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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549  
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FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
-----

March 14, 2000  
-----

Date of Report (Date of earliest event reported)

NetSol International, Inc.  
-----

(Exact name of registrant as specified in its charter)

Nevada  
-----

(State or other jurisdiction of incorporation)

333-28861  
-----

95-4627685  
-----

(Commission File Number)

(IRS Employer Identification No.)

5000 N. Parkway Calabasas, Suite 202, Calabasas, CA 91302  
-----

(Address of principal executive offices)

Registrants telephone number, including area code: (818) 222-9195  
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ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

On January 14, 2000, NetSol International, Inc. ("Registrant") filed Reports on Form 8-K to report its acquisition of Abraxas Software Pty Ltd., ("Abraxas") a Company organized under the laws of the country of Australia whereby the Registrant acquired 100% of the outstanding capital stock of Abraxas in exchange for 150,000 shares of restricted stock of the Registrant. Pursuant to Item 7 of Form 8-K, Registrant indicated that it would file certain financial information no later than the date required under Item 7 of Form 8-K. This Amendment is filed to provide the required financial information.

(a) Financial statements of businesses acquired.

The financial statement of Abraxas is included in this Amended Current Report, Form 8-K/A are as follows:

Financial Statement Description	Page
- Independent Auditors' Report.....	3
- Balance Sheet as of June 30, 1999.....	9

- Notes to and Forming Part of the Financial Statements.	10
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(b) Exhibits.

The following exhibits are filed with this Amended Current Report, Form 8-K/A:

Exhibit Number	Exhibit Description
2.0	Acquisition Agreement dated January 2, 2000
23.1	Consent of Independent Auditors
99.1	Abraxas Software Pty Ltd. Financial Statements

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: March 14, 2000

NetSol International, Inc.

By: /s/ Najeeb Ghauri

-----  
Najeeb Ghauri  
Its: President

STOCK ACQUISITION AGREEMENT

THIS STOCK ACQUISITION AGREEMENT ("Agreement"), dated for reference purposes as of January 2, 2000, is by and among NETSOL INTERNATIONAL, INC., a Nevada corporation (the "Company"), and the shareholders whose names appear on the signature page hereto (each, a "Shareholder" and collectively, the "Shareholders") of ABRAXAS SOFTWARE PTY, LTD. ("Abraxas").

R E C I T A L S

A. The Shareholders own certain shares of capital stock of Abraxas as set forth in attached Schedule A (the "Abraxas Shares") which total 100% of the total issued and outstanding shares of Abraxas.

B. Company desires to purchase 100% of the Abraxas Shares from Shareholders and Shareholders desire to sell such shares to Company upon the terms and subject to the conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, agreements, representations and warranties contained in this Agreement, the parties hereto agree as follows:

ARTICLE 1

SALE AND ISSUANCE OF SHARES AND OTHER TERMS

Subject to the terms and conditions herein set forth, and on the basis of the representations, warranties and agreements herein contained, at Closing (as defined below):

1.1 CONVEYANCE OF ABRAXAS SHARES. Shareholders will sell, assign, transfer and convey all of their respective right, title and interest in and to the Abraxas Shares to Company, and Company shall acquire the Abraxas Shares from the Shareholders.

1.2 ISSUANCE OF COMPANY SHARES. Company shall issue to Shareholders shares of common stock of Company (collectively, the "Company Shares") as set forth in Schedule B .

1.3 NO BROKERAGE COMMISSION. Shareholders have not employed any broker, agent or finder in connection with any transaction contemplated by this Agreement and hereby indemnifies Company against any liability for a brokerage commission or finders fee of any description incurred by Company with respect to any transaction contemplated by this Agreement. Company has not employed any broker, agent or finder in connection with any transaction contemplated by this Agreement and hereby indemnifies Shareholders against any liability for a brokerage commission or finders fee of any description incurred by Shareholders with respect to any transaction contemplated by this Agreement.

ARTICLE 2

REPRESENTATIONS AND WARRANTIES

2.1 REPRESENTATIONS AND WARRANTIES OF SHAREHOLDERS. Each Shareholder represents and warrants to Company with respect to only himself, herself, or itself, as of the date hereof and as of the Closing, as follows:

2.1.1 ABRAXAS SHARES. Shareholder is the lawful beneficial and record owner of the Abraxas Shares as set forth in attached Schedule A and has not conveyed, pledged, assigned or otherwise transferred such shares or any interest therein. All of the Abraxas Shares owned by such Shareholder will be conveyed hereunder free and clear of all liens, security interests, encumbrances, pledges, restrictions, charges, demands, and claims of any kind and nature whatsoever, whether direct or indirect or contingent.

2.1.2 EXPERIENCE. (i) Shareholder has a preexisting personal or business relationship with Company or one or more of its officers, directors, or

control persons, or (ii) by reason of Shareholder's business or financial experience, Shareholder is capable of evaluating the risks and merits of an investment in the Company Shares and of protecting his, her or its own interests in connection with this investment.

