UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K/A

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

Date of Report (Date of earliest event reported):
April 1, 2005 (January 19, 2005)

Commission file number: 0-22773

NETSOL TECHNOLOGIES, INC.
(Exact name of small business issuer as specified in its charter)

NEVADA	95-4627685
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer NO.)

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)

Item 1.01. Entry into a Material Definitive Agreement.

On January 19, 2005, NetSol Technologies, Inc., a Nevada corporation (the "Company") entered into a Share Purchase Agreement whereby the Company agreed to acquire 100% of the issued and outstanding shares of CQ Systems Ltd., a company organized under the laws of England and Wales ("CQ") (the "Share Purchase Agreement"). Prior to the execution of the Share Purchase Agreement, there was no relationship between the Company and any of the parties to the Share Purchase Agreement.

According to the terms of the Share Purchase Agreement, the Company shall acquire 100% of the issued and outstanding shares of CQ from CQ's current shareholders, whose identity is set forth in the Share Purchase Agreement (the "CQ Shareholders") at the completion date in exchange for a purchase price consisting of: a) 50.1% of CQ's total gross revenue for the twelve month period ending 31st of March, 2005 after an adjustment for any extraordinary revenue, i.e. non-trading revenue ("LTM Revenue") multiplied by 1.3 payable: (i) 50% in shares of restricted common stock of the Company at a per share cost basis of $2.313 and as adjusted by the exchange rate of U.S. Dollar to British Pound (at the spot rate for the purchase of sterling with U.S. dollars certified by NatWest Bank plc as prevailing at or about 11:00 a.m.) on January 19, 2005 and, (ii) 50% in cash; and b) 49.9% of CQ's LTM Revenue for the period ending 31st March 2006 multiplied by 1.3 payable, at the Company's discretion: (i) wholly in cash; or (ii) on the same basis and on the same terms as the initial payment provided, however that the cost basis of the Company's common stock shall be based on the 20 day volume weighted average of the Company's shares of common stock as traded on NASDAQ 20 days prior to March 31, 2006 and, provided that under no circumstances shall the total number of shares of common stock issued to the CQ Shareholders exceed 19% of the issued and outstanding shares of common stock, less treasury shares, of the Company at January 19, 2005.

The acquisition closed on February 21, 2005 based on March 31, 2004 financial statements of CQ Systems Ltd. with the payment of approximately $1.7 million in cash and 675,292 shares of Company common stock based on a $2.46 per share cost basis. Consideration will be adjusted when March 31, 2005 financials are received. The final payment of consideration will be made after the completion of CQ's March 31, 2006 fiscal year end.

Exhibits

Listed below are the financial statements, pro forma financial information filed as a part of this report.

(a) Financial Statements of the Business Acquired.

(1) CQ Systems Ltd.'s Financial Statements for the year ended March 31, 2004

(2) CQ Systems Ltd. Financial Statements for the year ended March 31, 2003

(3) CQ Systems Ltd. Financial Statements for the 9 months ended December 31, 2004 (unaudited)

(b) Pro Forma Financial Information.

(1) NetSol Technologies Inc. and Subsidiaries Pro Forma Financial Statements June 30, 2004 (Unaudited)

(2) NetSol Technologies Inc. and Subsidiaries Pro Forma Financial Statements June 30, 2003 (Unaudited)

(3) NetSol Technologies, Inc. and Subsidiaries Pro Forma Financial Statements for the quarter and six months ended December 31, 2004 (Unaudited)

(c) Exhibits

*2.1 Share Purchase Agreement dated as of January 19, 2005 by and between the Company and the shareholders of CQ Systems Ltd.**

**Previously filed*

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: April 1, 2005	*/s/ Naeem Ghauri*
	NAEEM GHAURI
	Chief Executive Officer
Date: April 1, 2005	*/s/ Najeeb Ghauri*
	NAJEEB GHAURI
	Chief Financial Officer and Chairman

CQ SYSTEMS LIMITED

COMPANY NUMBER: 1998080
(REGISTERED IN ENGLAND)

REPORTS ON AUDITS OF FINANCIAL STATEMENTS

AND ADDITIONAL INFORMATION

YEAR ENDED 31 MARCH 2004

CQ SYSTEMS LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2004

DIRECTORS:	*P J Grace* *G E Tarrant* *I M Tarrant* *A Elliott* *J Halliday* *J Manktelow* *C S Taylor*
SECRETARY:	*P M Tarrant*
REGISTERED OFFICE:	*Planet House* *North Heath Lane* *Horsham* *West Sussex* *United Kingdom* *RH12 5QE*
REGISTERED NUMBER:	*1998080 (England)*
AUDITORS:	*CMB Partnership* *Chartered Accountants and Registered Auditors* *Chapel House* *1 Chapel Street* *Guildford* *Surrey* *United Kingdom* *GU1 3UH*

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IMPORTANT NOTE

The consolidated US GAAP financial information contained in this report represents historical information, which previously was reported in accordance with United Kingdom GAAP and has been restated in accordance with US GAAP. The restatement to US GAAP has been performed at the request of the directors of the company.

The consolidated US GAAP financial information includes certain primary information (consolidated balance sheet, consolidated income statement, changes in shareholders equity, consolidated cash flow statement and certain explanatory notes.)

The original financial statements for the year ended 31 March 2004 prepared in accordance with United Kingdom GAAP were approved by the directors on 23 November 2004. The Independent Auditors Report on those financial statements was also dated 23 November 2004 and is attached on page 4. As outlined above, the directors of the company have requested that the original financial statements be restated in accordance with US GAAP. The Independent Auditors have attached a report on those financial statements on page 5.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2004

The directors present their report with the financial statements of the group for the year ended 31 March 2004.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of the provision of computer software and services.

