

---

---

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

---

## FORM 8-K/A

CURRENT REPORT

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

---

Date of Report (Date of earliest event reported) April 23, 1999

## NETSOL INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation)

000-22773

(Commission File Number)

95-4627685

(IRS Employer Identification No.)

24025 Park Sorrento, Suite 220, Calabasas, CA

(Address of principal executive offices)

91302

(Zip Code)

Registrant's telephone number, including area code: 818/222-9195

5000 North Calabasas Parkway, Suite 202, Calabasas, CA 91301

(Former name or former address, if changed since last report)

---

NetSol International, Inc. (the "Company") hereby files this Amendment No. 1 to its Current Report on form 8-K, filed with the Commission on April 28, 1999, to attach as an exhibit thereto the financial statements of the businesses acquired as listed in Item 7 hereof.

### Item 7. Financial Statements and Exhibits

- (a)
- Financial statements of business acquired.
- Netsol (UK) Limited as of June 30, 1998 (audited) are attached as Exhibit 99.1 to this report.
- Network Solutions (Pvt) Limited as of June 30, 1998 (audited) are attached as Exhibit 99.2 to this report.

- (b)
- Pro Forma Financial information

#### UNAUDITED PROFORMA DISCLOSURES

The following unaudited proforma results of operations and net loss per share assume that the acquisitions of Network Solutions (Pvt) Limited and Netsol (UK) Limited 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.

	June 30, 1997	June 30, 1998
Net sales	\$ 1,691,262	\$ 2,083,476
Cost of sales	\$ 953,657	\$ 1,327,125

Operating expenses	\$ 946,031	\$ 2,022,760
Net loss	\$ (208,486)	\$ (1,266,409)
Net loss per share:		
Basic and diluted	\$ (0.16)	\$ (0.20)

(c)

Exhibits

23.1

Consent of Mazars Neville Russell

23.2

Consent of Saeed Kamran Patel & Co

99.1

Audited Financial Statements for Netsol (UK) Limited as of June 30, 1998

99.2

Audited Financial Statements for Network Solutions (Pvt) Limited as of June 30, 1998

---

**SIGNATURES**

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

Dated: June 7, 2001

**NETSOL INTERNATIONAL, INC.**

By: /s/ NAJEEB GHOURI

\_\_\_\_\_  
Najeeb Ghauri

Its: Chief Executive Officer

---

QuickLinks

[SIGNATURES](#)

*CONSENT OF INDEPENDENT CHARTERED ACCOUNTANTS*

*NetSol International, Inc.  
(formerly Mirage Holdings, Inc.)  
Calabasas, California*

*We consent to the incorporation by reference in Amendment No. 2 to the Registration Statement on Form S-3/A (No. 333-49832) of NetSol International, Inc. and Registration Statement on Form S-8 (No. 333-60534) of NetSol International, Inc. of our report dated September 1, 1998 relating to the June 30, 1998 financial statements of NetSol (UK) Limited appearing in the Form 8-K/A of NetSol International, Inc.*

*/s/ MAZARS NEVILLE RUSSELL  
Chartered Accountants and Registered Auditors  
Milton Keyens, England  
June 5, 2001*

*CONSENT OF INDEPENDENT CHARTERED ACCOUNTANTS*

*NetSol International, Inc.  
(formerly Mirage Holdings, Inc.)  
Calabasas, California*

*We consent to the incorporation by reference in Amendment No. 2 to the Registration Statement on Form S-3/A (No. 333-49832) of NetSol International, Inc. and Registration Statement on Form S-8 (No. 333-60534) of NetSol International, Inc. of our report dated September 8, 1998 relating to the June 30, 1998 financial statements of Network Solutions (Pvt) Limited appearing in the Form 8-K/A of NetSol International, Inc.*

