

NetSol Technologies, Inc. and  
Subsidiaries Consolidated Balance Sheets

	As of March 31, 2010	As of June 30, 2009
<b>ASSETS</b>	<b>Un-audited</b>	
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Current assets:		
Cash and cash equivalents	\$ 4,275,443	\$ 4,403,762
Restricted Cash	5,000,000	5,000,000
Accounts receivable, net of allowance for doubtful accounts	13,682,521	11,394,844
Revenues in excess of billings	8,497,742	5,686,277
Other current assets	2,496,949	2,307,246
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Total current assets	33,952,656	28,792,129
Investment in associates	244,016	--
Property and equipment, net of accumulated depreciation	8,457,622	9,186,163
Other assets, long-term	--	204,823
Intangibles:		
Product licenses, renewals, enhancements, copyrights, trademarks, and tradenames, net	16,492,134	13,802,607
Customer lists, net	792,040	1,344,019
Goodwill	9,439,285	9,439,285
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Total intangibles	26,723,459	24,585,911
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Total assets	\$ 69,377,753	\$ 62,769,026
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<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 4,642,835	\$ 5,106,266
Due to officers	13,911	--
Current portion of loans and obligations under capitalized leases	7,134,527	6,207,830
Other payables - acquisitions	103,226	103,226
Unearned revenues	3,449,817	3,473,228
Dividend to preferred stockholders payable	--	44,409
Convertible notes payable, current portion	2,983,366	--
Loans payable, bank	2,363,507	2,458,757
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Total current liabilities	20,691,189	17,393,716
Obligations under capitalized leases, less current maturities	368,709	1,090,901
Convertible notes payable less		

current maturities	4,084,024	5,809,508
Long term loans; less current maturities	886,316	1,113,832
Lease abandonment liability; long term	867,583	--
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Total liabilities	26,897,820	25,407,957
Commitments and contingencies	--	--
Stockholders' equity:		
Preferred stock, 5,000,000 shares authorized; Nil; 1,920 issued and outstanding	--	1,920,000
Common stock, \$.001 par value; 95,000,000 shares authorized; 35,961,883; 30,046,987 issued and outstanding	35,962	30,047
Additional paid-in-capital	85,203,134	78,198,523
Treasury stock	(396,008)	(396,008)
Accumulated deficit	(41,351,411)	(41,253,152)
Stock subscription receivable	(2,107,960)	(842,619)
Common stock to be issued	251,450	220,365
Other comprehensive loss	(8,193,790)	(6,899,397)
Non-controlling interest	9,038,556	6,383,310
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Total stockholders' equity	42,479,932	37,361,069
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Total liabilities and stockholders' equity	\$ 69,377,753	\$ 62,769,026
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NetSol Technologies, Inc. and Subsidiaries  
Consolidated Statements of Operations

Months 31,	For the Three Months Ended March 31,		For the Nine Ended March	
	2010	2009	2010	
2009				
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Net Revenues:				
License fees	\$ 3,644,809	\$ 324,845	\$ 9,515,338	\$
3,502,632				
Maintenance fees	1,739,799	1,664,492	5,327,852	
4,771,519				
Services	3,548,348	3,033,684	11,231,648	
11,320,846				

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Total revenues 19,594,997	8,932,956	5,023,021	26,074,837
Cost of revenues:			
Salaries and consultants 7,652,671	2,154,369	2,629,081	6,173,967
Travel 993,290	222,136	280,390	611,343
Repairs and maintenance 290,436	43,364	81,536	180,086
Insurance 135,390	40,235	43,478	112,943
Depreciation and amortization 1,615,853	578,904	532,099	1,650,676
Other 2,208,265	416,931	917,051	1,884,426
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Total cost of revenues 12,895,905	3,455,939	4,483,635	10,613,442
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Gross profit 6,699,092	5,477,017	539,386	15,461,395
Operating expenses:			
Selling and marketing 2,479,509	651,485	629,145	1,671,866
Depreciation and amortization 1,476,281	411,563	501,239	1,341,947
Bad debt expense 2,420,658	(3,236)	1,772,188	209,604
Salaries and wages 2,697,531	746,095	773,757	2,214,760
Professional services, including non-cash compensation 877,752	242,177	257,926	549,078
Lease abandonment charges --	(208,764)	--	867,583
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General and administrative 2,693,451	1,056,718	862,623	3,188,901
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Total operating expenses 12,645,182	2,896,038	4,796,878	10,043,739
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Income (loss) from operations (5,946,090)	2,580,979	(4,257,492)	5,417,656
Other income and (expenses)			
Gain (loss) on sale of			
assets (308,256)	(125,419)	(127,558)	(214,520)
Interest expense (966,746)	(312,671)	(466,276)	(1,153,557)
Interest income 246,607	82,637	177,771	234,200
Gain on foreign currency			
exchange rates 1,821,754	(190,082)	8,902	190,495
Share of net income / (loss)			
in associate	(23,984)	--	(23,984)
Beneficial conversion			
feature (17,225)	(458,758)	(17,225)	(1,351,972)
Other income (952,482)	144,609	(984,622)	62,634
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Total other income			
(expenses) (176,348)	(883,667)	(1,409,008)	(2,256,704)
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Net income (loss) before			
non-controlling interest in			
subsidiary (6,122,438)	1,697,312	(5,666,500)	3,160,952
Non-controlling interest (972,238)	(1,097,201)	689,584	(3,235,093)
Income taxes (79,631)	(11,064)	(21,594)	(48,607)
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Net income (loss) (7,174,308)	589,047	(4,998,510)	(122,748)
Dividend required for			
preferred stockholders (100,892)	--	(33,140)	--
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Net income (loss) applicable			
to common shareholders (7,275,200)	589,047	(5,031,650)	(122,748)

Other comprehensive income

(loss):

Translation adjustment (4,036,926)	(439,688)	(179,358)	(1,294,393)	
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Comprehensive income (loss) (11,312,126)	\$ 149,359	\$ (5,211,008)	\$ (1,417,141)	\$
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Net income (loss) per share:

Basic \$ (0.27)	\$ 0.02	\$ (0.19)	\$ (0.004)	
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Diluted \$ (0.27)	\$ 0.02	\$ (0.19)	\$ (0.004)	
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Weighted average number of shares  
outstanding

Basic 26,350,098	35,636,259	26,601,587	33,893,968	
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Diluted 26,350,098	36,988,542	26,601,587	33,893,968	
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NetSol Technologies, Inc. and Subsidiaries  
Consolidated Cash Flow Statements

For the Nine Months  
Ended March 31,

	2010	2009
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Cash flows from operating activities:		
Net income (loss)	\$ (122,748)	\$ (7,174,308)
Adjustments to reconcile net income (loss)		

to net cash provided by operating activities:		
Depreciation and amortization	2,992,624	3,092,134
Provision for bad debts	209,604	2,420,658
Gain on sale of subsidiary shares in Pakistan	--	308,256
Loss on foreign currency exchange rates	25,900	--
Share of net (income)/loss from associates	23,984	--
Loss on sale of assets	214,520	--
Non controlling interest in subsidiary	3,235,093	972,238
Stock issued for notes payable and related interest	30,207	--
Stock issued for services	572,184	227,516
Fair market value of warrants and stock options granted	791,530	147,639
Beneficial conversion feature	1,351,972	17,225
Changes in operating assets and liabilities:		
Increase/ decrease in accounts receivable	(2,658,139)	(3,934,511)
Increase/ decrease in other current assets	(2,703,402)	3,175,947
Increase/ decrease in accounts payable and accrued expenses	(52,914)	588,689
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Net cash provided by operating activities	3,910,415	(158,517)
Cash flows from investing activities:		
Purchases of property and equipment	(1,458,050)	(1,501,508)
Sales of property and equipment	232,783	13,376
Payments of acquisition payable	--	(742,989)
Purchase of treasury stock	--	(360,328)
Investment in associate	(268,000)	--
Short-term investments held for sale	--	--
Increase in intangible assets	(4,562,044)	(5,281,642)
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Net cash used in investing activities	(6,055,311)	(7,873,091)
Cash flows from financing activities:		
Proceeds from sale of common stock	754,509	146,652
Proceeds from the exercise of stock options and warrants	33,750	526,569
Purchase of subsidiary stock in Pakistan	--	(250,000)
Finance costs incurred for sale of common stock		
Proceeds from convertible notes payable	3,500,000	6,000,000
Redemption of preferred stock	(1,920,000)	--
Restricted cash	--	(5,000,000)
Dividend Paid	(43,988)	(33,876)
Bank overdraft	(176,377)	161,134
Proceeds from bank loans	4,320,534	3,843,541
Payments on bank loans	(484,507)	(235,486)
Payments on capital lease obligations & loans - net	(3,664,176)	(467,397)
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Net cash provided by financing activities	2,319,746	4,691,137
Effect of exchange rate changes in cash	(303,170)	(453,178)
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Net increase in cash and cash equivalents	(128,319)	(3,793,649)
Cash and cash equivalents, beginning of year	4,403,762	6,275,238
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Cash and cash equivalents, end of year	\$ 4,275,443	\$ 2,481,591