DIRECTORS

The directors during the year under review were:

P J Grace
G E Tarrant
I M Tarrant
A Elliott
J Halliday
J Manktelow
C S Taylor - appointed 5/2/04

The beneficial interests of the directors holding office on 31 March 2004 in the issued share capital of the company were as follows:

	31.3.04	01.04.03 or date of appointment if later
ORDINARY (POUND)0.20 SHARES		
P J Grace	75,000	75,000
G E Tarrant	150,000	150,000
I M Tarrant	150,000	150,000
A Elliott	55,983	55,983
J Halliday	38,034	38,034
J Manktelow	30,983	30,983
C S Taylor	--	--

The directors' interests above include shares held by connected persons.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

AUDITORS

The auditors, CMB Partnership, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

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

ON BEHALF OF THE BOARD:

P M Tarrant - Secretary

Date: 23 November 2004

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF CQ SYSTEMS LIMITED (EXEMPT FROM REQUIREMENT TO PREPARE GROUP ACCOUNTS)

"We have audited the financial statements of CQ Systems Limited for the year ended 31 March 2004 on pages five to eleven. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

CMB Partnership
Chartered Accountants and Registered Auditors
Chapel House, 1 Chapel Street
Guildford
Surrey GU1 3UH — *Date: 23 November 2004*

BOARD OF DIRECTORS
CQ SYSTEMS LIMITED

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying balance sheets of CQ Systems, as of 31 March 2004 and 2003, and the related statements of income and retained earnings, comprehensive income, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. We draw attention to the note on page 1 in that the original accounts were prepared in accordance with United Kingdom accounting and auditing standards. We have been requested to report on the financial statements prepared under US GAAP. The scope of our work for the purpose in US GAAP financial statements did not include examining or dealing with events after the date of the Audit Report on the United Kingdom GAAP accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CQ Systems Limited, as of 31 March 2004 and 2003 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

CMB Partnership
Chartered Accountants and Registered Auditors
Chapel House, 1 Chapel Street
Guildford
Surrey GU1 3UH *Date: 23 November 2004*

CQ SYSTEMS LIMITED
CONSOLIDATED BALANCE SHEET

ASSETS

	NOTE	MARCH 31 2004 (POUND)	MARCH 31 2003 (POUND)
CURRENT ASSETS			
Cash and cash equivalents		809,488	448,136
Accounts receivable		400,280	435,806
Prepaid expenses and other debtors		60,501	47,216
TOTAL CURRENT ASSETS		1,270,269	931,158
EQUIPMENT	2		
Automobiles		64,725	39,732
Furniture and equipment		172,841	155,093
Computer equipment		580,772	546,646
		818,338	741,471
Less accumulated depreciation		676,768	616,420
		141,570	125,051
		1,411,839	1,056,209

LIABILITIES AND SHAREHOLDERS' EQUITY

	NOTE	MARCH 31 2004 (POUND)	MARCH 31 2003 (POUND)
CURRENT LIABILITIES			
Accounts payable		16,682	21,365
Hire purchase liabilities		23,428	32,153
Payroll, Vat and corporation taxes payable		283,017	135,117
Dividends payable		53,062	30,000
Accrued liabilities		75,197	92,911
Deferred income	1.b	418,581	410,193
TOTAL CURRENT LIABILITIES		869,967	721,739
LONG TERM LIABILITIES AND PROVISIONS			
Hire purchase liabilities		38,270	5,275
Deferred tax		2,916	1,198
TOTAL LIABILITIES		911,153	728,212
SHAREHOLDERS' EQUITY			
Ordinary Shares			
1,000,000 shares authorised (pound)0.20 par value			
Issued 500,000 shares		100,000	100,000
Retained earnings		400,686	227,997
		1,411,839	1,056,209

See notes to financial statements.

CQ SYSTEMS LIMITED
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

	NOTE	YEAR ENDED MARCH 31 2004 (POUND)	YEAR ENDED MARCH 31 2003 (POUND)
SALES 1.b		2,739,303	2,471,477
COST OF SALES		1,082,577	1,069,974
		---------	---------
		1,656,726	1,401,503
OPERATING EXPENSES	1.e	1,119,171	1,302,176
		---------	---------
INCOME FROM OPERATIONS		537,555	99,327
OTHER INCOME (EXPENSES)			
Interest income		19,483	10,257
Interest payable		(5,238)	(3,530)
		---------	---------
INCOME BEFORE CORPORATION AND DEFERRED TAXES		551,800	106,054
UK CORPORATION AND DEFERRED TAXES	3	(141,049)	(29,076)
		---------	---------
NET INCOME		410,751	76,978
RETAINED EARNINGS			
Beginning of year		227,997	181,019
Less: Dividends		(238,062)	(30,000)
		---------	---------
End of year		400,686	227,997
		=========	=========

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2004 (POUND)	2003 (POUND)
NET INCOME	410,751	76,978
	---------	---------
COMPREHENSIVE INCOME	410,751	76,978
	=========	=========

See notes to financial statements.

CQ SYSTEMS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

	MARCH 31 2004 (POUND)	MARCH 31 2003 (POUND)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	2,761,544	2,343,179
Cash paid to suppliers and employees	(2,074,453)	(2,235,165)
Interest received	19,483	10,257
Interest paid	(5,238)	(3,530)
Corporation tax paid	(27,878)	(8,782)
Net cash provided by operating activities	673,458	105,959
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales (purchases) of equipment	(97,106)	(27,462)
Net cash used by investing activities	(97,106)	(27,462)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(215,000)	--
Net cash used by financing activities	(215,000)	--
NET INCREASE IN CASH AND CASH EQUIVALENTS	361,352	78,497
CASH AND CASH EQUIVALENTS		
Beginning of year	448,136	369,639
End of year	809,488	448,136

See notes to financial statements.

	MARCH 31 2004 (POUND)	2003 (POUND)
RECONCILIATION OF NET INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES		
Net Income	410,751	76,978
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	80,587	111,390
Decrease/(increase) in accounts receivable and other debtors	22,241	(128,297)
Increase in accounts payable and other creditors	46,708	25,594
Increase in corporation taxes payable	111,453	19,096
Increase in deferred taxes	1,718	1,198
	262,707	28,981
	673,458	105,959

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and are stated in United Kingdom sterling.

In preparing the consolidated financial statements, management is required 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 consolidated balance sheet and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

a. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the financial statements of the group and its subsidiary. The group's subsidiary is Custom Quest Limited, a dormant company that has not traded since 31 May 2001 in which the group has a 100% direct holding in the voting rights. The net assets of the subsidiary company since cessation of trade is (pound)nil.

b. TURNOVER

Licence revenue is recognised where orders have been signed and the product is delivered. In contracts with multiple elements revenues are allocated to each element based on the fair value on completion, delivery and acceptance by the customer. For other services related activity, revenue is recognised on a percentage of completion basis.

c. TANGIBLE FIXED ASSETS

Depreciation is provided at the following rates in order to write off each asset over its useful life;

Computer software	*50% straight line*
Office furniture and fittings	*15% straight line*
Computer equipment	*33.33% straight line*
Automobiles	*25% straight line*

The group evaluates tangible fixed assets for impairment losses at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or is greater than its fair value.

d. DEFERRED TAX

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. These reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities at the balance sheet date and their respective tax bases.