2.1.3 PURCHASE ENTIRELY FOR OWN ACCOUNT. Shareholder agrees that he, she or it is acquiring the Company Shares for investment purposes only and not for sale or with a view to distribution of all or any part of such Company Shares.

2.1.4 RESTRICTED SECURITIES. Shareholder understands that the Company Shares are "restricted securities" under the Act (as defined below) because they are being acquired from Company in a transaction not involving a public offering, and that, under such laws and applicable regulations, such securities may not be resold for a period of one year from the date of issuance unless registered with the Securities and Exchange Commission under the Act and qualified by appropriate state securities regulators, or unless Shareholder obtains written consent from Company and otherwise complies with an exemption from such registration and qualification (including, without limitation, compliance with Rule 144).

2.1.5 LEGEND. Shareholder acknowledges that the certificates delivered by Company representing the Company Shares shall provide as follows:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE, AND MAY NOT BE OFFERED, SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF FOR A PERIOD OF ONE YEAR FROM THE ISSUANCE THEREOF EXCEPT (i) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT AND ANY APPLICABLE STATE LAWS OR (ii) UPON THE EXPRESS WRITTEN AGREEMENT OF COMPANY AND COMPLIANCE, TO THE EXTENT APPLICABLE, WITH RULE 144 UNDER THE ACT (OR ANY SIMILAR RULE UNDER THE ACT RELATING TO THE DISPOSITION OF SECURITIES).

2.1.6 ADEQUATE MEANS. Shareholder has adequate means of providing for current needs and contingencies, has no need for liquidity in the investment, and is able to bear the economic risk of an investment in the Company Shares offered by Company of the size contemplated. Each Shareholder represents that he, she or it is able to bear the economic risk of the investment and at the present time could afford a complete loss of such investment.

2.1.7 INDEPENDENT INVESTIGATION. Shareholder acknowledges that, in entering into this Agreement, Shareholder has relied on Shareholder's own independent investigations and has not relied upon any representations or other information (whether oral or written) from Company, or its officers, directors, agents, employees or representatives.

2.1.8 NO REPRESENTATIONS. Neither the officers, directors, any agent or employee of Company nor any other person has at any time expressly or implicitly made any representation, warranty, or guaranty to Shareholder concerning the Company Shares or Company except as expressly provided herein.

2.2 REPRESENTATIONS AND WARRANTIES OF COMPANY. Company represents and warrants to each Shareholder, as of the date hereof and as of the Closing, as follows:

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2.2.1 COMPANY SHARES. The Company Shares to be issued hereunder shall be duly and validly issued, will be fully paid and nonassessable, and will be conveyed hereunder free and clear of all liens, security interests, encumbrances, pledges, restrictions, charges, demands, and claims of any kind and nature whatsoever, whether direct or indirect or contingent, except for restrictions on transfer imposed by applicable state and federal securities law.

2.2.2 INDEPENDENT INVESTIGATION. Company acknowledges that, in entering into this Agreement, Company has relied on Company's own independent investigations and has not relied upon any representations or other information (whether oral or written) from any Shareholder, or their respective agents,

employees or representatives.

2.2.3 NO REPRESENTATIONS. Neither the Shareholders nor any of their respective agents, employees, or representatives nor any other person has at any time expressly or implicitly made any representation, warranty, or guaranty to Company concerning the Abraxas Shares or Abraxas except as expressly provided herein.

ARTICLE 3  
CONDITIONS

3.1 CONDITIONS TO EACH PARTY'S OBLIGATIONS. The respective obligations of each party hereunder shall be subject to the satisfaction prior to or at the Closing of the following conditions:

(a) NO RESTRAINTS. No statute, rule, regulation, order, decree or injunction shall have been enacted, entered, promulgated or enforced by any court or governmental entity of competent jurisdiction which enjoins or prohibits the consummation of this Agreement and shall be in effect.

(b) LEGAL ACTION. There shall not be pending or threatened in writing any action, proceeding or other application before any court or governmental entity challenging or seeking to restrain or prohibit the consummation of the transactions contemplated by this Agreement, or seeking to obtain any material damages.

3.2 CONDITIONS TO COMPANY'S OBLIGATIONS. The obligations of the Company shall be subject to the satisfaction prior to or at the Closing of the following conditions unless waived by Company:

(a) REPRESENTATIONS AND WARRANTIES OF SHAREHOLDERS. The representations and warranties of Shareholders set forth in this Agreement shall be true and correct as of the date of this Agreement and as of the Closing as though made on and as of the Closing, except: (i) as otherwise contemplated by this Agreement, or (ii) in respects that do not have a material adverse effect on Shareholders or on the benefits of the transactions provided for in this Agreement.

(b) PERFORMANCE OF OBLIGATIONS OF SHAREHOLDERS. Shareholders shall have performed all agreements and covenants required to be performed by it under this Agreement prior to the Closing, except for breaches that do not have a material adverse effect on Shareholders or on the benefits of the transactions provided for in this Agreement.

