

**NETSOL TECHNOLOGIES LIMITED**  
**BALANCE SHEET - UNAUDITED**  
**AS AT MARCH-31, 2008**

NOTES	Mar-08	Jun-07
	Rupees '000'	

**ASSETS**

**FIXED CAPITAL EXPENDITURE**

Operating fixed assets	4	407,869	364,151
Intangible assets	5	283,724	197,839
		<u>691,593</u>	<u>561,990</u>

**CAPITAL WORK IN PROGRESS**

9,813 -

**LONG TERM INVESTMENTS**

15,188 15,188

**LONG TERM LOANS & ADVANCES**

13,094 27,088

**CURRENT ASSETS**

Current maturity of long term loans & advances	17,280	12,806
Account receivables	418,719	319,109
Excess of revenue over billing	740,939	499,012
Advances, deposits, prepayments and other receivables	144,703	87,560
Due from related parties	9,981	2,814
Cash & bank balances	38,342	67,529
	<u>1,369,964</u>	<u>988,830</u>
	<u>2,099,652</u>	<u>1,593,096</u>

**EQUITY & LIABILITIES**

**SHARE CAPITAL & RESERVES**

<b>Authorized Capital</b> 80,000,000 ordinary shares of Rs.10/- each		<u>800,000</u>	<u>500,000</u>
<b>Issued, subscribed and paid up capital</b> 49,781,246 ordinary shares of Rs.10/- each	6	497,813	408,043
<b>Capital reserve</b>		189,470	189,470
<b>Share deposit money</b>		313	313
<b>Un - appropriated profit</b>		1,057,882	695,335
<b>Total shareholders' equity</b>		<u>1,745,478</u>	<u>1,293,161</u>

**NON CURRENT LIABILITIES**

Liabilities against assets subject to finance lease	11,344	13,031
Long term payable	39,222	39,270
Deferred income	1,880	1,713

**CURRENT LIABILITIES**

Current portion of lease liability	11,174	9,773
Short term financing	124,100	127,500
Creditors, accrued and other liabilities	137,009	94,635
Excess of billing over revenue	26,211	11,778
Provision for taxation	3,234	2,235
	<u>301,728</u>	<u>245,921</u>

**CONTINGENCIES & COMMITMENTS**

	7	-	-
		<u>2,099,652</u>	<u>1,593,096</u>

*The annexed notes form an integral part of these accounts.*

CHIEF EXECUTIVE

DIRECTOR

**NETSOL TECHNOLOGIES LIMITED**  
**PROFIT & LOSS ACCOUNT - UNAUDITED**  
**FOR NINE MONTHS ENDED MARCH-31, 2008**

	NOTES	Jan-Mar 2008	Jan-Mar 2007	Jul-Mar 2008	Jul-Mar 2007
Rupees '000'					
<b>Revenue</b>	8	325,973	278,382	893,428	637,457
Cost of sales		131,847	128,255	333,751	286,769
<b>Gross profit</b>		194,126	150,127	559,677	350,688
<b>Operating expenses</b>					
Administrative and general expenses		45,376	35,017	126,255	84,201
Selling & promotion expenses		22,280	18,603	71,450	47,537
		67,656	53,620	197,705	131,738
<b>Operating profit</b>		126,470	96,507	361,972	218,950
Other income / (expenses)		30,096	4,402	50,686	19,498
Financial charges		(2,985)	(3,510)	(9,862)	(7,396)
Dividend income		-	0	50,520	0
<b>Net profit for the period before taxation</b>		153,581	97,399	453,316	231,052
Taxation		443	3,055	999	3,367
<b>Net profit for the period after taxation</b>		153,138	94,344	452,317	227,685
<b>Earning per share</b>	9				
<b>Basic</b>		3.08	1.90	9.09	4.57
<b>Diluted</b>		2.56	1.58	7.57	3.81

*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 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 presented to the shareholders as required by Sec 245 of Companies Ordinance 1984