E. RESEARCH AND DEVELOPMENT

Expenditure on research and development is written off in the year in which it is incurred. Development costs on computer software that is to be sold relates to bespoke work undertaken for particular customers as and when requested. Under these circumstances, these costs are written off as incurred rather than capitalised and amortised, as they relate solely to the individual customers specifications rather than being available for general release to customers.

f. ADVERTISING

The company expenses advertising costs as they are incurred.

G. HIRE PURCHASE AND LEASING COMMITMENTS

Assets obtained under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful estimated lives.

The interest element of these obligations are charged to the statement of income and retained earnings over the lease term. The capital element of the future payments is treated as liability.

Rentals paid under operating leases are charged to the statement of income and retained earnings on a straight line basis.

H. PENSIONS

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the statement of income and retained earnings.

I. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash at bank and in hand.

2. SECURED CREDITORS

The amounts owed under hire purchase contracts totalling (pound)61,698 (2003 - (pound)37,428) are secURed on the assets acquired. The bank also holds securities over any bank borrowings ((pound)nil at the balance SHeet date.)

3. CORPORATION AND DEFERRED TAXES

Provision is made for United Kingdom corporation tax payable on the group's taxable net income. This is provided for at the rate of tax prevailing at that time. The current standard corporation tax rate in the United Kingdom is 30%. Deferred tax is provided using the standard rate.

4. COMMITMENTS

The group is committed to making operating lease payments of (pound)82,500 in the forthcoming year.

CQ SYSTEMS LIMITED

COMPANY NUMBER: 1998080
(Registered in England)

REPORTS ON AUDITS OF FINANCIAL STATEMENTS

AND ADDITIONAL INFORMATION

YEAR ENDED 31 MARCH 2003

COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2003

DIRECTORS:	*P J Grace* *G E Tarrant* *I M Tarrant* *A Elliott* *J Halliday* *J Manktelow*
SECRETARY:	*P M Tarrant*
REGISTERED OFFICE:	*Planet House* *North Heath Lane* *Horsham* *West Sussex* *United Kingdom* *RH12 5QE*
REGISTERED NUMBER:	*1998080 (England)*
AUDITORS:	*CMB Partnership* *Chartered Accountants and* *Registered Auditors* *Chapel House* *1 Chapel Street* *Guildford* *Surrey* *United Kingdom* *GU1 3UH*

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Important note

The consolidated US GAAP financial information contained in this report represents historical information, which previously was reported in accordance with United Kingdom GAAP and has been restated in accordance with US GAAP. The restatement to US GAAP has been performed at the request of the directors of the company.

The consolidated US GAAP financial information includes certain primary information (consolidated balance sheet, consolidated income statement, changes in shareholders equity, consolidated cash flow statement and certain explanatory notes.)

The original financial statements for the year ended 31 March 2003 prepared in accordance with United Kingdom GAAP were approved by the directors on 29 October 2003. The Independent Auditors Report on those financial statements was also dated 29 October 2003 and is attached on page 4. As outlined above, the directors of the company have requested that the original financial statements be restated in accordance with US GAAP. The Independent Auditors have attached a report on those financial statements on page 5.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2003

The directors present their report with the financial statements of the group for the year ended 31 March 2003.

PRINCIPAL ACTIVITY The principal activity of the group in the year under review was that of the provision of computer software and services.

DIRECTORS
The directors during the year under review were:

P J Grace
G E Tarrant
I M Tarrant
A Elliott
J Halliday
J Manktelow

The beneficial interests of the directors holding office on 31 March 2003 in the issued share capital of the company were as follows:

Ordinary (pound)0.20 shares	*31.3.03*	*01.04.02 or date of appointment if later*
P J Grace	*75,000*	*75,000*
G E Tarrant	*150,000*	*150,000*
I M Tarrant	*150,000*	*150,000*
A Elliott	*55,983*	*55,983*
J Halliday	*38,034*	*38,034*
J Manktelow	*30,983*	*30,983*

The directors' interests above include shares held by connected persons.

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

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

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

AUDITORS
CMB Partnership were appointed as auditors during the year and will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2003

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

ON BEHALF OF THE BOARD:

P M Tarrant - Secretary

Date: 29 October 2003

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF CQ SYSTEMS LIMITED

"We have audited the financial statements of CQ Systems Limited for the year ended 31 March 2003 on pages four to eleven. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

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

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

Opinion
In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985".

CMB Partnership
Chartered Accountants and Registered Auditors
Chapel House, 1 Chapel Street
Guildford
Surrey GU1 3UH *Date: 29 October 2003*

BOARD OF DIRECTORS
CQ SYSTEMS LIMITED

Independent Auditors' Report

We have audited the accompanying balance sheets of CQ Systems Limited, as of 31 March 2003 and 2002, and the related statements of income and retained earnings, comprehensive income, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. We draw attention to the note on page 1 in that the original accounts were prepared in accordance with United Kingdom accounting and auditing standards. We have been requested to report on the financial statements prepared under US GAAP. The scope of our work for the purpose in US GAAP financial statements did not include examining or dealing with events after the date of the Audit Report on the United Kingdom GAAP accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CQ Systems Limited, as of 31 March 2003 and 2002 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

CMB Partnership
Chartered Accountants and Registered Auditors
Chapel House, 1 Chapel Street
Guildford
Surrey GU1 3UH *Date: 29 October 2003*

CONSOLIDATED BALANCE SHEET

ASSETS

	Note	March 31 2003 (pound)	March 31 2002 (pound)
CURRENT ASSETS			
Cash and cash equivalents		448,136	369,639
Accounts receivable		435,806	310,188
Prepaid expenses and other debtors		47,216	44,536
TOTAL CURRENT ASSETS		931,158	724,363
EQUIPMENT	2		
Automobiles		39,732	49,402
Furniture and equipment		155,093	154,127
Computer equipment		546,646	518,922
		741,471	722,451
Less accumulated depreciation		616,420	513,472
		125,051	208,979
		1,056,209	933,342