(c) NO MATERIAL CHANGES. Since the date hereof and through Closing, there shall not have occurred any change, occurrence or circumstance in the Shareholders having or reasonably likely to have, individually or in the aggregate, in the reasonable judgment of Company, a material adverse effect on the transaction contemplated herein.

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(d) DUE DILIGENCE. The Company and Abraxas have and the opportunity to conduct due diligence and have investigated to their satisfaction unless as otherwise stated on Schedule C.

3.3 CONDITIONS TO SHAREHOLDER'S OBLIGATIONS. The obligations of Shareholders shall be subject to the satisfaction prior to or at the Closing of the following conditions unless waived by Shareholders:

(a) PERFORMANCE OF OBLIGATIONS OF COMPANY. Company shall have performed all agreements and covenants required to be performed by it under this Agreement prior to the Closing, except for breaches that do not have a material adverse effect on Company or on the benefits of the transactions provided for in this Agreement.

(b) NO MATERIAL CHANGES. Since the date hereof and through Closing, there shall not have occurred any change, occurrence or circumstance in Company having or reasonably likely to have, individually or in the aggregate, in the reasonable judgment of Shareholders, a material adverse effect on Company.

ARTICLE 4  
COVENANTS

4.1 CONFIDENTIALITY. Each party hereto will hold and will cause its consultants and advisors to hold in strict confidence, unless compelled to disclose by judicial or administrative process or, in the opinion of its counsel, by other requirements of law, all documents and information concerning the other party furnished it by such other party or its representatives in connection with the transactions contemplated by this Agreement (except to the extent that such information can be shown to have been (i) previously known by the party to which it was furnished, (ii) in the public domain through no fault of such party, or (iii) later lawfully acquired from other sources by the party to which it was furnished), and each party will not release or disclose such information to any other person, except its auditors, attorneys, financial advisors, bankers and other consultants and advisors in connection with this Agreement.

4.2 FURTHER ASSURANCES. Each party agrees that upon the request of any other they will, from time to time, without further consideration, execute and deliver to such other all such instruments and documents of further assurance or otherwise, and will do any and all such acts and things as may be reasonably required, to carry out the obligations of such party hereunder and to consummate the transactions contemplated hereby.

ARTICLE 5  
THE CLOSING

5.1 TIME AND PLACE. The consummation of the purchase and sale of shares contemplated herein (the "Closing") shall take place at Abraxas' headquarters, on or before January 2, 2000, or at such other time and place as the parties mutually agree upon in writing (which time and place are hereinafter referred to as the "Closing Date").

5.2 SHAREHOLDERS' DELIVERIES AT CLOSING. On or before the Closing Date, each Shareholder shall deliver to Company the following:

(a) A certificate or certificates of representing the Abraxas Shares owned by such Shareholder as set forth in attached Schedule A, together with a duly executed Stock Power in the form of attached Exhibit "A"; and

(b) Such other documents and instruments reasonably required to carry out the transactions contemplated herein.

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5.3 COMPANY'S DELIVERIES AT CLOSING. On or before the Closing Date, Company shall deliver or cause to be delivered to each Shareholder the following:

(a) A certificate representing the Company Shares pursuant to Section 1.2 above; and

(b) Such other documents and instruments reasonably required to carry out the transactions contemplated herein.

ARTICLE 6  
DEFAULT, AMENDMENT AND WAIVER

6.1 TERMINATION. Notwithstanding anything to the contrary contained in this Agreement, this Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Closing:

6.1.1 By the mutual consent of all of the parties;

6.1.2 By Company at any time in the event of a breach or default by Shareholders in the observance or in the timely performance of any of its obligations hereunder which is not waived by Company and which remains uncured for fifteen (15) days after receipt of notice in writing of such breach or default;

6.1.3 By Shareholders at any time in the event of a breach or default by Company in the observance or in the timely performance of any of its obligations hereunder which is not waived by Shareholders and which remains uncured for fifteen (15) days after receipt of notice in writing of such breach or default;

No termination under this section shall be effective unless and until the terminating party gives written notice of such termination to the other party. Upon a termination of this Agreement due to a breach or default under this Agreement by any of the parties (following the cure period provided herein), the non-defaulting party shall have all rights and remedies given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

6.2 WAIVER AND AMENDMENT. Any term, provision, covenant, representation, warranty or condition of this Agreement may be waived, but only by a written instrument signed by the party entitled to the benefits thereof. The failure or delay of any party at any time or times to require performance of any provision hereof or to exercise its rights with respect to any provision hereof shall in no manner operate as a waiver of or affect such party's right at a later time to enforce the same. No waiver by any party of any condition, or of the breach of any term, provision, covenant, representation or warranty contained in this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach or waiver of any other condition or of the breach of any other term, provision, covenant, representation or warranty. No modification or amendment of this Agreement shall be valid and binding unless it be in writing and signed by all parties hereto.

