

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 10-QSB

(Mark One)

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

For the quarterly period ended March 31, 2004

() For the transition period from _____ to _____

Commission file number: 0-22773

NETSOL TECHNOLOGIES, INC.

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

NEVADA <i>(State or other Jurisdiction of Incorporation or Organization)</i>	95-4627685 <i>(I.R.S. Employer No.)</i>
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23901 Calabasas Road, Suite 2072, Calabasas, CA 91302

(Address of principal executive offices) (Zip Code)

(818) 222-9195 / (818) 222-9197

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

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

Yes X No ___

The issuer had 8,907,932 shares of its \$.001 par value Common Stock issued and outstanding as of May 10, 2004.

Transitional Small Business Disclosure Format (check one)

Yes ___ No X

NETSOL TECHNOLOGIES, INC.

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES**
CONSOLIDATED BALANCE SHEET — MARCH 31, 2004 (UNAUDITED)

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 449,047
Certificates of deposits	820,047
Accounts receivable, net of allowance of \$165,168	984,098
Revenues in excess of billings	1,451,121
Other current assets	1,310,285
	<hr/>
Total current assets	5,014,598
Property and equipment, net of accumulated depreciation	2,052,592
Intangibles:	
Product licenses, renewals, enhancements, copyrights, trademarks, and tradenames, net	2,270,247
Customer lists, net	720,485
Goodwill, net	1,046,926
	<hr/>
Total intangibles	4,037,658
	<hr/>
Total assets	\$ 11,104,848
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LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable and accrued expenses	\$ 1,784,390
Current portion of notes and obligations under capitalized leases	485,282
Billings in excess of revenues	141,843
Loan payable, bank	363,387
	<hr/>
Total current liabilities	2,774,902
Obligations under capitalized leases, less current maturities	28,824
Loans payable	201,360
Convertible debenture	900,000
	<hr/>
Total liabilities	3,905,086
Minority interest	45,613
Contingencies	-
Stockholders' equity:	
Common stock, \$.001 par value; 25,000,000 share authorized; 8,874,533 issued and outstanding	8,875
Additional paid-in-capital	37,943,360
Accumulated deficit	(30,243,330)
Stock subscription receivable	(594,148)
Stock to be issued	50,892
Accumulated other comprehensive loss	(11,500)
	<hr/>
Total stockholders' equity	7,154,149
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Total liabilities and stockholders' equity	\$ 11,104,848
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See accompanying notes to consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Month Periods Ended March 31,		For the Nine Month Periods Ended March 31,	
	2004	2003	2004	2003
Net revenues	\$ 1,700,774	\$ 914,258	\$ 3,881,731	\$ 2,513,914
Cost of revenues	694,823	409,610	1,645,536	1,032,310
Gross profit	1,005,951	504,648	2,236,195	1,481,604
Operating expenses:				
Selling and marketing	49,690	11,628	96,377	67,384
Depreciation and amortization	402,151	464,999	1,226,180	1,340,839
Settlement costs	22,500	-	122,500	-
Bad debt expense	59,821	-	153,327	167,733
Salaries and wages	408,840	194,963	1,003,289	688,741
Professional services, including non-cash compensation	70,701	64,270	310,403	308,036
General and administrative	490,936	254,658	1,239,420	1,006,631
Total operating expenses	1,504,639	990,518	4,151,496	3,579,364
Loss from operations	(498,688)	(485,870)	(1,915,301)	(2,097,760)
Other income and (expenses)				
Gain (Loss) on sale of assets	160	-	(33,759)	-
Beneficial conversion feature	(3,323)	-	(99,350)	-
Gain on settlement of debts	99,146	-	203,234	-
Other income and (expenses)	(71,894)	(31,776)	(157,286)	(101,547)
Minority interest in subsidiary	71,049	-	164,387	-
Loss from continuing operations	(403,550)	(517,646)	(1,838,075)	(2,199,307)
Gain from discontinuation of a subsidiary	-	-	-	478,075
Net loss	(403,550)	(517,646)	(1,838,075)	(1,721,232)
Other comprehensive (loss)/gain:				
Translation adjustment	(53,590)	(10,715)	(160,797)	(267,622)
Comprehensive loss	\$ (457,140)	\$ (528,361)	\$ (1,998,872)	\$ (1,988,854)
Net loss per share - basic and diluted:				
Continued operations	\$ (0.05)	\$ (0.12)	\$ (0.22)	\$ (0.46)
Discontinued operations	\$ -	\$ -	\$ -	\$ 0.10
Net loss	\$ (0.05)	\$ (0.11)	\$ (0.22)	\$ (0.36)
Weighted average number of shares outstanding - basic and diluted*	7,475,148	4,329,634	8,255,680	4,805,160

*The basic and diluted net loss per share has been retroactively restated to effect a 5:1 reverse stock split on August 18, 2003

See accompanying notes to consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Nine Months Ended March 31,	
	2004	2003
Cash flows from operating activities:		
Net loss from continuing operations	\$ (1,838,075)	\$ (1,721,232)
Adjustments to reconcile net loss to net cash		
Used in operating activities:		
Depreciation and amortization	1,226,180	1,340,839
Gain on discontinued operations		(478,075)
Gain on forgiveness of debt	(203,234)	-
Loss on disposal of assets	33,759	-
Minority interest in subsidiary	(164,387)	-
Stock issued for accrued compensation	-	365,469
Stock issued for settlement costs	135,133	-
Beneficial conversion feature	99,350	-
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(356,198)	555,489
Other current assets	(1,829,243)	(162,173)
Other assets	-	(464,150)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(428,800)	(445,322)
Net cash used in operating activities	(3,325,515)	(1,009,155)
Cash flows from investing activities:		
Purchases of property and equipment	(372,594)	(90,172)
Sales of property and equipment	194,004	-
Purchases of certificates of deposit	(2,170,047)	-
Proceeds from sale of certificates of deposit	1,350,000	714,334
Increase in intangible assets - development costs	(66,855)	-
Proceeds from sale of minority interest of subsidiary	210,000	-
Net cash (used in) provided by investing activities	(855,492)	624,162
Cash flows from financing activities:		
Proceeds from sale of common stock	1,102,049	-
Proceeds from the exercise of stock options	1,215,575	655,135
Proceeds from loans	1,067,000	227,667
Proceeds from convertible debenture	1,200,000	-
Payments on capital lease obligations & loans	(198,874)	(85,393)
Net cash provided by financing activities	4,385,750	797,409
Effect of exchange rate changes in cash	29,814	-
Net increase in cash & cash equivalents	234,557	412,416
Cash and cash equivalents, beginning of period	214,490	86,914
Cash and cash equivalents, end of period	\$ 449,047	\$ 499,330

See accompanying notes to consolidated financial statements.

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

	For the Nine Months	
	Ended March 31,	
	2004	2003
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the period for:		
Interest	\$ 75,690	\$ 58,779
Taxes	\$ 54,644	\$ 5,078
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Common stock issued for services and compensation	\$ -	\$ 352,859
Common stock issued for conversion of note payable	\$ 850,000	\$ -
Common stock issued for legal settlement	\$ 135,133	\$ -
Common stock issued for acquisition of product license	\$ 166,860	\$ -
Common stock issued for settlement of debt	\$ 209,200	\$ -

See accompanying notes to consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

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

The consolidated condensed interim financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these consolidated condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-KSB for the year ended June 30, 2003. The Company follows the same accounting policies in preparation of interim reports. Results of operations for the interim periods are not indicative of annual results.

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, NetSol Technologies (PVT), Ltd., NetSol (PVT), Limited, NetSolCONNECT (PVT), Ltd. (now, NetSol Akhtar Pvt. Ltd.), NetSol Abraxas Australia Pty Ltd., NetSol USA and NetSol Technologies UK, Ltd. All material inter-company accounts have been eliminated in consolidation.

For comparative purposes, prior year's consolidated financial statements have been reclassified to conform to report classifications of the current year.

(2) USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles in the United States, 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.

(3) NEW ACCOUNTING PRONOUNCEMENTS:

On May 15, 2003, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 150 (FAS 150), Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. FAS 150 changes the accounting for certain financial instruments that, under previous guidance, could be classified as equity or "mezzanine" equity, by now requiring those instruments to be classified as liabilities (or assets in some circumstances) in the statement of financial position. Further, FAS 150 requires disclosure regarding the terms of those instruments and settlement alternatives. FAS 150 affects an entity's classification of the following freestanding instruments: a) Mandatorily redeemable instruments b) Financial instruments to repurchase an entity's own equity instruments c) Financial instruments embodying obligations that the issuer must or could choose to settle by issuing a variable number of its shares or other equity instruments based solely on (i) a fixed monetary amount known at inception or (ii) something other than changes in its own equity instruments d) FAS 150 does not apply to features embedded in a financial instrument that is not a derivative in its entirety. The guidance in FAS 150 is generally effective for all financial instruments entered into or modified after May 31, 2003, and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. For private companies, mandatorily redeemable financial instruments are subject to the provisions of FAS 150 for the fiscal period beginning after December 15, 2003. The adoption of SFAS No. 150 does not have a material impact on the Company's financial position or results of operations or cash flows.

In December 2003, the Financial Accounting Standards Board (FASB) issued a revised Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46R). FIN 46R addresses consolidation by business enterprises of variable interest entities and significantly changes the consolidation application of consolidation policies to variable interest entities and, thus improves comparability between enterprises engaged in similar activities when those activities are conducted through variable interest entities. The Company does not hold any variable interest entities.

(4) NET LOSS PER SHARE:

Net loss per share is calculated in accordance with the Statement of financial accounting standards No. 128 (SFAS No. 128), "Earnings per share". Basic net loss per share is based upon the weighted average number of common shares outstanding. Diluted net loss per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

Weighted average number of shares used to compute basic and diluted loss per share is the same in these financial statements since the effect of dilutive securities is anti-dilutive.

(5) FOREIGN CURRENCY:

The accounts of NetSol Technologies UK, Ltd. use the British Pound; NetSol Technologies, (PVT), Ltd, NetSol (Pvt), Limited and NetSol Connect PVT, Ltd. use Pakistan Rupees; NetSol Abraxas Australia Pty, Ltd. uses the Australian dollar as the functional currencies. NetSol Technologies, Inc., and subsidiary NetSol USA, Inc., both use the U.S. dollars as 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. Accumulated translation losses of \$11,500 at March 31, 2004 are classified as an item of accumulated other comprehensive loss in the stockholders' equity section of the consolidated balance sheet. During the nine month period ended March 31, 2004 and 2003, comprehensive loss in the consolidated statements of operation included translation loss of \$160,797 and \$267,622, respectively.

(6) OTHER CURRENT ASSETS

Other current assets consist of prepaid expenses, employee advances, security deposits, and other receivables. As of March 31, 2004 the balance in these accounts totaled \$1,310,285, of this amount \$1,004,144 was for prepaid expenses, which included directors and officers insurance and prepayments on the construction projects in Lahore, Pakistan.

(7) DEBTS

NOTES PAYABLE

Notes payable as of March 31, 2004 consist of the following:

Name	Balance at 3/31/04	Current Maturities	Long- Term Maturities
A. Cowler Settlement	162,535	59,400	103,135
H. Smith Settlement	124,871	124,871	-
Barclay's Settlement	16,598	16,598	-
Former employee - Settlement	37,300	18,000	19,300
D&O Insurance	167,000	167,000	-
First Ins. Funding	1,514	1,514	-
City National Bank (secured by CD)	50,000	50,000	-
Subsidiary notes payable	126,824	47,899	78,925
	<u>686,642</u>	<u>485,282</u>	<u>201,360</u>

On September 25, 2002 the Company signed a settlement agreement with Adrian Cowler ("Cowler") and Surrey Design Partnership Ltd. The Company agreed to pay Cowler 218,000 pound sterling or approximately \$320,460 USD including interest, which the Company has recorded as a note payable in the accompanying consolidated financial statements. The agreement calls for monthly payments of 3,000 until March 2004 and then 4,000 per month until paid. As of June 30, 2003, the balance was \$185,424. During the nine months ended March 31, 2004, the Company paid 20,821 or \$46,677 and accrued \$23,788 in interest. As of March 31, 2004, the balance was \$162,535. Of this amount, \$59,400 has been classified as a current liability and \$103,135 as long-term liability in the accompanying financial statements.

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In November 2002, the Company signed a settlement agreement with Herbert Smith for 171,733 or approximately \$248,871, including interest, which the Company has recorded as a note payable in the accompanying consolidated financial statements. The Company agreed to pay \$10,000 upon signing of the agreement, \$4,000 per month for twelve months, and then \$6,000 per month until paid. The balance owing at June 30, 2003 was \$164,871. During the nine months ended March 31, 2004, the Company paid \$40,000. The balance owing at March 31, 2004 was \$124,871. The entire balance has been classified as current and is included in "Current maturities of notes and obligations under capitalized leases" in the accompanying financial statements.

In December 2001, as part of the winding up of Network Solutions Ltd. the Company, as the parent of Network Solutions Ltd., agreed to assume the note payable of one of the major creditors, Barclay's Bank PLC of 130,000 or \$188,500 USD. In November 2002, the parties entered into on a settlement agreement whereby the Company would pay 1,000 per month for twelve months and 2,000 per month thereafter until paid. The balance owing at June 30, 2003 was \$185,164. During the six months ended December 31, 2003, the Company paid 4,000 (\$6,920). The balance owing at December 31, 2003 was \$178,244. During the quarter ended March 31, 2004, the Company entered into a settlement agreement with Barclay's whereby Barclay's agreed to accept 69,000 or \$79,098 as payment in full. As a result the Company recorded a gain on the reduction of debt in the amount of \$99,146. As of March 31, 2004, 60,000 or \$62,500 has been paid with the balance of 9,000 or \$16,598 due by July 2, 2004.

In June 2002, the Company signed a settlement agreement with a former employee for payment of past services rendered. The Company agreed to pay the employee a total of \$75,000. The agreement calls for monthly payments of \$1,500 per month until paid. The balance owing at June 30, 2003 was \$53,300. During the nine months ended March 31, 2004 the Company paid \$16,000. The balance owing at March 31, 2004 was \$37,300, of this amount, \$18,000 has been classified as a current liability and \$19,300 as long-term in the accompanying financials statements.

In January 2004, the Company renewed its director's and officer liability insurance for which the annual premium is \$167,000. In April 2004, the Company arranged financing with AFCO Credit Corporation with a down payment of \$50,100 with the balance to be paid in monthly installments.

As part of the purchase of Altvia in May 2003, the Company was required to pay \$45,000 as a note payable. During the six months ended December 31, 2003, the Company paid the entire balance of \$45,000

On August 20, 2003, the Company entered into a loan agreement with an accredited non-U.S. investor. Under the terms of the loan, the Company borrowed \$500,000 from the investor. The note has an interest rate of 8% per annum. The note was due on a date that is one hundred (120) days from the issuance date. In the event of default by the Company only, the principal of the note is convertible into shares of common stock at \$1.75 per share, and 100,000 warrants at the exercise price of \$3.25 which expire one year from the conversion date, and 100,000 warrants at an exercise price of \$5.00 per share which expire two years from the conversion date. As the conversion price per share was less than the 20-day average market value of the stock, the Company recorded an expense of \$96,207 for the beneficial conversion feature of the note. The convertible debenture was issued in reliance on an exemption available from registration under Regulation S of the Securities Act of 1933, as amended. On December 16, 2003, the note holder converted the note into 285,715 shares of the Company's common stock.

A former officer of NetSol USA loaned funds to the subsidiary totaling \$104,088. The loan was due-on-demand, carried no interest and was unsecured. This amount was written-off from the Company's books and a gain was recognized.

On December 24, 2003, the Company entered into a loan agreement with an accredited non-U.S. investor. Under the terms of the loan, the Company borrowed \$250,000 from the investor. The note has an interest rate of 6% per annum. The note is due six months from the issuance date. On January 1, 2004, the agreement was modified to include a conversion feature to the note. In the event of default by the Company only, the principal of the note is convertible into shares of common stock at \$1.85 per share, and 100,000 warrants at the exercise price of \$3.00 which expire one year from the conversion date, and 100,000 warrants at an exercise price of \$5.00 per share which expire six months from the conversion date. The convertible debenture was issued in reliance on an exemption available from registration under Regulation S of the Securities Act of 1933, as amended. As the conversion price per share is more the than 20-day average market price, no beneficial conversion feature expense will be recorded. During the quarter ended March 31, 2004, the loan was converted into 135,135 shares of the Company's common stock.

On December 17, 2003, the Company entered into a loan agreement with an accredited non-U.S. investor, Sovereign Holdings. Under the terms of the loan, the Company borrowed \$100,000 from the investor. The note has an interest rate of 6% per annum. The note is due on a date that is six months from the issuance date. In the event of default by the Company only, the note is convertible into shares of common stock at \$1.95 per share, and 51,282 warrants at the exercise price of \$3.25 per share which expire one year from the conversion date. The note was issued in reliance on an exemption available from

registration under Regulation S of the Securities Act of 1933, as amended. On March 24, 2004, the loan was converted into 51,282 shares of the Company's common stock.

On December 29, 2003, the Company opened a line of credit with its bank for \$50,000, secured by a \$50,000 certificate of deposit. The amount has been classified as current and is included in "Current maturities of notes and obligations under capitalized leases" in the accompanying financial statements.

In addition, the various subsidiaries had current notes payable of \$47,899 and long-term notes of \$78,925 as of March 31, 2004.

BANK NOTE

The Company's Pakistan subsidiary, NetSol Technologies (Private) Ltd., has three loans with a bank, secured by the Company's assets. These notes consist of the following as of March 31, 2004:

TYPE OF LOAN	MATURITY DATE	INTEREST RATE	BALANCE USD
Export Refinance	Every 6 months	3%	\$ 303,556
Term Loan	April 15, 2004	12%	7,806
Line of Credit	On Demand	8%	52,025
Total			\$ 363,387

(8) STOCKHOLDERS' EQUITY:

REVERSE STOCK SPLIT

On August 18, 2003, the Company effected a 1 for 5 reverse stock split for all the issued and outstanding shares of common stock. All historical share and per share amounts in the accompanying consolidated financial statements have been restated to reflect the 5:1 reverse stock split.

EQUITY TRANSACTIONS

In July 2003, the Company completed a private placement transaction. Maxim Group, LLC in New York acted as the placement agent for the transaction. The total funds raised were \$1,102,050 with approximately \$102,950 in placement fees and commissions reimbursed to the placement agent. The outside lawyers were paid \$40,000 to assist in preparing and filing the SB-2 registration statement for the selling shareholders in this transaction. The investors included 12 individual accredited investors with no prior ownership of the Company's common stock. A total of 1,026,824 shares of the Company's common stock were issued.

During the quarter ended September 30, 2003, the Company issued 152,000 shares of common stock for the exercise of stock options valued at \$208,250. The exercise price ranged from \$0.75 and \$1.25 per share. The Company also issued 40,000 shares valued at \$30,000 for the exercise of warrants.

During the quarter ended December 31, 2003, the Company issued 405,157 shares of common stock for the exercise of stock options valued at \$447,073. The exercise price ranged from \$0.75 and \$1.25 per share. The Company issued 200,000 shares valued at \$350,000 for the exercise of warrants. The convertible note payable of \$500,000 was converted into 285,715 shares of the Company's common stock (see Note 6). The Company issued 34,843 shares of its common stock valued at \$104,146 for legal settlement of litigation (see Note 9). In addition, the Company issued 41,700 shares of its common stock valued at \$115,968 or \$2.78 per share, to purchase the product license and software development of Pearl Treasury Systems (see Note 13).

During the quarter ended March 31, 2004, the Company issued 361,000 shares of common stock for the exercise of stock options valued at \$623,250; of this amount \$329,525 is receivable from several employees. Subsequent to closing of the March quarter, these payments were being received from several employees who exercised these options from different subsidiaries. The exercise price ranged from \$1.25 and \$2.50 per share. The Company issued 150,000 shares valued at \$107,500 for the exercise of warrants. Two convertible notes payable of \$350,000 was converted into 186,417 shares of the

Company's common stock (see Note 6). The Company issued an additional 10,352 shares of its common stock valued at \$30,952 for legal settlement of litigation (see Note 9). The Company issued 100,000 shares of its common stock as part of the original acquisition agreement with Altvia for sales milestones achieved. A total of 123,350 shares of the Company's common stock, valued at \$209,200, were issued to three investors as reimbursement for debts of the Company paid by the investors.

STOCK SUBSCRIPTION RECEIVABLE

Stock subscription receivable represents stock options exercised and issued that the Company has not yet received the payment from the purchaser as they were in processing when the quarter ended.

The balance at June 30, 2003 was \$84,900, of this \$41,250 was received in the quarter ended September 30, 2003.

In the quarter ended December 31, 2003, four officers of the Company had exercised options with receivables valued at \$220,973. Interest is being accrued on these loans at 6% per annum. During the current quarter, \$20,000 of these receivables was converted to compensation to pay the officer for accrued salary and one officer increased his loan by \$25,000. In addition, \$9,975 of loan payable to one of the officers was applied against his receivable. The net stock subscription receivable due from officers at March 31, 2004 was \$215,998.

During the current quarter, four employees exercised options near the end of the quarter, totally \$334,500. As of April 8, 2004, funds were received from one employee while others were in processing.

COMMON STOCK PURCHASE WARRANTS AND OPTIONS

From time to time, the Company issues options and warrants as incentives to employees, officers and directors, as well as to non-employees.

Common stock purchase options and warrants consisted of the following during the nine months ended March 31, 2004:

	Options and Warrants	Exercise Price
Outstanding and exercisable, June 30, 2003	2,152,898	\$0.75 to \$5.00
Granted	1,525,000	\$1.25 to \$5.00
Exercised	(1,308,157)	\$0.75 to \$2.50
Outstanding and exercisable, March 31, 2004	<u>2,369,741</u>	

During the current quarter, 970,000 options were granted to employees and officers of the company and are fully vested and expire ten years from the date of grant unless the employee terminates employment, in which case the options expire within 30 days of their termination. In addition, on March 26, 2004, 250,000 option shares were granted to the members of the Board of Directors. These options vest over a period of two years. The fair-market value of these shares will be amortized and recorded as compensation expense over the vesting period.

(9) INTANGIBLE ASSETS:

Intangible assets consist of product licenses, renewals, enhancements, copyrights, trademarks, trade names, customer lists and goodwill. The Company evaluates intangible assets, goodwill and other long-lived assets for impairment, at least on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated future cash flows. Recoverability of intangible assets, other long-lived assets and goodwill is measured by comparing their net book value to the related projected undiscounted cash flows from these assets, considering a number of factors including past operating results, budgets, economic projections, market trends and product development cycles. If the net book value of the asset exceeds the related undiscounted cash flows, the asset is considered impaired, and a second test is performed to measure the amount of impairment loss. Potential impairment of goodwill after July 1, 2002 has been evaluated in accordance with SFAS No. 142. The SFAS No. 142 is applicable to the financial statements of the Company beginning July 1, 2002.

As part of intangible assets, the Company capitalizes certain computer software development costs in accordance with SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed." Costs incurred internally to create a computer software product or to develop an enhancement to an existing product are charged to expense

when incurred as research and development expense until technological feasibility for the respective product is established. Thereafter, all software development costs are capitalized and reported at the lower of unamortized cost or net realizable value. Capitalization ceases when the product or enhancement is available for general release to customers.

The Company makes on-going evaluations of the recoverability of its capitalized software projects by comparing the amount capitalized for each product to the estimated net realizable value of the product. If such evaluations indicate that the unamortized software development costs exceed the net realizable value, the Company writes off the amount by which the unamortized software development costs exceed net realizable value. Capitalized and purchased computer software development costs are being amortized ratably based on the projected revenue associated with the related software or on a straight-line basis over three years, whichever method results in a higher level of amortization.

Intangible assets consist of the following as of March 31, 2004:

	<u>Product Licenses</u>	<u>Customer Lists</u>	<u>Goodwill</u>	<u>Total</u>
Intangible asset - June 30, 2003	\$ 4,894,838	\$ 1,977,877	\$ 2,153,311	\$ 9,026,026
Additions during the nine months	233,715	-	-	233,715
Effect of translation adjustment	4,036			4,036
Accumulated amortization	(2,862,342)	(1,257,392)	(1,106,386)	(5,226,120)
Net balance - March 31, 2004	\$ 2,270,247	\$ 720,485	\$ 1,046,925	\$ 4,037,657
Amortization expense:				
Quarter ended March 31, 2004	\$ 189,725	\$ 78,916	\$ 107,666	\$ 376,307
Quarter ended March 31, 2003	\$ 170,031	\$ 77,417	\$ 97,500	\$ 344,948

(10) LITIGATION:

On March 3, 2004, Uecker and Associates, Inc. as the assignee for the benefit of the creditors of PGC SYSTEMS, INC. f.k.a. Portera Systems Inc. filed a request for arbitration demanding payment from the Company for the amounts due under the agreement in the amount of \$175,700. On March 31, 2004, the Company filed an Answering Statement to the Request of Uecker & Associates denying each and every allegation contained in the Claim filed by Uecker & Associates and stating NetSol's affirmative defenses. There was an administrative conference scheduled with the case manager of the American Arbitration Association on March 17, 2004. The parties have selected an arbitrator and an initial evaluation conference is being scheduled. The Company intends to vigorously defend itself in this matter and reach a favorable resolution.

(11) GOING CONCERN:

The Company's consolidated financial statements are prepared using the accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. As of March 31, 2004, the Company had an accumulated deficit of \$30,243,330. Without realization of additional capital, it would be unlikely for the Company to continue as a going concern. This factor raises substantial doubt about the Company's ability to continue as a going concern.

Management recognizes that the Company must generate additional resources to enable it to continue operations.

Management has closed down its loss generating UK entities, disposed of its German subsidiary, and is continually evaluating cost cutting measures at every entity level. Additionally, management's plans also include the sale of additional equity securities and debt financing from related parties and outside third parties. However, no assurance can be given that the Company will be successful in raising additional capital. Further, there can be no assurance, assuming the Company successfully raises additional equity, that the Company will achieve profitability or positive cash flow. If management is unable to raise additional capital and expected significant revenues do not result in positive cash flow, the Company will not be able to meet its obligations and may have to cease operations.

(12) SEGMENT INFORMATION

The following table presents a summary of operating information and certain year-end balance sheet information for the nine months ended March 31:

	2004	2003
Revenues from unaffiliated customers:		
North America	\$ 481,868	\$ 339,601
International	3,399,863	2,174,313
	<u> </u>	<u> </u>
Consolidated	\$ 3,881,731	\$ 2,513,914
	<u> </u>	<u> </u>
Operating income (loss):		
North America	\$ (2,572,800)	\$ (1,889,711)
International	657,499	(208,049)
	<u> </u>	<u> </u>
Consolidated	\$ (1,915,301)	\$ (2,097,760)
	<u> </u>	<u> </u>
Identifiable assets:		
North America	\$ 5,285,748	\$ 4,830,663
International	5,819,100	4,117,771
	<u> </u>	<u> </u>
Consolidated	\$ 11,104,848	\$ 8,948,434
	<u> </u>	<u> </u>
Depreciation and amortization:		
North America	\$ 1,119,789	\$ 1,086,631
International	106,391	254,208
	<u> </u>	<u> </u>
Consolidated	\$ 1,226,180	\$ 1,340,839
	<u> </u>	<u> </u>
Capital expenditures:		
North America	\$ 48,660	\$ -
International	323,934	90,172
	<u> </u>	<u> </u>
Consolidated	\$ 372,594	\$ 90,172
	<u> </u>	<u> </u>

(13) MINORITY INTEREST IN SUBSIDIARY

In August 2003, the Company entered into an agreement with United Kingdom based Akhtar Group PLC ("Akhtar"). Under the terms of the agreement, Akhtar Group acquired 49.9 percent of the Company's subsidiary; Pakistan based Netsol Connect PVT Ltd. ("NC"), an Internet service provider ("ISP"), in Pakistan through the issuance of additional NC shares. As part of this Agreement, NC changed its name to NetSol Akhtar. The new partnership with Akhtar Computers is designed to rollout connectivity and wireless services to the Pakistani national market. On signing of this Agreement, the Shareholders agreed to make the following investment in the Company against issuance of shares of NC.

Akhtar	US\$ 200,000
The Company	US\$ 50,000

During the quarter ended September 30, 2003, NC received the funds and a minority interest of \$200,000 was recorded for Akhtar's portion of the subsidiary. During the quarter ended December 31, 2003, Akhtar paid an additional \$10,000 to the Company for this purchase. For the nine months ended March 31, 2004, the subsidiary had net losses of \$470,953, of which \$164,387 was recorded against the minority interest. The balance of the minority interest at March 31, 2004 was \$45,613.

Per the agreement, it was envisaged that NC would require a maximum \$500,000 for expansion of its business. Akhtar was to meet the initial financial requirements of the Company until November 1, 2003. As of March 31, both NetSol and Akhtar had injected the majority of their committed cash to meet the expansion requirement of the company.

(14) PURCHASE OF PEARL TREASURY SYSTEM, LTD.

On October 14, 2003, the Company announced the execution of an agreement to acquire the Pearl Treasury System Ltd, a United Kingdom company ("Pearl"). This acquisition requires the Company to issue up to 60,000 shares of common stock to the shareholders of Pearl Treasury System, Ltd. The shares used to acquire this asset were issued in reliance on an exemption available from registration under Regulation S of the Securities Act of 1933, as amended. The financial statements of Pearl are insignificant to the consolidated financials, and therefore, have not been presented. On December 16, 2003, the initial shares of 41,700, valued at \$115,968 due at the signing of the agreement were issued by the Company. The remaining 18,300 shares are to be issued upon the completion of the software delivery warranties valued at \$50,892 and are reflected as "Shares to be issued" on the accompanying financial statements. As of the date of this report, the conditions to issue the shares have not been met. The total acquisition value of \$166,860 has been recorded as an intangible asset and is included in "product licenses" on the accompanying financial statements.

(15) STOCK OPTIONS GRANTED

In December 2002, the FASB issued SFAS No. 148 "Accounting for Stock Based Compensation-Transition and Disclosure". SFAS No. 148 amends SFAS No. 123, "Accounting for Stock Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used, on reported results. The Statement is effective for the Company's interim reporting period ending January 31, 2003.

In compliance with FAS No. 148, the Company has elected to continue to follow the intrinsic value method in accounting for its stock-based employee compensation plan as defined by APB No. 25 and has made the applicable disclosures below.

Had the Company determined employee stock based compensation cost based on a fair value model at the grant date for its stock options under SFAS 123, the Company's net earnings per share would have been adjusted to the pro forma amounts for the nine months ended March 31, 2004 as follows:

Net loss - as reported	\$ (1,838,075)
Stock-based employee compensation expense, included in reported net loss, net of tax	-
Total stock-based employee compensation expense determined under fair-value-based method for all rewards, net of tax	<u>(2,226,360)</u>
Pro forma net loss	<u>\$ (4,064,435)</u>
Earnings per share:	
Basic and diluted, as reported	(0.22)
Basic and diluted, pro forma	(0.49)

(16) CONVERTIBLE DEBENTURE

On March 24, 2004, the Company entered into an agreement with several investors for a Series A Convertible Debenture (the "Bridge Loan") whereby a total of \$1,200,000 in debentures was procured through Maxim Group, LLC. The Company received a net of \$1,049,946 after placement expenses. In addition, the beneficial conversion feature of the debenture was valued at \$300,000. The Company has recorded this as a contra-account against the loan balance and is amortizing the beneficial conversion feature over the life of the loan. The net balance at March 31, 2004, is \$900,000.

Under the terms of the Bridge Loan agreements, and supplements thereto, the debentures bear interest at the rate of 10% per annum, payable on a quarterly basis in common stock or cash at the election of the Company. The maturity date is 24 months from the date of signing, or March 26, 2006. The debentures are to be converted at the rate of \$1.86 and are automatically converted on the closing of at least \$2,200,000 in additional financing (the "Qualified Financing"), inclusive of the Bridge Loan.

(17) RAABTA ONLINE ACQUISITION

During the quarter ended March 31, 2004, the Company's subsidiary, NetSolCONNECT, purchased Raabta Online, a Pakistani company, for a cash price of 10,000,000 rupees or \$173,500 representing 100% of the value of Raabta. This acquisition is expected to provide the Company with an established customer base and strong technical expertise. The purchase price has been allocated to property and equipment of the acquired entity. The financial statements of Raabta are insignificant to the consolidated financials, and therefore, have not been presented.

Item 2. Management's Discussion And Analysis Or Plan Of Operation

The following discussion is intended to assist in an understanding of the Company's financial position and results of operations for the quarter and nine months ending March 31, 2004.

