

COMPANY PROFILE

Board of Directors

Mr. Salim Ullah Ghauri
Mr. Najeeb Ullah Ghauri
Mr. Naeem Ullah Ghauri
Mr. Irfan Mustafa
Mr. Shahid Javed Burki
Mr. Abdul Rashid
Mr. Eugen Beckert
Mr. Edward Allen Holmes
Mr. Rehmat Ullah Ghauri
Mr. Sajjad Hussain Kirmani
Mr. Zahid Bashir Mirza
Mr. Ayub Ghauri
Mr. Shakeel Kazmi

Chief Executive
Chairman

Alternate Director
Alternate Director
Alternate Director
Alternate Director
Alternate Director

Chief Financial Officer

Mr. Boo-Ali

Company Secretary

Mr. Boo-Ali

Audit Committee

Mr. Rehmat Ullah Ghauri
Mr. Irfan Mustafa
Mr. Abdul Rashid
Mr. Sajjad Hussain Kirmani

Chairman

Auditors

Saeed Kamran Patel & Co.
Chartered Accountants

Legal Advisor

Cornelius Lane & Mufti
Advocates & Solicitors
Nawa-e-Waqt Bldg, Fatima Jinnah Road
Lahore

Bankers

Askari Commercial Bank Limited
United Bank Limited
Crescent Standard Investment Bank Ltd

Registered Office

NetSol Technologies Limited, Software
Technology Park, NetSol Avenue
Main Ghazi Road
Lahore Cantt

Share Registrar

THK Associates (Pvt) Limited
Ground Floor, Modern Motors House
Beaumont Road
Karachi

Web Presence

www.netsoltek.com/pakistan

NETSOL TECHNOLOGIES LIMITED
BALANCE SHEET (UN-AUDITED)
AS AT DECEMBER-31, 2005

NOTES	DEC-2005 Rupees in '000'	JUNE-2005 Rupees in '000'
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ASSETS

FIXED CAPITAL EXPENDITURE

Operating Fixed Assets	4	274,074	222,151
Capital Work In Progress		8,262	7,855
Intangible Assets	5	52,873	46,608
		<u>335,209</u>	<u>276,614</u>

LONG TERM INVESTMENTS

45,000 45,000

LONG TERM LOANS

85,187 73,354

CURRENT ASSETS

Account receivables - Unsecured	141,448	130,835
Excess of revenue over billing	174,823	110,775
Short term investment	90,000	-
Advances, deposits, prepayments and other receivables	70,410	42,743
Due from related parties	2,814	2,806
Cash & bank balances	30,769	18,889
	<u>510,264</u>	<u>306,048</u>
	<u>975,660</u>	<u>701,016</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

35,482,000 ordinary shares of Rs.10/- each

6 354,820 255,000

Capital reserve

7 189,470 60,000

Share deposit money

8 450 -

Un - appropriated profit

359,249 305,012

Total shareholders' equity

903,989 620,012

NON CURRENT LIABILITIES

Liabilities against assets subject to finance lease

3,425 1,928

Deferred Income

2,207 742

CURRENT LIABILITIES

Current portion of lease liability

3,889 3,101

Short term financing

30,000 22,000

Creditors, accrued and other liabilities

25,565 44,439

Excess of billing over revenue

6,585 8,792

66,039 78,333

CONTINGENCIES & COMMITMENTS

9 - -

975,660 701,016

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
PROFIT & LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER-31, 2005

NOTES	For the 2nd Quarter		Cumulative	
	Oct-Dec	Oct-Dec	Jul-Dec	Jul-Dec
	2005	2004	2005	2004
	Rupees in '000'	Rupees in '000'	Rupees in '000'	Rupees in '000'
Revenue	80,983	109,004	180,405	174,764
Cost of Sales	45,230	23,462	80,811	45,911
Gross profit	35,753	85,541	99,594	128,852
Operating expenses				
Administrative and General Expenses	22,035	13,513	37,786	21,855
Selling & Promotion Expenses	9,631	2,943	13,849	4,819
	31,666	16,456	51,635	26,674
Operating profit	4,087	69,085	47,959	102,179
Other income / (expenses)	5,963	460	8,745	1,664
Financial charges	957	838	2,467	1,764
Net Profit for the period	9,093	68,707	54,237	102,079
Un - appropriated profit brought forward	350,156	184,274	305,012	150,902
Translation loss on Share deposit money	-	(12,898)	-	(12,898)
Profit available for appropriation	359,249	240,083	359,249	240,083
Bonus Shares	-	(29,655)	-	(29,655)
Un - appropriated profit carried forward	359,249	210,428	359,249	210,428
Earning Per Share - Basic & Diluted	0.26	3.20	1.59	4.75

