963)	(2,620)
Taxes paid	(1,445)	(6,463)
<i>Net cash flow from operating activities</i>	37,555	29,733
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Property and equipments purchased	(62,719)	(34,641)
Sales proceeds of fixed asset	138	5
Intangible assets	(41,104)	(15,638)
Capital work in progress	(7)	(453)
Long term loan	2,400	280
Long term payable	-	-
Interest received	681	185
Dividend received	-	45,000
<i>Net cash used in investing activities</i>	(100,611)	(5,262)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Paid against obligation under capital lease	(3,741)	(2,865)
Received against obligation under capital lease	-	-
Short term finance	-	(7,500)
<i>Net cash from financing activities</i>	(3,741)	(10,365)
<i>Net (decrease) / increase in cash and cash equivalents</i>	(66,797)	14,106
<i>Cash and cash equivalents at the beginning of the year</i>	127,933	67,529
<i>Cash and cash equivalents at the end of the period</i>	61,136	81,635

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
STATEMENT OF CHANGES IN EQUITY - UNAUDITED
FOR THE QUARTER ENDED SEPTEMBER-30, 2008

	Share Capital	Share Premium	Share Deposit Money	Retained Earnings	Bonus Shares	Total Equity
	Rupees In '000'					
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
Net profit for nine months ended June 30, 2008	-	-	-	527,356	-	527,356
Bonus shares issued	-	-	-	(189,332)	189,332	-
Balance at June 30, 2008	325,165	189,470	313	1,211,888	272,210	1,999,046
Net profit for the quarter ended September 30, 2008	-	-	-	257,822	-	257,822
Dividend declared				(59,737)	-	(59,737)
Balance at September 30, 2008	325,165	189,470	313	1,409,973	272,210	2,197,131

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR