



# Annual Report 2007



NetSol Technologies Limited  
Annual Report 2007



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## Company Profile

### Board of Directors

Mr. Salim Ullah Ghauri	Chief Executive/Chairman
Mr. Najeeb Ullah Ghauri	Director
Mr. Naeem Ullah Ghauri	Director
Mr. Irfan Mustafa	Director
Mr. Shahid Javed Burki	Director
Mr. Sajjad Hussain Kirmani	Director
Mr. Zahid Bashir Mirza	Director
Mr. Rehmat Ullah Ghauri	Alternate Director
Mr. Ayub Ghauri	Alternate Director

### Chief Financial Officer

Mr. Boo-Ali

### Company Secretary

Mr. Boo-Ali

### Audit Committee

Mr. Najeeb Ullah Ghauri-Chairman	Non-Executive Director
Mr. Irfan Mustafa	Non-Executive Director
Mr. Sajjad Hussain Kirmani	Executive Director

### Auditors

Saeed Kamran Patel & Co.  
Chartered Accountants  
321-Upper Mall, Lahore.

### Legal Advisor

Corporate Law Associates  
1st Floor Queen's Centre  
Shahra-e-Fatima Jinnah,  
Lahore

### Bankers

Askari Commercial Bank Ltd  
United Bank Ltd  
Bank Al Falah Ltd  
JS Bank Ltd

### Share Registrar

Vision Consulting Ltd  
3-C, LDA Flats, Lawrence Road,  
Lahore.  
Tel: +92-42-6375531, 6375339  
Fax: +92-42-6374839

### Registered Office

NetSol Technologies Limited,  
Software Technology Park,  
NetSol Avenue, Main Ghazi Road,  
Lahore Cantt-54792, Pakistan.  
Tel: +92-42-111-44-88-00, 5727096-7  
Fax: +92-42-5701046, 5726740

### Regional Offices

#### Rawalpindi

House No. 26, Street No. 5, Safari Villas,  
Rawalpindi-46000.  
Tel: +92-51-5595377, 5595480  
Fax: +92-51-5595376

#### Islamabad

3rd Floor, Software Technology Park,  
5-A, Constitution Avenue, Sector F-5/1,  
Islamabad  
Tel: +92-51-2829972  
Fax: +92-51-2828964

#### Karachi

# 203, The Forum, Khayaban-e-Jami,  
Block-9 Clifton, Karachi 75600.  
Tel: +92-21-5301486-8  
Fax: +92-21-5301489

### Web Presence

[www.netsolpk.com](http://www.netsolpk.com)  
[info@netsolpk.com](mailto:info@netsolpk.com)



## Vision & Mission Statement

### Our Vision

By 2010, we want to be a No.1 Solution Provider in Asia-Pacific for Lease & Finance sector and we also want to be the best IT Company in Pakistan.

### Our Mission

Deliver High Quality, innovative and best-in-class IT solutions and services to help our customers achieve their business objectives and operational efficiencies.

### Our Values

- ⊙ We care for our employees who are our most valuable asset. We offer our employees a challenging and harmonious work environment where we encourage everyone to work to his or her utmost potential.
  - ⊙ We will always aim to develop long lasting relationship with our customers by delivering value for their investments.
  - ⊙ Our workplace will be an environment of great learning, extraordinary customer service, consideration for our colleagues and self-development. A place we are happy to spend our working days.
  - ⊙ We will be diligent expending company resources. We'll use them to serve our clients better and perform our roles more effectively.
  - ⊙ While we grow in size and scale, we will continue to improve our quality of service delivery.
  - ⊙ We will work tirelessly to grow in efficiency and productivity using Best Practices, Innovation and Imagination.
  - ⊙ As we are a global Company, we'll respect every other culture, religion and embrace the change & the challenges that come with such diversity.
- ⊙ We will continue to invest in training in Quality
  - ⊙ We'll grow quality initiatives with better "Best Practices" and more quality accreditations
  - ⊙ We'll implement better tools for measuring quality both in production and Customer Services
  - ⊙ Quality is not a domain with the few chosen ones but is a responsibility of all.
  - ⊙ We'll not pass the buck to the "Quality People" when we can see and address deficiencies ourselves.

### Our Behaviour

- ⊙ While we grow in size and scale, we will continue to improve our quality of service delivery'



## Organizational Setup

NetSol Technologies Limited						
Internal Audit	Accounts & Finance	IT/Operations			Management Rep.	Business Development
IT		Operations			LeaseSoft	Domestic
LeaseSoft		Administration	HR	IT Support	Lahore	Islamabad
IT Consulting & Services		Quality Engineering			China	Lahore
NetSol Defence		Quality Assurance			Thailand	Karachi
Technology Outsourcing (Extended Innovation)		Graphics				
Business Intelligence		Network Operations				
Information Security		Technical Communications				





## Quality Focus

Our commitment is to continually improve the effectiveness of our quality management system through;

- ⊙ monitoring and enhancing customer satisfaction
- ⊙ reviewing and enhancing quality objectives
- ⊙ regular assessments against international standards
- ⊙ developing and maintaining a skilled & motivated resource base
- ⊙ effective implementation of Software Measurement Program

Our focus in quality engineering and processes improvement has been definitive in ensuring the excellence of operations and customer satisfaction.

Since 1997, NetSol is continuously investing in software processes improvement and ISO/SEI authorized trainings for its teams.

Our vigor, experience and experimentation in the quality domain since our inception puts us in an ideal position to assist other IT companies in areas like Software Process Improvement, ISO Certification, SW - CMM appraisals and other quality-related matters.

## Statement of Ethical Practices

- ⊙ All directors and employees and other personnel must observe the laws and regulations.
- ⊙ NetSol does not permit bribery in any form of any person involved in the company's business.
- ⊙ NetSol requires competition in the marketplace and compliance with anti-trust and competition rules.
- ⊙ All employees and personnel must maintain the confidentiality of price sensitive information.
- ⊙ Employees and other personnel should not use price sensitive/inside information for their personal advantage.
- ⊙ Employees and other personnel should avoid situations where personal interests could conflict, or appear to conflict, with the interests of their employer.



## Profile of the Board of Directors



**Salim Ghauri**  
Chairman & CEO

Salim Ghauri is the sponsor and founder member of NetSol Technologies Ltd. He is also President of NetSol Technologies Inc. Asia Pacific Region. He has been a software developer since the early 1980s, and between 1981 and 1995 he designed and developed financial applications for large size databases.

Before establishing NetSol Technologies, Mr. Ghauri was a successful IT consultant in Australia. His last assignment was with BHP Steel in Sydney. As a system integrator he was responsible for software and hardware solutions. His main achievement was the introduction of a PC-based network in BHP Steel. From 1988-89,

Mr. Ghauri consulted with the State Rail Authority of NSW Australia for its MIS reporting. Before moving to Australia, he was in Saudi Arabia, where he started his IT career at Citibank, Riyadh in 1979. After leaving Citibank, he started his first venture with the help of local funding. Mr. Ghauri is credited with setting up the first IT-based training institute and a software house in Dammam, Saudi Arabia.

Recently, Mr. Ghauri has been appointed as the Honorary Consul of Australia for Punjab, Pakistan.



**Najeeb Ghauri**  
Director

Najeeb Ghauri is also the Chairman and CEO of NetSol Technologies Inc., USA. Mr. Ghauri was responsible for restructuring the company's business model into that of an IT company. He also spearheaded the successful listing of NetSol in the NASDAQ Small Cap Group in December 1999. On September 13, 2006, Mr. Ghauri represented NetSol Technologies as he presided over the closing bell for the NASDAQ Exchange in New York City.

Prior to launching NetSol in the U.S., Mr. Ghauri had over 15 years of combined marketing and management experience with Fortune 500 companies such as Unilever and Atlantic Richfield Corporation (ARCO). He received his bachelor's degree from Eastern Illinois

University, and earned an MBA in marketing from the Drucker School of Management at The Claremont Graduate School. In 2001, Mr. Ghauri was a nominee for the Ernst & Young 'Entrepreneur of the Year' award in California.

Mr. Ghauri is very active in various educational non-governmental organizations (NGOs) worldwide. He is a founding board member of the Pakistan Human Development Fund. He is also a founding board member and Vice-Chairman of the U.S. Pakistan Business Council in Washington, D.C., a U.S. Chamber of Commerce body and the leading private sector association in the United States promoting trade and investment between the United States and Pakistan.





**Naeem Ghauri**  
Director

As President Netsol Technologies Inc. European Region and Global Products, Naeem Ghauri brings a wealth of IT experience in the lease/finance industries and tremendous business management experience in international markets. From 1994-1999, he was a senior IT consultant with various blue-chip companies in Europe. At Debis, he managed the Hercules Project, a complex and challenging project valued in excess of \$70 million. It involved supervising over 200 project managers, developers, analysts and users in nine European countries.

Prior to taking on the Hercules Project, Mr. Ghauri was a senior project manager in Singapore with Mercedes. From 1983-1995, he held various assignments in Australia and the United Kingdom with Citibank and Fidelity Investments, respectively, in data processing departments. He also ran several successful business ventures in retail computers and in the real estate industry in Australia.



**Shahid Javed Burki**  
Director

Shahid Javed Burki was elected as Director in 2004. Prior to joining the Board, Mr. Burki had a distinguished career with the World Bank where he served as Director of Chief Policy Planning from 1974-1981. He was also a Director of International Relations from 1981-1987. Mr. Burki served as Director of China Development from 1987-1994, and Vice President of Latin America from 1994-1999. In between, he briefly served as the Finance Minister of Pakistan from 1996-1997. Mr. Burki also served as the CEO of the Washington-based investment firm EMP Financial Advisors from 1992-2002. Presently he is the Chairman of Pak Investment & Finance Corporation.

Mr. Burki also has a distinguished academic background. He was awarded a Rhodes Scholarship in 1962, and received an MA in Economics from Oxford University in 1963. He also earned an MBA degree from Harvard University in 1968. Mr. Burki is also an author of numerous books and articles.





**Irfan Mustafa**  
Director

Mr. Irfan Mustafa was elected on the Board of Directors in 2004. Since August 1997, Mr. Mustafa has been involved with Yum! Restaurants International, Louisville, Kentucky, USA as Regional Vice President and Managing Director for the Middle East, North Africa, Pakistan and Turkey. He is fully responsible for the business spreading across 17 countries with a turnover of \$450 million.

Mr. Mustafa had been previously employed at Tricon International since July 1997 as a senior executive in charge of Middle Eastern and North African regions. Prior to that appointment, he was the leader of the

Executive Designate Program for Pepsi in the U.S. From 1994 to 1995, he was Area Vice President for Egypt and Sudan, and from 1990 to 1994, he held the position of Area Vice President for West Asia.

Prior to joining Pepsi in 1990, Mr. Mustafa had worked with Unilever for 14 years and had held various senior positions worldwide. Mr. Mustafa holds a Bachelor's Degree from University of the Punjab and a Master's Degree in Business Administration from Institute of Business Administration, Karachi, Pakistan as well as from IMD (formerly Imede), Lausanne, Switzerland.



**Sajjad Kirmani**  
Director

Sajjad Kirmani is the Executive Vice President and the Director for NetSol Technologies Limited. He has been associated with NetSol since May 1998. As EVP IT & Operations, he manages the operation of the company across the broad spectrum of IT products and services portfolio as well as supporting functions of human resource management, network operations and quality engineering.

Mr. Kirmani has over 22 years of professional IT experience in software development, project management and Information Systems management. Prior to joining NetSol, Mr. Kirmani worked for Coca-

Cola Corporation for 6 years as Information Services Manager for their South West Asia Region spreading across 5 countries in Asia Pacific.

Mr. Kirmani holds a Master's degree in Computer Sciences from University of London with specialization in Database Management & Information Systems, along with a Master of Business Administration (MBA) degree from IBA, University of the Punjab. He is the Executive Council member of Computer Society of Pakistan Lahore Chapter and was the Vice president of Pakistan Software Houses Association (PASHA) from 2003-2004.





**Zahid Bashir Mirza**  
Director

Zahid Bashir Mirza has 29 years of diversified experience in Project Management, and Business Development, in the areas of Business Automation, Printing & Publishing, Telecommunications and Information Technology. Mr. Mirza joined NetSol in the year 2000 and is presently the EVP/Director – Sales and Marketing and is also heading the Business Development Department of the Company. He was elected as a Director on the Board of the Company in 2006.

Prior to working with NetSol, he worked in the Middle East with Radio Shack, WANG Computers and Saigol

Group for 11 years. He came to Pakistan in 1988 and joined UDL Computers (Apple Computer) and later PTC Yellow Pages Directory Project. He headed the Business Development and Operations Departments' of both organizations for 12 years consecutively.