*/s/ SAEED KAMRAN PATEL & CO.  
Lahore, Pakistan  
June 5, 2001*

CONTENTS

REPORTS AND FINANCIAL  
STATEMENTS FOR THE  
PERIOD ENDED 30 JUNE 1998

NETSOL (UK) LIMITED

DIRECTORS' REPORT	1
AUDITORS' REPORT	3
PROFIT AND LOSS ACCOUNT	4
BALANCE SHEET	5
NOTES TO THE FINANCIAL STATEMENTS	6

NETSOL (UK) LIMITED

COMPANY INFORMATION

---

DIRECTORS	S Ghauri (Appointed 20 April 1998) S U Ghauri (Appointed 1 April 1998) N U Ghauri (Appointed 1 April 1998)
SECRETARY	Aldbury Secretaries Limited
COMPANY NUMBER	03483950
REGISTERED OFFICE	264-268 Upper Fourth Street Central Milton Keynes Buckinghamshire MK9 1DP
AUDITORS	Mazars Neville Russell 202 Upper Fifth Street, Silbury Boulevard Central Milton Keynes Bucks MK9 2JB
BUSINESS ADDRESS	Chalkdell Drive, Shenley Wood Milton Keynes Buckinghamshire MK5 6LB

NETSOL (UK) LIMITED

DIRECTORS' REPORT  
FOR THE PERIOD ENDED 30 JUNE 1998

---

The company was incorporated on 19 December 1997 and began trading as of that date.

The directors present their report and financial statements for the period ended 30 June 1998.

#### DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to PRESUME that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### DIRECTORS

The following directors have held office since 19 December 1997:

S Ghauri	(Appointed 20 April 1998)
D J Gibson	(Appointed 19 December 1997 and resigned 19 May 1998)
S U Ghauri	(Appointed 1 April 1998)
N U Ghauri	(Appointed 1 April 1998)

#### DIRECTORS' INTERESTS

The directors' beneficial interest in the shares of the company were as stated below:

<TABLE>

<CAPTION>

<S>	ORDINARY SHARE OF (POUND)1 EACH	
	30 JUNE 1998	19 DECEMBER 1997
	<C>	<C>
S U Ghauri	-	-
N U Ghauri	-	-
S Ghauri	-	-

</TABLE>

Mr S U Ghauri is a director and shareholder of Netsol (Overseas) Limited, the immediate parent company, which is registered in Cyprus.

#### PRINCIPAL ACTIVITIES

The principal activity of the company is the marketing and distribution of software and the provision of consultancy services.

#### AUDITORS

Mazars Neville Russell were appointed auditors to the company during the period and a resolution to re-appoint them as auditors will be proposed at the forthcoming annual general meeting.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board

.....  
S Ghauri  
DIRECTOR  
.....

MAZARS NEVILLE RUSSELL  
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 in accordance with the Financial Reporting Standard for Smaller Entities, following the accounting policies set out on page 6.

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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

/s/ MAZARS NEVILLE RUSSELL  
CHARTERED ACCOUNTANTS  
and Registered Auditors  
Central Milton Keynes  
September 1, 1998

NETSOL (UK) LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 30 JUNE 1998

---

<TABLE>  
<CAPTION>

PERIOD  
ENDED  
30 JUNE  
1998  
NOTES (POUND)

<S>	<C>	<C>
TURNOVER	2	1,010,649
Cost of sales		(804,156)
		-----
GROSS PROFIT		206,493
Administrative expenses		(162,064)
		-----
OPERATING PROFIT	3	44,429
Other interest receivable and similar	4	135
Interest payable and similar charges	5	(549)
		-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		44,015
Tax on profit on ordinary activities	7	(16,000)
		-----
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		28,015
Dividends		(28,000)
RETAINED PROFIT FOR THE PERIOD	13	15
		=====

</TABLE>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognized gains and losses other than those passing through the profit and loss account.

NETSOL (UK) LIMITED

BALANCE SHEET  
AS AT 30 JUNE 1998

<TABLE>  
<CAPTION>

		1998	
<S>	NOTES	(POUND)	(POUND)
	<C>	<C>	<C>
FIXED ASSETS			
Tangible assets	8		20,230
CURRENTS ASSETS			
Debtors	9	273,151	
Cash at bank and in hand		140,059	
		-----	
		413,210	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(422,303)	
		-----	
NET CURRENT LIABILITIES			(9,093)
			-----
TOTAL ASSETS LESS CURRENT LIABILITIES			11,137
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11		(11,022)



		-----
		115
		=====
<b>CAPITAL AND RESERVES</b>		
Called up share capital	12	100
Profit and loss account	13	15
		-----
<b>SHAREHOLDERS' FUNDS - EQUITY INTERESTS</b>	<b>14</b>	<b>115</b>
		=====

</TABLE>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on September 1, 1998.

