NETSOL TECHNOLOGIES INC
Form SB-2/A
December 04, 2003

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON DECEMBER 3, 2003

REGISTRATION NO. 333-109703

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO

FORM SB-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

NETSOL TECHNOLOGIES, INC.

(Name of small business issuer in its charter)

Nevada	2834	95-4627685
(State or Other Jurisdiction of Incorporation or Organization	(Primary Standard Industrial Classification SIC Code Number	(IRS Employer Identification Number)

24011 Ventura Blvd., Suite 101
Calabasas, CA 91302
Phone: (818) 222-9195
Fax: (818) 222-9197
(Address including the zip code & telephone number including area code, of registrant s principal executive office)

NAEEM GHAURI
CHIEF EXECUTIVE OFFICER
NETSOL TECHNOLOGIES, INC.
24011 Ventura Blvd., Suite 101
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(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPIES TO:

MALEA FARSAI
GENERAL COUNSEL

NETSOL TECHNOLOGIES, INC.
24011 Ventura Blvd., Suite 101
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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
As soon as practicable after the effective date of this Registration Statement.

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CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Number of Shares to be Registered(1) (2)	Proposed Offering Price Per Share(1) (2)	Proposed Aggregate Offering Price	Amount of Registration Fee
Shares of Common Stock, $.001 par value	1,008,478	$ 2.93	$2,954,841	$239.05
Shares of Common Stock, $.001 par value, underlying warrants	59,485	$ 2.93	$ 174,291	$ 14.10
TOTAL	**1,067,963**		**$3,129,132**	**$253.15**

(1) NetSol Technologies, Inc. conducted a one for five reverse stock split in August 2003. The share numbers set forth herein are based on post-split calculations.

(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o).

(3) Pursuant to Rule 416 under the Securities Act of 1933, as amended, there are also being registered such additional shares of common stock as may become issuable pursuant to anti-dilution provisions upon exercise of the warrants.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [X]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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PROSPECTUS

1,067,963 SHARES OF COMMON STOCK
OF
NETSOL TECHNOLOGIES, INC.

This prospectus relates to the offering for resale of NetSol Technologies, Inc. common stock by certain selling stockholders, who will use this prospectus to resell their shares of common stock. The shares of common stock being offered were acquired by the selling stockholders in a private placement. In addition, certain shares of common stock underlying warrants were acquired pursuant to consulting agreements with the warrant holders. In this prospectus, we sometimes refer to the common stock as the securities. In this prospectus, the terms NetSol, we, or us will each refer to NetSol Technologies, Inc.

We will not receive any proceeds from sales by the selling stockholders.

Our common stock is traded on the NASDAQ Small Cap Market under the symbol NTWK . The closing price of our common stock on December 1, 2003, was $2.93.

We will bear all expenses, other than selling commissions and fees, in connection with the registration and sale of the shares being offered by this prospectus.

INVESTING IN OUR SECURITIES INVOLVES A HIGH DEGREE OF RISK. SEE RISK FACTORS BEGINNING ON PAGE 3

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIESCOMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

December 3, 2003

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PROSPECTUS SUMMARY

The following summary contains basic information about NetSol and this prospectus. Because it is a summary, it does not contain all of the information that you should consider before investing in this offering. For a more complete understanding of this offering, you should read the entire prospectus carefully, including the Risk Factors starting on page 3.

We are an end-to-end information technology (IT) and business consulting services provider for the lease and finance, banking and financial services industries. We operate on a global basis with locations in the U.S., Europe, East Asia and Asia Pacific. We help our clients identify, evaluate, and implement technology solutions to meet their most critical business challenges and maximize their bottom line. Our products include sophisticated software applications for the asset-based lease and finance industry. By utilizing our worldwide resources, we believe we are able to deliver high quality, cost-effective IT services, ranging from consulting and application development to systems integration and outsourcing. We have achieved the ISO 9001 and SEI (Software Engineering Institute) Capable Maturity Model Level 3 certifications. Additionally, through our IP Backbone, located in Karachi, Pakistan, we offer a package of wireless broadband services, which include high-speed Internet access, support and maintenance.

Our subsidiary, Network Technologies Pvt. Ltd., a Pakistan Limited Company, (NetSol PK) develops the majority of our software. NetSol PK was the first company in Pakistan to achieve the ISO 9001 and Software Engineering Institute Capability Maturity Model Level 3 software development assessment. As maintained by the SEI, maturity levels measure the maturity of a software company s methodology that in turn ensures enhanced product quality resulting in faster project turn-a-round and a shortened time to market.

During recent years, we have focused on developing software applications for the leasing and financial service industries. In late 2002, we launched a new suite of software products under the name LeaseSoft. The LeaseSoft suite is comprised of four major integrated asset based leasing/financing software applications. The suite, consisting of a Credit Application Creation System (LeaseSoft.CAC), a Credit Application Processing System (LeaseSoft.CAP), a Contract Activation & Management System (LeaseSoft.CAM) and a Wholesale Finance System (LeaseSoft.WFS), whether used alone or together, provides the user with an opportunity to address specific sub-domains of the leasing/financing cycle from the credit approval process through the tracking of the finance contract and asset.

We recently acquired Pearl Treasury System Ltd., a United Kingdom company. Pearl Treasury Systems has developed the PTS system for use by financial institutions and customers. The system is designed to seamlessly handle foreign exchange and money market trading, trading in derivative products, risk management, credit control, pricing and various interfaces for rate feeds, with one system platform. The system platform, modular in design, also allows financial institutions to purchase only the modules they require. The PTS system was developed over five years with a $4 million investment by a group of visionaries in the U.K. This group completed nearly 80% of the product and needed a stronger development and business partner who could take over completion and marketing. With the acquisition, NetSol believes we have become that partner.

We market our software products worldwide to companies primarily in the automobile finance, leasing and banking industries. In February 2003, we successfully implemented our LeaseSoft.CAM for Daimler Chrysler Singapore and received a fee in excess of $2 million. Some of our other customers include: Mercedes Benz Finance Japan; Yamaha Motors Finance Australia; Tung-Yang Leasing Company Taiwan; Debis Portfolio Systems UK; DaimlerChrysler Services Australia;

DaimlerChrysler Leasing Thailand; DaimlerChrysler Services Korea; UMF Leasing Singapore; and, DaimlerChrysler Services New Zealand. In addition, NetSol provides offshore development and customized I/T solutions to blue chip customers such as Citibank Pakistan, DCD Holding UK and Habib Allied Bank UK. With the acquisition of Altvia Technologies, Inc. (now NetSol USA) in June 2003, we believe we acquired, as clients, some of the most well known higher education and telecommunications associations based on the east coast of the United States. We are also a strategic business partner for DaimlerChrysler Services Asia Pacific, which consists of a group of many companies, including some of the ones referred to above.

We were incorporated under the laws of the State of Nevada on May 21, 1999. Our principal executive offices are located at 24011 Ventura Blvd., Suite 101, Calabasas, CA 91302. Our telephone phone number is (818) 222-9195 and our website address is http://www.netsoltek.com.

This prospectus relates to the offering for resale of NetSol Technologies, Inc. common stock by certain selling stockholders, who will use this prospectus to resell their shares of common stock. The majority of the shares of common stock being offered were acquired by the selling stockholders in a private placement. The remaining shares being offered underly warrants provided to consultants for business services provided to NetSol and to the placement agent as compensation for services provided to NetSol in the private placement**.** We will not receive any proceeds from sales by the selling stockholders. For further information about the selling stockholders, see Selling Stockholders.

THE OFFERING

Common Stock Offered	The selling stockholders are offering up to 1,067,963 shares of our common stock. The selling stockholders will determine when they will sell their shares.
Common Stock outstanding	We have 7,590,263 shares of common stock issued and outstanding as of November 28, 2003.
Use of Proceeds	We will not receive any of the proceeds from sale of shares of common stock offered by the selling stockholders.
Trading Market	Our common stock is currently listed on the NASDAQ SmallCap Market under the trading symbol NTWK.
Risk Factors	Investment in our common stock involves a high degree of risk. You should carefully consider the information set forth in the Risk Factors section of this prospectus as well as other information set forth in this prospectus, including our financial statements and related notes.

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RISK FACTORS

An investment in our securities is extremely risky. You should carefully consider the following risks, in addition to the other information presented in this prospectus, before deciding to buy our securities. If any of the following risks actually materialize, our business and prospects could be seriously harmed, the price and value of our securities could decline and you could lose all or part of your investment. The risks and uncertainties described below are intended to be the material risks that are specific to us and to our industry.

RISKS RELATED TO OUR BUSINESS

We Have Received A Going Concern Opinion From Our Auditors Indicating That There Is Substantial Doubt As To Whether We Can Remain In Business.

In an audit report dated August 11, 2003, Kabani & Company, Certified Public Accountants, our auditors, indicated that there was substantial doubt as to our ability to continue as a going concern. Our ability to continue as a going concern is dependant upon our obtaining sufficient additional financing for our operations or reaching profitability. We cannot assure you that we will be able to either generate funds internally or raise sufficient funds to continue our operations, or that our auditors will not issue another going concern opinion. Our failure to raise sufficient additional funds, either through additional financing or continuing operations, will have a material adverse effect on our business and financial condition and we may be forced to curtail operations.

We Will Require Additional Financing; We May Not Achieve Profitability; We Anticipate Continued Losses; Current Liabilities Exceed Current Assets.

As of the fiscal year ended June 30, 2003, we had a current working capital deficit of $759,061, and at September 30, 2003, it was $743,696. We have a current short-term liability to three banks in the amount of $348,426, which needs to be satisfied by April 15, 2004. We had a net loss of $2,137,506 in fiscal 2003 and a net loss of $868,350 in the first quarter of fiscal 2004, ended September 30, 2003. In addition, we continue to operate at a deficit on a monthly basis, which is not expected to change in the foreseeable future, even with the implementation of our current business plan. See Management s Discussion and Analysis and Plan of Operations on page 32 of this prospectus for further information about our current business plan. Notwithstanding that we raised $1,215,000 in July 2003, we will need to raise additional funds in the amount of at least $2,000,000 to continue operations for the next year. We anticipate that current funds are sufficient to operate our business for 6 months. If we ever do achieve profitability, we cannot assure you that we can sustain or increase profitability. If revenues grow slower than we anticipate, or if operating expenses exceed our expectations or cannot be adjusted accordingly, our business, results of operations and financial condition will be materially and adversely affected. No assurance can be given that the we will improve our financial condition.

We May Have Difficulty Raising Needed Capital in the Future, Which Could Significantly Harm Our Business.

We will require additional financing in order to support further expansion, develop new or enhanced services or products, respond to competitive pressures, acquire complementary businesses or technologies or take advantage of unanticipated opportunities. Our ability to arrange such financing in the future will depend in part upon the prevailing capital market conditions, as well as our business performance. There can be no assurance that we will be successful in our efforts to arrange additional financing on

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satisfactory terms. If additional financing is raised by the issuance of our shares, control of NetSol may change and stockholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, we may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and remain in business.

We May Not Be Able To Realize The Benefits Of Our Strategic Plan.