#### ARTICLE 7 MISCELLANEOUS

7.1 DESTRUCTION OF PROPERTY. If any property being sold hereunder shall be substantially damaged or destroyed by fire or other cause prior to the time of Closing, Shareholders shall immediately notify Company and furnish to Company a written statement of the amount of insurance, if any, payable on account thereof. In the event of such damage or destruction, Company may elect (i) to require that Shareholders restore the property to its condition on the date of this Agreement or (ii) to declare this Agreement null and void.

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7.2 NOTICES. Any notice, request, instruction or other document required by the terms of this Agreement, or deemed by any of the parties hereto to be desirable, to be given to any other party hereto shall be in writing and shall be given by prepaid telegram or delivered or mailed by registered or certified mail, postage prepaid, with return receipt requested, to the following addresses:

To Company:

NetSol International, Inc.  
5000 N. Pkwy Calabasas, Suite # 202  
Calabasas, CA 91302  
Phone: 818-222-9195  
Fax: 818-222-9197  
Attn: Mr. Najeeb Ghauri, President

To Shareholders:

c/o Abraxas Software Pty Ltd.  
Attn.: Fred Firth

The persons and addresses set forth above may be changed from time to time by a notice sent as aforesaid. If notice is given by delivery in accordance with the provisions of this Section, said notice shall be conclusively deemed given at the time of such delivery. If notice is given by mail in accordance with the provisions of this Section, such notice shall be conclusively deemed given forty-eight (48) hours after deposit thereof in the United States mail. If notice is given by telegraph in accordance with the provisions of this Section, such notice shall be conclusively deemed given at the time that the telegraphic agency shall confirm delivery thereof to the addressee.

7.3 ENTIRE AGREEMENT. This Agreement, together with the schedules and exhibits hereto, sets forth the entire agreement and understanding of the parties hereto with respect to the transactions contemplated hereby, and supersedes all prior agreements, arrangements and understandings related to the subject matter hereof.

7.4 SURVIVAL OF REPRESENTATIONS. All representation, warranties agreements and covenants hereunder shall survive the Closing and remain effective. Consummation of the transactions contemplated hereby shall not be deemed or construed to be a waiver of any right or remedy possessed by any party hereto, notwithstanding that such party knew or should have known at the time of Closing that such right or remedy existed.

7.5 INCORPORATED BY REFERENCE. The schedules, exhibits and all documents delivered as part hereof or incident hereto are incorporated as a part of this Agreement by reference.

7.6 SEVERABILITY. If any provision hereof is held to be illegal, invalid or unenforceable under present or future laws effective during the term hereof, such provision shall be fully severable.

7.7 GOVERNING LAW. This Agreement has been negotiated and executed in the State of California and shall be construed and enforced in accordance with the laws of such state.

7.8 ARBITRATION. If a dispute or claim shall arise with respect to any of the terms or provisions of this Agreement, then either party may, by notice as herein provided, require that the dispute be submitted under the Commercial Arbitration Rules of the American Arbitration Association to an arbitrator in good standing with the American Arbitration Association within fifteen (15) days after such notice is given. Any such arbitrator so selected is to be mutually acceptable to both parties. If both parties are unable to agree upon a

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single arbitrator, each party shall appoint one (1) arbitrator. If either party does not appoint an arbitrator within five (5) days after the other party has given notice of the name of its arbitrator, the single arbitrator appointed by the party giving notice shall be the sole arbitrator and such arbitrator's decision shall be binding upon both parties. If two (2) arbitrators are appointed, these two (2) arbitrators shall appoint a third arbitrator who shall proceed to resolve the question. The written decision of the single arbitrator ultimately appointed by or for both parties shall be binding and conclusive on the parties. Judgment may be entered on such written decision by the single arbitrator in any court having jurisdiction and the parties consent to the jurisdiction of the Municipal and Superior Court of Orange County, California for this purpose. Any arbitration undertaken pursuant to the terms of this section shall occur in Orange County, California.

7.9 ATTORNEYS' FEES. In the event of any legal, equitable or administrative action or proceeding brought by any party against another party under this Agreement, the prevailing party shall be entitled to recover the reasonable fees of its attorneys and any costs incurred in such action or proceeding including costs of appeal, if any, in such amount that the court or administrative body having jurisdiction over such action may award.

7.10 BINDING EFFECT AND ASSIGNMENT. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, legal representatives and assigns; provided, however, that neither party may assign any of its rights under this Agreement without the prior written consent of the other party, which consent may be withheld in such party's sole discretion.

7.11 COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. In making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and year first above written.



SHAREHOLDERS: (Percent of Shares Owned)

COMPANY:

NETSOL INTERNATIONAL INC.,  
a Nevada corporation

/s/ Fred Firth (44%)  
-----  
FRED FIRTH

/s/ Salim Ghauri  
-----  
By: Salim Ghauri

/s/ John Giddons (12%)  
-----  
JOHN GIDDONS

Its: CEO

/s/ Ian Crawford (44%)  
-----  
IAN CRAWFORD

[LETTERHEAD]

25th JANUARY 2000

THE DIRECTORS  
ABRAXAS SOFTWARE PTY. LTD.  
INNOVATION HOUSE  
TECHNOLOGY PARK  
SA 5095.

DEAR SIR/MADAM,

CONSENT TO ACT AS AUDITOR

As required under Section 327(8) of The Corporations Law we hereby give our consent to act as auditor of Abraxas Software Pty. Ltd. for the financial year ended 30th June 1999.

This consent is to remain in force unless revoked by us in writing.

YOURS FAITHFULLY,

/s/ [ILLEGIBLE]

HLB MANN JUDD STEPHENS  
CHARTERED ACCOUNTANTS

PHILIP PLUMMER  
PARTNER  
REGISTERED COMPANY AUDITOR

*ABRAXAS SOFTWARE PTY LTD*

*A.C.N. 008 030 420*

*FINANCIAL REPORT  
FOR THE YEAR ENDED  
30TH JUNE 1999*

*ABRAXAS SOFTWARE PTY LTD*

*A.C.N. 008 030 420*

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*Profit and Loss Statement*

*Balance Sheet*

*Notes to and Forming Part of the Financial Statements*

*Directors' Declaration*

*Independent Audit Report*

*Detailed Profit and Loss Statement*

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*ABRAXAS SOFTWARE PTY LTD*

*A.C.N. 008 030 420*

*INDEPENDENT AUDIT REPORT TO THE MEMBERS OF  
ABRAXAS SOFTWARE PTY LTD*

*SCOPE*

*We have audited the attached financial report, being a special purpose financial report, of Abraxas Software Pty Ltd for the year ended 30 June 1999 as set out on pages 1 to 10. The company's directors are responsible for the financial*

report and have determined that the accounting policies used and described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the needs of the members. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of Abraxas Software Pty Ltd. No opinion is expressed as to whether or not the accounting policies used, and described in Note 1, are appropriate to the needs of the members.

The financial report has been prepared for distribution to members for the purpose of providing financial information. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion whether or not, in all material respects, the financial report is presented fairly in accordance with the accounting policies described in Note 1, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations. These policies do not require the application of all Accounting Standards and other mandatory professional reporting requirements.

The audit opinion expressed in this report has been formed on the above basis.

#### QUALIFICATIONS

##### COMPARATIVES

The financial report for the year ended 30 June 1998 has not been audited. Accordingly we are not in a position to and do not express an opinion on the comparatives for 1998.

##### GOODWILL

As stated on Note 1 the financial report is a special purpose financial report and the directors have determined that the company is not a reporting entity. Consequently Australian Accounting Standard "AAS 18 Accounting For Goodwill" has not been adopted for the purposes of the preparation of this financial report. It should be noted however that Australian Accounting Standard AAS 18.4 does not permit the recognition as an asset, of internally generated Goodwill.

Whilst the value of the company's Goodwill as stated on Note 1 is in accordance with a directors' valuation made on 29 June 1987, we have been unable to obtain sufficient appropriate audit evidence to substantiate its basis of valuation or identify events or transactions which contribute to the overall goodwill of the entity, or justify the extent to which they generate future economic benefits.

For these reasons we do not consider that the method of accounting used for accounting for Goodwill and the subsequent allotment of shares out of Asset Revaluation Reserve, appropriate.

(CONT./-)

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ABRAXAS SOFTWARE PTY LTD  
A.C.N. 008 030 420

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF  
ABRAXAS SOFTWARE PTY LTD

#### QUALIFICATIONS (CONT./-)

##### INHERENT UNCERTAINTY - GOING CONCERN

The following issues affect the ability of the company to be able to continue as a going concern.

The company made a profit of \$80,935 for the current year while the loss for the year ended 30th June 1998 amounted to \$66,648. As the company had accumulated losses brought forward of \$22,370 at 30th June 1998 the accumulated losses carried forward at 30th June 1999 still amounted to \$8,083.

Current assets totalling \$129,857.69 were deficient up to \$115,398.82 when matched with current liabilities of \$245,256.51 (excluding Provision For Long

Service Leave of \$32,659.52).

Had the principles of Australian Accounting Standard AAS 18 been applied and had Goodwill not been brought to account, the balance sheet would have indicated a net deficiency of \$8,983.32.

The company had a cash injection of funds of \$76,222 on 27th January 2000.

The directors have considered and deem appropriate that the financial report should be prepared on a going concern basis. This is stated in Note 1(a) which note also defines what the going concern basis means.

Apart from this there is no audit evidence of any other financial support in place which would demonstrate that the company would be able to continue as a going concern.

Should the company be unable to obtain financial support for its operations, there is significant uncertainty whether it will be able to continue as a going concern. If the company is unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report. The financial report does not disclose this fact and does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and re-classification of liabilities that might be necessary should the company not continue as a going concern. In our opinion, knowledge of the significant uncertainty affecting the company's ability to continue as a going concern is necessary for a proper understanding of the financial report.