.....  
S Ghauri  
DIRECTOR

NETSOL (UK) LIMITED  
FOR THE PERIOD ENDED 30 JUNE 1998

1. ACCOUNTING POLICIES

1.1 ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities.

1.2 TURNOVER

Turnover represents the amounts invoiced, excluding value added tax, in respect of consultancy services.

1.3 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Office equipment	25-50%
Motor vehicles	25%

1.4 LEASING AND HIRE PURCHASE COMMITMENTS

Assets obtained under hire purchase contracts and finance leases are capitalized as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 DEFERRED TAXATION

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallize in the foreseeable future.

2 TURNOVER

The turnover of the company for the period has been derived from its

principal activity which was wholly undertaken in the United Kingdom.

3 OPERATING PROFIT

<TABLE>  
<CAPTION>

	1998 (POUND)
<S>	<C>
Operating profit is stated	2,517
Depreciation of tangible assets	8,671
Operating lease rentals	4,000
	=====

</TABLE>

NETSOL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 1998

---

<TABLE>  
<CAPTION>

4	OTHER INTEREST RECEIVABLE AND SIMILAR INCOME	1998 (POUND)
<S>		<C>
	Bank interest	135
		=====

</TABLE>

<TABLE>  
<CAPTION>

5	INTEREST PAYABLE	1998 (POUND)
<S>		<C>
	Hire purchase interest	549
		=====

</TABLE>

6 TRANSACTIONS WITH DIRECTORS

At the period end the following amounts were due to the company from the directors; S U Ghauri (pound)6,000, N Ghauri (pound)1,000 and S Ghauri (pound)5,000. The amount outstanding at the period end was the maximum AMount due throughout the period and no interest has been charged. The amounts have all been settled in full after the year end.

<TABLE>  
<CAPTION>

7	TAXATION	1998 (POUND)
<S>		<C>
	U.K. CURRENT YEAR TAXATION	
	U.K. corporation tax	16,000
		=====

</TABLE>

<TABLE>  
<CAPTION>

8 TANGIBLE FIXED ASSETS

	PLANTS AND MACHINERY (POUND) <C>
<S> COST	
At 19 December 1997	-
Additions	22,747 -----
At 30 June 1998	22,747 -----
DEPRECIATION	
At 19 December 1997	-
Charge for the period	2,517 -----
At 30 June 1998	2,517
NET BOOK VALUE	
At 30 June 1998	20,230 =====

</TABLE>

Included above are assets held under finance leases or hire purchase contracts as follows:

<TABLE>  
<CAPTION>

	MOTOR VEHICLES (POUND) <C>
<S> NET BOOK VALUES	
At 30 June 1998	14,995 =====
DEPRECIATION CHARGE FOR THE PERIOD	
30 June 1998	1,000 =====

</TABLE>

<TABLE>  
<CAPTION>

9	DEBTORS	1998 (POUND) <C>
	<S>	
	Trade debtors	162,772
	Other debtors	110,379 -----
		273,151 =====

</TABLE>

<TABLE>  
<CAPTION>

10	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1998 (POUND) <C>
	<S>	
	Net obligations under finance lease and hire purchase contracts	2,578
	Trade creditors	138,710
	Taxation and social security	120,914
	Amounts due to related parties	115,807
	Other creditors	44,294 -----

</TABLE>

<TABLE>  
<CAPTION>

11	<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	1998 (POUND)
	<S>	<C>
	Net obligations under finance leases and hire purchase agreements	11,022 =====
	<b>NET OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS</b>	
	Repayable within one year	2,578
	Repayable between one and five years	11,022 -----
	Included in liabilities falling due within one year	13,600 (2,578) -----
		11,022 =====

</TABLE>

<TABLE>  
<CAPTION>

12	<b>SHARE CAPITAL</b>	1998 (POUND)
	<S>	<C>
	<b>AUTHORIZED</b>	
	1,000 Ordinary shares of (pound)1 each	1,000 =====
	<b>ALLOTTED, CALLED UP AND FULLY PAID</b>	
	100 Ordinary shares of (pound)1 each	100 =====

</TABLE>

During the year 100 ordinary share of (pound)1 each were issued at par in connection with the formation of the company.

