

**NETSOL  
TECHNOLOGIES  
LIMITED**



**CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE  
HALF YEAR ENDED  
December - 31, 2010**

**NETSOL TECHNOLOGIES LIMITED**  
**CONDENSED INTERIM BALANCE SHEET - UNAUDITED**  
**AS AT DECEMBER-31-2010**

	NOTE	Dec-10 Rupees in '000	Jun-10
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property & equipment	5	810,227	662,257
Intangible assets	6	1,736,647	1,493,810
		<b>2,546,874</b>	2,156,067
Deferred employee compensation expense		1,393	2,089
Long term investments		15,188	15,188
		<b>2,563,455</b>	2,173,344
<b>CURRENT ASSETS</b>			
Trade debts		1,024,398	859,403
Current portion of deferred employee compensation expense		1,660	1,981
Excess of revenue over billing		565,563	637,329
Loans and advances		15,411	16,385
Trade deposits & short term prepayments		10,883	4,413
Other receivables		50,810	87,943
Income tax		33,327	27,084
Due from related parties		30,511	27,224
Cash & bank balances		294,048	145,046
		<b>2,026,611</b>	1,806,808
<b>TOTAL ASSETS</b>		<b>4,590,066</b>	3,980,152

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

**CHIEF EXECUTIVE OFFICER**

**DIRECTOR**

**NETSOL TECHNOLOGIES LIMITED**  
**CONDENSED INTERIM BALANCE SHEET - UNAUDITED**  
**AS AT DECEMBER-31-2010**

	NOTE	Dec-10 Rupees in '000	Jun-10
<b>EQUITY &amp; LIABILITIES</b>			
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorized share capital 150,000,000 ordinary shares of Rs.10/- each	7	<b>1,500,000</b>	1,500,000
Issued, subscribed and paid-up capital	7	<b>779,102</b>	779,102
Share deposit money		<b>13</b>	13
Reserves	8	<b>2,878,279</b>	2,558,093
		<b>3,657,394</b>	3,337,208
<b>NON-CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance lease		<b>11,912</b>	8,066
Long term loan		<b>140,815</b>	62,500
Deferred income		<b>201</b>	553
		<b>152,928</b>	71,119
<b>CURRENT LIABILITIES</b>			
Trade and other payables		<b>487,953</b>	291,150
Excess of billing over revenue		<b>32,370</b>	21,429
Short term borrowings		<b>200,000</b>	200,000
Current portion of long term liabilities		<b>48,744</b>	49,288
Provision for taxation		<b>10,677</b>	9,958
		<b>779,744</b>	571,825
<b>CONTINGENCIES &amp; COMMITMENTS</b>	9	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,590,066</b>	3,980,152

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

**CHIEF EXECUTIVE OFFICER**

**DIRECTOR**

**NETSOL TECHNOLOGIES LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED**  
**FOR THE HALF YEAR ENDED DECEMBER-31, 2010**

	<b>Oct - Dec 2010</b>	Oct - Dec 2009	<b>Jul - Dec 2010</b>	Jul - Dec 2009
	<b>Rupees in '000</b>		<b>Rupees in '000</b>	
<b>Profit after taxation for the period</b>	<b>222,815</b>	195,971	<b>417,574</b>	395,606
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>222,815</b>	195,971	<b>417,574</b>	395,606

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

**CHIEF EXECUTIVE OFFICER**

**DIRECTOR**

**NETSOL TECHNOLOGIES LIMITED**  
**CONDENSED INTERIM PROFIT & LOSS ACCOUNT - UNAUDITED**  
**FOR THE HALF YEAR ENDED DECEMBER-31, 2010**

	NOTE	Oct - Dec 2010 Rupees in '000	Oct - Dec 2009	Jul - Dec 2010 Rupees in '000	Jul - Dec 2009
Revenue	10	486,356	418,832	852,576	770,541
Cost of revenue		(163,278)	(137,859)	(278,923)	(270,954)
<b>Gross profit</b>		<b>323,078</b>	280,973	<b>573,653</b>	499,587
Selling and promotion expenses		(29,421)	(23,623)	(61,954)	(36,643)
Administrative expenses		(77,527)	(45,160)	(181,091)	(81,821)
Other operating expenses		(35,724)	(11,530)	(9,891)	(15,299)
Other income		2,951	4,797	65,291	48,609
Dividend income		47,222	-	47,222	-
<b>Operating profit</b>		<b>230,579</b>	205,457	<b>433,230</b>	414,433
Finance cost		(7,622)	(8,604)	(14,926)	(17,617)
<b>Profit before taxation</b>		<b>222,957</b>	196,853	<b>418,304</b>	396,816
Taxation					
Current period		(142)	(882)	(730)	(2,015)
Prior period		-	-	-	805
		(142)	(882)	(730)	(1,210)
<b>Profit after taxation for the period</b>		<b>222,815</b>	195,971	<b>417,574</b>	395,606

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

**NETSOL TECHNOLOGIES LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED**  
**FOR THE HALF YEAR ENDED DECEMBER-31, 2010**

	Jul - Dec 2010	Jul - Dec 2009
	Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation for the period	418,304	396,816
Adjustments for non cash charges and other items:		
Depreciation - own assets	38,943	32,739
Amortization of leased assets	3,500	4,390
Amortization of intangible assets	28,745	13,902
Loss / (gain) on disposal of fixed assets	1,354	7,412
Amortization of deferred revenue	(352)	(421)
Exchange (gain) on debtors	(58,757)	(36,855)
Interest expense	13,964	16,636
Interest income	(1,310)	(4,575)
Dividend income	(47,222)	-
Deferred employee compensation expense	1,018	1,071
Provision for doubtful debts	42,494	-
	22,377	34,299
<b>Cash generated from operations before working capital</b>	440,681	431,115
<b>Decrease / (increase) in current assets &amp; liabilities</b>		
Trade debts	(23,527)	(101,895)
Loans and advances	974	13,755
Trade deposits & short term prepayments	(6,470)	-
Other receivables	16,759	-
Due from related parties	(3,287)	(4,119)
Trade and other payables	188,629	1,498
<b>Cash (used in) operations</b>	173,078	(90,761)
Interest paid	(12,618)	(8,775)
Income taxes paid	(6,254)	(1,618)
Dividend paid	(90,560)	(5)
<b>Net cash generated from operations</b>	504,327	329,956
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property and equipment purchased	(54,158)	(12,145)
Sales proceeds of fixed asset	1,716	19,088
Intangible assets	(269,469)	(259,704)
Capital work in progress	(141,443)	(81,353)
Long term loan	-	3,570
Long term deposit	(22,120)	-
Interest received	1,310	4,387
Dividend received	47,222	-
<b>Net cash (used in) investing activities</b>	(436,942)	(326,157)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Paid against obligation under finance lease	(8,250)	(7,968)
Received against obligation under finance lease	11,552	8,496
Long term payable	78,315	-
<b>Net cash generated from financing activities</b>	81,617	528
<b>Net increase in cash and cash equivalents</b>	149,002	4,327
<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>	294,048	232,319

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

**NETSOL TECHNOLOGIES LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED**  
**FOR THE HALF YEAR ENDED DECEMBER-31, 2010**

	Issued, subscribed and paid-up capital	Share deposit money	Employee share option compensation reserve	Capital Reserve Share premium	Revenue Reserve Unappropri- ated profit	Total
	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 half year ended December-31, 2009	-	-	-	-	395,606	395,606
Effect of options granted to employee	-	-	6,426	-	-	6,426
<b>Balance as at December-31, 2009</b>	<b>779,102</b>	<b>13</b>	<b>6,426</b>		<b>1,722,393</b>	<b>2,780,950</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 half year ended December-31, 2010	-	-	-	-	417,574	417,574
Cash dividend (12.5%) final					(97,388)	(97,388)
<b>Balance as at December-31, 2010</b>	<b>779,102</b>	<b>13</b>	<b>6,426</b>	<b>273,016</b>	<b>2,598,837</b>	<b>3,657,394</b>

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

**CHIEF EXECUTIVE OFFICER**

**DIRECTOR**

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

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### 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.



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

		Dec-10	Jun-10	
		Rupees in '000		
<b>5. PROPERTY &amp; EQUIPMENT</b>				
Opening Balance - net book value		662,257	580,995	
Additions:	5.1	197,521	268,789	
		859,778	849,784	
Less:				
Disposals - net book value		(4,990)	(105,819)	
Depreciation & amortization		(44,561)	(81,708)	
		810,227	662,257	
<b>5.1 Following is the detail of addition:</b>				
Building on freehold land		-	816	
Computers		40,719	102,085	
Furniture & fixture		4,742	4,301	
Office equipment		55	380	
Vehicles		10,562	49,651	
Generator		-	250	
Computer software		-	7,444	
Capital work-in-progress		141,443	103,862	
Total		197,521	268,789	
<b>6. INTANGIBLE ASSETS</b>				
Opening Balance - net book value		1,493,810	871,832	
Additions:	6.1	271,582	656,044	
		1,765,392	1,527,876	
Less:				
Amortization		(28,745)	(34,066)	
		1,736,647	1,493,810	
<b>6.1 Following is the detail of addition:</b>				
NFS - AMS module		-	131,243	
Blue Star - CAP		77,657	-	
Fleet Management System (FMS)		85,047	171,771	
Blue Star		102,120	338,569	
HMIS		2,501	5,428	
Loan Origination System		1,264	3,258	
Business Intelligence Scoring Model & Risk Management		2,993	5,775	
		271,582	656,044	
<b>7. SHARE CAPITAL</b>				
<b>7.1 Authorised share capital</b>				
		Dec-10	Jun-10	
		Number of shares		
		150,000,000	150,000,000	Ordinary Shares of Rs. 10 each.
		1,500,000	1,500,000	
<b>7.2 Issued, subscribed &amp; paid-up capital</b>				
		Dec-10	Jun-10	
		Number of shares		
		38,741,691	38,741,691	Ordinary Shares of Rs. 10 each fully paid in cash
		39,168,512	39,168,512	Ordinary Shares of Rs. 10 each issued as fully paid bonus shares
		77,910,203	77,910,203	
		387,417	387,417	
		391,685	391,685	
		779,102	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.

	Dec-10	Jun-10
	Rupees in '000	
<b>8. RESERVES</b>		
<b>Capital reserve</b>		
Premium on issue of ordinary shares	273,016	273,016
<b>Revenue reserve</b>		
Un - appropriated profit	2,598,837	2,278,651
<b>Employee share option compensation reserve</b>	6,426	6,426
	<b>2,878,279</b>	<b>2,558,093</b>

## 9. CONTINGENCIES & COMMITMENTS

### 9.1 Commitments

9.1.1 The Company has issued worth Rs. 45.69 million (2010: Rs. 86.046 million) bank guarantees and bid bonds to various customers against sale of software and allied services.

9.1.2 The Company has Rs 32.67 million commitment against the final payment of land acquired by it.

	Oct - Dec 2010	Oct - Dec 2009	Jul - Dec 2010	Jul - Dec 2009
	Rupees in '000		Rupees in '000	
<b>10. REVENUE</b>				
<b>Export Revenue</b>				
License	121,368	154,650	277,826	359,981
Services	259,580	153,265	415,920	241,755
Maintenance	76,075	40,493	121,220	79,437
<b>Local Revenue</b>				
License	1,350	-	1,350	-
Services	26,794	70,082	32,278	88,683
Maintenance	1,189	342	3,982	685
	<b>486,356</b>	<b>418,832</b>	<b>852,576</b>	<b>770,541</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 - Dec Rupees in '000	Jul - Dec Rupees in '000
(i) Parent	Management fee	25,994	-
	Expenses incurred by	3,500	-
	Expenses incurred for	933	-
(ii) Subsidiary	Rental income	4,872	4,893
	Provision of services	2,598	2,610
	Dividend received	47,222	-
	Mark-up income	-	623
	Mark-up expense	1,433	-
(iii) Associated undertaking	Provision of services	36,952	18,046
	Purchase of services	-	900

(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 February-09, 2011 by the Board of Directors.

**14. FIGURES**

Figures have been rounded off to the nearest thousand rupee.

**CHIEF EXECUTIVE OFFICER**

**DIRECTOR**