Forward-Looking Information.

This report contains certain forward-looking statements and information relating to the Company that is based on the beliefs of its management as well as assumptions made by and information currently available to its management. When used in this report, the words "anticipate", "believe", "estimate", "expect", "intend", "plan", and similar expressions as they relate to the Company or its management, are intended to identify forward-looking statements. These statements reflect management's current view of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Should any of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this report as anticipated, estimated or expected. The Company's realization of its business aims could be materially and adversely affected by any technical or other problems in, or difficulties with, planned funding and technologies, third party technologies which render the Company's technologies obsolete, the unavailability of required third party technology licenses on commercially reasonable terms, the loss of key research and development personnel, the inability or failure to recruit and retain qualified research and development personnel, or the adoption of technology standards which are different from technologies around which the Company's business ultimately is built. The Company does not intend to update these forward-looking statements.

INTRODUCTION

NetSol is an end-to-end information technology ("IT") and business consulting services provider for the lease and finance, banking and financial services industries. Operating on a global basis with locations in the U.S., Europe, India, East Asia and Asia Pacific, the Company helps its clients identify, evaluate, and implement technology solutions to meet their most critical business challenges and maximize their bottom line. The Company's products include sophisticated software applications for the asset-based lease and finance industry, and with the acquisition of Pearl Treasury Systems, the "PTS System" designed to seamlessly handle foreign exchange and money market trading for use by financial institutions and customers.

The Company's IP backbone, located in Karachi, Pakistan at our subsidiary, Network Technologies Pvt. Ltd., develops the majority of the Company's software and has achieved the ISO 9001 and Software Engineering Institute Capability Maturity Model Level 3 software development assessment. The economies of scale presented by our Pakistani operations have permitted the Company to capitalize on the upward trend in information technology outsourcing. Economic pressures have driven more companies to outsource major elements of their IT operations, particularly application development and technology consulting. NetSol has capitalized on this market trend by providing an offshore development model at costs well below those of companies located in India, Europe and the United States.

Together with this focus on providing an outsourcing, offshore solution to existing and new customers, NetSol has also adopted a dynamic growth strategy through accretive acquisitions.

PLAN OF OPERATIONS

Management has set the following new goals for the Company's next 12 months.

Initiatives and Investment to Grow Capabilities

- Achieve CMM Level 4 Accreditation in 2004.
- Enhance Software Design, Engineering and Service Delivery Capabilities by increasing investment in training.
- Enhance and invest in R&D or between 5-7% of yearly budgets in financial, banking and various other domains within NetSol's core competencies.
- Recruit additional senior level Managers both in Lahore and Bangalore facilities to be able to support potential new customers from the North American and European markets.
- Embark on a program of recruiting the best available talent in Project and Program Management.
- Complete the first phase of its dedicated and fully owned Technology Campus and relocate the entire Lahore based staff to the newly completed building.

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- Increase Capex, to enhance Communications and Development Infrastructure.
- Launch new business development initiatives in hyper growth economies such as China.
- Create new technology partnership with Oracle and strengthen our relationship with Intel in Asia Pacific and in the USA.

Top Line Growth through Investment in Marketing Organically and by Mergers and Acquisition (“M&A”) activities:

- Launch LeaseSoft into new markets by assigning new, well-established companies as distributors in Europe and Asia Pacific, including Japan.
- Successfully complete the acquisition of Silicon Space (SSI) in California. As announced previously, SSI is a San Diego based matured IT company, which has excellent management and marketing teams. The acquisition will potentially boost our top line, improve our bottom line and result in the increased outsourcing of many of SSI’s existing projects to our offshore development facilities, thereby improving margins for the customers and the company.
- Expand relationships with key customers in the US, Europe and Asia Pacific.
- Product Positioning through alliances and partnership.
- Joint Ventures.
- Direct Marketing of Services.
- Embark on roll up strategy by broadening M&A activities broadly in the software development domain.
- Enhance the sales and marketing organization by hiring new key executives in the US, UK and Asia.
- Effectively position and marketing campaign for ‘Trapeze’ or PTS. This is a potentially big revenue generator in the banking domain for which NetSol has already invested significant time and resources towards completing the development of this application.

With these goals in mind, the Company entered in to the following significant and new strategic alliances and relationships:

Silicon Space, Inc. In February 2004, NetSol announced a non-binding LOI to acquire Silicon Space, Inc. (“SSI”) located in San Diego, California. The management believes that this acquisition would tremendously improve NetSol’s marketing presence in the US, thereby enhancing traction in the North American markets. Also upon completion, the out-sourcing of software development would potentially grow for both development facilities. NetSol is following appropriate regulatory requirements including auditing SSI financials for at least 2002 and 2003 and seeking shareholder approval prior to completion of the transaction. While management believes that there are no obstacles to the closing of this transaction, there is no guarantee that the transaction will close or that even if the acquisition does occur that the expected results would be achieved.

LeaseSoft Distributors. NetSol is also very active in appointing key distributors in Japan, Asia and in Europe for its LeaseSoft products. As soon we have signed these agreements, the shareholders will be notified through press releases.

Intel Corporation. NetSol forged what management believes to be a very important and strategic alliance with Intel Corporation to develop a blueprint that would give broader exposure and introduction to NetSol’s LeaseSoft products to a global market. NetSol recently attended major events in China and in San Francisco through its Intel relationship, which was designed to connect and introduce the Company to Intel partners worldwide.

Investment Banking Relations. The relationship with Maxim Group, LLC, NetSol’s investment banker located in New York, continues to grow as the bank has effectively raised new capital and has been assisting the Company in executing its M&A and growth strategy.

Launch of Indian Subsidiary. On March 17, 2004, NetSol announced that it has launched a wholly-owned subsidiary, NetSol International Pvt. Ltd., in Bangalore, India. NetSol established this subsidiary as a service delivery base for legacy systems migration, IT consultancy and certain software engineering skills that are more readily available in India. It has been reported the Indian IT-enabled services business produces over \$12 billion in export earnings and is growing at over 20% annually. By establishing the Indian subsidiary, NetSol hopes to tap into the growing Indian market.

Funding and Investor Relations.

- Further strengthen its relationships with Investment Banking Partners.

- Continue to raise capital at attractive terms through private placements, convertible debt debentures and as needed new public offerings, for its many initiatives and programs. Several of our current institutional investors such as DCD Group, Noon Group and Akhtar Computers of UK have either exercised their warrants or converted their notes into NetSol shares with rule 144 restriction.
- Infuse new capital from potential exercise of outstanding investors warrants and employees options for business development and enhancement of infrastructures.
- Continuing to efficiently and prudently manage cash requirements and raise capital from the markets only as it deems absolutely necessary to execute the growth strategy.

Improving the Bottom Line.

- Continue to review costs at every level.
- Grow process automation.
- Profit Centric Management Incentives.
- More local empowerment and P&L Ownership in each Country Office.
- Improve productivity at the development facility and business development activities.
- Cost efficient management of every operation and continue further consolidation to improve bottom line.

After streamlining key operations, Management believes that NetSol is in a position to derive higher productivity based on current capital employed.

Management continues to be focused on building its delivery capability and has achieved key milestones in that respect. Key projects are being delivered on time and on budget, quality initiatives are succeeding, especially in maturing internal processes. Management believes that further leverage was provided by the development 'engine' of NetSol, which became CMM Level 2 in early 2002. In a quest to continuously improve its quality standards, NetSol reached CMM Level 3 assessment in July 2003. According to the website of SEI of Carnegie Mellon University, USA, only a few software companies in the world have announced their assessment of level 3. As a result of achieving CMM level 3, the Company is experiencing a growing demand for its products and alliances from blue chip companies worldwide. NetSol is now aiming for CMM level 4 in 2004 and potentially CMM level 5, the highest CMM level, in 2005. NetSol plans to further enhance its capabilities by creating similar development engines in other Southeast Asian countries with CMM levels quality standards. This would make NetSol much more competitive in the industry and provide the capabilities for development in multiple locations. Increases in the number of development locations with these CMM levels of quality standards will provide customers with options and flexibility based on costs and broader access to skills and technology.

MATERIAL TRENDS AFFECTING THE COMPANY

NetSol has identified the following material trends affecting the Company

Positive trends:

- Outsourcing of services and software development is growing worldwide.
- The Global IT budgets are estimated to exceed \$1.2 trillion in 2004, according to the internal estimates of Intel Corporation. About 50% of this IT budget would be consumed in the US market alone primarily on the people and processes.
- Overall economic expansion worldwide and explosive growth in the merging markets specifically.
- Regional stability and improving political environment between Pakistan and India.
- Economic turnaround in Pakistan including: a steady increase in gross domestic product; much stronger dollar reserves, which is at an all time high of over \$12 billion; stabilizing reforms of government and financial institutions; improved credit ratings in the western markets, and elimination of corruption at the highest level.

Negative trends:

- The disturbance in Middle East and rising terrorist activities post 9/11 worldwide have resulted in issuance of travel advisory in some of the most opportunistic markets. In addition, travel restrictions and new immigration laws provide delays and limitations on business travel.
- The potential impact of higher U.S. interest rates including, but not limited to, fear of inflation that may drive down IT budgets and spending by U.S. companies.

CRITICAL ACCOUNTING POLICIES

Our financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States ("GAAP"). GAAP requires the use of estimates; assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, and expense amounts reported. These estimates can also affect supplemental information contained in the external disclosures of the Company including information regarding contingencies, risk and financial condition. Management believes our use of estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. Valuations based on estimates are reviewed for reasonableness and conservatism on a consistent basis throughout the Company. Primary areas where our financial information is subject to the use of estimates, assumptions and the application of judgment include our evaluation of impairments of intangible assets, and the recoverability of deferred tax assets, which must be assessed as to whether these assets are likely to be recovered by us through future operations. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements.

VALUATION OF LONG-LIVED AND INTANGIBLE ASSETS

The recoverability of these assets requires considerable judgment and is evaluated on an annual basis or more frequently if events or circumstances indicate that the assets may be impaired. As it relates to definite life intangible assets, we apply the impairment rules as required by SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which requires significant judgment and assumptions related to the expected future cash flows attributable to the intangible asset. The impact of modifying any of these assumptions can have a significant impact on the estimate of fair value and, thus, the recoverability of the asset.

INCOME TAXES

We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities. We regularly review our deferred tax assets for recoverability and establish a valuation allowance based upon historical losses, projected future taxable income and the expected timing of the reversals of existing temporary differences. During fiscal year 2003-2004, we estimated the allowance on net deferred tax assets to be one hundred percent of the net deferred tax assets.

CHANGES IN FINANCIAL CONDITION

Quarter Ended March 31, 2004 as compared to the Quarter Ended March 31, 2003:

Net revenues were \$1,700,774 and \$914,258 for the quarter ended March 31, 2004 and March 31, 2003, respectively. This reflects an increase of \$786,516 or 86% in the current quarter as compared to the quarter ended March 31, 2003. The increase is mainly from growth in our U.S. and Asia Pacific businesses. There is incremental improvement in the UK business as well as top-line growth from the NetSol Akhter subsidiary as a result of organic growth and growth from the Raabta Online acquisition.

NetSol has made significant progress in new customer acquisition. All of the Company's owned subsidiaries have signed contracts with new customers. In the current quarter NetSol, as a group, has signed five new customers. All of the new relationships would add to the top line over the next six months as well as contributing to revenue growth in the current quarter.

NetSol continues to nurture and grow its relationship with its existing customers, both in sales of new product licenses and professional services.

Its U.S. subsidiary, NetSol Altvia, has created a growing niche in the "not-for-profit" business space in the Washington D. C. area. The Washington D. C. area office continues to sign new business for both its Knowledge Base Product and Professional services.

NetSol UK continues its business development activities and has seen good traction in its sales pipeline. The UK office recently signed a major new customer in the Insurance business. The relationship with this publicly traded UK company has the potential to bring significant new recurring revenues to the subsidiary.

NetSol UK has ongoing relationships with Habib Allied Bank and DCD Group. These relationships are bringing recurring revenues and are expected to continue in the near term.

As a direct result of the successful implementations of some of our current systems with DaimlerChrysler, we are noticing an increasing demand for LeaseSoft. Although the sales cycle for LeaseSoft is rather long, we are experiencing a 100% increase in product demonstration, evaluation and assessment by blue chip companies in the UK, Australia, Japan, Europe and Pakistan. The crown jewel of our product line "CMS" ("Contract Management System") which was sold to three companies of DaimlerChrysler Asia Pacific Region in 2001 for a combined value in excess of two million dollars was implemented and delivered to customers in 2003. Based on ELA, (Equipment and Leasing Association of N. America) the size of the world market for the leasing and financing industry is in excess of \$500 billion of which the software sector represents over a billion dollars. A number of large leasing companies will be looking to renew legacy applications. This places NetSol in a very strong position to capitalize on any upturn in IT spending by these companies. NetSol is well positioned to sell several new licenses in fiscal year 2004 that could potentially increase the sales and bottom line. As the Company sells more of these licenses, management believes it is possible that the margins could increase to upward of 70%. The license prices of these products vary from \$100,000 to \$500,000 with additional charges for customization and maintenance of between 20%-30% each year. The Company, in parallel, has developed banking applications software to boost its product line and these systems were sold to Citibank and Askari Banks in Pakistan in 2002. New customers in the banking sector are also growing and the Company expects substantial growth in this area in the coming year.

The gross profit was \$1,005,951 in the quarter ending March 31, 2004 as compared with \$504,648 for the same quarter of the previous year. The gross profit percentage has increased modestly to approximately 59% in the quarter ended March 31, 2004 from approximately 55% for the quarter ended March 31, 2003. The cost of sales increased approximately \$285,213 from the prior quarter; however, the gross profit percentage increased 4%. A new contract was entered into during the quarter whereby only a portion of the employees working on the training phase of the project were covered by the customer. This contributed to the increase in the cost of sales and the slight increase in gross profit percentage. Management is confident that the profit margin will improve as the project becomes fully engaged. As previously disclosed, revenue from Capital Stream was realized from January 2004 and onwards.

Operating expenses were \$1,504,639 for the quarter ending March 31, 2004 as compared to \$990,518, for the corresponding period last year. The increase is largely attributable to the increase in salaries as more people are hired in sales and administration. In addition, the compensation committee renewed the employment agreement for three key officers who were given a pay raise effective January 1, 2004, the first time in the Company's history. These officers had been working on the same salaries for at least 5 years. Two of the officers have agreed to take the incremental compensation increase against exercising options granted to them instead of cash payments. Also included in this increase is \$103,233 in costs for placing the Bridge Loan. The Company has streamlined its operations by consolidation, divestment and enhanced operating efficiencies. Depreciation and amortization expense amounted to \$402,151 and \$464,999 for the quarter ended March 31, 2004 and March 31, 2003, respectively. Combined salaries and wage costs were \$408,840 and \$194,963 for the quarter ended March 31, 2004 and 2003, respectively, or an increase of \$213,877 from the corresponding period last year. The addition of new management level employees and consultants from the Altvia acquisition and new employees at our UK subsidiary resulted in an overall increase.

Selling and marketing expenses were \$49,690 and \$11,628, in the quarter ended March 31, 2004 and 2003, respectively, reflecting the growing sales activity of the Company. The Company wrote-off as uncollectible bad debts of \$59,821 in the current quarter compared to \$0 for the comparable prior period in the prior year. Professional services expense increased to \$70,701 in the quarter ended March 31, 2004, from \$64,270 in the corresponding period last year.

Loss from continued operations was \$498,688 and \$485,870 for the quarters ended March 31, 2004 and 2003, respectively. This represents an increase of \$12,818 for the quarter compared for the comparable period in the prior year.

Net losses were \$403,550 and \$517,646 for the quarters ended March 31, 2004 and 2003, respectively. This is a reduction of 28% compared to the prior year. The net EBITDA losses were \$1,399 & \$52,647 after amortization & depreciation charges of \$402,151 and \$464,999 respectively. The current period amount includes \$71,049 add-back for the 49.9% minority interest in NetSol Connect owned by another party. The Company also recognized an expense of \$3,323 for the beneficial conversion feature on a note payable and a gain of \$99,146 from the settlement of a debt. Net loss per share, basic and diluted, was \$0.05 for the quarter ended March 31, 2004 as compared with \$0.12 for the corresponding period last year.

