

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): June 9, 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
(Address of principal executive offices)

91302
(Zip Code)

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

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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. On March 1, 2005, the Company filed an amended current report on form 8-K including the financial statements of CQ and certain pro forma financial statements. We are amending this current report to remove the reference to the CQ Systems Ltd. Financial Statements for the year ended March 31, 2003 and to add the financial statements of CQ Systems Ltd. for the period ending December 31, 2004. The financial statements and pro forma financial information has been amended and are attached hereto.

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. Financial Statements for the year ended March 31, 2004

(2) CQ Systems Ltd. Financial Statements for the period ending December 31, 2004

(b) Pro Forma Financial Information.

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

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

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: June 9, 2005

/s/ Naeem Ghauri

NAEEM GHURI
Chief Executive Officer

Date: June 9, 2005

/s/ Najeeb Ghauri

NAJEEB GHURI
Chief Financial Officer and Chairman

CQ SYSTEMS LIMITED

*COMPANY NUMBER: 1998080
(Registered in England)*

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)

ACCOUNTANTS & AUDITORS:

*CMB Partnership
Chartered Accountants and
Registered Auditors
Chapel House
1 Chapel Street
Guildford
Surrey
United Kingdom
GU1 3UH*

CQ SYSTEMS LIMITED

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CQ SYSTEMS LIMITED

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.

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CQ SYSTEMS LIMITED

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 05/02/04*

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

	<i>31.03.04</i>	<i>01.04.03 or date of appointment if later</i>
<i>Ordinary (pound) 0.20 shares</i>		
<i>P J Grace</i>	<i>75,000</i>	<i>75,000</i>
<i>G E Tarrant</i>	<i>150,000</i>	<i>150,000</i>
<i>I M Tarrant</i>	<i>150,000</i>	<i>150,000</i>
<i>A Elliott</i>	<i>55,983</i>	<i>55,983</i>

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. 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.

ON BEHALF OF THE BOARD:

Secretary: P. Tarrant
Date: 24th January 2005

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CQ SYSTEMS LIMITED

Report by accountants

We have prepared the attached financial statements for the year ended 31 March 2004 in accordance with US GAAP. The details were extracted from the financial statements prepared under United Kingdom GAAP. The financial statements prepared under United Kingdom GAAP were audited by ourselves with an unqualified Audit Report issued.

/s/ CMB Partnership

CMB Partnership

Chapel House
1 Chapel Street
Guildford
Surrey
United Kingdom
GU1 3UH

Date: 24th January 2005

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CQ SYSTEMS LIMITED

CONSOLIDATED BALANCE SHEET - ASSETS

<TABLE>
<CAPTION>

	March 31	
Note	2004 (pound)	2003 (pound)

<S>	<C>	<C>
CURRENT ASSETS		
Cash and cash equivalents	809,488	448,136
Accounts receivable (net of (pound)5,000 bad debt provision)	400,280	435,806
Prepaid expenses and other receivables	60,501	47,216
	-----	-----
TOTAL CURRENT ASSETS	1,270,269	931,158
	-----	-----
AUTOMOBILES & 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
	=====	=====

</TABLE>

LIABILITIES AND SHAREHOLDERS' EQUITY

<TABLE>

<CAPTION>

	March 31	
	2004	2003
	(pound)	(pound)
<S>	<C>	<C>
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	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		
	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	400,686	227,997
	-----	-----
	1,411,839	1,056,209
	=====	=====

</TABLE>

Approved and signed on behalf of the board of directors on

See notes to financial statements.

CQ SYSTEMS LIMITED

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

<TABLE>

<CAPTION>

	Note	Year ended March 31 2004 (pound)	Year ended March 31 2003 (pound)
<S>	<C>	<C>	<C>
NET REVENUE	1.b	2,739,303	2,471,477
COST OF REVENUE		1,082,577	1,069,974
		-----	-----
GROSS PROFIT		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
		=====	=====

</TABLE>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended March 31 2004 (pound)	Year ended March 31 2003 (pound)
NET INCOME	410,751	76,978
	-----	-----
COMPREHENSIVE INCOME	410,751	76,978
	=====	=====

See notes to financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended March 31 2004 (pound)	Year ended 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.

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CQ SYSTEMS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

<TABLE>

<CAPTION>

	Year ended March 31 2004 (pound) <C>	Year ended March 31 2003 (pound) <C>
<S>		
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.

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CQ SYSTEMS LIMITED

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.

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CQ SYSTEMS LIMITED

NOTES TO FINANCIAL STATEMENTS - Continued

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) 61,698 (2003 - (pound) 37,428) are secured on the assets acquired.

CQ SYSTEMS LIMITED

NOTES TO FINANCIAL STATEMENTS - Continued

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 March 31 2004 (pound)	Year Ended March 31 2003 (pound)
Corporation tax	139,331	27,878
Deferred tax	1,718	1,198
	<hr/>	<hr/>
	141,049	29,076
	<hr/>	<hr/>

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	106,064
	<hr/>	<hr/>
Net income multiplied by standard rate of corporation tax of 30% (2003: small companies corporation tax rate of 19%)	165,540	20,150
Effects of:-		
Excess of capital allowances over depreciation	(1,099)	6,950
Expenses not allowable for tax		
Marginal relief	977	778
	(26,087)	-
	<hr/>	<hr/>
	139,331	27,878
	<hr/>	<hr/>

4. COMMITMENTS

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

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CQ SYSTEMS LIMITED

NOTES TO FINANCIAL STATEMENTS - Continued

5. MAJOR CUSTOMERS

Revenue from customers accounting for more than 10% of the total net revenue for the year are as follows:

<TABLE>

<CAPTION>

<S>	<C>
Singer & Friedlander Insurance Finance Limited	(pound) 689,375
Cattles Commercial Leasing Limited and Cattles Commercial Finance Limited	(pound) 544,459

</TABLE>

6. DIVIDENDS

The shareholders of the company in their meeting dated 23 September 2003 approved a dividend of (pound)185,000. A further dividend of (pound)53,062 was approved at a meeting held on 26 February 2004.

7. SHAREHOLDERS EQUITY

	March 31 2004 (pound)	March 31 2003 (pound)
Net income for year	410,751	76,978
Dividends	(238,062)	(30,000)
	-----	-----
Net addition to shareholders equity	172,689	46,978
Opening Shareholders equity	327,997	281,019
	-----	-----
Closing Shareholders equity	500,686	327,997
	-----	-----

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CQ SYSTEMS LIMITED

COMPANY BALANCE SHEET - ASSETS

<TABLE>
<CAPTION>

	Note <C>	March 31 2004 (pound) <C>	2003 (pound) <C>
CURRENT ASSETS			
Cash and cash equivalents		809,488	448,136
Accounts receivable (net of (pound)5,000 bad debt provision)		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
		=====	=====

</TABLE>

<TABLE>
<CAPTION>

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31	
	2004	2003
	(pound)	(pound)
<S>	<C>	<C>
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	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
	=====	=====

</TABLE>

Approved and signed on behalf of the board of directors on

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

<TABLE>
<CAPTION>

	Note	9 months to Dec 31 2004 (pound)	9 months to Dec 31 2003 (pound)
<S>		<C>	<C>
CURRENT ASSETS			
Cash and cash equivalents		540,732	562,325
Accounts receivable (net of (pound) 5,000 bad debt provision)		451,509	595,340
Prepaid expenses and other receivables		66,748	80,317
		-----	-----
TOTAL CURRENT ASSETS		1,058,989	1,237,982
		-----	-----
AUTOMOBILES & EQUIPMENT			
	2		
Automobiles		49,732	64,727
Fixtures & Fittings		185,790	172,841
Computer Software & Equipment		661,375	575,328
		-----	-----

	896,897	812,896
Less accumulated depreciation	714,975	657,760
	-----	-----
	181,922	155,136
	-----	-----
	1,240,911	1,393,118
	=====	=====

</TABLE>

LIABILITIES AND SHAREHOLDERS' EQUITY

<TABLE>

<CAPTION>

	9 months to Dec 31 2004 (pound)	9 months to Dec 31 2003 (pound)
<S>	<C>	<C>
CURRENT LIABILITIES		
Accounts payable	16,828	25,792
Hire purchase liabilities	44,962	28,710
Payroll, Vat and corporation taxes payable	176,180	174,356
Accrued liabilities	41,329	96,961
Deferred income	486,915	421,161
	-----	-----
TOTAL CURRENT LIABILITIES	766,214	746,980
LONG TERM LIABILITIES AND PROVISIONS		
Hire purchase liabilities	66,871	42,808
Deferred tax	2,916	
	-----	-----
TOTAL LIABILITIES	836,001	789,788
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	304,910	503,330
	-----	-----
	1,240,911	1,393,118
	=====	=====

</TABLE>

Approved and signed on behalf of the board of directors on

See notes to financial statements.

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UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

<TABLE>

<CAPTION>

		9 months to Dec 31 2004 (pound)	9 months to Dec 31 2003 (pound)
<S>	<C>	<C>	<C>
NET REVENUE	1.b	1,813,546	2,014,630
COST OF REVENUE		99,572	954,969
		-----	-----
GROSS PROFIT		1,713,974	1,059,661
OPERATING EXPENSES	1.e	1,675,748	605,361
		-----	-----
INCOME FROM OPERATIONS		38,226	454,300
OTHER INCOME (EXPENSES)			

Interest income	19,325	16,404
Interest payable	(4,498)	(6,824)
	-----	-----
INCOME BEFORE CORPORATION AND DEFERRED TAXES	53,053	463,880
UK CORPORATION AND DEFERRED TAXES 3	(10,080)	(82,833)
	-----	-----
NET INCOME	42,973	381,047
RETAINED EARNINGS		
Beginning of year	400,686	227,997
Less: Dividends	(138,749)	(105,714)
	-----	-----
End of year	304,910	503,330
	=====	=====

</TABLE>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	9 months to Dec 31 2004 (pound)	9 months to Dec 31 2003 (pound)
NET INCOME	42,973	381,047
	-----	-----
COMPREHENSIVE INCOME	42,973	381,047
	=====	=====

See notes to financial statements.

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UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>

<CAPTION>

	9 months to Dec 31 2004 (pound)	9 months to Dec 31 2003 (pound)
	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	1,756,070	1,850,096
Cash paid to suppliers and employees	(1,616,573)	(1,540,468)
Interest received	19,325	16,405
Interest paid	(4,498)	(6,824)
Corporation tax paid	(139,331)	(27,878)
	-----	-----
Net cash provided by operating activities	14,993	291,331
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales (purchases) of equipment	(144,999)	(71,427)
	-----	-----
Net cash used by investing activities	(144,999)	(71,427)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(138,750)	(105,714)
	-----	-----

Net cash used by financing activities	(138,750)	(105,714)
	-----	-----
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(268,756)	114,190
CASH AND CASH EQUIVALENTS		
Beginning of year	809,488	448,136
	-----	-----
End of year	540,732	562,326
	=====	=====

See notes to financial statements.

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UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

<TABLE>
<CAPTION>

	9 months to Dec 31 2004 (pound) <C>	9 months to Dec 31 2003 (pound) <C>
RECONCILIATION OF NET INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES		
Net Income	42,973	381,047
Adjustments to reconcile net income to net cash provided by operating activities:		
Profit on sale of asset	(5,207)	
Depreciation	49,868	61,582
Decrease/(increase) in accounts receivable and other debtors	(57,476)	(191,080)
Increase in accounts payable and other creditors	114,086	(43,051)
Increase (decrease) in corporation taxes payable	(129,251)	82,833
Increase in deferred taxes		
	-----	-----
	(38,060)	(89,716)
	-----	-----
	14,993	291,331
	=====	=====

</TABLE>

See notes to financial statements.

Page 6

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 when earned and billed using the time and material 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.