<TABLE>  
<CAPTION>

13	<b>STATEMENT OF MOVEMENTS ON PROFIT AND LOSS ACCOUNT</b>	<b>PROFIT AND LOSS ACCOUNT (POUND)</b>
	<S>	<C>
	Retained profit for the period	15 =====

</TABLE>

<TABLE>  
<CAPTION>

14	<b>RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS</b>	1998 (POUND)
	<S>	<C>
	Profit for the financial period	28,015
	Dividends	(28,000) -----
	Proceeds from issue of shares	15 100 -----

Net addition to shareholders' funds	115
Opening shareholders' funds	-
	-----
Closing shareholders' funds	115
	=====

</TABLE>

15 FINANCIAL COMMITMENTS

At 30 June 1998 the company had annual commitments under non-cancelable operating leases as follows:

<TABLE>  
<CAPTION>

	LAND AND BUILDINGS	OTHER
	1998	1998
	(POUND)	(POUND)
	<C>	<C>
Expiry date:		
Within one year	--	2,844
Between two and five years	6,000	--
	-----	-----
	6,000	2,844
	=====	=====

</TABLE>

16 POST BALANCE SHEET EVENTS

On 27 August 1998 Netsol (Overseas) Limited acquired a further 2 ordinary shares to obtain 100% of the issued ordinary share capital.

On 1 October 1998 51% of the shares in Netsol (Overseas) Limited were transferred to Mirage Holdings Inc., a company incorporated in the United States of America. The accounts of Mirage Inc. are available from 3000 W. Olympic Boulevard, Suite 2235, Santa Monica, California.

17 RELATED PARTY TRANSACTIONS

During the period the company suffered charges of (pound)133,679 by Network Solutions (PVT) Limited, A company incorporated in Pakistan in which the directors have a controlling interest. Throughout the same period Netsol (UK) Limited were charged (pound)170,775 by Network Solutions (PVT) Limited for the supply of computer consultants. At the period end Netsol (UK) Limited owed (pound)115,807 to Network Solutions (PVT) Limited as disclosed in note 10.

Netsol (UK) Limited made sales of (pound)18,259 to Transition Computing Limited a company in which one of the directors, D Gibson (who resigned 19 May 1998) has an interest. At the period end (pound)5,867 was outstanding and is disclosed in note 9.

18 CONTROL

At the period end the immediate controlling party was Netsol (Overseas) Limited, a company incorporated in Cyprus. It is the directors opinion that at the end this company was under the control of one of the directors, S U Ghauri.

NETSOL (UK) LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 30 JUNE 1998

-----

<TABLE>  
<CAPTION>

		PERIOD ENDED 30 JUNE 1998 (POUND)	(POUND)
<S>		<C>	<C>
TURNOVER			
Sales			1,101,649
COST OF SALES			
Contractors' timesheet costs	743,023		
Contractors' allowances	61,133		
	-----		(804,156)
			-----
GROSS PROFIT	20.43%		206,493
ADMINISTRATIVE EXPENSES			(162,064)
			-----
OPERATING PROFIT			44,429
OTHER INTERESTS RECEIVABLE AND SIMILAR INCOME			
Bank interest received	135		
	-----		135
INTEREST PAYABLE			
Hire purchase interest paid	549		
	-----		(549)
PROFIT BEFORE TAXATION	4.36%		44,015

</TABLE>

NETSOL (UK) LIMITED

SCHEDULE OF DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES  
FOR THE PERIOD ENDED 30 JUNE 1998

<TABLE>  
<CAPTION>

	PERIOD ENDED 30 JUNE 1998 (POUND)	<C>
<S>		
ADMINISTRATIVE EXPENSES		
Wages and salaries	2,170	
Bookkeeping	13,723	
Management expenses	18,534	
Rent	8,671	
Management charge	39,678	
Telephone	10,202	
Motor running expenses	14,922	
Legal and prof. fees	13,636	
Audit fees	4,000	
Bank charges	1,243	
Staff expenses	26,015	
Sundry expenses	6,753	
Depreciation	2,517	
	-----	
	162,064	
	=====	

</TABLE>

## [LETTERHEAD OF DFK INTERNATIONAL]

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet fo Network Solutions (Pvt) Limited as at June-30, 1998 and the related statements of income, stockholders' equity and cash flows for the year ended June-30, 1998. We conducted our audit in accordance with International Standards on Auditing which are comparable in all respects with U.S. 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 policies consistently applied.
  - 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, statement of stockholders' equity 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, 1998 and of the income and the cash flows for the year ended and are in accordance with the International Accounting Standards which are comparable in all respects with U.S. Generally Accepted Accounting Principles; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Place: Lahore  
Date: September-07, 1998

/s/ SAEED KAMRAN PATEL & CO.

-----  
Chartered Accountants

NETWORK SOLUTIONS (PVT) LIMITED  
BALANCE SHEET  
AS AT JUNE-30, 1998

<TABLE>  
<CAPTION>

	NOTES	1998 RUPEES	1998 US \$
<S>	<C>	<C>	<C>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and bank balances	4	3,022,852	65,642
Accounts receivables	5	6,879,013	149,381
Advances, prepayments and other receivables	6	1,307,656	28,397
<b>TOTAL CURRENT ASSETS</b>		11,209,521	243,420
<b>PROPERTY AND EQUIPMENT - NET</b>	7	3,908,289	84,871
<b>ASSETS UNDER CAPITAL LEASE</b>	8	906,693	19,689



LONG TERM DEPOSITS		203,290	4,415
TOTAL ASSETS		16,227,793	352,395
=====			
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Current portion of obligations under capital lease		389,053	8,448
Accrued and other liabilities	9	711,870	15,459
-----			
TOTAL CURRENT LIABILITIES		1,100,923	23,907
LONG TERM OBLIGATIONS UNDER CAPITAL LEASE	10	476,242	10,341
CONTINGENCIES AND COMMITMENTS	11		
-----			
TOTAL LIABILITIES		1,577,165	34,248
STOCKHOLDERS' EQUITY			
AUTHORISED			
20,000 ordinary shares of Rs. 100 each		2,000,000	43,431
-----			
ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
400 ordinary shares of Rs. 100 each			
fully paid in cash		40,000	869
RETAINED EARNINGS		5,610,636	121,838
-----			
TOTAL STOCKHOLDERS' EQUITY		5,650,636	122,707
-----			
		7,227,801	156,955
DEPOSIT FOR SHARES		8,999,992	195,440
-----			
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		16,227,793	352,395
=====			

</TABLE>

The annexed notes from 1 to 19 form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

NETWORK SOLUTIONS (PVT) LIMITED  
STATEMENT OF STOCKHOLDERS' EQUITY  
AS AT JUNE-30, 1998

<TABLE>

<CAPTION>

	NOTES	1998 RUPEES	1998 US \$
<S>	<C>	<C>	<C>
STOCKHOLDERS' EQUITY			
SHARE CAPITAL AND RESERVE			
ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
400 ordinary shares of Rs. 100 each			
fully paid in cash		40,000	869
RETAINED EARNINGS		5,610,636	121,838
-----			
		5,650,636	122,707
=====			

</TABLE>

The annexed notes from 1 to 19 form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

NETWORK SOLUTIONS (PVT) LIMITED  
 INCOME STATEMENT  
 FOR THE YEAR ENDED JUNE-30, 1998

<TABLE>  
 <CAPTION>

	NOTES	1998 RUPEES	1998 US \$
<S>	<C>	<C>	<C>
SALES	12	21,534,871	467,641
OPERATING EXPENSES			
Research and development	13	11,009,567	239,078
Administration and selling	14	7,671,087	166,581
		18,680,654	405,659
OPERATING INCOME		2,854,217	61,982
Other income	15	1,076,711	23,381
OPERATING PROFIT		3,930,928	85,363
Financial charges	16	180,139	3,913
INCOME FOR THE YEAR		3,750,789	81,450
RETAINED EARNINGS BROUGHT FORWARD		1,859,847	40,388
RETAINED EARNINGS CARRIED FORWARD		5,610,636	121,838

&lt;/TABLE&gt;

The annexed notes from 1 to 19 form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

NETWORKS SOLUTIONS (PVT) LIMITED  
 CASH FLOW STATEMENT  
 FOR THE YEAR ENDED JUNE-30, 1998

	1998 RUPEES	1998 US \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Income for the year	3,750,789	81,450
Add: Non cash charges to income		
Depreciation	469,910	10,204
Amortization	183,410	3,983
Foreign exchange gain	(1,030,598)	(22,380)
Loss on sale of fixed asset	200	4
	(377,078)	(8,189)
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE INCOME TAX	3,373,711	73,261
Taxes paid	(104,752)	(2,275)
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL	3,268,959	70,986

DECREASE/(INCREASE) IN CURRENT ASSETS

Accounts receivables	(5,930,271)	(128,779)
Advances, prepayments and other receivables	(464,115)	(10,079)
	-----	-----
	(6,394,386)	(138,858)

INCREASE/(DECREASE) IN CURRENT LIABILITIES

Accrued and other liabilities	(117,675)	(2,555)
Short term borrowing	(3,288,128)	(71,403)
	-----	-----

CASH GENERATED FROM OPERATIONS	(3,405,803)	(73,958)
	-----	-----

NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(6,531,230)	(141,830)
--	-------------	-----------

CASH FLOWS FROM INVESTING ACTIVITIES

Property and equipments purchased	(800,247)	(17,378)
Sale proceed of fixed asset	18,200	395
	-----	-----

NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(782,047)	(16,983)
--	-----------	----------

CASH FLOWS FROM FINANCING ACTIVITIES

Payment of obligation under capital lease	(332,404)	(7,218)
Deposit for shares	(1,737,347)	(37,727)
	-----	-----

NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(2,069,751)	(44,945)
	-----	-----

NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(9,383,028)	(203,758)
	-----	-----

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	12,405,880	209,400
	-----	-----

CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3,022,852	65,642
	=====	=====

CHIEF EXECUTIVE

DIRECTOR

NETWORK SOLUTIONS (PVT) LIMITED  
NOTES TO THE ACCOUNTS

1. THE COMPANY AND NATURE OF BUSINESS

Network Solutions (PVI) Limited was incorporated in Pakistan on August 22, 1996 under the Companies Ordinance, 1984 as a private company limited by shares the principal business of the Company is development and export of software.

2. COMPLIANCE WITH ISA

The accounts comply with International Accounting Standards which are comparable in all material respect to U.S. General Accepted Accounting Principles.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 ACCOUNTING CONVENTION

These Accounts have been prepared under the historical cost convention.

3.2 PROPERTY AND EQUIPMENTS

Property and equipment are stated at cost less accumulated depreciation.

Depreciation is charged by applying reducing balance method to write off the cost over the remaining useful life of the assets. Rates of depreciatio are stated in note 7.

Full annual rate of depreciation is applied on the cost of additions while no depreciation is charged on assets deleted during the year.



<S>	<C>	<C>	<C>	<C>	<C>	<C>
Computers	2,148,807	10	196,594	379,460	1,769,347	38,422
Air conditioners	510,907	10	45,982	97,073	413,834	8,987
Furnitures, carpets and telephones	1,417,771	10	130,583	242,526	1,175,245	25,521
Office Equipments	144,393	10	14,439	14,439	129,954	2,822
Electric fittings	211,690	10	19,052	40,221	171,469	3,724
Vehicles	371,700	20	63,260	123,260	248,440	5,395
	4,805,268		469,910	896,979	3,908,289	84,871

</TABLE>

The depreciation charge on operating assets has been allocated as follow:

		1998 RUPEES	1998 US \$
Research and development cost	Note 13	196,594	4,269
Administration and selling expenses	Note 14	273,316	5,935
		469,910	10,204

NETWORK SOLUTIONS (PVT) LIMITED  
NOTES TO THE ACCOUNTS

8. ASSETS UNDER CAPITAL LEASE

The following is the statement of leased assets:

<TABLE>  
<CAPTION>

PARTICULARS	COST TO JUNE 30, 1998	DEPRECIATION		TO JUNE 30, 1998	NET BOOK VALUE AS AT JUNE-30 1998 (RUPEES)	NET BOOK VALUE AS AT JUNE-30 1998 (US \$)
		RATE %	CHARGE FOR YEAR			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Vehicles	930,000	20	148,800	334,800	595,200	12,925
Generator	346,103	10	34,610	34,610	311,493	6,764
	1,276,103		183,410	369,410	906,693	19,689

</TABLE>

The amortisation charge on lease assets has been allocated to administration expenses as referred to in note 14.