Nine Month Period Ended March 31, 2004 as compared to the Nine Month Period Ended March 31, 2003:

Net revenues were \$3,881,731 and \$2,513,914 for the nine-month periods ended March 31, 2004 and 2003, respectively. This reflects an increase of \$1,367,817 (35%) in the nine month period ended March 31, 2004. This increase is attributable to new orders of licenses and an increase in services business, including additional maintenance work.

The Company added a few new customers such as, Capital Stream in USA, Cal Portland Cement in USA, Habib Allied Bank, DCD Group, enhancement in the Yamaha Motors project, DaimlerChrysler New Zealand and a few local customers in the Pakistan region.

The gross profit was \$2,236,195 for the nine months ending March 31, 2004 as compared with \$1,481,604 for the same period of the previous year. The gross profit percentage has decreased modestly to approximately 58% in the current fiscal year from approximately 59% for the nine months ended March 31, 2003. A new contract was entered into during the current fiscal quarter whereby only a portion of the employees working on the training phase of the project were covered by the customer. This contributed to the increase in the cost of sales and the decrease in gross profit percentage. Management is confident that the profit margin will improve as the project becomes fully engaged. While the cost of sales and the cost of delivery of projects have both been reduced in the quarter, the Company maintained all its delivery commitments and has won new business from existing and new customers. While management is striving to negotiate better pricing on new agreements, the Company has been required to react to overall general economic factors in determining its present pricing structure. The gross profit margin was also improved due to improved quality standards such as achieving the assessment of CMM Level 3 in 2003.

Operating expenses were \$4,151,496 for the nine-month period ending March 31, 2004 as compared to \$3,579,364, for the corresponding period last fiscal year. The Company has streamlined its operations by consolidation, divestment and enhanced operating efficiencies. Depreciation and amortization expense amounted to \$1,226,180 and \$1,340,839 for the nine-month period ended March 31, 2004 and 2003, respectively. This decrease was attributable to selling of assets by the subsidiaries. Combined salaries and wage costs were \$1,003,289 and \$688,74 for the nine month period ended March 31, 2004 and 2003, respectively, or an increase of \$314,548 from the corresponding period last year. The addition of new management level employees and consultants from the Altvia acquisition and new employees at our UK subsidiary, as well as an increase in sales and administration employees resulted in the increase. In addition, key officers were given a pay raise effective January 1, 2004, the first in company's history. Two of the officers have agreed to take the incremental compensation against exercising options granted to them. Also included in the general and administrative expense increase is \$103,233 in costs for placing the Bridge Loan and \$22,500 for settlement of a legal dispute. In the last quarter, company had to incur extra costs for annual shareholders meeting including proxies mailing and other administrative related costs.

Selling and marketing expenses increased to \$96,377 in the six-month period ended March 31, 2004 as compared to \$67,384 in the nine-month period ended March 31, 2003, reflecting the growing sales activity of the Company. The Company wrote-off, as uncollectible, bad debts of \$153,327 and \$167,733 for the nine months ended March 31, 2004 and 2003, respectively. Professional services expense increased slightly to \$310,403 in the nine-month period ended March 31, 2004, from \$308,036 in the corresponding period last year.

Loss from operations was \$1,838,075 and \$2,097,760 for the nine months ended March 31, 2004 and 2003, respectively. This represents a reduction of \$361,232 for the nine-month period compared to the prior year. This reduction is attributable to improved operating margins.

Net losses from continued operations were \$1,838,075 and \$2,097,760 for the nine months ended March 31, 2004 and 2003, respectively. This represents a reduction of \$361,232 for the nine-month period compared to the prior year. The current period amount includes \$164,387 add-back for the 49.9% minority interest in NetSol Connect owned by another party. The Company also recognized an expense of \$99,350 for the beneficial conversion feature on notes payable, a gain of \$104,088, from writing off a note payable in one of the subsidiaries that had been paid through the issuance of stock by the parent in the prior year and a gain of \$99,146 from the settlement of a debt. During the nine months ended March 31, 2003, the Company recognized a gain from discontinuation of a subsidiary in the amount of \$478,075. Net loss per share, basic and diluted, was \$0.22 for the nine-months ended March 31, 2004 as compared with \$0.46 for the corresponding period last year.

LIQUIDITY AND CAPITAL RESOURCES

Net cash used for operating activities amounted to \$3,325,515 for the nine months ended March 31, 2004, as compared to \$1,009,155 for the comparable period last fiscal year. The increase is mainly due to an increase in prepaid expenses and accounts receivable.

Net cash used by investing activities amounted to \$855,492 for the nine months ended March 31, 2004, as compared to providing \$624,162 for the comparable period last fiscal year. The difference lies primarily in the net purchase of \$820,047 in certificates of deposits in the current fiscal year compared to proceeds of \$714,334 in the prior year. During the current fiscal year, the Company had proceeds of \$210,000 from the sale of a minority interest in the Company's subsidiary NetSol Connect. In addition, the Company had net purchases of property and equipment of \$178,590 compared to \$90,172 for the comparable period last fiscal year.

Net cash provided by financing activities amounted to \$4,385,750 and \$797,409 for the nine months ended March 31, 2004, and 2003, respectively. The nine month period ended March 31, 2004 included the cash inflow of \$1,102,050 from issuance of equity and \$1,215,575 from the exercising of stock options and warrants. In the current fiscal year, the Company had \$1,067,000 from proceeds of loans as compared to \$227,667 in the comparable period last year. The Company also obtained a \$1,200,000 convertible debenture during the current fiscal year.

The Company's cash position was \$449,047 at March 31, 2004. In addition the Company had \$820,047 in certificates of deposit, of which \$50,000 is being used as collateral on a secured line of credit with City National Bank. The total cash position including the certificates of deposits was \$1.27MN as of March 31, 2004.

The management expects to continue to improve its cash position in the current and future quarters due to the new business signed up in the last quarter. In addition, the Company anticipates additional exercises of investor warrants and employee stock options in the current and subsequent quarters. The Company has consistently improved its cash position in last four quarters through investors' exercise of warrants, employee options exercised, private placements and the signing of new business. We anticipate this trend to continue in the current and future quarters, further improving the cash resources and liquidity position. Management is committed to implementing the growth business strategy that was ratified by the board of directors in December 2003. The company would continue to inject new capital towards expansion, grow sales and marketing and further enhancement of delivery capabilities. However, management is committed to ensuring the most efficient and cost effective means of raising capital and utilization.

NetSol's Technology Campus in Lahore is nearly complete and we are scheduled to relocate all our staff into this new building by end of May 2004. The Phase 1 would easily hold up to 500 programmers, engineers and other related staff. NetSol expects a positive response to this move from the business community, our existing customers and prospective new customers worldwide. The completion of technology campus is a major milestone for NetSol, employees, customers and the shareholders.

Item 3. Controls and Procedures

Management, under the supervision and with the participation of the chief executive officer and chief financial officer, conducted an evaluation of the disclosure controls and procedures within 90 days of the filing date of this Interim Report on Form 10-QSB. Based on their evaluation, the chief executive officer and chief financial officer have concluded that as of the evaluation date, the disclosure controls and procedures are effective to ensure that all material information required to be filed in this Interim Report on Form 10-QSB has been made known to them.

Additionally, in response to the passage of the Sarbanes-Oxley Act of 2002, the Board of directors and management had planed, among other actions, to form a Disclosure Committee comprised of various members of our management team. The management has determined that The Disclosure Committee can be part of The Corporate Governance Committee that will be formed. The Corporate Governance Committee will be charged with, among other things, reviewing and developing policies and procedures to enhance our disclosure controls and procedures as well as with reviewing our periodic reports and other public disclosures.

Other than as described above, there have been no significant changes, including corrective actions with regard to significant deficiencies or material weaknesses in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the evaluation date set forth above.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On March 3, 2004 Uecker and Associates, Inc. as the assignee for the benefit of the creditors of PGC SYSTEMS, INC. f.k.a. Portera Systems Inc. filed a request for arbitration demanding payment from the Company for the amounts due under the agreement in the amount of \$175,700. On March 31, 2004, the Company filed an Answering Statement to the Request of Uecker & Associates denying each and every allegation contained in the Claim filed by Uecker & Associates and stating NetSol's affirmative defenses. There was an administrative conference scheduled with the case manager of the American Arbitration Association on March 17, 2004. The parties have selected an arbitrator and an initial evaluation conference is being scheduled. The Company intends to vigorously defend itself in this matter and reach a favorable resolution.

Item 2. Changes in Securities.

On December 24, 2003, the Company entered into a loan agreement with an accredited non-U.S. investor, Akhtar Group. Under the terms of the loan, the Company borrowed \$250,000 from the investor. The note has an interest rate of 6% per annum. The note is due on a date that is one hundred and twenty (120) days from the issuance date. In the event of default by the Company only, the note is convertible into shares of common stock at \$1.85 per share, and 135,135 warrants at the exercise price of \$3.00 per share which expire six months from the conversion date. The note was issued in reliance on an exemption available from registration under Regulation S of the Securities Act of 1933, as amended. Effective March 8, 2004, the loan was converted into 135,135 shares of the Company's common stock.

On December 17, 2003, the Company entered into a loan agreement with an accredited non-U.S. investor, Noon Group. Under the terms of the loan, the Company borrowed \$100,000 from the investor. The note has an interest rate of 6% per annum. The note is due on a date that is six months from the issuance date. In the event of default by the Company only, the note is convertible into shares of common stock at \$1.95 per share, and 51,282 warrants at the exercise price of \$3.25 per share which expire one year from the conversion date. The note was issued in reliance on an exemption available from registration under Regulation S of the Securities Act of 1933, as amended. On March 24, 2004, the loan was converted into 51,282 shares of the Company's common stock.

On February 6, 2004, the Company issued an additional 10,352 shares valued at \$35,135 for interest to ACB (formerly Arab Commerce Bank) pursuant to the terms of the legal settlement dated November 3, 2003. These shares were issued as part of the settlement agreement with Arab Commerce Bank and the Company and were issued in reliance on an exemption available from registration under Regulation S of the Securities Act of 1933, as amended.

On March 26, 2004, the Company issued debentures to 23 accredited investors in a principal amount of one million two hundred thousand dollars (\$1,200,000). The debentures mature two years from the date of the debenture, or March 26, 2006 and bear interest at the rate of 10% per annum payable in common stock or cash at the Company's option, on a quarterly basis. The debentures were convertible at any time at the holders option and automatically convert upon the completion of an additional financing by the Company of at least two million two hundred thousand dollars (\$2,200,000) inclusive of the debenture (the "Qualified Financing"). These debentures were issued in reliance on an exemption from registration available under Regulation D of the Securities Act of 1933, as amended

Certain employees exercised 361,000 stock options with exercise prices ranging from \$1.25 -\$2.50 during this quarter for \$293,725 cash. In addition, 150,000 warrants were exercised during the quarter for \$107,500 cash.

Certain sales milestones were achieved for the NetSol Altvia subsidiary during the current quarter. The Company issued 100,000 shares to Altvia as agreed in the acquisition agreement.

During the quarter, a total of 123,350 shares of the Company's common stock, valued at \$209,200, were issued to three investors as reimbursement for debts of the Company paid by the investors.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission Of Matters To A Vote Of Security Holders

NetSol conducted its annual meeting of shareholders on March 12, 2004. The following are the items voted upon.

1. Election of Directors at the General Annual Meeting.

The following persons were elected directors of the Company to hold office until the next Annual General Meeting of the Shareholders:

The following sets forth the tabulation for each director.

Director	Voted	Withhold	Percent	Total shares voted
Najeeb Ghauri	6,847,816	5,487	85%	6,853,303
Eugen Beckert	6,847,816	5,487	85%	6,853,303
Naeem Ghauri	6,847,816	5,487	85%	6,853,303
Jim Moody	6,847,816	5,487	85%	6,853,303
Salim Ghauri	6,847,816	5,487	85%	6,853,303
Shabir Randeree	6,847,816	5,487	85%	6,853,303
Shahid Burki	6,847,816	5,487	85%	6,853,303
Irfan Mustafa	6,847,816	5,487	85%	6,853,303

2. Appointment of Auditors

Kabani & Company Inc. was appointed as Auditors for the Company to hold office until the close of the next annual general meeting of the Company. The directors were authorized to fix the remuneration to be paid to the auditors. The following sets for the tabulation of shares voting for this matter.

Total Shares Voted	For	Against	Abstain	Percent
6,853,303	6,845,852	6,671	780	86

3. Stock Option Plan

The Board of Directors of the Company adopted the 2003 Stock Option Plan (the "Stock Option Plan") effective December 6, 2003, subject to acceptance by the shareholders of the Company. This plan offers restricted shares only.

The purpose of the Stock Option Plan is to allow the Company to grant options to directors, officers, employees and service providers, as additional compensation, and as an opportunity to participate in the profitability of the Company. The granting of such options is intended to align the interests of such persons with that of the Company. Options will be exercisable over periods of up to ten years as determined by the board of directors of the Company and are required to have an exercise price no less than the fair market value on the day the option is granted. The total number of shares available under the 2003 Stock Option Plan is 2,000,000. If an award of options expires or is canceled without having been fully exercised or vested, the unvested or canceled shares generally will be available again for grants under the awards.

Total Shares Voted	For	Against	Abstain	Percent
6,853,303	4,788,874	69,770	170,903	60

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

Exhibits:

10.1	Naeem Ghauri's Employment Contract dated January 1, 2004.
10.2	Najeeb Ghauri's Employment Contract dated January 1, 2004.
10.3	Salim Ghauri's Employment Contract dated January 1, 2004.
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CEO).
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CFO).
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CEO)
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CFO)

Reports on Form 8-K.

None.

SIGNATURES

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

NETSOL TECHNOLOGIES, INC.

Date: May 12, 2004

/s/ Naeem Ghauri

NAEEM GHOURI
Chief Executive Officer

Date: May 12, 2004

/s/ Najeeb Ghauri

NAJEEB GHOURI
Chief Financial Officer and Chairman

Exhibit 10.1

Naeem Ghauri's Employment Contract

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into as of January 1, 2004 (the "Effective Date"), by and between NetSol Technologies, Inc., a Nevada corporation (the "Company") and Naeem Ghauri, an individual ("Executive").

BACKGROUND

A. The Company desires assurance of the association and services of Executive in order to retain Executive's experience, skills, abilities, background and knowledge, and is willing to engage Executive's services on the terms and conditions set forth in this Agreement.

B. Executive desires to be in the employ of the Company, and is willing to accept such employment on the terms and conditions set forth in this Agreement.

AGREEMENT

In consideration of the foregoing recitals and the mutual promises and covenants herein contained, and for other good and valuable consideration, the parties, intending to be legally bound, agree as follows:

1. EMPLOYMENT.

1.1 The Company hereby enters into this Agreement with Executive, and Executive hereby accepts employment under the terms and conditions set forth in this Agreement for a period of three years thereafter (the "Employment Period"); provided, however, that the Employment Period may be terminated earlier pursuant as provided herein. The Employment Period shall be automatically extended for additional one-year periods unless either party notifies the other in writing six months before the end of the anniversary year to elect not to so extend the Employment Period.

1.2 Executive shall serve as Chief Executive Officer ("CEO") of the Company. It is hereby contemplated that the Executive will have a seat on the Board of Directors.

1.3 Executive shall perform all services, acts or things necessary or advisable to manage and conduct the business of the Company and which are normally associated with the position of CEO and consistent with the bylaws of the Company.

1.4 The employment relationship between the parties shall be governed by the policies and practices established by the Company, except that when the terms of this Agreement differ from or are in conflict with the Company's policies or practices, this Agreement shall control.

1.5 Unless the parties otherwise agree in writing, during the term of this Agreement, Executive shall perform the services he is required to perform pursuant to this Agreement at the Company's offices, located at its present or future locations in the United Kingdom; provided, further, that the Company may from time to time require Executive to travel temporarily to other locations in connection with the Company's business and in accordance with the Company's standard policies regarding travel for executive and senior management employees.

2. LOYAL AND CONSCIENTIOUS PERFORMANCE; NONCOMPETITION.

2.1 During the Employment Period, Executive shall devote substantially all his business energies, interest, abilities and productive time to the proper and efficient performance of his duties under this Agreement. The foregoing shall not preclude Executive from engaging in civic, charitable or religious activities, or from serving on boards of directors of companies or organizations which will not present any direct conflict with the interest of the Company or affect the performance of Executive's duties hereunder.

2.2 Except with the prior written consent of the Company's Board of Directors ("Board"), Executive will comply with all the restrictions set forth below at all times during his employment and for a period of eighteen months after the termination of his employment:

2.2.1 Executive will not, either individually or in conjunction with any person, as principal, agent, director, officer, employee or in any other manner whatsoever, directly or indirectly engage in or become financially interested in any competitive business within North America or Europe, except as a passive investor holding not more than one percent of the publicly traded stock of a corporation in which Executive is not involved in management;

2.2.2 Executive will not, either directly or indirectly, on his own behalf or on behalf of others, solicit, divert or appropriate or attempt to solicit, divert or appropriate to any competitive business, any business or actively sought prospective business of the Company or any customers with whom the Company or any affiliate of the Company has current agreements relating to the business of the Company, or with whom Executive has dealt, or with whom Executive has supervised negotiations or business relations, or about whom Executive has acquired confidential information in the course of Executive's employment;

2.2.3 Executive will not, either directly or indirectly, on Executive's behalf or on behalf of others, solicit, divert or hire away, or attempt to solicit, divert, or hire away, any independent contractor or any person employed by the Company or any affiliate of the Company or persuade or attempt to persuade any such individual to terminate his or her employment with the Company; and,

2.2.4 Executive will not directly or indirectly impair or seek to impair the reputation of the Company or any affiliate of the Company, nor any relationship that the Company or any affiliate of the Company has with its employees, customers, suppliers, agents or other parties with which the Company or any other affiliate of the Company does business or has contractual relation; and,

2.2.5 Executive will not receive or accept for his own benefit, either directly or indirectly, any commission, rebate, discount, gratuity or profit from any person having or proposing to have one or more business transactions with the Company or any affiliate of the Company, without the prior approval of the Board, which may be withheld; and,

2.2.6 Executive will, during the term of this employment with the Company, communicate and channel to the Company all knowledge, business and customer contacts and any other information that could concern or be in any way beneficial to the business of the Company. Any such information communicated to the Company as aforesaid will be and remain the property of the Company notwithstanding any subsequent termination of Executive's employment.

3. COMPENSATION OF EXECUTIVE.

3.1 The Company shall pay Executive a base salary of One Hundred Ten Thousand Pounds Sterling (110,000)(the "Base Salary"), payable in accordance with the Company policy. Such salary shall be pro rated for any partial year of employment on the basis of a 365-day fiscal year. Executive will be eligible for bonuses from time to time as determined by the Board.

3.2 Executive's Base Salary and other compensation may be changed from time to time by mutual agreement of Executive and the Board.

3.3 All of Executive's compensation shall be subject to customary withholding taxes and any other employment taxes applicable to Executive's jurisdiction of employment as are commonly required to be collected or withheld by the Company.

3.4 During the Employment Period, the Company agrees to reimburse Executive for all reasonable and necessary business expenses subject to the Company's standard requirements with respect to reporting and documentation of such expenses.

3.5 Executive shall, in accordance with the Company policy and the terms of the applicable plan documents, be eligible to participate in benefits under any Executive benefit plan or arrangement which may be in effect from time to time and made available to its executive or key management employees, including, as applicable, health and disability insurance, dental insurance, and participation in Employer's 401(k) plan. The Company may modify or cancel its benefit plan(s) as it deems necessary.

3.6 Executive shall cooperate with the Company and its insurers as reasonably required for the Company to acquire and keep in force key-man life insurance on Executive.

3.7 Executive shall be granted stock options for 250,000 shares of the common stock of the Company (the "Options") pursuant to an option agreement (the "Option Agreement") issued pursuant to the Company's 2001 Employee Stock Option Plan and shall vest and be exercisable based on the customary provisions of such plan. The Option Agreement will have customary provisions relating to adjustments for stock splits and similar events. The exercise price of the Options will be \$2.21 for 100,000 shares; \$3.75 for 100,000 shares and \$5.00 for 50,000 shares. The options as granted shall provide for an "early exercise" right (i.e., the right of Executive to exercise options prior to their vesting date and to receive restricted stock subject to the same vesting requirements as the options exercised). In addition, the options as granted shall permit Executive (or, where applicable, his personal representative) up to eighteen (18) months following termination of employment for any reason to exercise any options which were vested at the time of such termination (including options vesting as the result of such termination, where applicable).

3.9. The Company and Executive shall enter into an Indemnity Agreement to provide indemnification of and the advancing of expenses to Executive to the fullest extent (whether partial or complete) permitted by law, and, to the extent the Company maintains insurance, for the coverage of Executive under the Company's directors' and officers' liability insurance policies.

4. TERMINATION.

4.1 Termination by the Company. Executive's employment with the Company may be terminated under the following conditions:

4.1.1 Death or Disability. Executive's employment with the Company shall terminate effective upon the date of Executive's death or "Complete Disability" (as defined in Section 4.5.1) .

4.1.2 For Cause. The Company may terminate Executive's employment under this Agreement for "Cause" (as defined in Section 4.5.3) by delivery of written notice to Executive specifying the cause or causes relied upon for such termination. Any notice of termination given pursuant to this Section 4.1.2 shall effect termination as of the date specified in such notice or, in the event no such date is specified, on the last day of the month in which such notice is delivered or deemed delivered as provided in Section 8 below.

4.1.3 Without Cause. The Company may terminate Executive's employment under this Agreement at any time and for any reason by delivery of written notice of such termination to Executive. Any notice of termination given pursuant to this Section 4.1.3 shall effect termination as of the date specified in such notice (which shall be no earlier than 30 days after such notice is given) or, in the event no such date is specified, on the last day of the month following the month in which such notice is delivered or deemed delivered as provided in Section 8 below.

4.2 Termination By Executive. Executive may terminate his employment with the Company for "Good Reason" (as defined below in Section 4.5.2) by (i) delivery of written notice to the Company specifying the "Good Reason" relied upon by Executive for such termination, provided that such notice is delivered within six (6) months following the occurrence of any event or events constituting Good Reason, or (ii) at any time during the Employment Period without Good Reason.

4.3 Termination by Mutual Agreement of the Parties. Executive's employment pursuant to this Agreement may be terminated at any time upon a mutual agreement in writing of the parties. Any such termination of employment shall have the consequences specified in such agreement.

4.4 Compensation Upon Termination.

4.4.1 Death or Complete Disability. If Executive's employment shall be terminated by death or Complete Disability as provided in Section 4.4.1, the Company shall (i) pay Executive his accrued Base Salary and accrued and unused vacation benefits earned through the date of termination at the rate in effect at the time of termination, and (ii) continue Executive's annual Base Salary, in effect at the time of termination, for a period of two (2) months after the termination date, in both cases subject to standard deductions and withholding, and the Company shall thereafter have no further obligations to Executive under this Agreement.

4.4.2 Cause or Without Good Reason. If Executive's employment shall be terminated by the Company for Cause, or if Executive terminates employment hereunder without Good Reason, the Company shall pay Executive his accrued Base Salary and accrued and unused vacation benefits earned through the date of termination at the rate in effect at the time of the notice of termination, and the Company shall thereafter have no further obligations to Executive under this Agreement.

4.4.3 Without Cause or Good Reason. If Executive shall terminate Executive's employment with the Company for Good Reason or the Company shall terminate Executive's employment without Cause, Executive shall be entitled to the following:

(i) Executive's Base Salary, and accrued and unused vacation earned through the date of termination;

(ii) Continuation of Executive's annual Base Salary, in effect at the time of termination, for a period of thirty-six (36) months after the termination date subject to standard deductions and withholding;

(iii) Continuation of Executive's medical, disability and other benefits for a period of six (6) months after the termination date, as if Executive had continued in employment during said period, or in lieu thereof, cash (including a tax-equivalency payment for Federal, state and local income and payroll taxes assuming Executive is in the maximum tax bracket for all such purposes) where such benefits may not be continued (or where such continuation would adversely affect the tax status of the plan pursuant to which the benefit is being provided) under applicable law or regulation;

(iv) 100% vesting of all of Executive's Options, all other options granted to Executive and all restricted stock received upon early exercise; and,

(v) in the event such termination occurs within twelve (12) months after a Change of Control, the Company shall pay Executive (a) a one-time payment equal to the product of 2.99 and Executive's salary for the previous twelve (12) months and (b) a one-time payment equal to the higher of (i) Executive's bonus for the previous year and (ii) one percent of the Company's consolidated gross revenues for the previous twelve (12) months (the "Change of Control Termination Payment").

4.5 Definitions. As used herein, the following terms shall have the following meanings:

4.5.1 Complete Disability. "Complete Disability" shall mean the inability of Executive to perform Executive's duties under this Agreement because Executive has become permanently disabled within the meaning of any policy of disability income insurance covering employees of the Company then in force. In the event the Company has no policy of disability income insurance covering employees of the Company in force when Executive becomes disabled, the term "Complete Disability" shall mean the inability of Executive to perform Executive's duties under this Agreement by reason of any incapacity, physical or mental, which the Board, based upon medical advice or an opinion provided by a licensed physician acceptable to the Board, determines to have incapacitated Executive from satisfactorily performing all of Executive's usual services for the Company for a period of at least 120 days. Based upon such medical advice or opinion, the determination of the Board shall be final and binding and the date such determination is made shall be the date of such Complete Disability for purposes of this Agreement.

4.5.2 Good Reason. "Good Reason" shall be limited to the occurrence of any of the following events:

(i) If the Company is in material breach of any provision of this Agreement; or

(ii) If the Company asks Executive to perform any act which is illegal, including commission of any crime involving moral turpitude; or,

(iii) If there shall be a material diminution in Executive's position, status, offices, authority, duties or responsibilities as set forth in the Agreement; or

(iv) If there shall be a relocation or transfer of Executive's office to a location of more than 30 miles from London, United Kingdom.

4.5.3 For Cause. "For Cause" shall be limited to the occurrence of any of the following events: (i) Executive's engaging or in any manner participating in any activity which is directly competitive with or intentionally injurious to the Company or which violates any material provision of Section 6 hereof; or the use of alcohol or illegal drugs, materially interfering with the performance of Executive's obligations under this Agreement, continuing after written warning;

(ii) Executive's commission of any fraud against the Company or use or intentional appropriation for his personal use or benefit of any material funds or properties of the Company not authorized by the Board to be so used or appropriated;

(iii) Executive's conviction of any crime involving moral turpitude; or

(iv) Executive's failure or refusal to materially perform his duties and responsibilities set forth in this Agreement, if such failure or refusal is not cured within thirty (30) days after written notice thereof to Executive by the Company.

5. CHANGE IN CONTROL.

5.1 A "Change of Control" shall, for purposes of this Section mean: (1) a dissolution or liquidation of the Company; (2) any sale or transfer of more than 25% of the total assets of the Company; (3) any merger, consolidation or other business reorganization in which the holders of the Company's outstanding voting securities immediately prior to such transaction do not hold, immediately following such transaction, securities representing fifty percent (50%) or more of the combined voting power of the outstanding securities of the surviving entity; (4) the acquisition by any person (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), of beneficial ownership (within the meaning of Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of securities representing fifty percent (50%) or more of the combined voting power of the then-outstanding securities of the Company; or (5) a majority of the incumbent Board of Directors has been changed.

5.2 If a Change In Control occurs, Executive shall be entitled to full acceleration of the vesting of the then-unvested portion of the Options granted to Executive under Section 3.9 hereof and of any other options granted to Executive (or any restricted shares received upon early exercise). If Executive is terminated due to a Change In Control, Executive's medical, disability and other benefits shall continue for a period of six(6) months, as if Executive had continued in employment during said period, or in lieu thereof, cash (including a tax equivalency payment for Federal, state and local income and payroll taxes assuming Executive is in the maximum tax bracket for all such purposes) where such benefits may not be continued (or where such continuation would adversely affect the tax status of the plan pursuant to which the benefit is being provided) under applicable law or regulation.

5.3 Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined that any payment or distribution by the Company to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement, including, without limitation, the Change of Control Termination Payment, or otherwise (the "Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), Executive shall be paid an additional amount (the "Gross-Up Payment") such that the net amount retained by Executive after deduction of any excise tax imposed under Section 4999 of the Code, and any federal, state and local income and employment tax and excise tax imposed upon the Gross-Up Payment, and any interest and penalties imposed upon Executive, shall be equal to the Payment. For purposes of determining the amount of the Gross-Up Payment, Executive shall be deemed to pay federal income tax and employment taxes at the highest marginal rate of federal income and employment taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of Executive's residence on the date of Payment, net of the maximum reduction in federal income taxes that may be obtained from the deduction of such state and local taxes.

5.4 All determinations to be made under Section 5.3 shall be made by the Company's independent public accountant (the "Accounting Firm"), which firm shall provide its determinations and any supporting calculations both to the Company and Executive within 10 days of the date of Payment. Any such determination by the Accounting Firm shall be binding upon the Company and Executive. Within five days after the Accounting Firm's determination, the Company shall pay (or cause to be paid) or distribute (or cause to be distributed) to or for the benefit of Executive such amounts as are then due to Executive.

5.5 In the event that upon any audit by the Internal Revenue Service, or by a state or local taxing authority, of the Payment or Gross-Up Payment, a change is finally determined to be required in the amount of taxes paid by Executive, appropriate adjustments shall be made under this Agreement such that the net amount which is payable to Executive after taking into account the provisions of Section 4999 of the Code shall reflect the intent of the parties as expressed in Section 5.3 above, in the manner determined by the Accounting Firm.

5.6 All of the fees and expenses of the Accounting Firm in performing the determinations referred to above shall be borne solely by the Company. The Company agrees to indemnify and hold harmless the Accounting Firm of and from any and all claims, damages and expenses resulting from or relating to its determinations above, except for claims, damages or expenses resulting from the gross negligence or willful misconduct of the Accounting Firm.

6. CONFIDENTIAL AND PROPRIETARY INFORMATION

6.1 Executive recognizes that his employment with the Company will involve contact with information of substantial value to the Company, which is not old and generally known in the trade, and which gives the Company an advantage over its competitors who do not know or use it, including but not limited to, techniques, designs, drawings, processes, inventions, developments, equipment, prototypes, sales and customer information, and business and financial information relating to the business, products, practices and techniques of the Company, (hereinafter referred to as "Confidential and Proprietary Information"). Executive will at all times regard and preserve as confidential such Confidential and Proprietary Information obtained by Executive from whatever source and will not, either during his employment with the Company or thereafter, publish or disclose any part of such Confidential and Proprietary Information in any manner at any time, or use the same except on behalf of the Company, without the prior written consent of the Company.

7. ASSIGNMENT AND BINDING EFFECT.

7.1 This Agreement shall be binding upon and inure to the benefit of Executive and Executive's heirs, executors, personal representatives, assigns, administrators and legal representatives. Due to the unique and personal nature of Executive's duties under this Agreement, neither this Agreement nor any rights or obligations under this Agreement shall be assignable by Executive. This Agreement shall be binding upon and inure to the benefit of the Company and its successors, assigns and legal representatives. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance satisfactory to Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform it if no succession had taken place.

8. NOTICES.

8.1 All notices or demands of any kind required or permitted to be given by the Company or Executive under this Agreement shall be given in writing and shall be personally delivered (and receipted for) or mailed by certified mail, return receipt requested, postage prepaid, addressed as follows:

8.1.1 If to the Company:

NetSol International, Inc.
2390 Calabasas Road, Suite 2072
Calabasas, CA 91302
Attn: General Counsel

8.1.2 If to Executive:

Naeem Ghauri

Any such written notice shall be deemed received when personally delivered or three (3) days after its deposit in the United States mail as specified above. Either party may change its address for notices by giving notice to the other party in the manner specified in this section.

9. TRADE SECRETS OF OTHERS.

9.1 It is the understanding of both the Company and Executive that Executive shall not divulge to the Company and/or its subsidiaries any confidential information or trade secrets belonging to others, including Executive's former employers, nor shall the Company and/or its affiliates seek to elicit from Executive any such information. Consistent with the foregoing, Executive shall not provide to the Company and/or its affiliates, and the Company and/or its affiliates shall not request, any documents or copies of documents containing such information.

10. CHOICE OF LAW.

10.1 This Agreement is made in Calabasas, California. This Agreement shall be construed and interpreted in accordance with the laws of the State of California.

11. INTEGRATION.

11.1 This Agreement contains the complete, final and exclusive agreement of the parties relating to the subject matter of this Agreement, and supersedes all prior oral and written employment agreements or arrangements between the parties.

12. AMENDMENT.

12.1 This Agreement cannot be amended or modified except by a written agreement signed by Executive and the Company.

13. WAIVER.

13.1 No term, covenant or condition of this Agreement or any breach thereof shall be deemed waived, except with the written consent of the party against whom the waiver is claimed, and any waiver or any such term, covenant, condition or breach shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other term, covenant, condition or breach.