As discussed in Description of Business starting on page 39, after the restructuring undertaken in fiscal year 2002 and part of fiscal year 2003, we have undertaken a business plan designed to optimize this restructuring. Although our management is confident about our ability to realize some benefits from the restructuring, the level of benefits to be realized could be affected by a number of factors including, without limitation, (a) our ability to raise sufficient funds, (b) our ability to continue to operate as planned without further stockholder hostile takeover attempts, (c) our ability to prosper given the current uncertainty in the US technology industry; and, (c) our ability to react effectively to the global political and business effects of the political events around the world and particularly in Pakistan.

We Depend Heavily On A Limited Number Of Client Projects And The Loss Of Any Such Projects Would Adversely Affect Our Operating Results.

As of the fiscal year ended June 30, 2003, and the quarter ended September 30, 2003**,** we derived approximately 20% of our net revenues from DaimlerChrysler Asia Pacific Services (which consists of a group of companies and clients). DaimlerChrysler Asia Pacific Services consists of a number of companies, each of which are uniquely different customers and none of which represents greater than 10% of our net revenues. We also have other significant clients whose business is critical to our success. The loss of any of our principal clients for any reason, including as a result of the acquisition of that client by another entity, could have an adverse effect on our business, financial condition and results of operations.

If Any Our Clients Terminate Their Contracts With Us, Our Business Could Be Adversely Affected.

Many of our clients have the ability to cancel certain of their contracts with us with limited advance notice and without significant penalty. Any such termination could result in a loss of expected revenues related to that client s project. A cancellation or a significant reduction in the scope of a large project could have a material adverse effect on our business, financial condition and results of operations.

If We Are Unable To Protect Our Proprietary Software, Our Business Could Be Adversely Affected.

Our success as a company depends, in part, upon our work product being deemed proprietary software, along with other intellectual property rights. While both the LeaseSoft and NetSol trade names and marks are copyrighted and trademarked in Pakistan, we have not registered any trademarks or filed any copyrights in any other jurisdictions. We rely on a combination of nondisclosure and other contractual arrangements, and common law intellectual property, trade secret, copyright and trademark laws to protect our proprietary rights. As a matter of course, we generally enter into confidentiality agreements with our employees, and require that our consultants and clients enter into similar agreements. We also limit access to our proprietary information. There can be no assurance that these steps will be adequate to deter misappropriation of proprietary information or that we will be able to detect unauthorized use and take appropriate steps to enforce our intellectual property rights. In addition, although we believe that our

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services and products do not infringe on the intellectual property rights of others, there can be no assurance that infringement claims will not be asserted against us in the future, or that if asserted, any such infringement claim will be successfully defended. A successful claim against us could materially adversely affect our business, financial condition and results of operations.

We May Not Have The Right To Resell Or Reuse Software Developed For Specific Clients.

A portion of our business involves the development of software for specific client engagements. Ownership of these solutions is the subject of negotiation and is frequently assigned to the client, although we may retain a license for certain uses. Some clients have prohibited us from marketing the software developed for them for specified periods of time or to specified third parties. There can be no assurance that our clients will not demand similar or other restrictions in the future. Issues relating to the ownership of and rights to use our software solutions can be complicated and there can be no assurance that potential disputes will not affect our ability to resell or reuse these software solutions. While we have not incurred such expense in the past, limitations on our ability to resell or reuse software solutions could require us to incur additional expenses to develop new solutions for future projects.

International Expansion Of Our Business Could Result In Financial Losses Due To Changes In Foreign Political And Economic Conditions Or Fluctuations In Currency And Exchange Rates.

We expect to continue to expand our international operations. As well as the two offices in the United States, we currently have offices in Pakistan, the UK and Australia. In fact, approximately 80% of our revenue is generated by non-U.S. sources. Our international operations are subject to other inherent risks, including:

- political uncertainty in Pakistan and the South-East Asian Region, particularly in light of the United States war on terrorism and the Iraq war.
- recessions in foreign countries;
- fluctuations in currency exchange rates;
- difficulties and costs of staffing and managing foreign operations;
- reduced protection for intellectual property in some countries;
- political instability or changes in regulatory requirements or the potential overthrowing of the current government in certain foreign countries; and,
- U.S. imposed restrictions on the import and export of technologies.
- U.S. imposed restrictions on the issuances of business and travel visas to foreign workers primarily those from Middle Eastern or East Asian countries.

We Are Controlled By and Are Dependent On Our Key Personnel.

Our management is currently controlled and operated by various members of the Ghauri family. Our success will depend in large part upon the continued services of those individuals including Messrs. Salim Ghauri, Najeeb Ghauri and Naeem Ghauri. The death or loss of the services of any one of them or of any

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one or more of our other key personnel could have a material adverse effect on our business, financial condition and results of operations. We do not have key man life insurance on these individuals. In addition, if one or more of our key employees resigns to join a competitor or to form a competing company, the loss of such personnel and any resulting loss of existing or potential clients to any such competitor could have a material adverse effect on our business, financial condition and results of operations. In the event of the loss of any key personnel, there can be no assurance that we will be able to prevent the unauthorized disclosure or use of our technical knowledge, practices or procedures by such personnel. We entered into employment agreements with Messrs. Salim, Najeeb and Naeem Ghauri on April 22, 2002, for a period of three (3) years. Messrs. Salim, Najeeb and Naeem Ghauri have non-competition and anti-raid clauses in their employment agreements with us.

Certain Of Our Management Team Have Relationships Which May Potentially Result In Conflicts Of Interests.

In fiscal year 2003 certain of our management team loaned funds to our company for operating costs. Similar transactions occurred in fiscal year 2004. While these transactions were approved by the board of directors, and we deem such transactions to be fair in their terms, and such transactions have not resulted in the management team choosing personal gain over company gain, such transactions constitute a potential conflict of interest between our management members personal interest and the interest of our company in that management could be motivated to repay debts owed to the management team rather than using that money for the company growth . See Certain Relationships and Related Transactions on page 40 for information about relationships between our officers and/or directors which could result in a Conflict of Interest.

We Face Significant Competition In Markets That Are New And Rapidly Changing.

The markets for the services we provide are highly competitive. We principally compete with strategy consulting firms, Internet professional services firms, systems integration firms, software developers, technology vendors and internal information systems groups. Many of the companies that provide services in the markets we have targeted have significantly greater financial, technical and marketing resources than we do, have greater name recognition and generate greater revenues. Potential customers may also have in house employees that can compete with or replace us. In addition, there are relatively low barriers to entry into these markets and we expect to continue to face competition from new entrants into these same markets. We believe that the principal competitive factors in these markets include:

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

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

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

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

RISKS RELATED TO INVESTING IN THIS OFFERING

Our Stock Price Has Historically Been Volatile; Our Stock Price After This Offering Will Be Subject To Market Factors. Investing In Our Stock May Result In Substantial Losses for Investors.

The trading price of our common stock has historically been volatile. The future trading price of our common stock could be subject to wide fluctuations in response to:

- quarterly variations in operating results and achievement of key business metrics;
- changes in earnings estimates by securities analysts, if any;
- any differences between reported results and securities analysts published or unpublished expectations;
- announcements of new contracts or service offerings by the Company or competitors;
- market reaction to any acquisitions, joint ventures or strategic investments announced by the Company or competitors;
- demand for our services and products;
- changes of shares being sold pursuant to Rule 144 or upon exercise of the warrants; and
- general economic or stock market conditions unrelated to the Company s operating performance.

Potential Future Sales Pursuant To Rule 144 May Have A Depressive Effect On The Trading Price Of Our Securities.

Certain shares of common stock presently held by officers, directors and certain others are restricted securities as that term is defined in Rule 144, promulgated under the Act. Under Rule 144, a person (or persons whose shares are aggregated) who has satisfied a one year holding period, may, under certain circumstances sell within any three month period a number of shares which does not exceed the greater of 1% of the then outstanding shares of common stock, or the average weekly trading volume during the four calendar weeks prior to such sale. Rule 144 also permits, under certain circumstances, including a two-year holding period, the sale of shares by a person without any quantity limitation. Such holding periods have already been satisfied in many instances. Therefore, actual sales or the prospect of sales of such shares under Rule 144 in the future may depress the prices of our common stock.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements under Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Plan of Operation, Description of Business in this prospectus are forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause our or our industry s actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by forward-looking statements. Such factors include, among other things, those listed under Risk Factors and elsewhere in this prospectus.

In some cases, you can identify forward-looking statements by terminology such as may, will, should, expects, plans, anticipates, believ estimates, predicts, potential, proposed, intended, or continue or the negative of these terms or other comparable terminology. You should statements that contain these words carefully, because they discuss our expectations about our future operating results or our future financial condition or state other forward-looking information. There may be events in the future that we are not able to accurately predict or control. Before you invest in our securities, you should be aware that the occurrence of any of the events described in these risk factors and elsewhere in this prospectus could substantially harm our business, results of operations and financial condition, and that upon the occurrence of any of these events, the trading price of our securities could decline and you could lose all or part of your investment. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, growth rates, levels of activity, performance, or achievements. We are under no duty to update any of the forward-looking statements after the date of this prospectus to conform these statements to actual results.

USE OF PROCEEDS

We will not receive any of the proceeds from the offering of common stock for sale by the selling stockholders. Proceeds received by us as a result of the exercise of the warrants will be used for working capital purposes.

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SELLING STOCKHOLDERS

The following table and notes set forth, the name of each selling stockholder, the nature of any position, office, or other material relationship, if any, which the selling stockholder has had, within the past three years, with NetSol or with any of our predecessors or affiliates, the amount of shares of NetSol common stock that are beneficially owned by such stockholder, the amount to be offered for the stockholder s account and the amount to be owned by such stockholder upon completion of the offering.

Name of Selling Stockholder(1)	Number of Shares of NetSol Common Stock Beneficially Owned Prior to the Offering	Number of Shares of NetSol Common Stock Being Offered Hereby	Number of Shares of NetSol Common Stock to be Beneficially Owned Upon Completion of the Offering(2)
Maxim Group LLC(3)	81,000	81,000	0
Richard E. Kent	70,145	70,145	0
Emeric Holderith	7,794	7,794	0
The Russell Family Investment(4)	311,757	311,757	0
SA Properties Co., LP(5)	187,054	187,054	0
Carlsbad Industrial Assoc., L.P.(6)	46,764	46,764	0
Leo Long	233,818	233,818	0
Jane O Connor	3.897	3.897	0
John O Johnston	7,794	7,794	0
Bradford Gerber	38,970	38,970	0
Thomas Fischetti	3,897	3,897	0
Peter J. Jegou(7)	59,485	19,485	40,000
Lola D. Carson	15,588	15,588	0
Hugh Duddy(8)	160,000	40,000	120,000
TOTAL	**1,227,963**	**1,067,963**	**160,000**

(1) None of the Selling Stockholders has held an employment, officer or director position with NetSol within the past three years. Maxim Group LLC, Mr. Jegou and Mr. Duddy have agreements with NetSol whereby these selling stockholders provide services to NetSol.

(2) Based on 7,590,293 shares of common stock issued and outstanding as of November 28, 2003, and, assuming that all shares being registered hereby will be sold only Mr. Duddy, with 1.6%, will hold a greater than 1% interest in the shares of NetSol. Based on these assumptions, no other selling stockholder will hold a percentage interest in the shares of the company in excess of 1 percent at the completion of the offering.

(3) Anthony Sarkis is a beneficial owner of Maxim Group LLC.

(4) The Russell Family Investment is beneficially owned by John Russell.

(5) SA Properties Co., L.P. is beneficially owned by John Russell.

(6) Carlsbad Industrial Association L.P. is beneficially owned by John Russell.

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(7) Peter J. Jegou is the beneficial holder of 19,485 shares of NetSol Technologies, Inc. stock through his acquisition of these shares in the 2003 private offering and 40,000 shares of NetSol Technologies, Inc. stock through his ownership of warrants to purchase 40,000 shares of common stock. Mr. Jegou s warrants were granted to him as compensation under the terms of a consulting agreement with NetSol. Mr. Jegou may exercise warrants to exercise 20,000 shares of common stock at the price of $1.75 per share until May 31, 2004. He may also exercise warrants to exercise 20,000 shares of common stock at the price of $3.75 per share until May 31, 2004.

(8) Hugh Duddy is the beneficial holder of 160,000 shares of NetSol Technologies, Inc. stock through his ownership of options to purchase 160,000 shares of common stock. Mr. Duddy s options entitle him to acquire up to 40,000 shares of common stock at the exercise price of $1.00 per share; 40,000 shares of common stock at the exercise price of $2.50 per share; 40,000 shares at the exercise price of $3.75 per share; and 40,000 shares at the exercise price of $5.00 per share. Each option may be exercised from the date of grant until November 14, 2007 or as otherwise limited by NetSol s nonstatutory stock option plan.

The majority of the selling stockholders received their shares in a private placement offering which closed prior to the reverse stock split in August 2003, in which the Company sold approximately 946,963, post-reverse split, shares of its restricted common stock to 12 accredited investors for total consideration of $1,215,000 in reliance on an exemption from registration available under Rule 506 of Regulation D of the Securities Act of 1933, as amended. This offering originally provided units consisting of shares of common stock and warrants to acquire common stock but was amended in August 2003 to remove the provision of warrants and adjust the number of shares consistent with NASDAQ compliance requirements. The placement agent for this offering, Maxim Group LLC, received as compensation for their participation in the offering 81,000 shares of our common stock. Mr. Jegou received his warrants as compensation for the provision of business consulting services to NetSol. Such services included introduction to financial advisors and identification of potential merger and acquisition targets. Mr. Duddy also received options as compensation for business consulting services provided to NetSol. Mr. Duddy s services consisted of: identifying potential financial advisors, assisting in the preparation of press releases, assisting with the implementation and presentation of road shows, and identifying and introducing potential merger opportunities to NetSol. Mr. Jegou and Mr. Duddy s services are unrelated to the private placement conducted by Maxim Group, LLC as placement agent for NetSol.

Because the selling stockholders may, under this prospectus, sell all or some portion of their NetSol common stock, only an estimate can be given as to the amount of NetSol common stock that will be held by the selling stockholders upon completion of the offering. In addition, the selling stockholders identified above may have sold, transferred or otherwise disposed of all or a portion of their NetSol common stock after the date on which they provided information regarding their shareholdings.

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PLAN OF DISTRIBUTION

Selling stockholders may offer and sell, from time to time, the shares of our common stock covered by this prospectus. The term selling stockholders includes donees, pledgees, transferees or other successors-in-interest selling securities received after the date of this prospectus from a selling stockholder as a gift, pledge, partnership distribution or other non-sale related transfer. The selling stockholders will act independently of us in making decisions with respect to the timing, manner and size of each sale. Sales may be made on one or more exchanges or in the over-the-counter market or otherwise, at prices and under terms then prevailing or at prices related to the then current market price or in negotiated transactions. The selling stockholders may sell their securities by one or more of, or a combination of, the following methods:

- purchases by a broker-dealer as principal and resale by the broker-dealer for its own account pursuant to this prospectus;
- ordinary brokerage transactions and transactions in which the broker solicits purchasers;
- block trades in which the broker-dealer so engaged will attempt to sell the securities as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- an over-the-counter sale;
- in privately negotiated transactions; and
- in options transactions.

The shares of our common stock will be listed, and may be traded, on the NASDAQ Small Cap Market under the symbol NTWK . In addition, the selling stockholders may sell pursuant to Rule 144 under the Securities Act or pursuant to an exemption from registration.

To the extent required, we may amend or supplement this prospectus to describe a specific plan of distribution. In connection with distributions of the securities or otherwise, the selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions. In connection with those transactions, broker-dealers or other financial institutions may engage in short sales of shares of our common stock in the course of hedging the positions they assume with selling stockholders. The selling stockholders may also sell shares of our common stock short and redeliver the securities to close out their short positions. The selling stockholders may also enter into option or other transactions with broker-dealers or other financial institutions that require the delivery to the broker-dealer or other financial institution of securities offered by this prospectus, which securities the broker-dealer or other financial institution may resell pursuant to this prospectus, as supplemented or amended to reflect the transaction. The selling stockholders may also pledge securities to a broker-dealer or other financial institution, and, upon a default, the broker-dealer or other financial institution, may affect sales of the pledged securities pursuant to this prospectus, as supplemented or amended to reflect the transaction.

In effecting sales, broker-dealers or agents engaged by the selling stockholders may arrange for other broker-dealers to participate. Broker-dealers or agents may receive commissions, discounts or concessions from the selling stockholders in amounts to be negotiated immediately prior to the sale.

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In offering the securities covered by this prospectus, the selling stockholders and any broker-dealers who execute sales for the selling stockholders may be treated as underwriters within the meaning of the Securities Act in connection with sales. Any profits realized by the selling stockholders and the compensation of any broker-dealer may be treated as underwriting discounts and commissions.

The selling stockholders and any other person participating in a distribution will be subject to the Securities and Exchange Act of 1934, as amended (the Exchange Act). The Exchange Act rules include, without limitation, Regulation M, which may limit the timing of purchases and sales of any of the securities by the selling stockholders and other participating persons. In addition, Regulation M may restrict the ability of any person engaged in the distribution of the securities to engage in market-making activities with respect to the particular security being distributed for a period of up to five business days prior to the commencement of the distribution. This may affect the marketability of the securities and the ability of any person or entity to engage in market-making activities with respect to the securities. We have informed the selling stockholders that the anti-manipulation rules of the SEC, including Regulation M promulgated under the Exchange Act, may apply to their sales in the market.

Additionally, we have informed the Selling Stockholders involved in the private placement, through the offering documents of the following Telephone Interpretation in the SEC Manual of Publicly Available Telephone Interpretations (July 1997):

> A.65. Section 5
>
> An issuer filed a Form S-3 registration statement for a secondary offering of common stock which is not yet effective. One of the selling shareholders wanted to do a short sale of common stock against the box and cover the short sale with registered shares after the effective date. The issuer was advised that the short sale could not be made before the registration statement becomes effective, because the shares underlying the short sale are deemed to be sold at the time such sale is made. There would, therefore, be a violation of Section 5 if the shares were effectively sold prior to the effective date.

Each Selling Stockholder represented and warranted that he/she/it had complied with all applicable provisions of the Act, the rules and regulations promulgated by the SEC thereunder, including Regulation M, and the applicable state securities laws.

In addition to the investors in the offering who were made aware of the requirements of Regulation M and the above-referenced telephone interpretation, both Mr. Jegou and Mr. Duddy have been made aware of the above.

We will make copies of this prospectus available to the selling stockholders for the purpose of satisfying the prospectus delivery requirements of the Securities Act, which may include delivery through the facilities of the NASDAQ Small Cap Market pursuant to Rule 153 under the Securities Act. The selling stockholders may indemnify any broker-dealer that participates in transactions involving the sale of the securities against certain liabilities, including liabilities arising under the Securities Act.

At the time a particular offer of securities is made, if required, a prospectus supplement will be distributed that will set forth the number of securities being offered and the terms of the offering, including the name of any underwriter, dealer or agent, the purchase price paid by any underwriter, any discount, commission and other item constituting compensation, any discount, commission or concession allowed or reallowed or paid to any dealer, and the proposed selling price to the public.

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LEGAL PROCEEDINGS

On May 23, 2002, Allied Interstate, Inc. filed a complaint seeking damages from the Company for breach of contract, open book account, account stated and reasonable value in the Superior Court of California, County of Los Angeles. This dispute arose out of the purchase of a German ISP provider. A settlement agreement was entered into by and between Allied and Allied s principals whereby 200,000 pre-reverse split shares of the Company s common stock were issued to the principals as full and complete settlement.

On July 26, 2002, the Company was served with a Request for Entry of default by Surrey Design Partnership Ltd. (Surrey). Surrey s complaint for damages sought $288,743.41 plus interest at the rate of 10% above the Bank of England base rate from January 12, 2002 until payment in full is received, plus costs. The parties agreed to entry of a Consent Order whereby NetSol agreed to make payments according to a payment schedule. NetSol made payments up to May of 2002 but was unable to make payments thereafter. On September 25, 2002, the parties signed an Agreement to stay Enforcement of Judgment whereby NetSol will make further payments to Surrey until the entire sum is paid. The current terms of the payments schedule require the payment of 4,000 pounds sterling for a period of 24 months commencing March 31, 2003 and ending 24 months thereafter.

On July 31, 2002, Herbert Smith, a law firm in England, which represented NetSol in the Surrey matter filed claim for the sum of approximately $248,871 (which represents the original debt and interest thereon) in the High Court of Justice Queen s Bench Division. On November 28, 2002, a Consent Order was filed with the Court agreeing to a payment plan, whereby the Company paid $10,000 on execution, $4,000 a month for one year and $6,000 per month thereafter until the debt is paid. During the year ended June 30, 2003, the Company has paid $26,000 as part of this settlement.

On March 27, 2003, Arab Commerce Bank (ACB) filed a complaint in the Supreme Court of the State of New York (Index No. 600709/03) seeking damages for breach of a Note Purchase Agreement and Note. ACB alleged that NetSol did not issue stock in a timely manner in December 2000 resulting in compensatory damages in the amount of $146,466.72. The litigation arises out of a transaction from late 1999 in which Arab Commerce Bank invested $100,000 in the Company s securities through a private placement. ACB claimed that the removal of the legend on its shares of common stock took longer than contractually permitted. During this purported delay, the market value of the Company s common shares decreased. Essentially, the ACB complaint sought the lost value of its shares. In the event ACB was unable to collect the amount sought, the complaint requested that NetSol repay the principal sum of the Note of $100,000 and interest at the rate of 9% per annum based on the maturity date of December 10, 2000. This matter has been settled pursuant to the terms of a settlement agreement whereby NetSol agreed to issue to ACB shares of common stock of the Company equal in value to $100,000 plus interest as of the effective date of the agreement.

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DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

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

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

Name	Year First Elected As an Officer Or Director	Age	Position Held with the Registrant	Family Relationship
Najeeb Ghauri	1997	49	Chief Financial Officer, Secretary, Director and Chairman	Brother to Naeem and Salim Ghauri
Salim Ghauri	1999	48	President and Director	Brother to Naeem and Najeeb Ghauri
Naeem Ghauri	1999	46	Chief Executive Officer and Director	Brother to Najeeb and Salim Ghauri
Irfan Mustafa	1997	52	Director	None
Shahid Javed Burki	2000	65	Director	None
Eugen Beckert	2001	56	Director	None
Jim Moody	2001	63	Director	None
Shabir Randeree	2003	43	Director	None
Mark Caton	2003	52	Director	None

Business Experience of Officers and Directors:

NAJEEB U. GHAURI has been a Director of the Company since 1997. Mr. Ghauri served as the Company s CEO from 1999-2001. Currently, he is the Chief Financial Officer, Secretary and Chairman of the Company. During his tenure as CEO, Mr. Ghauri was responsible for managing the day-to-day operations of the Company, as well as the Company s overall growth and expansion plan. As the CFO of the Company, Mr. Ghauri seeks financing for the Company as well as oversees the day-to-day financial position of the Company. Prior to joining the Company, Mr. Ghauri was part of the marketing team of Atlantic Richfield Company (ARCO), a Fortune 500 company, from 1987-1997. Mr. Ghauri received his Bachelor of Science degree in Management/Economics from Eastern Illinois University in 1979, and his M.B.A. in Marketing Management from Claremont Graduate School in California in 1983. Mr. Ghauri serves on the boards of the US Pakistan Business Council and Pakistan Human Development Fund, a non-profit organization. Mr. Ghauri is the Chairman of the Board of Directors.

SALIM GHAURI has been with the Company since 1999 as the President and Director of the Company. Mr. Ghauri is also the CEO of Network Technologies (Pvt.) Ltd., (F/K/A/ Network Solutions (Pvt.) Ltd.), a wholly owned subsidiary of the Company located in Lahore, Pakistan. Mr. Ghauri received his Bachelor of Science degree in Computer Science from University of Punjab in Lahore, Pakistan. Before Network Technologies (Pvt.) Ltd., Mr. Ghauri was employed with BHP in Sydney, Australia from 1987-1995, where he commenced his employment as a consultant. Mr. Ghauri was the original founder of Network

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Solutions, Pvt. Ltd in Pakistan founded in 1996. Built under Mr. Ghauri s leadership Network Solutions (Pvt) Ltd. gradually built a strong team of I/T professionals and infrastructure in Pakistan and became the first software house in Pakistan certified as ISO 9001 and CMM Level 3 assessed.

NAEEM GHAURI has been the Company s CEO since August 2001. Mr. Ghauri has been a Director of the Company since 1999. Mr. Ghauri serves as the Managing Director of NetSol (UK) Ltd., a wholly owned subsidiary of the Company located in London, England. Mr. Ghauri was responsible for the launch of NetSolConnect in Pakistan. Prior to joining the Company, Mr. Ghauri was Project Director for Mercedes-Benz Finance Ltd., a subsidiary of DaimlerChrysler, Germany from 1994-1999. Mr. Ghauri supervised over 200 project managers, developers, analysis and users in nine European Countries. Mr. Ghauri earned his degree in Computer Science from Brighton University, England.

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

EUGEN BECKERT was appointed to the Board of Directors in August 2001. A native of Germany, Mr. Beckert has been with Mercedes-Benz AG/Daimler Benz AG since 1973, working in technology and systems development. In 1992, he was appointed director of Global IT (CIO) for Debis Financial Services, the services division of Daimler Benz. In 1996 he was appointed director of Processes and Systems (CIO) for Financial Services of DaimlerChrysler in Asia-Pacific. His office is now based in Tokyo, Japan.

JIM MOODY was appointed to the Board of Directors in 2001. Mr. Moody served in the United States Congress from 1983-1993 where he was a member of the Ways & Means, Transportation and Public Woks committees. Congressman Moody also served on the subcommittees of Health, Social Security, Infrastructure and Water Resources. After his tenure with the U.S. Congress, he was appointed Vice President and Chief Financial Officer of International Fund for Agriculture Development in Rome, Italy from 1995-1998 where he was responsible for formulating and administering $50 million operating budget in support of $500 million loan program as well as managing a $2.2 billion reserve fund investment portfolio. From 1998-2000, Congressman Moody served as the President and CEO of InterAction, a coalition of 165 U.S. based non-profit organizations in disaster relief, refugee assistance and economic development located in Washington, D.C. Since April 2000, Congressman Moody has served as a Financial Advisor to Morgan Stanley in Alexandria, VA where he is responsible for bringing institutional, business and high net-worth individual s assets under management. Mr. Moody also represents Morgan Stanley on the ATC Executive Board. Mr. Moody received his B.A. from Haverford College; his M.P.A. from Harvard University and his Ph.D. in Economics from U.C. Berkeley. Mr. Moody is the Chairman of the Audit Committee and a member of the Compensation committee.

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SHAHID JAVED BURKI was appointed to the Board of Directors in February 2003. Mr. Burki is also a member of the Audit and Compensation Committees. He had a distinguished career with World Bank at various high level positions from 1974 to 1999. He was a Director of Chief Policy Planning with World Bank from 1974-1981. He was also a Director of International Relations from 1981-1987. Mr. Burki served as Director of China Development from 1987-1994 and Vice President of Latin America with World Bank from 1994-1999. In between, he briefly served as the Finance Minister of Pakistan from 1996-1997. Mr. Burki also served as the CEO of the Washington based investment firm EMP Financial Advisors from 1992-2002. Presently, he is the Chairman of Pak Investment & Finance Corporation. He was awarded a Rhodes Scholarship in 1962 and M.A in Economics from Oxford University in 1963. He also earned a Master of Public Administration degree from Harvard University, Cambridge, MA in 1968. Most recently, he attended Harvard University and completed an Executive Development Program in 1998. During his lifetime, Mr. Burki has authored many books and articles including: *China s Commerce* (Published by Harvard in 1969) and *Accelerated Growth in Latin America* (Published by World Bank in 1998). Mr. Burki is a member of the Compensation and Audit Committee.