**3 ACCOUNTING POLICIES**

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**

		Mar-08	Jun-07
		Rupees '000'	
Opening Balance (NBV)		364,151	307,788
Additions:	4.1	<u>98,491</u>	<u>120,022</u>
		462,642	427,810
Less:			
Disposals		(9,434)	(26,306)
Depreciation		<u>(45,339)</u>	<u>(37,353)</u>
		<u>407,869</u>	<u>364,151</u>

**4.1 Following is the detail of addition:**

Land	26,500	-
Building	-	350
Computers	32,889	73,226
Air Conditioners	1,359	102
Furniture & Fixture	2,691	1,433
Office equipment	1,743	3,152
Electric fittings	177	-
Vehicles	5,454	12,108
Generator	-	61
Software	27,678	29,590
<b>Total</b>	<u>98,491</u>	<u>120,022</u>

**5 Intangible Assets**

Opening Balance (NBV)		197,839	68,203
Additions:	5.1	<u>89,691</u>	<u>134,828</u>
		287,530	203,031
Less:			
Amortization		<u>(3,806)</u>	<u>(5,192)</u>
		<u>283,724</u>	<u>197,839</u>

**5.1 Following is the detail of addition:**

Inbanking (PTS) Software	-	13,515
LRMIS	17,657	54,169
Net-SMART	31,932	67,144
Fleet Management System (FMS)	23,739	-
Blue Star	14,537	-
HMIS	1,826	-
<b>Total</b>	<u>89,691</u>	<u>134,828</u>

**6 ISSUED, SUBSCRIBED & PAID-UP CAPITAL**

Mar-2008	Jun-2007			
(Numbers of shares)				
32,516,482	32,516,482	Ordinary Shares of Rs. 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.

**7 CONTINGENCIES & COMMITMENTS**

The company has no contingent liabilities & commitments outstanding as at March-31, 2008 except to the tune of Rs. 36.60/- 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)**

	Jan-Mar 2008	Jan-Mar 2007	Jul-Mar 2008	Jul-Mar 2007
	Rupees '000'			
<b>8 REVENUE</b>				
<b>Export Revenue</b>				
License	143,676	145,692	357,221	322,509
Services	139,270	43,600	378,149	143,410
Maintenance	18,569	10,379	43,629	30,276
<b>Local Revenue</b>				
License	-	-	-	36,495
Services	23,551	78,333	110,821	104,113
Maintenance	907	378	3,608	654
	<b>325,973</b>	<b>278,382</b>	<b>893,428</b>	<b>637,457</b>

**9 EARNING PER SHARE**

**Basic**

Profit after taxation for the year

153,138 94,344 452,317 227,685

Average number of ordinary shares in issue during the period

49,781 49,781 49,781 49,781

Earning per share basic

3.08 1.90 9.09 4.57

**Diluted**

Profit after taxation for the year

153,138 94,344 452,317 227,685

Average number of ordinary shares in issue during the period

59,737 59,737 59,737 59,737

Earning per share basic

2.56 1.58 7.57 3.81

**10 SEGMENT REPORTING**

	Jan-Mar 2008									
	Pakistan		Asia Pacific		Australia & USA		Others		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
R	U	P	E	E	S	i	n	'0	0	0'
Revenue	24,458	78,711	192,668	186,852	53,459	10,143	55,388	2,676	325,973	278,382
Segment result	13,452	27,636	89,542	65,284	24,844	3,544	25,743	935	153,581	97,399

	Jul-Mar 2008									
	Pakistan		Asia Pacific		Australia & USA		Others		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
R	U	P	E	E	S	i	n	'0	0	0'
Revenue	114,429	141,262	311,444	384,154	285,269	103,606	182,286	8,435	893,428	637,457
Segment result	51,357	54,368	160,704	136,789	147,197	36,892	94,058	3,003	453,316	231,052