14. SEVERABILITY.

14.1 The finding by a court of competent jurisdiction of the unenforceability, invalidity or illegality of any provision of this Agreement shall not render any other provision of this Agreement unenforceable, invalid or illegal. Such court shall have the authority to modify or replace the invalid or unenforceable term or provision with a valid and enforceable term or provision which most accurately represents the parties' intention with respect to the invalid or unenforceable term or provision.

15. INTERPRETATION; CONSTRUCTION.

15.1 The headings set forth in this Agreement are for convenience of reference only and shall not be used in interpreting this Agreement. This Agreement has been drafted by legal counsel representing the Company, but Executive has been encouraged, and has consulted with, his own independent counsel and tax advisors with respect to the terms of this Agreement. The parties acknowledge that each party and its counsel has reviewed and revised, or had an opportunity to review and revise, this Agreement, and the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

16. REPRESENTATIONS AND WARRANTIES.

16.1 Executive represents and warrants that he is not restricted or prohibited, contractually or otherwise, from entering into and performing each of the terms and covenants contained in this Agreement, and that his execution and performance of this Agreement will not violate or breach any other agreements between Executive and any other person or entity.

17. LITIGATION COSTS.

17.1 Should any litigation, arbitration, or administrative action be commenced between the parties or their personal representatives concerning any provision of this agreement or the rights and duties of any person in relation to this agreement, the party or parties prevailing in such action shall be entitled, in addition to such other relief as may be granted to a reasonable sum as and for that party's attorney's fees in such litigation which shall be determined by the court, arbitrator, or administrative agency, in such action or in a separate action brought for that purpose.

18. COUNTERPARTS.

18.1 This Agreement may be executed in two counterparts, each of which shall be deemed an original, all of which together shall constitute one and the same instrument.

19. ARBITRATION.

19.1 To ensure rapid and economical resolution of any disputes which may arise under this Agreement, Executive and the Company agree that any and all disputes or controversies of any nature whatsoever, arising from or regarding the interpretation, performance, enforcement or breach of this Agreement shall be resolved by confidential, final and binding arbitration (rather than trial by jury or court or resolution in some other forum) to the fullest extent permitted by law. Any arbitration proceeding pursuant to this Agreement shall be conducted by the American Arbitration Association ("AAA") in Los Angeles under the then existing AAA arbitration rules. If for any reason all or part of this arbitration provision is held to be invalid, illegal, or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not effect any other portion of this arbitration provision or any other jurisdiction, but this provision will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable part or parts of this provision had never been contained herein, consistent with the general intent of the parties insofar as possible.

20. PAYMENTS. Any amount hereunder not paid when due shall be subject until paid to an interest charge equal to the lesser of (i) one-and-one-half percent of the amount due per month and (ii) the highest rate allowable by applicable law. The late-paying party shall pay all of the other party's costs and expenses (including reasonable attorney's fees) to collect any amount due.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

NETSOL TECHNOLOGIES, INC.

By: /s/ Patti McGlasson
Patti L. W. McGlasson
Its: Corporate Counsel

Dated: January 1, 2004

By: /s/ Najeeb Ghauri
Najeeb Ghauri
Its: Chief Financial Officer

Dated: January 1, 2004

EXECUTIVE:

/s/ Naeem Ghauri
NAEEM GHOURI

Dated: January 1, 2004

Exhibit 10.2

Naeem Ghauri's Employment Contract

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into as of January 1, 2004 (the "Effective Date"), by and between NetSol Technologies, Inc., a Nevada corporation (the "Company") and Najeeb Ghauri, an individual ("Executive").

BACKGROUND

A. The Company desires assurance of the association and services of Executive in order to retain Executive's experience, skills, abilities, background and knowledge, and is willing to engage Executive's services on the terms and conditions set forth in this Agreement.

B. Executive desires to be in the employ of the Company, and is willing to accept such employment on the terms and conditions set forth in this Agreement.

AGREEMENT

In consideration of the foregoing recitals and the mutual promises and covenants herein contained, and for other good and valuable consideration, the parties, intending to be legally bound, agree as follows:

1. EMPLOYMENT.

1.1 The Company hereby enters into this Agreement with Executive, and Executive hereby accepts employment under the terms and conditions set forth in this Agreement for a period of three years thereafter (the "Employment Period"); provided, however, that the Employment Period may be terminated earlier pursuant as provided herein. The Employment Period shall be automatically extended for additional one-year periods unless either party notifies the other in writing six months before the end of the anniversary year to elect not to so extend the Employment Period.

1.2 Executive shall serve as Chief Financial Officer ("CFO") of the Company. It is hereby contemplated that the Executive will have a seat on the Board of Directors.

1.3 Executive shall perform all services, acts or things necessary or advisable to manage and conduct the business of the Company and which are normally associated with the position of CFO and consistent with the bylaws of the Company.

1.4 The employment relationship between the parties shall be governed by the policies and practices established by the Company, except that when the terms of this Agreement differ from or are in conflict with the Company's policies or practices, this Agreement shall control.

1.5 Unless the parties otherwise agree in writing, during the term of this Agreement, Executive shall perform the services he is required to perform pursuant to this Agreement at the Company's offices, located at its present or future locations in the United Kingdom; provided, further, that the Company may from time to time require Executive to travel temporarily to other locations in connection with the Company's business and in accordance with the Company's standard policies regarding travel for executive and senior management employees.

2. LOYAL AND CONSCIENTIOUS PERFORMANCE; NONCOMPETITION.

2.1 During the Employment Period, Executive shall devote substantially all his business energies, interest, abilities and productive time to the proper and efficient performance of his duties under this Agreement. The foregoing shall not preclude Executive from engaging in civic, charitable or religious activities, or from serving on boards of directors of companies or organizations which will not present any direct conflict with the interest of the Company or affect the performance of Executive's duties hereunder.

2.2 Except with the prior written consent of the Company's Board of Directors ("Board"), Executive will comply with all the restrictions set forth below at all times during his employment and for a period of eighteen months after the termination of his employment:

2.2.1 Executive will not, either individually or in conjunction with any person, as principal, agent, director, officer, employee or in any other manner whatsoever, directly or indirectly engage in or become financially interested in any competitive business within North America or Europe, except as a passive investor holding not more than one percent of the publicly traded stock of a corporation in which Executive is not involved in management;

2.2.2 Executive will not, either directly or indirectly, on his own behalf or on behalf of others, solicit, divert or appropriate or attempt to solicit, divert or appropriate to any competitive business, any business or actively sought prospective business of the Company or any customers with whom the Company or any affiliate of the Company has current agreements relating to the business of the Company, or with whom Executive has dealt, or with whom Executive has supervised negotiations or business relations, or about whom Executive has acquired confidential information in the course of Executive's employment;

2.2.3 Executive will not, either directly or indirectly, on Executive's behalf or on behalf of others, solicit, divert or hire away, or attempt to solicit, divert, or hire away, any independent contractor or any person employed by the Company or any affiliate of the Company or persuade or attempt to persuade any such individual to terminate his or her employment with the Company; and,

2.2.4 Executive will not directly or indirectly impair or seek to impair the reputation of the Company or any affiliate of the Company, nor any relationship that the Company or any affiliate of the Company has with its employees, customers, suppliers, agents or other parties with which the Company or any other affiliate of the Company does business or has contractual relation; and,

2.2.5 Executive will not receive or accept for his own benefit, either directly or indirectly, any commission, rebate, discount, gratuity or profit from any person having or proposing to have one or more business transactions with the Company or any affiliate of the Company, without the prior approval of the Board, which may be withheld; and,

2.2.6 Executive will, during the term of this employment with the Company, communicate and channel to the Company all knowledge, business and customer contacts and any other information that could concern or be in any way beneficial to the business of the Company. Any such information communicated to the Company as aforesaid will be and remain the property of the Company notwithstanding any subsequent termination of Executive's employment.

3. COMPENSATION OF EXECUTIVE.

3.1 The Company shall pay Executive a base salary of One Hundred Ten Thousand Pounds Sterling (110,000)(the "Base Salary"), payable in accordance with the Company policy. Such salary shall be pro rated for any partial year of employment on the basis of a 365-day fiscal year. Executive will be eligible for bonuses from time to time as determined by the Board.

3.2 Executive's Base Salary and other compensation may be changed from time to time by mutual agreement of Executive and the Board.

3.3 All of Executive's compensation shall be subject to customary withholding taxes and any other employment taxes applicable to Executive's jurisdiction of employment as are commonly required to be collected or withheld by the Company.

3.4 During the Employment Period, the Company agrees to reimburse Executive for all reasonable and necessary business expenses subject to the Company's standard requirements with respect to reporting and documentation of such expenses.

3.5 Executive shall, in accordance with the Company policy and the terms of the applicable plan documents, be eligible to participate in benefits under any Executive benefit plan or arrangement which may be in effect from time to time and made available to its executive or key management employees, including, as applicable, health and disability insurance, dental insurance, and participation in Employer's 401(k) plan. The Company may modify or cancel its benefit plan(s) as it deems necessary.

3.6 Executive shall cooperate with the Company and its insurers as reasonably required for the Company to acquire and keep in force key-man life insurance on Executive.

3.7 Executive shall be granted stock options for 250,000 shares of the common stock of the Company (the "Options") pursuant to an option agreement (the "Option Agreement") issued pursuant to the Company's 2001 Employee Stock Option Plan and shall vest and be exercisable based on the customary provisions of such plan. The Option Agreement will have customary provisions relating to adjustments for stock splits and similar events. The exercise price of the Options will be \$2.21 for 100,000 shares; \$3.75 for 100,000 shares and \$5.00 for 50,000 shares. The options as granted shall provide for an "early exercise" right (i.e., the right of Executive to exercise options prior to their vesting date and to receive restricted stock subject to the same vesting requirements as the options exercised). In addition, the options as granted shall permit Executive (or, where applicable, his personal representative) up to eighteen (18) months following termination of employment for any reason to exercise any options which were vested at the time of such termination (including options vesting as the result of such termination, where applicable).

3.9. The Company and Executive shall enter into an Indemnity Agreement to provide indemnification of and the advancing of expenses to Executive to the fullest extent (whether partial or complete) permitted by law, and, to the extent the Company maintains insurance, for the coverage of Executive under the Company's directors' and officers' liability insurance policies.

4. TERMINATION.

4.1 Termination by the Company. Executive's employment with the Company may be terminated under the following conditions:

4.1.1 Death or Disability. Executive's employment with the Company shall terminate effective upon the date of Executive's death or "Complete Disability" (as defined in Section 4.5.1) .

4.1.2 For Cause. The Company may terminate Executive's employment under this Agreement for "Cause" (as defined in Section 4.5.3) by delivery of written notice to Executive specifying the cause or causes relied upon for such termination. Any notice of termination given pursuant to this Section 4.1.2 shall effect termination as of the date specified in such notice or, in the event no such date is specified, on the last day of the month in which such notice is delivered or deemed delivered as provided in Section 8 below.

4.1.3 Without Cause. The Company may terminate Executive's employment under this Agreement at any time and for any reason by delivery of written notice of such termination to Executive. Any notice of termination given pursuant to this Section 4.1.3 shall effect termination as of the date specified in such notice (which shall be no earlier than 30 days after such notice is given) or, in the event no such date is specified, on the last day of the month following the month in which such notice is delivered or deemed delivered as provided in Section 8 below.

4.2 Termination By Executive. Executive may terminate his employment with the Company for "Good Reason" (as defined below in Section 4.5.2) by (i) delivery of written notice to the Company specifying the "Good Reason" relied upon by Executive for such termination, provided that such notice is delivered within six (6) months following the occurrence of any event or events constituting Good Reason, or (ii) at any time during the Employment Period without Good Reason.

4.3 Termination by Mutual Agreement of the Parties. Executive's employment pursuant to this Agreement may be terminated at any time upon a mutual agreement in writing of the parties. Any such termination of employment shall have the consequences specified in such agreement.

4.4 Compensation Upon Termination.

4.4.1 Death or Complete Disability. If Executive's employment shall be terminated by death or Complete Disability as provided in Section 4.4.1, the Company shall (i) pay Executive his accrued Base Salary and accrued and unused vacation benefits earned through the date of termination at the rate in effect at the time of termination, and (ii) continue Executive's annual Base Salary, in effect at the time of termination, for a period of two (2) months after the termination date, in both cases subject to standard deductions and withholding, and the Company shall thereafter have no further obligations to Executive under this Agreement.

4.4.2 Cause or Without Good Reason. If Executive's employment shall be terminated by the Company for Cause, or if Executive terminates employment hereunder without Good Reason, the Company shall pay Executive his accrued Base Salary and accrued and unused vacation benefits earned through the date of termination at the rate in effect at the time of the notice of termination, and the Company shall thereafter have no further obligations to Executive under this Agreement.

4.4.3 Without Cause or Good Reason. If Executive shall terminate Executive's employment with the Company for Good Reason or the Company shall terminate Executive's employment without Cause, Executive shall be entitled to the following:

(i) Executive's Base Salary, and accrued and unused vacation earned through the date of termination;

(ii) Continuation of Executive's annual Base Salary, in effect at the time of termination, for a period of thirty-six (36) months after the termination date subject to standard deductions and withholding;

(iii) Continuation of Executive's medical, disability and other benefits for a period of six (6) months after the termination date, as if Executive had continued in employment during said period, or in lieu thereof, cash (including a tax-equivalency payment for Federal, state and local income and payroll taxes assuming Executive is in the maximum tax bracket for all such purposes) where such benefits may not be continued (or where such continuation would adversely affect the tax status of the plan pursuant to which the benefit is being provided) under applicable law or regulation;

(iv) 100% vesting of all of Executive's Options, all other options granted to Executive and all restricted stock received upon early exercise; and,

(v) in the event such termination occurs within twelve (12) months after a Change of Control, the Company shall pay Executive (a) a one-time payment equal to the product of 2.99 and Executive's salary for the previous twelve (12) months and (b) a one-time payment equal to the higher of (i) Executive's bonus for the previous year and (ii) one percent of the Company's consolidated gross revenues for the previous twelve (12) months (the "Change of Control Termination Payment").

4.5 Definitions. As used herein, the following terms shall have the following meanings:

4.5.1 Complete Disability. "Complete Disability" shall mean the inability of Executive to perform Executive's duties under this Agreement because Executive has become permanently disabled within the meaning of any policy of disability income insurance covering employees of the Company then in force. In the event the Company has no policy of disability income insurance covering employees of the Company in force when Executive becomes disabled, the term "Complete Disability" shall mean the inability of Executive to perform Executive's duties under this Agreement by reason of any incapacity, physical or mental, which the Board, based upon medical advice or an opinion provided by a licensed physician acceptable to the Board, determines to have incapacitated Executive from satisfactorily performing all of Executive's usual services for the Company for a period of at least 120 days. Based upon such medical advice or opinion, the determination of the Board shall be final and binding and the date such determination is made shall be the date of such Complete Disability for purposes of this Agreement.

4.5.2 Good Reason. "Good Reason" shall be limited to the occurrence of any of the following events:

(i) If the Company is in material breach of any provision of this Agreement; or

(ii) If the Company asks Executive to perform any act which is illegal, including commission of any crime involving moral turpitude; or,

(iii) If there shall be a material diminution in Executive's position, status, offices, authority, duties or responsibilities as set forth in the Agreement; or

(iv) If there shall be a relocation or transfer of Executive's office to a location of more than 30 miles from Calabasas, California.

4.5.3 For Cause. "For Cause" shall be limited to the occurrence of any of the following events: (i) Executive's engaging or in any manner participating in any activity which is directly competitive with or intentionally injurious to the Company or which violates any material provision of Section 6 hereof; or the use of alcohol or illegal drugs, materially interfering with the performance of Executive's obligations under this Agreement, continuing after written warning;

(ii) Executive's commission of any fraud against the Company or use or intentional appropriation for his personal use or benefit of any material funds or properties of the Company not authorized by the Board to be so used or appropriated;

(iii) Executive's conviction of any crime involving moral turpitude; or

(iv) Executive's failure or refusal to materially perform his duties and responsibilities set forth in this Agreement, if such failure or refusal is not cured within thirty (30) days after written notice thereof to Executive by the Company.

