

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1
FORM 10-KSB/A

/x/ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

FOR THE FISCAL YEAR ENDED JUNE 30, 2000

or

// TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-22773
NETSOL INTERNATIONAL, INC.

(Name of small business issuer as specified in its charter)

NEVADA 95-4627685
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

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

(818) 222-9195 / (818) 222-9197
(Issuer's telephone/facsimile numbers, including area code)

SECURITIES REGISTERED UNDER SECTION 12(b) OF THE EXCHANGE ACT:

(None)

SECURITIES REGISTERED UNDER SECTION 12(g) OF THE EXCHANGE ACT:

COMMON STOCK, \$.001 PAR VALUE
(TITLE OF CLASS)

Check whether the issuer (1) filed all reports required to be filed by Section
13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter
period that the registrant was required to file such reports), and (2) has been
subject to such filing requirements for the past 90 days. Yes /x/ No / /

Check if disclosure of delinquent filers in response to Item 405 of Regulation
S-B, is not contained in this form and no disclosure will be continued, to the
best of registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-KSB or any amendment to
the Form 10-KSB. / /

Registrant's revenues for the fiscal year ended June 30, 2000 were \$6,984,539.

As of January 2, 2001, Registrant had 11,125,633 shares of its \$.001 par value
Common Stock issued and outstanding with an aggregate market value of the common
stock held by non-affiliates of \$44,358,387. This calculation is based upon the
closing sales price of \$6.78 per share on January 2, 2001.

DOCUMENTS INCORPORATED BY REFERENCE

(None)

Transitional Small Business Disclosure Format (Check one): Yes ___; No X

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PART I

ITEM 1 - BUSINESS

GENERAL

NetSol International, Inc. ("NetSol" or the "Company") is in the business of information technology ("I/T") services. Since it was founded in 1997, the Company has helped clients use I/T more efficiently in order to improve their operations and profitability and to achieve business results. Network Solutions Pvt. Ltd. ("NetSol PK") develops the majority of the software for the Company. NetSol PK was the first company in Pakistan to achieve the ISO 9001 accreditation. The Company is in the process of attaining SEI CMM Level 3 accreditation. This is one of the highest level of recognition for quality and best practices a software house can achieve.

The Company offers a broad array of professional services to clients in the global commercial markets and specializes in the application of advanced and complex I/T to achieve its customers' strategic objectives. Its service offerings include outsourcing, systems integration, and I/T and management consulting and other professional services, including e-business solutions.

Outsourcing involves operating all or a portion of a customer's technology infrastructure, including systems analysis, applications development, network operations, desktop computing and data center management.

Systems integration encompasses designing, developing, implementing and integrating complete information systems.

I/T and management consulting services include advising clients on the strategic acquisition and utilization of I/T and on business strategy, operations, change management and business process reengineering.

The Company also develops sophisticated software systems for the lease and finance industry. NetSol has developed a fully integrated leasing and finance package which is a series of five products that can be marketed in an integrated system. These products are ePOS, PMS, SMS, CMS, and WFS. These five applications form the full suite of asset based lending Enterprise Resource Planning applications. These applications can run almost the entire operations of a captive leasing company.

NetSol ePOS is a browser-based Point of Sale system that is used by the dealership and other outlets. ePOS users create quotations and financing applications for the customers using predefined Financial Products. The proposal is submitted to Back Office (PMS) for approval. After analysis, the proposal is sent back to ePOS system with a final decision.

Proposal Management System (PMS) provides Finance/Leasing Companies with the ability to quickly assess the worthiness of an applicant applying for a loan or a lease. The System is equipped with strong workflow management, integrated link to Credit Rating Agencies, and automated point scoring strategy for automatic approval/rejection/referral; can be customized to link to any Point of Sale System; and has the ability to integrate any vehicle data provider such as Glass's Guide in Europe and Australia.

The NetSol Wholesale Finance System (WFS) is developed to automate and manage the Whole Sale Finance (Floor Plan) activities of a Finance Company. The design of the system is based on the concept of One Loan One Asset to facilitate Asset Tracking and Costing of an asset. The system covers Credit Limit Request, Payment of Loan, Billing, and Settlement, Auditing of Stocks, Dealer Information and ultimately the pay-off functions.

Settlement Management System (SMS) verifies the signed document sent by the dealer/broker/third party against the information stored in the Proposal Management System database. Settlement Management System verifies all calculations before loading the contract into the Contract Management System. Other main features are collection of first rental and disbursement of funds to dealers, insurance companies and other third parties. Workflow software is part of Settlement Management System and it enables the users of Settlement Management System to communicate with Proposal Management workflow or within its own workgroup.

The Contract Management System (CMS) manages lease contracts for financing of vehicles from inception until completion. The leasing company is able to establish, maintain and terminate such financial contracts. Contracts may include added value services such as vehicle maintenance and/or insurance premiums. It furthermore incorporates functional extensions such as litigation, remarketing of vehicles, securitization of a portfolio and post dated check management.

These are traditionally complex business applications and require a great deal of industry experience both in the development as well as implementation stages. NetSol, over the years, has developed core competencies in the asset based lending software space. These are extremely sought after skills shared in a team of approximately 30 business consultants. NetSol is able to demand a premium for these consultants and leverages this competency when bidding for new business.

Typically, the sales cycle for these products is anywhere between six to

twelve months and NetSol derives its income both from selling the license to use the products as well as customization. License fees can vary between \$75,000 to up to \$1,000,000 per license depending upon the size of the customer and the complexity of the customization. The revenue for the license and the customization flows in several phases as certain deliverables are met and can take from six months to two years before a project is fully completed.

MARKETING AND SELLING

The objective of the Company's marketing program is to create and sustain preference and loyalty for NetSol as a leading e-services consulting and software solutions provider. Marketing is performed at the corporate and business unit levels. The corporate marketing department has overall responsibility for communications, advertising, public relations and our website and also engineers and oversees central marketing and communications programs for use by each of our business units.

Our dedicated marketing personnel within the business units undertake a variety of marketing activities, including sponsoring focused client events to demonstrate our skills and products, sponsoring and participating in targeted conferences and holding private briefings with individual companies. We believe that the industry focus of our sales professionals and our business unit marketing personnel enhances their knowledge and expertise in these industries and will generate additional client engagements.

In March 2000, the Company entered into a Software Distribution Agreement with CFS Group PLC ("CFS") whereby the Company granted CFS the exclusive right to market and sublicense certain software products of NetSol. The term of this agreement is for three years. This agreement provided the Company with the opportunity to expand its marketing efforts by offering its products to customers of CFS and others in need of lease and finance software. CFS will pay a minimum of \$1.2 million regardless of the amount of actual sales achieved. The minimum guarantee is for the period beginning March 15, 2000 and ending twelve months after the time NetSol delivers and CFS accepts the US version of the products.

The Company generally enters into written commitment letters with clients at or around the time it commences work on a project. These commitment letters typically contemplate that NetSol and the client will subsequently enter into a more detailed agreement, although the client's obligations under the commitment letter are not conditioned upon the execution of the later agreement. These written commitments and subsequent agreements contain varying terms and conditions and the Company does not generally believe it is appropriate to characterize them as consisting of backlog. In addition, because these written commitments and agreements often provide that the arrangement can be terminated with limited advance notice or penalty, the Company does not believe the projects in process at any one time are a reliable indicator or measure of expected future revenues.

NetSol provides its services primarily to clients in global commercial industries. In the global commercial area, the Company's service offerings are marketed to clients in a wide array of industries including schools; automotive; chemical; tiles/ceramics; Internet marketing; software; banks and financial services.

Geographically, NetSol has operations throughout North America, Europe and Asia Pacific region.

During the last two fiscal years, the Company's revenue mix by major markets was as follows:

<TABLE>
<CAPTION>

	2000	1999
	-----	-----
<S>	<C>	<C>
North American (NetSol USA)	13%	N/A
Europe (NetSol UK, Network Solutions Group, SuperNet)	34%	64%
Other International (Abraxas, NetSol PK, NetSolConnect)	53%	36%
Total Revenues	100%	100%

</TABLE>

Fiscal Year 2000 Performance Overview

During fiscal 2000, continuing with its strategy of growth through acquisitions, NetSol acquired four companies globally. These acquisitions were in the United States, Australia, United Kingdom and Germany. In addition, during fiscal 2000 NetSol was awarded the highest revenues from the contracts it entered into compared to previous years.

Global Commercial Market: Highlights

Within the global commercial market, there were several significant contracts granted to NetSol.

Consulting-In fiscal 2000, NetSol was awarded contracts in the USA with VoiceStream, Inc. (formerly Omnipoint Technologies); ATS, Inc. In Australia-St George Bank, GMAC Australia. In UK, The Swindon Schools Systems, Current Drugs, Debis Portfolio Systems.

CMS - by Daimler Chrysler Financial Services (Australia, Taiwan & Singapore)

WFS - by Chrysler Financial Taiwan
EPOS - by Daimler Chrysler Financial Services Australia
EPos for Tung Yung Leasing Company Taiwan
CTG - Outsourcing of Software Development
CFS
Outsourcing of software Development
Distribution of NetSol Lease and Finance Products (ePOS, PMS, SMS)

Additionally, NetSol continued to expand in the commercial area during fiscal 2000 through strategic acquisitions. NetSol acquired Network Solutions Group Ltd. located in London, England which specializes in managed network services, including design, configuration, installation, training and support & maintenance. Network Solutions Group Ltd. derives the majority of its business from servicing the education sector in the UK with the Local Education Authorities (LEAs). This strengthened the Company's position in a sector that is getting considerable attention from the government to improve computer and Internet access for government-run schools. This is part of a major UK government initiative known as the NGFL (National Grid for Learning) in England. With the acquisition of Abraxas Software Pty. Ltd., located in Adelaide, Australia, NetSol increased its market presence in the South Asian market. The Company also acquired Mindsources Inc., a company organized under the laws of the State of Virginia with a I/T consulting services specialty. The acquisition of Mindsources was designed to achieve a presence in the East Coast's growing IT market. Virginia, Maryland and Washington, D.C. areas are influential in the I/T, software development and consulting industries on the East Coast. This gives NetSol USA a good opportunity for marketing NetSol products and services. The acquisition of Mindsources allowed NetSol to further develop some of the new software applications and ultimately launch and market in the US market, changing the name of Mindsources to NetSol USA. Finally, the Company acquired SuperNet AG, in Frankfurt Germany to establish a presence as an Internet Service Provider in Germany. Through SuperNet, the Company has been able to market its offshore software development expertise to German based companies. In February 2000, the Company formed NetSol eR, Inc., a company formed under the laws of the state of Nevada ("NetSol eR"), a wholly-owned subsidiary of the Company. NetSol eR will focus on the Internet aspect of the Company.

NetSol eR was formed to create a focused business in the Internet solutions space. This includes entering the Internet connectivity business in virgin territories such as Pakistan. The management believes that the South East Asian region is 5 to 7 years behind the developed world in terms of opportunities for market leadership and profitability in the ISP business. This would be one of the last

remaining territories where a "profitable" ISP business model exists for companies that can bring world-class technology infrastructure and a known brand. NetSol eR leveraged this by launching its subsidiary NetSol Connect Pvt. Ltd. which is currently the only IP backbone provider in Pakistan other than the state monopoly PTCL. This opens an array of business opportunities, being the provider of bandwidth to multi-national companies, as well as other retail ISPs in the country. The second area of business for NetSol eR is in building eBusiness solutions, proprietary tools and eCommunities. This plan is further implemented by the acquisition of SuperNet AG, Germany and the imminent launch of NetSol eR, USA in Calabasas, California.

SuperNet has two distinct revenue streams. First is from SuperNet's specialization in building Internet communities. They successfully deployed a number of these communities prior to acquisition. Subsequently, a number of new communities have gone online generating millions of page impressions per month (e.g. Superflirt.de and Supergamer.de). SuperNet is also filling a big gap in the German market as an e-Business solution provider and integrator. As of September 2000, SuperNet has won three contracts to deploy full blown e-business solutions for Matrix42, World online and iLAS. The German market, like the US, is facing a severe shortage of IT resources. For the first time ever it has opened immigration for IT engineers from the Indian sub-continent i.e. Pakistan and India. NetSol is already leveraging this opportunity and is moving a number of its engineers from Lahore, Pakistan to support SuperNet in providing highly sought after skills such as JAVA, EnterpriseJAVA Beans (EJB), Oracle, C++ Visual C, to the German marketplace. The acquisition of SuperNet is executing NetSol's strategy to have presence in the e-commerce space in major regions of Europe, the US and Asia. Our business model allows us to sell services into these markets and benefit from the cost arbitrage that exists as a result of our ability to sell in United States Dollars, British Pounds and German Mark and buy in Rupees. NetSol has effectively and efficiently made entry into e-commerce segment, which has been a strategic part of our business plan.

In March 2000, the Company entered into a Software Distribution Agreement and a Software Development Agreement with CFS Group LTD, a company formed under the laws of the United Kingdom. In the Software Distribution Agreement, the Company granted CFS an exclusive right to sell certain products for 50% of the license fee it obtains from its customers. In the Software Development Agreement, CFS granted certain software development to NetSol. These products (PMS, ePOS, SMS, WFS) are being customized as per CFS requirements for the North American market. They are scheduled to be completed by December 2000. In the meanwhile, CFS has already initiated marketing efforts to sell these products in the North American market. In the Software Development Agreement, CFS granted certain software development to NetSol. Training of NetSol developers on CFS product CLPr has been completed and the software development is being done as per customer requirements at Lahore. Training of NetSol developers on CFS product CLLM is currently underway and is scheduled to be completed by October 2000, and will be followed by Software Development at Lahore.

The Company broke ground for its Technology Campus in January 2000. Initially, the Company anticipated the completion of Phase 1 (of three phases) by fall 2000, but due to the delay in financing activities the completion is expected now in the second quarter of 2001. The campus is expected to house over 3,000

I/T professionals and is approximately 3 acres in size. The campus site is located in the second largest city of Lahore in Pakistan which has a population of 6 million. An educational and cultural center, the city is home to several leading universities of Engineering and Technology founded in 1961 and FAST, the largest computer research and training institute in Pakistan. The city is also the home of The University of Punjab founded in 1882, the oldest university in Pakistan.

The Company selected this site after careful consideration and research of the long-term benefits of the location and return on investment. Due to the fast growth of technology business in Pakistan, the city of Lahore is fast becoming the Silicon Valley of Pakistan. Just recently several multi-national IT related

firms have launched their presence in Lahore. The Company is making this investment to attract contracts and projects from blue chips customers from all over the world. This campus will be the first purpose built software building with state of the art technology and communications infrastructure. Initially, the Company anticipated the completion of Phase 1 by fall 2000, but due to the delay in financing activities the completion is expected now in the second quarter of 2001. However, the Company has already leased a second building to accommodate the growing numbers of engineers and programmers. After the completion of the first phase, about 600 programmers can be accommodated.

Globally, NetSol has major offices in the United States, Australia, Germany, Pakistan and United Kingdom. The Company provides substantially the same services to its international customers that it provides to its U.S. customers.

PEOPLE AND CULTURE

The Company has developed a strong corporate culture that is critical to its success. Its key values are client-focused timely delivery; leadership; long-term relationships; creativity; openness and transparency; and professional growth. The services provided by NetSol require proficiency in many fields, such as computer sciences, programming, mathematics, physics, engineering, and Presentation and Communication skills. The majority of our software developers are proficient in the English language as English is the second most spoken language in Pakistan and is mandatory in middle schools and high schools.

To encourage the achievement of these values, we reward teamwork and promote individuals who demonstrate these values. NetSol offers all of its employees opportunity to participate in its stock option program. Also, the Company has an intensive orientation program for new employees to introduce our core values and a number of internal communications and training initiatives defining and promoting these core values. We believe that our growth and success are attributable in large part to the high caliber of our employees and our commitment to maintain the values on which our success has been based.

There is significant competition for employees with the skills required to perform the services we offer. We believe that we have been successful in our efforts to attract and retain employees, in part because of our emphasis on our core values, training and professional growth. We intend to continue to recruit, hire and promote employees who share our values.

As of June 30, 2000, we had 354 full-time employees; comprised of 295 I/T project personnel, 30 employees in general and administration and 29 employees in sales and marketing. None of our employees are subject to a collective bargaining agreement. We believe that we have excellent relationships with our employees and our attrition rate for the Company is less than 10%.

COMPETITION

A single company or a small number of companies does not dominate the I/T market in which the Company competes. A substantial number of companies offer services that overlap and are competitive with those offered by NetSol. Some of these are large industrial firms, including computer manufacturers and computer consulting firms that have greater financial resources than NetSol and, in some cases, may have greater capacity to perform services similar to those provided by NetSol.

Some of the competitors of the Company are Research Machines, Ltd.; Viglen Computers, Ltd.; and Akhtar, Ltd.; all based in the United Kingdom. In Pakistan our ISP business is in competition with Cybernet, SuperNet, etc. In the software development we are now competing with some of the oldest

software houses like Systems Ltd, Techlogix, Softnet and CrestSoft. In the leasing and finance sectors, we have global competition with Data Scan of Atlanta, Decisions Software, Inc., Tenhill, Southpac Australia and a few others. In terms of offshore development, we are in competition with some of the Indian companies such as InfoSys, Satyam, Infoway and others.

Many of the competitors of NetSol have longer operating history, larger client bases, and longer relationships with clients, greater brand or name recognition and significantly greater financial, technical, and public relations resources than NetSol. There are relatively low barriers to entry into the Internet professional services market. As a result, new market entrants pose a threat to NetSol's business. Existing or future competitors may develop or offer services that are comparable or superior to ours at a lower price, which could have a material adverse effect on our business, financial condition and results of operations.

CUSTOMERS

Some of NetSol customers include Mercedes Benz Finance - Singapore; Mercedes

Benz Leasing - Thailand; Debis Portfolio Systems, UK and Mercedes Benz Finance - Australia. In addition, NetSol provides off shore development and customized I/T solutions to blue chip customers such as ICI of UK, CFS Group, PLC and 1st Net Technologies, Inc., USA. CFS with its recent merger with Decision Systems Inc. has now become one of the largest companies in the world in the asset based lending software business. Their customer base has grown to over 650 companies. This opens up a significant marketing channel for NetSol. Our agreement to perform customization work for CFS opens the door to their customer base. We would leverage that to offer our offshore development services for the customers' other software needs. No customers singly account for more than 10% of total revenues.

The Internet

The Company is committed to regaining and extending the advantages of its direct model approach by moving even greater volumes of product sales, service and support to the Internet. The Internet, perhaps the purest and most efficient form of direct model, provides greater convenience and efficiency to customers and, in turn, to the Company. Since its launch in April 2000 the Company was receiving in excess of 3,473 visits per month to www.netsol-intl.com.

Through its Web site, customers, potential customers and investors can access a wide range of information about the Company's product offerings, can configure and purchase systems on-line and can access volumes of support and technical information about the Company.

OPERATIONS

The Company's headquarters are in Calabasas, California. In fiscal 2000, the Company enhanced its internal operation at the parent level by hiring a CFO, in-house corporate counsel and a corporate controller. In addition, the Company engaged a new Investor Relations and Public Relations firm Cramer-Krasselt. The Company moved its headquarters to new larger premises in Calabasas, California in October 2000.

Nearly all of the production and development is conducted at NetSol PVT in Lahore, Pakistan. The majority of the marketing is conducted through NetSol UK, NetSol USA and Abraxas who also service and support the clients in Europe and USA. NetSol PK services and supports the customers in the Asia Pacific and South Asia regions.

NetSol UK's main function is to support and provide consulting services to the UK based customers. NetSol has a staff of IT professionals and administrative personnel to perform these services.

Our newly acquired subsidiary in Germany provides services to the local customers for both Business-to-Business and Business to Customers. This has given NetSol a strong platform to market and penetrate in one of the most dynamic European markets.

NetSol USA functions as the service provider for the US based customers both in the consulting services area as well as in the project management. In addition, the Virginia office provides greater access to the emerging markets on the east coast.

RISK FACTORS

The following important factors, among others, could cause our actual results to differ materially from those contained in forward-looking statements made in this Annual Report on Form 10-KSB or presented elsewhere by management from time to time.

IF WE DO NOT ATTRACT AND RETAIN QUALIFIED PROFESSIONAL STAFF, WE MAY NOT BE ABLE TO ADEQUATELY PERFORM OUR CLIENT ENGAGEMENTS, WHICH COULD LIMIT ACCEPT OUR ABILITY TO NEW CLIENT ENGAGEMENTS

Our business is labor intensive and our success depends in large part upon our ability to attract, retain, train and motivate highly skilled employees. Because of the rapid growth in the Information Technology or I/T sector, there is intense competition for employees who have modeling, creative design, technical and program management experience. In addition, the Internet has created many opportunities for people with the skills we seek to form their own companies or join startup companies

and these opportunities frequently offer the potential for significant future financial profit through equity incentives which we cannot match. We may not be successful in attracting a sufficient number of highly skilled employees in the future, or in retaining, training and motivating the employees we are able to attract. Any inability to attract, retain, train and motivate employees could impair our ability to adequately manage and complete existing projects and to bid for or accept new client engagements.

IF WE DO NOT MANAGE OUR GROWTH EFFECTIVELY, OUR OPERATING RESULTS WILL BE ADVERSELY AFFECTED

Our growth has placed significant demands on our management and other resources. Our revenues increased approximately 100% from \$3.5 million (restated) in 1999 to \$7.0 million in 2000. Our staff increased from 112 full-time employees at June 30, 1999 to 354 at June 30, 2000. Our future success will depend on our ability to manage our growth effectively, including by:

- developing and improving our operational, financial and other internal systems;
- integrating and managing acquired businesses, joint ventures and strategic investments;
- training, motivating and managing our employees;
- estimating fixed-price fees and project timeframes accurately;
- maintaining high rates of employee utilization; and
- maintaining project quality and client satisfaction.

We have significant fixed operating costs, which may be difficult to adjust in response to unanticipated fluctuations in revenues.

A high percentage of our operating expenses, particularly personnel and rent, are fixed in advance of any particular quarter. As a result, unanticipated variations in the number, or progress toward completion, of our projects may cause significant variations in operating results in any particular quarter and could have a material adverse effect on operations for that quarter.

An unanticipated termination of a major project, a client's decision not to proceed with a project we anticipated, or the completion during a quarter of several major client projects could require us to maintain underutilized employees and could therefore have a material adverse effect on our business, financial condition and results of operations. Our revenues and earnings may also fluctuate from quarter to quarter based on such factors as:

- the contractual terms and timing of completion of projects;
- any delays incurred in connection with projects;
- the adequacy of provisions for losses and bad debts;
- the accuracy of our estimates of resources required to complete ongoing projects; and general economic conditions.

IF BUSINESSES DO NOT INCREASE THEIR USE OF THE INTERNET AS A MEANS FOR CONDUCTING COMMERCE, OUR REVENUES WILL BE ADVERSELY AFFECTED

One of the sources of our revenue is use of our software on-line. We have spent our resources to develop our software so that it will be used via the Internet. Our future success depends on the increased acceptance and use of the Internet as a means for conducting commerce. If commerce on the Internet does not continue to grow, or grows more slowly than expected, revenue growth would slow or decline and our business, financial condition and results of operations would be materially adversely affected. Consumers and businesses may delay adoption of the Internet as a viable medium for commerce for a number of reasons not within our control, including:

- inadequate network infrastructure;
- delays in the development of Internet enabling technologies and performance improvements;
- delays in the development or adoption of new standards and protocols required to handle increased levels of Internet activity;
- delays in the development of security and authentication technology necessary to effect secure transmission of confidential information;
- changes in, or insufficient availability of, telecommunications services to support the Internet; and
- failure of companies to meet their customers' expectations in delivering goods and services over the Internet.

INTERNATIONAL EXPANSION OF OUR BUSINESS COULD RESULT IN FINANCIAL LOSSES DUE TO CHANGES IN FOREIGN ECONOMIC CONDITIONS OR FLUCTUATIONS IN CURRENCY AND EXCHANGE RATES

We expect to continue to expand our international operations. We currently have offices in the United Kingdom, Germany, Pakistan and Australia. We have limited experience in marketing, selling and providing our services internationally. International operations are subject to other inherent risks, including:

- recessions in foreign countries;
- fluctuations in currency exchange rates;
- difficulties and costs of staffing and managing foreign operations;
- reduced protection for intellectual property in some countries;
- political instability or changes in regulatory requirements or overthrowing the current government in the foreign countries; and
- U.S. imposed restrictions on the import and export of technologies.

WE DEPEND HEAVILY ON A LIMITED NUMBER OF CLIENT PROJECTS AND THE LOSS OF ANY WOULD ADVERSELY AFFECT OUR OPERATING RESULTS

We have derived, and believe that we will continue to derive, a significant portion of our revenues from a limited number of clients for whom we perform large projects. For the year ended June 30, 2000, our four largest clients accounted for over 30% of our revenues. In addition, revenues from a large client may constitute a significant portion of our total revenues in a particular quarter. The loss of any principal client for any reason, including as a result of the acquisition of that client by another entity, could have a material adverse effect on our business, financial condition and results of operations.

IF WE ARE UNABLE TO ACHIEVE ANTICIPATED BENEFITS FROM ACQUISITIONS, JOINT VENTURES AND STRATEGIC INVESTMENTS, OUR BUSINESS COULD BE ADVERSELY AFFECTED

During the past year, we have completed four acquisitions and entered into one alliance. The anticipated benefits from these and future acquisitions, joint ventures and strategic investments may not be achieved. For example, when we acquire a company, we cannot be certain that customers of the acquired business will continue to do business with us or that employees of the acquired business will continue their employment or become well integrated into our operations and culture. The identification, consummation and integration of acquisitions, joint ventures and strategic investments require substantial attention from management. The diversion of the attention of management relating to these activities, as well as any difficulties encountered in the integration process, could have an adverse impact on our business, financial condition and results of operations.

IF ANY CLIENT UNEXPECTEDLY TERMINATES THEIR CONTRACTS WITH US OUR BUSINESS COULD BE ADVERSELY AFFECTED

Our clients, with limited advance notice and without significant penalty, can cancel some of our contracts. Termination by any client of a contract for our services could result in a loss of expected revenues and additional expenses for staff which were allocated to that client's project. The cancellation or a significant reduction in the scope of a large project could have a material adverse effect on our business, financial condition and results of operations.

OUR STOCK PRICE IS VOLATILE AND MAY RESULT IN SUBSTANTIAL LOSSES FOR INVESTORS

The trading price of our common stock could be subject to wide fluctuations in response to:

- quarterly variations in operating results and our achievement of key business metrics;
- changes in earnings estimates by securities analysts;
- any differences between reported results and securities analysts' published or unpublished expectations;
- announcements of new contracts or service offerings by us or our competitors;
- market reaction to any acquisitions, joint ventures or strategic investments announced by us or our competitors;
- general economic or stock market conditions unrelated to our operating performance; and
- In the past, securities class action litigation has often been instituted against companies following periods of volatility in the market price of their securities. This type of litigation could result in substantial costs and a diversion of management attention and resources.

IF WE DO NOT KEEP PACE WITH TECHNOLOGICAL CHANGES, OUR COMPETITIVE POSITION WILL SUFFER

Our markets and the technologies used in our solutions are characterized by rapid technological change. Failure to respond in a timely and cost-effective way to these technological developments would have a material adverse effect on our business, financial condition and results of operations. We expect to derive a substantial portion of our revenues from providing software that is based upon leading technologies and that is capable of adapting to future technologies. As a result, our success will depend on our ability to offer services that keep pace with continuing changes in technology, evolving industry standards and changing client preferences. We may not be successful in addressing future developments on a timely basis. Our failure to keep pace with the latest technological developments would have a material adverse effect on our business, financial condition and results of operations.

WE FACE SIGNIFICANT COMPETITION IN MARKETS THAT ARE NEW AND RAPIDLY CHANGING

The markets for the services we provide are highly competitive. We believe that we currently compete principally with strategy consulting firms, Internet professional services firms, systems integration firms, software developers, technology vendors and internal information systems groups. Many of the companies that provide services in our markets have significantly greater financial, technical and

marketing resources than we do and generate greater revenues and have greater name recognition than we do. In addition, there are relatively low barriers to entry into our markets and we have faced, and expect to continue to face competition from new entrants into our markets.

We believe that the principal competitive factors in our markets include:

- ability to integrate strategy, experience modeling, creative design and technology services;
- quality of service, speed of delivery and price;
- industry knowledge;
- sophisticated project and program management capability; and
- Internet technology expertise and talent.

We believe that our ability to compete also depends in part on a number of competitive factors outside our control, including:

- the ability of our competitors to hire, retain and motivate professional staff;
- the development by others of Internet services or software that is competitive with our solutions; and
- the extent of our competitors' responsiveness to client needs.

There can be no assurance that we will be able to compete successfully in our markets.