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

**11 TAXATION**

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

**12 DATE OF AUTHORIZATION FOR ISSUE**

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

**13 FIGURES**

Figures have been rounded off to the nearest thousand rupee

CHIEF EXECUTIVE

DIRECTOR

**NETSOL TECHNOLOGIES LIMITED**  
**CASH FLOW STATEMENT - UNAUDITED**  
**FOR NINE MONTHS ENDED MARCH-31, 2008**

	Mar-08	Mar-07
	Rupees '000'	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Profit for the period before tax	453,316	231,052
Add: Non cash charges to income		
Depreciation - own assets	32,565	24,988
Amortization of lease assets	6,492	3,978
Amortization of intangible assets	3,806	3,894
(Gain )/loss on disposal of fixed assets	2,029	720
Amortization of Deferred revenue	(940)	(1,104)
Exchange (gain) / loss on debtors	(38,776)	(6,254)
Interest expense	9,188	6,390
Interest income	(1,430)	(4,799)
Dividend income	(50,520)	-
	(37,586)	27,813
<b><i>Cash flows from operating activities before working capital</i></b>	<b>415,730</b>	<b>258,865</b>
 <b><i>Decrease / (increase) in current assets &amp; liabilities</i></b>		
Accounts receivables	(286,075)	(312,350)
Due from related parties	(7,167)	2,295
Advances, prepayments and other receivables	(49,489)	10,665
Creditors, accrued and other liabilities	42,090	36,622
<b><i>Cash generated from operations</i></b>	<b>(300,641)</b>	<b>(262,768)</b>
Interest paid	(8,904)	(4,630)
Taxes paid	(3,110)	(3,392)
<b><i>Net cash flow from operating activities</i></b>	<b>103,075</b>	<b>(11,925)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Property and equipments purchased	(90,165)	(44,570)
Sales proceeds of fixed asset	21	923
Intangible assets	(83,409)	(84,763)
Capital work in progress	(9,813)	-
Long term loan	2,380	8,103
Long term payable	(48)	-
Interest received	1,938	6,657
Dividend received	50,520	-
<b><i>Net cash used in investing activities</i></b>	<b>(128,576)</b>	<b>(113,650)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Paid against obligation under capital lease	(8,595)	(6,807)
Received against obligation under capital lease	8,309	7,850
Short term finance	(3,400)	55,000
<b><i>Net cash from financing activities</i></b>	<b>(3,686)</b>	<b>56,043</b>
<b><i>Net (decrease) / increase in cash and cash equivalents</i></b>	<b>(29,187)</b>	<b>(69,532)</b>
<b><i>Cash and cash equivalents at the beginning of the year</i></b>	<b>67,529</b>	<b>127,276</b>
<b><i>Cash and cash equivalents at the end of the period</i></b>	<b>38,342</b>	<b>57,744</b>

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

**NETSOL TECHNOLOGIES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY - UNAUDITED**  
**FOR NINE MONTHS ENDED MARCH-31, 2008**

	Share Capital	Share Premium	Share Deposit Money	Retained Earning	Bonus Shares	Total Equity
	Rupees In '000'					
<b>Balance at June 30, 2006</b>	325,165	189,470	313	396,516	29,655	941,119
Net profit for nine months ended March 31, 2007	-	-	-	227,685	-	227,685
<b>Balance at March 31, 2007</b>	325,165	189,470	313	624,201	29,655	1,168,804
Net profit for three months ended June 30, 2007	-	-	-	124,357	-	124,357
Bonus shares issued	-	-	-	(53,223)	53,223	-
<b>Balance at June 30, 2007</b>	325,165	189,470	313	695,335	82,878	1,293,161
Net profit for nine months ended March 31, 2008	-	-	-	452,317	-	452,317
Bonus shares issued	-	-	-	(89,770)	89,770	-
<b>Balance at March 31, 2008</b>	325,165	189,470	313	1,057,882	172,648	1,745,478

*The annexed notes form an integral part of these accounts.*

**CHIEF EXECUTIVE**

**DIRECTOR**