<TABLE>  
<CAPTION>

	1998 RUPEES	1998 US \$
<S>	<C>	<C>
9. ACCRUED AND OTHER LIABILITIES		
Accrued liabilities	624,890	13,570
Due to directors	86,980	1,889
	711,870	15,459

10. LONG TERM OBLIGATIONS UNDER  
CAPITAL LEASE

Assets acquired	1,165,699	25,313
Less: Amount paid during the year	300,404	6,524
Current portion of obligations shown under current liabilities	389,053	8,448
	689,457	14,972
	476,242	10,341

</TABLE>

This represents finance obtained under lease agreement for a vehicle from Pacific Leasing Company Limited. Significant terms and conditions are as under:

<S>	<C>	<C>
Principal and finance charges	1,531,619	33,260
Installment payment rest	monthly	monthly
Each installment (Rs.)	42,545	924
No. of installments	36	36
Commenced from	May 1997 & March 1998	
Applicable rate of interest	Approximately 26%	

The future minimum lease payments to which the Company is committed as at June 30, 1998 are as under:

<S>	1998 RUPEES	1998 US \$
Year ending June		
1999	510,540	11,087
2000	448,166	9,732
2001	90,864	1,973
	1,049,570	22,792
Less: Financial Charges allocated to future periods	184,277	4,002
	865,293	18,790

</TABLE>

NETWORK SOLUTIONS (PVT) LIMITED  
NOTES TO THE ACCOUNTS

	1998 RUPEES	1998 US \$
11. CONTINGENCIES AND COMMITMENTS		
There were no contingencies as at June-30, 1998.		
12. SALES		
Export of Software	21,534,871	467,641
13. RESEARCH AND DEVELOPMENT COST		
Staff salaries and benefits	7,445,148	161,675
Staff training	125,920	2,734
Travelling and conveyance	2,553,114	55,443
Electricity charges	361,589	7,852
Printing and stationery	198,998	4,321
Computer maintenance	96,175	2,088
Insurance	32,029	696
Depreciation	Note 7 196,594	4,269
	11,009,567	239,078

14. ADMINISTRATION AND SELLING EXPENSES

ADMINISTRATION

Directors remuneration	2,076,666	45,096
Staff salaries and benefits	1,130,000	24,539
Bonus	1,080,000	23,453
Rent, rates and taxes	591,920	12,854
Telephone & postage	808,056	17,547
Staff teas and refreshment	178,212	3,870

Gardening expenses		7,954	173
Fee and subscription		47,100	1,023
Insurance		112,500	2,443
Vehicle running expenses		386,935	8,402
Repairs and maintenance		79,410	1,724
Legal and professional charges		121,000	2,628
Auditors' remuneration		30,000	651
Newspapers & periodicals		12,791	278
Security expenses		37,066	805
Depreciation	Note 7	273,316	5,935
Amortisation of leased assets	Note 8	183,410	3,983
Charity & donation		8,200	178
Loss on disposal of asset		200	4
Miscellaneous expenses		20,873	453
		<u>7,185,609</u>	<u>156,039</u>

**Selling**

Travelling and conveyance		252,506	5,483
Guest house expenses		199,013	4,322
Advertisement		33,959	737
		<u>485,478</u>	<u>10,542</u>
		<u>7,671,087</u>	<u>166,581</u>

**NETWORK SOLUTIONS (PVT) LIMITED  
NOTES TO THE ACCOUNTS**

		1998 RUPEES	1998 US \$
<b>15. OTHER INCOME</b>			
Foreign exchange gain	Not 15.1	1,030,598	22,380
Interest on bank deposits		46,113	1,001
		<u>1,076,711</u>	<u>23,381</u>

15.1 This represents the net exchange fluctuation gain arises on conversion of current assets and liabilities to Pak Rupees on the balance sheet date.

**16. FINANCIAL CHARGES**

Interest/Mark-up on:			
- short term finance		9,932	216
- lease finance charges		119,270	2,590
Front end fee		5,700	124
Excise duty		4,307	94
Bank charges		40,930	889
		<u>180,139</u>	<u>3,913</u>

**17. TAXATION**

The income of the Company from export of computer software and its related services developed in Pakistan is exempt from tax as per clause 179 of the Second Schedule to the Income Tax Ordinance 1979.

**18. EXCHANGE RATE**

The amount in US Dollars shown in the amounts has been stated for convenience. These amounts have been arrived at by converting the Pak Rupees amounts at the official rates of State Bank of Pakistan @ Rs. 46.05 - US\$ 1.00 as of June-30, 1998.

**19. GENERAL**

Figures have been rounded off to the nearest Pak Rupees and US Dollars.

*CHIEF EXECUTIVE*

*DIRECTOR*