IF WE ARE UNABLE TO PROTECT OUR PROPRIETARY SOFTWARE, OUR BUSINESS COULD BE ADVERSELY AFFECTED

Our success depends, in part, upon our proprietary software and other intellectual property rights. We rely upon a combination of trade secrets, nondisclosure and other contractual arrangements, and copyright and trademark laws to protect our proprietary rights. We enter into confidentiality agreements with our employees, generally require that our consultants and clients enter into these agreements, and limit access to and distribution of our proprietary information. There can be no assurance that the steps we take in this regard will be adequate to deter misappropriation of our proprietary information or that we will be able to detect unauthorized use and take appropriate steps to enforce our intellectual property rights. In addition, although we believe that our services and products do not infringe on the intellectual property rights of others, there can be no assurance that infringement claims will not be asserted against us in the future, or that if asserted that any infringement claim will be successfully defended. A successful claim against us could materially adversely affect our business, financial condition and results of operations.

WE MAY NOT HAVE THE RIGHT TO RESELL OR REUSE SOFTWARE DEVELOPED FOR SPECIFIC CLIENTS

A portion of our business involves the development of software for specific client engagements. Ownership of these solutions is the subject of negotiation and is frequently assigned to the client, although we may retain a license for certain uses. Some clients have prohibited us from marketing the

software developed for them for specified periods of time or to specified third parties and there can be no assurance that clients will not demand similar or other restrictions in the future. Issues relating to the ownership of and rights to use solutions can be complicated and there can be no assurance that disputes will not arise that affects our ability to resell or reuse these solutions. Any limitation on our ability to resell or reuse a solution could require us to incur additional expenses to develop new solutions for future projects.

WE ARE DEPENDENT ON OUR KEY PERSONNEL

Our success will depend in large part upon the continued services of a number of key employees, including Messrs. Salim Ghauri, Najeem Ghauri and Naeem Ghauri. The loss of the services of either of these or of one or more of our other key personnel could have a material adverse effect on our business, financial condition and results of operations. In addition, if one or more of our key employees resigns from NetSol to join a competitor or to form a competing company, the loss of such personnel and any resulting loss of existing or potential clients to any such competitor could have a material adverse effect on our business, financial condition and results of operations. In the event of the loss of any personnel, there can be no assurance that we would be able to prevent the unauthorized disclosure or use of our technical knowledge, practices or procedures by such personnel.

ITEM 2 - PROPERTIES

The Company formerly leased approximately an 800 square feet office facility in Calabasas, California as its headquarters. The month-to-month lease required monthly payments of approximately \$2,300. The Company moved to its new headquarters in Calabasas, California with its subsidiary NetSol eR, Inc. in October 2000. The new facilities, which house NetSol eR and NetSol, are approximately 4,690 rentable square feet and the monthly rent for both NetSol eR and NetSol is \$11,490.50 per month. The term of this new lease is for seven years. The new facilities are located at 24025 Park Sorrento, Calabasas, CA. 91302.

Other Leased properties as of
September 30, 2000

Approximate Square Feet

Purpose/Use

Australia.....	1,250	Computer and General Office Facility
Germany.....	2,450	Computer and General Office Facility
Pakistan.....	30,000	Computer and General Office Facility
United Kingdom.....	2,400	General Office
Virginia.....	1,254	General Office

Upon expiration of its leases, the Company does not anticipate any difficulty in obtaining renewals or alternative space. Lease expiration dates range from fiscal 2001 through 2004.

Technology Campus

The Company broke ground for its Technology Campus in January 2000. The campus is expected to house over 3,000 I/T professionals and is approximately 3 acres in size. The campus site is located in the

second largest city of Lahore in Pakistan which has a population of 6 million. An educational and cultural center, the city is home to several leading universities of Engineering and Technology founded in 1961 and FAST, the largest computer research and training institute in Pakistan. The city can boast for The University of Punjab founded in 1882, the oldest university in Pakistan.

NetSol selected this site after careful consideration and research of the long-term benefits of the location and return on investment. Due to the fast growth of technology business in Pakistan, the city of Lahore is fast becoming the Silicon Valley of Pakistan. Just recently quite a few multi-national IT related firms have launched their presence in Lahore. NetSol is making this investment to ultimately attract much bigger contracts and projects from the major and blue chips customers from all over the world. This campus will be the first and fully dedicated software building with state of the Art technology and communications infrastructure. Initially, NetSol anticipated the completion of Phase 1 (of three phases) by fall 2000, but due to the delay in financing activities the completion is expected now in the second quarter of 2001. However, the company has already leased a second building to accommodate the growing numbers of engineers and programmers. After the completion of Phase 1, about 600 programmers can be accommodated.

There are over 8 universities and technology schools that NetSol visits to build its employee pool from. In addition, there is a new airport being constructed only 2.7 kilometers from the technology campus. The campus is estimated to cost approximately three million dollars and it will consist of three buildings to house all the IT professionals. The campus will have offices, a training center, a cafeteria, a gym, a mosque and a few resting quarters for the employees. To the best knowledge of the Company there are no other technology campuses that are in existence in Lahore. Since the building is in the construction stage, there is no issue of insurance.

ITEM 3 - LEGAL PROCEEDINGS

The Company is currently party to one dispute filed by its former Chief Financial Officer and director, Gill Champion, which involves litigation. The plaintiff filed a Complaint for Declaratory Relief on May 9, 2000 in the Los Angeles, CA Superior Court (Case No. BC229642). The plaintiff contends that, on or about May 29, 1998, he was granted 120,000 options at a \$.01 per share exercise price. The Company has responded that the options were originally granted by the Board to all board members but later all of the directors agreed to forego such grant, and none received such options as the Plaintiff claims were granted him. The parties are in the discovery stage of the proceeding. The Company denies the allegations and is currently defending the action and believes it will win on its merits.

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

NONE.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS; RECENT SALES OF UNREGISTERED SECURITIES

(a) MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION - Common stock of NetSol International, Inc. is listed and traded on NASDAQ Small Cap under the ticker symbol "NTWK."

The table shows the high and low intra-day prices of the Company's common stock as reported on the composite tape of the NASDAQ for each quarter during the last two fiscal years and through December 31, 2000.

<TABLE>
<CAPTION>

Calendar Quarter	2000		1999		1998	
	High	Low	High	Low	High	Low
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1st	65	46.25	3.03	2.75		
2nd	48.75	16.06	3.43	2.50		

3rd	25.50	18.12	5.12	4.93	6.00	4.75
4th	25.50	4.50	18.56	8.56	6.00	3.00

</TABLE>

HOLDERS - As of January 3, 2001, the number of registered shareholders of the Company's common stock was 163. This does not include the holders that have their shares held in a depository trust in "street" name. As of January 3, 2001, 11,125,633 shares were issued and outstanding.

DIVIDENDS - The Company has not paid cash dividends on its Common Stock in the past and does not anticipate doing so in the foreseeable future. The Company currently intends to retain future earnings, if any, to fund the development and growth of its business.

(b) RECENT SALES OF UNREGISTERED SECURITIES

The Company conducted two private placements in Fiscal Years 1999 and 2000:

(1) During August to December 1999, the Company issued and sold 633,366 shares of common stock for aggregate gross proceeds of \$1,553,661 in a private placement.

(2) During November 1999, the Company issued 8% notes payable which were convertible to common shares at \$6.50 per share. The Company raised a total of \$350,000 of which \$250,000 was converted into 38,462 shares. In connection with this note offering, the Company issued non-detachable warrants to purchase 57,000 shares of common stock with an exercise price of \$6.50 per share. The Company also issued 9,231 shares of common stock and warrants to purchase 9,600 shares of common stock with an exercise price of \$6.50 per share to its broker, JS Capital, as a commission. Offering cost of \$60,000 has been recognized related to this offering.

For all private placements, the Company relied upon the registration requirements exemption of Section 4(2) of the Securities Act of 1933 and restricted securities were sold only to accredited investors.

ITEM 6 - MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's objective is to maximize stockholder value by executing a strategy that focuses on a balance of three priorities: growth, profitability and liquidity. The following discussion highlights the Company's performance in the context of these priorities. This discussion should be read in conjunction with the Consolidated Financial Statements, including the related notes.

Business Combinations

THE COMPANY COMPLETED FOUR BUSINESS COMBINATIONS DURING THE YEAR ENDED JUNE 30, 2000. THESE ARE LISTED BELOW IN CHRONOLOGICAL ORDER.

ACQUISITION OF MINDSOURCES, INC.

On August 13, 1999, the Company, through its wholly owned subsidiary, NetSol USA, Inc. acquired 100% of the outstanding capital stock of Mindsources, Inc., a Virginia, USA based company, through the issuance of 250,000 shares of restricted common shares of the Company for an aggregate purchase price of approximately \$1,260,000. This acquisition was accounted for using the purchase method of accounting under Accounting Principles Bulletin No. 16 ("APB 16"), and accordingly, the purchase price was allocated to the assets purchased and liabilities assumed based upon their estimated fair values as determined by management on the date of acquisition, which approximated net assets of \$900,000. The Company allocated the purchase price to customer lists acquired, and this amount is being amortized straight line over 15 years from the date of acquisition. The excess of the purchase price over the estimated fair values of the net assets acquired, approximately \$360,000, was recorded as goodwill, and is being amortized straight line over the estimated useful life of 15 years from the date of acquisition.

ACQUISITION OF NETWORK SOLUTIONS LIMITED

On August 18, 1999, the Company acquired 100% of the outstanding capital stock of Network Solutions Group Limited and Subsidiaries, a United Kingdom Company, through the issuance of 155,000 shares of restricted common shares of the Company for an aggregate purchase price of approximately \$940,000. This acquisition was accounted for using the purchase method of accounting under APB 16, and accordingly, the purchase price was allocated to the assets purchased and liabilities assumed based upon their estimated fair values on the date of acquisition, which approximated the negative net book value of \$700,000. The management of the Company allocated approximately \$600,000 to customer lists, which is being amortized straight line over 15 years from the date of acquisition. The excess of the purchase price over the estimated fair values of the net assets acquired, approximately \$1,040,000, was recorded as goodwill, and is being amortized straight line over the estimated useful life of 15 years from the date of acquisition.

ACQUISITION OF ABRAXAS AUSTRALIA PTY, LIMITED

On January 3, 2000, the Company issued 150,000 restricted common shares in exchange for 100% of the outstanding capital stock of Abraxas Australia Pty, Limited, an Australian Company. This business combination was accounted for using the pooling of interest method of accounting under APB 16, and, accordingly, the audited financial statements have been restated to show the results of operations as if the combination had occurred at the beginning of all periods presented. Selected financial information of the combining entities under the pooling of interest method of Business Combination is presented below.

ACQUISITION OF SUPERNET AG

On May 2, 2000, the Company issued 425,600 restricted common shares in exchange for 100% of the outstanding capital stock of SuperNet AG, a German Company. This business combination was accounted for using the pooling of interest method of accounting under APB 16, and accordingly, the audited financial statements have been restated to show the results of operations as if the combination had occurred at the beginning of all periods presented. Selected financial information of the combining entities under the pooling of interest method of Business Combination is presented below.

Due to the pooling of interest method of accounting for the acquisitions of Abraxas and SuperNet AG, the consolidated financial statements are restated to show the effects of the acquired business as if they were acquired at the beginning of the earliest period presented in the current audited financial statements. Thus, the consolidated income statement for the year ended June 30, 1999 has been appropriately restated as is presented here to allow for a meaningful comparative discussion of results of operations for the years ended June 30, 2000 to June 30, 1999.

RESTATEMENT OF CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 1999:

<TABLE>
<CAPTION>

	SUPERNET AG	ABRAXAS	NETSOL INTERNATIONAL	TOTAL CONSOLIDATED & RESTATED
<S>	<C>	<C>	<C>	<C>
Net Revenue	\$ 24,100	\$519,714	\$ 3,002,107	\$ 3,545,921
Operating Expenses	\$ 220,829	\$259,134	\$ 2,872,953	\$ 3,352,907
Net income (loss)	\$(286,106)	\$ 48,561	\$(1,756,234)	\$(1,993,770)
Before extraordinary item				
Extraordinary item-gain on extinguishments of debt	-	-	\$ 129,500	\$ 129,500
Net income (loss)	\$(286,106)	\$ 48,561	\$(1,626,734)	\$(1,864,279)
Net loss per share-basic and diluted			\$ (0.44)	\$ (0.43)

RESULTS OF OPERATIONS

THE YEAR ENDED JUNE 30, 2000 COMPARED TO THE YEAR ENDED JUNE 30, 1999

Net revenues for the year ended June 30, 2000 were 6,984,539 compared to 3,545,921 (restated) for the year ended June 30, 1999. This amounts to an increase of approximately 97% from the prior year after the restatement, or approximately 132% before restatement of the prior year due to pooling of interest accounting treatment as discussed above. Net revenues is broken out among the subsidiaries as follows:

<TABLE>
<CAPTION>

	2000	1999 (restated)
<S>	<C>	<C>
NetSol UK/Network Solutions Group	\$ 2,106,041	\$ 2,236,219
NetSol PK	\$ 3,325,478	\$ 765,888
Abraxas	\$ 355,693	\$ 519,714
SuperNet AG	\$ 309,389	\$ 24,100
MindSource, Inc.	\$ 887,938	\$ n/a
Total Net Revenues	\$ 6,984,539	\$ 3,545,921

The Company experienced a significant revenue increase from the prior year for NetSol PK. This was attributable to several factors. NetSol PK was awarded several new projects for the fiscal year 2000 relating to lease and finance applications from various new and repeat customers, as compared to the prior year where revenues were generated more from consulting services. NetSol PK also added CFS, First Net Technologies and some local industries in Pakistan as new customers. Due to the maturity of the lease and finance products, The Company is positioning itself to market these licenses to the North

American and other global markets. The Company anticipates the growth pattern for NetSol PK to continue to grow steadily in the coming fiscal year due to product maturity and market demand with several existing customers, among them CFS, Daimler-Chrysler and other leasing and finance companies. NetSol PK anticipates benefiting from the September 2000 acquisition made by CFS of Decision Systems, Inc. by having a larger customer base and marketing resources. The Company experienced a downturn in its consulting revenues in the UK markets in fiscal 2000 compared to fiscal 1999. The acquisition of Network Solutions Group in fiscal 2000 (terms of the acquisition discussed above) caused the Company to experience integration challenges such as employee retention, which affected the business adversely. The downturn in consulting revenues was largely attributable to a decrease in network services caused by a slowdown in new orders a result of the well-publicized Y2K problem. Management has now streamlined the operations group by hiring new key employees and reducing overhead expenses significantly. This strategy will assist the UK operations in obtaining higher revenues and improved operating results. Through a strategic acquisition of Abraxas Australia, the Company wanted to provide products and services to existing and potential new customers in Australia. Abraxas experienced a downturn in revenues in fiscal 2000 from fiscal 1999 due largely to delays by customers caused by Y2K related problems. Abraxas has key software

products, which are being developed in NetSol PK development facility, which will be marketed in Australia as well as other markets. These products are targeted towards the banking, insurance and leasing and finance industries. Management believes that the prospects for the future of Abraxas are to have steady sales growth because of an enhanced product line and by expanding its customer base. Another strategic acquisition was the acquisition of Mindsources, Inc. by NetSol USA, a wholly owned subsidiary of the Company, for the purpose of launching the Company's presence in North America. The Company is aligning itself to seize the opportunities in the growing IT consulting and services industry along the East coast of North America. Outsourcing IT professionals at competitive prices is the primary generator of Mindsources revenues. Since the acquisition in August 1999, Mindsources generated revenues of \$887,938. The Company believes that a steady, yet strong sales growth is for fiscal 2001 is reasonable based upon new business generated since year-end and the ability to further penetrate the IT market.

Gross profit improved to 48.7% of revenues in fiscal 2000, compared to 42.9% in fiscal 1999 (restated due to pooling of interest accounting). The improvement is largely based upon the growth of revenues in NetSol PK as NetSol PK contributes a strong gross profit percentage to the overall consolidated financial statements. 1999 margins were also strong and the Company was working on increasing its revenue volume in fiscal 2000 to capitalize on the strong contributions made by not only NetSol PK, but also the other subsidiaries.

Operating expenses were \$7,292,993 for the year ended June 30, 2000 as compared to \$3,352,907 (restated from \$2,872,953 per the table above due to pooling of interest accounting) for the year ended June 30, 1999. During the years ended June 30, 2000 and 1999, the Company issued 252,500 and 235,000 restricted common shares in exchange for services rendered, respectively. The Company recorded this non-cash compensation expense of \$1,017,575 and \$710,866 for the years ended June 30, 2000 and 1999, respectively. Total professional service expense, including non-cash compensation, was \$1,926,188 and \$1,210,068 for the years ended June 30, 2000 and 1999, respectively. During the years ended June 30, 2000 and 1999, respectively, the Company recorded depreciation and amortization expense of \$1,408,873 and \$373,363. The increase in the current fiscal year is attributable to the amortization of goodwill and other intangible assets for a full twelve months, as opposed to approximately 3 months in the prior fiscal year. Operating expenses in total, including all general and administrative expenses, have also increased as a result of higher salaries and related costs primarily due to additional staff at all levels of the Company and the continuing building of the Company's infrastructure, both at the parent level and the subsidiary level. Salaries and wages expenses were \$1,684,318 and \$644,477 for the years ended June 30, 2000 and 1999, respectively. General and administrative expenses were \$2,055,478 and \$645,896 for the years ended June 30, 2000 and 1999,

respectively. Operating results for both fiscal 2000 and 1999 were impacted as the Company applied pooling of interest accounting rules to two of its four acquisitions - Abraxas in Australia and SuperNet AG of Germany. Its consolidated statement of operations includes the operations of both Abraxas and SuperNet AG for both years ended June 30, 2000 and June 30, 1999. This resulted in the inclusion of net revenues of \$665,082 and \$543,814, and operating expenses of \$782,961 and \$479,954 for the years ended June 30, 2000 and June 30, 1999, respectively. Selling and marketing expenses decreased to \$218,136 for the year ended June 30, 2000 from \$479,103 for the year ended June 30, 1999, largely attributable to the pooling of interest treatment of both Abraxas and SuperNet AG in fiscal 1999. The Company also incurred acquisition costs directly related to these two acquisitions of \$155,750 that is appropriately included in current year operating expenses.

Net loss was \$3,401,076 for the year ended June 30, 2000 as compared to \$1,864,279 (restated) for the year ended June 30, 1999. This resulted in a loss per share, basic and diluted, of \$0.35 for fiscal 2000 as compared with \$0.43 (restated) for fiscal 1999.

The Company's cash position was \$4,731,046 at June 30, 2000. This is presented on the audited financial statements as \$2,981,046 as cash and cash equivalents, and a total \$1,750,000 as certificates of deposit, of which \$750,000 is included in other assets.

During the second and third quarters of the year ending June 30, 2000, a principal stockholder, purchased and sold shares of the Company's common stock on the public market within the same six-month period in connection with Section 16(b) of the Securities and Exchange Act of 1934. The Short Swing Profits of \$1,427,145 arising from the sale of these shares of common stock were recovered by the Company in June 2000 and are presented as a contribution to additional paid in capital in the statement of stockholders' equity in the audited financial statements.

Income Taxes

Deferred income taxes are reported using the liability method. Deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets generated by the Company or any of its subsidiaries are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Deferred tax assets resulting from the net operating losses are reduced in full by a valuation allowance.

Liquidity And Capital Resources

At June 30, 2000, the Company's working capital (current assets less current liabilities) totaled \$4.73 million, an increase of \$5.09 million since June 30, 1999 (June 30, 1999 restated for pooling of interest accounting as discussed previously and in footnotes to audited financial statements). The Company utilizes working capital to fund both existing operations, for anticipated capital expenditures and further development of new business. At June 30, 2000, due to its strong cash position, the Company has elected to not set up a revolving credit facility, but is evaluating various financing activities which will enable the Company to execute its business plan and meet its capital demands in the coming year. The Company's principle capital requirements have been to fund acquisitions, working capital, and capital expenditures. The Company does not believe that the nature of their software sales contracts will have a negative material impact upon its liquidity. In the opinion of management, the Company currently has sufficient funds and adequate financial sources available to provide it with liquidity to meet its current foreseeable cash needs for at least the next year. Management believes that its anticipated cash flows

from financing and investing activities, existing cash balances and any newly sought after borrowings and private raises, will be sufficient for the foreseeable future to finance anticipated working capital requirements and capital expenditures.

Dividends and Redemption

It has been the Company's policy to invest earnings in the growth of the Company rather than distribute earnings as dividends. This policy, under which dividends have not been paid since the Company's inception and is expected to continue, but is subject to regular review by the Board of Directors.

Year 2000

As previously reported in the Company's fiscal 1999 10-KSB, the Company did not experience any significant problems caused by year 2000 issues related to the Company's internal systems, contractual obligations to customers or non-performance of suppliers in December 1999 and continuing on to the year 2000. Based on currently available information, the Company does not expect any future year 2000 issues.

Euro Introduction

On January 1, 1999 the Euro currency was introduced in 11 of the 15 member countries in the European Union. Although Euro notes and coins will not be available until the latter part of the transition period in 2002, the Euro is traded on the currency exchanges and is available for non-cash transactions.

The Company was ready by January 1, 1999 to deal with any customer or supplier who wished to transact in Euro's and all European intercompany transactions since January 1, 1999 have been invoiced and settled in Euro's in the participating countries. The Company's European operations has completed the development of the infrastructure that provides all the internal systems functionality required to deal with the Euro during the transition period and thereafter. The transition period lasts until July 2002 when the national currencies will no longer be legal tender. The incremental system cost to NetSol of introducing the Euro will not be material.

As of June 30, 2000, the transition to the Euro has not resulted in any material adverse impact on NetSol's financial positions or results of operations. All of the contracts NetSol enters into are either in U.S. dollars or pound sterling. NetSol does not believe or expect the conversion to have a material impact on its overall financial position or results of operations.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement requires all derivatives to be recorded on the balance sheet at fair value and establishes accounting standards for hedging activities. In June 1999, the FASB issued SFAS No. 137, which amended SFAS No. 133 by deferring its effective date by one year to fiscal years beginning after June 15, 2000. The Company anticipates that due to its limited use of derivative instruments, if any, the adoption of SFAS No. 133 will not have a material impact on its consolidated financial position or results of operations.

During 1998, the American Institute of Certified Public Accountants issued Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This statement requires the capitalization of internal use computer software costs provided that certain criteria are met. These capitalized software costs will be amortized on a straight-line basis over

the useful life of the software. The adoption of this statement had no material impact on the company's consolidated financial position, results of operations or cash flows.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 summarizes the SEC's view in applying generally accepted accounting principles to selected revenue recognition issues. In March 2000, the SEC issued SAB 101A "Amendment:

Revenue Recognition in Financial Statement" which delays implementation of SAB 101. In June 2000, the SEC issued SAB 101B "Second Amendment: Revenue

Recognition in Financial Statements," which also delays the implementation of SAB 101. NetSol will adopt SAB 101, 101A and 101B and is currently in the process of evaluating the impact, if any, of these on its consolidated financial position or results of operations. In March 2000, the FASB issued Interpretation No. 44 ("FIN 44"), Accounting for Certain Transactions Involving Stock Compensation--an Interpretation of APB 25. This Interpretation clarifies (a) the definition of employee for purposes of applying Opinion 25, (b) the criteria for determining whether a plan qualifies as a no compensatory plan, (c) the accounting consequence of various modifications to the terms of a previously fixed stock option of award, and (d) the accounting for an exchange of stock compensation awards in a business combination. This Interpretation is effective July 1, 2000, but certain conclusions of the Interpretation cover specific events that occur after December 15, 1998, or January 12, 2000. To the extent that this Interpretation covers events occurring during the period after December 15, 1998, or January 12, 2000, but before the effective date of July 1, 2000, the effects of applying this Interpretation are recognized on a prospective basis from July 1, 2000.

Forward-Looking Statements

All statements contained in this annual report, or in any document filed by the Company with the Securities and Exchange Commission, or in any press release or other written or oral communication by or on behalf of the Company, that do not directly and exclusively relate to historical facts constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements represent the Company's expectations and beliefs, and no assurance can be given that the results described in such statements will be achieved.

These statements are subject to risks, uncertainties and other factors, many of which are outside of the Company's control that could cause actual results to differ materially from the results described in such statements. These Factors include, without limitation, the following: (i) competitive pressures; (ii) the Company's ability to consummate strategic acquisitions and alliances; (iii) the Company's ability to attract and retain key personnel; (iv) changes in the demand for information technology outsourcing and business process outsourcing; (v) changes in U.S. federal government spending levels for information technology services; (vi) the Company's ability to continue to develop and expand its service offerings to address emerging business demands and technological trends; (vii) changes in the financial condition of the Company's commercial customers; (viii) the future profitability of the Company's customer contracts, and (ix) general economic conditions and fluctuations in currency exchange rates in countries in which we do business.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest Rates

The Company has minimal fixed-rate long-term debt obligations, short-term commercial paper and other borrowings subject to market risk from changes in interest rates. Sensitivity analysis is one technique used to measure the impact of changes in interest rates on the value of market-risk sensitive financial

instruments. A hypothetical 10% movement in interest rates would not have a material impact on the Company's future earnings or cash flows Foreign Currency.

During the ordinary course of business, the Company enters into certain contracts denominated in foreign currency (Pound Sterling). Potential foreign currency exposures arising from these contracts are analyzed during the contract bidding process. The Company generally manages these transactions by ensuring costs to service contracts are incurred in the same currency in which revenue is received. Short-term contract financing requirements are met by borrowing in the same currency. By matching revenues, costs and borrowings to the same currency, the Company has been able to substantially mitigate foreign currency risk to earnings. If necessary, the Company may also use foreign currency forward contracts or options to hedge exposures arising from these transactions. The Company does not foresee changing its foreign currency exposure management strategy.

The accounts of Network Solutions Group Ltd. and NetSol UK, Limited use the British Pounds, Network Solutions PK, Ltd. and NetSol Connect PVT, Ltd. use Pakistan Rupees, NetSol Abraxas Australia Pty, Ltd. uses the Australian dollar, Supernet AG uses the German Mark, NetSol International, Inc. NetSol USA, Inc. and NetSol eR, Inc. use the U.S. dollars as their functional currencies. Exchange gains and losses that result from translating functional currency amounts into reporting currency amounts (US dollars) are reported as other comprehensive income. Assets and liabilities are translated at the exchange rate on the balance sheet date, and operating results are translated at the average exchange rate throughout the period. A foreign currency translation gain of \$22,847 at June 30, 2000 (not material at June 30, 1999) is classified as other comprehensive income in the stockholders' equity section of the consolidated balance sheet.

PART II - OTHER INFORMATION

ITEM 7. FINANCIAL STATEMENTS

The Consolidated Financial Statements that constitute Item 7 are included at the end of this report beginning on Page F-1.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the names and ages of the current directors and executive officers of the Company, the principal offices and positions with the Company held by each person and the date such person became a director or executive officer of the Company. The Board of Directors elects the executive officers of the Company annually. Each year the stockholders elect the Board of Directors. The executive officers serve terms of one year or until their death, resignation or removal by the Board of Directors. In addition, there was no arrangement or understanding between any executive officer and any other person pursuant to which any person was selected as an executive officer.

The directors and executive officers of the Company are as follows:

Executive Officers of the Registrant

<TABLE>
<CAPTION>

Name	Age	Year First Elected As an Officer or Director	Term as Officer or Director	Positions Held with The Registrant	Family Relationship
<S> Salim Ghauri	<C> 45	<C> 1999	<C> ended November 2000	<C> Chief Executive Officer Director President	<C> Brother to Naeem, Shahab and Najeeb Ghauri
Najeeb Ghauri	46	1997 1997 2000	ended November 2000 Indefinite Indefinite	President Director Chief Executive Officer	Brother to Naeem, Shahab and Salim Ghauri
Naeem Ghauri	43	1999	Indefinite	Chief Operating Officer Director	Brother to Najeeb, Shahab and Salim Ghauri
Aiesha Ghauri	33	1999	ended November 2000	Secretary	Wife to Najeeb Ghauri
Rick Poole	36	2000	Indefinite	Secretary Chief Accounting Officer	None
Syed Husain	45	2000	Indefinite	Chief Financial Officer	None
Shahab Ghauri	50	1999	Indefinite	Director	Brother to Najeeb, Naeem and Salim Ghauri
Irfan Mustafa	49	1997	Indefinite	Director	None
Waheed Akbar	49	1999	Indefinite	Director	None
Cary Burch	39	1999	Indefinite	Director	None
Nasim Ashraf	50	2000	Indefinite	Director	None

</TABLE>

Business Experience of Officers

SALIM GHAURI has been with the Company since 1999 as the Chief Executive Officer and Director of the Company. In November 2000 Mr. Ghauri ended his term as Chief Executive Officer and became President. Mr. Ghauri is also the CEO of Network Solutions (Pvt.) Ltd., a wholly owned subsidiary of the Company located in Lahore, Pakistan. Mr. Ghauri received his Bachelor of Science degree in Computer Science from University of Punjab in Lahore, Pakistan. Before Network Solutions (Pvt.) Ltd., Mr. Ghauri was employed with BHP in Sydney, Australia from 1987-1995, where he commenced his employment as a consultant. Mr. Ghauri was the original founder of Network Solutions, Pvt. Ltd in Pakistan founded in 1996. Built Under Mr. Ghauri's leadership Network Solutions (Pvt) Ltd. gradually built a strong team of IT professionals and infrastructure in Pakistan and became the first software house in Pakistan certified as ISO 9001.