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, 2005

4 Operating Fixed Assets

		DEC-2005 Rupees in '000'	JUNE-2005 Rupees in '000'
Opening Balance (NBV)		222,151	98,486
Additions:	4.1	<u>63,088</u>	<u>144,213</u>
		285,239	242,699
Less:			
Disposals		(809)	(202)
Depreciation		<u>(10,356)</u>	<u>(20,346)</u>
		<u>274,074</u>	<u>222,151</u>

4.1 Following is the detail of addition:

Land	33,395	703
Building	7,355	111,475
Computers	8,978	18,010
Air Conditioners	1,450	1,629
Furniture & Fixture	1,563	2,928
Office equipment	935	3,200
Electric fittings	303	4,009
Vehicles	8,073	419
Software	1,036	2,223
Generator	-	(383)
Total	<u>63,088</u>	<u>144,213</u>

5 Intangible Assets:

Opening Balance (NBV)	46,608	36,625
Additions:	<u>8,523</u>	<u>13,490</u>
	55,131	50,115
Less:		
Amortization	<u>(2,258)</u>	<u>(3,507)</u>
	<u>52,873</u>	<u>46,608</u>

6 ISSUED, SUBSCRIBED & PAID-UP CAPITAL

DEC-2005 (Numbers of shares)	JUN-2005		DEC-2005	JUNE-2005
32,516,482	22,534,482	Ordinary Shares of Rs. 10 each (Jun-2005: 10 each) fully paid in cash	325,165	225,345
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>25,500,000</u>		<u>354,820</u>	<u>255,000</u>

The Parent Company NetSol Technologies Inc. 24011 Ventura Blvd, Suit No. 101, Calabasas CA 91302, holds 21,496,000 (Jun-2005:21,496,000) ordinary shares of Rs. 10/- each, representing 60.58% (Jun-2005: 84%) of the issued capital of the company.

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

DEC-2005	JUNE-2005
Rupees in '000'	Rupees in '000'

7 CAPITAL RESERVES

Share Premium	7.1	<u>189,470</u>	<u>60,000</u>
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7.1 Total premium of Rs. 209.73/- Million was charged on issuance of 13,982,000 ordinary shares of Rs. 10/- each @ premium of Rs. 15/- per share. This account has been adjusted for expenses directly attributable to the IPO of the company.

8 SHARE DEPOSIT MONEY

From general public	8.1	<u>450</u>	<u>-</u>
		<u>450</u>	<u>-</u>

8.1 This represents amount received from general public for issuance of shares which is confiscated by the company due to duplication of applications. The case has been referred to SECP for further decision.

9 CONTINGENCIES & COMMITMENTS

The company has no contingent liabilities and commitments outstanding as at December 31, 2005. (Jun-2005: Nil)

For the 2nd Quarter		Cumulative	
Oct-Dec	Oct-Dec	Jul-Dec	Jul-Dec
2005	2004	2005	2004

10 EARNING PER SHARE - BASIC & DILUTED

Profit after taxation for the year	<u>9,093</u>	68,707	<u>54,237</u>	102,079
Average number of ordinary shares in issue during the period	<u>35,482</u>	21,500	<u>34,017</u>	21,500
Earning per share basic & diluted	<u>0.26</u>	3.20	<u>1.59</u>	4.75

11 SEGMENT REPORTING

	Asia Pacific		Australia & USA		Others		Total	
	Dec-05	Dec-04	Dec-05	Dec-04	Dec-05	Dec-04	Dec-05	Dec-04
	R U P E E S I N T H O U S A N D							
	QUARTERLY RESULTS							
Revenue	70,778	90,875	9,080	14,271	1,125	3,858	80,983	109,004
Segment result	7,948	57,281	1,020	8,995	126	2,432	9,093	68,707
	HALF YEARLY RESULTS							
Revenue	151,450	149,885	27,831	21,021	1,125	3,858	180,406	174,764
Segment result	45,532	87,547	8,367	12,278	338	2,254	54,237	102,079

12 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February - 03, 2006 by the Board of Directors.