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	March 31 2003 (pound)	March 31 2002 (pound)
CURRENT LIABILITIES			
Accounts payable		21,365	20,600
Hire purchase liabilities		32,153	41,231
Payroll, Vat and corporation taxes payable		135,117	87,935
Dividends payable		30,000	--
Accrued liabilities		92,911	114,289
Deferred income	1.b	410,193	350,863
TOTAL CURRENT LIABILITIES		721,739	614,918
LONG TERM LIABILITIES AND PROVISIONS			
Hire purchase liabilities		5,275	37,405
Deferred tax		1,198	--
TOTAL LIABILITIES		728,212	652,323
SHAREHOLDERS' EQUITY			
Ordinary Shares 1,000,000 shares authorised (pound)0.20 par value Issued 500,000 shares		100,000	100,000
Retained earnings		227,997	181,019
		1,056,209	933,342

See notes to financial statements

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

	Note	Year ended March 31 2003 (pound)	10 Month Period ended March 31 2002 (pound)
SALES		2,471,477	2,209,098
COST OF SALES	1.b	1,069,974	1,042,194
		1,401,503	1,166,904
OPERATING EXPENSES	1.e	1,302,176	1,130,355
INCOME FROM OPERATIONS		99,327	36,549
OTHER INCOME (EXPENSES)			
Interest income		10,257	9,744
Interest payable		(3,530)	(5,515)
INCOME BEFORE CORPORATION AND DEFERRED TAXES		106,054	40,778
UK CORPORATION AND DEFERRED TAXES	3	(29,076)	(8,782)
NET INCOME		76,978	31,996
RETAINED EARNINGS			
Beginning of year		181,019	356,023
Less: Dividends)		(30,000)	(207,000)
End of year		227,997	181,019

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2003 (pound)	2002 (pound)
NET INCOME	76,978	31,996
COMPREHENSIVE INCOME	76,978	31,996

See notes to financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	March 31 2003 (pound)	March 31 2002 (pound)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	2,343,179	2,260,695
Cash paid to suppliers and employees	(2,235,165)	(2,222,307)
Interest received	10,257	9,744
Interest paid	(3,530)	(5,515)
Corporation tax paid	(8,782)	(4,639)
Net cash provided by operating activities	105,959	37,978
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales (purchases) of equipment	(27,462)	(73,646)
Net cash used by investing activities	(27,462)	(73,646)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	--	(207,000)
Net cash used by financing activities	--	(207,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	78,497	(242,668)
CASH AND CASH EQUIVALENTS		
Beginning of year	369,639	612,307
End of year	448,136	369,639

See notes to financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

	March 31 2003 (pound)	March 31 2002 (pound)
RECONCILIATION OF NET INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES		
Net Income	*76,978*	*31,996*
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	*111,390*	*122,581*
Decrease/(increase) in accounts receivable and other debtors	*(128,297)*	*51,597*
Increase/(decrease) in accounts payable and other creditors	*25,594*	*(172,339)*
Increase in corporation taxes payable	*19,096*	*4,143*
Increase in deferred taxes	*1,198*	*--*
	28,981	*5,982*
	105,959	*37,978*

See notes to financial statements.

1. *Summary of significant accounting policies*

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and are stated in United Kingdom sterling.

In preparing the consolidated financial statements, management is required 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 consolidated balance sheet and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

a. *Principles of consolidation*

The consolidated financial statements include the financial statements of the group and its subsidiary. The group's subsidiary is Custom Quest Limited, a dormant company that has not traded since 31 May 2001 in which the group has a 100% direct holding in the voting rights. The net assets of the subsidiary company since cessation of trade is (pound)nil.

b. *Turnover*

Licence revenue is recognised where orders have been signed and the product is delivered. In contracts with multiple elements revenues are allocated to each element based on the fair value on completion, delivery and acceptance by the customer. For other services related activity, revenue is recognised on a percentage of completion basis.

c. *Tangible Fixed Assets*

Depreciation is provided at the following rates in order to write off each asset over its useful life;

Computer software	*50% straight line*
Office furniture and fittings	*15% straight line*
Computer equipment	*33.33% straight line*
Automobiles	*25% straight line*

The group evaluates tangible fixed assets for impairment losses at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or is greater than its fair value.

d. *Deferred Tax*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. These reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities at the balance sheet date and their respective tax bases.

e. Research and Development

Expenditure on research and development is written off in the year in which it is incurred. Development costs on computer software that is to be sold relates to bespoke work undertaken for particular customers as and when requested. Under these circumstances, these costs are written off as incurred rather than capitalised and amortised, as they relate solely to the individual customers specifications rather than being available for general release to customers.

f. Advertising

The company expenses advertising costs as they are incurred.

g. Hire Purchase and Leasing Commitments

Assets obtained under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful estimated lives.

The interest element of these obligations are charged to the statement of income and retained earnings over the lease term. The capital element of the future payments is treated as liability.

Rentals paid under operating leases are charged to the statement of income and retained earnings on a straight line basis.

h. Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the statement of income and retained earnings.

i. Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand.

2. SECURED CREDITORS

The amounts owed under hire purchase contracts totalling (pound)37,428 (2002 - (pound)78,636) are secured on the assets acquired. The bank also holds securities over any bank borrowings ((pound)nil at the balance sheet date.)

3. CORPORATION AND DEFERRED TAXES

Provision is made for United Kingdom corporation tax payable on the group's taxable net income. This is provided for at the rate of tax prevailing at that time. The current standard corporation tax rate in the United Kingdom is 30%. Deferred tax is provided using the standard rate.

4. COMMITMENTS

The group is committed to making operating lease payments of (pound)82,500 in the forthcoming year.

CQ SYSTEMS LIMITED

COMPANY NUMBER: 1998080
(Registered in England)

FINANCIAL STATEMENTS

AND ADDITIONAL INFORMATION

Unaudited 9 Months to December 2004

CQ SYSTEMS LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2004

DIRECTORS:	*P J Grace* *G E Tarrant* *I M Tarrant* *A Elliott* *J Halliday* *J Manktelow* *C S Taylor*
SECRETARY:	*P M Tarrant*
REGISTERED OFFICE:	*Planet House* *North Heath Lane* *Horsham* *West Sussex* *United Kingdom* *RH12 5QE*
REGISTERED NUMBER:	*1998080 (England)*