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NOTES TO FINANCIAL STATEMENTS - Continued

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.

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NOTES TO FINANCIAL STATEMENTS - Continued

3. CORPORATION TAX

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:-

	9 months to Dec 31 2004 (pound)	9 months to Dec 31 2003 (pound)
Corporation tax	10,080	82,833
	-----	-----
	10,080	82,833
	-----	-----

4. COMMITMENTS

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

NOTES TO FINANCIAL STATEMENTS - Continued

5. SHAREHOLDERS EQUITY

	Dec 31 2004 (pound)	Dec 31 2004 (pound)
Net income for year	42,973	381,047
Dividends	(138,749)	(105,714)
	-----	-----
Net profit (loss) to shareholders equity	(95,776)	275,333
Opening Shareholders equity	400,686	227,997
	-----	-----
Closing Shareholders equity	304,910	503,330
	-----	-----

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 pro-forma Statement of Financial Conditions assumes the acquisition was consummated as of June 30, 2004, and the pro-forma Statements of Operations assumes the acquisition was consummated as of July 1, 2003, the beginning of NetSol Technologies fiscal year.

The purchase price is (pound)3,576,335 or \$6,730,382 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 initial purchase price is based on the March 31, 2005 audited financial statements of CQ Systems. The final purchase price will be adjusted either up or down when the audited March 31, 2006 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)

<TABLE>
<CAPTION>

	NetSol as of 6/30/04 (Historical)	CQ Systems as of 3/31/04 (Historical)	Pro Forma Adjustment	Pro Forma Combined
ASSETS				
<S>	<C>	<C>	<C>	<C>
Current Assets	\$ 3,563,501	\$ 2,337,549	\$ (700,000)	(1) (\$) 5,201,050
Property & equipment, net	4,203,580	260,517	--	4,464,097
Intangible assets, net	4,218,040	--	5,809,020	(1) 10,027,060
	=====	=====	=====	=====
Total assets	\$ 11,985,121	\$ 2,598,066	\$ 5,109,020	\$ 19,692,207
	=====	=====	=====	=====
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	--	4,353,587	(1) 4,443,242
Convertible debenture	937,500	--	--	937,500
	=====	=====	=====	=====
Total liabilities	4,628,708	1,676,704	4,353,587	10,658,998
Stockholders' equity;				
Common stock	9,483	159,210	(158,528)	(1) 10,165
Additional paid in capital	38,933,621	--	1,676,113	(1) (140,609,734
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	755,433	9,033,208
	=====	=====	=====	=====
Total liabilities and stockholders' equity	\$ 11,985,121	\$ 2,598,066	\$ 5,109,020	\$ 19,692,206
	=====	=====	=====	=====

</TABLE>

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 initial purchase price is \$6,730,382, 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 3/31/06 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	1,676,113
Cash	700,000
Cash, provided by short-term notes	1,000,000
Notes payable	3,353,587

Total purchase price	6,730,382
	=====

CQ equity (net assets and liabilities)	921,362	Intangible assets:
Customer Lists	1,316,880	
Licenses	2,190,807	
Goodwill	2,301,333	

	5,809,020	5,809,020

		6,730,382
		=====

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

<TABLE>
<CAPTION>

	NetSol as of 6/30/04 (Historical)	CQ Systems as of 3/31/04 (Historical)	Pro Forma Adjustment	Pro Forma Combined
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
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	6,028,055	1,895,988	701,537 (3)	8,625,577
	-----	-----	-----	-----
Income (loss) from operations	(2,935,370)	910,671	(701,537)	(2,726,233)
Other income and (expenses)	(307,764)	(214,819)	--	(522,583)
	-----	-----	-----	-----
Income (loss) from continuing operations	(3,243,134)	695,852	(701,537)	(3,248,816)
Minority interest in subsidiary	273,159	--	--	273,159
	-----	-----	-----	-----
Net income (loss)	(2,969,975)	695,852	(701,537)	(2,975,657)
Other comprehensive income (loss):				
Translation adjustment	(299,507)	110,837	--	(188,670)
	-----	-----	-----	-----
Comprehensive income (loss)	\$ (3,269,482)	\$ 806,689	\$ (701,537)	\$ (3,164,327)
	=====	=====	=====	=====

EARNINGS PER SHARE

Weighted -average number of shares outstanding	8,563,518	100,000	8,663,518
	=====	=====	=====
Income (loss) per share	\$ (0.35)	\$ 6.96	\$ (0.34)
	=====	=====	=====

</TABLE>

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 pro-forma Statement of Financial Conditions assumes the acquisition was consummated as of June 30, 2003, and the pro-forma Statements of Operations assumes the acquisition was consummated as of July 1, 2002, the beginning of NetSol Technologies fiscal year.

The purchase price is (pound)3,576,335 or \$6,730,382 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 initial purchase price is based on the March 31, 2005 audited financial statements of CQ Systems. The final purchase price will be adjusted either up or down when the audited March 31, 2006 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)

<TABLE>

<CAPTION>

	NetSol as of 6/30/03 (Historical)	CQ Systems as of 3/31/03 (Historical)	Pro Forma Adjustment	Pro Forma Combined
<S>	<C>	<C>	<C>	<C>
ASSETS				
Current Assets	\$ 1,774,553	\$ 1,470,485	\$ (700,000)	\$ 2,545,038
Property & equipment, net	2,037,507	197,481	--	2,234,988
Intangible assets, net	4,930,191	--	6,212,409 (1)	11,142,599
Total assets	\$ 8,742,251	\$ 1,667,966	\$ 5,512,409	\$ 15,922,625
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	--	4,353,587 (1)	4,480,260
Total liabilities	3,667,399	1,149,992	4,353,587	9,170,977
Stockholders' equity;				
Common stock	5,757	159,210	(158,528) (1)	6,439
Additional paid in capital	33,409,953	--	1,676,113 (1)	35,086,066
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)	1,158,822	6,751,647
Total liabilities and stockholders' equity	\$ 8,742,251	\$ 1,667,965	\$ 5,512,409	\$ 15,922,624

</TABLE>

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 initial purchase price is \$6,730,382, 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 3/31/06 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	1,676,113
Cash	700,000
Cash, provided by short-term notes	1,000,000
Notes payable	3,353,587
Total purchase price	6,730,382

CQ equity (net assets and liabilities)	517,973	Intangible assets:
Customer Lists	1,316,880	
Licenses	2,190,807	
Goodwill	2,704,722	

	6,212,409	6,212,409

		6,730,382
		=====

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

<TABLE>
<CAPTION>

	NetSol as of 6/30/03 (Historical)	CQ Systems as of 3/31/03 (Historical)	Pro Forma Adjustment	Pro Forma Combined
<S>	<C>	<C>	<C>	<C>
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	701,537 (3)	7,149,862
Income (loss) from operations	(2,468,250)	153,599	(701,537)	(3,016,185)
Other income and (expenses)	(147,331)	(34,560)	--	(181,891)
Income (loss) from continuing operations	(2,615,581)	119,039	(701,537)	(3,198,076)
Gain from discontinuation of a subsidiary	478,075	--	--	478,075
Net income (loss)	(2,137,506)	119,039	(701,537)	(2,720,001)
Other comprehensive income (loss):				
Translation adjustment	(380,978)	70,997	--	(309,981)
Comprehensive income (loss)	\$ (2,518,484)	\$ 190,036	\$ (701,537)	\$ (3,029,982)
	=====	=====	=====	=====
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		\$ (0.51)
	=====	=====		=====

</TABLE>

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 six 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. The pro-forma Statement of Financial Conditions assumes the acquisition was consummated as of December 31, 2004, and the pro-forma Statements of Operations assumes the acquisition was consummated as of July 1, 2003, the beginning of NetSol Technologies fiscal year.

The purchase price is (pound)3,576,335 or \$6,730,382 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 initial purchase price is based on the March 31, 2005 audited financial statements of CQ Systems. The final purchase price will be adjusted either up or down when the audited March 31, 2006 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)

<TABLE>
<CAPTION>

	NetSol as of 12/31/04 (Historical)	CQ Systems as of 12/31/04 (Historical)	Pro Forma Adjustment	Pro Forma Combined
ASSETS				
<S>	<C>	<C>	<C>	<C>
Current Assets	\$ 5,554,445	\$ 2,013,642	\$ (700,000) (1)	\$ 6,868,087
Property & equipment, net	4,276,307	339,527	--	4,615,834
Intangible assets, net	4,003,152	--	5,974,686 (1)	9,977,838
	=====	=====	=====	=====
Total assets	\$ 13,833,904	\$ 2,353,169	\$ 5,274,686	\$ 21,461,759
	=====	=====	=====	=====
LIABILITIES & STOCKHOLDERS' EQUITY				
Current liabilities	\$ 2,527,728	\$ 1,467,228	\$ --	\$ 3,994,957
Obligations under capitalized leases, less current maturities	56,910	124,803	--	181,713
Deferred tax	--	5,442	--	5,442
Notes payable	--	--	4,353,587 (1)	4,353,586
Convertible debenture	112,500	--	--	112,500
	=====	=====	=====	=====
Total liabilities	2,697,138	1,597,473	4,353,587	8,648,198
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	--	1,676,113 (1)	44,795,974
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)	43,149	(43,149) (1)	(323,619)
Accumulated earnings (deficit)	(30,623,443)	553,337	(553,337) (1)	(30,623,443)
	=====	=====	=====	=====
Total stockholders' equity	11,037,014	755,696	921,099	12,713,809
	=====	=====	=====	=====
Total liabilities and stockholders' equity	\$ 13,833,904	\$ 2,353,169	\$ 5,274,686	\$ 21,461,759
	=====	=====	=====	=====

</TABLE>

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 initial purchase price is \$6,730,382, 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 3/31/06 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	1,676,113
Cash	700,000
Cash, provided by short-term notes	1,000,000
Notes payable	3,353,587
	=====
Total purchase price	6,730,382
	=====

CQ equity (net assets and liabilities) 755,696 Intangible assets:
Customer Lists 1,316,880

Licenses	2,190,807	
Goodwill	2,466,999	
	<u>5,974,686</u>	5,974,686
		<u>6,730,382</u>
		=====

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

<TABLE>

<CAPTION>

	NetSol as of 12/31/04 (Historical)	CQ Systems as of 12/31/04 (Historical)	Pro Forma Adjustment	Pro Forma Combined
<S>	<C>	<C>	<C>	<C>
Net Revenue	\$ 4,781,532	\$ 2,485,266	\$ --	\$ 7,266,798-
Cost of revenue	1,580,620	1,550,006	--	3,130,626
Gross profit	<u>3,200,912</u>	<u>935,260</u>	<u>--</u>	<u>4,136,172</u>
Operating expenses	2,757,165	833,863	350,769 (3)	3,941,794
Income (loss) from operations	<u>443,747</u>	<u>101,397</u>	<u>(350,769)</u>	<u>194,378</u>
Other income and (expenses)	(379,314)	6,782	--	(372,532)
Income (loss) from continuing operations	<u>64,433</u>	<u>108,179</u>	<u>(350,769)</u>	<u>(178,154)</u>
Minority interest in subsidiary	14,259	--	--	14,259
Net income (loss)	<u>78,692</u>	<u>108,179</u>	<u>(350,769)</u>	<u>(163,895)</u>
Other comprehensive income (loss):				
Translation adjustment	(173,409)	(95,635)	--	(269,044)
Comprehensive income (loss)	<u>\$ (94,717)</u>	<u>\$ 12,544</u>	<u>\$ (350,769)</u>	<u>\$ (432,939)</u>
	=====	=====	=====	=====

EARNINGS PER SHARE

Weighted -average number of shares outstanding	10,755,918	100,000	10,855,918
	=====	=====	=====
Income (loss) per share	\$ 0.01	\$ 1.08	\$ (0.02)
	=====	=====	=====

</TABLE>

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