13 FIGURES

Comparative figures relating to balance sheet are of previous year and that of profit & loss and cash flow are of corresponding quarters of previous year.

Figure have been rearranged and reclassified wherever necessary for the purpose of comparison. However, no material rearrangement is made in those accounts.

Figures have been rounded off to the nearest thousand rupee

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER-31, 2005

	DEC-2005 Rupees in '000'	DEC-2004 Rupees in '000'
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit for the period	54,237	102,079
Add: Non cash charges to income		
Depreciation - own assets	10,164	5,583
Amortization of lease assets	1,822	1,211
(Gain)/Loss on disposal of fixed assets	(64)	36
Amortization of development cost	2,258	1,249
Amortization of Deferred revenue	(516)	(185)
Exchange (gain) / loss on debtors	139	(1,502)
Interest	545	610
Bad debts	418	-
	14,766	7,002
<i>Cash flows from operating activities before working capital</i>	69,003	109,081
<i>Decrease / (increase) in current assets & liabilities</i>		
Accounts receivables	(75,219)	(114,870)
Due from related parties	(8)	(1,961)
Advances, prepayments and other receivables	(27,667)	230
Excess of billing over revenue	(2,207)	7,668
Creditors, accrued and other liabilities	(18,874)	(11,166)
	(123,975)	(120,099)
<i>Cash generated from operations</i>	(123,975)	(120,099)
Interest paid	(545)	(610)
	(55,517)	(11,628)
<i>Net cash flow from operating activities</i>	(55,517)	(11,628)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Property and equipments purchased	(63,088)	(58,595)
Sales proceeds of fixed asset	873	6,961
Capital Work in Progress	(407)	37,402
Intangible assets	(8,171)	(7,081)
Long Term Investment	-	(45,000)
Long Term Loan	(11,833)	45,581
Short term investment	(90,000)	-
	(172,626)	(20,732)
<i>Net cash flow from investing activities</i>	(172,626)	(20,732)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Issuance of share capital	99,820	183,345
Share deposit money	450	(174,081)
Share premium	129,470	-
Long term loan	-	9,452
Paid against obligation under capital lease	(2,313)	(1,818)
Received against obligation under capital lease	4,597	5,990
Short term finance	8,000	(3,350)
	240,024	19,538
<i>Net cash flow from financing activities</i>	240,024	19,538
<i>Net (decrease) / increase in cash and cash equivalents</i>	11,880	(12,822)
<i>Cash and cash equivalents at the beginning of the year</i>	18,889	24,386
<i>Cash and cash equivalents at the end of the period</i>	30,769	11,564

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

NETSOL TECHNOLOGIES LIMITED
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2005

	Share Capital Rupees in '000'	Share Premium Rupees in '000'	Share Deposit Money Rupees in '000'	Foreign Currency Translation Rupees in '000'	Retained Earning Rupees in '000'	Bonus Shares Rupees in '000'	Total Equity Rupees in '000'
Balance at June 30, 2004	2,000	-	174,081	(9,468)	150,902	-	317,515
Net profit for the half year ended Dec 31, 2004	-	-	-	-	102,079	-	102,079
Share deposit money received	-	-	15,255	-	-	-	15,255
Shares issued against share deposit money	183,315	-	(183,315)	-	-	-	0
Right shares issued	30	-	-	-	-	-	30
Bonus shares issued	-	-	-	-	(29,655)	29,655	0
Transferred to inter company loan	-	-	(9,451)	-	-	-	(9,451)
Adjustment of foreign currency translation	-	-	3,430	9,468	(12,898)	-	-
Balance at December 31, 2004	185,345	-	-	-	210,428	29,655	425,428
Net profit for the half year ended June 30, 2005	-	-	-	-	94,584	-	94,584
Pre IPO Shares issued	40,000	-	-	-	-	-	40,000
Share premium on Pre IPO	-	60,000	-	-	-	-	60,000
Balance at June 30, 2005	225,345	60,000	-	-	305,012	29,655	620,012
Net profit for half year ended December 31, 2005	-	-	-	-	54,237	-	54,237
Share deposit money received	-	-	450	-	-	-	450
Shares issued against IPO	99,820	-	-	-	-	-	99,820
Share premium on IPO	-	129,470	-	-	-	-	129,470
Balance at September 30, 2005	325,165	189,470	450	-	359,249	29,655	903,989

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR