

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-QSB

(Mark One)

(X) Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended December 31, 1999

() For the transition period from _____ to _____

Commission file number: 333-28861

NETSOL INTERNATIONAL, INC.

(Exact name of small business issuer as specified in its charter)

NEVADA

95-4627685

(State or other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer Identification No.)

5000 North Parkway Calabasas, Suite 202, Calabasas, CA 91302
(Address of principal executive offices) (Zip Code)

(818) 222-9195 / (818) 222-9194

(Issuer's telephone/facsimile numbers, including area code)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No
 --- ---

The issuer had 8,531,189 shares of its \$.001 par value Common Stock issued and outstanding as of February 2, 2000.

Transitional Small Business Disclosure Format (check one)

Yes No X
 --- ---

NETSOL INTERNATIONAL, INC.

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PART I - FINANCIAL INFORMATION

ITEM 1

NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1999

ASSETS

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Current Assets:			
Cash		\$	421,371
Accounts receivable			2,578,245
Other current assets			959,965

Total Current Assets			3,959,581

Property and Equipment, at cost, net of accumulated depreciation			513,938

Other Assets:			
Deposits			7,620
Product license, renewals, enhancements and copyrights, net			6,223,150
Customer lists, net			1,640,102
Goodwill, net			3,287,775

Total Other Assets			11,158,647

Total Assets		\$	15,632,166
			=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:			
Accounts payable and accrued expenses		\$	3,307,959
Current maturities of obligations under capital lease			21,375
Loan payable			7,000

Total Current Liabilities			3,336,334

Obligations under capitalized leases, less current maturities			88,606

Total Liabilities			3,424,940

Stockholders' Equity:			
Common stock; \$.001 par value, 25,000,000 shares authorized, 8,726,198 shares issued and outstanding			8,726
Common stock receivable			(25,000)
Additional paid-in capital			15,866,662
Accumulated deficiency			(3,643,162)

Total Stockholders' Equity			12,207,226

Total Liabilities and Stockholders' Equity		\$	15,632,166
			=====

</TABLE>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months Ended December 31, 1999 & 1998 and
For the Six Months Ended December 31, 1999 & 1998

<TABLE>

<CAPTION>

	Three Months Ended December 31		Six Months Ended December 31	
	1999	1998	1999	1998
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<S>	<C>	<C>	<C>	<C>
Net revenues	\$ 1,771,809	\$ 1,186,989	\$ 2,990,317	\$ 2,523,823
Cost of revenues	570,301	-0-	974,845	-0-
Gross profit	1,201,508	1,186,989	2,015,472	2,523,823
Operating expenses	1,640,660	1,767,241	3,128,173	3,081,497
Other income/(expense)	(28,356)	(59,469)	(28,356)	(34,272)
Net loss before income allocated to minority interest	(467,508)	(639,721)	(1,141,058)	(591,946)
Minority interest in subsidiaries earnings	-0-	(35,296)	-0-	(168,146)
Net loss	\$ (467,508)	\$ (675,017)	\$ (1,141,058)	\$ (760,092)
Net loss per share:				
Basic	(\$0.05)	(\$0.29)	(\$0.14)	(\$0.33)
Diluted	(\$0.05)	(\$0.20)	(\$0.14)	(\$0.23)
Weighted average shares outstanding:				
Basic	8,557,882	2,337,180	8,089,132	2,337,180
Diluted	8,557,882	3,357,940	8,089,132	3,357,940

</TABLE>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

<TABLE>

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	COMMON		Common
	No. of SHARES	\$0.001 par AMOUNT	stock RECEIVABLE
<S>	<C>	<C>	<C>
Balance at June 30, 1998	1,774,065	\$1,774	\$-0-
Common stock and warrants sold through Initial public offering	251,000	251	--
Issuance of common stock in exchange for Services rendered	235,000	235	--
Common stock options granted for services	--	--	--
Exercise of common stock options	105,000	105	--
Sale of common stock warrants	--	--	--
Exercise of warrants to convert to common stock	397,000	397	--
Issuance of common stock relating to acquisition of subsidiaries	4,690,000	4,690	--
Net loss for the year ended June 30, 1999	--	--	--
Balance at June 30, 1999	7,452,065	7,452	-0-
Sale of common stock through private placement	609,333	609	(25,000)
Issuance of common stock in exchange for services	247,500	248	--
Exercise of warrants to convert to common stock	12,300	12	--
Issuance of common stock relating to acquisition			

of subsidiaries	405,000	405	--
Net loss for the six months ended December 31, 1999	--	--	--

Balance at December 31, 1999	8,726,198	\$8,726	\$(25,000)
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<CAPTION>

	Additional paid-in CAPITAL	Accumulated (DEFICIENCY)	To stockholders' EQUITY/(DEFICIENCY)
<S>	<C>	<C>	<C>
Balance at June 30, 1998	\$ 542,061	\$ (875,370)	\$ (331,535)
Common stock and warrants sold through Initial public offering	987,733	--	987,984
Issuance of common stock in exchange for Services rendered	710,631	--	710,866
Common stock options granted for services	199,844	--	199,844
Exercise of common stock options	945	--	1,050
Sale of common stock warrants	5,667	--	5,667
Exercise of warrants to convert to common stock	294,952	--	295,349
Issuance of common stock relating to acquisition of subsidiaries	9,658,810	--	9,663,500
Net loss for the year ended June 30, 1999	--	(1,626,734)	(1,626,734)
Balance at June 30, 1999	12,400,643	(2,502,104)	9,905,991
Sale of common stock through private placement	1,880,403	--	1,856,013
Issuance of common stock in exchange for services	440,378	--	440,625
Exercise of warrants to convert to common stock	73,788	--	73,800
Issuance of common stock relating to acquisition of subsidiaries	1,071,450	--	1,071,855
Net loss for the six months ended December 31, 1999	--	(1,141,058)	(1,141,058)
Balance at December 31, 1999	\$15,866,662	\$(3,643,162)	\$ 12,207,226

</TABLE>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents
For the Three Months Ended December 31, 1999 & 1998 and
For the Six Months Ended December 31, 1999 & 1998

<TABLE>

<CAPTION>

	THREE MONTHS ENDED DECEMBER 31		SIX MONTHS ENDED DECEMBER 31	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net (loss)	\$ (457,639)	\$ (675,017)	\$ (1,141,058)	\$ (760,092)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Depreciation and amortization	182,783	71,175	(12,800)	79,691
Non-cash compensation expense	365,625	566,000	440,625	566,000
Minority interest income	--	35,296	--	168,146
(Increase) decrease in accounts receivable	(1,497,806)	127,012	(2,059,139)	(222,323)
(Increase) decrease other current assets	(532,588)	11,778	(792,895)	(15,160)
(Increase) decrease in deposits	(3,205)	(687)	(3,205)	(687)
Increase (decrease) in accounts payable & accrued expenses	1,321,292	(270,037)	2,308,686	(114,153)
Total adjustments	(163,899)	540,537	(118,728)	461,514
Net cash provided by (used for) operating				

activities	(631,407)	(134,480)	(1,259,785)	(298,578)
<hr/>				
</TABLE>				
6				
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<CAPTION>				
<S>				
CASH FLOWS FROM INVESTING ACTIVITIES:				
(Purchase) sale of investments, net	-0-	35,273	-0-	(161,539)
Purchase of property, plant and equipment	(126,186)	(58,445)	(283,720)	(118,752)
<hr/>				
Net cash provided by (used for) investing activities	(126,186)	(23,172)	(283,720)	(280,291)
<hr/>				
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issuance of common stock and warrants, net	900,782	27,716	1,890,786	1,009,989
Proceeds from (payments on) notes payable	2,327	(20,000)	102,327	(228,300)
Payments on loan payable, related party	-0-	-0-	(44,750)	(100,000)
Deferred offering costs	-0-	-0-	-0-	203,813
Payments on capital lease obligations	(10,415)	-0-	(15,200)	(2,758)
<hr/>				
Net cash provided by (used for) financing activities	892,694	7,716	1,933,163	882,744
<hr/>				
Net increase (decrease) in cash	135,101	(149,936)	389,658	303,875
Cash and equivalents, beginning of period	286,270	448,293	31,713	(5,518)
<hr/>				
Cash and equivalents, end of period	\$ 421,371	\$ 298,357	\$ 421,371	\$ 298,357
<hr/>				
SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.				
</TABLE>				

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Continued)
Increase (Decrease) in Cash and Cash Equivalents
For the Three Months Ended December 31, 1999 & 1998 and
For the Six Months Ended December 31, 1999 & 1998

<TABLE>
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	Three Months Ended December 31		Six Months Ended December 31	
	1999	1998	1999	1998
<hr/>				
<S>				
Supplemental Cash Flow Information:				
Cash paid during the period for interest:	\$ 21,531	\$ 2,912	\$ 26,031	\$ 12,294
Cash paid during the period for income taxes:	\$ -0-	\$ -0-	\$ -0-	\$ -0-
<hr/>				
Supplemental disclosure of non-cash investing and financing activities:				
Issuance of 490,000 shares of common stock per stock purchase agreement	--	--	--	\$2,523,500
Issuance of 175,000 shares of common stock per stock purchase agreement	--	\$566,000	--	\$566,000
Issuance of 405,000 shares of common stock per stock purchase agreements	--	--	\$1,071,855	--
Issuance of common stock shares for services rendered	\$365,625	--	\$440,625	--
<hr/>				
</TABLE>				
SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.				

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED DECEMBER 31, 1999 AND 1998 (UNAUDITED)

PRINCIPLES OF CONSOLIDATION: The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Network Solutions PVT, Ltd., NetSol UK, Ltd., Netsol USA, Inc., (formerly Mindsources, Inc.) and Network Solutions Group Limited. All material inter-company accounts have been eliminated in consolidation.

PRIVATE PLACEMENT: The Company sold 101,833 shares and warrants restricted under Rule 144 common stock in the amount of \$866,009 through a private placement offering pursuant to Regulation D of the Securities and Exchange Act of 1933 and convertible promissory note placement.

UNAUDITED PROFORMA CONDENSED STATEMENT OF OPERATIONS:

As reported on Form 8K, the Company acquired Abraxas Software Pty. Ltd. (Abraxas), a Company organized under the laws of the country of Australia. The acquisition was recorded as a purchase acquisition on January 2, 2000, whereby the Company acquired 100% of the outstanding capital stock of Abraxas in exchange for 150,000 shares of the Company's restricted common shares. The audited financial statements for the acquired subsidiary will be filed within sixty days. Accordingly, the required proforma financial information, will be presented in the next quarter.

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Item 2

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

The Company

NetSol International, Inc. ("Company") was incorporated under the laws of the State of Nevada on March 18, 1997. The Company's address is 5000 North Parkway Calabasas, Suite 202, Calabasas, California 91302 and its telephone number is (818) 222-9195.

Effective September 15, 1998, the Company acquired 51% of the outstanding capital stock of Network PVT Solutions Limited ("NetSol PVT"), a software development company in Lahore, Pakistan. In addition, the Company purchased 43% of the outstanding capital stock of NetSol (UK) Limited, a corporation organized under the laws of the United Kingdom ("NetSol UK"), which is a sister company to NetSol PVT. The Company paid a purchase price for the increased interest in NetSol and the interest in NetSol UK of \$500,000, plus 490,000 shares of common stock of the Company. The Company already owned 10% of the outstanding capital stock of NetSol PVT.

On April 17, 1999, the Company entered into an agreement with NetSol PVT and NetSol UK to acquire the remaining 49% of NetSol PVT and 57% of NetSol UK in exchange for 4.2 million shares of restricted common stock of the Company.

NetSol PVT was incorporated in Pakistan on August 22, 1996, under the companies ordinance of 1984, as a private company limited by shares. NetSol PVT's principle business is the design and development on new software applications and designs.

NetSol PVT has developed several leasing and finance products creating a market within the finance industry. Currently, NetSol PVT has developed a fully integrated leasing and finance package, which is a series of seven products that can be marketed in an integrated system. Mercedes Benz Finance - Singapore, Mercedes Benz Leasing - Thailand, Mercedes Benz Finance Ltd. - United Kingdom and Mercedes Benz Finance - Australia are some of NetSol PVT's customers which account for a majority of its revenues. In addition, NetSol provides off shore development and customized Information Technology ("IT") solutions and has blue chip customers such as ICI of UK, Fuzzy Informatik of Germany, and 1st Net Technologies, Inc., USA. NetSol PVT has 200 employees, 90% of which specialized in IT. NetSol PVT is the first company in Pakistan to achieve ISO 9001 accreditation.

NetSol UK was incorporated in December 1997 under the laws of the United Kingdom. NetSol UK was established for service and support of customers in the European markets. In addition, NetSol UK was established to function as a marketing arm of the Company in Europe.

RESULTS OF OPERATIONS

Three Months Ended December 31, 1999, as compared to three Months Ended December 31, 1998.

NET SALES

Net sales of \$1,771,809 for the second quarter ended December 31, 1999, were greater than the sales of the same quarter, for the previous year of \$1,186,989, by \$584,820. Likewise, net sales of \$2,990,317 for the six months ended December 31, 1999, were greater than net sales for same six month period of the prior year of \$2,523,823, by \$466,494. The augmented sales levels are due to the acquisitions of the subsidiaries centralized in Europe and Asia.

COST OF SALES AND GROSS PROFIT

The gross profit was \$1,201,508 in the quarter ending December 31, 1999. This favorably compares to a gross profit level of \$1,186,989 for the corresponding quarter of the previous fiscal year. Additionally, the gross profit for the current quarter illustrates a \$387,544 increase from the quarter ended September 30, 1999. Again, this increase is substantially due to the operations of the subsidiaries in Europe and Asia.

OPERATING EXPENSES

Operating expenses were \$1,640,660 during the quarter ended December 31, 1999. This is \$126,581 less than the operating expenses for the same quarter of the previous fiscal year ended December 31, 1998, of \$1,767,241. This reduction was due to fewer acquisition expenses during the quarter, and increased efficiencies in operations for the Company in the U.S. and worldwide.

The overall net loss per share for the quarter ended December 31, 1999, was \$0.05. This represented an improvement of \$0.15 per share from the net loss per share on a diluted basis in the same quarter of the previous year and a \$0.03 improvement from the prior quarter ended September 30, 1999.

INTEREST

Net interest expenses paid were \$21,531, during the quarter ended December 31, 1999. This compares with \$2,912 for the same period in the previous fiscal year and is due to an increase in capital lease obligations entered into by the subsidiaries in Europe and Asia.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary cash requirements are for operating expenses, including the funding of accounts receivable, labor costs, and raw material purchases. The Company also has cash requirements for capital expenditures and for the funding of additional business acquisitions. The Company's primary sources of cash from operations are from the operations in the United Kingdom and Pakistan.

For the quarter ended December 31, 1999, the overall increase in cash totaled \$135,101. This increase was attributable to sales of common shares and exercising of warrants amounting to approximately \$900,000, which was in excess of the cash used for operating and investing activities. The net cash used for operating activities of \$631,407, resulted in large part from an increase in receivables of \$1,497,806 that was driven by business growth and a lesser, corresponding increase in accounts payable of \$1,321,292. The net cash used for investing activities of \$126,186 was solely due to the purchase of property, plant and equipment.

For comparative purposes, the quarter ended December 31, 1998, resulted in a decrease in cash of \$149,936, which was substantially due to the net cash used by operations of \$134,480.

The Company's current plans require additional capital expenditures for the remainder of the year of approximately \$800,000 to support additional acquisitions and fund additional increases in accounts receivable of the subsidiaries. During the quarter ended December 31, 1999, the Company had cash of \$892,694 provided by financing activities and expects similar capital infusions in the remaining quarters of this fiscal year.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

To the best knowledge of management and the Company's counsel, there is no material litigation pending or threatened against the Company.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

The Company did not receive any additional proceeds from its Public Offering since its Annual Report.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

1. (a) The Annual Meeting of the Stockholders of the Company was held at the Los Angeles Airport Hilton and Towers at 5711 West Century Blvd., Los Angeles, CA 90045, on Friday November 5, 1999, at 10:00 AM (PST). Refer to Item 4. on previously filed form 10Q-SB for period ending September 30, 1999.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits
- (27) Financial Data Schedule

(b) Reports on Form 8-K

Form 8-K filed in January of 2000, for the acquisition of
Abraxas Australia.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused
this report to be signed on its behalf by the undersigned, thereunto duly
authorized.

NetSol International, Inc.
Registrant

Date: February 3, 2000

Najeeb U. Ghauri

/s/ Najeeb Ghauri

NAJEEB U. GHAURI
PRESIDENT, CHIEF FINANCIAL OFFICER

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