UNAUDITED CONSOLIDATED BALANCE SHEET - ASSETS

	Note	9 months to Dec 31 2004 (pound)	March 31 2004 pound)
CURRENT ASSETS			
Cash and cash equivalents		540,732	809,488
Accounts receivable (net of (pound)5,000 bad debt provision)		451,509	400,280
Prepaid expenses and other receivables		66,748	60,501
TOTAL CURRENT ASSETS		1,058,989	1,270,269
AUTOMOBILES & EQUIPMENT	2		
Automobiles		49,732	64,725
Fixtures & Fittings		185,790	172,841
Computer Software & Equipment		661,377	580,772
		896,897	818,338
Less accumulated depreciation		714,975	676,768
		181,922	141,570
		1,240,911	1,411,839

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	9 months to Dec 31 2004 (pound)	March 31 2004 (pound)
CURRENT LIABILITIES			
Accounts payable		16,828	16,682
Hire purchase liabilities		44,962	23,428
Payroll, Vat and corporation taxes payable		166,100	283,017
Dividends payable		53,062	
Accrued liabilities		41,329	75,197
Deferred income		486,915	418,581
TOTAL CURRENT LIABILITIES		756,134	869,967
LONG TERM LIABILITIES AND PROVISIONS			
Hire purchase liabilities		66,871	38,270
Deferred tax		2,916	2,916
TOTAL LIABILITIES		825,921	911,153
SHAREHOLDERS' EQUITY	7		
Ordinary Shares			
1,000,000 shares authorised (pound)0.20 par value			
Issued and outstanding 500,000 shares		100,000	100,000
Retained earnings		314,990	400,686
		1,240,911	1,411,839

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Approved and signed on behalf of the board of directors on

See notes to financial statements.

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

	Note	9 months to Dec 31 2004 (pound)	March 31 2004 (pound)
NET REVENUE	1.b	1,813,546	2,739,303
COST OF REVENUE		99,572	1,082,577
GROSS PROFIT		1,713,974	1,656,726
OPERATING EXPENSES	1.e	1,675,748	1,119,171
INCOME FROM OPERATIONS			537,555
OTHER INCOME (EXPENSES)			
Interest income		19,325	19,483
Interest payable		(4,498)	(5,238)
INCOME BEFORE CORPORATION AND DEFERRED TAXES		53,053	551,800
UK CORPORATION AND DEFERRED TAXES	3		(141,049)
NET INCOME		53,053	410,751
RETAINED EARNINGS			
Beginning of year		400,686	227,997
Less: Dividends		(138,749)	(238,062)
End of year		314,990	400,686

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	9 months to Dec 31 2004 (pound)	March 31 2003 (pound)
NET INCOME		53,053	410,751
COMPREHENSIVE INCOME		53,053	410,751

See notes to financial statements.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	9 months to Dec 31 2004 (pound)	Year ended March 31 2004 (pound)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	1,756,070	2,761,544
Cash paid to suppliers and employees	(1,616,573)	(2,074,453)
Interest received	19,325	19,483
Interest paid	(4,498)	(5,238)
Corporation tax paid	(139,331)	(27,878)
Net cash provided by operating activities	14,993	673,458
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales (purchases) of equipment	(144,999)	(97,106)
Net cash used by investing activities	(144,999)	(97,106)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(138,750)	(215,000)
Net cash used by financing activities	(138,750)	(215,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(268,756)	361,352
CASH AND CASH EQUIVALENTS		
Beginning of year	809,488	448,136
End of year	540,732	809,488

See notes to financial statements.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

	9 months to Dec 31 2004 (pound)	Year ended March 31 2004 (pound)
RECONCILIATION OF NET INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES		
Net Income	53,053	410,751
Adjustments to reconcile net income to net cash provided by operating activities:		
Profit on sale of asset		(5207)
Depreciation	49,868	80,587
Decrease/(increase) in accounts receivable and other debtors	(57,476)	22,241
Increase in accounts payable and other creditors	108,879	46,708
Increase in corporation taxes payable	(139,331)	111,453
Increase in deferred taxes		1,718
	--------	--------
	(38060)	262,707
	--------	--------
	14993	673,458
	========	========

See notes to financial statements.

1. Summary of significant accounting policies

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and are stated in United Kingdom sterling.

In preparing the consolidated financial statements, management is required 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 consolidated balance sheet and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

a. Principles of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary. The group's subsidiary is Custom Quest Limited, a dormant company that has not traded since 31 May 2001 in which the group has a 100% direct holding in the voting rights. The net assets of the subsidiary company since cessation of trade is (pound)nil.

b. Revenue

The group recognises its revenue in accordance with the Securities and Exchange Commissions ("SEC") Staff Accounting Bulletin No 104 "Revenue recognition in Financial Statements".

Licence revenue is recognised where orders have been signed and the product is delivered. In contracts with multiple elements revenues are allocated to each element based on the fair value on completion, delivery and acceptance by the customer. For other services related activity, revenue is recognised on a percentage of completion basis.

c. Automobiles and equipment

Depreciation is provided at the following rates in order to write off each asset over its useful life;

Computer software	*50% straight line*
Office furniture and fittings	*15% straight line*
Computer equipment	*33.33% straight line*
Automobiles	*25% straight line*

The group evaluates tangible fixed assets for impairment losses at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or is greater than its fair value.

Long-lived assets

Effective January 1 2002, the group adopted Statement of Financial Accounting Standards No 144 "Accounting for the impairment or disposal of long-lived assets" ("SFAS 144") which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The group has evaluated the carrying value of long-lived assets held in accordance with SFAS 144. SFAS 144 requires impairment losses to be recorded on long-lived assets when indicators of impairment are present where the carrying amount exceeds the fair value of the asset. Based on its review, the group believes that as of March 31 2004 and 2003, there were no significant impairments of its long-lived assets.

d. Deferred Tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. These reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities at the balance sheet date and their respective tax bases.

e. Research and Development

Expenditure on research and development is written off in the year in which it is incurred. Development costs on computer software that is to be sold relates to bespoke work undertaken for particular customers as and when requested. Under these circumstances, these costs are written off as incurred rather than capitalised and amortised, as they relate solely to the individual customers specifications rather than being available for general release to customers.

f. Advertising

The company expenses advertising costs as they are incurred.

g. Hire Purchase and Leasing Commitments

Assets obtained under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful estimated lives.

The interest element of these obligations are charged to the statement of income and retained earnings over the lease term. The capital element of the future payments is treated as liability.

Rentals paid under operating leases are charged to the statement of income and retained earnings on a straight line basis.

h. Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the statement of income and retained earnings.

i. Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand.

j. Foreign currency transactions

Accounting principles generally require that recognised revenue, expenses, gains and losses be included in net income. Certain statements however require entities to report specific changes in assets and liabilities, such as a gain or loss on a foreign currency translation, as a separate component of the equity section of the balance sheet. Such items, along with net income, are components of comprehensive income. Cumulative translation adjustments were insignificant in both the year and preceding year.