#### AUDIT OPINION

In our opinion: -

- (a) because of the significance of the matter discussed in our qualification paragraph under the heading "Goodwill" and the effect of such adjustments, if any, as might be determined to be necessary should the company not be able to derive future economic benefits from Goodwill, the financial report does not present fairly in accordance with Australian Accounting Standard AAS 18 the financial position of Abraxas Software Pty. Ltd as at 30th June 1999 and the results of its operations for the year then ended; and

(Cont./-)

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ABRAXAS SOFTWARE PTY LTD  
A.C.N. 008 030 420

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF  
ABRAXAS SOFTWARE PTY LTD

#### QUALIFICATIONS (CONT./-)

- (b) because of the significance of the effects of such adjustment, if any, as might have been determined to be necessary should the company not be able to continue as a going concern, for the reasons discussed in our qualification paragraph under the heading "Inherent Uncertainty - Going Concern", the financial report of Abraxas Software Pty Ltd does not present fairly, in accordance with the accounting policies described in Note 1 to the financial statements, the financial position of the company as at 30 June 1999 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1.

ABRAXAS SOFTWARE PTY LTD  
CAN 008 030 420

TRADING, PROFIT AND LOSS STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 1999

<TABLE>  
<CAPTION>

	--	1998
	\$	\$
<S>	<C>	<C>
SALES		
Sales	866,189.86	637,701.00
LESS: COST OF GOODS SOLD		
Purchases	-	4,950.00
	-----	-----
	-	4,950.00
	-----	-----
GROSS PROFIT FROM TRADING	866,189.86	632,751.00
	-----	-----
OTHER INCOME		
Recoveries	7,713.06	9,854.00
Government Subsidies	-	4,436.00
Profit on Sale of Non-current Assets	502.00	-
	-----	-----
	8,215.06	14,290.00
	-----	-----
	\$ 874,404.92	\$ 647,041.00
	-----	-----

</TABLE>

(CONT./-)

ABRAXAS SOFTWARE PTY LTD  
ACN 008 030 420

TRADING, PROFIT AND LOSS STATEMENT (CONT./-)  
FOR THE YEAR ENDED 30TH JUNE 1999

<TABLE>  
<CAPTION>

	1999	1998
	\$	\$
<S>	<C>	<C>
EXPENDITURE		
Advertising	2,236.80	1,354.00
Annual Leave	29,843.64	11,566.00
Amortisation	2,013.93	-
Bank Charges	2,149.87	4,223.00

Cleaning	1,250.00	1,500.00
Commission Paid	-	2,540.00
Consultancy Fees	14,160.00	9,107.00
Conferences & Seminars	1,700.00	-
Depreciation	31,871.00	43,414.00
Donations	90.00	75.00
Entertainment Expenses	2,000.50	1,559.00
Export Outlays	4,094.55	-
Filing Fees	200.00	-
Fines	369.00	2,603.00
Formation Costs	700.00	-
Freight & Cartage	1,143.25	1,433.00
General Expenses	-	35.00
Hire of Plant & Equipment	1,498.06	-
Insurance	5,092.22	4,740.00
Interest Paid	10,256.11	8,860.00
Legal Costs	-	1,128.00
Long Service Leave	(7,837.13)	7,889.00
Motor Vehicle Expenses	4,606.07	7,450.00
Postage	596.95	823.00
Printing & Stationery	7,032.66	11,408.00
Professional Fees	980.00	3,250.00
Rent	30,975.52	30,474.00
Repairs & Maintenance	5,440.20	4,943.00
Software	4,521.12	1,729.00
Staff Amenities	1,954.75	923.00
Staff Training & Welfare	245.00	250.00
Subscriptions	210.00	246.00
Superannuation Contributions	48,020.40	29,026.00
Telephone	16,182.45	17,174.00
Travelling Expenses	22,007.90	18,273.00
Wages & Salaries	545,254.66	484,322.00
Workcover	2,610.23	1,372.00
	-----	-----
	793,469.71	713,689.00
	-----	-----
OPERATING PROFIT BEFORE INCOME TAX	\$ 80,935.21	\$ (66,648.00)
	=====	=====

</TABLE>

7

ABRAXAS SOFTWARE PTY LTD  
ACN 008 030 420

PROFIT AND LOSS STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 1999

<TABLE>

<CAPTION>

	NOTE	1999	1998
		\$	\$
<S>	<C>	<C>	
OPERATING PROFIT (LOSS) BEFORE INCOME TAX		80,935.21	(66,648.00)
Income tax expense attributable to operating profit		-	-
		-----	-----
OPERATING PROFIT (LOSS) AFTER INCOME TAX		80,935.21	(66,648.00)
Retained profits (Accumulated losses) at the beginning of the financial year		(89,018.53)	(22,370.00)
		-----	-----
TOTAL AVAILABLE FOR APPROPRIATION		(8,083.32)	(89,018.00)
		-----	-----

RETAINED PROFITS (ACCUMULATED LOSSES) AT THE END OF THE FINANCIAL YEAR	\$(8,083.32)	(\$89,018.00)
	=====	=====

</TABLE>

The accompanying notes form part of these financial statements.

8

ABRAXAS SOFTWARE PTY LTD  
ACN 008 030 420

BALANCE SHEET  
AS AT 30TH JUNE 1999

<TABLE>  
<CAPTION>

	NOTE	1999	1998
		\$	\$
<S>	<C> <C>	<C>	<C>
<b>CURRENT ASSETS</b>			
Cash		3.15	9.00
Receivables	2	129,854.54	71,541.00
Other	3	2,985.32	1,868.00
		-----	-----
<b>TOTAL CURRENT ASSETS</b>		<b>132,843.01</b>	<b>73,418.00</b>
		-----	-----
<b>NON-CURRENT ASSETS</b>			
Receivables	2	55,901.88	48,526.00
Property, plant and equipment	4	149,623.28	100,087.00
Intangibles	1,7	500,000.00	500,700.00
		-----	-----
<b>TOTAL NON-CURRENT ASSETS</b>		<b>705,525.16</b>	<b>649,313.00</b>
		-----	-----
<b>TOTAL ASSETS</b>		<b>838,368.17</b>	<b>722,731.00</b>
		-----	-----
<b>CURRENT LIABILITIES</b>			
Creditors and borrowings	5	108,266.11	77,278.00
Provisions	6	169,649.92	147,644.00
		-----	-----
<b>TOTAL CURRENT LIABILITIES</b>		<b>277,916.03</b>	<b>224,922.00</b>
		-----	-----
<b>NON-CURRENT LIABILITIES</b>			
Creditors and borrowings	5	69,435.46	87,727.00
		-----	-----
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>69,435.46</b>	<b>87,727.00</b>
		-----	-----
<b>TOTAL LIABILITIES</b>		<b>347,351.49</b>	<b>312,649.00</b>
		-----	-----
<b>NET ASSETS (LIABILITIES)</b>		<b>\$ 491,016.68</b>	<b>\$ 410,082.00</b>
		=====	=====
<b>EQUITY</b>			
Issued Capital	7	500,000.00	500,000.00
Reserves		(900.00)	(900.00)
Accumulated losses		8,083.32	(89,018.00)



TOTAL SHARE CAPITAL AND RESERVES	\$ 491,016.68	\$ 410,082.00
----------------------------------	---------------	---------------

	=====	=====
	=====	=====

</TABLE>

The accompanying notes form part of these financial statements.

9

ABRAXAS SOFTWARE PTY LTD  
ACN 008 030 420

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 1999

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared for use by directors and members of the company. The directors have determined that the company is not a reporting entity.

The financial report has been prepared in accordance with the requirements of the following Australian Accounting Standards:

AAS 8 : Events Occurring after Reporting Date

AAS 17 : Accounting for Leases

AAS 1 : Profit and Loss Accounts

AAS 5 : Materiality

No other Australian Accounting Standards, Urgent Issues Group Consensus View or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The financial report is prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

(a) GOING CONCERN

The financial report has been prepared on a going concern basis which is the accounting basis whereby in the preparation of the financial report the entity is viewed as a going concern: that is, the entity is expected to:

- I. be able to pay its debts as and when they fall due; and
- II. continue in operation without any intention or necessity to liquidate or otherwise wind up its operations.

(b) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are included at cost. All assets are depreciated over their useful lives to the company.

(c) INTANGIBLES

GOODWILL

The value of the company's Goodwill is in accordance with a directors' valuation made on 29 June 1987. (Note 7)

Goodwill is reviewed annually and any balance representing future benefits considered unlikely to be realised are written off.

No amortization has been provided on the goodwill in the accounts since the amount was brought to account.

ABRAXAS SOFTWARE PTY LTD  
ACN 008 030 420

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 1999

(d) RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development costs are charged to operating profit before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs.

Deferred research and development expenditure is amortised on a straight line basis over the period during which the related benefits are expected to be realised, once commercial production is commenced.

(e) LEASES

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are amortised over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(f) EMPLOYEE ENTITLEMENTS

Provision is made for the liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have also been measured at their nominal amounts.

Contributions are made to an employee superannuation fund and are charged as expenses when incurred.