5. CHANGE IN CONTROL.

5.1 A "Change of Control" shall, for purposes of this Section mean: (1) a dissolution or liquidation of the Company; (2) any sale or transfer of more than 25% of the total assets of the Company; (3) any merger, consolidation or other business reorganization in which the holders of the Company's outstanding voting securities immediately prior to such transaction do not hold, immediately following such transaction, securities representing fifty percent (50%) or more of the combined voting power of the outstanding securities of the surviving entity; (4) the acquisition by any person (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), of beneficial ownership (within the meaning of Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of securities representing fifty percent (50%) or more of the combined voting power of the then-outstanding securities of the Company; or (5) a majority of the incumbent Board of Directors has been changed.

5.2 If a Change In Control occurs, Executive shall be entitled to full acceleration of the vesting of the then-unvested portion of the Options granted to Executive under Section 3.9 hereof and of any other options granted to Executive (or any restricted shares received upon early exercise). If Executive is terminated due to a Change In Control, Executive's medical, disability and other benefits shall continue for a period of six(6) months, as if Executive had continued in employment during said period, or in lieu thereof, cash (including a tax equivalency payment for Federal, state and local income and payroll taxes assuming Executive is in the maximum tax bracket for all such purposes) where such benefits may not be continued (or where such continuation would adversely affect the tax status of the plan pursuant to which the benefit is being provided) under applicable law or regulation.

5.3 Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined that any payment or distribution by the Company to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement, including, without limitation, the Change of Control Termination Payment, or otherwise (the "Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), Executive shall be paid an additional amount (the "Gross-Up Payment") such that the net amount retained by Executive after deduction of any excise tax imposed under Section 4999 of the Code, and any federal, state and local income and employment tax and excise tax imposed upon the Gross-Up Payment, and any interest and penalties imposed upon Executive, shall be equal to the Payment. For purposes of determining the amount of the Gross-Up Payment, Executive shall be deemed to pay federal income tax and employment taxes at the highest marginal rate of federal income and employment taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of Executive's residence on the date of Payment, net of the maximum reduction in federal income taxes that may be obtained from the deduction of such state and local taxes.

5.4 All determinations to be made under Section 5.3 shall be made by the Company's independent public accountant (the "Accounting Firm"), which firm shall provide its determinations and any supporting calculations both to the Company and Executive within 10 days of the date of Payment. Any such determination by the Accounting Firm shall be binding upon the Company and Executive. Within five days after the Accounting Firm's determination, the Company shall pay (or cause to be paid) or distribute (or cause to be distributed) to or for the benefit of Executive such amounts as are then due to Executive.

5.5 In the event that upon any audit by the Internal Revenue Service, or by a state or local taxing authority, of the Payment or Gross-Up Payment, a change is finally determined to be required in the amount of taxes paid by Executive, appropriate adjustments shall be made under this Agreement such that the net amount which is payable to Executive after taking into account the provisions of Section 4999 of the Code shall reflect the intent of the parties as expressed in Section 5.3 above, in the manner determined by the Accounting Firm.

5.6 All of the fees and expenses of the Accounting Firm in performing the determinations referred to above shall be borne solely by the Company. The Company agrees to indemnify and hold harmless the Accounting Firm of and from any and all claims, damages and expenses resulting from or relating to its determinations above, except for claims, damages or expenses resulting from the gross negligence or willful misconduct of the Accounting Firm.

6. CONFIDENTIAL AND PROPRIETARY INFORMATION

6.1 Executive recognizes that his employment with the Company will involve contact with information of substantial value to the Company, which is not old and generally known in the trade, and which gives the Company an advantage over its competitors who do not know or use it, including but not limited to, techniques, designs, drawings, processes, inventions, developments, equipment, prototypes, sales and customer information, and business and financial information relating to the business, products, practices and techniques of the Company, (hereinafter referred to as "Confidential and Proprietary Information"). Executive will at all times regard and preserve as confidential such Confidential and Proprietary Information obtained by Executive from whatever source and will not, either during his employment with the Company or thereafter, publish or disclose any part of such Confidential and Proprietary Information in any manner at any time, or use the same except on behalf of the Company, without the prior written consent of the Company.

7. ASSIGNMENT AND BINDING EFFECT.

7.1 This Agreement shall be binding upon and inure to the benefit of Executive and Executive's heirs, executors, personal representatives, assigns, administrators and legal representatives. Due to the unique and personal nature of Executive's duties under this Agreement, neither this Agreement nor any rights or obligations under this Agreement shall be assignable by Executive. This Agreement shall be binding upon and inure to the benefit of the Company and its successors, assigns and legal representatives. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance satisfactory to Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform it if no succession had taken place.

8. NOTICES.

8.1 All notices or demands of any kind required or permitted to be given by the Company or Executive under this Agreement shall be given in writing and shall be personally delivered (and receipted for) or mailed by certified mail, return receipt requested, postage prepaid, addressed as follows:

8.1.1 If to the Company:

NetSol International, Inc.
2390 Calabasas Road, Suite 2072
Calabasas, CA 91302
Attn: General Counsel

8.1.2 If to Executive:

Najeeb Ghauri

Any such written notice shall be deemed received when personally delivered or three (3) days after its deposit in the United States mail as specified above. Either party may change its address for notices by giving notice to the other party in the manner specified in this section.

9. TRADE SECRETS OF OTHERS.

9.1 It is the understanding of both the Company and Executive that Executive shall not divulge to the Company and/or its subsidiaries any confidential information or trade secrets belonging to others, including Executive's former employers, nor shall the Company and/or its affiliates seek to elicit from Executive any such information. Consistent with the foregoing, Executive shall not provide to the Company and/or its affiliates, and the Company and/or its affiliates shall not request, any documents or copies of documents containing such information.

10. CHOICE OF LAW.

10.1 This Agreement is made in Calabasas, California. This Agreement shall be construed and interpreted in accordance with the laws of the State of California.

11. INTEGRATION.

11.1 This Agreement contains the complete, final and exclusive agreement of the parties relating to the subject matter of this Agreement, and supersedes all prior oral and written employment agreements or arrangements between the parties.

12. AMENDMENT.

12.1 This Agreement cannot be amended or modified except by a written agreement signed by Executive and the Company.

13. WAIVER.

13.1 No term, covenant or condition of this Agreement or any breach thereof shall be deemed waived, except with the written consent of the party against whom the waiver is claimed, and any waiver or any such term, covenant, condition or breach shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other term, covenant, condition or breach.

14. SEVERABILITY.

14.1 The finding by a court of competent jurisdiction of the unenforceability, invalidity or illegality of any provision of this Agreement shall not render any other provision of this Agreement unenforceable, invalid or illegal. Such court shall have the authority to modify or replace the invalid or unenforceable term or provision with a valid and enforceable term or provision which most accurately represents the parties' intention with respect to the invalid or unenforceable term or provision.

15. INTERPRETATION; CONSTRUCTION.

15.1 The headings set forth in this Agreement are for convenience of reference only and shall not be used in interpreting this Agreement. This Agreement has been drafted by legal counsel representing the Company, but Executive has been encouraged, and has consulted with, his own independent counsel and tax advisors with respect to the terms of this Agreement. The parties acknowledge that each party and its counsel has reviewed and revised, or had an opportunity to review and revise, this Agreement, and the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

16. REPRESENTATIONS AND WARRANTIES.

16.1 Executive represents and warrants that he is not restricted or prohibited, contractually or otherwise, from entering into and performing each of the terms and covenants contained in this Agreement, and that his execution and performance of this Agreement will not violate or breach any other agreements between Executive and any other person or entity.

17. LITIGATION COSTS.

17.1 Should any litigation, arbitration, or administrative action be commenced between the parties or their personal representatives concerning any provision of this agreement or the rights and duties of any person in relation to this agreement, the party or parties prevailing in such action shall be entitled, in addition to such other relief as may be granted to a reasonable sum as and for that party's attorney's fees in such litigation which shall be determined by the court, arbitrator, or administrative agency, in such action or in a separate action brought for that purpose.

18. COUNTERPARTS.

18.1 This Agreement may be executed in two counterparts, each of which shall be deemed an original, all of which together shall constitute one and the same instrument.

19. ARBITRATION.

19.1 To ensure rapid and economical resolution of any disputes which may arise under this Agreement, Executive and the Company agree that any and all disputes or controversies of any nature whatsoever, arising from or regarding the interpretation, performance, enforcement or breach of this Agreement shall be resolved by confidential, final and binding arbitration (rather than trial by jury or court or resolution in some other forum) to the fullest extent permitted by law. Any arbitration proceeding pursuant to this Agreement shall be conducted by the American Arbitration Association ("AAA") in Los Angeles under the then existing AAA arbitration rules. If for any reason all or part of this arbitration provision is held to be invalid, illegal, or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not effect any other portion of this arbitration provision or any other jurisdiction, but this provision will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable part or parts of this provision had never been contained herein, consistent with the general intent of the parties insofar as possible.

20. PAYMENTS. Any amount hereunder not paid when due shall be subject until paid to an interest charge equal to the lesser of (i) one-and-one-half percent of the amount due per month and (ii) the highest rate allowable by applicable law. The late-paying party shall pay all of the other party's costs and expenses (including reasonable attorney's fees) to collect any amount due.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

NETSOL TECHNOLOGIES, INC.

By: /s/ Patti McGlasson
Patti L. W. McGlasson
Its: Corporate Counsel

Dated: January 1, 2004

By: /s/ Naeem Ghauri
Naeem Ghauri
Its: Chief Executive Officer

Dated: January 1, 2004

EXECUTIVE:

/s/ Najeeb Ghauri
NAJEEB GHAURI

Dated: January 1, 2004

Exhibit 10.1

Salim Ghauri's Employment Contract

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into as of January 1, 2004 (the "Effective Date"), by and between NetSol Technologies, Inc., a Nevada corporation (the "Company") and Salim Ghauri, an individual ("Executive").

BACKGROUND

A. The Company desires assurance of the association and services of Executive in order to retain Executive's experience, skills, abilities, background and knowledge, and is willing to engage Executive's services on the terms and conditions set forth in this Agreement.

B. Executive desires to be in the employ of the Company, and is willing to accept such employment on the terms and conditions set forth in this Agreement.

AGREEMENT

In consideration of the foregoing recitals and the mutual promises and covenants herein contained, and for other good and valuable consideration, the parties, intending to be legally bound, agree as follows:

1. EMPLOYMENT.

1.1 The Company hereby enters into this Agreement with Executive, and Executive hereby accepts employment under the terms and conditions set forth in this Agreement for a period of three years thereafter (the "Employment Period"); provided, however, that the Employment Period may be terminated earlier pursuant as provided herein. The Employment Period shall be automatically extended for additional one-year periods unless either party notifies the other in writing six months before the end of the anniversary year to elect not to so extend the Employment Period.

1.2 Executive shall serve as President ("President") of the Company. It is hereby contemplated that the Executive will have a seat on the Board of Directors.

1.3 Executive shall perform all services, acts or things necessary or advisable to manage and conduct the business of the Company and which are normally associated with the position of CEO and consistent with the bylaws of the Company.

1.4 The employment relationship between the parties shall be governed by the policies and practices established by the Company, except that when the terms of this Agreement differ from or are in conflict with the Company's policies or practices, this Agreement shall control.

1.5 Unless the parties otherwise agree in writing, during the term of this Agreement, Executive shall perform the services he is required to perform pursuant to this Agreement at the Company's offices, located at its present or future locations in the United Kingdom; provided, further, that the Company may from time to time require Executive to travel temporarily to other locations in connection with the Company's business and in accordance with the Company's standard policies regarding travel for executive and senior management employees.

2. LOYAL AND CONSCIENTIOUS PERFORMANCE; NONCOMPETITION.

2.1 During the Employment Period, Executive shall devote substantially all his business energies, interest, abilities and productive time to the proper and efficient performance of his duties under this Agreement. The foregoing shall not preclude Executive from engaging in civic, charitable or religious activities, or from serving on boards of directors of companies or organizations which will not present any direct conflict with the interest of the Company or affect the performance of Executive's duties hereunder.

2.2 Except with the prior written consent of the Company's Board of Directors ("Board"), Executive will comply with all the restrictions set forth below at all times during his employment and for a period of eighteen months after the termination of his employment:

2.2.1 Executive will not, either individually or in conjunction with any person, as principal, agent, director, officer, employee or in any other manner whatsoever, directly or indirectly engage in or become financially interested in any competitive business within North America or Europe, except as a passive investor holding not more than one percent of the publicly traded stock of a corporation in which Executive is not involved in management;

2.2.2 Executive will not, either directly or indirectly, on his own behalf or on behalf of others, solicit, divert or appropriate or attempt to solicit, divert or appropriate to any competitive business, any business or actively sought prospective business of the Company or any customers with whom the Company or any affiliate of the Company has current agreements relating to the business of the Company, or with whom Executive has dealt, or with whom Executive has supervised negotiations or business relations, or about whom Executive has acquired confidential information in the course of Executive's employment;

2.2.3 Executive will not, either directly or indirectly, on Executive's behalf or on behalf of others, solicit, divert or hire away, or attempt to solicit, divert, or hire away, any independent contractor or any person employed by the Company or any affiliate of the Company or persuade or attempt to persuade any such individual to terminate his or her employment with the Company; and,

2.2.4 Executive will not directly or indirectly impair or seek to impair the reputation of the Company or any affiliate of the Company, nor any relationship that the Company or any affiliate of the Company has with its employees, customers, suppliers, agents or other parties with which the Company or any other affiliate of the Company does business or has contractual relation; and,

2.2.5 Executive will not receive or accept for his own benefit, either directly or indirectly, any commission, rebate, discount, gratuity or profit from any person having or proposing to have one or more business transactions with the Company or any affiliate of the Company, without the prior approval of the Board, which may be withheld; and,

2.2.6 Executive will, during the term of this employment with the Company, communicate and channel to the Company all knowledge, business and customer contacts and any other information that could concern or be in any way beneficial to the business of the Company. Any such information communicated to the Company as aforesaid will be and remain the property of the Company notwithstanding any subsequent termination of Executive's employment.

3. COMPENSATION OF EXECUTIVE.

3.1 The Company shall pay Executive a base salary of One Hundred Ten Thousand Pounds Sterling (110,000)(the "Base Salary"), payable in accordance with the Company policy. Such salary shall be pro rated for any partial year of employment on the basis of a 365-day fiscal year. Executive will be eligible for bonuses from time to time as determined by the Board.

3.2 Executive's Base Salary and other compensation may be changed from time to time by mutual agreement of Executive and the Board.

3.3 All of Executive's compensation shall be subject to customary withholding taxes and any other employment taxes applicable to Executive's jurisdiction of employment as are commonly required to be collected or withheld by the Company.

3.4 During the Employment Period, the Company agrees to reimburse Executive for all reasonable and necessary business expenses subject to the Company's standard requirements with respect to reporting and documentation of such expenses.

3.5 Executive shall, in accordance with the Company policy and the terms of the applicable plan documents, be eligible to participate in benefits under any Executive benefit plan or arrangement which may be in effect from time to time and made available to its executive or key management employees, including, as applicable, health and disability insurance, dental insurance, and participation in Employer's 401(k) plan. The Company may modify or cancel its benefit plan(s) as it deems necessary.

3.6 Executive shall cooperate with the Company and its insurers as reasonably required for the Company to acquire and keep in force key-man life insurance on Executive.

3.7 Executive shall be granted stock options for 250,000 shares of the common stock of the Company (the "Options") pursuant to an option agreement (the "Option Agreement") issued pursuant to the Company's 2001 Employee Stock Option Plan and shall vest and be exercisable based on the customary provisions of such plan. The Option Agreement will have customary provisions relating to adjustments for stock splits and similar events. The exercise price of the Options will be \$2.21 for 100,000 shares; \$3.75 for 100,000 shares and \$5.00 for 50,000 shares. The options as granted shall provide for an "early exercise" right (i.e., the right of Executive to exercise options prior to their vesting date and to receive restricted stock subject to the same vesting requirements as the options exercised). In addition, the options as granted shall permit Executive (or, where applicable, his personal representative) up to eighteen (18) months following termination of employment for any reason to exercise any options which were vested at the time of such termination (including options vesting as the result of such termination, where applicable).

3.9. The Company and Executive shall enter into an Indemnity Agreement to provide indemnification of and the advancing of expenses to Executive to the fullest extent (whether partial or complete) permitted by law, and, to the extent the Company maintains insurance, for the coverage of Executive under the Company's directors' and officers' liability insurance policies.