2. SECURED CREDITORS

The amounts owed under hire purchase contracts totalling (pound)111,833 (2003 - (pound)61,698) are secured on the assets acquired.

3. CORPORATION AND DEFERRED TAXES

Provision is made for United Kingdom corporation tax payable on the group's taxable net income. This is provided for at the rate of tax prevailing at that time. The current standard corporation tax rate in the United Kingdom is 30%. Deferred tax is provided using the standard rate.

The UK corporation and deferred tax charge is stated below:-

	Year Ended Dec 31 2004 (pound)	Year Ended March 31 2004 (pound)
Corporation tax	(1)	139,331
Deferred tax		1,718
	(1)	141,049

The corporation tax assessed for the year is set out below:-

	Year Ended March 31 2004 (pound)	Year Ended March 31 2003 (pound)
Net Income		551,800
Net income multiplied by standard rate of corporation tax of 30% (2003: small companies corporation tax rate of 19%)		165,540
Effects of:-		
Excess of capital allowances over depreciation		(1,099)
Expenses not allowable for tax		977
Marginal relief		(26,087)
		139,331

4. COMMITMENTS

The group is committed to making operating lease payments of (pound)82,500 in the forthcoming year.

5. SHAREHOLDERS EQUITY

	Dec 31 2004 (pound)	March 31 2004 (pound)
Net income for year	53,053	410,751
Dividends	(138,749)	(238,062)
Net loss to shareholders equity	(85,696)	172,689
Opening Shareholders equity	500,686	327,997
Closing Shareholders equity	414,990	500,686

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
PRO-FORMA FINANCIAL STATEMENTS
JUNE 30, 2004
(UNAUDITED)

The following unaudited Pro-Forma Statement of Financial Conditions and Statement of Operations have been derived from the audited consolidated financial statements of NetSol Technologies, Inc. ("NetSol") as of June 30, 2004 and the audited financial statements of CQ Systems Limited (a UK corporation) ("CQ Systems") as of March 31, 2004. The unaudited Pro Forma Statement of Financial Conditions and Statement of Operations reflect the 100% acquisition of CQ Systems by NetSol under a stock purchase agreement. The Company has accounted for the acquisition under the purchase method of accounting for business combinations. These pro-forma statements assumes the acquisition was consummated as of July 1, 2003, the beginning of NetSol Technologies fiscal year.

The estimated purchase price is £3,561,094 or $6,677,052 of which one-half is due in cash and shares of NetSol's common stock at closing. The other half is due within one year, no interest accrues on the outstanding balance. The estimated purchase price is based on the March 31, 2004 audited financial statements of CQ Systems. The final purchase price will be adjusted either up or down when the audited March 31, 2005 financial statements are completed.

The Pro-Forma Statement of Financial Conditions and Statement of Operations should be read in conjunction with the Consolidated Financial Statements of NetSol, related Notes to the financial statements, and the Financial Statements of CQ Systems. The Pro-Forma statements do not purport to represent what the Company's financial condition and results of operations would actually have been if the acquisition of CQ Systems had occurred on the date indicated or to project the Company's results of operations for any future period or date. The Pro-Forma adjustments, as described in the accompanying data, are based on available information and the assumptions set forth in the notes below, which management believes are reasonable.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
CONSOLIDATED PRO-FORMA STATEMENT OF FINANCIAL CONDITIONS
FOR THE PERIOD ENDED JUNE 30, 2004
(UNAUDITED)

	NetSol as of 6/30/04 (Historical)	CQ Systems as of 3/31/04 (Historical)	Pro Forma Adjustment		Pro Forma Combined
ASSETS					
Current Assets	$ 3,563,501	$ 2,337,549	$ -		$ 5,901,050
Property & equipment, net	4,203,580	260,517	-		4,464,097
Intangible assets, net	4,218,040	-	5,755,690	(1)	9,973,730
Total assets	$ 11,985,121	$ 2,598,066	$ 5,755,690		$ 20,338,877
LIABILITIES & STOCKHOLDERS' EQUITY					
Current liabilities	$ 3,573,948	$ 1,600,914	$ -		$ 5,174,862
Obligations under capitalized leases, less current maturities	27,604	70,424	-		98,028
Deferred tax	-	5,366	-		5,366
Notes payable	89,656	-	3,338,526	(1)	3,428,181
Convertible debenture	937,500	-	-		937,500
Total liabilities	4,628,708	1,676,704	3,338,526		9,643,937
Stockholders' equity;					
Common stock	9,483	159,210	(158,528)	(1)	10,165
Additional paid in capital	38,933,621	-	3,337,844	(1)	42,271,465
Stock subscription receivable	(497,559)	-	-		(497,559)
Treasury stock	(21,457)	-	-		(21,457)
Other comprehensive income (loss)	(150,210)	138,784	(138,784)	(1)	(150,210)
Accumulated earnings (deficit)	(30,917,465)	623,368	(623,368)	(1)	(30,917,465)
Total stockholders' equity	7,356,413	921,362	2,417,164		10,694,939
Total liabilities and stockholders' equity	$ 11,985,121	$ 2,598,066	$ 5,755,690		$ 20,338,876

NOTES:

(1) Elimination of Common stock and accumulated earnings of CQ Systems before the acquisition and to record the purchase of CQ Systems by NetSol.

The estimated purchase price is $6,677,052, of which one-half is due at closing in cash and stock and the remaining half to be paid within one year, and after the price has been adjusted up or down when the audited 3/31/05 numbers are available. No interest is accrued on the balance remaining after closing.