Mr. Mirza attained his Master degree in 1976 with majors in Computer Sciences from University of the Punjab. He is Life Member of Computer Society of Pakistan, and is an active member of a local club of Rotary International.



## Chairman's Message



I feel honored in sharing this year's unprecedented results with our shareholders, who have demonstrated their full trust in us by investing their hard-earned capital in our shares.

This year has a very special importance for us. 2006-2007 is the year, when NetSol Technologies Ltd. has come out of its incubation, and now stands as a mature organization, serving to global blue-chip clients around the world. We now have more than 800 people working for us globally. Our commitment towards quality has helped us achieve the highest quality standard in the software industry, Capability Maturity Modeling Integration (CMMI) Level 5. Moreover, NetSol was the very first software company to achieve ISO 9001: 2000 certification in 1998. We are pretty much sure that our efforts towards achieving ISO 27001 certification, which is a globally recognized standard for Information Security Management, will help us reach another level pretty soon.

LeaseSoft, our flagship product, and a world renowned solution for the leasing and finance industry is by far the most sought after Leasing and Finance product in the Asia Pacific. We have had many major successes last year with LeaseSoft, and have grown our portfolio through adding more names to our blue-chip customers' list. We will now be taking our product to North American and European markets as well. These markets offer higher value for our products and services.

Talking of geographical expansion, in order to furthermore increase our penetration in the Asia Pacific market, we will soon be opening an office in Thailand, which would result in better market penetration and would also help us serve our Thai customers in a better manner.

Outsourcing is an area of focus now for NetSol. We are now focusing on outsourcing activities using our current facilities in San Francisco and London. In the local market, NetSol has built goodwill in the government as well as the private sector by providing high quality work.

By the grace of Almighty Allah, the business of NetSol is growing rapidly both in local and global markets. To keep pace with the growth in business, we are right now in the process of expanding our physical infrastructure.

As far as my vision is concerned, I wish to see NetSol as an unchallenged leader of Pakistan IT industry in terms of both products and services. Also, I wish to see NetSol as a major global IT solutions and services provider.

**Salim Ghauri**  
Chairman & CEO

September 14, 2007  
Lahore



## NetSol Events



Meeting of Mr. Salim Ghauri with Zorica McCarthy Australian High Commission at ceremony held on the occasion of his appointment as Honorary Consul of Australia.



Mr. Salim Ghauri receiving "FPCCI Best Export Performance Award 2005-2006" from Prime Minister Shaukat Aziz on Dec 27, 2006.

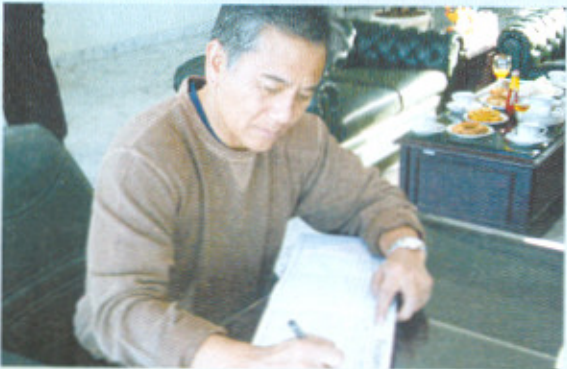


Mr Yushihiro Mori, Vice President Toyota Motor Finance China, Mr Salim Ghauri, Chairman & CEO NetSol Technologies Ltd and Mr Francois Radot, Executive Vice President Toyota Motor Finance China while signing the LeaseSoft agreement in China.





Thales Raytheon Systems team including Mr Dennis L. Wright, Manager Business Development and Strategic Planning, Mr William W. Jordan, Director of Middle East & North Africa Operations, and Mr M. Tarik Yusufzai, Director Middle East Programme visited NetSol Technologies Ltd and joined Mr Salim Ghauri and NetSol team.



Mr. Henry Tolentino, President Toyota Leasing Thailand, records his remarks in visitors' book during his visit to NetSol.



Meeting of Salim Ghauri Honorary Council of Australia with Zorica McCarthy Australian High Commission and Lt. General ® Khalid Maqbool, Governor of Punjab, Pakistan.



Mr. Salim Ghauri, CEO/Chairman addressing at the occasion of NetSol's Mango Festival.





## Services Portfolio

### Industries we serve

- ⊙ Lease & Finance
- ⊙ Banking
- ⊙ Insurance
- ⊙ E-Governance
- ⊙ Defense
- ⊙ Manufacturing
- ⊙ Healthcare
- ⊙ Education
- ⊙ Information Technology



### Services we offer

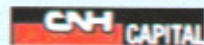
- ⊙ Systems Integration
- ⊙ Technology Outsourcing
- ⊙ Application Development & Maintenance
- ⊙ IT Consultancy & BPR
- ⊙ Information Security Consulting
- ⊙ Business Intelligence Consulting
- ⊙ Software Process Consulting
- ⊙ Products Based Solutions



## Major Customers

### Global

- ⊙ Daimler Chrysler Leasing Thailand
- ⊙ Daimler Chrysler Auto Finance China
- ⊙ Daimler Chrysler Financial Services Australia
- ⊙ Daimler Chrysler Financial Services Taiwan
- ⊙ Daimler Chrysler Services Korea
- ⊙ Daimler Chrysler Services New Zealand
- ⊙ Mercedes-Benz Finance Company Japan
- ⊙ BMW Financial Services China
- ⊙ Yamaha Motors Finance Australia
- ⊙ Toyota Leasing Thailand
- ⊙ Toyota Motor Finance Company China
- ⊙ UMF Singapore
- ⊙ Australian Motor Finance
- ⊙ CNH Capital Australia
- ⊙ Finlease Company Limited Mauritius
- ⊙ FIAT Motors China
- ⊙ Nissan Dong Feng China
- ⊙ The Innovation Group, UK
- ⊙ McCue Systems, USA



### Local

- ⊙ Electronic Government Directorate, Ministry of IT
- ⊙ General Head Quarter, Rawalpindi
- ⊙ Pakistan Military Academy, Kakul
- ⊙ State Bank of Pakistan
- ⊙ Command & Staff College, Quetta
- ⊙ Information Technology Department, Punjab
- ⊙ Excise & Taxation Department, Islamabad
- ⊙ Punjab Rural Support Program
- ⊙ Punjab Information Technology Board (PITB)
- ⊙ Agha Khan Hospital
- ⊙ Tapal Tea



## Shareholders' Information

### Registered Office

NetSol IT Village (Software Technologies Park),  
Main Ghazi Road, Lahore Cantt. 54792, Pakistan.  
Tel: +92-42-111-44-88-00, 5727096-7  
Fax: +92-42-5726740, 5701046

### Listing on Stock Exchange

Equity shares of NetSol Technologies Ltd are listed & traded on Karachi Stock Exchange since Aug, 2005.

### Listing Fees

The annual listing fees for the financial year 2006-07 has been paid to the Karachi Stock Exchange within specified time period.

### Stock Code

The stock code for dealing in equity shares of the company at KSE is NETSOL.

### Shares Registrar

Vision Consulting Ltd.,  
3-C, LDA Flats, Lawrence Road, Lahore.

Tel: +92-42-6375531, 6375339

Fax: +92-42-6374839

The Share Registrar has online connectivity with Central Depository Company of Pakistan Limited (CDC). It under-takes activities related to share transfers, transmission, issue of duplicate/re-validated dividend warrants, issue of duplicate/replaced share certificates, change of address and other related matters.

For assistance, shareholders may contact the following person of Shares Registrar;

### Contact Person

Mr. Abdul Ghaffar Ghaffari  
Manager Shares

### Service Standards

NetSol Technologies Ltd has always endeavored to provide our valued investors with prompt services. Listed below are various investor services with their maximum time limit set out against each for their execution.

S. No.	ACTIVITIES	For Request Received through post	Over the Counter
1	Transfer of Shares	30 days after receipt	30 days after receipt
2	Transmission of Shares	30 days after receipt	30 days after receipt
3	Issue of duplicate share certificates	30 days after receipt	30 days after receipt
4	Issue of duplicate dividend warrants	5 days after receipt	5 days after receipt
5	Issue of re-validated dividend warrants	5 days after receipt	5 days after receipt
6	Change of Address	2 days after receipt	15 minutes



## Share Price / Volume

Monthly high and low prices and the average volume of shares traded on the Karachi Stock Exchange (KSE) during the financial year 2007 are as under:

Month	Share price on the KSE (Rs.)		Average Volume of Shares traded
	Highest	Lowest	
Jul-06	26.95	20.25	534,500
Aug-06	26.35	21.50	756,750
Sep-06	23.75	21.40	177,750
Oct-06	24.50	21.30	54,250
Nov-06	23.95	22.40	139,000
Dec-06	24.35	21.35	322,500
Jan-07	31.50	21.50	409,500
Feb-07	42.40	33.05	799,750
Mar-07	47.00	41.00	328,750
Apr-07	63.35	44.00	347,750
May-07	74.50	62.05	499,750
Jun-07	75.6	65.5	2,259,250



# NetSol GROUP

## Statement of Value Addition

	2007	% age	2006	% age
RUPEES IN THOUSAND				
<b>WEALTH GENERATED</b>				
Revenue	<b>1,082,420</b>		600,152	
Other Income	<b>21,650</b>		23,708	
	<b>1,104,070</b>		623,860	
Less: Operations & General Expenses	<b>331,749</b>		189,271	
Value Added	<b>772,321</b>	<b>100%</b>	434,589	100%

### WEALTH DISTRIBUTION

#### To Employees

Salaries & Other employee benefits	<b>289,370</b>	<b>37%</b>	203,585	47%
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#### To Government

Income Taxes & Other Taxes	<b>4,926</b>	<b>1%</b>	1,649	0.4%
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#### To Provider of Capital

Bonus Shares & Dividends	<b>53,223</b>	<b>7%</b>	-	0.0%
Minority Shareholders	<b>35,924</b>	<b>5%</b>	26,095	6%

#### To Financial Institutions

As mark-up on borrowings	<b>9,476</b>	<b>1%</b>	5,767	1%
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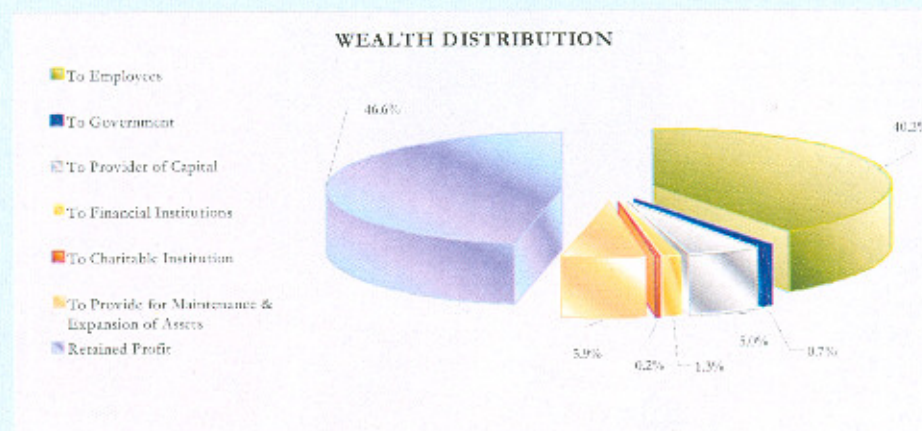
#### To Charitable Institution

	<b>1,312</b>	<b>0.2%</b>	8,505	2%
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#### To Provide for Maintenance & Expansion of Assets

Depreciation / Amortization	<b>42,678</b>	<b>6%</b>	47,514	11%
Retained Profit	<b>335,412</b>	<b>43%</b>	141,474	33%

	<b>772,321</b>		434,589	
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## Six Year Summary

	2007	2006	2005	2004	2003	2002
	R U P E E S I N T H O U S A N D					
<b>FIXED CAPITAL EXPENDITURE</b>						
Tangible	392,688	327,848	241,860	194,770	71,099	77,496
Intangible	197,839	68,202	55,441	40,306	33,782	3,175
	<b>590,527</b>	396,050	297,301	235,076	104,881	80,671
<b>NON CURRENT ASSETS</b>						
Long Term Loans & Advances	27,088	31,628	40,428	-	-	-
Working Capital	884,565	606,339	291,374	58,891	24,185	19,252
<b>NET ASSETS EMPLOYED</b>	<b>1,502,180</b>	1,034,017	629,102	293,967	129,066	99,923
<b>EQUITY &amp; LIABILITIES</b>						
Shareholders' equity	1,363,912	975,276	604,199	292,981	128,885	98,580
Minority Interest	84,254	48,328	22,233	-	-	-
Non Current Liabilities	54,014	10,413	2,671	986	181	1,343
<b>TOTAL FUND INVESTED</b>	<b>1,502,180</b>	1,034,017	629,102	293,967	129,066	99,923
<b>Revenue</b>	<b>1,082,420</b>	600,152	462,281	212,454	92,241	67,090
Cost of Sales	465,783	291,734	163,312	71,245	23,429	53,461
<b>Gross profit</b>	<b>616,637</b>	308,418	298,969	141,209	68,811	13,628
Operating expenses	192,078	140,849	98,545	46,229	51,890	56,028
<b>Net Profit for the period</b>	<b>424,559</b>	167,569	200,424	94,980	16,921	(42,400)
<b>Earning Per Share - Basic &amp; Diluted</b>	<b>9.52</b>	3.53	10.04	11.20	2.13	(4.97)

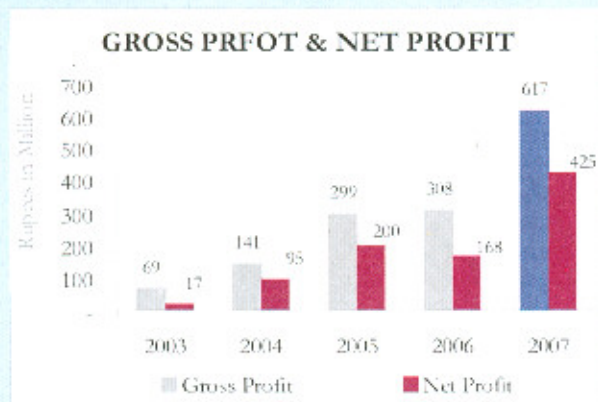
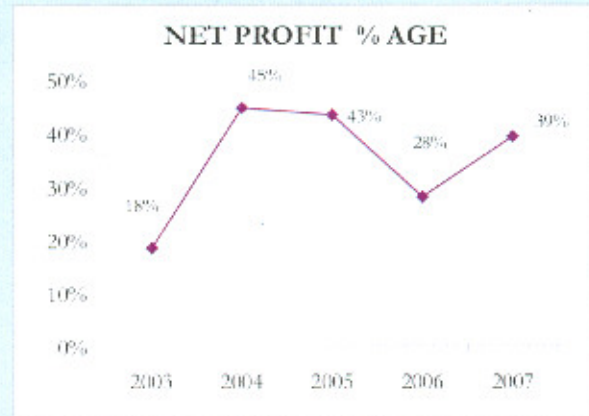
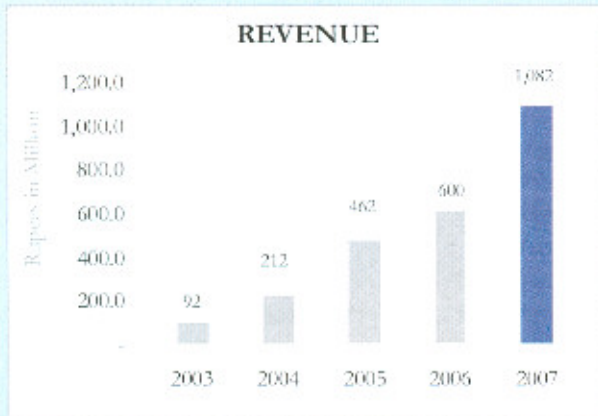


## Key Financial Ratios

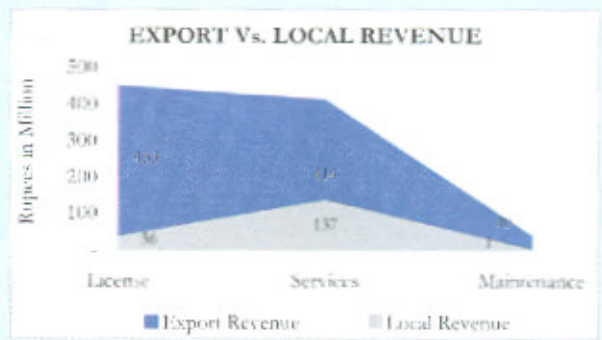
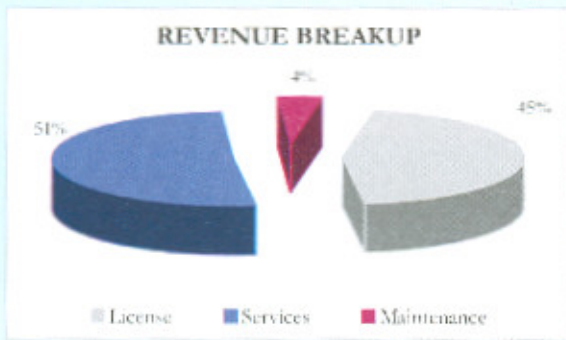
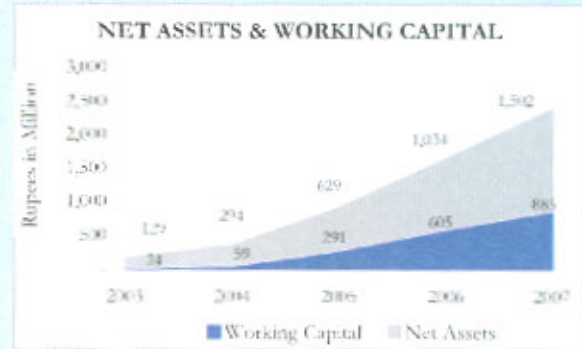
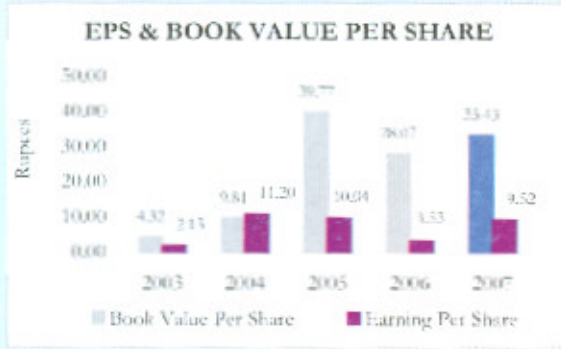
		2007	2006	2005	2004	2003	2002
Working Capital	Rupees in thousand	<b>884,565</b>	606,339	291,374	58,891	24,185	22,428
Current Ratio	Times	<b>4.57</b>	6.62	4.26	1.74	1.45	1.38
Return on Asset Employed	%	<b>22%</b>	12%	29%	25%	10%	-26%
Return on Equity	%	<b>28%</b>	15%	34%	32%	14%	-42%
Gross Profit Ratio	%	<b>57%</b>	51%	65%	66%	75%	20%
Net Profit Margin	%	<b>40%</b>	28%	46%	47%	19%	-59%
Average Collection Period	Days	<b>96</b>	108	79	60	171	428
Debtor's Turnover	Times	<b>3.77</b>	3.35	4.56	6.01	2.10	0.84
Earning Per Share	Rupees	<b>9.52</b>	3.53	10.04	11.20	2.13	(4.97)
Outstanding No of Shares	Shares	<b>40,804,300</b>	40,066,300	20,516,266	8,487,818	8,487,818	8,387,818
Book Value Per Share	Rupees	<b>33.43</b>	28.07	39.77	9.81	4.32	3.30



## Financial Summary







## Notice of 11<sup>th</sup> Annual General Meeting

Notice is hereby given that the 11th Annual General Meeting of NetSol Technologies Limited will be held on Friday October 19, 2007, at 10:30 AM at the registered office of the Company situated at NetSol Technologies Limited, NetSol IT Village (Software Technology Park) NetSol Avenue, Main Ghazi Road, Lahore Cantt. to transact the following business:

### Ordinary Business

- ⊙ To confirm the minutes of the last Extra-Ordinary General Meeting held on December 29, 2006.
- ⊙ To receive, consider and adopt the financial statements for the year ended June 30th, 2007 together with Director's and Auditor's Report thereon.
- ⊙ To approve final stock dividend @22% i.e (2.2 shares for every 10 shares already held) in addition to interim stock dividend @15% i.e. (1.5 shares for every 10 shares already held), as recommended by the board of directors.
- ⊙ To appoint Auditors for the year 2007-2008 and fix their remuneration. The present Auditors M/s Saeed Kamran Patel & Co., Chartered Accountants, retire and being eligible offer themselves for re-appointment.

### Special Business

- ⊙ To consider and approve increase in the Authorized Capital of NetSol Technologies Ltd from Rs.500,000,000 (Five Hundred Million only) to Rs.800,000,000(Eight Hundred Million only) as recommended by the Board of Directors and pass the following Special Resolution with or without any modification, addition or deletion:

#### RESOLVED THAT

The Authorized Share Capital of NetSol Technologies Ltd be and is hereby increased from Rs. 500,000,000 (Five Hundred Million only) to Rs. 800,000,000(Eight Hundred Million only) divided into 80,000,000 (Eighty Million) ordinary shares of Rs. 10/- each ranking pari passu with existing shares.

#### FURTHER RESOLVED THAT

The words and figures "Rupees Five Hundred

Million (Rs.500,000,000) divided into Fifty Million (50,000,000) Ordinary Shares of Rupees Ten (Rs. 10) each" appearing in clause V of Memorandum of Association and clause 4 of Articles of Association be and are hereby substituted by the words and figures "Rupees Eight Hundred Million (Rs.800,000,000) divided into Eighty Million Ordinary shares of Rupees Ten (Rs.10) each"

#### FURTHER RESOLVED THAT

"Chief Executive Officer and Company Secretary be and are hereby severally & jointly authorized to complete all the legal requirements associated with the increase in authorized capital and sign/file all relevant documents with Securities and Exchange Commission of Pakistan"

- ⊙ To transact any other business with the permission of the Chair.  
Statement u/s 160 (1) (b) of the Companies Ordinance, 1984 is being sent to the members of the company alongwith notice of Annual General Meeting.

By Order of the Board

#### BOO-ALI

(Company Secretary/CFO)

Lahore

September 28, 2007

#### Notes:

- ⊙ The share transfer books of the Company will remain closed from October 13, 2007 to October 19, 2007. (Both days inclusive).
- ⊙ A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote in his/her place. Proxies, complete in every respect, in order to be effective, must be received at the registered office of the company not less than 48 hours before the time of the meeting.
- ⊙ Shareholders are requested to notify the change of addresses, if any, immediately to our share registrars, M/s Vision Consulting Ltd., 3-C, LDA Flats, Lawrence Road, Lahore Tele # 092(42)



6375531,6375339, fax # 092(42) 6374839.

- ⊙ CDC Account holders will further have to follow the under mentioned guidelines as laid down by the Securities & Exchange Commission of Pakistan:

**A) For Attending the Meeting:**

- ⊙ In case of individuals, the account holder or sub-account holder's registration details are uploaded as per the CDC regulations shall authenticate his identity by showing his original NIC or original passport at the time of attending the meeting.
- ⊙ In case of Corporate entity, the board of Director's Resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

**B) For Appointing Proxies:**

- ⊙ In case of individuals, the Account holder or sub-account holder's registration details are uploaded as per the CDC regulations, shall submit the proxy form as per the above requirements.
- ⊙ The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

- ⊙ Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- ⊙ The proxy shall produce his original NIC or original passport at the time of the meeting.
- ⊙ In case of corporate entity, the Board of Director's resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the company.

## **STATEMENT UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE, 1984**

### **1. Increase in Authorized Share Capital of the Company:**

Presently the Authorized Share Capital of the company is Rs. 500,000,000 (Five Hundred Million only) divided into 50,000,000 (Fifty Million only) ordinary shares. Whereas, issued, subscribed & paid up capital of the company is Rs.408,043,000 (Four Hundred Eight Million and Forty Three Thousand only) divided into 40,804,300 (Forty Million Eight Hundred Four Thousand and Three Hundred only) ordinary shares of Rs. 10 each. In order to accommodate future expansion of the company, the

Authorized Share Capital needs to be increased. Keeping in view our future expansion strategy Authorized Share Capital of the company is proposed to be increased from the existing Rs. 500 Million to Rs.800 Million.

Directors of the company have no other interest in the special business and /or resolutions, whether directly or indirectly, except to the extent of their shareholding in the company.



## Directors' Report to the Members for the Year Ended June 30, 2007



The Directors are pleased to present the 11th Annual Report of the Company along with audited financial statements for the year ended June 30, 2007 and auditors' report thereon as well as consolidated financial statements of the NetSol Group.

### General Overview & Future Outlook

We feel immense pleasure to inform you that your company has achieved a record performance in its history with the highest ever revenues and profits. During the fiscal year under review, Pakistan economy continued to perform strongly with all the macro-economic indicators showing a positive trend. The rising GDP growth rate has positioned Pakistan as one of the fastest growing economies in the world. As a result we are experiencing and expecting sizeable investments in information technology sector not only from the private sector but also by the public and defence sector. Your company is one of the beneficiaries of this expansion and has won some significant projects in the areas of E-Government and Ministry of Defence. During the fiscal year 2006-2007, we have won some lucrative local projects such as Automation project for Ministry of Health, Ministry of Population, Motor Transport Management Information System (MTMIS) and customization and implementation of legislative Assembly Automation System etc. After successful implementation of Motor Transport Management Information System (MTMIS) Lahore, the Government of Punjab has given us the mandate to roll out this project in all the remaining districts of the province of Punjab. We have won the pilot project for Land Revenue Management Information System (LRMIS) in Punjab a World Bank funded initiative. There is a major upside in Punjab with implementations in 34 districts. Moreover, opportunities exist in Sindh and Islamabad Capital Territories (ICT).

Our world renowned flagship product "LeaseSoft" is rapidly gaining popularity in the international market especially in the growing economies of Asia Pacific. Leading automobile companies have implemented this suite in their facilities across the globe. During the year under review, we have won eight more projects of LeaseSoft adding the names of five fortune 500 companies on our profile including Nissan, Fiat, & CNH. China and Australia continue to be our hottest markets with major business coming from these countries. We recently added a new product Fleet Management System (FMS) to the existing LeaseSoft suite. A prototype of FMS has been developed and demonstrated to few potential prospect customers recently.

To further strengthen our presence in the Asia-Pacific market, and to provide exclusive services to our clients, we are in the process of establishing a support office in Bangkok, Thailand. This office is located at a prime location in Bangkok and suits all LeaseSoft clients in Thailand. The core responsibilities of this office would be to enhance business through targeting potential customers, and to provide technical support to our existing clients in Thailand.

Our outsourcing business with the UK partner Innovation Group PLC (IG) is also flourishing with the passage of time. Outsourcing is an upcoming business in Pakistan and there is lot of potential in this area. Initiated with a 10 person outsourcing team in Lahore in February 2005, this arrangement has extended to a 120 person team in June 2007 with the additional resources catering to the increased influx of outsourcing of configuration and testing assignments from IG. Prominent IG's customers being serviced from Lahore include global insurance giants like Allstate Insurance Canada, Avis Budget Car Rental Group USA, Norwich Union UK, Hertz UK, Aviva Canada, Erinaceous UK and many others.

Future outlook of your company seems very promising. We have a robust sales pipeline for our product LeaseSoft. In local business, there is a good potential to win lucrative projects in the areas of E-Government, Ministry of Defence and Land Revenue Management Information System (LRMIS). The World Bank has already allocated huge funds to finance LRMIS implementation across Punjab on the completion of pilot project. In the Defence Sector, we have made some initial breakthroughs in certain areas which we are expecting to be developed gradually during the years to



come. This is another major area in which we have invested heavily during the last 2 years to develop the requisite competencies and capacity. During the last year, NetSol had invested in the area of Business Intelligence & Information Security and have now established consulting practices to offer related services and products to a potentially large market in Pakistan which is relatively untapped right now. For Information Security practice, we have established a business partnership with Internet Security System (ISS) which is an IBM company and a global leader in Information and Network security products. Similarly we have alliances with Sungard and BusinessObjects on Business Intelligence offerings and solutions. Both these areas have started showing reasonable results and we expect to have some significant breakthroughs in the coming years.

### Awards & Recognition

On 11 August 2006 your company achieved **CMMI Level 5 rating** which is the highest standard for software development worldwide. We are the only company in Pakistan with this rating and join a select group of about 100 global IT giants including IBM, Lockheed Martin, Tata, Raytheon, InfoSys, Wipro, etc. This indeed is one of the most significant milestones accomplished in the 11 years history of your Company.

Your Company has won **FPCCI award** as well as **7th NCR National IT Excellence Award** for highest software exports for 2005-06.

Due to our focus to create highly conducive professional work environment and HR best practices, your Company has won the **Best IT Employer award** from Pakistan Software Houses Association (PASHA).

Finally it is a pleasure to share with you that during the year our Chairman & CEO Mr. Salim Ghauri was appointed as **Honorary Consul for Australia in Punjab**.

	NetSol Group		NetSol Technologies Limited	
	For the Year ended June 30, 2007	For the Year ended June 30, 2006	For the Year ended June 30, 2007	For the Year ended June 30, 2006
	Rupees in '000'			
Revenue	1,082,420	600,152	927,810	505,210
Gross Profit	616,637	308,418	533,802	251,941
Net Profit	388,637	141,474	352,042	114,830
Outstanding shares	40,804	40,804	40,804	40,804
EPS - basic & diluted	9.52	3.53	8.63	2.87

Financial performance of your company remained outstanding during the fiscal year 2006-2007. Revenues increased to more than a billion rupees during the year under review showing an overall increase of 80%. Gross profit margin also improved to 57% as compared to 51% for the corresponding year validating the corporate and financial controls implemented by the management. Net profits increased to Rs. 388.635 million indicating the net profit ratio improving from 24% to 36% in the current year. Major contributors towards the rising net profits are higher value license sales and effective controls over costs.

### Compliance With Code Of Corporate Governance

Your company is committed to maintain high standards of good corporate governance without any exception. The directors are pleased to inform that your company is compliant with the provisions of the Code of Corporate Governance as introduced by the Securities & Exchange Commission of Pakistan and adopted by the Karachi Stock Exchange. Statement of compliance with the Code of Corporate Governance is also annexed.



### **Corporate & Financial Reporting Framework**

- ⊙ The financial statements, prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- ⊙ Proper books of account of the company have been maintained.
- ⊙ Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- ⊙ International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of the financial statements.
- ⊙ The system of internal control is sound in design and has been effectively implemented and monitored.
- ⊙ The Board is satisfied that the company is doing well and there are no significant doubts upon the listed company's ability to continue as a going concern.
- ⊙ There has been no material departure from the best practice of corporate governance, as detailed in the listing regulation of Karachi Stock Exchange.
- ⊙ Key operating and financial data of last six years is annexed herewith.
- ⊙ There are no statutory payments on account of taxes, duties, levies and charges outstanding as on June 30, 2007 except those as disclosed in the financial statements.
- ⊙ Value of the Provident Fund Investments as on June 30, 2007 was Rs. 29.49 million (June 30, 2006: Rs.16.65 million).
- ⊙ No material changes and commitments affecting the financial position of the company have occurred between the end of the financial year to which this balance sheet relates and the date of the directors' report.

### **Statement Of Ethics And Business Practices**

The Board has adopted the statement of Ethics and Business Practices as documented by the management. All employees have signed this statement and are required to observe these rules of conduct in relation to customers, suppliers and regulators.

### **Election Of Directors**

Election of Board of Directors of your company was held on December 29, 2006 in the Extra-Ordinary General Meeting. In accordance with the provisions of section 178 & 180 of the Companies Ordinance, 1984 and Article 70 of the Company's Articles of Association, following directors were unanimously elected for the term of next 3 years commencing from January 01, 2007:

Mr. Salim Ullah Ghauri  
 Mr. Najeeb Ullah Ghauri  
 Mr. Naeem Ullah Ghauri  
 Mr. Irfan Mustafa  
 Mr. Sajjad Hussain Kirmani  
 Mr. Shahid Javed Burki  
 Mr. Zahid Bashir Mirza

Subsequent to the election of directors, the newly formed board then elected Mr. Salim Ullah Ghauri as Chief Executive Officer and Chairman for the term of three years in accordance with the provisions of section 199 of the Companies Ordinance, 1984. The new constituted board comprises persons from various spheres of life including sponsors, businessmen, economist and marketing personnel. The Board also places on record its gratitude for the services rendered by Mr. Abdul Rashid and Mr. Eugen Beckert, the outgoing directors, during their tenure with the company.



NetSol Technologies Limited

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### **Web Presence**

In order to give fair and clear view to our valued shareholders and general public at large, the management decided to change the web portal of the company from [www.netsoltek.com/pakistan](http://www.netsoltek.com/pakistan) to [www.netsolpk.com](http://www.netsolpk.com). After getting formal approval from Securities & Exchange Commission of Pakistan as well as from Karachi Stock Exchange, we informed this change to our shareholders and general public through advertisement in the newspapers. This new web portal is being updated regularly for obtaining of information by the Shareholders, General Public and other concerned Authorities.

### **ISO 27001:2005 Certification**

ISO 27001:2005 is the international standard for information security. This Standard has been prepared to provide a model for establishing, implementing, operating, monitoring, reviewing, maintaining and improving an Information Security Management System (ISMS). NetSol being the IT Company has been very much keen in implementing the suitable information security and data protection measures to provide comfortable level to our valued customers and other regulatory bodies. In this context the management took a decision to get the company ISO 27001 certified. We are in the process of implementing the requirements of this standard and are hopeful to get the requisite certification by the end of the current calendar year.

### **SOX 404 Compliance**

Sarbanes-Oxley is a US law passed in 2002 to strengthen Corporate Governance and restore investor confidence. SOX 404 section of Sarbanes-Oxley requires from management to certify the suitability of design & effectiveness of internal control system whereas external auditors are required to give their opinion on management's assertions of internal control. Compliance of SOX 404 is mandatory for all the US based listed companies and their subsidiaries. NetSol Technologies Inc., the ultimate holding company of NetSol Group, being listed on NASDAQ is required to comply with the requirements of SOX 404. We have taken the initiative of implementing the requirements of SOX 404 in our company and are hopeful to be SOX compliant by June 2008.

### **Dividend**

The Board of Directors is pleased to announce final stock dividend of 22% bonus shares. This is in addition to the interim stock dividend of 15% Bonus shares already declared by the Board in their meeting held on April 27, 2007. Thus total pay out during the fiscal year 2006-2007 comes to 37%.

### **Construction of 2nd NetSol Tower**

Due to continuous growth of your company during the last two to three years, we had to hire the appropriate number of human resources to meet the challenge of delivering the products and services to our valued customers in time. Keeping in view our current space utilization and the future growth potential, we believe that our current facility will be out of space. In this context the board of directors has decided to construct another seven storey NetSol Tower adjacent to the current facility. For this purpose, we have already hired the services of a professionally qualified architect and initial paperwork regarding design has been completed and now we are ready for filing of papers with the local authorities for their necessary NOC and approvals. We expect this project to be completed within two (2) years timeframe and will have state of the art facilities to accommodate about 1,000 employees.



### Attendance at board meeting

During the year ended June 30, 2007, five (05) board meetings were held and attended as follows:

Name of Director	Name of Alternate Director	No. of Meetings Attended
Salim Ullah Ghauri		05
Najeeb Ullah Ghauri	Rehmat Ullah Ghauri	05
Naeem Ullah Ghauri	Ayub Ghauri	05
Shahid Javed Burki		03
Irfan Mustafa		03
Sajjad Hussain Kirmani		05
Eugen Beckert	*	02
Abdul Rashid	*	-
Zahid Bashir Mirza	**	03

\*Outgoing  
\*\*Incoming

Leave of absence was granted to the members not able to attend the board meetings.

During the year under review, CEO, Director, CFO, Company Secretary and their spouses and minor children have made no transaction in the company's shares except as stated below:

Name	Designation	Shares Purchased	Shares Sold
Salim Ullah Ghauri	Chief Executive	22,575*	-
Najeeb Ullah Ghauri	Director	331,075*	383,000
Naeem Ullah Ghauri	Director	32,325*	114,500
Shahid Javed Burki	Director	4,875*	18,000
Irfan Mustafa	Director	73,725*	-
Sajjad Kirmani	Director	3,000*	15,000
Zahid Bashir Mirza	Director	575*	-

\* Purchase also includes 15% bonus shares allotted as per decision taken in the board meeting held on April 27, 2007.





### Audit Committee

The Board of Directors in compliance with the Code of Corporate Governance has established an Audit Committee comprising of the following Three (03) members:

Name of Director	Alternate Director	Designation	Executive/Non-Executive
Najeeb Ullah Ghauri	Rehmat Ullah Ghauri	Chairman	Non-Executive Director
Irfan Mustafa	--	Member	Non-Executive Director
Sajjad Hussain Kirmani	--	Member	Executive Director

During the year, Mr. Najeeb Ullah Ghauri was appointed as Chairman of the Audit Committee in place of retiring director Mr. Eugen Beckert. Audit Committee duly reviewed and approved all quarterly, half yearly and annual financial statements before submission to the board of directors and their publication.

### Holding Company

NetSol Technologies Inc., USA, a Nevada Corporation, 24025 Park Sorrento Ste. 220, Calabasas, Ca 91302 holds majority of shareholding of the company.

### Auditors

The present external auditors, Messrs Saeed Kamran Patel and Co. Chartered Accountants retire and being eligible, offer themselves for reappointment.

The external auditors have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP). They have further confirmed that their firm is in compliance with International Federation of Accountants' (IFAC) guidelines on Code of Ethics as adopted by the ICAP. The external auditors have not been appointed to provide other services except in accordance with the listing regulations and they have confirmed that they have observed IFAC guidelines in this respect.

As suggested by the Audit Committee, The Board recommends their reappointment for the year ending June 30, 2008.

### Pattern Of Shareholding

Pattern of shareholding as at June 30, 2007 including the information under the code of corporate governance is annexed.

### Acknowledgement

The Board of Directors places on record its appreciation for the support by its shareholders, valued customers, government agencies and financial institutions which enabled the company to achieve these tremendous results. The board would also like to express its appreciation for the services, loyalty and efforts being continuously rendered by the executives and all the staff members of the company and hope that they will continue with these efforts in future.

On behalf of the Board

Salim Ullah Ghauri  
Chairman & Chief Executive

Lahore: September 14, 2007



## **Review Report to the Members on Statement of Compliance With Best Practices of Code of Corporate Governance.**

We have reviewed the statement of compliance with the best practices contained in the code of Corporate Governance prepared by the Board of Directors of NetSol Technologies Limited to comply with the Listing regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited where the company is listed.

The responsibility for the compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review documents prepared by the company to comply with the code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2007.

September 14, 2007  
Lahore.

**Saeed Kamran Patel & Co.**  
Chartered Accountants



## Statement of Compliance with Best Practices of the Code of Corporate Governance

For the Year Ended June 30, 2007

The Statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulation No. 37 of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Company has applied the principles contained in the Code in the following manner:

- ⊙ The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board includes four independent non-executive directors.
- ⊙ The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
- ⊙ All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFIs or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.
- ⊙ During this financial year, Election of directors was held on December 29, 2006 in accordance with the provisions of section 178 of the Companies Ordinance, 1984 and Code of Corporate Governance.
- ⊙ The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
- ⊙ The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- ⊙ All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
- ⊙ Meetings of the Board were presided over by the Chairman, and in his absence, by a director elected by the Board for this purpose. Board met at least once in every quarter. Notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- ⊙ The Board had approved the appointment, remuneration and terms & conditions of employment of Chief Financial Officer, Company Secretary & Head of Internal Audit.
- ⊙ Director's report for the year ended 30-06-2007 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- ⊙ Financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
- ⊙ Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- ⊙ Company has complied with all the corporate and financial reporting requirements of the Code.
- ⊙ The Board has formed an Audit Committee which comprises of three members of whom two are independent non-executive directors including the Chairman of the committee.
- ⊙ Meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Company as required by the Code. Terms of reference of the committee have been formed and advised to the committee for compliance.
- ⊙ The Board has set-up an effective internal audit function managed by suitably qualified and experienced personnel who is well conversant with the policies and procedures of the company and is



involved in the internal audit function on full time basis.

- ⊙ Statutory auditors of the Company have confirmed:
  - that they have been given a satisfactory rating under the quality control review programme of the institute of Chartered Accountants of Pakistan,
  - that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and,
  - that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
- ⊙ Statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- ⊙ We confirm that all other material principles contained in the code have been complied with.

For and on behalf of the Board of Directors



**(Salim Ullah Ghauri)**  
Chief Executive / Chairman

September 14, 2007  
Lahore:



## Auditors' Report to the Members

We have audited the annexed balance sheet of NetSol Technologies Limited as at June 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's Management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and the statement of changes in equity together with the notes forming part thereof conform with approved Accounting Standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

September 14, 2007  
Lahore.

**Saeed Kamran Patel & Co.**  
Chartered Accountants



NetSol Technologies Limited

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# Balance Sheet

As at June 30, 2007

	NOTES	Jun-07 Rupees '000'	Jun-06 Rupees '000'
<b>ASSETS</b>			
<b>FIXED CAPITAL EXPENDITURE</b>			
Operating fixed assets	4	364,151	307,788
Intangible assets	5	197,839	68,202
		<b>561,990</b>	375,990
<b>LONG TERM INVESTMENTS</b>			
	6	15,188	15,188
<b>LONG TERM LOANS &amp; ADVANCES</b>			
	7	27,088	31,628
<b>CURRENT ASSETS</b>			
Current maturity of long term loans & advances	7	12,806	3,800
Account receivables	8	319,109	150,765
Excess of revenue over billing	9	499,012	251,072
Advances, deposits, prepayments and other receivables	10	87,560	93,786
Due from related parties	11	2,814	5,109
Cash & bank balances	12	67,529	127,276
		<b>988,830</b>	631,808
		<b>1,593,096</b>	1,054,614
<b>EQUITY &amp; LIABILITIES</b>			
<b>SHARE CAPITAL &amp; RESERVES</b>			
<b>Authorized Capital</b>			
50,000,000 ordinary shares of Rs.10/- each		500,000	500,000
<b>Issued, subscribed and paid up capital</b>			
40,804,300 ordinary shares of Rs.10/- each	13	408,043	354,820
<b>Capital reserve</b>			
		189,470	189,470
<b>Share deposit money</b>			
		313	313
<b>Un - appropriated profit</b>			
		695,335	396,516
<b>Total shareholders' equity</b>			
		<b>1,293,161</b>	941,119
<b>NON CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance lease	14	13,031	7,918
Long term payable	15	39,270	-
Deferred income	16	1,713	2,495
<b>CURRENT LIABILITIES</b>			
Current portion of lease liability		9,773	5,462
Short term financing	17	127,500	40,000
Creditors, accrued and other liabilities	18	94,635	43,191
Excess of billing over revenue	19	11,778	12,506
Provision for taxation		2,235	1,923
		<b>245,921</b>	103,082
<b>CONTINGENCIES &amp; COMMITMENTS</b>			
	20	-	-
		<b>1,593,096</b>	1,054,614

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE



DIRECTOR

NetSol Technologies Limited

Annual Report 2007

## Profit & Loss Account

For the Year Ended June 30, 2007

	NOTES	Jun-07 Rupees '000'	Jun-06 Rupees '000'
<b>Revenue</b>	21	<b>927,810</b>	505,210
Cost of sales	22	<b>394,008</b>	253,269
<b>Gross profit</b>		<b>533,802</b>	251,941
<b>Operating expenses</b>			
Administrative and general expenses	23	<b>118,722</b>	89,791
Selling & promotion expenses	24	<b>74,963</b>	60,987
		<b>193,685</b>	150,778
<b>Operating profit</b>		<b>340,117</b>	101,163
Other income / (expenses)	26	<b>26,462</b>	20,211
Financial charges	27	<b>(11,459)</b>	(5,759)
<b>Net profit for the period before taxation</b>		<b>355,120</b>	115,615
<b>Taxation</b>			
Current		<b>2,235</b>	773
Prior		<b>843</b>	12
<b>Net profit for the period after taxation</b>		<b>352,042</b>	114,830
<b>Earning per share</b>	28	<b>8.63</b>	2.87

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE



DIRECTOR

NetSol Technologies Limited

Annual Report 2007

# Cash Flow Statement

For the Year Ended June 30, 2007

	Jun-07 Rupees '000'	Jun-06 Rupees '000'
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period before tax	355,120	115,615
Add: Non cash charges to income		
Depreciation - own assets	26,249	30,841
Amortization of lease assets	4,665	5,502
Amortization of intangible assets	5,192	4,198
(Gain)/loss on disposal of fixed assets	589	2,275
Amortization of deferred revenue	(1,549)	(1,054)
Exchange (gain) / loss on debtors	(8,386)	(3,961)
Interest expense	10,185	4,707
Interest income	(5,299)	(12,898)
Bad debts	-	478
	<b>31,646</b>	<b>30,088</b>
<b>Cash flows from operating activities before working capital</b>	<b>386,766</b>	<b>145,703</b>
<b>Decrease / (increase) in current assets &amp; liabilities</b>		
Accounts receivables	(408,626)	(132,420)
Due from related parties	2,295	(2,184)
Advances, prepayments and other receivables	2,442	(33,871)
Creditors, accrued and other liabilities	46,924	(10,428)
<b>Cash generated from operations</b>	<b>(356,965)</b>	<b>(178,903)</b>
Interest paid	(5,665)	(4,211)
Taxes paid	(3,561)	(3,871)
<b>Net cash flow from operating activities</b>	<b>20,575</b>	<b>(41,282)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property and equipments purchased	(95,947)	(114,410)
Sales proceeds of fixed asset	957	1,244
Intangible assets	(128,389)	(16,959)
Long term loan	(4,466)	5,000
Long term payable	39,270	-
Interest received	11,801	6,936
<b>Net cash used in investing activities</b>	<b>(176,774)</b>	<b>(118,189)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of share capital	-	99,820
Share deposit money	-	313
Share premium	-	129,470
Paid against obligation under capital lease	(9,789)	(7,578)
Received against obligation under capital lease	18,741	15,760
Short term finance	87,500	18,000
<b>Net cash from financing activities</b>	<b>96,452</b>	<b>255,785</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(59,747)</b>	<b>96,314</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>127,276</b>	<b>30,962</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>67,529</b>	<b>127,276</b>

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE



DIRECTOR

NetSol Technologies Limited

Annual Report 2007



## Statement of Changes in Equity

For the Year Ended June 30, 2007

	Share Capital	Share Premium	Share Deposit Money	Retained Earning	Bonus Shares	Total Equity
<b>Balance at June 30, 2005</b>	225,345	60,000	-	281,686	29,655	596,686
Net profit for the year ended June 30, 2006	-	-	-	114,830	-	114,830
Share deposit money received	-	-	313	-	-	313
Shares issued against IPO	99,820	-	-	-	-	99,820
Share premium on IPO	-	129,470	-	-	-	129,470
<b>Balance at June 30, 2006</b>	<b>325,165</b>	<b>189,470</b>	<b>313</b>	<b>396,516</b>	<b>29,655</b>	<b>941,119</b>
Net profit for the year ended June 30, 2007	-	-	-	352,042	-	352,042
Bonus shares issued	-	-	-	(53,223)	53,223	-
<b>Balance at June 30, 2007</b>	<b>325,165</b>	<b>189,470</b>	<b>313</b>	<b>695,335</b>	<b>82,878</b>	<b>1,293,161</b>

Rupees in '000'

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR



# Notes to the Accounts

## 1 Legal Status and Nature of Business

NetSol Technologies Limited incorporated in Pakistan on August-22, 1996 under the Companies Ordinance, 1984 as a private company limited by shares later converted into Public limited company on November-05, 2004. The company has been listed on Karachi Stock Exchange on August 26, 2005. The business of the Company is development and sale of computer software and its related services in Pakistan as well as abroad.

## 2 Basis of preparation

These Financial Statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan (the SECP) differ with the requirements of these standards, requirements of the Ordinance or the requirements of the said directives take precedence.

### Standards, interpretations and amendments to published accounting standards adopted in Pakistan that are not yet effective:

Amendments to existing IAS 1 (Presentation of Financial Statements - Capital Disclosure) have been published that are mandatory for the accounting periods beginning on or after January 1, 2007. Adoption of these amendments may only impact of disclosures presented in the financial statements.

## 3 Summary of Significant Accounting Policies

### 3.1 Accounting convention

These Financial statements have been prepared under the historical cost convention, except for revaluation of certain Financial instruments at fair value.

### 3.2 Property and equipments

Property and equipment are stated at cost less accumulated depreciation.

Depreciation is charged by applying reducing balance method to write off the cost over the remaining useful life of the assets. Rates of depreciation are stated in note 4.

Depreciation on additions to property and equipments is charged for the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed off.

The Company charged full year depreciation on additions, while no depreciation was charged in the month of disposal. During the year Company has changed its accounting method in compliance with IAS 16 "Property Plant & Equipment" of charging depreciation, whereby depreciation is charged from the month in which assets are put to use upto the month before the disposal of asset. Such change, being a change in accounting estimate, has been accounted for prospectively to conform to the treatment prescribed by IAS 8 "Accounting Policies, Change in Accounting Estimate and Errors". Had there been no change in the estimate, the profit for the year ended 30 June 2007 and un-appropriated profit would have been reduced by Rs. 18.65 Million

Maintenance and normal repairs are charged to income as and when incurred. Major repairs and improvements are capitalized.

Gain or loss on disposal of assets, if any, is charged to income.

### 3.3 Assets subject to finance lease

Assets acquired under finance leases are capitalized and are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations of the leases are accounted for as liabilities

Assets acquired under finance lease are amortized over the useful life of the assets on reducing balance method at the rates given in note 4.

Amortization on additions to property and equipment is charged for the month in which an asset is acquired under the finance lease while no amortization is charged for the month in which the asset is disposed off.



## Notes to the Accounts

The Company charged full year amortization on additions, while no amortization was charged in the month of disposal. During the year Company has changed its accounting method in compliance with IAS 16 "Property Plant & Equipment" of charging amortization, whereby amortization is charged from the month in which assets are put to use upto the month before the disposal of asset. Such change, being a change in accounting estimate, has been accounted for prospectively to conform to the treatment prescribed by IAS 8 "Accounting Policies, Change in Accounting Estimate and Errors". Had there been no change in the estimate, the profit for the year ended 30 June 2007 and un-appropriated profit would have been reduced by Rs. 3.33 Million

The company assesses at each balance sheet date whether there is any indication that the operating fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceeds the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment charge is recognised in income.

### 3.4 Intangible assets

There are two components of intangible assets:

- i In-house developed intangible assets
- ii Intangible assets acquired from market

#### i In-house developed intangible assets

The Company capitalizes certain computer software development costs in accordance with IAS 38 Intangible Assets and USA SFAS No. 86, Accounting for the Costs of Computer Software to be sold, leased, or otherwise marketed. Costs incurred internally to create a computer software product or to develop an enhancement to an existing product are charged to expense when incurred as research and development expense until technological feasibility for the respective product is established. Thereafter, all software development costs are capitalized and reported at the lower of unamortized cost or net realizable value. Capitalization ceases when the product or enhancement is available for general release to customers.

The Company makes ongoing evaluations of the recoverability of its capitalized software projects developed in-house by comparing the amount capitalized for each product to the estimated net realizable value of the product. If such evaluations indicate that the unamortized software development costs exceed the net realizable value, the Company writes off the amount by which the unamortized software development costs exceed net realizable value. Capitalised software costs are amortised on a product-by-product basis. Annual amortisation is charged by using straight-line method over the remaining estimated economic life of the product including the period being reported on. Amortisation starts when the product is available for general release to customers.

#### ii Intangible assets acquired from market

Intangible assets acquired from market are stated at cost less accumulated amortization.

Amortization is charged by applying reducing balance method to write off the cost over the remaining useful life of the intangible assets. Rates of amortization are stated in note 4.

### 3.5 Foreign currency translation

Transactions denominated in foreign currencies are translated in Pak Rupees at the foreign exchange rate prevailing at the date of transaction. Assets and liabilities in foreign currencies are translated into Pak Rupees at the foreign exchange rates prevailing at the balance sheet date. All exchange differences are charged to profit and loss account.

### 3.6 Financial instruments

#### Financial assets

All financial assets have been stated in accordance with the requirements of IAS-39 (Financial Instruments: Recognition and Measurement). Financial assets are initially recognised at cost which is the fair value of the consideration given at initial recognition. Subsequent to initial recognition, financial assets are carried at fair value except for any financial assets whose fair value cannot be estimated reliably.



## Notes to the Accounts

### Financial liabilities

All financial liabilities are initially recognised at cost, which is the fair value of the consideration received at initial recognition. Subsequent to initial recognition financial liabilities are carried at fair value, amortised cost or cost as the case may be.

### 3.7 Account receivables

Account receivables from local customers are stated at cost while foreign debtors are stated at revalued amount by applying exchange rate applicable on balance sheet date.

### 3.8 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and / or services received, whether or not billed to the company.

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events and, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### 3.9 Investments

Investments in subsidiary is classified as available for sale and are stated at cost.

### 3.10 Revenue recognition

#### License sale

The Company recognizes revenue from license contracts without major customization when a non-cancellable, non-contingent license agreement has been signed, delivery of the software has occurred, fee is fixed or determinable, and collectibility is probable.

Revenue from sale of license with major customization, modification, and development is recognized on percentage of completion basis

#### Rendering of Services

Revenue from software services includes fixed price contracts and is recognized in accordance with the percentage of completion method. An output measure i.e. Unit Completion Method is used to determine the percentage of completion. Unit completed are certified by the Project Manager and EVP IT/ Operations.

#### Maintenance

Revenue from maintenance is recognized on time proportion basis.

#### Sale of hardware and third party software

Revenue from sale of hardware and third party software is recognised when delivery has occurred and invoices are raised to customers.

The Company's revenue recognition policies are in compliance with all applicable accounting regulations including IAS 18 "Revenue" & US AICPA SOP 81-1 and SOP 97-2, "Software Revenue Recognition" as amended by SOP 98-4 and 98-9.

### 3.11 Segment reporting

A segment is a distinguishable component within a company that is engaged in providing products and under a common control environment (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.



## Notes to the Accounts

### 3.12 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and cash at current and/ or deposit accounts held with banks.

### 3.13 Staff retirement benefits

Company's retirement benefit plans comprise of provident fund schemes for eligible employees. The company operates contributory provident fund for all its staff. Equal contribution is made by the company in the provident fund on monthly basis.

### 3.14 Off-setting

Assets and liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognised amount and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.



# Notes to the Accounts

4

Jun-07  
Rupees in '000'

## OPERATING FIXED ASSETS

Net book value of owned assets	4.1	330,541	285,041
Net book value of leased assets	4.4	33,610	22,747
<b>Total</b>		<b>364,151</b>	<b>307,788</b>

4.1

Particulars	COST		Rate %	DEPRECIATION				Net book value as at June 30, 2007
	As at July-01 2006	Additions/ (Deletions)		As at Jun-30 2007	As at July 01, 2006	Adjustment during the Year	Charge for the Period	
<b>Tangible Assets</b>								
Land - freehold	36,599	—	—	—	—	—	—	36,599
Building on free hold land	197,576	350	5	21,101	—	8,828	29,929	167,997
Computers	59,507	63,226 (13,147)	33	37,656	(962)	10,556	47,250	62,336
Air conditioners	7,754	102	10	2,492	—	529	3,021	4,835
Furniture & fixtures	15,029	1,433 (770)	10	4,672	(369)	1,065	5,368	10,324
Office equipment	6,009	3,152 (452)	10	1,480	200	507	2,187	6,522
Electric fittings	4,939	—	10	1,117	—	382	1,499	3,440
Vehicles	18,250	2,648 (13,673)	20	3,479	(3,653)	1,733	1,559	5,666
Generator	896	61	10	187	—	75	262	695
<b>Intangible Assets</b>								
Software	16,185	29,500	33	5,519	—	8,129	13,648	32,127
<b>June-2007</b>	<b>362,744</b>	<b>100,562 (28,042)</b>		<b>77,703</b>	<b>(4,784)</b>	<b>31,804</b>	<b>104,723</b>	<b>330,541</b>
June-2006	266,693	122,175 (26,124)		54,497	(8,838)	32,044	77,703	285,041

## 4.2 Depreciation is allocated in the following manner

	Jun-07 Rupees in '000'	Jun-06 Rupees in '000'
Cost of sales	18,176	22,909
Administrative expenses	8,073	7,932
Development cost	5,555	1,203
<b>Total</b>	<b>31,804</b>	<b>32,044</b>



## Notes to the Accounts

### 4.3 Disposal of Operating fixed assets

Details of operating property and equipment disposed off during the year:

Particulars	Cost	Book Value	Sale Proceed	Mode of Disposal	Particular of Purchaser
..... Rupees in '000' .....					
Honda Civic EXI	1,038	706	800	Negotiation	TIG-NetSol (Pvt) Ltd
Honda Citi	810	729	750	Accidental	Insurance claim
Honda Civic EXI	951	622	700	Negotiation	Mr. Fashih-Ud-Din
Computers	3,371	302	90	Negotiation	Scrap - Miscellaneous
Furniture	770	401	24	Negotiation	Scrap - Miscellaneous
Office Equipment	452	236	43	Negotiation	Scrap - Miscellaneous
<b>June-2007</b>	<b>7,392</b>	<b>2,996</b>	<b>2,407</b>		
June-2006	19,832	15,535	18,408		



## Notes to the Accounts

### 4.4 ASSETS SUBJECT TO FINANCE LEASE

Following is the statement of leased assets:

Particulars	COST		AMORTIZATION					Net book value as at June 30, 2007	
	As at July-01 2006	Additions/ (Deletions)	As at Jun-30 2007	Rate %	As at July 01, 2006	Adjustment during the Year	Charge for the Period		As at Jun-30 2007
Vehicles	13,464	9,460 (810)	22,114	20	5,246	(81)	2,744	7,909	14,205
Generator	7,486	—	7,486	10	1,014	—	647	1,661	5,825
Computes	9,654	10,000 (3,182)	16,472	33	4,315	(2,107)	1,919	4,127	12,345
Electric fittings	1,118	—	1,118	10	213	—	91	304	814
Office equipment	1,659	— (1,659)	—	10	315	(416)	101	—	—
Air conditioners	578	—	578	10	110	—	47	157	421
<b>June-2007</b>	<b>33,959</b>	<b>19,460 (5,651)</b>	<b>47,768</b>		<b>11,213</b>	<b>(2,604)</b>	<b>5,549</b>	<b>14,158</b>	<b>33,610</b>
June-2006	16,387	18,389 (817)	33,959		5,736	(229)	5,705	11,212	22,747

### 4.5 Amortization is allocated in the following manner

	Jun-07	Jun-06
	Rupees in '000'	
Cost of sales	3,278	4,084
Administrative expenses	1,387	1,418
Development cost	884	203
	<b>5,549</b>	<b>5,705</b>





## Notes to the Accounts

### 5 INTANGIBLE ASSETS

Particulars	COST		Rate %	AMORTIZATION				Net book value as at June 30, 2007
	As at July-01 2006	Additions/ (Deletions)		As at Jun-30 2007	As at July 01, 2006	Adjustment during the Year	Charge for the Period	
..... Rupees in '000' .....								
<b>In-house Developed software</b>								
CMS software	21,459	—	10	6,438	—	2,146	8,583	12,876
ePOS software	3,521	—	10	1,056	—	352	1,408	2,113
WFS software	16,999	—	10	2,709	—	1,700	4,409	12,590
Knit Info System	4,342	—	10	—	—	434	434	3,908
NetSol's Pay Soft	5,596	—	10	—	—	560	560	5,036
<b>Under Development</b>								
Inbanking (PTS) software	26,488	13,515	—	—	—	—	—	40,003
LRMIS	—	54,169	—	—	—	—	—	54,169
Net-SMART	—	67,144	—	—	—	—	—	67,144
<b>June-2007</b>	<b>78,405</b>	<b>134,828</b>		<b>10,203</b>	<b>—</b>	<b>5,192</b>	<b>153,94</b>	<b>197,839</b>
June-2006	61,446	16,959		6,005	—	4,198	10,203	68,202

#### 5.1 Amortization is allocated in the following manner

Cost of sales

Jun-07	Jun-06
Rupees in '000'	
<b>5,192</b>	4,198
<b>5,192</b>	4,198



## Notes to the Accounts

		NOTES	Jun-07 Rupees '000'	Jun-06 Rupees '000'
<b>6</b>	<b>LONG TERM INVESTMENT - at cost</b>			
	TiG-NetSol (Private) Limited (Subsidiary Co)	<b>6.1</b>	<b>15,188</b>	15,188
6.1	The Company holds 1,518,785 (Jun-2006: 1,518,785 ) fully paid ordinary shares of Rs. 10/- each i.e. 50.52% of Equity held (Jun-2006: 50.52%). Based on audited accounts for the year ended June-30, 2007, break-up value per share is Rs. 56.20 (June : 2006 Rs. 32.49/-.)			
	Mr. Salim Ullah Ghauri is the Chief Executive Officer of the company.			
<b>7</b>	<b>LONG TERM LOANS &amp; ADVANCES - Unsecured</b>			
	<b>Long term loan: considered good</b>			
	Operating balance			
	Loan to employees		<b>25,928</b>	30,928
	Loan to directors		<b>9,500</b>	9,500
			<b>35,428</b>	40,428
	Repayment during the period		<b>(24,761)</b>	(5,000)
			<b>10,667</b>	35,428
	Less: current maturity	<b>7.3</b>	<b>(1,429)</b>	(3,800)
		<b>7.3</b>	<b>9,238</b>	31,628
7.1	The Company has granted an unsecured long term loan amounting to Rs 10.667 Million to its employees (June-2006: Rs. 35.428 Million). It carries mark-up @ 9.84% p.a. (Jun-2006: 9.04%) which is 1% above the weighted average borrowing cost of the company. The maximum amount outstanding during the period under this head at any point of time was Rs.35.428 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.			
	<b>Long term advance: considered good</b>			
	Amount advanced		<b>29,227</b>	—
	Less: current maturity	<b>7.3</b>	<b>(11,377)</b>	—
		<b>7.3</b>	<b>17,850</b>	—
7.2	It represents the advance rent for the space acquired on rent for a period of two years. This amount will be expensed out over a period of two years starting from the date of possession of rented space.			
7.3	Long term portion of loans & advances		<b>27,088</b>	31,628
	Current portion of loans & advances		<b>12,806</b>	3,800
<b>8</b>	<b>ACCOUNT RECEIVABLES</b>			
	It represents amount receivable from customers. It is unsecured but considered good by the management.			
<b>9</b>	<b>EXCESS OF REVENUE OVER BILLING</b>			
	It represents unbilled debtors arising due to recognition of revenue on the basis of percentage of completion as per IAS 18 "Revenue" and AICPA SOP 81-1			
<b>10</b>	<b>ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
	Loan to employees - considered good		<b>687</b>	681
	Advances - considered good			
	-To employees		<b>2,340</b>	183
	-Against expenses		<b>21,268</b>	10,841
	-Against capital expenditure		—	15,011
	-For software & licences		—	28,851
	Security deposit		<b>12,644</b>	2,270
	Prepayments		<b>2,576</b>	2,534
	Advance income tax		<b>7,871</b>	5,153
	Tender money receivable		<b>24,446</b>	6,955
	Mark up receivable		<b>784</b>	7,286
	Other receivable		<b>14,944</b>	14,021
			<b>87,560</b>	93,786



## Notes to the Accounts

	NOTES	Jun-07 Rupees '000'	Jun-06 Rupees '000'
<b>11 DUE FROM RELATED PARTIES</b>			
NetSol Connect (Pvt.) Ltd.		2,814	2,814
TiG NetSol (Pvt) Ltd.		—	2,295
		<b>2,814</b>	<b>5,109</b>

These relate to normal course of business of the company and are interest free

### 12 CASH AND BANK BALANCES

At banks			
Saving accounts	12.1	27,045	21,006
Current accounts		85	337
Term deposit	12.2	40,000	105,000
		<b>67,130</b>	<b>126,343</b>
In hand		399	933
		<b>67,529</b>	<b>127,276</b>

12.1 The balances in savings accounts bear mark up which ranges from 0.75 % to 3 % per annum.

12.2 The balances placed in fixed deposit accounts bear mark up which ranges from 4 % to 5 % per annum

### 13 ISSUED, SUBSCRIBED & PAID-UP CAPITAL

Jun-2007 (Number of shares)	Jun-2006			
32,516,482	32,516,482	Ordinary Shares of Rs. 10 each fully paid in cash	325,165	325,165
8,287,818	2,965,518	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	82,878	29,655
<b>40,804,300</b>	<b>35,482,000</b>		<b>408,043</b>	<b>354,820</b>

NetSol Technologies Inc. 24011 Ventura Blvd, Suit No. 101, Calabasas CA 91302, is the parent company holding majority of issued capital of the company.

### 14 Liabilities against assets subject to Finance Lease

Present value of minimum lease payments	22,804	13,380
Less: Current portion of obligation shown under current liabilities	9,773	5,462
	<b>13,031</b>	<b>7,918</b>

Present value of minimum lease payments have been discounted at an implicit interest rate from 9% to 14 % to arrive at their present value. The lessee has the option to purchase the assets after expiry of the lease term.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

	Minimum Lease Payment	Future Finance Charges	Present value of lease liability	
Not later than one year	12,392	2,619	9,773	5,462
Later than one year but not later than five years	14,593	1,562	13,031	7,918
	<b>26,985</b>	<b>4,181</b>	<b>22,804</b>	<b>13,380</b>



## Notes to the Accounts

### NOTES

Jun-07 Rupees '000'	Jun-06 Rupees '000'
------------------------	------------------------

#### 15 LONG TERM PAYABLE

Due to related party - unsecured

39,270

—

This represent interest free loan obtained from an associated undertaking

#### 16 DEFERRED INCOME

Opening balance

2,495

742

Addition during the year

767

2,807

Amortized during the year

3,262

3,549

(1,549)

(1,054)

Un amortized gain on sale and lease back transaction

1,713

2,495

**16.1** This amount represents gain on sale and lease back of fixed assets. According to IAS 17 "Lease" this gain is deferred and amortized over the lease term.

#### 17 SHORT TERM FINANCING

Export refinance - secured

17.1

120,000

40,000

Running finance - secured

17.2

7,500

—

127,500

40,000

**17.1** The facility for export refinance is availed from Askari Bank Ltd amount to Rs 120 million (Jun-2006: Rs 40 million) and carry mark-up ranging from 7% to 7.5% per annum (Jun-2006: 7% to 9% per annum). The due balance is payable in bi-annually installments.

**17.2** The facility of running finance availed from Askari Bank Ltd up to Rs. 7.5 Million (June-2006 : Nil). It carries mark up 12% p.a.

All these facilities are secured by way of first exclusive charge over the company's current assets including stocks/receivable/ book debt up to Rs. 180 Million and balance Rs. 172 Million by way of hypothecation charge over the land, building and equipment of the Company and personal guarantee of all directors.

#### 18 CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors

23,576

17,032

Accrued liabilities

36,714

22,204

Advance from customers

4,470

—

Interest payable

3,607

1,117

Security refundable

223

223

Due to related party

18.1

21,073

269

Withholding tax

3,327

1,309

Provident fund payable

1,443

835

Other payables

202

202

94,635

43,191

#### 18.1 DUE TO RELATED PARTIES

NetSol Technologies Inc.

18,168

—

NetSol Consulting Services (Pvt) Ltd.

1,396

269

TiG-NetSol (Pvt) Ltd.

1,509

—

21,073

269

#### 19 EXCESS OF BILLING OVER REVENUE

It represents maintenance fee received in advance and transferred to revenue from maintenance on time proportion basis.



## Notes to the Accounts

### 20 CONTINGENCIES & COMMITMENTS

The company has no contingent liabilities & commitments outstanding as at June-30, 2007 except to the tune of Rs. 34.82/- million (June 30, 2006 Rs. 22.38 million) guarantees issued to various customers against sale of software and allied services.

	Domestic Jun-07	Foreign Jun-07	Total Jun-07	Total Jun-06
	Rupees '000'			
<b>21 REVENUE</b>				
<b>Export Revenue</b>				
License	—	452,636	452,636	149,223
Services	—	256,307	256,307	217,337
Maintenance	—	39,600	39,600	28,681
<b>Local Revenue</b>				
License	36,495	—	36,495	2,880
Services	141,539	—	141,539	96,943
Maintenance	1,233	—	1,233	234
Equipment	—	—	—	9,912
	<b>179,267</b>	<b>748,543</b>	<b>927,810</b>	<b>505,210</b>
<b>22 COST OF SALES</b>				
Staff salaries & benefits	52,578	135,557	188,135	119,015
Consultancy charges	2,357	4,949	7,296	12,929
Technical services	5,106	134	5,240	3,017
Third party software & hardware	43,710	—	43,710	11,743
Staff training	877	3,352	4,229	5,517
Rent, rates & taxes	—	—	—	300
Traveling & conveyance	10,369	66,175	76,544	36,392
Communication	695	3,046	3,741	3,781
Utilities	1,742	8,751	10,493	8,724
Printing & stationery	463	1,331	1,794	1,993
Entertainment	952	2,851	3,803	4,407
Insurance	179	584	763	511
Vehicle running & maintenance	495	1,660	2,155	943
Repair & maintenance	3,586	13,233	16,819	12,384
Certifications	2,104	—	2,104	422
Fee & subscription	309	227	536	—
Depreciation	4.1	3,512	18,176	22,909
Amortization of leased assets	4.4	633	2,645	4,084
Amortization of intangible assets	5.1	1,234	3,958	4,198
	<b>130,901</b>	<b>263,107</b>	<b>394,008</b>	<b>253,269</b>
<b>23 ADMINISTRATIVE &amp; GENERAL EXPENSES</b>				
Directors remuneration	1,695	7,079	8,774	4,827
Staff salaries and benefits	7,821	32,658	40,479	29,744
Staff training	21	90	111	98
Management fee	4,106	17,145	21,251	—
Rent, rates and taxes	295	1,232	1,527	1,259
Traveling and conveyance	1,334	5,572	6,906	6,434
Communication & postage	269	1,125	1,394	1,441
Printing and stationery	74	308	382	595
Utilities	624	2,605	3,229	3,955
Entertainment	691	2,884	3,575	2,529
Insurance	129	537	666	579
Advertisement	566	2,363	2,929	1,467
Vehicle running expenses	684	2,855	3,539	2,926
Repair and maintenance	1,159	4,842	6,001	7,756
Legal and professional charges	889	3,714	4,603	4,686
Auditors remuneration	23.1	968	1,200	1,200
News papers & periodicals	49	204	253	156
Security expenses	27	112	139	1,415
Office supplies	153	640	793	618
Charity & donation	169	707	876	7,458
Fee & subscription	99	411	510	105
Miscellaneous expenses	24	101	125	715
Depreciation	4.1	1,560	8,073	7,932
Amortization of leased assets	4.4	268	1,387	1,418
Bad debts	4.4	—	—	478
	<b>22,938</b>	<b>95,784</b>	<b>118,722</b>	<b>89,791</b>



## Notes to the Accounts

Domestic Jun-07	Foreign Jun-07	Total Jun-07	Total Jun-06
Rupees '000'			

### 23.1 AUDITORS REMUNERATION

Audit fee			<b>300</b>	300
Certifications of group reporting			<b>600</b>	550
Professional Services			<b>175</b>	250
Out-of-pocket expenses			<b>125</b>	100
			<b>1,200</b>	1,200

### 24 SELLING & PROMOTION EXPENSES

Staff salaries & benefits	<b>11,357</b>	<b>9,234</b>	<b>20,591</b>	17,642
Staff training	<b>71</b>	—	<b>71</b>	924
Rent, rates & taxes	<b>3,999</b>	—	<b>3,999</b>	2,879
Traveling and conveyance	<b>1,830</b>	<b>11,477</b>	<b>13,307</b>	10,838
Communication	<b>1,109</b>	<b>1,165</b>	<b>2,274</b>	1,561
Utilities	<b>827</b>	<b>286</b>	<b>1,113</b>	647
Printing & stationery	<b>234</b>	<b>102</b>	<b>336</b>	314
Entertainment	<b>779</b>	<b>70</b>	<b>849</b>	951
Insurance	<b>91</b>	<b>46</b>	<b>137</b>	65
Vehicle running expenses	<b>723</b>	<b>263</b>	<b>986</b>	853
Repair and maintenance	<b>594</b>	<b>234</b>	<b>828</b>	2,314
Commission on sales	<b>1,100</b>	<b>14,139</b>	<b>15,239</b>	1,378
Advertisement	<b>336</b>	<b>106</b>	<b>442</b>	2,019
Tender money	<b>46</b>	—	<b>46</b>	31
Sale promotional expenses	<b>1,465</b>	<b>13,280</b>	<b>14,745</b>	18,571
	<b>24,561</b>	<b>50,402</b>	<b>74,963</b>	60,987

### 25 RETIREMENT BENEFIT

Staff salaries and benefits includes the amount of provident fund contributed by the company

### 26 OTHER INCOME / (EXPENSES)

Gain / (loss) on foreign currency translation	—	<b>8,386</b>	<b>8,386</b>	3,961
Profit on bank deposits	<b>2,396</b>	—	<b>2,396</b>	9,173
Amortization of deferred revenue	<b>1,549</b>	—	<b>1,549</b>	1,054
Rental income	<b>11,817</b>	—	<b>11,817</b>	4,573
Gain / (loss) on disposal of assets	<b>(589)</b>	—	<b>(589)</b>	(2,275)
Mark up on loan	<b>2,903</b>	—	<b>2,903</b>	3,725
	<b>18,076</b>	<b>8,386</b>	<b>26,462</b>	20,211

### 27 FINANCIAL CHARGES

Lease finance charges	<b>384</b>	<b>1,603</b>	<b>1,987</b>	935
Interest on short term loans	<b>88</b>	<b>8,110</b>	<b>8,198</b>	3,772
Lease documentation charges	<b>11</b>	<b>47</b>	<b>58</b>	46
Bank charges	<b>1,216</b>	—	<b>1,216</b>	1,006
	<b>1,699</b>	<b>9,760</b>	<b>11,459</b>	5,759

### 28 EARNING PER SHARE

Per after taxation for the year		<b>352,042</b>	114,830
Average number of ordinary shares in issue during the period		<b>40,804</b>	40,066
Earning per share basic & diluted		<b>8.63</b>	2.87



## Notes to the Accounts

### 29. REMUNERATION OF CHIEF EXECUTIVE DIRECTORS & EXECUTIVES

The aggregate amounts charged in the accounts for the remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company were as follows:

	Chief Executive		Directors		Executives	
	2007	2006	2007	2006	2007	2006
	Rupees in '000'					
Managerial remuneration	<b>3,200</b>	2,900	<b>2,484</b>	301	<b>42,571</b>	20,620
Retirement benefits	—	—	<b>248</b>	33	<b>2,394</b>	1,215
Rent and house maintenance	<b>1,280</b>	1,160	<b>994</b>	120	<b>17,029</b>	8,248
Utilities	<b>320</b>	290	<b>248</b>	30	<b>4,257</b>	2,062
Medical expenses	<b>91</b>	5	<b>63</b>	21	<b>1,312</b>	650
Total	<b>4,891</b>	4,355	<b>4,037</b>	505	<b>67,563</b>	32,794
No. of Persons	<b>1</b>	1	<b>2</b>	1	<b>60</b>	30

### 30. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise holding company, associated undertakings, directors of the company, key employees and staff retirement fund. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables.

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows.

	Relationship with the company	Nature of transaction		
(i)	Parent	Management fee	<b>21,251</b>	—
(ii)	Subsidiary	Rental income	<b>9,925</b>	3,112
		Provision of services	<b>4,525</b>	3,702
		Sale of assets	<b>800</b>	3,050
(iii)	Associated undertaking	Provision of services	<b>24,046</b>	8,351
		Expenses incurred by	<b>2,368</b>	11,278
		Purchase of services	<b>3,152</b>	1,030
(iv)	Other related parties	Interest on long term loans	<b>2,903</b>	3,725
(v)	Post employment benefit	Contribution to defined contribution plan	<b>6,562</b>	4,825

### 31. FAIR VALUE OF FINANCIAL ASSETS & LIABILITIES

Carrying amounts of the financial assets and liabilities approximate their fair values.



## Notes to the Accounts

### 32. INTEREST / MARK-UP RISK MANAGEMENT

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. In respect of income earning financial assets and interest / mark-up bearing financial liabilities, following table indicates their effective interest / mark-up rates at the balance sheet date and the periods in which they will re-price or mature:

	2 0 0 7			2 0 0 6		
	Interest/ mark-up bearing	Non Interest/ mark-up bearing	TOTAL	Interest/ mark-up bearing	Non Interest/ mark-up bearing	TOTAL
Rupees in '000'						
<b>Financial Assets</b>						
<b>Maturity up to one year:</b>						
Accounts receivable	—	319,109	319,109	—	150,765	150,765
Excess of revenue over billing	—	499,012	499,012	—	251,072	251,072
Security deposits	—	12,644	12,644	—	2,270	2,270
Tender money receivable	—	24,446	24,446	—	6,955	6,955
Mark up receivable	—	784	784	—	7,286	7,286
Other receivables	—	14,944	14,944	—	14,021	14,021
Cash & bank balances	67,045	484	67,529	126,006	1,270	127,276
Due from related party	—	2,814	2,814	—	5,109	5,109
Loans and advances	1,429	11,377	12,806	3,800	—	3,800
<b>Maturity after one year:</b>						
Long term investment	—	15,188	15,188	—	15,188	15,188
Long term loans and advances	9,238	17,850	27,088	31,628	—	31,628
<b>Total Financial Assets</b>	<b>77,712</b>	<b>918,652</b>	<b>996,364</b>	161,434	453,936	615,370
<b>Financial Liabilities</b>						
<b>Maturity up to one year:</b>						
Short term financing	127,500	—	127,500	40,000	—	40,000
Creditors, accrued & other liabilities	—	94,635	94,635	—	43,191	43,191
Lease liabilities	9,773	—	9,773	5,462	—	5,462
<b>Maturity after one year:</b>						
Lease liabilities	13,031	—	13,031	7,918	—	7,918
Long term payable	—	39,270	39,270	—	—	—
<b>Total Financial Liabilities</b>	<b>150,304</b>	<b>133,905</b>	<b>284,209</b>	53,380	43,191	96,571
<b>Net financial assets / (liabilities)</b>	<b>(72,592)</b>	<b>784,747</b>	<b>712,155</b>	108,054	410,745	518,799
<b>Off balance sheet</b>						
Guarantees issued to customers	—	34,820	34,820	—	22,380	22,380





## Notes to the Accounts

### 32.1 INTEREST RATE RISK EXPOSURE

The company is exposed to interest / mark - up rate risk on some of the financial assets and obligations. Rates of interest / mark - up and their maturities are given in the respective notes.

### 33 CONCENTRATION OF CREDIT RISK

Credit risk represents the accounting loss that would be recognised at the reporting date if counter-parties failed completely to perform as contracted. The Company does not have significant exposure to any individual customer. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

### 34 FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company is exposed to foreign currency risk on revenues and borrowings that are entered in a currency other than Pak Rupees.

### 35 LIQUIDITY RISK

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate actions for new requirements.

	Pakistan		Asia Pacific		Australia & USA		Others		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	R U P E E S I n ' 0 0 0'									
Revenue	179,267	109,969	608,565	310,699	126,279	64,582	13,699	19,960	927,810	505,210
Cost of sales	130,901	79,537	213,906	136,571	44,386	28,388	4,815	8,773	394,008	253,269
Gross profit	48,366	30,432	394,659	174,128	81,893	36,195	8,884	11,186	533,802	251,941
Segment result	17,244	2,211	274,693	89,147	56,999	18,530	6,184	5,727	355,120	115,615
<b>Other Information</b>										
Segment assets	483,032	396,703	—	—	—	—	—	—	483,032	396,703
Depreciation	30,914	36,343	—	—	—	—	—	—	30,914	36,343
Non cash expenses other than depreciation	5,192	4,676	—	—	—	—	—	—	5,192	4,676
Segment liabilities	284,209	96,571	—	—	—	—	—	—	284,209	96,571

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

### 37 ANNUAL SOFTWARE DEVELOPMENT CAPACITY

NetSol Technologies Ltd is engaged in Software development, maintenance and licensing. Due to the complicated nature of the software development process annual development capacity can not be determined.

### 38 TAXATION

As per clause 133 of the Second Schedule to the Income Tax Ordinance, 2001 income of the Company from export of computer software and its related services is exempt from tax up to 2016 . However tax as per applicable rates is charged to the income of the company generated from local business activities.



## Notes to the Accounts

### 39 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 14, 2007 by the Board of Directors.

### 40 EVENTS AFTER BALANCE SHEET DATE

The board of director's has declared bonus issue of 22% to the shareholders in its meeting held on September 14, 2007.

### 41 FIGURES

**41.1** The following items have been rearranged for the purpose of better presentation. Accordingly prior year figures have also been rearranged.

<b>Rearrangement from component</b>	<b>Note</b>	<b>Rearrangement to component</b>	<b>Note</b>	<b>Rupees in '000'</b>
Accrued liabilities	18	Provident fund payable	18	835
Other payable	18	Accrued liabilities	18	150
Accrued liabilities	18	Other payable	18	202
Staff salaries & benefits	22	Consultancy charges	22	12,929
Staff salaries & benefits	22	Technical services	22	3,017

**41.2** Figures have been rounded off to the nearest thousand rupee

CHIEF EXECUTIVE

DIRECTOR



## Pattern of Shareholding

As at June 30, 2007

S. No.	Categories of Shareholders	Number of Shareholders	Shares Held	% of Capital	Total
<b>1.</b>	<b>Directors, CEO &amp; their spouses &amp; minor Children:</b>				
	Mr. Salim Ullah Ghauri	01	115,575	0.283	
	Mr. Naeem Ullah Ghauri	01	18,325	0.045	
	Mr. Najeeb Ullah Ghauri	01	353,575	0.867	
	Mr. Irfan Mustafa	01	174,225	0.427	
	Mr. Shahid Javed Burki	01	37,375	0.092	
	Mr. Sajjad Hussain Kirmani	01	8,000	0.020	
	Mr. Zahid Bashir Mirza	01	575	0.001	
	<b>Dependants:</b>				
	Ms. Faiqa Ghauri	01	57,500	0.141	
					<b>765,150</b>
<b>2.</b>	<b>Holding Company:</b>				
	NetSol Technologies Inc.	01	24,720,400	60.583	<b>24,720,400</b>
<b>3.</b>	<b>Banks, DFI &amp; NBFI</b>	14	2,395,850	5.87	<b>2,395,850</b>
<b>4.</b>	<b>Public Sector Cos. &amp; Corporations</b>	64	1,575,700	3.86	<b>1,575,700</b>
<b>5.</b>	<b>Modarabas &amp; Mutual Funds</b>				
	First Pak Modarba	01	2,500	0.01	<b>2,500</b>
<b>6.</b>	<b>Insurance Companies</b>				
	Century Insurance Company Ltd	01	6,500	0.02	<b>6,500</b>
<b>7.</b>	<b>Investment Companies</b>				
	Millennium Securities & Investment	01	150	0.00037	
	IGI Investment Bank Ltd	01	218,500	0.54	<b>218,650</b>
<b>8.</b>	<b>General Public:</b>				
	Local	1542	11,119,550	27.25	<b>11,119,550</b>
<b>Total</b>		<b>1633</b>		<b>100%</b>	<b>40,804,300</b>



## Pattern of Shareholding

As at 30 June 2007

No. of Shareholders	Having Shares		Shares Held
	From	To	
115	1	100	7,891
227	101	500	76,824
538	501	1000	358,515
464	1001	5000	1,093,975
108	5001	10000	814,650
44	10001	15000	538,045
26	15001	20000	470,525
15	20001	25000	342,375
10	25001	30000	281,000
6	30001	35000	198,200
6	35001	40000	222,050
4	40001	45000	172,950
7	45001	50000	340,250
5	50001	55000	256,800
8	55001	60000	461,675
2	60001	65000	125,500
3	65001	70000	201,250
2	70001	75000	141,450
1	75001	80000	78,500
3	80001	85000	246,500
3	85001	90000	264,250
2	90001	95000	187,900
4	95001	100000	400,000
7	100001	125000	808,650
2	125001	150000	286,500
2	150001	175000	325,000
3	175001	200000	547,250
1	200001	225000	218,500
1	225001	300000	300,000
3	300001	325000	926,825
2	325001	375000	736,950
1	375001	400000	400,000
1	400001	475000	450,075
2	575001	600000	1,171,000
1	900001	925000	920,750
1	1275001	1300000	1,296,250
1	2075001	2100000	2,100,000
1	3525001	3550000	3,539,475
1	19000001	19500000	19,496,000
<b>1633</b>			<b>40,804,300</b>



## Proxy Form

I/We \_\_\_\_\_  
(Name)

Of \_\_\_\_\_  
(Place)

being a member(s) of **NETSOL TECHNOLOGIES LIMITED** hereby appoint

\_\_\_\_\_  
(Name and Folio No. / Participant Account No. & Sub-Account No.)

Of \_\_\_\_\_  
(Place)

who is also a member of the Company, as my/our proxy to attend and vote on my/our behalf at the Annual General Meeting of the Company to be held at registered office, NetSol Technologies Limited, NetSol IT Village (Software Technology Park) NetSol Avenue, Main Ghazi Road, Lahore Cantt. on **October 19, 2007 at 10:30 a.m.** and at any adjournment thereof.

Signed at \_\_\_\_\_ this \_\_\_\_\_ Day of \_\_\_\_\_ 2007.

Witness:

Signature : \_\_\_\_\_

Name : \_\_\_\_\_

Address : \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

NIC or  
Passport No. \_\_\_\_\_

Five Rupees  
Revenue Stamp

Signature of Member(s)

Shareholder's Folio No. \_\_\_\_\_

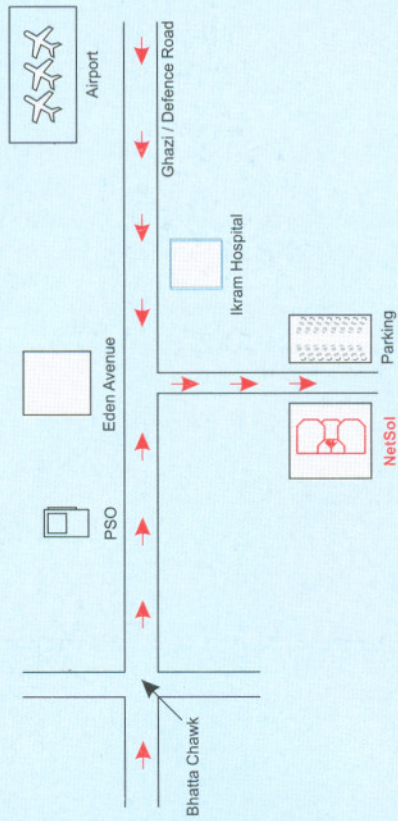
and/or Participant I.D. No. \_\_\_\_\_

### Note:

- 1) This form of proxy, in order to be effective, must be deposited duly completed, at the Company's registered Office at NetSol Technologies Limited, NetSol IT Village (Software Technology Park) NetSol Avenue, Main Ghazi Road, Lahore Cantt. not less than 48 hours before the time of holding the meeting.
- 2) A Proxy must be a member of the Company. Signature should agree with the specimen registered with the Company.



# Map of NetSol





**NetSol IT Village (Software Technology Park)**

**NetSol Avenue, Main Ghazi Road, Lahore Cantt. 54792, Pakistan.**

**Tel: (92-42) 111-44-88-00, 5727096-7, Fax: (92-42) 5726740**

**Web: [www.netsolpk.com](http://www.netsolpk.com)**

**Email: [info@netsolpk.com](mailto:info@netsolpk.com)**