

NETSOL TECHNOLOGIES LIMITED
BALANCE SHEET (UN-AUDITED)
AS AT MARCH-31, 2007

NOTES	Mar-07	Jun-06
	Rupees '000'	

ASSETS

FIXED CAPITAL EXPENDITURE

Operating Fixed Assets	4	319,416	307,788
Intangible Assets	5	152,290	68,202
		<u>471,706</u>	<u>375,990</u>

LONG TERM INVESTMENTS

15,188 15,188

LONG TERM LOANS

24,375 31,628

CURRENT ASSETS

Current maturity of long term loans	2,950	3,800
Account receivables - Unsecured	293,024	150,765
Excess of revenue over billing	437,572	251,072
Advances, deposits, prepayments and other receivables	84,655	93,786
Due From related parties	2,814	5,109
Cash & bank balances	57,744	127,276
	<u>878,759</u>	<u>631,808</u>
	<u>1,390,028</u>	<u>1,054,614</u>

EQUITY & LIABILITIES

SHARE CAPITAL & RESERVES

Authorized Capital 50,000,000 ordinary shares of Rs.10/- each		<u>500,000</u>	<u>500,000</u>
Issued, subscribed and paid up capital 35,482,000 ordinary shares of Rs.10/- each	6	354,820	354,820
Capital reserve		189,470	189,470
Share deposit money		313	313
Un - appropriated profit		624,201	396,516
Total shareholders' equity		<u>1,168,804</u>	<u>941,119</u>

NON CURRENT LIABILITIES

Liabilities against assets subject to finance lease	7,899	7,918
Deferred Income	2,283	2,495

CURRENT LIABILITIES

Current portion of lease liability	6,522	5,462
Short term financing	95,000	40,000
Creditors, accrued and other liabilities	81,573	43,191
Excess of billing over revenue	22,656	12,506
Provision for taxation	5,291	1,923
	<u>211,042</u>	<u>103,082</u>

CONTINGENCIES & COMMITMENTS

	7	-	
		<u>1,390,028</u>	<u>1,054,614</u>

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
PROFIT & LOSS ACCOUNT (UN-AUDITED)
FOR NINE MONTHS ENDED MARCH-31, 2007

NOTES	For the 3rd Quarter		Cumulative		
	Jan-Mar 2007	Jan-Mar 2006	Jul - Mar 2007	Jul - Mar 2006	
Rupees '000'					
Revenue	8	278,382	127,792	637,457	345,400
Cost of Sales		128,255	66,143	286,769	166,469
Gross profit		150,127	61,649	350,688	178,931
Operating expenses					
Administrative and General Expenses		35,017	22,732	84,201	63,972
Selling & Promotion Expenses		18,603	15,535	47,537	36,138
		53,620	38,267	131,738	100,110
Operating profit		96,507	23,382	218,950	78,821
Other income / (expenses)		4,402	2,870	19,498	9,815
Financial charges		(3,510)	(1,340)	(7,396)	(3,980)
Net Profit for the period before taxation		97,399	24,912	231,052	84,656
Taxation					
Current		3,056	495	3,367	2,766
Net Profit for the period after taxation		94,343	24,417	227,685	81,890
Un - appropriated profit brought Forward		529,858	359,159	396,516	281,686
Un - appropriated profit carried Forward		624,201	383,576	624,201	363,576
Earning Per Share - Basic & Diluted	9	2.66	0.69	6.42	2.41

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, 2006

4 Operating Fixed Assets

		Mar-07	Jun-06
		Rupees '000'	
Opening Balance (NBV)		307,788	222,845
Additions:	4.1	52,420	140,564
		<u>360,208</u>	<u>363,409</u>
Less:			
Disposals		(8,607)	(17,872)
Depreciation		(32,185)	(37,749)
		<u>319,416</u>	<u>307,788</u>

4.1 Following is the detail of addition:

Land	-	25,476
Building	-	22,112
Computers	10,113	26,139
Air Conditioners	51,00	3,056
Furniture & Fixture	1,091	5,024
Office equipment	1,493	2,496
Electric fittings	35,00	872
Vehicles	10,498	32,624
Generator	61	8,803
Software	29,078	13,962
Total	<u>52,420</u>	<u>140,564</u>

5 Intangible Assets

Opening Balance (NBV)		68,202	55,441
Additions:	5.1	87,982	16,959
		<u>156,184</u>	<u>72,400</u>
Less:			
Amortization		(3,894)	(4,198)
		<u>152,290</u>	<u>68,202</u>

5.1 Following is the detail of addition:

Knit Info System	-	71
NetSol's Pay Soft	-	1,034
Inbanking (PTS) Software	9,804	15,854
LRMIS	36,832	-
SMART	41,346	-
Total	<u>87,982</u>	<u>16,959</u>

6 ISSUED, SUBSCRIBED & PAID-UP CAPITAL

Jun-2006 (Numbers of shares)	Jun-2005		325,165	325,165
32,516,482	32,516,482	Ordinary Shares of Rs. 10 each (Jun-2005: 10 each) fully paid in cash		
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>35,482,000</u>		<u>354,820</u>	<u>354,820</u>

The Parent Company NetSol Technologies Inc. 24011 Ventura Blvd, Suit No. 101, Calabasas CA 91302, holds 21,496,000 (Jun-2006:21,496,000) ordinary shares of Rs. 10/- each, representing 60.58% (Jun-2006: 60.58%) of the issued capital of the company.