Purchase Price allocation:	$
Common Stock, 681,965 shares	682
Additional paid in capital	3,337,844
Notes payable	3,338,526
Total purchase price	6,677,052
CQ equity	921,362
Intangible assets	5,755,690
	6,677,052

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
CONSOLIDATED PRO-FORMA STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)

	NetSol as of 6/30/04 (Historical)	CQ Systems as of 3/31/04 (Historical)	Pro Forma Adjustment		Pro Forma Combined
Net Revenue	$ 5,749,062	$ 4,640,653	$ -		$ 10,389,715
Cost of revenue	2,656,377	1,833,994	-		4,490,371
Gross profit	3,092,685	2,806,659	-		5,899,344
Operating expenses	5,800,703	1,895,988	686,795	(3)	8,383,483
Income (loss) from operations	(2,708,018)	910,671	(686,795)		(2,484,139)
Other income and (expenses)	(77,351)	(214,819)	-		(292,170)
Income (loss) from continuing operations	(2,785,369)	695,852	(686,795)		(2,776,309)
Minority interest in subsidiary	273,159	-	-		273,159
Net income (loss)	(2,512,210)	695,852	(686,795)		(2,503,150)
Other comprehensive income (loss):					
Translation adjustment	(299,507)	110,837	-		(188,670)
Comprehensive income (loss)	$ (2,811,717)	$ 806,689	$ (686,795)		$ (2,691,820)
EARNINGS PER SHARE					
Weighted -average number of shares outstanding	8,563,518	100,000			8,663,518
Income (loss) per share	$ (0.29)	$ 6.96			$ (0.29)

NOTES:

(1) Loss per share data shown above are applicable for both primary and fully diluted.
(2) Weighted-average number of shares outstanding for the combined entity includes all shares issued for the acquisition of 681,964 shares as if outstanding as of July 1, 2003.
(3) Amortization of intangible assets acquired in acquisition

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
PRO-FORMA FINANCIAL STATEMENTS
JUNE 30, 2003
(UNAUDITED)

The following unaudited Pro-Forma Statement of Financial Conditions and Statement of Operations has been derived from the audited consolidated financial statements of NetSol Technologies, Inc. (“NetSol”) as of June 30, 2003 and the audited financial statements of CQ Systems Limited (a UK corporation) (“CQ Systems”) as of March 31, 2003. The unaudited Pro Forma Statement of Financial Conditions and Statement of Operations reflect the 100% acquisition of CQ Systems by NetSol under a stock purchase agreement. The Company has accounted for the acquisition under the purchase method of accounting for business combinations. These pro-forma statements assumes the acquisition was consummated as of July 1, 2002, the beginning of NetSol Technologies fiscal year.

The estimated purchase price is £3,561,094 or $6,677,052 of which one-half is due in cash and shares of NetSol’s common stock at closing. The other half is due within one year, no interest accrues on the outstanding balance. The estimated purchase price is based on the March 31, 2004 audited financial statements of CQ Systems. The final purchase price will be adjusted either up or down when the audited March 31, 2005 financial statements are completed.

The Pro-Forma Statement of Financial Conditions and Statement of Operations should be read in conjunction with the Consolidated Financial Statements of NetSol, related Notes to the financial statements, and the Financial Statements of CQ Systems. The Pro-Forma statements do not purport to represent what the Company’s financial condition and results of operations would actually have been if the acquisition of CQ Systems had occurred on the date indicated or to project the Company’s results of operations for any future period or date. The Pro-Forma adjustments, as described in the accompanying data, are based on available information and the assumptions set forth in the notes below, which management believes are reasonable.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
CONSOLIDATED PRO-FORMA STATEMENT OF FINANCIAL CONDITIONS
FOR THE PERIOD ENDED JUNE 30, 2003
(UNAUDITED)

	NetSol as of 6/30/03 (Historical)	CQ Systems as of 3/31/03 (Historical)		Pro Forma Adjustment		Pro Forma Combined
ASSETS						
Current Assets	$ 1,774,553	$ 1,470,485		$ -		$ 3,245,038
Property & equipment, net	2,037,507	197,481		-		2,234,988
Intangible assets, net	4,930,191	-		6,159,079	(1)	11,089,269
Total assets	$ 8,742,251	$ 1,667,966		$ 6,159,079		$ 16,569,295
LIABILITIES & STOCKHOLDERS' EQUITY						
Current liabilities	$ 3,533,614	$ 1,139,770		$ -		$ 4,673,384
Obligations under capitalized leases, less current maturities	7,111	8,330				15,441
Deferred tax	-	1,892				1,892
Notes payable	126,674	-		3,338,526	(1)	3,465,199
Total liabilities	3,667,399	1,149,992		3,338,526		8,155,916
Stockholders' equity;						
Common stock	5,757	159,210		(158,528)	(1)	6,439
Additional paid in capital	33,409,953	-		3,337,844	(1)	36,747,797
Stock subscription receivable	(84,900)					(84,900)
Other comprehensive income (loss)	149,297	27,947		(27,947)	(1)	149,297
Accumulated earnings (deficit)	(28,405,255)	330,816		(330,816)	(1)	(28,405,255)
Total stockholders' equity	5,074,852	517,973	(2)	2,820,553		8,413,378
Total liabilities and stockholders' equity	$ 8,742,251	$ 1,667,965		$ 6,159,079		$ 16,569,294

NOTES:

(1) Elimination of Common stock and accumulated earnings of CQ Systems before the acquisition and to record the purchase of CQ Systems by NetSol.
The estimated purchase price is $6,677,052, of which one-half is due at closing in cash and stock and the remaining half to be paid within one year, and after the price has been adjusted up or down when the audited 3/31/05 numbers are available. No interest is accrued on the balance remaining after closing.

Purchase Price allocation:	$
Common Stock, 681,965 shares	682
Additional paid in capital	3,337,844
Notes payable	3,338,526
Total purchase price	6,677,052
CQ equity	517,973
Intangible assets	6,159,079
	6,677,052

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
CONSOLIDATED PRO-FORMA STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)

	NetSol as of 6/30/03 (Historical)	CQ Systems as of 3/31/03 (Historical)	Pro Forma Adjustment		Pro Forma Combined
Net Revenue	$ 3,745,386	$ 3,821,892	$ -		$ 7,567,278
Cost of revenue	1,778,993	1,654,608	-		3,433,601
Gross profit	1,966,393	2,167,284	-		4,133,677
Operating expenses	4,434,643	2,013,685	589,385	(3)	7,037,710
Income (loss) from operations	(2,468,250)	153,599	(589,385)		(2,904,033)
Other income and (expenses)	(147,331)	(34,560)	-		(181,891)
Income (loss) from continuing operations	(2,615,581)	119,039	(589,385)		(3,085,924)
Gain from discontinuation of a subsidiary	478,075	-	-		478,075
Net income (loss)	(2,137,506)	119,039	(589,385)		(2,607,849)
Other comprehensive income (loss):					
Translation adjustment	(380,978)	70,997	-		(309,981)
Comprehensive income (loss)	$ (2,518,484)	$ 190,036	$ (589,385)		$ (2,917,830)
EARNINGS PER SHARE					
Weighted -average number of shares outstanding	5,194,167	100,000			5,294,167
Income (loss) per share	$ (0.41)	$ 1.19			$ (0.49)

NOTES:

(1) Loss per share data shown above are applicable for both primary and fully diluted.
(2) Weighted-average number of shares outstanding for the combined entity includes all shares issued for the acquisition of 681,964 as if outstanding as of July 1, 2002.
(3) Amortization of intangible assets acquired in acquisition

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
PRO-FORMA FINANCIAL STATEMENTS
DECEMBER 31, 2004
(UNAUDITED)

The following unaudited Pro-Forma Statement of Financial Conditions and Statement of Operations have been derived from the unaudited consolidated financial statements of NetSol Technologies, Inc. (“NetSol”) for the six months ending December, 2004 and the unaudited financial statements of CQ Systems Limited (a UK corporation) (“CQ Systems”) for the nine months ending December 31, 2004. The unaudited Pro Forma Statement of Financial Conditions and Statement of Operations reflect the 100% acquisition of CQ Systems by NetSol under a stock purchase agreement. The Company has accounted for the acquisition under the purchase method of accounting for business combinations. These pro-forma statements assumes the acquisition was consummated as of July 1, 2003, the beginning of NetSol Technologies fiscal year.

The estimated purchase price is £3,561,094 or $6,677,052 of which one-half is due in cash and shares of NetSol’s common stock at closing. The other half is due within one year, no interest accrues on the outstanding balance. The estimated purchase price is based on the March 31, 2004 audited financial statements of CQ Systems. The final purchase price will be adjusted either up or down when the audited March 31, 2005 financial statements are completed.

The Pro-Forma Statement of Financial Conditions and Statement of Operations should be read in conjunction with the Consolidated Financial Statements of NetSol, related Notes to the financial statements, and the Financial Statements of CQ Systems. The Pro-Forma statements do not purport to represent what the Company’s financial condition and results of operations would actually have been if the acquisition of CQ Systems had occurred on the date indicated or to project the Company’s results of operations for any future period or date. The Pro-Forma adjustments, as described in the accompanying data, are based on available information and the assumptions set forth in the notes below, which management believes are reasonable.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
CONSOLIDATED PRO-FORMA STATEMENT OF FINANCIAL CONDITIONS
FOR THE PERIOD ENDED DECEMBER 31, 2004
(UNAUDITED)

	NetSol as of 12/31/04 (Historical)	CQ Systems as of 12/31/04 (Historical)	Pro Forma Adjustment		Pro Forma Combined
ASSETS					
Current Assets	$ 5,554,445	$ 1,976,412	$ -		$ 7,530,857
Property & equipment, net	4,276,307	339,525	-		4,615,832
Intangible assets, net	4,003,151	-	5,902,547	(1)	9,905,698
Total assets	$ 13,833,903	$ 2,315,937	$ 5,902,547		$ 22,052,387
LIABILITIES & STOCKHOLDERS' EQUITY					
Current liabilities	$ 2,527,727	$ 1,411,187	$ -		$ 3,938,915
Obligations under capitalized leases, less current maturities	56,910	124,803	-		181,713
Deferred tax	-	5,442	-		5,442
Notes payable	-	-	3,338,526	(1)	3,338,525
Convertible debenture	112,500	-	-		112,500
Total liabilities	2,697,137	1,541,432	3,338,526		7,577,095
Minority Interest	99,752	-	-		99,752
Stockholders' equity;					
Common stock	12,254	159,210	(158,528)	(1)	12,936
Additional paid in capital	43,119,861	-	3,337,844	(1)	46,457,705
Common stock to be issued	254,800	-	-		254,800
Stock subscription receivable	(1,375,642)	-	-		(1,375,642)
Treasury stock	(27,197)	-	-		(27,197)
Other comprehensive income (loss)	(323,619)	157,028	(157,028)	(1)	(323,619)
Accumulated earnings (deficit)	(30,623,443)	458,267	(458,267)	(1)	(30,623,443)
Total stockholders' equity	11,037,014	774,505	2,564,021		14,375,540
Total liabilities and stockholders' equity	$ 13,833,903	$ 2,315,937	$ 5,902,547		$ 22,052,387

NOTES:

(1) Elimination of Common stock and accumulated earnings of CQ Systems before the acquisition and to record the purchase of CQ Systems by NetSol.
The estimated purchase price is $6,677,052, of which one-half is due at closing in cash and stock and the remaining half to be paid within one year, and after the price has been adjusted up or down when the audited 3/31/05 numbers are available. No interest is accrued on the balance remaining after closing.

Purchase Price allocation:	$
Common Stock, 681,965 shares	682
Additional paid in capital	3,337,844
Notes payable	3,338,526
Total purchase price	6,677,052
CQ equity	774,505
Intangible assets	5,902,547
	6,677,052

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
CONSOLIDATED PRO-FORMA STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED DECEMBER 31, 2004
(UNAUDITED)

	NetSol as of 12/31/04 (Historical)	CQ Systems as of 12/31/04 (Historical)	Pro Forma Adjustment		Pro Forma Combined
Net Revenue	$ 4,781,532	$ 3,493,978	$ -		$ 8,275,510
Cost of revenue	1,580,620	191,835	-		1,772,455
Gross profit	3,200,912	3,302,143	-		6,503,055
Operating expenses	2,541,833	3,228,496	348,272	(3)	6,118,598
Income (loss) from operations	659,079	73,647	(348,272)		384,457
Other income and (expenses)	(379,314)	28,566	-		(350,748)
Income (loss) from continuing operations	279,765	102,213	(348,272)		33,709
Minority interest in subsidiary	14,259	-	-		14,259
Net income (loss)	294,024	102,213	(348,272)		47,968
Other comprehensive income (loss):					
Translation adjustment	(173,409)	18,244	-		(155,165)
Comprehensive income (loss)	$ 120,615	$ 120,457	$ (348,272)		$ (107,197)
EARNINGS PER SHARE					
Weighted -average number of shares outstanding	10,755,918	100,000			10,855,918
Income (loss) per share	$ 0.03	$ 1.02			$ 0.00

NOTES:

(1) Loss per share data shown above are applicable for primary

(2) Weighted-average number of shares outstanding for the combined entity includes all shares issued for the acquisition of 681,964 shares as if outstanding as of July 1, 2003.

(3) Amortization of intangible assets acquired in acquisition