

**NETSOL TECHNOLOGIES LIMITED**  
**BALANCE SHEET - UNAUDITED**  
**AS AT DECEMBER-31, 2007**

NOTES	Dec-07	Jun-07
	Rupees '000'	

**ASSETS**

**FIXED CAPITAL EXPENDITURE**

Operating fixed assets	4	407,873	364,151
Intangible assets	5	257,848	197,839
		<u>665,721</u>	<u>561,990</u>

**CAPITAL WORK IN PROGRESS**

8,821 -

**LONG TERM INVESTMENTS**

15,188 15,188

**LONG TERM LOANS & ADVANCES**

6 16,986 27,088

**CURRENT ASSETS**

Current maturity of long term loans & advances	6	17,709	12,806
Account receivables		310,814	319,109
Excess of revenue over billing		607,044	499,012
Advances, deposits, prepayments and other receivables		95,471	87,560
Due from related parties		4,375	2,814
Cash & bank balances		140,560	67,529
		<u>1,175,973</u>	<u>988,830</u>
		<u>1,882,689</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>
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<b>Issued, subscribed and paid up capital</b> 49,781,246 ordinary shares of Rs.10/- each	7	497,813	408,043
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<b>Capital reserve</b>		189,470	189,470
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<b>Share deposit money</b>		313	313
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<b>Un - appropriated profit</b>		904,745	695,335
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<b>Total shareholders' equity</b>		<u>1,592,341</u>	<u>1,293,161</u>
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**NON CURRENT LIABILITIES**

Liabilities against assets subject to finance lease		9,009	13,031
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Long term payable		39,270	39,270
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Deferred income		1,076	1,713
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**CURRENT LIABILITIES**

Current portion of lease liability		9,392	9,773
Short term financing		114,100	127,500
Creditors, accrued and other liabilities		105,222	94,635
Excess of billing over revenue		9,488	11,778
Provision for taxation		2,791	2,235

240,993 245,921

**CONTINGENCIES & COMMITMENTS**

8 - -

1,882,689 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 HALF YEAR ENDED DECEMBER-31, 2007**

NOTES	Oct-Dec 2007	Oct-Dec 2006	Jul-Dec 2007	Jul-Dec 2006
	Rupees '000'			
<b>Revenue</b>	<b>280,143</b>	222,506	<b>567,455</b>	359,075
Cost of sales	<b>106,450</b>	92,612	<b>201,904</b>	158,514
<b>Gross profit</b>	<b>173,693</b>	129,894	<b>365,551</b>	200,561
<b>Operating expenses</b>				
Administrative and general expenses	<b>42,421</b>	26,206	<b>80,879</b>	49,184
Selling & promotion expenses	<b>22,677</b>	17,941	<b>49,170</b>	28,934
	<b>65,098</b>	44,147	<b>130,049</b>	78,118
<b>Operating profit</b>	<b>108,595</b>	85,747	<b>235,502</b>	122,443
Other income / (expenses)	<b>14,831</b>	9,198	<b>20,591</b>	15,096
Financial charges	<b>(3,320)</b>	(2,120)	<b>(6,877)</b>	(3,886)
Dividend income	<b>-</b>	0	<b>50,520</b>	0
<b>Net profit for the period before taxation</b>	<b>120,106</b>	92,825	<b>299,736</b>	133,653
Taxation	<b>(544)</b>	101	<b>556</b>	311
<b>Net profit for the period after taxation</b>	<b>120,650</b>	92,724	<b>299,180</b>	133,342
<b>Earning per share</b>	<b>2.42</b>	1.86	<b>6.01</b>	2.68

*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**

		Dec-07	Jun-07
		Rupees '000'	
	Opening Balance (NBV)	364,151	307,788
	Additions:	<b>4.1</b> 76,710	120,022
		<b>440,861</b>	427,810
	Less:		
	Disposals	(3,017)	(26,306)
	Depreciation	<b>(29,971)</b>	<b>(37,353)</b>
		<b>407,873</b>	<b>364,151</b>

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

Land	26,500	-
Building	-	350
Computers	18,129	73,226
Air Conditioners	578	102
Furniture & Fixture	1,957	1,433
Office equipment	876	3,152
Electric fittings	177	-
Vehicles	1,932	12,108
Generator	-	61
Software	26,561	29,590
<b>Total</b>	<b>76,710</b>	<b>120,022</b>

**5 Intangible Assets**

	Opening Balance (NBV)	197,839	68,203
	Additions:	<b>5.1</b> 61,869	134,828
		<b>259,708</b>	203,031
	Less:		
	Amortization	(1,860)	(5,192)
		<b>257,848</b>	<b>197,839</b>

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

Inbanking (PTS) Software	-	13,515
LRMIS	17,657	54,169
Net-SMART	17,485	67,144
Fleet Management System (FMS)	14,663	-
Blue Star	12,064	-
<b>Total</b>	<b>61,869</b>	<b>134,828</b>

**6 LONG TERM LOANS & ADVANCES- Unsecured**

**Long term loan: considered good**

	Opening balance		
	Loan to employees	10,667	25,928
	Loan to directors	-	9,500
		<b>10,667</b>	<b>35,428</b>
	Repayment during the period	(2,129)	(24,761)
		<b>8,538</b>	<b>10,667</b>
	Less: current maturity	<b>6.3</b> (1,429)	(1,429)
		<b>6.3</b> 7,109	9,238

**6.1** The Company has granted an unsecured long term loan amounting to Rs 9.378 Million to its employees (June-2007: Rs. 10.667 Million). The maximum amount outstanding during the period under this head at any point of time was Rs.10.667 Million.

These loans are provided under staff loan scheme to facilitate purchase/construction of residential houses and are repayable over a period of 10 years. However the loan can be settled earlier at any time with mutual consent.

**Long term advance: considered good**

	Amount of advance	26,157	29,227
	Less: current maturity	<b>6.3</b> (16,280)	(11,377)
		<b>6.3</b> 9,877	17,850

**6.2** It represents the advance rent of two years for the space acquired on rent. This amount will be expensed out over a period of two years starting from the date of possession of rented space.

**6.3** Long term portion of loans & advances **16,986** 27,088

Current portion of loans & advances **17,709** 12,806

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

Dec-07	Jun-07
Rupees '000'	

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

Dec-2007 (Numbers of shares)	Jun-2007		325,165	325,165
32,516,482	32,516,482	Ordinary Shares of Rs. 10 each fully paid in cash		
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.

**8 CONTINGENCIES & COMMITMENTS**

The company has no contingent liabilities & commitments outstanding as at December-31, 2007 except to the tune of Rs. 39.95/- million (June 30, 2007 Rs. 34.82 million) guarantees issued to various customers against sale of software and allied services.

Oct-Dec 2007	Oct-Dec 2006	Jul-Dec 2007	Jul-Dec 2006
Rupees '000'			

**9 REVENUE**

**Export Revenue**

License	122,600	122,214	213,545	176,817
Services	114,932	68,487	238,879	99,810
Maintenance	11,597	11,415	25,060	19,897
<b>Local Revenue</b>				
License	-	18,294	-	36,495
Services	29,856	1,907	87,270	25,780
Maintenance	1,158	189	2,701	276
	<u>280,143</u>	<u>222,506</u>	<u>567,455</u>	<u>359,075</u>

**10 EARNING PER SHARE**

Profit after taxation for the year

120,650	92,724	299,180	133,342
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Average number of ordinary shares in issue during the period

49,781	49,781	49,781	49,781
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Earning per share basic

2.42	1.86	6.01	2.68
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**11 SEGMENT REPORTING**

	Oct-Dec 2007												Total	
	Pakistan		Asia Pacific				Australia & USA		Others		Total		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenue	31,014	20,390	64,848	115,651	62,905	83,777	121,376	2,688	280,143	222,506				
Segment result	(1,438)	10,457	31,638	47,131	30,690	34,141	59,216	1,096	120,106	92,825				

	Jul-Dec 2007												Total	
	Pakistan		Asia Pacific				Australia & USA		Others		Total		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenue	89,971	62,551	120,660	214,624	230,338	77,156	126,486	4,744	567,455	359,075				
Segment result	37,846	26,833	66,180	77,316	126,335	27,795	69,375	1,709	299,736	133,653				

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

**12 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on February 11, 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 THE HALF YEAR ENDED DECEMBER-31, 2007**

	Dec-07	Dec-06
	Rupees '000'	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Profit for the period before tax	299,736	133,653
Add: Non cash charges to income		
Depreciation - own assets	21,565	14,361
Amortization of lease assets	3,156	2,947
Amortization of intangible assets	1,860	2,596
(Gain )/loss on disposal of fixed assets	1,954	761
Amortization of Deferred revenue	(628)	(703)
Exchange (gain) / loss on debtors	(13,734)	(5,710)
Interest expense	6,393	3,308
Interest income	(491)	(4,351)
Dividend income	(50,520)	-
	(30,445)	13,209
<b><i>Cash flows from operating activities before working capital</i></b>	<b>269,291</b>	<b>146,862</b>
<b><i>Decrease / (increase) in current assets &amp; liabilities</i></b>		
Accounts receivables	(85,118)	(205,318)
Due from related parties	(1,561)	2,229
Advances, prepayments and other receivables	(933)	28,416
Creditors, accrued and other liabilities	9,667	(7,986)
<b><i>Cash generated from operations</i></b>	<b>(77,945)</b>	<b>(182,659)</b>
Interest paid	(5,473)	(3,186)
Taxes paid	(7,235)	(960)
<b><i>Net cash flow from operating activities</i></b>	<b>178,638</b>	<b>(39,943)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Property and equipments purchased	(75,767)	(17,699)
Sales proceeds of fixed asset	7	100
Intangible assets	(56,619)	(46,869)
Capital work in progress	(8,821)	-
Long term loan	2,129	7,137
Interest received	748	5,750
Dividend received	50,520	-
<b><i>Net cash used in investing activities</i></b>	<b>(87,803)</b>	<b>(51,581)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Paid against obligation under capital lease	(5,331)	(4,673)
Received against obligation under capital lease	927	7,850
Short term finance	(13,400)	35,000
<b><i>Net cash from financing activities</i></b>	<b>(17,804)</b>	<b>38,177</b>
<b><i>Net (decrease) / increase in cash and cash equivalents</i></b>	<b>73,031</b>	<b>(53,347)</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>140,560</b>	<b>73,929</b>

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

**NETSOL TECHNOLOGIES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY - UNAUDITED**  
**FOR THE HALF YEAR ENDED DECEMBER-31, 2007**

	Share Capital	Share Premium	Share Deposit Money	Retained Earning	Bonus Shares	Total Equity
	<b>R u p e e s I n ' 0 0 0 '</b>					
<b>Balance at June 30, 2006</b>	325,165	189,470	313	396,516	29,655	941,119
Net profit for the half year ended December 31, 2006	-	-	-	133,342	-	133,342
<b>Balance at December 31, 2006</b>	325,165	189,470	313	529,858	29,655	1,074,461
Net profit for six months ended June 30, 2007	-	-	-	218,700	-	218,700
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 the half year ended December 31, 2007	-	-	-	299,180	-	299,180
Bonus shares issued	-	-	-	(89,770)	89,770	-
<b>Balance at December 31, 2007</b>	325,165	189,470	313	904,745	172,648	1,592,341

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

**CHIEF EXECUTIVE**

**DIRECTOR**