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

7 CONTINGENCIES & COMMITMENTS

The company has no contingent liabilities & commitments outstanding as at March-31, 2007 except to the tune of Rs. 31.77/- million (June 30, 2006 Rs. 22.38 million) guarantees issued to various customers against sale of software and allied services.

8 REVENUE
Export Revenue

	For the 3rd Quarter		Cumulative	
	Jan-Mar 2007	Jan-Mar 2006	Jul - Mar 2007	Jul - Mar 2006
License	145,692	58,908	322,509	88,873
Services	43,600	34,111	143,410	173,207
Maintenance	10,379	7,769	30,276	19,113

Local Revenue

License	-	0	36,495	2,880
Services	78,333	27,004	104,113	61,327
Maintenance	378		654	
	278,382	127,792	637,457	345,400

9 EARNING PER SHARE - BASIC & DILUTED

Profit after taxation for the year	94,343	24,417	227,685	81,890
Average number of ordinary shares in issue during the period	35,482	35,482	35,482	34,017
Earning per share basic & diluted	2.66	0.69	6.42	2.41

10 SEGMENT REPORTING

	Asia Pacific			Australia & USA		Others		Total			
	2007	2006		2007	2006	2007	2006	2007	2006		
	R	U	P	E	E	S	i	n	'0	0	0'
	For the 2nd Quarter										
Revenue	265,576	110,400		10,133	14,581	2,673	2,811		278,382	127,792	
Segment result	92,919	21,521		3,545	2,842	935	549		97,399	24,912	
	Cumulative										
Revenue	525,456	288,444		103,587	41,517	8,414	15,439		637,457	345,400	
Segment result	190,455	70,696		37,545	10,176	3,052	3,784		231,052	84,656	

10.1 Asia Pacific includes : Pakistan, 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 April 27, 2007 by the Board of Directors.

12 FIGURES

Figure have been rearranged and reclassified to give the retrospective effect of merger of NetSol (Private) Limited under IAS 22 "Business Combination" for the purpose of comparison.

Figures have been rounded off to the nearest thousand rupee

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
CASH FLOW STATEMENT (UN-AUDITED)
FOR NINE MONTHS ENDED MARCH-31, 2007

	Mar-07	Mar-06
	Rupees '000'	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit for the period before tax	231,052	84,656
Add: Non cash charges to income		
Depreciation - own assets	24,988	21,018
Amortization of lease assets	3,978	2,688
Amortization of intangible assets	3,894	3,386
(Gain)/Loss on disposal of fixed assets	720	2,256
Amortization of Deferred revenue	(1,104)	(773)
Exchange (gain) / loss on debtors	(6,254)	36
Interest	1,441	769
Bad debts	-	478
	<u>27,663</u>	<u>29,858</u>
<i>Cash flows from operating activities before working capital</i>	258,715	114,514
<i>Decrease / (increase) in current assets & liabilities</i>		
Accounts receivables	(312,350)	(89,040)
Due from related parties	2,295	200
Advances, prepayments and other receivables	12,523	(31,250)
Short term investment	-	(90,000)
Creditors, accrued and other liabilities	38,382	(12,346)
	<u>(259,150)</u>	<u>(222,436)</u>
<i>Cash generated from operations</i>	(259,150)	(222,436)
Interest paid	(1,441)	(769)
Taxes paid	(3,392)	(1,471)
	<u>(5,268)</u>	<u>(110,162)</u>
<i>Net cash flow from operating activities</i>	(5,268)	(110,162)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Property and equipments purchased	(44,570)	(101,418)
Sales proceeds of fixed asset	923	873
Capital Work in Progress	-	(407)
Intangible assets	(84,763)	(13,412)
Long Term Investment	-	0
Long Term Loan	8,103	0
	<u>(120,307)</u>	<u>(114,364)</u>
<i>Net cash flow from investing activities</i>	(120,307)	(114,364)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Issuance of share capital	-	99,820
Share deposit money	-	350
Share premium	-	129,470
Paid against obligation under capital lease	(6,807)	(3,749)
Received against obligation under capital lease	7,850	4,597
Short term finance	55,000	23,363
	<u>56,043</u>	<u>253,851</u>
<i>Net cash flow from financing activities</i>	56,043	253,851
<i>Net (decrease) / increase in cash and cash equivalents</i>	(69,532)	29,325
<i>Cash and cash equivalents at the beginning of the year</i>	127,276	30,962
<i>Cash and cash equivalents at the end of the period</i>	<u>57,744</u>	<u>60,287</u>

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR NINE MONTHS ENDED MARCH-31, 2007

	Share Capital	Share Premium	Share Deposit Money	Retained Earning	Bonus Shares	Total Equity
	Rupees In '000'					
Balance at June 30, 2005	225,345	60,000	-	281,686	29,655	596,686
Net profit for nine months ended March 31, 2006	-	-	-	81,890	-	81,890
Share deposit money received	-	-	313	-	-	313
Shares issued against IPO	99,820	-	-	-	-	99,820
Share premium on IPO	-	129,470	-	-	-	129,470
Balance at March 31, 2006	325,165	189,470	313	363,576	29,655	908,179
Net profit for three months ended June 30, 2006	-	-	-	32,940	-	32,940
Balance at June 30, 2006	325,165	189,470	313	396,516	29,655	941,119
Net profit for nine months ended December 31, 2006	-	-	-	227,685	-	227,685
Balance at March 31, 2007	325,165	189,470	313	624,201	29,655	1,168,804

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR