



**Condensed Interim  
Financial Statements**  
**For the Quarter Ended September 30, 2010**

**Condensed Interim Balance Sheet-Unaudited**  
As at September 30, 2010

	NOTE	Sep-10	Jun-10
Rupees in '000			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property & equipment	5	698,033	662,257
Intangible assets	6	1,618,108	1,493,810
		<b>2,316,141</b>	<b>2,156,067</b>
Deferred employee compensation expense		1,714	2,089
Long term investments		15,188	15,188
Long term deposits		22,120	-
		<b>2,355,163</b>	<b>2,173,344</b>
<b>CURRENT ASSETS</b>			
Trade debts		1,076,399	859,403
Current portion of deferred employee compensation expense		1,821	1,981
Excess of revenue over billing		621,165	637,329
Loans and advances		62,253	16,385
Trade deposits & short term prepayments		7,598	4,413
Other receivables		47,443	87,943
Income tax		27,953	27,084
Due from related parties		27,110	27,224
Cash & bank balances		47,317	145,046
		<b>1,919,059</b>	<b>1,806,808</b>
<b>TOTAL ASSETS</b>		<b>4,274,222</b>	<b>3,980,152</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorized share capital			
150,000,000 ordinary shares of Rs.10/- each	7	1,500,000	1,500,000
Issued, subscribed and paid-up capital	7	779,102	779,102
Share deposit money		13	13
Reserves	8	2,655,465	2,558,093
		<b>3,434,580</b>	<b>3,337,208</b>
<b>NON-CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance lease		6,648	8,066
Long term loan		97,248	62,500
Deferred income		494	553
		<b>104,390</b>	<b>71,119</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		428,770	291,150
Excess of billing over revenue		48,469	21,429
Short term borrowings		200,000	200,000
Current portion of long term liabilities		47,467	49,288
Provision for taxation		10,546	9,958
		<b>735,252</b>	<b>571,825</b>
<b>CONTINGENCIES &amp; COMMITMENTS</b>			
	9	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,274,222</b>	<b>3,980,152</b>

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

**Condensed Interim Statement of Comprehensive Income-Unaudited**  
 For the Quarter Ended September 30, 2010

	Jul - Sep 2010	Jul - Sep 2009
	Rupees in '000	
<b>Profit after taxation for the period</b>	<b>194,760</b>	199,635
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>194,760</b>	199,635

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

**Condensed Interim Profit & Loss Account - Unaudited**  
For the Quarter Ended September 30, 2010

	NOTE	Jul - Sep 2010 Rupees in '000	Jul - Sep 2009
Revenue	10	366,220	351,709
Cost of revenue		(115,645)	(133,095)
<b>Gross profit</b>		250,575	218,614
Selling and promotion expenses		(32,533)	(13,020)
Administrative expenses		(103,564)	(36,661)
Other operating expenses		(5,267)	(4,080)
Other income		93,441	44,123
<b>Operating profit</b>		202,652	208,976
Finance cost		(7,304)	(9,013)
<b>Profit before taxation</b>		195,348	199,963
Taxation			
Current period		(588)	(1,133)
Prior period		-	805
		(588)	(328)
<b>Profit after taxation for the period</b>		194,760	199,635

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

## Condensed Interim Cash Flow Statement-Unaudited

For the Quarter Ended September 30, 2010

	Jul - Sep 2010	Jul - Sep 2009
	Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation for the period	195,348	199,963
Adjustments for non cash charges and other items:		
Depreciation - own assets	18,547	16,317
Amortization of leased assets	1,486	2,130
Amortization of intangible assets	13,488	7,523
Loss / (gain) on disposal of fixed assets	1,280	(2)
Amortization of deferred revenue	(59)	(224)
Exchange (gain) on debtors	(89,858)	(37,164)
Interest expense	6,934	8,666
Interest income	(1,083)	(2,888)
Deferred employee compensation expense	535	-
Provision for doubtful debts	20,374	-
	(28,356)	(5,642)
<b>Cash generated from operations before working capital</b>	166,992	194,321
<b>Decrease / (increase) in current assets &amp; liabilities</b>		
Trade debts	(83,933)	(76,007)
Loans and advances	(45,868)	(13,521)
Trade deposits & short term prepayments	(3,185)	(450)
Other receivables	20,126	4,595
Due from related parties	114	(16,348)
Trade and other payables	35,502	(14,705)
	(77,244)	(116,436)
<b>Cash (used in) operations</b>	(2,204)	(7,843)
Interest paid	(2,204)	(7,843)
Income taxes paid	(869)	(868)
Dividend paid	-	(5)
	86,675	69,169
<b>Net cash generated from operations</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property and equipments purchased	(16,204)	(3,090)
Sales proceeds of fixed asset	395	2
Intangible assets	(136,743)	(132,371)
Capital work in progress	(42,324)	(3,120)
Long term loan	-	3,570
Long term deposit	(22,120)	-
Interest received	1,083	2,609
	(215,913)	(132,400)
<b>Net cash (used in) investing activities</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Paid against obligation under finance lease	(3,239)	(3,639)
Long term payable	34,748	-
	31,509	(3,639)
<b>Net cash (used in) / generated from financing activities</b>		
<b>Net (decrease) in cash and cash equivalents</b>	(97,729)	(66,870)
<b>Cash and cash equivalents at the beginning of the period</b>	145,046	227,992
<b>Cash and cash equivalents at the end of the period</b>	47,317	161,122

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

## Condensed Interim Statement of Changes in Equity-Unaudited For the Quarter Ended September 30, 2010

	Issued, subscribed and paid-up capital	Share deposit money	Employee share option compensation reserve	Capital Reserve		Revenue Reserve	Total
				Share premium	Unappropriated profit		
Rupees In '000'							
<b>Balance as at June-30, 2009</b>	779,102	13	-	273,016	1,326,787		2,378,918
Net profit for the period ended September-30, 2009	-	-	-	-	199,635		199,635
<b>Balance as at September-30, 2009</b>	<b>779,102</b>	<b>13</b>	<b>-</b>	<b>273,016</b>	<b>1,526,422</b>		<b>2,578,553</b>
<b>Balance as at June-30, 2010</b>	779,102	13	6,426	273,016	2,278,651		3,337,208
Net profit for the period ended September-30, 2010	-	-	-	-	194,760		194,760
Cash dividend (12.5%) final	-	-	-	-	(97,388)		(97,388)
<b>Balance as at September-30, 2010</b>	<b>779,102</b>	<b>13</b>	<b>6,426</b>	<b>273,016</b>	<b>2,376,023</b>		<b>3,434,580</b>

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

## Notes to the Condensed Interim Financial Statements-Unaudited

### 1. LEGAL STATUS AND NATURE OF BUSINESS

NetSol Technologies Limited ("the Company") incorporated in Pakistan on August-22, 1996 under the Companies Ordinance, 1984 as a private company limited by shares was later on converted into public limited company on November-05, 2004. The Company was listed on Karachi Stock Exchange and Lahore Stock Exchange on August 26, 2005 and March 08, 2010 respectively. The business of the Company is development and sale of computer software and its related services in Pakistan as well as abroad. The registered office of the Company is situated NetSol Avenue, Software Technology Park, Main Ghazi Road, Lahore Cantt. Pakistan.

### 2. BASIS OF PREPARATION

#### 2.1 Separate financial statements

These condensed interim financial statements are separate condensed interim financial statements of the company. Condensed consolidated interim financial statements of the company are prepared separately.

#### 2.2 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting" and are being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984. These condensed interim financial statements are unaudited and do not include all the disclosures and information required in the annual financial statements and should be read in conjunction with the preceding annual published financial statements of the company for the year ended June 30, 2010.

#### 2.3 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention, except for revaluation of certain financial instruments at fair value as disclosed in respective accounting notes.

#### 2.4 Functional and presentation currency

These condensed interim financial statements are presented in Pak Rupee, which is the Company's functional currency. All financial information presented in Pak Rupee has been rounded to the nearest thousand.

### 3. ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the company for the year ended June 30, 2010.

### 4. USE OF ESTIMATES AND JUDGMENT

The preparation of condensed interim financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In preparing these condensed interim financial statements, the judgments, estimates and assumptions made by the management were the same as those that were applied to the preceding annual published financial statements of the company for the year ended June 30, 2010.

**5. PROPERTY & EQUIPMENT**

		Sep-10	Jun-10
Rupees in '000			
Opening Balance - net book value		662,257	580,995
Additions:	5.1	58,527	268,789
		<b>720,784</b>	<b>849,784</b>
Less:			
Disposals - net book value		(1,675)	(105,819)
Depreciation & amortization		(21,076)	(81,708)
		<b>698,033</b>	<b>662,257</b>

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

Building on freehold land		-	816
Computers		11,444	102,085
Furniture & fixture		4,742	4,301
Office equipment		17	380
Vehicles		-	49,651
Generator		-	250
Computer software		-	7,444
Capital work-in-progress		42,324	103,862
Total		<b>58,527</b>	<b>268,789</b>

**6. INTANGIBLE ASSETS**

Opening Balance - net book value		1,493,810	871,832
Additions:	6.1	137,786	656,044
		<b>1,631,596</b>	<b>1,527,876</b>
Less:			
Amortization		(13,488)	(34,066)
		<b>1,618,108</b>	<b>1,493,810</b>

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

NFS - AMS module		-	131,243
Fleet Management System (FMS)		43,541	171,771
Blue Star		90,696	338,569
HMIS		1,441	5,428
Loan Origination System		602	3,258
Business Intelligence Scoring Model & Risk Management		1,506	5,775
Total		<b>137,786</b>	<b>656,044</b>

**7. SHARE CAPITAL**

**7.1 Authorised share capital**

Sep-10	Jun-10		Sep-10	Jun-10
Number of shares				
<b>150,000,000</b>	150,000,000	Ordinary Shares of Rs. 10 each.	<b>1,500,000</b>	1,500,000

**7.2 Issued, subscribed & paid-up capital**

Sep-10	Jun-10		Sep-10	Jun-10
Number of shares				
<b>38,741,691</b>	38,741,691	Ordinary Shares of Rs. 10 each fully paid in cash	<b>387,417</b>	387,417
<b>39,168,512</b>	39,168,512	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares	<b>391,685</b>	391,685
<b>77,910,203</b>	77,910,203		<b>779,102</b>	779,102



NetSol Technologies Inc. 23901, Suite 2072 Calabasas Road, Calabasas CA 91302, is the parent company holding majority of issued capital of the Company. No shares are held by any other related party.

**8. RESERVES**

**Capital reserve**

Premium on issue of ordinary shares

**Revenue reserve**

Un - appropriated profit

**Employee share option compensation reserve**

	Sep-10	Jun-10
	Rupees in '000	
	273,016	273,016
	2,376,023	2,278,651
	6,426	6,426
	<b>2,655,465</b>	<b>2,558,093</b>

**9. CONTINGENCIES & COMMITMENTS**

**9.1 Contingencies**

9.1.1 Term deposit amounting to Rs. 22.12 million was placed with a financial institution. The financial institution delayed the payment on due date and there is a possibility that the amount may or may not be recovered as a whole or in part. However no provision has been made in the financial statements since the financial institute has confirmed the payment to be made to the Company and management is of opinion that the amount will be recovered in full and commitments will be honoured. No interest income has been accrued on this amount during the period.

9.1.2 The Company had entered into a contract with Raseen Technologies LLC ("Raseen"), an Abu Dhabi based company to establish a new joint venture in Pakistan for providing services to telecom sector. Based on that understanding, the Company spent Rs. 31.209 million on account of various expenses. Later on, Raseen backed out from investing in the new venture. The Company has filed a civil suit in the civil court of Lahore for the recovery of Rs. 50 million from Raseen. The case is still pending in the court of law, but, both the management and the lawyer of the Company are of a strong opinion for a favourable decision. However, taking a prudent approach, full amount has been provided for in the current period.

**9.2 Commitments**

9.2.1 The Company has issued worth Rs. 19.192 million (2010: Rs. 86.046 million) bank guarantees and bid bonds to various customers against sale of software and allied services.

9.2.2 The Company has Rs 65 million commitment against the final payment of land acquired by it.

**10. REVENUE**

**Export Revenue**

License

Services

Maintenance

**Local Revenue**

Services

Maintenance

	Jul - Sep 2010	Jul - Sep 2009
	Rupees in '000	
	156,458	205,331
	156,340	88,490
	45,145	38,944
	5,484	18,601
	2,793	343
	<b>366,220</b>	<b>351,709</b>

## 11. TAXATION

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

## 12. TRANSACTION WITH RELATED PARTIES

Related parties comprise of 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. Parent, subsidiary and associated undertakings also have some common directorship.

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 transactions	Jul - Sep 2010	Jul - Sep 2009
		Rupees in '000	
(i) Parent	Management fee	25,994	-
(ii) Subsidiary	Rental income	2,441	2,427
	Provision of services	1,302	1,295
	Mark-up income	-	125
	Mark-up expense	409	90
(iii) Associated undertaking	Provision of services	17,176	9,259
	Purchase of services	-	450

(vi) There are no transactions with any key management personnel other than under the terms of employment.

## 13. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 30, 2010 by the Board of Directors.

## 14. FIGURES

Figures have been rounded off to the nearest thousand rupee.

CHIEF EXECUTIVE OFFICER

DIRECTOR