ABRAXAS SOFTWARE PTY LTD  
ACN 008 030 420

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 1999

<TABLE>

<CAPTION>

	1999	1998
	\$	\$
<S>	<C>	<C>
2 RECEIVABLES		
CURRENT:		
Trade Debtors	\$ 129,854.54	\$ 71,541.00
	=====	=====
NON-CURRENT:		
Directors Loans	\$ 55,901.88	\$ 48,526.00
	=====	=====

<i>TOTAL</i>	\$ 185,756.42	\$ 120,067
	=====	=====
 3 <i>OTHER</i>		
 <i>Prepayments</i>	\$ 2,985.32	\$ 1,868.00
	=====	=====
 4 <i>PROPERTY, PLANT AND EQUIPMENT</i>		
 <i>Plant &amp; Equipment - at cost</i>	162,569.28	125,625.00
<i>Less: Accumulated Depreciation</i>	100,713.00	81,738.00
	-----	-----
	61,856.28	43,887.00
	-----	-----
 <i>Motor Vehicles - at cost</i>	65,024.00	93,581.00
<i>Less: Accumulated Depreciation</i>	33,689.00	43,620.00
	-----	-----
	31,335.00	49,961.00
	-----	-----
 <i>Furniture &amp; Fittings - at cost</i>	11,223.00	11,223.00
<i>Less: Accumulated Depreciation</i>	7,455.00	6,567.00
	-----	-----
	3,768.00	4,656.00
	-----	-----
 <i>Library - at cost</i>	-	1,583.00
	-----	-----
	-	1,583.00
	-----	-----
 <i>Software - at cost</i>	4,434.00	-
<i>Less: Accumulated Depreciation</i>	880.00	-
	-----	-----
	3,554.00	-
	-----	-----
 <i>Plant and Equipment under Lease</i>	49,500.00	-
<i>Less: Accumulated Amortisation</i>	390.00	-
	-----	-----
	49,110.00	-
	-----	-----
 <i>TOTAL PROPERTY, PLANT AND EQUIPMENT</i>	\$ 149,623.28	\$ 100,087.00
	=====	=====

</TABLE>

12

ABRAXAS SOFTWARE PTY LTD  
ACN 008 030 420

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 1999

<TABLE>  
<CAPTION>

1999  
\$

1998  
\$

<i>&lt;S&gt;</i>	<i>&lt;C&gt;</i>	<i>&lt;C&gt;</i>
<b>5 CREDITORS AND BORROWINGS</b>		
<i>CURRENT:</i>		
Trade Creditors	\$ 46,201.49	\$ 43,208.00
Bank Overdraft	13,680.84	34,070.00
Hire Purchase Liabilities - current portion	42,773.78	-
Lease Liabilities - current portion	5,610.00	-
	-----	-----
	\$ 108,266.11	\$ 77,278.00
	=====	=====
<i>NON-CURRENT:</i>		
Hire Purchase Liabilities - non-current portion	29,464.46	87,727.00
Lease Liabilities - non-current portion	39,971.00	-
	-----	-----
<b>TOTAL</b>	<b>\$ 69,435.46</b>	<b>\$ 87,727.00</b>
	=====	=====
<b>6 PROVISIONS</b>		
Provision For Holiday Pay	136,990.40	107,147.00
Provision For Long Service Leave	32,659.52	40,497.00
	-----	-----
	\$ 169,649.92	\$ 147,644.00
	=====	=====

*</TABLE>*

**7 ISSUED CAPITAL**

The Issued capital is made up of 500,000 (1998 500,000) fully paid shares of \$1.00 each. Further details are as follows: -

At a meeting of directors and shareholders on 29th June 1987 it was resolved that the goodwill of the company should be reflected in the financial statements. The Goodwill of the company was measured at \$500,000 in accordance with a directors' valuation. It was resolved that this amount be brought to account in the company's books as Goodwill and correspondingly as Asset Revaluation Reserve.

It was also resolved at the same meeting that the sum of \$499,980 being part of the profits arising from the revaluation of the company's Goodwill carried to Assets Revaluation Reserve forming part of the undivided profits of the company and available for dividend be capitalised and be distributed by way of fully paid-up shares amongst holders of the ordinary shares in the capital of the company registered in the register of members on 29th June 1987.

The systems critical to Abraxas Software Pty Ltd ongoing operation and preparation of financial information (including application systems, operating systems, hardware and other devices that rely on computer technology) have been reviewed to establish the impact, if any, which Year 2000 date change will have on the accuracy of calculations, processing and reporting. This review extends to systems external to Abraxas Software Pty Ltd, such as those of suppliers and service providers that may expose Abraxas Software Pty Ltd to the risks associated with the Year 2000 systems issue.

Plans are in place to modify systems, as required, before the impact of Year 2000 date change creates significant errors in accounting records or adversely impacts on business operations or customers services.

The insurers of Abraxas Software Pty Ltd will not cover any adverse financial effects resulting from the Year 2000 systems issue.

ABRAXAS SOFTWARE PTY LTD  
A.C.N. 008 030 420

DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity.

The directors have determined that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. the financial statements and notes, presents fairly the company's financial position as at 30th June 1999 and it's performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay it's debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors:

DIRECTOR .....  
FREDERICK THOMAS FIRTH

DIRECTOR .....  
ANGELA BERYL FIRTH

Dated this 1st day of March 2000