NAJEEB U. GHAURI has been the President and a Director of the Company since 1997. In November 2000 Mr. Ghauri ended his term as President and became Chief Executive Officer. Mr. Ghauri is responsible for the managing the day-to-day operations of the Company, as well as the Company's overall growth and expansion plan. Prior to joining the Company, Mr. Ghauri was part of the marketing team of Atlantic Richfield Company ("ARCO"), a Fortune 500 company, from 1987-1997. Mr. Ghauri received his Bachelor of Science degree in Management/Economics from Eastern Illinois University in 1979, and his M.B.A. in Marketing Management from Claremont Graduate School in California in 1983.

NAEEM GHAURI is the Chief Operating Officer and has been a Director of the Company since 1999. Mr. Ghauri is also the Managing Director of NetSol (UK) Ltd., a wholly owned subsidiary of the Company located in Milton Keys, England. Mr. Ghauri was responsible for the launch of NetSol e R, Inc. and built

NetSolConnect in Pakistan and spearheaded the acquisition of SuperNet AG, in Germany. Mr. Ghauri is the CEO for NetSol e R, Inc. Prior to joining the Company, Mr. Ghauri was Project Director for Mercedes-Benz Finance Ltd., a subsidiary of Daimler - Chrysler, Germany from 1994-1999. Mr. Ghauri supervised over 200 project managers, developers, analysis and users in nine European Countries. Mr. Ghauri earned his degree in Computer Science from Brighton University, England.

AIESHA GHOURI was the Secretary of the Company from 1999 until November 2000. NetSol has employed Ms. Ghauri over 2 years as corporate secretary. Her combined experience includes retail banking, retail and corporate loans, IPOs and SEC corporate administration with Manhattan West, Inc. As the Corporate secretary, Ms. Ghauri is responsible for all corporate and administrative matters and works closely with legal advisors, auditors and corporate bankers and company board and management.

RICK POOLE has been the Chief Accounting Officer of the Company since August 2000, and the Secretary of the Company since November 2000. Mr. Poole joins NetSol International from Stonefield Josephson, Inc. where he was a senior manager in the firm's audit and attest services division. He was responsible for the delivery of audit and consulting services to a variety of clients in the IT, manufacturing and professional services industries. Mr. Poole is responsible for all aspects of the Company's audit and tax filings, implementing and overseeing financial controls, and compliance of all regulatory filings and requirements in coordination with the CFO. Mr. Poole has a B.S. from California State University at Fullerton, and is a licensed Certified Public Accountant and a member of the American Institute of Certified Public Accountants.

SYED HUSAIN has been the Chief Financial Officer of the Company since April 2000. Mr. Husain joins NetSol International from General Electric where he was Consultant Program Director of Global Financial Risk Management. He was responsible for the delivery of financial, operational and risk management services to global investment banks. Prior to joining General Electric, Mr. Husain managed global implementations of the financial, operational and reporting processes as well as corporate, treasury and investment banking systems at Andersen Consulting. Mr. Husain is responsible for all aspects of financial management, controls, investment banking relationships and compliance of all regulatory filings and requirements. Mr. Husain has a B.S. from The University of Punjab, Pakistan and has attended many advanced level business related courses with GE and Anderson Consulting in the USA and Europe.

SHAHAB GHOURI has been a Director of the Company since 1999. Mr. Ghauri is currently the Managing Director of Network Solutions Group, UK Ltd. where he has been instrumental in streamlining and integrating this company after its acquisition in 1999. He was able to contain the losses and reduce the costs of the operation of a company, which was struggling in the initial stage. Mr.

Ghauri was one of the key-founding members of Network Solutions, Pvt. Ltd., in which he injected all the initial seed capital. He is also very actively involved with the Board in advising and making strategic decisions for global growth and expansion. Mr. Ghauri draws only 1-pound sterling salary as Managing Director of Network Solutions Group Ltd. Mr. Ghauri received his Bachelor of Arts degree in Economics from the University of Punjab in Pakistan in 1971.

IRFAN MUSTAFA has been the Chairman of the Board and a Director of NetSol International, Inc. since the inception of the Company in April 1997. Mr. Mustafa has an M.B.A. from IMD (formerly Imede), Lausanne, Switzerland (1975); an M.B.A. from the Institute of Business Administration, Karachi, Pakistan (1974); and a B.S.C. in Economics, from Punjab University, Lahore, Pakistan (1971). Mr. Mustafa began his 14 year career with Unilever, Plc where he where he was one of the youngest senior management and board members. Later, he was employed with Pepsi International from 1990 to 1997 as a CEO in Pakistan, Bangladesh, Sri Lanka and Egypt. He spent two years in the US with Pepsi in their Executive Development Program from 1996-97. Mr. Mustafa was relocated to Dubai as head of TRICON Middle East and North African regions. Pepsi International spun off TRICON in 1997. Mr. Mustafa has been a strategic advisor to NetSol from the beginning and has played a key role in every acquisition by the company. His active participation with NetSol management has helped the company to establish a stronger presence in Pakistan. Mr. Mustafa is a member of NetSol's Compensation Committee and the Audit Committee.

WAHEED AKBAR has been a Director of the Company since 1999. Dr. Akbar is an orthopedic surgeon with licenses in New York, Michigan, Florida and California. Dr. Akbar is the Past President of Saginaw County Medical Society, Past President of Medical Staff at St. Mary's Hospital and a present board member of Field Neuroscience Institute. Dr. Akbar has been instrumental in attracting a group of Pakistani-American physicians and business persons whom invested in NetSol in exchange of restricted shares in 1999-2000. Dr. Akbar assists the company's development team in furthering some key medical software applications, which is currently at R&D stage. Dr. Akbar actively pursues various financial opportunities for NetSol. Dr. Akbar is a member of NetSol's Compensation Committee and Audit Committee.

CARY BURCH has been a Director of the Company since 1999. Mr. Burch is currently the President and CEO CreditNet, Inc., which is a division of First American CREDCO. He has an M.B.A. from Pepperdine University and has attended Harvard Business School for a Senior Executive Management course. Mr. Burch is a member of NetSol's Compensation Committee and Audit Committee.

NASIM ASHRAF has been a Director of the Company since November 2000. Dr. Nasim Ashraf is a prominent US based physician residing in Maryland. He has practiced medicine for nearly 25 years as a nephrologist. He is also very actively involved in promoting and developing the young IT industry in Pakistan through his high level association with several ministries and cabinets in Pakistan. Dr. Ashraf has been a key figure in an effort to improve the US and Pakistan relationship and is very active in several educational, human development and

medical causes in the under-develop countries. Dr. Ashraf will play a key role in financing and public relations activities in both the US and Pakistan.

COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than ten percent of the Company's Common Stock, to file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC"). Officers, directors and greater than ten percent stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

The following disclosure is based solely upon a review of the Forms 3, 4 and 5 and any amendments thereto furnished to the Company during the Company's fiscal year ended June 30, 2000. Based on this review, Chief Financial Officer Syed Husain and Directors Cary Burch and Waheed Akbar failed to file reports on Form 3. No other individuals who were directors, officers and beneficial owners of more than 10% of the Company's outstanding Common Stock during such fiscal year filed late reports on Forms 3, 4 and 5.

ITEM 10-EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE AND OPTIONS

The Summary Compensation Table shows certain compensation information for services rendered in all capacities during each of the last three fiscal years by the Officers of the Company who received compensation in excess of \$100,000 during the fiscal year ended June 30, 2000. The following information for the Officers includes the dollar value of base salaries, bonus awards, the number of stock options granted and certain other compensation, if any, whether paid or deferred.

<TABLE>
<CAPTION>

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year Ended	Annual Compensation		Long Term Compensation Awards (2)	
		Salary (1)	Bonus	Restricted stock Awards (3)	Underlying Options (4)
<S>	<C>	<C>	<C>	<C>	<C>
Najeeb U. Ghauri, President, Director	2000	\$100,000	-0-	735,000 (5)	20,000 (6) 100,000 (7)
	1999	100,000	-0-	705,000	450,000 (8) 20,000 (9) 50,000 (10)
	1998	91,150	-0-	250,000	
Naeem Ghauri, Chief Operations Officer, Director	2000	\$150,000	-0-	1,376,416	20,000 (6)
	1999	150,000	\$30,000 (11)	1,157,666	450,000 (8)
	1998	N/A	N/A	N/A	N/A
Salim Ghauri, Chief Executive Officer, Director	2000	\$100,000	-0-	1,386,416	20,000 (6)
	1999	100,000	-0-	1,170,666	450,000 (8)
	1998	N/A	N/A	N/A	N/A
Syed Husain, Chief Financial Officer	2000	\$100,000	-0-	-0-	50,000 (12)
	1999	N/A	N/A	N/A	N/A
	1998	N/A	N/A	N/A	N/A

</TABLE>

- (1) No officers received or will receive any bonus or other annual compensation other than salaries during fiscal 2000, nor any benefits other than those available to all other employees that are required to be disclosed.
- (2) No officers received or will receive any long-term incentive plan (LTIP) payouts or other payouts during fiscal 1999.
- (3) All stock awards are shares of Common Stock of the Company.
- (4) All securities underlying options are shares of Common Stock of the Company.
- (5) Mr. Najeeb Ghauri pledged 448,750 of his shares as collateral to obtain a margin loan. The financial institution provided the loan under the condition that the stock price not fall below \$20 per share. Should it fall below \$20, then the financial institution would force sale of the shares to recover the loan amount. Due to a decline in NetSol's stock price, the financial institution demanded the entire loan be paid back. Mr. Ghauri returned the majority portion of the loan; however, between September 15 and September 30, 2000, the financial institution sold 72,900 shares to cover the loan.
- (6) Includes options to purchase 20,000 shares of Common Stock of the Company granted to each Director of the Company for the 1999-2000 term at an exercise price of \$5.50, which vested at the end of the 1999-2000 term. Options must be exercised within five years after the September 1999 date

of grant.

- (7) Includes options to purchase 100,000 shares of Common Stock of the Company granted to Najeeb Ghauri as an officer of the Company in February 2000 with an exercise price of \$21.00 per share, exercisable immediately from the date of grant. The options must be exercised within five years from the date of grant.
- (8) Includes options to purchase 450,000 shares of Common Stock of the Company granted under an Employment Contract with the Company. Options to purchase 150,000 shares at an exercise price of \$1.58 vested in May 1999; options to purchase an additional 150,000 shares at an exercise price of \$2.58 vested in May 2000; and options to purchase an additional 150,000 shares at an exercise price of \$2.58 vest in May 2001.
- (9) Includes options to purchase 20,000 shares of Common Stock of the Company granted to each Director of the Company for the 1998-1999 term at an exercise price of \$1.58, which vested at the end of the 1998 term. Options must be exercised within five years after November 18, 1998.
- (10) Includes options to purchase 50,000 shares of Common Stock of the Company granted in July 1999, at an exercise price of \$1.01, vesting immediately upon grant. Options must be exercised within five years after July 18, 1998.
- (11) Naeem Ghauri received a signing bonus upon the execution of his employment agreement dated April, 17, 1999.
- (12) Includes options to purchase 50,000 shares of Common Stock of the Company granted to Mr. Husain as part of his compensation with an exercise price of \$21 to vest at the end of one year from February 2000. The options must be exercised within five years from February 2000.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

<TABLE>
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(INDIVIDUAL GRANTS)

Name	Number of Securities Underlying Options/SARs granted (#)	Percent of total options/SARs granted to employees in fiscal year	Exercise Or Base price (\$/Sh)	Expiration Date
<S>	<C>	<C>	<C>	<C>
Najeeb Ghauri, President , Director	20,000 100,000	1% 9%	\$5.50/share \$21.00/share	September 2004 February 2005
Salim Ghauri, CEO, Director	20,000	1%	\$5.50/ Share	September 2004
Naeem Ghauri, COO, Director	20,000	1%	\$5.50/ Share	September 2004
Syed Husain, CFO	50,000 (1)	4%	\$21.00/Share	February 2005

</TABLE>

- (1) One year vesting period from the date of grant, February 2000.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FY-END OPTION/SAR VALUES

<TABLE>
<CAPTION>

Name	Shares Acquired On Exercise (#)	Value realized (\$)	Number of unexercised options/SARs at FY-end (#) exercisable/unexercisable	Value of Options/SARs at FY-end(2)/unexercisable
<S>	<C>	<C>	<C>	<C>
Najeeb Ghauri, President, Director	220,000	\$12,490,900	295,000/150,000	\$7,875,250
Salim Ghauri, CEO, Director	150,000	\$8,463,000	170,000/150,000	\$5,538,000
Naeem Ghauri, COO, Director	150,000	\$8,463,000	170,000/150,000	\$5,538,000
Syed Husain, CFO	-0-	-0-	-0-/50,000	-0-/\$725,000

</TABLE>

- (2) The closing price of the stock at Fiscal Year End was \$35.50.

EMPLOYMENT AGREEMENTS

Effective April 17, 1999, the Company entered into an employment agreement with Najeeb Ghauri as Chief Executive Officer, President and Interim Chief Financial Officer. The agreement is for a base term of three years, and continues thereafter on an at will basis until terminated by either the Company or Mr. Ghauri. The agreement provides for a yearly salary of \$100,000. The agreement

also provides for such additional compensation as the Board of Directors of the Company determines is proper in recognition of Mr. Ghauri's contributions and services to the Company.

Effective April 17, 1999, the Company entered into an employment agreement with Salim Ghauri as Chief Executive Officer of the Company's Pakistan branch. The agreement is for a base term of three years, and continues thereafter on an at will basis until terminated by either the Company or Mr. Ghauri. The agreement provides for a yearly salary of \$100,000. The agreement also provides for such additional compensation as the Board of Directors of the Company determines is proper in recognition of Mr. Ghauri's contributions and services to the Company.

Effective April 17, 1999, the Company entered into an employment agreement with Naeem Ghauri as Chief Operating Officer, and as Chief Executive Officer of the Company's UK branch. The agreement is for a base term of three years, and continues thereafter on an at will basis until terminated by either the Company or Mr. Ghauri. The agreement provides for a yearly salary of \$150,000, with a signing bonus of \$30,000. The agreement also provides for such additional compensation as the Board of Directors of the Company determines is proper in recognition of Mr. Ghauri's contributions and services to the Company.

All of the above agreements provide for a grant to purchase 450,000 shares of common stock of the Company under the Company's employee stock option plan as follows:

- (a) On May 18, 1999, options to purchase 150,000 shares of common stock of the Company at an exercise price of \$1.58 per share vest;
- (b) On May 18, 2000, options to purchase 150,000 shares of common stock of the Company at an exercise price of \$2.58 per share vest;
- (c) On May 18, 2001, options to purchase 150,000 shares of common stock of the Company at an exercise price of \$3.58 per share vest;

All of the above agreements provide for certain Company-paid benefits such as employee benefit plans and medical care plans at such times as they may be adopted by the Company. The agreements also provide for reimbursement of reasonable business-related expenses and for two weeks of paid vacation. The agreements also provide for certain covenants concerning non-competition, non-disclosure, and assignment of intellectual property rights.

COMPENSATION OF DIRECTORS

Directors of the Company do not receive any cash compensation, but are entitled to reimbursement of their reasonable expenses incurred in attending Directors' Meetings. In addition, the Company has granted to each of its seven directors options to purchase 20,000 shares of common stock of the Company under the Company's Incentive and Nonstatutory Stock Option Plan. The options vest at the

end of the director's term in November 2000, with an exercise price of \$5.50. These options were granted in September 1999.

In addition, effective as of September 1, 1999, the Company entered into a Consulting Agreement with one of the directors of the Company, Irfan Mustafa, for Mr. Mustafa to develop and advise the Company on marketing strategies, develop investor relations and develop strategic alliances. In addition, Mr. Mustafa is to assist the Board of Directors in mergers, acquisitions and other business combinations. The agreement is for a base term of three years, and is renewed automatically thereafter for succeeding one-year terms until terminated by either party. The agreement provides for a monthly retainer of \$4,000. The agreement also provides for certain covenants concerning confidentiality and non-competition.

ITEM 11- SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock, its only class of outstanding voting securities as of September 30, 2000, by (i) each person who is known to the Company to own beneficially more than 5% of the outstanding Common Stock with the address of each such person, (ii) each of the Company's directors and officers, and (iii) all officers and directors as a group:

<TABLE>
<CAPTION>

Name and Address	Number of Shares (1) (2)	Percentage Beneficially owned
<S>	<C>	<C>
Najeeb Ghauri (3)	735,000	6.7%
Naeem Ghauri (3)	1,376,416	12.5%
Irfan Mustafa (3)	140,000	1.3%
Salim Ghauri (3)	1,386,416	12.6%
Aiesha Ghauri (3)	-0-	*
Syed Husain (3)	-0-	*
Shahab Ghauri (3)	1,236,416	11.2%
Cary Burch (3)	-0-	*

Waheed Akbar (3)	35,000	*
Nasim Ashraf (3)	-0-	*
Blue Water Master Fund LP (4) C/O Cico Fund Services Kaya Flamboyan 9 Curacao, Netherlands Antilles	2,115,900	19.22%
All officers and directors as a group (9 persons)	4,909,248	44.6%

</TABLE>

* Less than one percent

- (1) Except as otherwise indicated, the Company believes that the beneficial owners of Common Stock listed below, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities.
- (2) Beneficial ownership is determined in accordance with the rules of the Commission and generally includes voting or investment power with respect to securities. Shares of Common Stock relating to options currently exercisable or exercisable within 60 days of September 30, 2000 are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares shown as beneficially owned by them.
- (3) Address c/o the Company at 24025 Park Sorrento, Suite 220, Calabasas, CA 91302.
- (4) Blue Water Master Fund LP reported its holdings on Schedule 13D/A as filed with the Securities and Exchange Commission on April 27, 2000.

ITEM 12-CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The Company acquired land for a purchase price of \$200,000 from Salim Ghauri, Naeem Ghauri, Shahab Ghauri and Najeeb Ghauri (who are officers and/or stockholders).

Effective as of September 1, 1999, the Company entered into a Consulting Agreement with one of the directors of the Company, Irfan Mustafa, for Mr. Mustafa to develop and advise the Company on marketing strategies, develop investor relations and develop strategic alliances. In addition, Mr. Mustafa is to assist the Board of Directors in mergers, acquisitions and other business combinations. The agreement is for a base term of three years, and is renewed automatically thereafter for succeeding one-year terms until terminated by either party. The agreement provides for a monthly retainer of \$4,000. The agreement also provides for certain covenants concerning confidentiality and non-competition.

On September 15, 1998, the Company purchased from related parties 51% of the outstanding common stock of Network Solutions PVT, Ltd., a Pakistani Company, and 43% of the outstanding common stock of Netsol UK, Limited, a United Kingdom Company. On April 17, 1999, the Company purchased from the related parties 49% of the outstanding common stock of Network Solutions PVT, Ltd., and 57% of the outstanding common stock of Netsol UK, Limited. These purchases were made for the issuance of 4,690,000 restricted common shares of the Company and cash payments of \$775,000, for an aggregate purchase price of approximately \$12.9 million. The related parties were Salim Ghauri, Naeem Ghauri and Shahab Ghauri, all of whom became directors of the Company. All

are beneficial owners who have holdings in the company of greater than 5%, as disclosed above in Item 11.

The Company's management believes that the terms of these transactions are no less favorable to the Company than would have been obtained from an unaffiliated third party in similar transactions. All future transactions with affiliates will be on terms no less favorable than could be obtained from unaffiliated third parties, and will be approved by a majority of the disinterested directors.

PART IV

ITEM 13 - EXHIBITS AND REPORTS ON FORM

(a) Exhibits

- 3.1 Articles of Incorporation of Mirage Holdings, Inc., a Nevada corporation, dated March 18, 1997(1)
- 3.2 Amendment to Articles of Incorporation dated May 21, 1999 (2)
- 3.3 Bylaws of Mirage Holdings, Inc., as amended and restated as of November 28, 2000

- 10.1 Former Lease Agreement for Calabasas executive offices (3)
- 10.2 Company Stock Option Plan dated May 18, 1999 (2)
- 10.3 Company Stock Option Plan dated April 1, 1997 (1)
- 10.4 Employment Agreement, dated April 17, 1999 by and between Mirage Holdings, Inc. and Najeeb U. Ghauri (2) (4)
- 10.5 Employment Agreement, dated April 17, 1999 by and between Mirage Holdings, Inc. and Salim Ghauri (2) (4)
- 10.6 Employment Agreement, dated April 17, 1999 by and between Mirage Holdings, Inc. and Naeem Ghauri (2) (4)
- 10.7 Consulting Contract, dated September 1, 1999 by and between Irfan Mustafa and NetSol International, Inc. (3)
- 10.8 Software Distribution Agreement, dated March 15, 2000 by and between Registrant and CFS Group PLC
- 10.9 Master Development Services Agreement, dated March 15, 2000 by and between Registrant and CFS Group PLC
- 10.10 Stock Purchase Agreement, dated May 2, 2000, by and among Registrant, Mr. Florian Zgunea, Mr. Leonard Metsch and Pegasus Beteiligungen AG. (5)
- 10.11 Current Lease Agreement for Calabasas executive offices (6)
- 21.1 A list of all subsidiaries of the Company
- 23.1 Consent of Stonefield Josephson, Inc.
- 23.2 Consent of Saeed Kamran Patel & Co.
- 23.3 Consent of Mazars Neville Russell
- 27 Financial Data Schedule (7)

-
- (1) Incorporated by reference to the Company's Registration Statement No. 333-28861 filed on Form SB-2 filed June 10, 1997.
 - (2) Incorporated by reference to the Company's Annual Report on Form 10K-SB filed September 28, 1999.
 - (3) Previously filed with the Company's Annual Report on Form 10K-SB filed October 13, 2000.
 - (4) Management contract.
 - (5) Incorporated by reference to the Company's Current Report on Form 8-K filed June 21, 2000.
 - (6) Incorporated by reference to the Company's Current Report on Form 8-K filed October 26, 2000.
 - (7) Previously filed with the Company's Annual Report on Form 10K-SB filed October 13, 2000
 - (b) Reports on Form 8-K

One report was filed on Form 8-K during the fourth quarter of fiscal year 2000. On June 21, 2000, a Form 8-K was filed announcing the SuperNet AG acquisition and providing the financial statements of SuperNet AG as of December 31, 1999. In addition, on January 23, 2001, a Form 8-K was filed announcing the sale of common stock of the Company for an aggregate purchase price of \$2,000,000 to Deephaven Private Placement Trading Ltd.

SIGNATURES

In accordance with Section 13 or 15 (d) of the Exchange Act, the Registrant caused this amendment to the report to be signed on its behalf by the undersigned, thereunto duly authorized.

NetSol International, Inc.

Date: February 1, 2001

BY: /s/ NAJEEB U. GHAURI

 Najeeb U. Ghauri
 Chief Executive Officer

Date: February 1, 2001

BY: /s/ Syed Husain

 Syed Husain
 Chief Financial Officer

In accordance with the Exchange Act, this amendment to the report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: February 1, 2001

BY: /s/ NAJEEB U. GHAURI

Najeeb U. Ghauri
Chief Executive Officer and Director

Date: February 1, 2001 BY:/s/ SALIM GHAURI

Salim Ghauri
President, Director

Date: February 1, 2001 BY:/s/ NAEEM GHAURI

Naeem Ghauri
Chief Operating Officer, Director

Date: February 1, 2001 BY:/s/ SYED HUSAIN

Syed Husain
Chief Financial Officer

Date: February 1, 2001 BY:/s/ RICK POOLE

Rick Poole
Chief Accounting Officer, Secretary

Date: February 1, 2001 BY:/s/ SHAHAB GHAURI

Shahab Ghauri
Director

Date: February 1, 2001 BY:/s/ IRFAN MUSTAFA

Irfan Mustafa
Director

Date: February 1, 2001 BY:/s/ NAEEM GHAURI

Naeem Ghauri
Chief Operating Officer

Date: February 1, 2001 BY:/s/ WAHEED AKBAR

Naeem Ghauri
Director

Date: February 1, 2001 BY:/s/ CARY BURCH

Cary Burch
Director

Date: February 1, 2001 BY:/s/ NASIM ASHRAF

Nasim Ashraf
Director

NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES
(FORMERLY MIRAGE HOLDINGS, INC.)

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2000 AND 1999

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Netsol International, Inc. and subsidiaries (formerly
Mirage Holdings, Inc.)
Calabasas, California

We have audited the accompanying consolidated balance sheet of Netsol International, Inc. and subsidiaries (formerly Mirage Holdings, Inc.) as of June 30, 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended June 30, 2000 and 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Network Solutions PVT, Ltd., Netsol UK, Limited, Network Solutions Group and Subsidiaries and Netsol Connect PVT, Ltd., wholly owned subsidiaries, whose statements reflect combined total assets of \$7,100,000 as of June 30, 2000 and combined total net revenues of \$6,096,000 and \$3,546,000 for the two years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Network Solutions PVT, Ltd., Netsol UK, Limited, Network Solutions Group and Subsidiaries and Netsol Connect PVT, Ltd., is based solely on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Netsol International, Inc. and subsidiaries as of June 30, 2000, and the results of its consolidated operations and its cash flows for the years ended June 30, 2000 and 1999 in conformity with generally accepted accounting principles.

/s/ Stonefield Josephson, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

Santa Monica, California
September 26, 2000

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of NETWORK SOLUTIONS (PVT) LIMITED as at June-30, 2000 and the related statements of income and cash flows for the year ended June-30, 2000. We conducted our audit in accordance with International Standards on Auditing which are comparable in all respects with US Generally Accepted Auditing Standards and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by Companies Ordinance, 1984:
- b) in our opinion:
 - i) the balance sheet and income statement together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting polices.
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income statement and cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June-30, 2000 and of the income and the cash flows for the year then ended and are in accordance with the International Accounting Standards which are comparable in all respects with US Generally

- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

/s/ Saeed Kamran Patel & Co.

Place: LAHORE
CHARTERED ACCOUNTANTS
Date : SEPTEMBER 6, 2000

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of NETSOL CONNECT (PVT.) LIMITED (FORMERLY SKY VENTURE INTERNET SERVICES (PVT.) LIMITED) as at June-30, 2000 and the cash flow statement, together with the notes forming part thereof, for the period then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by Companies Ordinance, 1984:
- b) in our opinion:
- i) the balance sheet together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies; and
 - ii) the expenditure incurred during the period was for the purpose of the Company's business; and
 - iii) the business conducted, and the expenditure incurred during the period were in accordance with the objects of the Company.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June-30, 2000 and cash flows for the period then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

/s/ Saeed Kamran Patel & Co.

Place: LAHORE
Date : SEPTEMBER 6, 2000
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE SHAREHOLDERS OF NETSOL (UK) LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared following the accounting policies set out on page 5.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements

are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

GOING CONCERN

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the uncertainty as to the continuation and renewal of the company's bank overdraft facility. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

/s/Mazars Neville Russell

MAZARS NEVILLE RUSSELL
CHARTERED ACCOUNTANTS
and Registered Auditors

Milton Keynes

22nd September 2000

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AUDITORS' REPORT TO THE SHAREHOLDERS OF NETWORK SOLUTIONS GROUP LIMITED

We have audited the financial statements on pages 4 to 8 which have been prepared following the accounting policies set out on page 5.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 January 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

/s/Mazars Neville Russell

MAZARS NEVILLE RUSSELL
CHARTERED ACCOUNTANTS
and Registered Auditors

Milton Keynes

22nd September 2000

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AUDITORS' REPORT TO THE SHAREHOLDERS OF NETWORK SOLUTIONS GROUP LIMITED

We have audited the financial statements on pages 4 to 7 which have been prepared following the accounting policies set out on page 5.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an

independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

/s/Mazars Neville Russell

MAZARS NEVILLE RUSSELL
CHARTERED ACCOUNTANTS
and Registered Auditors

Milton Keynes

22nd September 2000

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AUDITORS' REPORT TO THE SHAREHOLDERS OF NETWORK SOLUTIONS LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared following the accounting policies set out on page 5.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. Our review of the books and records has revealed a number of weaknesses and accounting breakdowns which has necessitated a reconstruction of the relevant accounting records.

GOING CONCERN

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the uncertainty as to the continuation and renewal of the company's bank overdraft facility. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 January 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In our opinion proper accounting records have not been kept in accordance with section 221 of the Companies Act 1985.