4. TERMINATION.

4.1 Termination by the Company. Executive's employment with the Company may be terminated under the following conditions:

4.1.1 Death or Disability. Executive's employment with the Company shall terminate effective upon the date of Executive's death or "Complete Disability" (as defined in Section 4.5.1) .

4.1.2 For Cause. The Company may terminate Executive's employment under this Agreement for "Cause" (as defined in Section 4.5.3) by delivery of written notice to Executive specifying the cause or causes relied upon for such termination. Any notice of termination given pursuant to this Section 4.1.2 shall effect termination as of the date specified in such notice or, in the event no such date is specified, on the last day of the month in which such notice is delivered or deemed delivered as provided in Section 8 below.

4.1.3 Without Cause. The Company may terminate Executive's employment under this Agreement at any time and for any reason by delivery of written notice of such termination to Executive. Any notice of termination given pursuant to this Section 4.1.3 shall effect termination as of the date specified in such notice (which shall be no earlier than 30 days after such notice is given) or, in the event no such date is specified, on the last day of the month following the month in which such notice is delivered or deemed delivered as provided in Section 8 below.

4.2 Termination By Executive. Executive may terminate his employment with the Company for "Good Reason" (as defined below in Section 4.5.2) by (i) delivery of written notice to the Company specifying the "Good Reason" relied upon by Executive for such termination, provided that such notice is delivered within six (6) months following the occurrence of any event or events constituting Good Reason, or (ii) at any time during the Employment Period without Good Reason.

4.3 Termination by Mutual Agreement of the Parties. Executive's employment pursuant to this Agreement may be terminated at any time upon a mutual agreement in writing of the parties. Any such termination of employment shall have the consequences specified in such agreement.

4.4 Compensation Upon Termination.

4.4.1 Death or Complete Disability. If Executive's employment shall be terminated by death or Complete Disability as provided in Section 4.4.1, the Company shall (i) pay Executive his accrued Base Salary and accrued and unused vacation benefits earned through the date of termination at the rate in effect at the time of termination, and (ii) continue Executive's annual Base Salary, in effect at the time of termination, for a period of two (2) months after the termination date, in both cases subject to standard deductions and withholding, and the Company shall thereafter have no further obligations to Executive under this Agreement.

4.4.2 Cause or Without Good Reason. If Executive's employment shall be terminated by the Company for Cause, or if Executive terminates employment hereunder without Good Reason, the Company shall pay Executive his accrued Base Salary and accrued and unused vacation benefits earned through the date of termination at the rate in effect at the time of the notice of termination, and the Company shall thereafter have no further obligations to Executive under this Agreement.

4.4.3 Without Cause or Good Reason. If Executive shall terminate Executive's employment with the Company for Good Reason or the Company shall terminate Executive's employment without Cause, Executive shall be entitled to the following:

- (i) Executive's Base Salary, and accrued and unused vacation earned through the date of termination;
- (ii) Continuation of Executive's annual Base Salary, in effect at the time of termination, for a period of thirty-six (36) months after the termination date subject to standard deductions and withholding;
- (iii) Continuation of Executive's medical, disability and other benefits for a period of six (6) months after the termination date, as if Executive had continued in employment during said period, or in lieu thereof, cash (including a tax-equivalency payment for Federal, state and local income and payroll taxes assuming Executive is in the maximum tax bracket for all such purposes) where such benefits may not be continued (or where such continuation would adversely affect the tax status of the plan pursuant to which the benefit is being provided) under applicable law or regulation;
- (iv) 100% vesting of all of Executive's Options, all other options granted to Executive and all restricted stock received upon early exercise; and,
- (v) in the event such termination occurs within twelve (12) months after a Change of Control, the Company shall pay Executive (a) a one-time payment equal to the product of 2.99 and Executive's salary for the previous twelve (12) months and (b) a one-time payment equal to the higher of (i) Executive's bonus for the previous year and (ii) one percent of the Company's consolidated gross revenues for the previous twelve (12) months (the "Change of Control Termination Payment").

4.5 Definitions. As used herein, the following terms shall have the following meanings:

4.5.1 Complete Disability. "Complete Disability" shall mean the inability of Executive to perform Executive's duties under this Agreement because Executive has become permanently disabled within the meaning of any policy of disability income insurance covering employees of the Company then in force. In the event the Company has no policy of disability income insurance covering employees of the Company in force when Executive becomes disabled, the term "Complete Disability" shall mean the inability of Executive to perform Executive's duties under this Agreement by reason of any incapacity, physical or mental, which the Board, based upon medical advice or an opinion provided by a licensed physician acceptable to the Board, determines to have incapacitated Executive from satisfactorily performing all of Executive's usual services for the Company for a period of at least 120 days. Based upon such medical advice or opinion, the determination of the Board shall be final and binding and the date such determination is made shall be the date of such Complete Disability for purposes of this Agreement.

4.5.2 Good Reason. "Good Reason" shall be limited to the occurrence of any of the following events:

- (i) If the Company is in material breach of any provision of this Agreement; or
- (ii) If the Company asks Executive to perform any act which is illegal, including commission of any crime involving moral turpitude; or,
- (iii) If there shall be a material diminution in Executive's position, status, offices, authority, duties or responsibilities as set forth in the Agreement; or
- (iv) If there shall be a relocation or transfer of Executive's office to a location of more than 30 miles from Lahore, Pakistan.

4.5.3 For Cause. "For Cause" shall be limited to the occurrence of any of the following events: (i) Executive's engaging or in any manner participating in any activity which is directly competitive with or intentionally injurious to the Company or which violates any material provision of Section 6 hereof; or the use of alcohol or illegal drugs, materially interfering with the performance of Executive's obligations under this Agreement, continuing after written warning;

(ii) Executive's commission of any fraud against the Company or use or intentional appropriation for his personal use or benefit of any material funds or properties of the Company not authorized by the Board to be so used or appropriated;

(iii) Executive's conviction of any crime involving moral turpitude; or

(iv) Executive's failure or refusal to materially perform his duties and responsibilities set forth in this Agreement, if such failure or refusal is not cured within thirty (30) days after written notice thereof to Executive by the Company.

5. CHANGE IN CONTROL.

5.1 A "Change of Control" shall, for purposes of this Section mean: (1) a dissolution or liquidation of the Company; (2) any sale or transfer of more than 25% of the total assets of the Company; (3) any merger, consolidation or other business reorganization in which the holders of the Company's outstanding voting securities immediately prior to such transaction do not hold, immediately following such transaction, securities representing fifty percent (50%) or more of the combined voting power of the outstanding securities of the surviving entity; (4) the acquisition by any person (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), of beneficial ownership (within the meaning of Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of securities representing fifty percent (50%) or more of the combined voting power of the then-outstanding securities of the Company; or (5) a majority of the incumbent Board of Directors has been changed.

5.2 If a Change In Control occurs, Executive shall be entitled to full acceleration of the vesting of the then-unvested portion of the Options granted to Executive under Section 3.9 hereof and of any other options granted to Executive (or any restricted shares received upon early exercise). If Executive is terminated due to a Change In Control, Executive's medical, disability and other benefits shall continue for a period of six(6) months, as if Executive had continued in employment during said period, or in lieu thereof, cash (including a tax equivalency payment for Federal, state and local income and payroll taxes assuming Executive is in the maximum tax bracket for all such purposes) where such benefits may not be continued (or where such continuation would adversely affect the tax status of the plan pursuant to which the benefit is being provided) under applicable law or regulation.

5.3 Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined that any payment or distribution by the Company to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement, including, without limitation, the Change of Control Termination Payment, or otherwise (the "Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), Executive shall be paid an additional amount (the "Gross-Up Payment") such that the net amount retained by Executive after deduction of any excise tax imposed under Section 4999 of the Code, and any federal, state and local income and employment tax and excise tax imposed upon the Gross-Up Payment, and any interest and penalties imposed upon Executive, shall be equal to the Payment. For purposes of determining the amount of the Gross-Up Payment, Executive shall be deemed to pay federal income tax and employment taxes at the highest marginal rate of federal income and employment taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of Executive's residence on the date of Payment, net of the maximum reduction in federal income taxes that may be obtained from the deduction of such state and local taxes.

5.4 All determinations to be made under Section 5.3 shall be made by the Company's independent public accountant (the "Accounting Firm"), which firm shall provide its determinations and any supporting calculations both to the Company and Executive within 10 days of the date of Payment. Any such determination by the Accounting Firm shall be binding upon the Company and Executive. Within five days after the Accounting Firm's determination, the Company shall pay (or cause to be paid) or distribute (or cause to be distributed) to or for the benefit of Executive such amounts as are then due to Executive.

5.5 In the event that upon any audit by the Internal Revenue Service, or by a state or local taxing authority, of the Payment or Gross-Up Payment, a change is finally determined to be required in the amount of taxes paid by Executive, appropriate adjustments shall be made under this Agreement such that the net amount which is payable to Executive after taking into account the provisions of Section 4999 of the Code shall reflect the intent of the parties as expressed in Section 5.3 above, in the manner determined by the Accounting Firm.

5.6 All of the fees and expenses of the Accounting Firm in performing the determinations referred to above shall be borne solely by the Company. The Company agrees to indemnify and hold harmless the Accounting Firm of and from any and all claims, damages and expenses resulting from or relating to its determinations above, except for claims, damages or expenses resulting from the gross negligence or willful misconduct of the Accounting Firm.

6. CONFIDENTIAL AND PROPRIETARY INFORMATION

6.1 Executive recognizes that his employment with the Company will involve contact with information of substantial value to the Company, which is not old and generally known in the trade, and which gives the Company an advantage over its competitors who do not know or use it, including but not limited to, techniques, designs, drawings, processes, inventions, developments, equipment, prototypes, sales and customer information, and business and financial information relating to the business, products, practices and techniques of the Company, (hereinafter referred to as "Confidential and Proprietary Information"). Executive will at all times regard and preserve as confidential such Confidential and Proprietary Information obtained by Executive from whatever source and will not, either during his employment with the Company or thereafter, publish or disclose any part of such Confidential and Proprietary Information in any manner at any time, or use the same except on behalf of the Company, without the prior written consent of the Company.

7. ASSIGNMENT AND BINDING EFFECT.

7.1 This Agreement shall be binding upon and inure to the benefit of Executive and Executive's heirs, executors, personal representatives, assigns, administrators and legal representatives. Due to the unique and personal nature of Executive's duties under this Agreement, neither this Agreement nor any rights or obligations under this Agreement shall be assignable by Executive. This Agreement shall be binding upon and inure to the benefit of the Company and its successors, assigns and legal representatives. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance satisfactory to Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform it if no succession had taken place.

8. NOTICES.

8.1 All notices or demands of any kind required or permitted to be given by the Company or Executive under this Agreement shall be given in writing and shall be personally delivered (and receipted for) or mailed by certified mail, return receipt requested, postage prepaid, addressed as follows:

8.1.1 If to the Company:

NetSol International, Inc.
2390 Calabasas Road, Suite 2072
Calabasas, CA 91302
Attn: General Counsel

8.1.2 If to Executive:

Salim Ghauri

Any such written notice shall be deemed received when personally delivered or three (3) days after its deposit in the United States mail as specified above. Either party may change its address for notices by giving notice to the other party in the manner specified in this section.

9. TRADE SECRETS OF OTHERS.

9.1 It is the understanding of both the Company and Executive that Executive shall not divulge to the Company and/or its subsidiaries any confidential information or trade secrets belonging to others, including Executive's former employers, nor shall the Company and/or its affiliates seek to elicit from Executive any such information. Consistent with the foregoing, Executive shall not provide to the Company and/or its affiliates, and the Company and/or its affiliates shall not request, any documents or copies of documents containing such information.

10. CHOICE OF LAW.

10.1 This Agreement is made in Calabasas, California. This Agreement shall be construed and interpreted in accordance with the laws of the State of California.

11. INTEGRATION.

11.1 This Agreement contains the complete, final and exclusive agreement of the parties relating to the subject matter of this Agreement, and supersedes all prior oral and written employment agreements or arrangements between the parties.

12. AMENDMENT.

12.1 This Agreement cannot be amended or modified except by a written agreement signed by Executive and the Company.

13. WAIVER.

13.1 No term, covenant or condition of this Agreement or any breach thereof shall be deemed waived, except with the written consent of the party against whom the waiver is claimed, and any waiver or any such term, covenant, condition or breach shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other term, covenant, condition or breach.

14. SEVERABILITY.

14.1 The finding by a court of competent jurisdiction of the unenforceability, invalidity or illegality of any provision of this Agreement shall not render any other provision of this Agreement unenforceable, invalid or illegal. Such court shall have the authority to modify or replace the invalid or unenforceable term or provision with a valid and enforceable term or provision which most accurately represents the parties' intention with respect to the invalid or unenforceable term or provision.

15. INTERPRETATION; CONSTRUCTION.

15.1 The headings set forth in this Agreement are for convenience of reference only and shall not be used in interpreting this Agreement. This Agreement has been drafted by legal counsel representing the Company, but Executive has been encouraged, and has consulted with, his own independent counsel and tax advisors with respect to the terms of this Agreement. The parties acknowledge that each party and its counsel has reviewed and revised, or had an opportunity to review and revise, this Agreement, and the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

16. REPRESENTATIONS AND WARRANTIES.

16.1 Executive represents and warrants that he is not restricted or prohibited, contractually or otherwise, from entering into and performing each of the terms and covenants contained in this Agreement, and that his execution and performance of this Agreement will not violate or breach any other agreements between Executive and any other person or entity.

17. LITIGATION COSTS.

17.1 Should any litigation, arbitration, or administrative action be commenced between the parties or their personal representatives concerning any provision of this agreement or the rights and duties of any person in relation to this agreement, the party or parties prevailing in such action shall be entitled, in addition to such other relief as may be granted to a reasonable sum as and for that party's attorney's fees in such litigation which shall be determined by the court, arbitrator, or administrative agency, in such action or in a separate action brought for that purpose.

18. COUNTERPARTS.

18.1 This Agreement may be executed in two counterparts, each of which shall be deemed an original, all of which together shall constitute one and the same instrument.

19. ARBITRATION.

19.1 To ensure rapid and economical resolution of any disputes which may arise under this Agreement, Executive and the Company agree that any and all disputes or controversies of any nature whatsoever, arising from or regarding the interpretation, performance, enforcement or breach of this Agreement shall be resolved by confidential, final and binding arbitration (rather than trial by jury or court or resolution in some other forum) to the fullest extent permitted by law. Any arbitration proceeding pursuant to this Agreement shall be conducted by the American Arbitration Association ("AAA") in Los Angeles under the then existing AAA arbitration rules. If for any reason all or part of this arbitration provision is held to be invalid, illegal, or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not effect any other portion of this arbitration provision or any other jurisdiction, but this provision will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable part or parts of this provision had never been contained herein, consistent with the general intent of the parties insofar as possible.

20. PAYMENTS. Any amount hereunder not paid when due shall be subject until paid to an interest charge equal to the lesser of (i) one-and-one-half percent of the amount due per month and (ii) the highest rate allowable by applicable law. The late-paying party shall pay all of the other party's costs and expenses (including reasonable attorney's fees) to collect any amount due.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

NETSOL TECHNOLOGIES, INC.

By: /s/ Patti McGlasson
Patti L. W. McGlasson
Its: Corporate Counsel

Dated: January 1, 2004

By: /s/ Najeeb Ghauri
Najeeb Ghauri
Its: Chief Financial Officer

Dated: January 1, 2004

EXECUTIVE:

/s/ Salim Ghauri
SALIM GHAURI

Dated: January 1, 2004

CERTIFICATIONS

I, Naeem Ghauri, certify that:

1. I have reviewed this quarterly report on 10-QSB of NetSol Technologies, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
- b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date") and
- c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 10, 2004

By: /s/ Naeem Ghauri
Naeem Ghauri
Chief Executive Officer

CERTIFICATION

I, Najeeb Ghauri, certify that:

1. I have reviewed this quarterly report on 10-QSB of NetSol Technologies, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
- b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date") and
- c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 10, 2004

By: /s/ Najeeb Ghauri
Najeeb Ghauri
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of NetSol Technology, Inc. (the "Company") on Form 10-QSB for the period ending March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Naeem Ghauri, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Naeem Ghauri

Naeem Ghauri
Chief Executive Officer
May 10, 2004

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of NetSol Technologies, Inc. (the "Company") on Form 10-QSB for the period ending March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Najeeb Ghauri, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Najeeb Ghauri

Najeeb Ghauri
Chief Financial Officer
May 10, 2004