/s/Mazars Neville Russell

Milton Keynes

22nd September 2000

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AUDITORS' REPORT TO THE SHAREHOLDERS OF NETWORK SOLUTIONS LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared following the accounting policies set out on page 5.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

GOING CONCERN

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the uncertainty as to the continuation and renewal of the company's bank overdraft facility. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

/s/Mazars Neville Russell

MAZARS NEVILLE RUSSELL
CHARTERED ACCOUNTANTS
and Registered Auditors

Milton Keynes

22nd September 2000

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AUDITORS' REPORT TO THE SHAREHOLDERS OF NETWORK SOLUTIONS (NORTHERN) LIMITED

We have audited the financial statements on pages 4 to 8 which have been prepared following the accounting policies set out on page 5.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and

explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 January 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

/s/Mazars Neville Russell

MAZARS NEVILLE RUSSELL
CHARTERED ACCOUNTANTS
and Registered Auditors

Milton Keynes

22nd September 2000

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AUDITORS' REPORT TO THE SHAREHOLDERS OF NETWORK SOLUTIONS (NORTHERN) LIMITED

We have audited the financial statements on pages 4 to 9 which have been prepared following the accounting policies set out on page 5.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

/s/Mazars Neville Russell

MAZARS NEVILLE RUSSELL
CHARTERED ACCOUNTANTS
and Registered Auditors

Milton Keynes

22nd September 2000

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET - JUNE 30, 2000

ASSETS

<TABLE>
<S>

<C>

<C>

CURRENT ASSETS:

Cash and cash equivalents	\$	2,981,046
Certificates of deposit		1,000,000
Accounts receivable		2,768,036
Other current assets		229,414

Total current assets		\$	6,978,496
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization			2,490,151
OTHER ASSETS			1,727,601
INTANGIBLES:			
Product licenses, renewals, enhancements, copyrights, trademarks and tradenames, net	4,664,889		
Customer lists, net	2,502,272		
Goodwill, net	6,857,760		

Total intangibles			14,024,921
		\$	25,221,169
			=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	\$	2,072,976	
Current maturities of obligations under capitalized leases		101,604	
Loan payable		75,000	

Total current liabilities		\$	2,249,580
DEFERRED TAX LIABILITY			2,850,000
OBLIGATIONS UNDER CAPITALIZED LEASES, less current maturities			215,818
8% CONVERTIBLE NOTE PAYABLE			100,000
STOCKHOLDERS' EQUITY:			
Common stock; \$.001 par value, 25,000,000 shares authorized, 10,892,124 shares issued and outstanding		10,892	
Additional paid-in capital		26,059,625	
Stock subscriptions receivable		(68,650)	
Other comprehensive income		22,847	
Accumulated deficit		(6,218,943)	

Total stockholders' equity			19,805,771
		\$	25,221,169
			=====

</TABLE>

See accompanying independent auditors' report and notes to consolidated financial statements.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>

<CAPTION>

	YEAR ENDED JUNE 30, 2000	YEAR ENDED JUNE 30, 1999*
	-----	-----
<S>	<C>	<C>
NET REVENUES	\$ 6,984,539	\$ 3,545,921
COST OF REVENUES	3,583,693	2,024,256
	-----	-----
GROSS PROFIT	3,400,846	1,521,665
	-----	-----
OPERATING EXPENSES:		
Selling and marketing	218,136	479,103
Depreciation and amortization	1,408,873	373,363
Salaries and wages	1,684,318	644,477
Professional services, including non-cash compensation	1,926,188	1,210,068
General and administrative	2,055,478	645,896
	-----	-----
Total operating expenses	7,292,993	3,352,907
	-----	-----
OTHER INCOME	241,071	143,079
	-----	-----
NET LOSS BEFORE INCOME ALLOCATED TO		

MINORITY INTEREST	(3,651,076)	(1,688,163)
MINORITY INTEREST IN SUBSIDIARIES' EARNINGS	-	(305,616)
NET LOSS BEFORE EXTRAORDINARY ITEM AND INCOME TAXES	(3,651,076)	(1,993,779)
INCOME TAX BENEFIT - DEFERRED	(250,000)	-
NET LOSS BEFORE EXTRAORDINARY ITEM	(3,401,076)	(1,993,779)
GAIN ON FORGIVENESS OF DEBT, net of tax	-	129,500
NET LOSS	\$ (3,401,076)	\$ (1,864,279)
NET LOSS PER SHARE - basic and diluted	\$ (0.35)	\$ (0.43)
WEIGHTED AVERAGE SHARES OUTSTANDING - basic and diluted	9,666,115	4,309,206

</TABLE>

* Restated for business combinations accounted for under the Pooling of Interest method (see Note 12).

See accompanying independent auditors' report and notes to consolidated financial statements.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
YEARS ENDED JUNE 30, 2000 AND 1999

<TABLE>
<CAPTION>

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	STOCK SUBSCRIPTIONS RECEIVABLE	OTHER COMPREHENSIVE INCOME	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT					
<S> Balance at July 1, 1998*	<C> 2,349,665	<C> \$2,350	<C> \$2,173,078	<C> \$ -	<C> \$ -	<C> \$ (953,588)	<C> \$ 1,221,840
Common stock and warrants sold through initial public offering, net	251,000	251	987,733				987,984
Issuance of common stock in exchange for services rendered	235,000	235	710,631				710,866
Common stock options granted for services			199,844				199,844
Exercise of common stock options	105,000	105	945				1,050
Sale of common stock warrants			5,667				5,667
Exercise of warrants to convert to common stock	397,000	397	294,952				295,349
Issuance of common stock relating to acquisition of subsidiaries	4,690,000	4,690	9,658,810				9,663,500
Net loss for the year ended June 30, 1999*						(1,864,279)	(1,864,279)
Balance at June 30, 1999	8,027,665	8,028	14,031,660	-	-	(2,817,867)	11,221,821

</TABLE>

* Restated for business combinations accounted for under the Pooling of Interest method (see Note 12).

See accompanying independent auditors' report and notes to consolidated financial statements.

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

YEARS ENDED JUNE 30, 2000 AND 1999

<TABLE>
<CAPTION>

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	STOCK SUBSCRIPTIONS RECEIVABLE	OTHER COMPREHENSIVE INCOME	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT					
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Common stock sold through private placement	633,366	633	1,578,028	(25,000)			1,553,661
Conversion of debt and offering costs	47,693	48	249,952				250,000
Issuance of common stock in exchange for services rendered	252,500	252	1,017,323				1,017,575
Exercise of common stock options	620,000	620	867,730	(43,650)			824,700
Exercise of warrants to convert to common stock	905,900	906	5,434,494				5,435,400
Issuance of common stock relating to acquisition of subsidiaries	405,000	405	1,453,293				1,453,698
Short swing profit contribution (Note 12)			1,427,145				1,427,145
Foreign currency translation adjustments					22,847		22,847
Net loss for the year ended June 30, 2000						(3,401,076)	(3,401,076)
Balance at June 30, 2000	10,892,124	\$10,892	\$26,059,625	\$ (68,650)	\$22,847	\$ (6,218,943)	\$19,805,771

See accompanying independent auditors' report and notes to consolidated financial statements.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

INCREASE (DECREASE) IN CASH

<TABLE>
<CAPTION>

	YEAR ENDED JUNE 30, 2000	YEAR ENDED JUNE 30, 1999*
<S>	<C>	<C>
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Net loss	\$ (3,401,076)	\$ (1,864,279)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Depreciation and amortization	1,408,873	373,363
Income tax benefit - deferred	(250,000)	-
Non-cash compensation expense	1,017,575	910,710
Minority interest income	-	(305,616)
Forgiveness of debt	-	(129,500)
Foreign currency translation	22,847	-
CHANGES IN ASSETS AND LIABILITIES:		
(INCREASE) DECREASE IN ASSETS:		
Accounts receivable	(1,781,132)	(566,348)
Other current assets	(339,504)	(251,923)
Other assets	(666,076)	168,614
INCREASE (DECREASE) IN LIABILITIES -		
accounts payable and accrued expenses	(357,568)	815,088
Total adjustments	(944,985)	1,014,388
Net cash used for operating activities	(4,346,061)	(849,891)
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,548,176)	(479,220)
Purchase of investments - certificates of deposit	(1,750,000)	-
Acquisition of subsidiaries	(119,524)	(184,618)

Net cash used for investing activities	(3,417,700)	(663,838)
CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES:		
Issuance of common stock and warrants, net	6,989,061	1,687,713
Short swing profit contribution	1,427,145	-
Exercise of stock options	668,350	-
Proceeds from (advances to) stockholders and directors, net	(27,540)	51,746
Proceeds from (payments on) convertible notes	350,000	(328,110)
Contribution of capital	1,391,667	187,050
Principal payments on capital lease obligations	(70,812)	(3,240)
Stock subscription receivable	(68,650)	-
Net cash provided by financing activities	10,659,221	1,595,159
NET INCREASE IN CASH	2,895,460	81,430
CASH AND CASH EQUIVALENTS, beginning of year, restated	85,586	4,156
CASH AND CASH EQUIVALENTS, end of year	\$ 2,981,046	\$ 85,586

</TABLE>

* Restated for business combinations accounted for under the Pooling of Interest method (see Note 12).

See accompanying independent auditors' report and notes to consolidated financial statements.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

INCREASE (DECREASE) IN CASH

<TABLE>
<CAPTION>

	YEAR ENDED JUNE 30, 2000	YEAR ENDED JUNE 30, 1999*
<S>	<C>	<C>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	\$ 59,644	\$ 27,899
Income taxes paid	\$ 3,200	\$ 2,400
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of common stock shares per stock purchase agreements	\$ 1,453,698	\$ 9,663,500
Deferred tax liability arising from business combinations	\$ 3,100,000	\$ -
Granting of common stock options in exchange for services received	\$ -	\$ 199,844
Issuance of common stock shares for services received	\$ 1,017,575	\$ 710,866
Conversion of debt to equity and related cost	\$ 250,000	\$ -
Forgiveness of debt	\$ -	\$ 129,500
Deferred offering costs offset against gross proceeds from initial public offering	\$ -	\$ 203,813
Purchase of land from officer-stockholders	\$ 200,000	\$ -

</TABLE>

* Restated for business combinations accounted for under the Pooling of Interest method (see Note 12).

See accompanying independent auditors' report and notes to consolidated financial statements.

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(1) GENERAL:

Netsol International, Inc. and subsidiaries (the "Company"), formerly known as Mirage Holdings, Inc., was incorporated under the laws of the State of Nevada on March 18, 1997. During November of 1998, Mirage Collections, Inc., a wholly owned and non-operating subsidiary, was dissolved.

During April 1999 and February 2000, the Company formed Netsol USA, Inc. and Netsol eR, Inc., respectively, as wholly owned subsidiaries.

BUSINESS COMBINATIONS ACCOUNTED FOR UNDER THE PURCHASE METHOD:

NETWORK SOLUTIONS PVT, LTD. AND NETSOL UK, LIMITED

On September 15, 1998 and April 17, 1999, the Company purchased from related parties, 51% and 49%, respectively, of the outstanding common stock of Network Solutions PVT, Ltd., a Pakistani Company, and 43% and 57% of the outstanding common stock of Netsol UK, Limited, a United Kingdom Company, for the issuance of 4,690,000 restricted common shares of the Company and cash payments of \$775,000, for an aggregate purchase price of approximately \$12.9 million. These acquisitions were accounted for using the purchase method of accounting, and accordingly, the purchase price was allocated to the assets purchased and liabilities assumed based upon their estimated fair values on the date of acquisition, which approximated \$300,000. Included in the accompanying consolidated financial statements are other assets acquired at fair market value consisting of product licenses, product renewals, product enhancements, copyrights, trademarks, tradenames and customer lists. The management of the Company allocated approximately \$6.3 million to these assets, which is being amortized by use of the straight-line method over 15 years, based on independent valuation reports prepared for the Company. The excess of the purchase prices over the estimated fair values of the net assets acquired, approximately \$6.3 million, was recorded as goodwill, and is being amortized by use of the straight-line method over 15 years from the date of each purchase.

MINDSOURCES, INC.

On August 13, 1999, the Company through its wholly owned subsidiary, Netsol USA, Inc. acquired 100% of the outstanding capital stock of Mindsources, Inc., a Virginia and US based Company, through the issuance of 250,000 shares of Rule 144 restricted common shares of the Company for an aggregate purchase price of approximately \$1,260,000. This acquisition was accounted for using the purchase method of accounting under APB Opinion No. 16, and accordingly, the purchase price was allocated to the assets purchased and liabilities assumed based upon their estimated fair values as determined by management on the date of acquisition, which approximated \$900,000. The management of the Company allocated the entire purchase price to customer lists acquired, and is being amortized by use of the straight-line method over 15 years from the date of acquisition.

The excess of the purchase prices over the estimated fair values of the net assets acquired, approximately \$360,000, was recorded as goodwill and is being amortized by use of the straight-line method over 15 years from the date of purchase.

See accompanying independent auditors' report.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2000 AND 1999

(1) GENERAL, CONTINUED:

NETWORK SOLUTIONS GROUP LIMITED AND SUBSIDIARIES

On August 18, 1999, the Company acquired 100% of the outstanding capital stock of Network Solutions Group Limited and Subsidiaries, a United Kingdom Company, through the issuance of 155,000 shares of Rule 144 restricted common shares of the Company for an aggregate purchase price of approximately \$940,000. This acquisition was accounted for using the purchase method of accounting under APB Opinion No. 16, and accordingly, the purchase price was allocated to the assets purchased and liabilities assumed based upon their estimated fair values on the date of acquisition, which approximated a deficit of \$700,000. The management of the Company allocated approximately \$600,000 to customer lists, which are being amortized by use of the straight-line method over 15 years from the date of acquisition. The excess of the purchase price over the estimated fair values of the net assets acquired, approximately \$1,040,000, was recorded as goodwill, and is being amortized by use of the straight-line method over the estimated useful life of 15 years from the date of acquisition.

UNAUDITED PROFORMA DISCLOSURES

The following unaudited proforma results of operations and net loss per share assume that the acquisitions of Network Solutions PVT, Ltd., Netsol UK, Limited, Network Solutions Group, Ltd. and Mindsources, Inc. occurred as of the beginning of each period presented, after giving effect to proforma adjustments. The proforma adjustment represents amortization of goodwill, product licenses, renewals, enhancements, copyrights, trademarks and tradenames, and customer lists. The proforma adjustment also includes adjustments to common stock shares issued and outstanding, that relate to the acquisition of subsidiaries, as if they had occurred as of the beginning of each period presented. The proforma financial information is presented for informational purposes only and may not necessarily be indicative of the operating results that would have occurred had these acquisitions been consummated as of the beginning of each period presented, nor is it indicative of future operating results.

<TABLE>
<CAPTION>

	JUNE 30, 2000 ----	JUNE 30, 1999 ----
<S>	<C>	<C>
Net revenues	\$ 6,984,539 =====	\$ 5,310,761 =====
Cost of revenues	\$ 3,583,693 =====	\$ 3,405,072 =====
Operating expenses	\$ 7,292,993 =====	\$ 5,111,611 =====
Net loss before extraordinary item	\$ (3,401,076) =====	\$ (3,168,460) =====
Net loss	\$ (3,401,076) =====	\$ (3,038,960) =====
Net loss per share - basic and diluted	\$ (0.35) =====	\$ (0.41) =====

</TABLE>

See accompanying independent auditors' report.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2000 AND 1999

(1) GENERAL, CONTINUED:

BUSINESS COMBINATIONS ACCOUNTED FOR UNDER THE POOLING OF INTEREST METHOD:

ABRAXAS AUSTRALIA PTY, LIMITED

On January 3, 2000, the Company issued 150,000 Rule 144 restricted common shares in exchange for 100% of the outstanding capital stock of Abraxas Australia Pty, Limited, an Australian Company. This business combination was accounted for using the pooling of interest method of accounting under APB Opinion No. 16, and accordingly, the accompanying financial statements have been restated to show the results of operations as if the combination had occurred at the beginning of all periods presented. Selected financial information of the combining entities under the pooling of interest method of Business Combination is presented in Note 12.

SUPERNET AKTIENGESELLSCHAFT

On May 2, 2000, the Company issued 425,600 Rule 144 restricted common shares in exchange for 100% of the outstanding capital stock of SuperNet Aktiengesellschaft, a German Company. This business combination was accounted for using the pooling of interest method of accounting under APB Opinion No. 16, and accordingly, the accompanying financial statements have been restated to show the results of operations as if the combination had occurred at the beginning of all periods presented. Selected financial information of the combining entities under the pooling of interest method of Business Combination is presented in Note 12.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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, Limited, Network Solutions Group Ltd. and Subsidiaries, Netsol-Abraxas Australia Pty Ltd., Netsol Connect PVT, Ltd., Netsol eR, Inc., Supernet AG and Netsol USA, Inc. All material intercompany accounts have been eliminated in consolidation.

BUSINESS ACTIVITY:

The Company designs, develops, markets, and exports proprietary software products to customers in the automobile finance and leasing industry worldwide. The Company also provides consulting services in exchange for fees from customers.

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

See accompanying independent auditors' report.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2000 AND 1999

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

FAIR VALUE:

Unless otherwise indicated, the fair values of all reported assets and liabilities which represent financial instruments, none of which are held for trading purposes, approximate carrying values of such amounts.

REVENUE RECOGNITION:

Revenue is recognized when earned. The Company's revenue recognition policies are in compliance with all applicable accounting regulations, including American Institute of Certified Public Accountants ("AICPA") Statement of Position ("SOP") 97-2, Software Revenue Recognition, as amended by SOP 98-4 and SOP 98-9. Any revenues from software arrangements with multiple elements are allocated to each element of the arrangement based on the relative fair values using specific objective evidence as defined in the SOPs. If no such objective evidence exists, revenues from the arrangements are not recognized until the entire arrangement is completed and accepted by the customer. Once the amount of the revenue for each element is determined, the Company recognizes revenues as each element is completed and accepted by the customer. For arrangements that require significant production, modification or customization of software, the entire arrangement is accounted for by the percentage of completion method, in conformity with Accounting Research Bulletin ("ARB") No. 45 and SOP 81-1.

CASH:

EQUIVALENTS

For purposes of the statement of cash flows, cash equivalents include all highly liquid debt instruments with original maturities of three months or less which are not securing any corporate obligations.

CONCENTRATION

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

ACCOUNTS RECEIVABLE:

No allowance for doubtful accounts was needed at June 30, 2000.

INTANGIBLE ASSETS:

Intangible assets consisting of product licenses, renewals, enhancements, copyrights, trademarks, tradenames, customer lists and goodwill will be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable as required by FASB No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of.

See accompanying independent auditors' report.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES

YEARS ENDED JUNE 30, 2000 AND 1999

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

PROPERTY AND EQUIPMENT:

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to earnings as incurred; additions, renewals and betterments are capitalized. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Depreciation is computed using various methods over the estimated useful lives of the assets, ranging from three to seven years.

NET INCOME (LOSS) PER SHARE:

Common stock equivalents have been excluded from the net loss per share calculation because their effect would reduce loss per share.

FOREIGN CURRENCY:

The accounts of Network Solutions Group Ltd. and Subsidiaries and Netsol UK, Limited use the British Pounds, Network Solutions PK, Ltd. and Netsol Connect PVT, Ltd. use Pakistan Rupees, Netsol Abraxas Australia Pty, Ltd. uses the Australian dollar, Supernet AG uses the German Mark, Netsol International, Inc. and subsidiaries Netsol USA, Inc. and Netsol eR, Inc. use the U.S. dollars and the functional currencies. Assets and liabilities are translated at the exchange rate on the balance sheet date, and operating results are translated at the average exchange rate throughout the period. Translation gains of \$22,847 at June 30, 2000 (not material at June 30, 1999) is classified as an item of other comprehensive income in the stockholders' equity section of the consolidated balance sheet.

ACCOUNTING FOR STOCK-BASED COMPENSATION:

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, which applies the fair-value method of accounting for stock-based compensation plans. In accordance with this standard, the Company accounts for stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees.

INCOME TAXES:

Deferred income taxes are reported using the liability method. Deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

See accompanying independent auditors' report.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2000 AND 1999

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

INCOME TAXES, CONTINUED:

As of June 30, 2000, the Company had net federal and state operating loss carryforwards expiring in various years through 2020. Deferred tax assets resulting from the net operating losses are reduced in full by a valuation allowance.

Deferred tax asset of approximately \$337,000 (included in other assets) arose from the net operating loss carryforward of Supernet AG, which is net of a 40% valuation allowance. In the opinion of management, this deferred tax asset is fully realizable.

A summary is as follows:

<TABLE>
<CAPTION>

	FEDERAL	STATE	TOTAL
	<C>	<C>	<C>
Net operating loss carryforward	\$ (4,200,000)	\$ (2,125,000)	
Effective tax rate	32%	8%	
Deferred tax asset	(1,344,000)	(170,000)	(1,514,000)
Valuation allowance	1,344,000	170,000	1,514,000
Net deferred tax asset	-	-	-
Deferred tax liability arising from non-taxable business combinations	2,280,000	570,000	2,850,000
Net deferred tax liability	\$ 2,280,000	\$ 570,000	\$ 2,850,000

</TABLE>

OTHER COMPREHENSIVE INCOME:

SFAS 130 requires unrealized gains and losses on the Company's available for sale securities, currency translation adjustments, and minimum pension liability, which prior to adoption were reported separately in stockholders' equity, to be included in other comprehensive income.

During the year ended June 30, 2000, comprehensive income (loss) included net loss and translation gains of \$22,847.

See accompanying independent auditors' report.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2000 AND 1999

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

IMPAIRMENT OF LONG-LIVED ASSETS AND LONG-LIVED ASSETS TO BE DISPOSED OF:

The Company adopted the provision of FASB No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of. This statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair values of the assets. In assessing the impairment of these identifiable intangible assets, identifiable goodwill will be allocated on a pro rata basis using fair values of the assets at the original acquisition date. In estimating expected future cash flows for determining whether an asset is impaired and if expected future cash flows are used in measuring assets that are impaired, assets will be grouped at the lowest level (entity level) for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. In recording an impairment loss, related goodwill would be reduced to zero before reducing the carrying amount of any identified impaired asset.

For goodwill not identifiable with an impaired asset, the Company will establish benchmarks at the lowest level (entity level) as its method of assessing impairment. In measuring impairment, unidentifiable goodwill will be considered impaired if the fair value at the lowest level is less than its carrying amount. The fair value of unidentifiable goodwill will be determined by subtracting the fair value of the recognized net assets at the lowest level (excluding goodwill) from the value at the lowest level. The amount of the impairment loss should be equal to the difference between the carrying amount of goodwill and the fair value of goodwill.

In the event that an impairment is recognized, appropriate disclosures would be made at the lowest level. Adoption of this statement did not have a material impact on the Company's financial position, results of operations or liquidity.

New Accounting Pronouncements:

In December 1999, the Securities and Exchange Commission (the Commission) issued Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements, which is to be applied beginning

with the fourth fiscal quarter of fiscal years beginning after December 15, 1999, to provide guidance related to recognizing revenue in circumstances in which no specific authoritative literature exists. The Company is reviewing the application of the Staff Accounting Bulletin to the Company's financial statements, however, any potential accounting changes are not expected to result in a material change in the amount of revenues we ultimately expect to realize.

In March 2000, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 44 (Interpretation 44), "Accounting for Certain Transactions Involving Stock Compensation". Interpretation 44 provides criteria for the recognition of compensation expense in certain stock-based compensation arrangements that are accounted for under APB Opinion No. 25, Accounting for Stock-Based Compensation. Interpretation 44 is effective July 1, 2000, with certain provisions that are effective retroactively to December 15, 1998 and January 12, 2000. Interpretation 44 is not expected to have an impact on the Company's financial statements.

See accompanying independent auditors' report.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2000 AND 1999

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

New Accounting Pronouncements, Continued:

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, as amended by SFAS No. 137, is effective for fiscal years beginning after June 15, 2000. SFAS No. 133 requires the Company to recognize all derivatives as either assets or liabilities and measure those instruments at fair value. It further provides criteria for derivative instruments to be designated as fair value, cash flow and foreign currency hedges and establishes respective accounting standards for reporting changes in the fair value of the derivative instruments. Upon adoption, the Company will be required to adjust hedging instruments to fair value in the balance sheet and recognize the offsetting gains or losses as adjustments to be reported in net income or other comprehensive income, as appropriate. The Company is evaluating its expected adoption date and currently expects to comply with the requirements of SFAS 133 in fiscal year 2001. The Company does not expect the adoption will be material to the Company's financial position or results of operations since the Company does not believe it participates in such activities.

(3) MAJOR CUSTOMERS:

During the year ended June 30, 2000, there were no major customers; however, during the year ended June 30, 1999, one customer accounted for approximately 47% of total sales.

(4) OTHER CURRENT ASSETS:

A summary is as follows:

<TABLE>		
<S>		<C>
	Prepaid expenses	\$ 162,113
	Due from officer-stockholders (interest free and due on demand)	50,794
	Employee advances	16,507

		\$ 229,414
		=====

</TABLE>

See accompanying independent auditors' report.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2000 AND 1999

(5) PROPERTY AND EQUIPMENT:

A summary is as follows:

<TABLE>	
<S>	<C>
Computer equipment	\$ 1,168,494
Office furniture and equipment	592,545
Assets under capital leases	413,933
Construction in progress	277,145
Land	200,001
Automobiles	133,017
Building improvements	97,835

	2,882,970
Less accumulated depreciation and amortization	392,819

	\$ 2,490,151
	=====

</TABLE>

Depreciation and amortization expense related to property and equipment amounted to \$346,561 and \$56,380 for the years ended June 30, 2000 and 1999, respectively. Accumulated depreciation and amortization for assets under capital leases amounted to \$64,610 at June 30, 2000.

(6) OTHER ASSETS:

A summary is as follows:

<TABLE>	
<S>	<C>
Certificates of deposit - restricted (see Note 16)	\$ 750,000
Deposits and other assets	977,601

	\$ 1,727,601
	=====

</TABLE>

(7) PRODUCT LICENSES, RENEWALS, ENHANCEMENTS, COPYRIGHTS, TRADEMARKS AND TRADENAMES:

A summary is as follows:

<TABLE>	
<S>	<C>
Product licenses, renewals, enhancements, copyrights, trademarks and tradenames	\$ 5,120,000
Less accumulated amortization	455,111

	\$ 4,664,889
	=====

</TABLE>

Amortization expense related to product licenses, renewals, enhancements, copyrights, trademarks and tradenames amounted to \$341,333 and \$113,778 for the years ended June 30, 2000 and 1999, respectively.

See accompanying independent auditors' report.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2000 AND 1999

(8) CUSTOMER LISTS:

A summary is as follows:

<TABLE>	
<S>	<C>
Customer lists	\$ 2,709,577
Less accumulated amortization	207,305

	\$ 2,502,272
	=====

</TABLE>

Amortization expense related to customer lists amounted to \$180,638 and \$26,667 for the years ended June 30, 2000 and 1999, respectively.

(9) GOODWILL:

A summary is as follows:

<TABLE>

<S>	<C>
Goodwill	\$ 7,574,639
Less accumulated amortization	716,879

	\$ 6,857,760
	=====

</TABLE>

Amortization expense related to goodwill amounted to \$540,341 and \$176,538 for the years ended June 30, 2000 and 1999, respectively.

(10) FORGIVENESS OF DEBT:

During the year ended June 30, 1999, the Company recognized an extraordinary gain from forgiveness of debt of \$129,500, net of tax effect. Basic and diluted earnings per share, net of tax effect, amounted to \$0.03.

Total interest expense amounted to \$59,644 and \$27,899 for the years ended June 30, 2000 and 1999, respectively.

(11) CONVERTIBLE NOTE PAYABLE:

During November 1999, the Company issued 8% notes payable with non-detachable warrants which are convertible to restricted Rule 144 common shares at \$6.50 per share. The Company raised a total of \$350,000 of which, \$250,000 was converted into 38,462 shares. In connection with this offering, the Company issued 57,000 non-detachable warrants with an exercise price of \$6.50 per share. The Company also issued 9,231 shares of Rule 144 restricted common shares and 9,600 warrants with an exercise price of \$6.50 per share. Offering cost of \$60,000 has been recognized related to this offering.

See accompanying independent auditors' report.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2000 AND 1999

(12) STOCKHOLDERS' EQUITY:

INITIAL PUBLIC OFFERING:

On September 15, 1998, the Company completed the sale of its minimum offering of shares in its initial public offering which generated gross proceeds of \$1,385,647 from the sale of 251,000 shares of common stock and 929,825 warrants, each warrant to purchase one share of the Company's common stock at an exercise price of \$6.50 for a term of five years. Deferred offering costs of \$397,663 have been netted against gross proceeds of \$1,385,647 and are presented in the accompanying statement of stockholders' equity. During December of 1998, the Company sold an additional 56,667 warrants for gross proceeds of \$5,667. During the year ended June 30, 2000, 905,900 warrants were exercised for gross proceeds of \$5,435,400. The total number of warrants outstanding at June 30, 2000 is 147,192.

BUSINESS COMBINATIONS:

NETWORK SOLUTIONS PVT, LTD. AND NETSOL UK, LIMITED

On September 15, 1998, the Company purchased 51% of the outstanding common stock of Network Solutions PVT, Ltd., a Pakistani Company, and 43% of the outstanding common stock of Netsol UK, Limited, a United Kingdom Company, in exchange for cash payment of \$775,000 and issuance of 490,000 restricted common shares of Netsol International, Inc. and subsidiaries. On April 17, 1999, the Company acquired an additional 49% of the outstanding common stock of Network Solutions PVT, Ltd., and 57% of the outstanding common stock of Netsol UK, Limited through the issuance of 4,200,000 restricted common shares of Netsol International, Inc. and subsidiaries.

MINDSOURCES, INC.

On August 13, 1999, the Company through its wholly owned subsidiary, Netsol USA, Inc. acquired 100% of the outstanding capital stock of Mindsources, Inc., a Virginia and US based Company, through the issuance of 250,000 shares of Rule 144 restricted common shares of the Company.

NETWORK SOLUTIONS LIMITED

On August 18, 1999, the Company acquired 100% of the outstanding capital stock of Network Solutions Group Limited and Subsidiaries, a United Kingdom Company, through the issuance of 155,000 shares of Rule 144 restricted common shares of the Company

ABRAXAS AUSTRALIA PTY, LIMITED

On January 3, 2000, the Company issued 150,000 Rule 144 restricted common shares in exchange for 100% of the outstanding capital stock of Abraxas Australia Pty, Limited, an Australian Company. Shares issued under this business combination have been presented as a restatement to the earliest period presented in the accompanying Statement of Stockholders' Equity.

See accompanying independent auditors' report.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2000 AND 1999

(12) STOCKHOLDERS' EQUITY, CONTINUED:

BUSINESS COMBINATIONS, CONTINUED:

SUPERNET AKTIENGESELLSCHAFT

On May 2, 2000, the Company issued 425,600 Rule 144 restricted common shares in exchange for 100% of the outstanding capital stock of SuperNet Aktiengesellschaft ("SuperNet AG"), a German Company. Shares issued under this business combination have been presented as a restatement to the earliest period presented in the accompanying Statement of Stockholders' Equity.

For periods preceding the merger, there were no material intercompany transactions which required elimination from the combined consolidated results of operations and there were no adjustments necessary to conform the accounting practices of the combining companies.

Selected financial information for the combining entities included in the consolidated statements of operations for the years ended June 30, 2000 and 1999 are as follows:

YEAR ENDED JUNE 30, 1999:

<TABLE>

<CAPTION>

	SUPERNET AG	ABRAXAS	NETSOL INTERNATIONAL	CONSOLIDATED
<S>	<C>	<C>	<C>	<C>
Net revenues	\$ 24,100	\$ 519,714	\$ 3,002,107	\$ 3,545,921
Operating expenses	\$ 220,820	\$ 259,134	\$ 2,872,953	\$ 3,352,907
Net income (loss) before extraordinary item	\$ (286,106)	\$ 48,561	\$ (1,756,234)	\$ (1,993,779)
Extraordinary item - gain on forgiveness of debt	\$ -	\$ -	\$ 129,500	\$ 129,500
Net income (loss)	\$ (286,106)	\$ 48,561	\$ (1,626,734)	\$ (1,864,279)
Net loss per share before extraordinary item - basic and diluted			\$ (0.47)	\$ (0.46)
Net loss per share - basic and diluted			\$ (0.44)	\$ (0.43)

</TABLE>

See accompanying independent auditors' report.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2000 AND 1999

(12) STOCKHOLDERS' EQUITY, CONTINUED:

BUSINESS COMBINATIONS, CONTINUED:

YEAR ENDED JUNE 30, 2000:

<TABLE>
<CAPTION>

	SUPERNET AG	ABRAXAS	NETSOL INTERNATIONAL	CONSOLIDATED
<S>	<C>	<C>	<C>	<C>
Net revenues	\$ 309,389	\$ 355,693	\$ 6,319,457	\$ 6,984,539
Operating expenses	\$ 353,347	\$ 429,614	\$ 6,510,032	\$ 7,292,993
Net loss	\$ (436,028)	\$ (73,921)	\$ (2,891,127)	\$ (3,401,076)
Net loss per share - basic and diluted			\$ (0.32)	\$ (0.35)

</TABLE>

PRIVATE PLACEMENT

During the year ended June 30, 2000, the Company sold 633,366 restricted Rule 144 common shares through private placement offerings for gross proceeds of \$1,553,661, which is net of stock subscriptions receivable of \$25,000. The private placements were exempt from the registration provisions of the Securities and Exchange Commission Act of 1933 under Regulation D.

SERVICES

During the years ended June 30, 2000 and 1999, the Company issued 252,500 and 235,000 restricted Rule 144 common shares in exchange for services rendered, respectively. The Company recorded compensation expense of \$1,017,575 and \$710,866 for the years ended June 30, 2000 and 1999, respectively. Compensation expense was calculated based upon the fair market value of the freely trading shares as quoted on OTCBB through December 1999 and effective January 2000, on NASDAQ over the service period less an average discount of 30% for the restriction feature or the fair value of services received, whichever was more clearly determinable.

SHORT SWING PROFITS

During the second and third quarters of the year ending June 30, 2000, Blue Water, a hedge fund and principal stockholder, purchased and sold shares of the Company's common stock on the public market within a six month period and failed to make adequate disclosures, which constituted a violation of the federal securities statute. Profits of \$1,427,145 arising from the sale of these shares of common stock were contributed to the Company in June 2000.

See accompanying independent auditors' report.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2000 AND 1999

(13) INCENTIVE AND NONSTATUTORY STOCK OPTION PLAN:

THE 1997 PLAN

On April 1, 1997, the Company adopted an Incentive and Nonstatutory Stock Option Plan (the "1997 Plan") for its employees and consultants under which a maximum of 500,000 options may be granted to purchase common stock of the Company. Two types of options may be granted under the Plan: (1) Incentive Stock Options (also known as Qualified Stock Options) which may only be issued to employees of the Company and whereby the exercise price of the option is not less than the fair market value of the common stock on the date it was reserved for issuance under the Plan; and (2) Nonstatutory Stock Options which may be issued to either employees or consultants of the Company and whereby the exercise price of the option is less than the fair market value of the common stock on the date it was reserved for issuance under the plan. Grants of options may be made to employees and consultants without regard to any performance measures. All options listed in the summary compensation table ("Securities Underlying Options") were issued pursuant to the Plan. An additional 20,000 Incentive Stock Options were issued to a non-officer-stockholder of the Company. All options issued pursuant to the Plan vest over an 18 month period from the date of the grant per the following schedule: 33% of the options vest on the date which is six months from the date of the grant; 33% of the options vest on the date which is 12 months from the date of the grant; and 34% of the options vest on the date which is 18 months from the date of the grant. All options issued pursuant to the Plan are nontransferable and subject to forfeiture.

The number and weighted average exercise prices of options granted under the 1997 Plan for the years ended June 30, 2000 and 1999 are as follows:

<TABLE>
<CAPTION>

	2000		1999	
	NUMBER	AVERAGE EXERCISE PRICE	NUMBER	AVERAGE EXERCISE PRICE
Outstanding at the beginning of the year	230,000	\$ 0.77	120,000	\$ 0.01
Outstanding at the end of the year	85,000	\$ 1.10	230,000	\$ 0.77
Granted during the year	-	-	215,000	\$ 0.82
Exercised during the year	145,000	\$ 0.57	105,000	\$ 0.01
Exercisable at the end of the year	85,000	\$ 1.10	186,250	\$ 0.71
Weighted average remaining life (years)	3.5		4.2	

</TABLE>

During the year ended June 30, 1999, the Company recorded compensation expense of \$199,844 in relation to stock options granted.

Under the 1997 Plan, during the year ended June 30, 2000, 145,000 options were exercised into 145,000 shares of common stock for total consideration of \$82,650, of which, 95,000 options were exercised by an officer-stockholder for \$32,650, all of which is presented on the accompanying balance sheet in stock subscriptions receivable in the stockholders' equity section. The remaining 50,000 options were exercised by an unrelated party at \$1.00 per share, for cash.

See accompanying independent auditors' report.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2000 AND 1999

(13) INCENTIVE AND NONSTATUTORY STOCK OPTION PLAN, CONTINUED:

THE 1999 PLAN

On May 18, 1999, the Company enacted an Incentive and Nonstatutory Stock Option Plan (the "1999 Plan") for its employees, directors and consultants under which a maximum of 5,000,000 options may be granted to purchase common stock of the Company. Two types of options may be granted under the Plan: (1) Incentive Stock Options (also known as Qualified Stock Options) which may only be issued to employees of the Company and whereby the exercise price of the option is not less than the fair market value of the common stock on the date it was reserved for issuance under the Plan; and (2) Nonstatutory Stock Options which may be issued to either employees or consultants of the Company and whereby the exercise price of the option is less than the fair market value of the common stock on the date it was reserved for issuance under the plan. Grants of options may be made to employees, directors and consultants without regard to any performance measures. All options issued pursuant to the Plan are nontransferable and subject to forfeiture.

Any Option granted to an Employee of the Corporation shall become exercisable over a period of no longer than ten (10) years and no less than twenty percent (20%) of the shares covered thereby shall become exercisable annually. No Incentive Stock Option shall be exercisable, in whole or in part, prior to one (1) year from the date it is granted unless the Board shall specifically determine otherwise, as provided herein. In no event shall any Option be exercisable after the expiration of ten (10) years from the date it is granted, and no Incentive Stock Option granted to a Ten Percent Holder shall, by its terms, be exercisable after the expiration of ten (10) years from the date of the Option. Unless otherwise specified by the Board or the Committee in the resolution authorizing such option, the date of grant of an Option shall be deemed to be the date upon which the Board or the Committee authorizes the granting of such Option.

The number and weighted average exercise prices of options granted under the 1999 Plan for the year ended June 30, 2000 and 1999 are as follows:

<TABLE>
<CAPTION>

	2000		1999	
	NUMBER	AVERAGE EXERCISE PRICE	NUMBER	AVERAGE EXERCISE PRICE
Outstanding at the beginning of the year	1,350,000	\$ 1.58	-	\$ -
Outstanding at the end of the year	1,982,250	\$ 6.77	1,350,000	\$ 1.58
Granted during the year	1,107,250	\$ 9.75	1,350,000	\$ 1.58
Exercised during the year	475,000	\$ 1.65	-	-
Exercisable at the end of the year	842,146	\$ 7.55	18,750	\$ 1.58
Weighted average remaining life (years)	4.2		5.0	

</TABLE>

Under the 1999 Plan, during the year ended June 30, 2000, 475,000 options were exercised into 475,000 shares of common stock for total consideration of \$786,000, of which, 450,000 options were exercised by officer-stockholders for \$711,000 at an exercise price of \$1.58 per share. These officer-stockholders paid \$500,000 in cash, conveyed land with original cost basis of \$200,000 and the remaining balance of \$11,000 is presented on the accompanying balance sheet as a contra equity balance in the stockholders' equity section. The remaining 25,000 options were exercised by an unrelated party at \$3.00 per share, for cash.

See accompanying independent auditors' report.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 YEARS ENDED JUNE 30, 2000 AND 1999

(13) INCENTIVE AND NONSTATUTORY STOCK OPTION PLAN, CONTINUED:

Pro forma information regarding the effect on operations is required by SFAS 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method of that statement. Pro forma information using the Black-Scholes method at the date of grant based on the following assumptions:

<S>		<C>
	Expected life (years)	5-10 years
	Risk-free interest rate	8.0%
	Dividend yield	-
	Volatility	1.19

Proforma information regarding net loss and loss per share, pursuant to the requirements of FASB 123 for the years ended June 30, 2000 and 1999 are as follows:

<S>	2000		1999	
	HISTORICAL <C>	PROFORMA <C>	HISTORICAL <C>	PROFORMA <C>
Net loss	\$ 3,401,076	\$ 6,016,293	\$ 1,864,279	\$ 1,984,280
Net loss per share - basic and diluted	\$ 0.35	\$ 0.62	\$ 0.43	\$ 0.46

(14) COMMITMENTS:

LEASES

The Company leases its facilities under leases that expire at various times through July 31, 2007. The following is a schedule by years of future minimum rental payments (including subsequent event) required under operating leases that have noncancellable lease terms in excess of one year as of June 30, 2000:

<S>	<C>
Year ending June 30,	
2001	\$ 178,360
2002	193,505
2003	164,590
2004	144,000
2005	144,000
Beyond five years	228,000

	\$ 1,052,455
	=====

Rent expense amounted to \$273,759 and \$124,500 for the years ended June 30, 2000 and 1999, respectively.

See accompanying independent auditors' report.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 YEARS ENDED JUNE 30, 2000 AND 1999

(14) COMMITMENTS, CONTINUED:

EMPLOYMENT AGREEMENTS

Effective May 18, 1999, the Company entered into employment agreements with 3 officers for a period of three years. Pursuant to the agreements, these officers will be compensated at salaries ranging from \$100,000 to \$150,000 annually. In addition, these officers have also been granted 450,000 stock options each, which will vest over the 3 years and are exercisable at prices ranging from \$1.58 to \$3.50.

JOINT VENTURE

During September 1999, the Company entered into a joint venture agreement with 1st Net Technologies, Inc. to share profits from an online business of providing electronic commerce. Pursuant to this agreement, both parties will also share the costs related to maintaining and operating this joint venture. In the event this joint venture is subject to lawsuits or loss contingencies, the Company maybe responsible for the entire loss and will have a right to be indemnified by 1st Net Technologies, Inc. for its share of the losses. There were no material activities during the year ended June 30, 2000.

(15) RELATED PARTY TRANSACTIONS

The Company acquired land from officer-stockholders with an original cost basis of \$200,000.

(16) SUBSEQUENT EVENTS:

LEASE AGREEMENT

Effective October 1, 2000, the Company entered into a rental lease agreement to occupy office space. Pursuant to this agreement, the Company will pay rent of approximately \$12,500 per month through July 31, 2007 (See Note 14). The Company was required to secure an Irrevocable Stand-By Letter of Credit for the benefit of the Landlord in the amount of \$250,000 (see Note 6), which is included in other assets on the accompanying balance sheet. In the event the Company fails to renew the Letter of Credit as set forth in the Letter of Credit Agreement, the Landlord shall be entitled to draw on the Letter of Credit in full. The renewal of each annual Letter of Credit will be reduced by \$35,714 per annum.

LETTER OF CREDIT

During September 2000, the Company opened a certificate of deposit with Merrill Lynch Bank USA in the amount of \$500,000 (see Note 6), as security for an Irrevocable Standby Letter of Credit for the benefit of one of its customers. This letter of credit expires by December 31, 2003. Consequently, \$500,000 is included in other assets on the accompanying balance sheet.

OTHER

The Company has requested the Office of the Chief Accountant of the Securities and Exchange Commission to provide guidance on accounting matters related to the acquisition of Netsol UK, Limited and Network Solutions PVT, Ltd. As of October 12, 2000, no responses have been received by the Company.

See accompanying independent auditors' report.

BYLAWS
OF
MIRAGE HOLDINGS, INC.
A NEVADA CORPORATION

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BYLAWS
OF
MIRAGE HOLDINGS, INC.
A NEVADA CORPORATION

ARTICLE I
OFFICES

Section 1. *PRINCIPAL OFFICE.* The principal office for the transaction of business of the Corporation is hereby fixed and located at 18638 S. Pioneer Boulevard, Artesia, CA 90701. The location may be changed by approval of a majority of the authorized directors, and additional offices may be established and maintained at such other place or places, either within or outside of Nevada, as the Board of Directors may from time to time designate.

Section 2. *OTHER OFFICES.* Branch or subordinate offices may at any time be established by the Board of Directors at any place or places where the Corporation is qualified to do business.

ARTICLE II
DIRECTORS - MANAGEMENT

Section 1. *POWERS, STANDARD OF CARE.*

1.1 *POWERS:* Subject to the provisions of the Nevada Revised Statutes (hereinafter the "Code"), and subject to any limitations in the Articles of Incorporation of the Corporation relating to action required to be approved by the Stockholders, as that term is defined in the Code, or by the outstanding shares, as that term is defined Code, the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors. The Board of Directors may delegate the management of the day-to-day operation of the business of the Corporation to a management company or other persons, provided that the business and affairs of the Corporation shall be managed, and all corporate powers shall be exercised, under the ultimate direction of the Board.

1.2 *STANDARD OF CARE; LIABILITY:*

1.2.1 Each Director shall exercise such powers and otherwise perform such duties, in good faith, in the matters such Director believes to be in the best interests of the Corporation, and with such care, including reasonable inquiry, using ordinary prudence, as a person in a like position would use under similar circumstances.

1.2.2 In performing the duties of a Director, a Director shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, in which case prepared or

presented by:

1.3.1 One or more officers or employees of the Corporation whom the Director believes to be reliable and competent in the matters presented,

1.3.2 Counsel, independent accountants or other persons as to which the Director believes to be within such person's professional or expert competence, or

1.3.3 A Committee of the Board upon which the Director does not serve, as to matters within its designated authority, which committee the Director believes to merit confidence, so long as in any such case the Director acts in good faith, after reasonable inquiry when the need therefor is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.

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Section 2. NUMBER AND QUALIFICATION OF DIRECTORS. The authorized number of Directors of the Corporation shall be not less than three (3) nor more than nine (9) and the exact number of directors shall be eight (8) until changed, within the limits specified above, by a resolution amending such exact number, duly adopted by the Board of Directors or by the shareholders. The minimum and maximum number of directors may be changed, or a definite number may be fixed without provision for an indefinite number, by a duly adopted vote or written consent of a majority of the outstanding shares entitled to vote; provided, however, that an amendment reducing the fixed number or the minimum number of directors to less than five (5) cannot be adopted if the votes cast against its adoption at a meeting, or the shares not consenting in the case of an action by written consent, are equal to more than sixteen and two-thirds (16-2/3%) of the outstanding shares entitled to vote thereon.

Section 3. ELECTION AND TERM OF OFFICE OF DIRECTORS.

3.1 Directors shall be elected at each annual meeting of the Stockholders to hold office until the next annual meeting. If any such annual meeting of Stockholders is not held or the Directors are not elected thereat, the Directors may be elected at any special meeting of Stockholders held for that purpose. Each Director, including a Director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

3.2 Except as may otherwise be provided herein, or in the Articles of Incorporation by way of cumulative voting rights, the members of the Board of Directors of this Corporation, who need not be stockholders, shall be elected by a majority of the votes cast at a meeting of stockholders, by the holders of shares of stock present in person or by proxy, entitled to vote in the election.

Section 4. VACANCIES.

4.1 Vacancies on the Board of Directors may be filled by the vote of a majority of the shares entitled to vote, represented at a duly held meeting at which a quorum is present, or by the written consent of holders of the majority of the outstanding shares entitled to vote. Each Director so elected shall hold office until the next annual meeting of the Stockholders and until a successor has been elected and qualified.

4.2 A vacancy or vacancies on the Board of Directors shall be deemed to exist in the event of the death, resignation or removal of any Director, or if the Board of Directors by resolution declares vacant the office of a Director who has been declared of unsound mind by an order of court or convicted of a felony.

4.3 The Stockholders may elect a Director or Directors at any time to fill any vacancy or vacancies, but any such election by written consent shall require the consent of a majority of the outstanding shares entitled to vote.

4.4 Any Director may resign, effective on giving written notice to the Chairman of the Board, the President, the Secretary, or the Board of Directors, unless the notice specifies a later time for that resignation to become effective.

4.5 No reduction of the authorized number of Directors shall have the effect of removing any Director before that Director's term of office expires.

Section 5. REMOVAL OF DIRECTORS.

5.1 The entire Board of Directors, or any individual Director, may be removed from office as provided by Section 78.335 of the Code at any special meeting of stockholders called for such purpose by vote of the holders of two-thirds of the voting power entitling them to elect directors in place of those to be removed, subject to the provisions of Section 5.2.

5.2 No Director may be removed (unless the entire Board is removed) when the votes cast against removal or not consenting in writing to such removal would be sufficient to elect such Director if voted cumulatively at an election at which the same total number of votes were cast (or, if such action is taken by written consent, all shares entitled to vote, were voted) and the entire number of Directors authorized at the time of the Directors most recent

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election were then being elected; and when by the provisions of the Articles of Incorporation the holders of the shares of any class or series voting as a class or series are entitled to elect one or more Directors, any Director so elected may be removed only by the applicable vote of the holders of the shares of that class or series.

Section 6. PLACE OF MEETINGS. Regular meetings of the Board of Directors shall be held at any place within or outside the state that has been designated from time to time by resolution of the Board. In the absence of such resolution, regular meetings shall be held at the principal executive office of the Corporation. Special meetings of the Board shall be held at any place within or outside the state that has been designated in the notice of the meeting, or, if not stated in the notice or there is no notice, at the principal executive office of the Corporation. Any meeting, regular or special, may be held by conference telephone or similar communication equipment pursuant to Section 78.320 of the Code, so long as all Directors participating in such meeting can hear one another, and all such Directors shall be deemed to have been present in person at such meeting.

Section 7. ANNUAL MEETINGS. Immediately following each annual meeting of Stockholders, the Board of Directors shall hold a regular meeting for the purpose of organization, the election of officers and the transaction of other business. Notice of this meeting shall not be required. Minutes of any meeting of the Board, or any committee thereof, shall be maintained as required by the Code by the Secretary or other officer designated for that purpose.

Section 8. OTHER REGULAR MEETINGS.

8.1 Other regular meetings of the Board of Directors shall be held without call at such time as shall from time to time be fixed by the Board of Directors. Such regular meetings may be held without notice, provided the time and place of such meetings has been fixed by the Board of Directors, and further provided the notice of any change in the time of such meeting shall be given to all the Directors. Notice of a change in the determination of the time shall be given to each Director in the same manner as notice for such special meetings of the Board of Directors.

8.2 If said day falls upon a holiday, such meetings shall be held on the next succeeding day thereafter.

Section 9. SPECIAL MEETINGS/NOTICES.

9.1 Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairman of the Board or the President or any Vice President or the Secretary or any two Directors.

9.2 Notice of the time and place for special meetings shall be delivered personally or by telephone to each Director or sent by first class mail or telegram, charges prepaid, addressed to each Director at his or her address as it is shown in the records of the Corporation. In case such notice is mailed, it shall be deposited in the United States mail at least four days prior to the time of holding the meeting. In case such notice is delivered personally, or by telephone or telegram, it shall be delivered personally or by telephone or

to the telegram company at least 48 hours prior to the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated to either the Director or to a person at the office of the Director who the person giving the notice has reason to believe will promptly communicate same to the Director. The notice need not specify the purpose of the meeting, nor the place, if the meeting is to be held at the principal executive office of the Corporation.

Section 10. WAIVER OF NOTICE.

10.1 The transactions of any meeting of the Board of Directors, however called, noticed, or wherever held, shall be as valid as though had at a meeting duly held after the regular call and notice if a quorum is present and if, either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding the meeting or an approval of the minutes thereof. Waivers of notice or consent need not specify the purposes of the meeting. All such waivers, consents and approvals shall be filed with the corporate records or made part of the minutes of the meeting.

10.2 Notice of a meeting shall also be deemed given to any Director who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such Director.

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Section 11. QUORUMS. A majority of the authorized number of Directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 12 of this Article II. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum was present shall be regarded as the act of the Board of Directors, unless a greater number is required by law or the Articles of Incorporation. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

Section 12. ADJOURNMENT. A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place.

Section 13. NOTICE OF ADJOURNMENT. Notice of the time and place of the holding of an adjourned meeting need not be given, unless the meeting is adjourned for more than 24 hours, in which case notice of such time and place shall be given prior to the time of the adjourned meeting to the Directors who were not present at the time of the adjournment.

Section 14. SOLE DIRECTOR PROVIDED BY ARTICLES OR BYLAWS. In the event only one Director is required by the Bylaws or the Articles of Incorporation, then any reference herein to notices, waivers, consents, meetings or other actions by a majority or quorum of the Board of Directors shall be deemed or referred as such notice, waiver, etc., by the sole Director, who shall have all rights and duties and shall be entitled to exercise all of the powers and shall assume all the responsibilities otherwise herein described, as given to the Board of Directors.

Section 15. DIRECTORS ACTION BY UNANIMOUS WRITTEN CONSENT. Pursuant to Section 78.315 of the Code, any action required or permitted to be taken by the Board of Directors may be taken without a meeting and with the same force and effect as if taken by a unanimous vote of Directors, if authorized by a writing signed individually or collectively by all members of the Board of Directors. Such consent shall be filed with the regular minutes of the Board of Directors.

Section 16. COMPENSATION OF DIRECTORS. Directors, and members as such, shall not receive any stated salary for their services, but by resolution of the Board of Directors, a fixed sum and expense of attendance, if any, may be allowed for attendance at each regular and special meeting of the Board of Directors; provided, however, that nothing contained herein shall be construed to preclude any Director from serving the Corporation in any other capacity as an officer, employee or otherwise receiving compensation for such services.

Section 17. COMMITTEES. Committees of the Board of Directors may be appointed by resolution passed by a majority of the whole Board. Committees shall be composed of two or more members of the Board of Directors. The Board may designate one or more Directors as alternate members of any committee, who

may replace any absent member at any meeting of the committee. Committees shall have such powers as those held by the Board of Directors as may be expressly delegated to it by resolution of the Board of Directors, except those powers expressly made non-delegable by the Code.

Section 18. **MEETINGS AND ACTION OF COMMITTEES.** Meetings and action of committees shall be governed by, and held and taken in accordance with, the provisions of Article II, Sections 6, 8, 9, 10, 11, 12, 13 and 15, with such changes in the context of those Sections as are necessary to substitute the committee and its members for the Board of Directors and its members, except that the time of the regular meetings of the committees may be determined by resolution of the Board of Directors as well as the committee, and special meetings of committees may also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board of Directors may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws.

Section 19. **ADVISORY DIRECTORS.** The Board of Directors from time to time may elect one or more persons to be Advisory Directors, who shall not by such appointment be members of the Board of Directors. Advisory Directors shall be available from time to time to perform special assignments specified by the President, to attend meetings of the Board of Directors upon invitation and to furnish consultation to the Board of Directors. The period during which the title shall be held may be prescribed by the Board of Directors. If no period is prescribed, the title shall be held at the pleasure of the Board of Directors.

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ARTICLE III OFFICERS

Section 1. **OFFICERS.** The principal officers of the Corporation shall be a President, a Secretary, and a Treasurer. The Corporation may also have, at the discretion of the Board of Directors, a Chairman of the Board, one or more Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article III. Any number of offices may be held by the same person.

Section 2. **ELECTION OF OFFICERS.** The principal officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Section 3 or Section 5 of this Article, shall be chosen by the Board of Directors, and each shall serve at the pleasure of the Board of Directors, subject to the rights, if any, of an officer under any contract of employment.

Section 3. **SUBORDINATE OFFICERS, ETC.** The Board of Directors may appoint such other officers as the business of the Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws or as the Board of Directors may from time to time determine.

Section 4. **REMOVAL AND RESIGNATION OF OFFICERS.**

4.1 Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by a majority of the Directors at that time in office, at any regular or special meeting of the Board of Directors, or, except in the case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

4.2 Any officer may resign at any time by giving written notice to the Board of Directors. Any resignation shall take effect on the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

Section 5. **VACANCIES.** A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in the Bylaws for regular appointments to that office.

Section 6. CHAIRMAN OF THE BOARD.

6.1 The Chairman of the Board, if such an officer be elected, shall, if present, preside at the meetings of the Board of Directors and exercise and perform such other powers and duties as may, from time to time, be assigned by the Board of Directors or prescribed by the Bylaws. If there is no President, the Chairman of the Board shall, in addition, be the Chief Executive Officer of the Corporation and shall have the powers and duties prescribed in Section 7 of this Article III.

Section 7. PRESIDENT. Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board, if there is such an officer, the President shall be the Chief Executive Officer of the Corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the Corporation. The President shall preside at all meetings of the Stockholders and, in the absence of the Chairman of the Board, or if there be none, at all meetings of the Board of Directors. The President shall have the general powers and duties of management usually vested in the office of President of a corporation, shall be ex officio a member of all the standing committees, including the Executive Committee, if any, and shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws.

Section 8. VICE PRESIDENT. In the absence or disability of the President, the Vice Presidents, if any, in order of their rank as fixed by the Board of Directors, or if not ranked, the Vice President designated by the Board of Directors, shall perform all the duties of the President, and when so acting, shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice Presidents shall have such other powers and perform such other

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duties as from time to time may be prescribed for them, respectively, by the Board of Directors or the Bylaws, the President, or the Chairman of the Board.

Section 9. SECRETARY.

9.1 The Secretary shall keep, or cause to be kept, a book of minutes of all meetings of the Board of Directors and Stockholders at the principal office of the Corporation or such other place as the Board of Directors may order. The minutes shall include the time and place of holding the meeting, whether regular or special, and if a special meeting, how authorized, the notice thereof given, and the names of those present at Directors' and committee meetings, the number of shares present or represented at Stockholders' meetings and the proceedings thereof.

9.2 The Secretary shall keep, or cause to be kept, at the principal office of the Corporation or at the office of the Corporation's transfer agent, a share register, or duplicate share register, showing the names of the Stockholders and their addresses; the number and classes or shares held by each; the number and date of certificates issued for the same; and the number and date of cancellation of every certificate surrendered for cancellation.

9.3 The Secretary shall give, or cause to be given, notice of all the meetings of the Stockholders and of the Board of Directors required by the Bylaws or by law to be given. The Secretary shall keep the seal of the Corporation in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by the Bylaws.

Section 10. TREASURER.

10.1 The Treasurer shall keep and maintain, or cause to be kept and maintained, in accordance with generally accepted accounting principles, adequate and correct accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, earnings (or surplus) and shares issued. The books of account shall, at all reasonable times, be open to inspection by any Director.

10.2 The Treasurer shall deposit all monies and other valuables in the name and to the credit of the Corporation with such depositaries as may be

designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall render to the President and Directors, whenever they request it, an account of all of the transactions of the Treasurer and of the financial condition of the Corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

ARTICLE IV STOCKHOLDERS' MEETINGS

Section 1. *PLACE OF MEETINGS.* Meetings of the Stockholders shall be held at any place within or outside the state of Nevada designated by the Board of Directors. In the absence of any such designation, Stockholders' meetings shall be held at the principal executive office of the Corporation.

Section 2. *ANNUAL MEETING.*

2.1. The annual meeting of the Shareholders shall be held, each year, as follows:

Time of Meeting: 10:00 A.M.
Date of Meeting: April 15

2.2 If this day shall be a legal holiday, then the meeting shall be held on the next succeeding business day, at the same time. At the annual meeting, the Shareholders shall elect a Board of Directors, consider reports of the affairs of the Corporation and transact such other business as may be properly brought before the meeting.

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2.3 If the above date is inconvenient, the annual meeting of Shareholders shall be held each year on a date and at a time designated by the Board of Directors within twenty days of the above date upon proper notice to all Shareholders.

Section 3. *SPECIAL MEETINGS.*

3.1 Special meetings of the Stockholders for any purpose or purposes whatsoever, may be called at any time by the Board of Directors, the Chairman of the Board, the President, or by one or more Stockholders holding shares in the aggregate entitled to cast not less than 10% of the votes at any such meeting. Except as provided in paragraph B below of this Section 3, notice shall be given as for the annual meeting.

3.2 If a special meeting is called by any person or persons other than the Board of Directors, the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the Chairman of the Board, the President, any Vice President or the Secretary of the Corporation. The officer receiving such request shall forthwith cause notice to be given to the Stockholders entitled to vote, in accordance with the provisions of Sections 4 and 5 of this Article, that a meeting will be held at the time requested by the person or persons calling the meeting, not less than 35 nor more than 60 days after the receipt of the request. If the notice is not given within 20 days after receipt of the request, the person or persons requesting the meeting may give the notice in the manner provided in these Bylaws or upon application to the Superior Court. Nothing contained in this paragraph of this Section shall be construed as limiting, fixing or affecting the time when a meeting of Stockholders called by action of the Board of Directors may be held.

Section 4. *NOTICE OF MEETINGS - REPORTS.*

4.1 Notice of any Stockholders meetings, annual or special, shall be given in writing not less than 10 days nor more than 60 days before the date of the meeting to Stockholders entitled to vote thereat by the Secretary or the Assistant Secretary, or if there be no such officer, or in the case of said Secretary or Assistant Secretary's neglect or refusal, by any Director or Stockholder.

4.2 Such notices or any reports shall be given personally or by mail

or other means of written communication as provided in the Code and shall be sent to the Stockholder's address appearing on the books of the Corporation, or supplied by the Stockholder to the Corporation for the purpose of notice, and in the absence thereof, as provided in the Code by posting notice at a place where the principal executive office of the Corporation is located or by publication at least once in a newspaper of general circulation in the county in which the principal executive office is located.

4.3 Notice of any meeting of Stockholders shall specify the place, the day and the hour of meeting, and (i) in case of a special meeting, the general nature of the business to be transacted and that no other business may be transacted, or (ii) in the case of an annual meeting, those matters which the Board of Directors, at the date of mailing of notice, intends to present for action by the Stockholders. At any meetings where Directors are elected, notice shall include the names of the nominees, if any, intended at the date of notice to be presented for election.

4.4 Notice shall be deemed given at the time it is delivered personally or deposited in the mail or sent by other means of written communication. The officer giving such notice or report shall prepare and file in the minute book of the Corporation an affidavit or declaration thereof.

4.5 If action is proposed to be taken at any meeting for approval of (i) contracts or transactions in which a Director has a direct or indirect financial interest, pursuant to the Code, (ii) an amendment to the Articles of Incorporation, pursuant to the Code, (iii) a reorganization of the Corporation, pursuant to the Code, (iv) dissolution of the Corporation, pursuant to the Code, or (v) a distribution to preferred Stockholders, pursuant to the Code, the notice shall also state the general nature of such proposal.

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Section 5. QUORUM.

5.1 The holders of a majority of the shares entitled to vote at a Stockholders' meeting, present in person, or represented by proxy, shall constitute a quorum at all meetings of the Stockholders for the transaction of business except as otherwise provided by the Code or by these Bylaws.

5.2 The Stockholders present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Stockholders to leave less than a quorum, if any action taken (other than adjournment) is approved by a majority of the shares required to constitute a quorum.

Section 6. ADJOURNED MEETING AND NOTICE THEREOF.

6.1 Any Stockholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the shares represented at such meeting, either in person or by proxy, but in the absence of a quorum, no other business may be transacted at such meeting.

6.2 When any meeting of Stockholders, either annual or special, is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at a meeting at which the adjournment is taken, unless a new record date for the adjourned meeting is fixed, or unless the adjournment is for more than 45 days from the date set for the original meeting, in which case the Board of Directors shall set a new record date. Notice of any adjourned meeting shall be given to each Stockholder of record entitled to vote at the adjourned meeting in accordance with the provisions of Section 4 of this Article. At any adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting.

Section 7. WAIVER OR CONSENT BY ABSENT STOCKHOLDERS.

7.1 The transactions of any meeting of Stockholders, either annual or special, however called and noticed, shall be valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each of the Stockholders entitled to vote, not present in person or by proxy, sign a written

waiver of notice, or a consent to the holding of such meeting or an approval of the minutes thereof.

7.2 The waiver of notice or consent need not specify either the business to be transacted or the purpose of any regular or special meeting of Stockholders, except that if action is taken or proposed to be taken for approval of any of those matters specified in Section E of Section 4 of this Article, the waiver of notice or consent shall state the general nature of such proposal. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

7.3 Attendance of a person at a meeting shall also constitute a waiver of notice of such meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened, and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice is such objection in

ARTICLE V AMENDMENTS TO BYLAWS

Section 1. AMENDMENT BY STOCKHOLDERS.

All Bylaws of the Corporation shall be subject to alteration or repeal, and new Bylaws may be made by the affirmative vote of stockholders holding of record in the aggregate at least a majority of the outstanding shares of stock entitled to vote in the election of directors at any annual or special meeting of stockholders, provided that the notice or waiver of notice of such meeting shall have summarized or set forth in full therein, the proposed amendment.

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Section 2. AMENDMENT BY DIRECTORS.

The Board of Directors shall have power to make, adopt, alter, amend and repeal, from time to time, Bylaws of the Corporation, provided, however, that the stockholders entitled to vote with respect thereto as in this Article V above-provided may alter, amend or repeal Bylaws made by the Board of Directors, except that the Board of Directors shall have no power to change the quorum for meetings of stockholders or of the Board of Directors or to change any provisions of the Bylaws with respect to the removal of directors or the filling of vacancies in the Board resulting from the removal by the stockholders. In any bylaw regulating an impending election of directors is adopted, amended or repealed by the Board of Directors, there shall be set forth in the notice of the next meeting of stockholders for the election of directors, the Bylaws so adopted, amended or repealed, together with a concise statement of the changes made.

Section 3. RECORD OF AMENDMENTS.

Whenever an amendment or new Bylaw is adopted, it shall be copies in the corporate book of Bylaws with the original Bylaws, in the appropriate place. If any Bylaw is repealed, the fact of repeal with the date of the meeting at which the repeal was enacted or written assent was filed shall be stated in the corporate book of Bylaws.

ARTICLE VI SHARES OF STOCK

Section 1. CERTIFICATE OF STOCK.

1.1 The certificates representing shares of the Corporation's stock shall be in such form as shall be adopted by the Board of Directors, and shall be numbered and registered in the order issued. The certificates shall bear the following: the Corporate Seal, the holder's name, the number of shares of stock and the signatures of: (1) the Chairman of the Board, the President or a Vice President and (2) the Secretary, Treasurer, any Assistant Secretary or Assistant Treasurer.

1.2 No certificate representing shares of stock shall be issued until

the full amount of consideration therefore has been paid, except as otherwise permitted by law.

1.3 To the extent permitted by law, the Board of Directors may authorize the issuance of certificates for fractions of a share of stock which shall entitle the holder to exercise voting rights, receive dividends and participate in liquidating distributions, in proportion to the fractional holdings; or it may authorize the payment in cash of the fair value of fractions of a share of stock as of the time when those entitled to receive such fractions are determined; or its may authorize the issuance, subject to such conditions as may be permitted by law, of scrip in registered or bearer form over the signature of an officer or agent of the corporation, exchangeable as therein provided for full shares of stock, but such scrip shall not entitle the holder to any rights of a stockholder, except as therein provided.

Section 2. LOST OR DESTROYED CERTIFICATES.

The holder of any certificate representing shares of stock of the Corporation shall immediately notify the Corporation of any loss or destruction of the certificate representing the same. The Corporation may issue a new certificate in the place of any certificate theretofore issued by it, alleged to have been lost or destroyed. On production of such evidence of loss or destruction as the Board of Directors in its discretion may require, the Board of Directors may, in its discretion, require the owner of the lost or destroyed certificate, or his legal representatives, to give the Corporation a bond in such sum as the Board may direct, and with such surety or sureties as may be satisfactory to the Board, to indemnify the Corporation against any claims, loss, liability or damage it may suffer on account of the issuance of the new certificate. A new certificate may be issued without requiring any such evidence or bond when, in the judgment of the Board of directors, it is proper to do so.

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Section 3. TRANSFER OF SHARES.

3.1 Transfer of shares of stock of the Corporation shall be made on the stock ledger of the Corporation only by the holder of record thereof, in person or by his duly authorized attorney, upon surrender for cancellation of the certificate or certificates representing such shares of stock with an assignment or power of transfer endorsed thereon or delivered therewith, duly executed, with such proof of the authenticity of the signature and of authority to transfer and of payment of taxes as the Corporation or its agents may require.

3.2 The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the absolute owner thereof for all purposes and, accordingly, shall not be bound to recognize any legal, equitable or other claim to, or interest in, such share or shares of stock on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise expressly provided by law.

Section 4. RECORD DATE.

In lieu of closing the stock ledger of the Corporation, the Board of Directors may fix, in advance, a date not exceeding sixty (60) days, nor less than ten (10) days, as the record date for the determination of stockholders entitled to receive notice of, or to vote at, any meeting of stockholders, or to consent to any proposal without a meeting, or for the purpose of determining stockholders entitled to receive payment of any dividends or allotment of any rights, or for the purpose of any other action. If no record date is fixed, the record date for the determination of stockholders entitled to notice of, or to vote at, a meeting of stockholders shall be at the close of business on the day next preceding the day on which the notice is given, or, if no notice is given, the day preceding the day on which the meeting is held. The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the resolution of the directors relating thereto is adopted. When a determination of stockholders of record entitled to notice of, or to vote at, any meeting of stockholders has been made, as provided for herein, such determination shall apply to any adjournment thereof, unless the directors fix a new record date for the adjourned meeting.

DIVIDENDS

Subject to applicable law, dividends may be declared and paid out of any funds available therefor, as often, in such amount, and at such time or times as the Board of Directors may determine.

*ARTICLE VIII
FISCAL YEAR*

The fiscal year of the Corporation shall be December 31, and may be changed by the Board of Directors from time to time subject to applicable law.

*ARTICLE IX
CORPORATE SEAL*

The corporate seal shall be circular in form, and shall have inscribed thereon the name of the Corporation, the date of its incorporation, and the word "Nevada" to indicate the Corporation was incorporated pursuant to the laws of the State of Nevada.

*ARTICLE X
INDEMNITY*

Section 1. Any person made a party to any action, suit or proceeding, by reason of the fact that he, his testator or interstate representative is or was a director, officer or employee of the Corporation or of any corporation in which he served as such at the request of the Corporation, shall be indemnified by the Corporation against the reasonable expenses, including attorneys' fees, actual and necessarily incurred by him in connection with the defense of such action, suit or proceedings, or in connection with any appeal therein, except in relation to matters as to which it shall be

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adjudged in such action, suit or proceeding or in connection with any appeal therein that such officer, director or employee is liable for gross negligence or misconduct in the performance of his duties.

Section 2. The foregoing right of indemnification shall not be deemed exclusive of any other rights to which any officer or director or employee may be entitled apart from the provisions of this section.

Section 3. The amount of indemnity to which any officer or any director may be entitled shall be fixed by the Board of Directors, except that in any case in which there is no disinterested majority of the Board available, the amount shall be fixed by arbitration pursuant to the then existing rules of the American Arbitration Association.

*ARTICLE XI
MISCELLANEOUS*

Section 1. STOCKHOLDERS' AGREEMENTS. Notwithstanding anything contained in this Article XI to the contrary, in the event the Corporation elects to become a close corporation, an agreement between two or more Stockholders thereof, if in writing and signed by the parties thereto, may provide that in exercising any voting rights, the shares held by them shall be voted as provided therein, and may otherwise modify the provisions contained in Article IV, herein as to Stockholders' meetings and actions.

Section 2. SUBSIDIARY CORPORATIONS. Shares of the Corporation owned by a subsidiary shall not be entitled to vote on any matter. For the purpose of this Section, a subsidiary of the Corporation is defined as another corporation of which shares thereof possessing more than 25% of the voting power are owned directly or indirectly through one or more other corporations of which the Corporation owns, directly or indirectly, more than 50% of the voting power.

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EXHIBIT 10.8

Software Distribution Agreement, dated March 15, 2000
by and between Registrant and CFS Group PLC

SOFTWARE DISTRIBUTION AGREEMENT

This Software Distribution Agreement (the "Agreement"), effective as of March 15, 2000 (the "Effective Date"), is made by and between Netsol International, Inc., a Nevada corporation, with principal offices at 5000 North Parkway Calabasas, Suite 202, Calabasas, California 91302 ("Netsol") and CFS Group plc, an English public limited company, with principal offices at CFS House, Intec Business Estate, Wade Road Basingstoke, Hampshire RG24 8NE ("CFS"). Whereas CFS desires to acquire the exclusive right to market and sublicense certain software products of Netsol and Netsol desires to grant such right to CFS, the parties agree to the following:

1. Definitions.

1.1 Products. "Products" means the following software products owned and/or licensed by Netsol (which Products shall be seamlessly integrated by Netsol into one combined Product): e-POS, Proposal Management System and Settlement Management System, including all software components included in the Products as well as content such as executable object code, databases, storage media (collectively, the Software), and third-party components along with related explanatory material (the "Material").

1.2 Distribution License and "distribute". "Distribution License" means a license granted by Netsol to CFS which gives CFS the exclusive right, under the terms of this Agreement, to distribute the Products to third parties. The term "distribute", as used in this Agreement, shall mean to market, advertise, promote or grant End User Licenses.

1.3 End User License. "End User License" means a license granted by CFS which gives a third party the right, under certain terms and conditions, to use (i.e., execute the object code of) the Products. End User License agreements shall be in a form mutually agreeable to Netsol and CFS.

1.4 Marketing Use License. "Marketing Use License" means a license to use the Products solely for marketing, demonstration, and display purposes.

1.5 License Order. "License Order" means a request from CFS to Netsol specifying a quantity of copies of the Products to be delivered on a certain date.

1.6 Customer. "Customer" means any individual, legal, or commercial entity, including any governmental authority, not affiliated with CFS, that enters into or will enter into an End User License Agreement.

1.7 Launch Date. "Launch Date" means the date of the end of the Ramp Period.

1.8 Price. "Price" shall have the meaning set forth in Section 6.

1.9 Ramp Period. "Ramp Period" means the period from the Effective Date through CFS's acceptance of the Products as set forth in Section 3.

1.10 Territory. "Territory" means the whole world.

1.11 Acceptance Testing Standards. "Acceptance Testing Standards" shall mean reasonable standards to be agreed to between the parties which shall include, among other things, requirements (a) that CFS commence testing software within ten (10) days of the date of notification by Netsol to CFS that the software is complete, with such testing to be completed by CFS within forty-five

(45) days and notice given to Netsol of any problems identified (with the software to be deemed accepted if CFS fails to meet this schedule), (b) that Netsol use its reasonable efforts to correct any problems so identified within 45-60 days thereafter and (c) that the parties engage in successive rounds of testing and corrections until the software is accepted (or deemed accepted) by CFS.

2. **Appointment; Product Distribution License.** Subject to all of the terms and conditions of this Agreement, Netsol hereby appoint CFS for the term of this Agreement as the exclusive distributor of the Products, and grants to CFS, and CFS hereby accepts from Netsol, an exclusive and non-transferable Distribution License under which CFS may distribute the Products, including by means of granting a sublicense pursuant to an End User Agreement, to Customers in the Territory. CFS may, in its discretion, distribute the Products under any of its own trademarks or tradenames reasonably acceptable to Netsol or under Netsol Licensed Marks described in Section 5. Subject to all of the terms and conditions of this Agreement, Netsol also grants to CFS an exclusive Marketing Use License. Netsol represents and warrants that it owns or has the right to license the Products. CFS shall be bound by and shall comply with all of the terms of any third-party license agreements for third-party software that may be included in the Software, subject to the following: no such third-party license agreements shall impose any obligation upon CFS to pay any license or other fee nor shall it impose any restriction on CFS' ability to use or distribute the Software other than as identified to CFS by Netsol and accepted by CFS. From time to time, Netsol shall update the Products and shall provide such updates to CFS during the term of this Agreement pursuant to the terms of a Maintenance and Support Agreement to be entered into by the parties upon mutually agreeable terms (which shall include terms relating to source code escrows and periodic updates). Updates of the Software and Materials shall be

deemed a part of the Software and Materials, respectively, and subject to all of the terms and conditions set forth herein, unless otherwise specified. The Products that CFS orders under Section 6.1 below are licensed for distribution only, and not sold. CFS shall not be entitled to receive any source code or source code documentation relating to any Products. Netsol shall not grant any license, sublicense, distribution or other rights to any other person with respect to the Products or any portion or derivative thereof. Notwithstanding the foregoing, however, this Agreement shall not prevent Netsol from (a) continuing DaimlerChrysler as an End User or (b) from licensing the Products to End Users during the Ramp Period. All rights not expressly granted to CFS hereunder are reserved by Netsol.

3. **Netsol Obligations.** Netsol shall use reasonable efforts to (i) support CFS's activities in marketing the Products to prospective Customers, including but not limited to, making available to CFS Product sales and technical training, marketing materials, and Marketing Use Licenses materials; and (ii) fill promptly orders for Products that CFS submits to Netsol in accordance with Section 6.1 below.

Commencing at the Effective Date, Netsol shall use reasonable efforts to complete the development of the Products, including all additional things necessary to provide core functionality for use by End Users Licensees in the United States and Europe ("gap fillers"), including, without limitation, (a) value added tax and other tax systems, and (b) any other core functions reasonably requested by CFS or by the Reference Sites (as defined below), all in accordance with the following schedule: (a) upon receipt from CFS of a list of needed gap fillers it has identified during the first sixty (60) days from the Effective Date (the "gap list delivery date"), Netsol shall respond in writing within fourteen (14) days with its schedule for completion of the implementation of such gap fillers into the Software, identifying those gap fillers that can be completed within an additional four months from the gap list delivery date (the end of the four months is referred to as the "Deadline" and the gap fillers so identified are the "accepted gap fillers") and those gap fillers that cannot be completed within that time period; (b) in the event that there are gap fillers which Netsol cannot complete by the Deadline, CFS can at its option, terminate this Agreement without any liability to Netsol; (c) in the event no such termination has occurred, Netsol shall use reasonable efforts to complete the accepted gap fillers by the Deadline; and (d) when the Products (including the accepted gap fillers) are deemed by Netsol to be completed, Netsol shall deliver the Products to CFS for testing and CFS shall test them, without undue delay, in

accordance with the Acceptance Testing Standards and accept the Products when it is reasonably satisfied that they are complete.

In the event that the date of such acceptance shall not occur on or before the Deadline, CFS may, at its option, terminate this Agreement and recover certain expenses: its reasonable costs (documented to Netsol's reasonable satisfaction) (but not in excess of \$200,000) involved in preparing for the distribution of the Products, including without limitation, costs of travel, amounts paid to Netsol hereunder, marketing materials and training costs.

In the event the date of such acceptance is on or before the Deadline (or afterwards, in the event CFS does not so terminate this Agreement), in which case the date of acceptance shall be the end date of the Ramp Period (provided, however, that CFS, at its sole discretion, may end the Ramp Period at any earlier time).

In addition, during the Ramp Period, Netsol shall, at its expense (a) train CFS personnel to perform end user training (out-of-pocket expenses therefore shall be borne by CFS), and (b) provide adequate system and user documentation work with CFS to produce manuals. During the term of this Agreement (except during the Ramp Period), Netsol shall refer all inquiries from prospective end users regarding the Products to CFS and shall not license or attempt to license Software to any CFS customer.

At no charge to CFS other than as set forth in Section 6.2, Netsol shall provide the support and maintenance services pursuant to the Maintenance and Support Agreement.

For the period commencing with the date of this Agreement through the date two (2) years after the termination or expiration of this Agreement, Netsol shall not develop, modify, sell, produce or license, or provide consulting or programming services regarding, or engage in any other business activity with, any product other than the Product (it being agreed, however, that Netsol may continue its present relationship with DaimlerChrysler and may continue to distribute the Product to End Users during the Ramp Period as set forth in Section 2) which (a) competes with any Product or involves asset based leases or the management thereof, or (b) which competes with any product of CFS to which Netsol has devoted any efforts pursuant to the Master Development services Agreement of even date herewith between the parties.

4. CFS's Obligations.

4.1 CFS shall use reasonable efforts to display, demonstrate, and successfully market the Products to prospective Customers, to secure orders for the Products, and to promptly handle inquiries and orders by Customers. In its distribution efforts, CFS shall use reasonable efforts to comply with good business practices and all laws and regulations relevant to this Agreement of the subject matter hereof. CFS shall not imply that it is, or is part of, Netsol. CFS covenants to Netsol that all advertising and promotional materials that CFS develops in connection with the Products shall not violate any laws or any rights of any third parties, including, but not limited to, such violations as infringement or misappropriation of any copyright, patent, trademark, trade secret, music, image, or other property or proprietary right, false advertising, unfair competition, defamation, invasion of privacy or rights of celebrity, violation of any anti-discrimination law or regulation, or any other right of any person or entity. CFS shall provide support and maintenance services as required by the Maintenance and Support Agreement. CFS shall use reasonable efforts to identify gap fillers required to complete the Products during the Ramp Period, including,

without limitation, implementing the Reference Sites and obtaining input from them within sixty (60) days of their installation.

4.2 By the fifteenth (15th) business day of each calendar quarter, CFS shall provide to Netsol a forecast of the expected volume of License Orders to be submitted to Netsol for that quarter. This estimate is not binding or to be relied upon by Netsol for any purpose.

4.3 CFS shall use reasonable efforts to promptly report to Netsol all

information it develops or receives regarding technical problems with the Products. CFS may, at its discretion, report to Netsol modifications, designs changes or improvements to the Products suggested by any person.

4.4 CFS shall not knowingly fail to comply with the U.S. Foreign Corrupt Practices Act or any applicable export laws, restrictions, or regulations of the United States or other countries located within the Territory and shall not knowingly export or re-export, or allow the export or re-export, of any Products, technology, or information (including, but not limited to, Proprietary Information), or any direct or indirect product thereof, that CFS obtains or learns under this Agreement in violation of any such laws, restrictions, or regulation, or to any country subject to embargo under the laws of the United States or any country within the Territory.

5. Trademark License. Netsol and one or more affiliated companies (individually or collectively, as the case may be, but referred to as the "Licensors") hereby grant and CFS hereby accepts, a personal, non-exclusive, non-transferable and non-assignable license to CFS to use the certain trademarks and service marks owned by the Licensors identified as such in writing to CFS by Netsol (as expanded by Netsol after the date hereof) (collectively, the "Licensed Marks"), during the term of the Agreement solely for the advertising, marketing and promotion of the Products. The Software shall contain Netsol-designed screen giving development credit to Netsol. CFS shall use the Licensed Marks only in a manner that complies with the Agreement and the minimum specifications set forth by Netsol as amended from time to time. CFS shall not use the Licensed Marks in connection with the offer, sale, advertising, marketing or promotion of any goods, services or other activities other than in connection with the Products. CFS hereby accepts that Licensors own all right, title and interest in and to the Licensed Marks and all goodwill attached or which shall become attached thereto, excepting CFS's limited right to use the Licensed Marks pursuant to the license herein granted. CFS may not use the Licensed Marks as part of any domain name. CFS shall not at any time do or cause or suffer to be done any act or thing in any way impairing or tending to impair Licensors' right, title and interest in and to the Licensed Marks. All rights in the Licensed Marks arising from the use thereof by CFS shall inure to the benefit of Licensors and Licensors shall have the exclusive right to register or deal with the same. CFS shall not represent in any manner that it has any ownership interest in the Licensed Marks, and CFS accepts that use of the Licensed Marks shall not create in its favor any right, title

or interest in or to the Licensed Marks. CFS shall promptly inform Netsol of any use or infringement by a third party of the Licensed Marks.

6. Order Terms and Conditions.

6.1 Orders. CFS shall order copies of the Products from Netsol by submitting a purchase order that includes on its face the following statement, "This order is made pursuant to the Software Distribution Agreement with Netsol. No other terms or conditions apply unless accepted in advance in writing by Netsol."

6.2 Pricing and Payment. CFS shall pay a license fee to Netsol equal to fifty percent (50%) of the amounts actually collected from customers for (a) End User Licenses (proved, however, that in the event that the End User License is sold in connection with an end user license for CFS' Credit Line Lease Manager the applicable percentage shall be twenty-five percent (25%) of the license fee for those combined products), net of shipping charges, sales, excise, use, value added or other taxes, tariffs, duties or fees (including customs duties and broker charges) and net of any other amounts charged for ancillary products or services (the net amount is referred to as the "Price"), (b) support and maintenance services relating to the End User License, (c) customization of the Software performed by Netsol (but the amount paid to Netsol for customization shall be a minimum of not less than \$300 per person-day). CFS shall be entitled to reimbursement for amounts paid to Netsol in accordance with this Section to the extent of fifty percent (50%) of any Customer refund made by CFS with respect to claims relating to Product performance.

CFS shall not be required to make any payment to Netsol for revenue CFS receives from implementation of the Products in customer sites, except to the extent it involves Netsol in such implementation activities, and, in such case, only as agreed to by the parties. CFS shall pay Netsol a minimum of \$1.2 million

pursuant to this Section (whether or not Customer receipts are sufficient to require such payment) during the period beginning on the Effective Date and ending on the date 12 months after the Launch Date, inclusive of all amounts paid hereunder, whether or not CFS has sold enough Products to require payment in such amounts. To the extent of a shortfall in such payments, CFS shall pay the amount of such shortfall at the end of such period to Netsol (but for purposes of such calculation, CFS shall be allowed to count as paid to Netsol, the applicable percentage of all accounts receivable CFS has accrued for Products delivered during the period, even if not collected by the last day of the Period, so long as Netsol's share of such accounts receivable are eventually paid within 90 days of the applicable due dates on the payments schedule originally set up with the applicable Customer. No payments to Netsol will be owed by CFS with respect to two End User Licenses granted (with Netsol's consent, which shall not be unreasonably withheld or delayed) at no cost to one end user in the United States and to one end user in Europe (collectively, the "Reference Sites").

In the event CFS desires to offer the Products to Customers on a basis in which the Customers would pay for the Product based on per-usage charges (such as ASR), the parties will negotiate in good faith to determine an appropriate license fee for such arrangement. The parties intend to negotiate the fee within forty-five (45) days of the date hereof.

6.3 Payment. CFS will promptly inform Netsol of (a) the relevant terms of End User License sales and (b) receipt by CFS of payments from Customers as to which Netsol is entitled to be paid any amount pursuant to Section 6.2. CFS shall make full payment to Netsol within thirty (30) days of the date of receipt by CFS of payment from its customer. Netsol's invoices shall reflect estimated due dates based on the assumption that the Customer will pay CFS consistent with the terms of the relevant End User License. All payments and transactions shall be in United States dollars. Overdue payments shall be charged interest at a rate of one-and-a-half percent (1.5%) per month, compounded monthly, or at the maximum rate allowed by law, whichever is less.

6.4 Audit Rights. Netsol shall have the right, at reasonable intervals, to audit the books and records of CFS to the minimum extent reasonably necessary to establish that the amounts reported to it under this Agreement are correct.

7. Limited Warranty; DISCLAIMER. Netsol warrants that the Software media shall function properly for a period of sixty (60) days following the date of delivery of the Software to CFS. OTHERWISE THE PRODUCTS AND ALL ACCOMPANYING MATERIALS ARE PROVIDED "AS IS", AND NETSOL MAKES NO WARRANTY, WHETHER STATUTORY, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE, OR NONINFRINGEMENT, OR ANY WARRANTY ARISING FROM COURSE OF DEALING, PERFORMANCE, CUSTOM AND USAGE IN THE TRADE. NETSOL'S LIABILITY FOR DEATH OR PERSONAL INJURY ARISING OUT OF ITS NEGLIGENCE SHALL NOT BE LIMITED. NETSOL SHALL HAVE NO LIABILITY RELATING TO THE PERFORMANCE OF THE SOFTWARE UNDER ANY THEORY AT LAW, IN EQUITY, OR OTHERWISE, INCLUDING, BUT NOT LIMITED TO, CONTRACT, TORT, NEGLIGENCE AND STRICT LIABILITY, FOR ANY LOSS OR DAMAGES, INCLUDING, BUT NOT LIMITED TO, SPECIAL, EXEMPLARY, PUNITIVE, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES, AND AMOUNTS FOR LOSS OF USE, COMPUTER MALFUNCTION, LOST PROFITS, LOSS OF INFORMATION, BUSINESS INTERRUPTION, AND COSTS OF COVER, EVEN IF NETSOL HAS BEEN ADVISED OF SAME. NO REPRESENTATION REGARDING PERFORMANCE OF THE SOFTWARE MADE ORALLY OR BY CONDUCT SHALL CONSTITUTE A WARRANTY BY OR OTHERWISE BE EFFECTIVE AGAINST OR BINDING UPON NETSOL.

8. LIMITED LIABILITY. NETSOL SHALL NOT BE LIABLE FOR SPECIAL, EXEMPLARY, PUNITIVE, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES (EVEN IF NETSOL HAS BEEN ADVISED OF SAME) AND AMOUNTS FOR LOSS OF USE, COMPUTER MALFUNCTION, LOST PROFITS, LOSS OF INFORMATION, BUSINESS INTERRUPTION OR COSTS OF COVER, ARISING OUT OF, IN CONNECTION WITH, OR RESULTING FROM, THE USE OF OR PERFORMANCE OF THE SOFTWARE AND MATERIALS. THE ENTIRE LIABILITY OF NETSOL FOR ANY LOSS OR DAMAGES ON A CLAIM OF ANY KIND RELATING TO THE PERFORMANCE OF THE SOFTWARE UNDER ANY THEORY AT LAW, IN EQUITY OR OTHERWISE, INCLUDING, BUT NOT LIMITED TO, CONTRACT, TORT, NEGLIGENCE AND STRICT LIABILITY SHALL NOT IN ANY EVENT EXCEED THE SUM OF ALL PAYMENTS ACTUALLY MADE BY CFS TO NETSOL PURSUANT TO THIS AGREEMENT. ANY ACTION AGAINST NETSOL RELATING TO THE PERFORMANCE OF THE SOFTWARE MUST BE BROUGHT WITHIN ONE (1) YEAR AFTER THE CLAIM AROSE.

Notwithstanding the provisions of Sections 7 and 8 above, Netsol shall be liable to CFS with respect to refunds or credits to made by CFS to Customers

with respect to claims that the Products did not perform in accordance with their specifications.

9. *Ownership.* Netsol represents and warrants that it is the sole owner (free and clear of any and all liens, encumbrances, claims or rights of others) of all right, title and interest in and to the Products and all literature associated therewith, including all copyright rights, patent rights, trademark rights, know-how, trade secrets, and related intellectual property, intangible and proprietary rights throughout the world (collectively, the "Owned Assets"). CFS shall not at any time do or cause or suffer to be done any act or thing contesting or in any way impairing or tending to impair the value of or Netsol's right, title and interest in and to any of the Owned Assets. Each party represents and warrants that none of the execution, delivery, or performance of this Agreement or the consummation of the transactions contemplated by this Agreement does or will conflict with, or result in any violation or breach of, or constitute a default under, any provision of any agreement to which it is a party.

10. *Proprietary Information.*

10.1 Pursuant to the Agreement, a party (the "disclosing party") may disclose to the other party (the "recipient party") proprietary technical, trade secret, financial, business, sales, or marketing sensitive information (collectively, "Proprietary Information"). In the event of such disclosure, Netsol and CFS agree to protect the other party's Proprietary Information with the same care as it utilizes to protect its own Proprietary Information, and to not disclose the Proprietary Information to any third party for the term of this Agreement and a period of two (2) years following the termination or expiration of this Agreement. Information that the recipient party can demonstrate is within one of the following exceptions shall not be considered to be

Proprietary Information: (a) information known by the recipient party prior to the execution of this Agreement without an obligation of confidentiality other than under this Agreement; (b) information obtained from any person not in breach of any obligation to the disclosing party, or (c) information publicly known or in the public domain or becomes publicly known through no unauthorized act of the recipient party

10.2 CFS acknowledges that the Products are a valuable proprietary asset of Netsol and contain important trade secrets of Netsol. Except as expressly and unambiguously permitted under this Agreement, and except as strictly permitted under law (but, in such situation, after a request having been made to Netsol), CFS shall not, and shall not allow others to, (i) decompile, reverse engineer, disassemble, trace or otherwise analyze the Products, their content, operation, or functionality; or (ii) transfer, license, rent, lease, loan, modify, adapt, or translate the Products, nor create derivative works based on the Products.

11. *Legal Notices.* Each party shall immediately advise the other in writing of any legal notices served which might affect Netsol or any of the Products.

12. *Cooperation; Public Announcement.* Each party will reasonably assist and cooperate with the other party's technical personnel, accountants, and service and sales personnel upon request. Neither party shall make any Public Announcement mentioning the other party or this Agreement or the terms hereof without the written consent of such other party, unless required by law or by the applicable regulations of a securities exchange. In the event any party concludes that it is required by law to make such a Public Announcement, it shall use its best efforts to consult with the other party as to the content of such Public Announcement, and give reasonable consideration to such other party's suggestions prior to making such Public Announcement. "Public Announcement" shall mean any public announcement, including any publicly accessible filing with a government or regulatory agency, advertisement, or publication or release for publication of any statement.

13. *Costs and Expenses.* Each party shall be solely responsible for all of its costs, salaries and other expenses incurred in connection with the performance of its obligations hereunder, and the other party shall have no liability, obligation or responsibility therefor, unless otherwise agreed upon in writing by the parties or as otherwise indicated in Section 3 of this Agreement.

14. *Term.* The Agreement shall commence on the Effective Date and shall remain in

effect for three years. This Agreement may be extended for an additional term of three years by CFS by written notice to Netsol at any time prior to: (i) its termination; and (ii) ninety (90) days before the date of the expiration of the initial term or of any subsequent term. Upon expiration of the Agreement, CFS shall have no further right to distribute Products, but then-existing End User Licenses shall not be affected.

15. Termination. CFS acknowledges and agrees that, following the expiration or earlier termination of this Agreement, CFS shall not have any right whatsoever to continue as a distributor or otherwise to distribute any Products, regardless of any undocumented continuation of the relationship with Netsol. Upon termination, CFS shall return or destroy any copies it has of the Software. Netsol and CFS acknowledge and agree that the rights of termination under this Agreement are absolute and that it has no rights to a continued relationship with the other except as expressly stated herein. Neither party shall incur any liability whatsoever for any damage, loss, or expenses of any kind suffered or incurred by the other (or for any compensation to the other) arising from or incident to any termination of this Agreement by such party that complies with the terms of this Agreement, whether or not such party is aware of any such damage, loss, or expenses. If this Agreement is terminated for any reason, Netsol may elect to continue or terminate any order for Products then pending. Termination is not the sole remedy under this Agreement and, whether or not a party terminates this Agreement, all other remedies shall remain available to such party. The Agreement may be terminated for any of the following reasons:

15.1 Default or Failure to Complete Product or Failure to Perform. Upon the failure or neglect of either party to comply materially with any of the terms and provisions of the Agreement, and the same is not corrected by the defaulting party within thirty (30) days of the party's receipt of a written notice from the other party that the same be corrected, the non-defaulting party may terminate the Agreement upon thirty (30) days' written notice. Such notice shall be deemed to be effective only if it contains the following sentences in all capital letters: "THIS IS A FORMAL NOTICE OF A BREACH OF CONTRACT. FAILURE TO CURE SUCH BREACH WILL HAVE SIGNIFICANT LEGAL CONSEQUENCES." In addition, CFS shall have the right to terminate this Agreement in the event that the Products fail to meet industry standards for minimum performance. In the event of a termination pursuant to the preceding sentence, no payment with respect to any shortfall shall be due by CFS to Netsol.

15.2 Insolvency. In the event that either party be adjudged insolvent or bankrupt, or upon the institution of any proceedings by it seeking relief, reorganization or arrangement under any laws relating to insolvency or bankruptcy, or upon any assignment for the benefit of creditors, or upon the appointment of a receiver, liquidator or trustee of any of its property or assets, or upon the liquidation, dissolution or winding up of its business, the Agreement may be terminated or canceled by the other party upon giving written notice thereof, and upon the giving of such notice the Agreement shall terminate immediately.

16. Indemnity Obligations.

16.1 Each Party's Obligations. Each party shall be solely responsible for all investments made or expenses incurred in connection with the establishment or operation of its business. Each party (the "indemnifying party") will indemnify and the other party free and harmless from,

and reimburse the other party within thirty (30) days of its incurring, and defend the other party against, any and all claims, liabilities, losses, damages, costs and expenses (including attorneys' fees) arising from in connection with or with respect to: (a) termination of any other agreements as may be entered into by the indemnifying party as a result of the termination or non-renewal of the Agreement; (b) discharge or termination of any personnel employed directly or indirectly by the indemnifying party as a result of the termination or non-renewal of the Agreement; (c) the assessment of any payments, taxes or other charges payable with respect to any personnel of the indemnifying party or any other persons, corporations or other business entities as a result of the termination or non-renewal of the Agreement; (d) any acts or omissions of the indemnifying party or its agents which give rise to claims that such acts or omissions were committed by or on behalf of the other party by the indemnifying party acting in the role of the

indemnifying party or otherwise; and (e) acts or omissions by the indemnifying party in violation of the Agreement.

16.2 *Netsol's Obligations.* Netsol shall hold CFS and its officers, directors, agents and employees harmless from all liability, damages, settlements, attorneys' fees and expenses related to a claim of infringement or misappropriation resulting from infringement by any Product of any patent issued as of the date of delivery of the first copy of the applicable Product or any copyright, provided that Netsol is promptly notified of any and all threats, claims and proceedings related thereto and given reasonable assistance and the opportunity to assume sole control over the defense and all negotiations for a settlement or compromise; Netsol will not be responsible for any settlement it does not approve in writing. THE FOREGOING IS IN LIEU OF ANY WARRANTIES OF NONINFRINGEMENT, WHICH ARE HEREBY DISCLAIMED. The foregoing obligation of Netsol does not apply with respect to Product or portion or component thereof (a) that is not supplied by Netsol, (b) that is modified after shipment by Netsol, if the alleged infringement relates to such modification, (c) that is combined with other products, processes or materials, where the alleged infringement relates to such combination, (d) where CFS continues allegedly infringing activity after being notified thereof or after being informed of modifications that would have avoided the alleged infringement, (e) where CFS's use of the Product is incident to an infringement not resulting primarily from the Product, or (f) where CFS's use is not strictly in accordance with this Agreement and all applicable licenses and documentation. CFS will indemnify Netsol and its officers, directors, agents, and employees from all damages, settlements, attorneys' fees and expenses related to a claim of infringement or misappropriation to the extent such claim relates to CFS' continued infringing activity after being notified thereof or after being informed of modifications that would have avoided the alleged infringement.

17. *Miscellaneous Provisions.*

17.1 *Not a Joint Venture.* Nothing in the Agreement shall be deemed or construed as creating a joint venture, partnership or franchise between Netsol and CFS. Netsol and CFS are, and at all times will continue to be, independent contractors with respect to each other. Neither party shall have any power or authority to bind or commit the other.

17.2 *Governing Laws, Venue, and Contract Interpretation.* The Agreement shall be governed in all respects, including the validity, interpretation, and effect, the laws of the State of California, without regard to principles of conflicts of law. The state and federal courts in the State of New York shall have exclusive jurisdiction over and be the exclusive venue for all matters relating to the Agreement. Each party consents to the jurisdiction of such court and waives any right to raise any objection to the convenience of the venue. Each covenant or provision in the Agreement shall be independent and severable from, and shall not affect the enforceability of, any other covenant or provision of the Agreement; and, therefore, if any covenant or provision of the Agreement shall be determined to be invalid or unenforceable, the remaining covenants and provisions of the Agreement shall remain in full force and effect. Ambiguities, inconsistencies or conflicts in the Agreement shall not be strictly construed against the drafter of the language but will be resolved by applying the most reasonable interpretation under the circumstances, giving full consideration to the parties' intentions at the time the Agreement is entered into. If any words or phrases in this Agreement or any preliminary draft of this Agreement shall have been stricken out or otherwise eliminated, whether or not any other words or phrases have been added, this Agreement shall be construed as if those words or phrases were never included in this Agreement, and no implication or inference shall be drawn from the fact that the words or phrases were so stricken out or otherwise eliminated. Where the context of the Agreement requires, singular terms shall be considered plural, and plural terms shall be considered singular.

Any controversy or claim arising out of or relating to this Agreement (including any such matter involving any parent, subsidiary, affiliate, successor in interest, or agent of CFS or of Netsol) shall be submitted first to voluntary mediation, and if mediation is not successful, then to binding arbitration, in accordance with the dispute resolution procedures set forth in Exhibit A attached hereto. Judgment on any arbitration award may be entered in any court in the State of New York having proper jurisdiction.

17.3 *Entire Understanding.* This Agreement (including Appendices hereto

which are hereby incorporated herein by reference as though fully set out) contains the entire understanding and agreement between the parties with respect to the subject matter contained herein, supersedes all prior oral or written understandings and agreements relating thereto and may not be altered, modified, released, discharged or waived in whole or in part, except by a written instrument signed by authorized representatives of the parties. No person or other legal or commercial entity not a party hereto shall have any interest herein or be deemed a third party beneficiary hereof.

17.4 Survival. Except as specifically set forth herein, expiration, termination or other ending of the Agreement does not extinguish the rights and obligations set forth in Sections 6, 10 or 16 of this Agreement and will not free either party from its respective obligations to comply

with the terms of the Agreement which require performance subsequent to the termination hereof.

17.5 Waiver. The failure of either party to enforce any of the provisions hereof shall not be construed to be a waiver of the right of such party thereafter to enforce such provisions. The failure of either party to exercise in any respect any of the rights provided for herein shall not be deemed a waiver of any right. The waiver of any right provided for herein shall not be deemed a waiver of any further right hereunder.

17.6 Assignment. This Agreement shall inure to the benefit of, and be binding upon, each party and its successors and assigns, but shall not be assignable by any party except by operation of law, as in a merger or consolidation, without the prior written consent of the other party. If any party wishes to delegate the performance of any of its obligations hereunder to a third party, the written consent of the other party must first be obtained and each party reserves the right to approve all terms and conditions of any such delegation. Any purported assignment or delegation by any party without the other party's written consent shall be void and of no effect.

17.7 Headings. Headings used in the Agreement are for reference purposes only and shall not be deemed a part of the Agreement.

17.8 Notices. All notices, reports, requests, acceptances and other communications required or permitted under this Agreement will be in writing. Notices will be deemed given when actually received. All communications will be sent to the receiving party's address as set forth below or to such other address that the receiving party may have provided for purposes of receiving notices as provided in this Section.

To Netsol:

Netsol International, Inc.
5000 North Park Calabasas, Suite 202
Calabasas, California 91302
United States
Attention: General Counsel

with a copy to:

Brobeck, Phleger & Harrison LLP
12390 El Camino Real
San Diego, California 92130
United States
Attention: Martin C. Nichols, Esq.

To CFS:

CFS Group plc
CFS House
Intec Business Estate
Wade Road Basingstoke
Hampshire RG24 8NE
United Kingdom
Attention: Company Secretary

with a copy to:

Riordan & McKinzie
600 Anton Boulevard, 18th Floor
Costa Mesa, California 92626
United States
Attention: Michael P. Whalen, Esq.

17.9 No Personal Liability. Each action or claim of any party arising under or relating to this Agreement shall be made only against the other party as a corporation, and any liability relating thereto shall be enforceable only against the corporate assets of such party. No party shall seek to pierce the corporate veil or otherwise seek to impose any liability relating to, or arising from, this Agreement against any shareholder, employee, officer or director of the other party. Each of such persons is an intended beneficiary of the mutual promises set forth in this Section and shall be entitled to enforce the obligations of this Section.

17.10 Facsimile Delivery; Counterparts; Authority. This Agreement may be delivered by facsimile transmission of an executed counterpart signature page hereof, and after attachment of such transmitted signature page to a copy of this Agreement, such copy shall have the same effect and evidentiary value as copies delivered with original signatures. Any party delivering this Agreement by facsimile transmission shall deliver to the other party, as soon as practicable after such delivery, an original executed counterpart signature page of this Agreement. This Agreement may be executed in more than one counterpart with the same effect as if all executing parties had executed the same document. Each such counterpart shall be deemed an original and such counterparts, taken together, shall constitute one and the same instrument. Each individual executing below on behalf of a party hereby personally represents and warrants to the other party that such individual is duly authorized to so execute, and to deliver, this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

NETSOL INTERNATIONAL, INC.

CFS GROUP PLC

By:

By:

/s/ Salim Ghauri

/s/ Alfred Stein

(Signature)

(Signature)

Salim Ghauri

Alfred Stein

(Print Name)

(Print Name)

Chief Executive Officer

Executive Chairman

(Position)

(Position)

March 10, 2000

March 10, 2000

(Date)

(Date)

By:

By:

/s/ Najeeb U. Ghauri

/s/ N.G. Canderans

(Signature)

(Signature)

Najeeb U. Ghauri

N.G. Canderans

(Print Name)

(Print Name)

President and Secretary

CEO CFS Europe Ltd.

(Position)

(Position)

March 10, 2000

March 10, 2000

(Date)

(Date)

EXHIBIT A

DISPUTE RESOLUTION PROCEDURES

The following procedures shall be used to resolve any controversy or claim ("dispute") as provided in this Agreement. If any of these provisions are determined to be invalid or unenforceable, the remaining provisions shall remain in effect and binding on the parties to the fullest extent permitted by law.

Mediation

A dispute shall be submitted to mediation by written notice to the other party or parties. In the mediation process, the parties will try to resolve their differences voluntarily with the aid of an impartial mediator, who will attempt to facilitate negotiations. The mediator will be selected by agreement of the parties. If the parties cannot agree on a mediator, a mediator will be designated by the American Arbitration Association ("AAA"). Any mediator so designated must be acceptable to all parties.

The mediation will be conducted as specified by the mediator and agreed upon by the parties. The parties agree to discuss their differences in good faith and to attempt, with the assistance of the mediator, to reach an amicable resolution of the dispute.

The mediation will be treated as a settlement discussion and therefore will be confidential. The mediator may not testify for either party in any later proceeding relating to the dispute. No recording or transcript shall be made of the mediation proceedings.

Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally by the parties.

Arbitration

If a dispute has not been resolved within ninety (90) days after the written notice beginning the mediation process (or a longer period, if the parties agree to extend the mediation), the mediation shall terminate and the dispute will be settled by arbitration. The arbitration will be conducted in accordance with the procedures in this document and the International Arbitration Rules of the AAA ("AAA Rules"). In the event of a conflict, the provisions of this document will control.

The arbitration will be conducted before a panel of three arbitrators, regardless of the size of the dispute, to be selected as provided in the AAA Rules. Any issue concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation, or enforceability of these procedures, including any contention that all or part of these procedures are invalid or unenforceable, shall be governed by the Federal Arbitration Act and resolved by

the arbitrators. No potential arbitrator may serve on the panel unless he or she has agreed in writing to abide and be bound by these procedures.

Unless otherwise provided in the Agreement, the arbitrators may not award non-monetary or equitable relief of any sort. They shall have no power to award (i) damages inconsistent with the Agreement or (ii) punitive damages or any other damages not measured by the prevailing party's actual damages, and the parties expressly waive their right to obtain such damages in arbitration or in any other forum. In no event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitrators have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

No discovery will be permitted in connection with the arbitration unless it is expressly authorized by the arbitration panel upon a showing of substantial need by the party seeking discovery.

All aspects of the arbitration shall be treated as confidential. Neither the parties nor the arbitrators may disclose the existence, content or results of the arbitration, except as necessary to comply with legal or regulatory requirements. Before making any such disclosure, a party shall give written notice to all other parties and shall afford such parties a reasonable opportunity to protect their interests.

The result of the arbitration will be binding on the parties, and judgment on the arbitrators' award may be entered in any court having jurisdiction.

EXHIBIT 10.9

Master Development Services Agreement, dated March 15, 2000
by and between Registrant and CFS Group PLC

MASTER DEVELOPMENT SERVICES AGREEMENT

This Master Development Services Agreement (this "Agreement"), effective as of March 15, 2000 (the "Effective Date"), is made by and between Netsol International, Inc., a Nevada corporation with offices located at 5000 North Park Calabasas, Suite 202, Calabasas, California 91302 ("Netsol"), and CFS Group plc, an English public limited company, with its principal office located at CFS House, Intec Business Estate, Wade Road Basingstoke, Hampshire RG24 8NE ("CFS").

WHEREAS, CFS desires to engage Netsol to perform software development services relating to client/server, e-commerce and Internet software as a preferred developer for CFS as may be requested by CFS and hereafter agreed upon in writing by Netsol (the "Services") in accordance with the terms and conditions of this Agreement; and

WHEREAS, Netsol agrees to provide the Services to CFS in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises and covenants hereinafter expressed, the parties hereby mutually agree as follows:

1. **TERM.** This Agreement shall be effective as of the date hereof and, unless sooner terminated in accordance with its terms, shall continue in effect for an initial term ending March 15, 2003. This Agreement shall thereafter continue in effect for successive one year terms, unless (a) not later than ninety (90) days prior to the end of the then current term, CFS shall notify Netsol in writing the other that this Agreement will expire or (b) not later than nine months prior to the end of the then current term, Netsol shall notify CFS in writing that this Agreement will expire. In either case, this Agreement shall expire on the last day of the then current term. However, any open Work Order (as hereinafter defined) that remains open on such date, will terminate upon completion.

2. **SCOPE.**

(a) **SERVICES.** The Services provided by Netsol will be authorized on a Work Order basis.

(b) **PRELIMINARY REQUESTS.** CFS shall, from time to time, inform Netsol in reasonable detail of any Services which CFS desires to be performed (other than Services which CFS may perform for itself). Netsol shall, within 7 days thereafter, then provide CFS with a preliminary quote for the Services under the terms of this Agreement, indicating the time to completion, the availability of Netsol resources, the number of person-days required and other appropriate information to allow CFS to consider the quote. CFS shall then have the option of

accepting, rejecting or negotiating the quote. If CFS rejects the quote, it may engage third-party software developers to perform the Services (and any follow-on Services relating to the particular project). In such case, the terms of the engagement of the third party shall, when taken as a whole (including, without limitation, availability of resources, time to completion and person-days required), be at least as favorable to CFS as those quoted by Netsol. The preceding sentence shall have no force or effect after the occurrence of any event which would cause the shareholders of Netsol as of the date hereof to cease to own at least 51% of the stock of Netsol (or, in the case of a merger or consolidation of Netsol, of its successor).

(c) *WORK ORDERS.* If Netsol accepts the opportunity to perform Services for a project offered by CFS, following consultation between CFS and Netsol, Netsol shall prepare a proposed work order which shall include, to the extent applicable:

(i) Project identification, approach and objectives, the agreed upon scope of the Services and the location where the Services will be performed;

(ii) The software and written deliverables to be developed or prepared specifically for CFS under such Work Order (the "Deliverables"), if any;

(iii) Any acceptance tests or standards applicable to the Services or any Deliverables to be provided under such Work Order;

(iv) The fees for the Services under such Work Order, if calculated in a manner different from that contemplated in Section 3;

(v) The period of performance for the Services under such Work Order;

(vi) Any project assumptions;

(vii) Staffing by the parties and any CFS resource commitments and responsibilities in addition to those set forth in this Agreement;

(viii) Any agreement regarding intellectual property rights of the parties to the extent such agreement would differ from the agreements set forth in Section 5;

(ix) The identification of any third-party intellectual property made available by each party; and

(x) Any other information or agreements deemed relevant by the parties.

Each proposed work order shall be approved by CFS and, when acceptable to both parties (with such acceptance not to be unreasonably withheld), shall be executed by both parties (upon such execution, and as may be modified from time to time in accordance herewith, a "Work Order"). Each Work Order is incorporated by reference into, and shall be deemed a part of, this Agreement. Netsol will perform the Services contemplated by each Work Order. Except as may be expressly provided in this Agreement, nothing in this Agreement shall constitute a

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commitment of either party to enter any particular Work Order. Except as may otherwise be agreed in writing, Netsol shall be compensated as provided in EXHIBITS A and B in preparing any proposed work order, or any proposed addendum or change order to a Work Order, which is prepared at the request of CFS.

(d) *AMENDMENTS TO WORK ORDERS.* If at any time a party believes that services or activities that are in addition to or inconsistent with the Services under a particular Work Order are desirable or necessary, that party shall notify the other party and shall submit a proposal to the other party, which shall describe the terms of the Work Order so affected. If such proposal is approved by the other party, the parties shall execute an addendum or change order applicable to such Work Order and incorporate such proposal into such Work Order.

3. *COMPENSATION.* Unless provided otherwise in any Work Order, as compensation for the Services and for the discharge of all Netsol's obligations under any Work Order, CFS shall pay Netsol's fees in accordance with the rate schedule attached hereto as EXHIBIT A. Such fees shall be payable in U.S. Dollars to Netsol's account within thirty (30) days after the receipt of a monthly invoice covering Services rendered hereunder not previously invoiced. The invoice shall include a summary description of the Services which were performed during the covered period. Netsol shall be compensated for its days

worked and reasonable travel, administrative and out-of-pocket expenses, in accordance with the guidelines attached hereto as EXHIBIT B, unless the applicable Work Order states to the contrary. CFS shall have the right, at reasonable intervals, to audit the books and records of Netsol relating to the performance of this Agreement to the minimum extent reasonably necessary to establish that the amounts invoiced to CFS under this Agreement are correct.

4. CONFIDENTIAL INFORMATION; NON-COMPETITION.

(a) **DEFINITION.** "Confidential Information" means (a) all information that is not generally known to the public and which either party, or its suppliers, clients or other persons (to the extent such party owes a duty of confidence to any such person) has rights, which information is marked confidential, restricted or proprietary by the party having rights in the same, or which, under all of the circumstances, ought reasonably to be treated as confidential and/or proprietary, including this Agreement, (b) trade secrets and (c) information relating to customers. Notwithstanding the foregoing, Confidential Information does not include information that: (i) is, as of the time of its disclosure, or thereafter becomes, part of the public domain through a source other than the receiving party; (ii) was known to the receiving party as of the time of its disclosure; or (iii) other than trade secrets, is subsequently learned from a third party (i.e., not Netsol, CFS or any of their respective employees or agents) not subject to an obligation of confidentiality with respect to the information disclosed.

(b) **RESTRICTIONS.** Each party agrees that, with respect to any Confidential Information disclosed by one party to the other party except as expressly specified in this Agreement, the party receiving such Confidential Information (i) shall maintain in confidence such Confidential Information, using the same degree of care as it uses to protect its own confidential information of like nature, but not less than a reasonable degree of care, and (ii) shall not disclose any such Confidential Information to any person outside that party's business organization. Netsol acknowledges and understands that in the course of performance

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under this Agreement, CFS will disclose trade secrets to Netsol employees and agents, and Netsol agrees that its employees and agents will only share information related to such trade secrets with other Netsol employees or agents on a need-to-know basis. Netsol represents and warrants that each of its employee and agents with access to Confidential Information will have agreed to be bound to the terms of a nondisclosure/non-competition agreement ("IP agreement") mutually acceptable to both parties. Netsol will use reasonable efforts to enforce such IP agreements.

(c) **EXCEPTIONS.** Nothing in this Agreement shall limit the ability of a party in possession of the Confidential Information of the other to disclose such Confidential Information, and such party shall have no liability for such disclosure, if such disclosure is (i) required to be made pursuant to law or regulation, government authority, duly authorized subpoena or court order, whereupon the receiving party will provide prompt notice to the disclosing party and give such party an opportunity to respond prior to such disclosure; (ii) required to be made to a court or other tribunal in connection with the enforcement of such party's rights under this Agreement; or (iii) is approved by the prior written consent of the disclosing party.

(d) **SURVIVAL OF RESTRICTIONS.** The terms of this Section 4 will survive the expiration or earlier termination of this Agreement and will continue in full force and effect for a period of two (2) years from the date of such expiration or termination of this Agreement or as otherwise required by law or regulation. The provisions of this Section 4 shall not limit any of the rights of the parties set forth in Section 5.

(e) **NON-COMPETITION.** For the period commencing with the date of this Agreement through the date two (2) years after the termination or expiration of this Agreement, Netsol shall not develop, modify, sell, produce or license, or provide consulting or programming services regarding, or engage in any other business activity with, any product other than the Product (as defined in the Software Distribution Agreement of even date herewith between the parties (the "SDA") (it being agreed, however, that Netsol may continue its present

relationship with DaimlerChrysler and may continue to distribute the Product to End Users during the Ramp Period as set forth in Section 2 of the SDA) which (a) competes with any Product or involves asset based leases or the management thereof, or (b) which competes with any product of CFS to which Netsol has devoted any efforts pursuant to this Agreement.

(f) NETWORK SECURITY. Netsol shall adhere to CFS' reasonable policies for the protection of CFS' computer network, including, without limitation, procedures for the protection and confidentiality of network passwords.

5. INTELLECTUAL PROPERTY. Unless otherwise specified in a Work Order and subject to any third party's rights, upon full payment, as between the parties, CFS exclusively shall have all rights, title and interest, including without limitation, all intellectual property rights of any kind, in any Deliverable, invention, works of authorship, ideas or information made or conceived or reduced to practice by Netsol or the parties jointly in the course of development under this Agreement, all of which shall be deemed to be "works made for hire" under U.S. and international copyright laws to the extent allowed by law. Notwithstanding the preceding sentence, Netsol shall have and retains the right to use its knowledge, experience, and know-

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how, including processes, ideas, concepts and techniques developed in the course of performing the Services ("Netsol Know-How"); provided however, that such rights are exercised in a manner consistent with Section 4. The parties hereby make any assignments necessary to accomplish the foregoing provisions. Netsol agrees to give CFS reasonable assistance, at CFS's expense, to perfect such assignment of such rights, titles and interest. Netsol hereby grants to CFS a perpetual, worldwide, fully paid-up limited license to use the Netsol Know-How for the purpose of utilizing the Deliverables for internal use and licensing to third parties, with such license assignable in any manner consistent with Section 13(h).

As between the parties, and notwithstanding the foregoing, Netsol shall retain all rights, title and interest in and to the Technical Elements. "Technical Elements" means data, modules, components, designs, utilities, subsets, objects, program listings, tools, models, methodologies, programs, systems, analysis frameworks, leading or best practices and specifications that are both (i) integrated into the Deliverables and (ii) owned or developed by Netsol prior to, or independently from, its engagement hereto. Subject to the terms of this Agreement, Netsol grants to CFS a perpetual, worldwide, fully paid-up limited license to use, distribute and modify such Technical Elements. The parties agree that the Technical Elements shall be deemed the Confidential Information of Netsol.

Netsol agrees to deliver to CFS a copy of the source code and source documentation for each Deliverable accepted by CFS, including any enhancements or updates to such Deliverable. Netsol also agrees to provide for regular delivery of source code by Netsol to CFS during the course of development of each Deliverable on mutually acceptable terms.

6. STAFFING. For the initial twelve (12)-month period following the Effective Date of this Agreement, CFS agrees to (a) provide sufficient work orders to enable a minimum of five (5) Team Leaders and ten (10) Software Developers provided by Netsol to be fully utilized throughout such twelve (12)-month period (such people are referred to as the "Base Team"), and (b) pay Netsol a minimum amount of compensation computed based on the full utilization of the members of the Base Team regardless of whether such members are actually utilized by CFS. If the staffing levels proposed by Netsol in a particular Work Order are insufficient to satisfy the schedule or period of performance required by such Work Order, Netsol shall bear the expense of any additional personnel if Netsol determines that additional staffing resources are necessary. If CFS proposes to change the staffing requirements for Netsol, CFS shall provide prior notice of no less than: (i) ninety (90) days prior to decreasing staffing requirements, and (ii) thirty (30) days prior to increasing staffing requirements. Netsol employees assigned to perform Services under a particular Work Order shall not be permitted to perform Services under any other Work Order without the consent of CFS. The Base Team shall be exclusively dedicated to CFS and shall not perform any services for any Netsol internal needs or any other Netsol customer. No member of the Base Team shall be replaced by Netsol without

the consent of CFS, except under circumstances where that person's services are no longer used by Netsol or any affiliate. In the event a member of the Base Team does leave the Base Team, Netsol shall be responsible for replacing that person with a fully trained replacement at Netsol's expense as quickly as possible.

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7. RELATIONSHIP OF PARTIES.

(a) **INDEPENDENT CONTRACTOR.** Nothing herein contained will be construed to imply a joint venture, partnership or principal-agent relationship between CFS and Netsol. Netsol will provide Services as an independent contractor. Netsol does not undertake by this Agreement or otherwise to perform any obligation of CFS, whether regulatory or contractual, or to assume any responsibility for CFS's business or operations.

(b) **CONCERNING EMPLOYEES OF CFS AND NETSOL.** Personnel supplied by either party will be deemed employees of such party and will not for any purpose be considered employees or agents of the other party. Except as may otherwise be provided in this Agreement, each party shall be solely responsible for the supervision, daily direction and control of its employees and payment of their salaries (including withholding of appropriate payroll taxes), workers' compensation, disability and other benefits.

8. **CFS RESPONSIBILITY.** CFS shall: (a) have the overall direction for all Services to be performed hereunder; (b) provide Netsol, in a timely fashion, with all information reasonably required for the performance of the Services by Netsol hereunder; (c) provide Netsol with reasonable access to the premises necessary for the performance of the Services; (d) cooperate fully with Netsol in the providing of Services; (e) provide adequate resources in accordance with the applicable Work Order to participate in or facilitate the performance of the Services; (f) participate in the conduct of training sessions; (g) be responsible for the development of new documentation procedures; (h) timely participate in meetings and make its personnel readily available for such meetings; (i) approve or reject Deliverables and reports provided to CFS by Netsol within the time periods specified in the Acceptance Testing Standards to be agreed to by the parties; (j) assign personnel with relevant training and experience to work as part of a project team with Netsol or in consultation with Netsol's personnel; and (k) provide a time management system for tracking Netsol resources utilized in performing Services under particular Work Orders.

9. CONTRACT PERFORMANCE.

(a) **PROJECT SPONSOR.** A management official designated by CFS (the "Project Sponsor") shall have overall responsibility for the performance of each Work Order by CFS, for coordinating the performance of the Services with Netsol, for acting as a day-to-day contact with the Account Executive (as defined below) and for making available to Netsol the data, facilities, resources and other support services from CFS required for Netsol to be able to perform the Services in a timely and accurate manner.

(b) **ACCOUNT EXECUTIVE.** A management official designated by Netsol (the "Account Executive") shall have primary operational responsibility for Netsol's performance of the Services, including all Netsol personnel and other technical resources used in performing the Services, and will serve as day-to-day contact with the Project Sponsor.

(c) **AUTHORITY TO MAKE CHANGES.** The Project Sponsor and the Account Executive may propose, accept and implement changes to technical aspects of any Work Order by signing amendments thereto setting forth such changes, provided such changes do not affect the fees or reimbursements agreed upon under any Work Order or materially change the Services. Any material change to the Services under any Work Order must be agreed to by the

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parties and set forth in writing in an addendum or change order to the relevant Work Order executed by the parties.

(d) *STEERING COMMITTEE*. CFS and Netsol shall each appoint two representatives (or such other number, equally divided among CFS and Netsol, as they may agree from time-to-time) to a Steering Committee (the "Steering Committee") which will meet on a regular basis and at such time as its members or the parties deem appropriate, to discuss relevant developments relating to this Agreement. The Steering Committee shall serve an advisory function only, except that the parties may agree to confer specific duties and responsibilities thereon, which shall be set forth on a written charter for the Steering Committee signed by the parties.

10. WARRANTY AND LIMITATION OF LIABILITY.

(a) *WARRANTY*. Netsol will exercise due professional care and competence in the performance of the Services. CFS must provide Netsol with written notice of any deficiencies in the Services within ninety (90) days of acceptance by CFS of the Services under any Work Order. For any breach of the above warranty for which CFS provides such notice to Netsol, CFS's exclusive remedy, and Netsol's entire liability, shall be the re-performance of the Services. (It being understood that services supplied by Netsol outside the warranty shall be paid for pursuant to the Maintenance and Support Agreement defined in the SDA.) If Netsol is unable to re-perform the Services as warranted within ninety (90) days, CFS shall be entitled to recover the fees actually paid to Netsol for the deficient Services.

(b) *LIMITED LIABILITY*. Except with respect to Sections 4 and 5, to the fullest extent permitted by applicable law, the total aggregate liability to CFS of Netsol and its subcontractors, collectively, regardless of whether such liability is based on breach of contract, tort, strict liability, breach of warranties, failure of essential purpose or otherwise, under this Agreement or any Work Order shall be limited to the lesser of (i) an amount equal to one hundred fifty percent (150%) of the fees paid by CFS to Netsol or (ii) but not to exceed the net revenues paid by customers to CFS, pursuant to the Work Order under which any such liability arises.

(c) *EXCLUSION OF CONSEQUENTIAL DAMAGES AND LIMITED RECOURSE*. Except with respect to Section 4, in no event will Netsol, its subcontractors, or CFS be liable for consequential, incidental, indirect, punitive or special damages (including loss of profits, data, business or goodwill), from all causes of action of any kind, including contract, tort or otherwise, even if advised of the likelihood of such damages occurring. CFS's recourse with respect to any liability or obligation of Netsol hereunder shall be limited to the assets of Netsol, and CFS shall have no recourse against, and shall bring no claim against, any partner or employee of Netsol or any of the assets thereof.

(d) *YEAR 2000 DEFECTS*.

(i) Incorrect entry, processing, storage, interpretation or reporting of date information that causes computer systems and other digital devices and components thereof

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that process dates ("Systems") to fail or to produce erroneous results ("Year 2000 Defects"), which Year 2000 Defects may be exceptionally pervasive, complex and latent in CFS's systems.

(ii) Subject to Section 10(d) (iii) below, Netsol warrants that any computer software produced exclusively by Netsol hereunder, with third party software tools and components, if any, selected solely by Netsol, that processes dates ("Software"), is designed to manipulate dates correctly, including dates occurring on and after January 1, 2000, provided that any and all dates that are entered into or otherwise supplied for processing by Software are unambiguous as to the year and are otherwise accurate ("Year 2000 Readiness"). The warranty in this Section 10(d) (ii) shall apply only if CFS provides Netsol with written notice of any deficiencies in the Software's manipulation of dates in violation of this warranty within ninety (90) days of completion of the Services under the applicable Work Order. CFS's exclusive remedy, and Netsol's entire liability for any such deficiency shall be the repair of the Software. If Netsol is unable to repair the Software to comply with the warranty provided in this Section 10(d) (ii), CFS shall be entitled to recover the fees paid to Netsol for the deficient Services.

(iii) CFS UNDERSTANDS THAT NETSOL IS PERFORMING THE SERVICES HEREUNDER IN RELATION TO SYSTEMS AND DATA THAT HAVE BEEN PRODUCED BY CFS, OR SUPPLIED TO CFS BY THIRD PARTIES, AND FOR WHICH NETSOL HAS NO RESPONSIBILITY. NETSOL WILL HAVE NO LIABILITY FOR (X) THE YEAR 2000 READINESS OF, OR ANY DEFICIENCY IN CFS'S OR CFS CUSTOMER'S PRODUCTION AND LEGACY SYSTEMS AND SYSTEMS THAT RECEIVE DATA FROM SYSTEMS, ITEMS, SERVICES OR SOFTWARE PRODUCED BY NETSOL, EXCEPT AS SET FORTH IN SECTION 10(d) (ii) ABOVE, OR (Y) ANY PROCESSING DEFICIENCY IN ANY SYSTEM THAT IS CAUSED IN WHOLE OR PART BY INPUT DATA CONTAINING DATES THAT ARE AMBIGUOUS AS TO THE YEAR OR ARE OTHERWISE INACCURATE.

(e) INSURANCE. Netsol shall use commercially reasonable efforts to obtain professional indemnity insurance in an amount of Seven Million U.S. Dollars (\$7,000,000) to cover liabilities in connection with the Services performed under this Agreement.

(f) APPLICABILITY TO SUBCONTRACTORS. The provisions of this Section 10 are specifically intended to operate for the benefit of, and shall be enforceable by, any approved subcontractor performing Services on behalf of Netsol hereunder.

(g) NO OTHER WARRANTIES. EXCEPT AS OTHERWISE STATED IN SECTION 10 HEREOF, NETSOL MAKES NO WARRANTIES OF ANY KIND OR NATURE, WHETHER EXPRESS OR IMPLIED INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, OR WARRANTIES OF ANY SOFTWARE PROVIDED BY A THIRD PARTY VENDOR.

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11. TERMINATION.

(a) BREACH. If Netsol should materially or repeatedly fail to fulfill its obligations (a "breach") under this Agreement or any Work Order, CFS, without liability therefor, may terminate this Agreement, and all outstanding Work Orders, in whole or in part, by giving Netsol written notice of such breach and the intention of CFS to terminate this Agreement. No failure by CFS to follow the provisions of this Agreement (other than Sections 3, 4, 5 and 6) shall be deemed to be a breach of this Agreement. If CFS breaches its obligations under Sections 3, 4, 5 or 6, Netsol, without liability therefor, may terminate this Agreement, and all outstanding Work Orders, in whole or in part, by giving CFS written notice of such breach and the intention of Netsol to terminate this Agreement. Such notice shall be deemed to be effective only if it contains the following sentences in all capital letters: "THIS IS A FORMAL NOTICE OF A BREACH OF CONTRACT. FAILURE TO CURE SUCH BREACH WILL HAVE SIGNIFICANT LEGAL CONSEQUENCES."

The breaching party will have thirty (30) days from receipt of such notification to cure such breach, except that, with respect to those breaches which cannot reasonably be cured within such thirty (30)-day period, the breaching party shall have such period of time to cure such breach as would be required by a party, in the exercise of good faith and all commercially reasonable efforts, in order to cure such breach; provided, however, that such breaching party shall in fact exercise such good faith and such commercially reasonable efforts to attempt to cure such breach. The failure to cure such breach as stated in the preceding sentence will result in the termination of this Agreement and each Work Order as of the end of such period without prejudice to any other rights the parties may have.

(b) TERMINATION WITHOUT CAUSE. The parties may terminate this Agreement without cause and without liability as described in Section 1.

(c) BANKRUPTCY. Either party may terminate this Agreement and all Work Orders hereunder effective immediately upon giving notification thereof in the event the other party is adjudged insolvent or bankrupt, or upon the institution of any proceeding against the other party seeking relief, reorganization or arrangement under any laws relating to insolvency, or for the making of any assignment for the benefit of creditors, or upon the appointment of a receiver, liquidator or trustee of any of the other party's property or assets, or upon liquidation, dissolution or winding up of the other party's business.

12. FORCE MAJEURE.

(a) FORCE MAJEURE EVENTS. Each party hereto shall be excused from

default or delay in the performance of its obligations hereunder if and to the extent that such default or delay is caused by an act of God, or other cause beyond its reasonable control, including but not limited to, work stoppages, government immigration limitations, fires, riots, accident, explosion, flood, storm, or failures or fluctuations in electrical power, heat light, air conditioning or telecommunications equipment. In such event, the non-performing party shall be excused from performance for as long as such circumstances prevail and shall as soon as practicable notify the other by telephone (to be confirmed promptly in writing) of any actual or anticipated delay.

(b) *CFS DELAYS*. Netsol performance hereunder is contingent upon the cooperation of CFS, including the supply to Netsol of adequate resources and information as

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mutually agreed pursuant to this Agreement and any Work Order. If any delays in Netsol performance occur as a result of failure or untimely performance by CFS, the term of this Agreement and any applicable Work Order, as the case may be, shall be extended to the extent of any such delay and Netsol shall not incur any liability to CFS as a result of such delay.

13. *FURTHER UNDERSTANDINGS*.

(a) *NOTICES*. All notices, reports, requests, acceptances and other communications required or permitted under this Agreement (except for direct communications between Project Sponsor and the Account Representative as contemplated in Section 9) will be in writing. Notices will be deemed given when actually received. All communications will be sent to the receiving party's address as set forth below or to such other address that the receiving party may have provided for purposes of receiving notices as provided in this Section 13(a).

To Netsol:

Netsol International, Inc.
5000 North Park Calabasas, Suite 202
Calabasas, California 91302
United States
Attention: General Counsel

with a copy to:

Brobeck, Phleger & Harrison LLP
12390 El Camino Real
San Diego, California 92130
United States
Attention: Martin C. Nichols, Esq.

To CFS:

CFS Group plc
CFS House
Intec Business Estate
Wade Road Basingstoke
Hampshire RG24 8NE
United Kingdom
Attention: Company Secretary

with a copy to:

Riordan & McKinzie
600 Anton Boulevard, 18th Floor
Costa Mesa, California 92626
United States
Attention: Michael P. Whalen, Esq.

(b) **BINDING NATURE.** This Agreement shall be binding on and inure to the benefit of the parties and their respective successors and permitted assigns.

(c) **SEVERABILITY.** If any provision of this Agreement, or the application thereof, shall for any reason and to any extent be determined by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions of this Agreement shall be interpreted so as best to reasonably effect the intent of the parties. The parties further agree to replace any such invalid or unenforceable provisions with valid and enforceable provisions designed to achieve, to the extent possible, the business purposes and intent of such invalid and unenforceable provisions.

(d) **ENTIRE AGREEMENT.** This Agreement, all Exhibits hereto and any Work Orders hereunder constitute the entire agreement between the parties with respect to the subject matter hereof and supersede all agreements and understandings between CFS and Netsol with respect to the subject matter hereof made prior to the date hereof. There are no representations, warranties, understandings or agreements relating to the subject matter hereof which are not fully expressed in this Agreement. No amendment, modification, waiver or discharge of this Agreement shall be valid unless in writing and signed by an authorized representative of the party against whom such amendment, modification, waiver or discharge is sought to be enforced.

(e) **GOVERNING LAW.** This Agreement shall be governed by the laws of the State of California, excluding its conflict of law rules.

(f) **NO WAIVER.** No waiver or failure to exercise any option, right or privilege under the terms of this Agreement by either of the parties hereto on any occasion or occasions shall be construed to be a waiver of the same on any other occasion or of any other option, right or privilege.

(g) **HEADINGS AND REFERENCES.** The headings and captions used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement. All references in this Agreement to Sections or Exhibits shall, unless otherwise provided, refer to Sections hereof or Exhibits attached hereto, all of which Exhibits are incorporated herein by this reference.

(h) **ASSIGNMENT.** This Agreement may not be assigned by either party without the prior written consent of the other party, which shall not be unreasonably withheld; provided, however, that a party may assign this Agreement and its rights and obligations hereunder to any entity that succeeds to or acquires all or substantially all of assets of, or interest in, such party through merger, consolidation, acquisition of assets or other business combination; and provided further, that in the case of an assignment of this Agreement by Netsol, Netsol shall assign the license to Netsol Know-How provided in Section 5 hereof.

(i) **SOLICITATION.** During the term of this Agreement, and for a period of one (1) year following the expiration or termination of this Agreement, neither party shall solicit

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or hire any employee of the other party who has performed Services hereunder without the prior written consent of such other party.

(j) **SURVIVAL.** The provisions set forth in Sections 4, 5, 10 and 13, and the provisions of any agreement set forth in an Exhibit hereto to the extent expressly stated therein, shall survive the expiration or any termination of this Agreement.

(k) **ORDER OF PRECEDENCE.** In the event of inconsistency between or among the documents listed below, the following order of precedence shall govern:

(i) this Agreement and its Exhibits; and

(ii) Work Orders (except as to terms specifically identified as superseding the terms of this Agreement, which terms shall control over this Agreement for that Work Order only).

(l) **MEDIATION/ARBITRATION.** Any controversy or claim arising out of or relating to this Agreement, any Work Order or the Services provided by Netsol pursuant thereto (including any such matter involving any parent, subsidiary, affiliate, successor in interest, or agent of CFS or of Netsol) shall be submitted first to voluntary mediation, and if mediation is not successful, then to binding arbitration, in accordance with the dispute resolution procedures set forth in EXHIBIT C attached hereto. Judgment on any arbitration award may be entered in any court in the State of New York having proper jurisdiction.

(m) **TRADEMARKS.** This Agreement and any Work Order does not give either party ownership in or right to use the other party's trade name or trademarks.

(n) **TAXES.** Any applicable taxes incurred in connection with the Services or Deliverables (except for taxes imposed on the income of Netsol) will be billed to, and paid by, CFS, in addition to fees and expenses.

(o) **PUBLIC ANNOUNCEMENT.** Neither party shall make any Public Announcement mentioning the other party or this Agreement or the terms hereof without the written consent of such other party, unless required by law or by the applicable regulations of a securities exchange. In the event any party concludes that it is required by law to make such a Public Announcement, it shall use its best efforts to consult with the other party as to the content of such Public Announcement, and give reasonable consideration to such other party's suggestions prior to making such Public Announcement. "Public Announcement" shall mean any public announcement, including any publicly accessible filing with a government or regulatory agency, advertisement, or publication or release for publication of any statement.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

NETSOL INTERNATIONAL, INC.

CFS GROUP PLC

By:

By:

/s/ Salim Ghauri

/s/ N.G. Canderans

(Signature)

(Signature)

Salim Ghauri

N.G. Canderans

(Print Name)

(Print Name)

Chief Executive Officer

CEO CFS Europe Ltd.

(Position)

(Position)

March 10, 2000

March 10, 2000

(Date)

(Date)

By:

By:

/s/ Najeeb U. Ghauri

/s/ Alfred Stein

(Signature)

(Signature)

Najeeb U. Ghauri

Alfred Stein

(Print Name)

(Print Name)

President and Secretary

Executive Chairman

(Position)

(Position)

March 10, 2000

March 10, 2000

(Date)

(Date)

[SIGNATURE PAGE TO MASTER DEVELOPMENT SERVICES AGREEMENT]

EXHIBIT A

RATE SCHEDULE

The labor rates to be charged by Netsol for services shall be determined as follows:

1. Netsol shall charge its standard daily rates per person per day:

<i>Skill</i>	<i>Rate Structure</i>
-----	-----
<i>Team Leader (Training)</i>	<i>\$160 per day (for the ninety (90)-day period following the initial identification of the individual (the "Initial Training Period") for the first fifteen (15) employees performing Services</i>
<i>Team Leader (Project)</i>	<i>\$215 per day (after the Initial Training Period)</i>
<i>Software Developer (Training)</i>	<i>\$140 per day (during the Initial Training Period for the first fifteen (15) employees performing Services</i>
<i>Software Developer (Project)</i>	<i>\$190 per day (after the Initial Training Period)</i>

2. Netsol's standard rates are subject to increases from year to year beginning on May 1, 2001 and on each anniversary date thereof. Netsol shall deliver to CFS any proposal for rate increases at least ninety (90) days prior to the effective date of any rate increase which Netsol and CFS shall negotiate in good faith. In no event may a rate be increased to a rate that exceeds either: (a) one hundred fifteen percent (115%) of the then-current rates, or (b) the lowest rates provided to any customers of Netsol other than for short-term promotional rates.

Exhibit A-1

EXHIBIT B

TRAVEL, LIVING, AND MISCELLANEOUS
EXPENSE REIMBURSEMENT GUIDELINES

For Netsol personnel required to travel away from their primary residence to provide Services to CFS:

1. CFS shall provide housing or lodging accommodations reasonably satisfactory

to Netsol.

2. CFS shall reimburse Netsol for per diem expenses for food and incidentals at the daily rates of: (a) Thirty U.S. Dollars (\$30) for the United States and Australia; (b) Twenty-Five British Pounds (£ 25) for Europe; and (c) other amounts to be mutually negotiated by the parties for other countries.
3. CFS shall reimburse Netsol for reasonable ground and economy-class air transportation expenses.

Exhibit B-1

EXHIBIT C

DISPUTE RESOLUTION PROCEDURES

The following procedures shall be used to resolve any controversy or claim ("dispute") as provided in this Agreement. If any of these provisions are determined to be invalid or unenforceable, the remaining provisions shall remain in effect and binding on the parties to the fullest extent permitted by law.

MEDIATION

A dispute shall be submitted to mediation by written notice to the other party or parties. In the mediation process, the parties will try to resolve their differences voluntarily with the aid of an impartial mediator, who will attempt to facilitate negotiations. The mediator will be selected by agreement of the parties. If the parties cannot agree on a mediator, a mediator will be designated by the American Arbitration Association ("AAA"). Any mediator so designated must be acceptable to all parties.

The mediation will be conducted as specified by the mediator and agreed upon by the parties. The parties agree to discuss their differences in good faith and to attempt, with the assistance of the mediator, to reach an amicable resolution of the dispute.

The mediation will be treated as a settlement discussion and therefore will be confidential. The mediator may not testify for either party in any later proceeding relating to the dispute. No recording or transcript shall be made of the mediation proceedings.

Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally by the parties.

ARBITRATION

If a dispute has not been resolved within ninety (90) days after the written notice beginning the mediation process (or a longer period, if the parties agree to extend the mediation), the mediation shall terminate and the dispute will be settled by arbitration. The arbitration will be conducted in accordance with the procedures in this document and the International Arbitration Rules of the AAA ("AAA Rules"). In the event of a conflict, the provisions of this document will control.

The arbitration will be conducted before a panel of three arbitrators, regardless of the size of the dispute, to be selected as provided in the AAA Rules. Any issue concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation, or enforceability of these procedures, including any contention that all or part of these procedures are invalid or unenforceable, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. No potential arbitrator may serve on the panel unless he or she has agreed in writing to abide and be bound by these procedures.

Unless otherwise provided in the Agreement, the arbitrators may not award non-monetary or equitable relief of any sort. They shall have no power to award (i) damages inconsistent with the

Exhibit C-1

Agreement or (ii) punitive damages or any other damages not measured by the prevailing party's actual damages, and the parties expressly waive their right to obtain such damages in arbitration or in any other forum. In no event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitrators have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

No discovery will be permitted in connection with the arbitration unless it is expressly authorized by the arbitration panel upon a showing of substantial need by the party seeking discovery.

All aspects of the arbitration shall be treated as confidential. Neither the parties nor the arbitrators may disclose the existence, content or results of the arbitration, except as necessary to comply with legal or regulatory requirements. Before making any such disclosure, a party shall give written notice to all other parties and shall afford such parties a reasonable opportunity to protect their interests.

The result of the arbitration will be binding on the parties, and judgment on the arbitrators' award may be entered in any court having jurisdiction.

Exhibit C-2

EXHIBIT 21.1
SUBSIDIARIES:

Netsol USA, Inc. (USA-Virginia)

Network Solutions (Pvt) Ltd. (Pakistan)

Netsol UK, Ltd. (UK)

Netsol Abraxas, Pty. Ltd. (Australia)

Netsol Supernet, AG (Germany)

Netsol eR, Inc. (USA-Calabasas)

Netsol Connect (PVT.) Limited

Network Solutions Group Limited

Network Solutions Limited

Network Solutions (Northern) Limited

Exhibit 23.1

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Netsol International, Inc. and Subsidiaries
(formerly Mirage Holdings, Inc.)
Calabasas, California

We consent to the incorporation by reference in Amendment No. 1 to Registration Statement on Form S-3/A (File No. 333-49832) of our report dated September 26, 2000, with respect to the consolidated financial statements of Netsol International, Inc. and Subsidiaries included in Amendment No. 1 to the Annual Report on Form 10-KSB/A for the year ended June 30, 2000.

/s/ Stonefield Josephson, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

Santa Monica, California
January 31, 2001

CONSENT OF INDEPENDENT CHARTERED ACCOUNTANTS

*Netsol International, Inc. and Subsidiaries
(formerly Mirage Holdings, Inc.)
Calabasas, California*

We consent to the reference to our firm under the caption "Experts" in Amendment No. 1 to the Registration Statement on Form S-3/A (No. 333-49832) of NetSol International, Inc. under the Securities Act of 1933 and to the incorporation by reference therein of our reports dated September 06, 2000 for Network Solutions (Pvt.) Limited and NetSol Connect (Pvt.) Limited with respect to their inclusion in the consolidated financial statements of NetSol International, Inc. and Subsidiaries included in Amendment No. 1 to its Annual Report on Form 10-KSB/A for the year ended June 30, 2000, filed with the Securities and Exchange Commission.

*/s/ Saeed Kamran Patel & Co.
CHARTERED ACCOUNTANTS*

*Lahore, Pakistan
January 31, 2001*

CONSENT OF INDEPENDENT CHARTERED ACCOUNTANTS

*Netsol International, Inc. and Subsidiaries
(formerly Mirage Holdings, Inc.)
Calabasas, California*

We consent to the reference to our firm under the caption "Experts" in Amendment No.1 to the Registration Statement on Form S-3/A (No. 333-49832) of NetSol International, Inc. under the Securities Act of 1993 and to the incorporation by reference therein of our reports dated 22 September 2000 for NetSol (UK) Limited, Network Solutions Group Limited, Network Solutions Limited and Network Solutions (Northern) Limited for the periods ended 31 January 2000 and 30 June 2000 with respect to their inclusion in the consolidated financial statements of NetSol International, Inc. included in Amendment No.1 to its Annual Report on Form 10-KSB/A for the year ended 30 June 2000, filed with the Securities and Exchange Commission.

*/s/ Mazars Neville Russell
Chartered Accountants and Registered Auditors
Milton Keynes, England
January 31, 2001*