SHABIR RANDEREE, was appointed to the Board of Directors in February 2003. Mr. Randeree is a Group Managing Director of DCD London and Mutual Plc, a position he has held since 1990. DCD L&M is the UK arm of the DCD Group. The DCD Group, with offices in the UK, United States, UAE, India and South Africa has core businesses in finance, property and investments. From 1988 to 1990, Mr. Randeree served as Managing Director of Warranty Limited, a business initiated to provide an alternate approach to international trade finance and real estate investments in the U.K. From 1986 to 1988, Mr. Randeree was Sales and Financial Director of Dominion Clothing Distributors Limited. Mr. Renderee received his B.A. in 1984 in Accounting and Finance from Kingston University in Surrey and his MBA in 1985 from Schiller International University in London. Mr. Renderee is a director of various U.K. companies including: Bradensbury Park Hotel Ltd.; Collins Leisure Ltd.; DCD Factors PLC; DCD Properties Ltd.; Pelham Incorporated Ltd.; Redbush Tea Company Ltd.; Wimbledon Bear Company Ltd.; Tarhouse Management Ltd.; Thornbury Estates Ltd.; and; the Support Store Ltd. He is a trustee and advisor to various educational trusts and Director of Albarka Bank Limited of South Africa.

MARK CATON, was appointed to the Board of Directors in February 2003. Mr. Caton was later appointed President of NetSol USA, Inc., and a wholly owned subsidiary of NetSol Technologies, Inc. Joining the Company in April 2002 as V.P Sales, Mr. Caton has over all 25 years of marketing and sales experience in business development, technology, and corporate finance, having held positions with AT&T Capital, Memorex Corporation, Sprint and Entertainment Systems Technology. He has a B.A in Psychology from UCLA (University of California, Los Angeles) and currently serves on the Board of Directors of the UCLA Alumni Association. Mr. Caton is the Chairman of the Compensation Committee.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the Company s Common Stock, its only class of outstanding voting securities as of November 20, 2003, by (i) each person who is known to the Company to own beneficially more than 5% of the outstanding Common Stock with the address of each such person, (ii) each of the Company s present directors and officers, and (iii) all officers and directors as a group:

Name and Address	Number of Shares(1)(2)	Percentage Beneficially owned
Najeeb Ghauri (3)	537,850	7.08%
Naeem Ghauri (3)	331,090	4.36%
Irfan Mustafa (3)	108,703	1.43%
Salim Ghauri (3)	469,916	6.19%
Jim Moody (3)	2,000	*
Eugen Beckert (3)	34,000	*
Omar Atiq (3)(4)	270,000	3.56%
Shahid Javed Burki	35,000	*
Shabir Randeree (3)(5)	470,000	6.19%
Mark Caton(3)	106,000	1.39%
All officers and directors as a group (nine persons)	2,094,559	27.59%

* Less than one percent

(1) Except as otherwise indicated, the Company believes that the beneficial owners of the common stock listed below, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities.

(2) Beneficial ownership is determined in accordance with the rules of the Commission and generally includes voting or investment power with respect to securities. Shares of common stock relating to options currently exercisable or exercisable within 60 days of November 20, 2003 are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares shown as beneficially owned by them.

(3) Address c/o NetSol Technologies, Inc. at 24011 Ventura Blvd., Suite 101, Calabasas, CA 91302.

(4) Omar Atiq (800,000), Atiq LLC (250,000 common shares) and Profit Sharing Plan for Omar Atiq (300,000 common shares) own these shares.

(5) As managing director of DCD Holdings Ltd.

(6) Mark Caton was granted options to purchase 40,000 shares of common stock of NetSol under our 2002 Nonstatutory and Incentive Stock Option Plan, in July 2003. The terms of his grant permit him to acquire up to 20,000 shares at the exercise price of $3.00 per share and 20,000 shares at the exercise price of $5.00 per share.

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DESCRIPTION OF SECURITIES TO BE REGISTERED

The selling stockholders are offering for sale shares of our common stock, par value $0.001 per share. We only have one class of common stock. Each share of common stock is entitled to one vote at annual or special stockholders meetings. There are no pre-emption rights. We have never declared or paid any dividends on our common stock or other securities and we do not intend to pay any cash dividends with respect to our common stock in the foreseeable future. For the foreseeable future, we intend to retain any earnings for use in the operation of our business and to fund future growth.

EXPERTS

The audited financial statements for our company as of the year ended June 30, 2003, and the unaudited financial statements for our company as of the quarter ended September 30, 2003, included in this prospectus are reliant on the reports of Kabani & Company, Inc., independent certified public accountants, as stated in their reports therein, upon the authority of that firm as experts in auditing and accounting.

Malea Farsai, Esq., counsel for our Company, has passed on the validity of the securities being offered hereby.

Kabani & Company, Inc. was not hired on a contingent basis, or will it receive a direct of indirect interest in the business of the issuer. Neither Kabani & Company, Inc. nor its principals are, or will be, a promoter, underwriter, voting trustee, director, officer or employee of NetSol. Malea Farsai, Esq. is an employee of NetSol. She has received, as part of her compensation with NetSol, options to purchase and grants of shares of common stock. As of November 20, 2003, Ms. Farsai is the holder of 49,120 shares of common stock of NetSol and options to purchase 35,000 shares of common stock at the exercise price of $.75 per share. These options expire on February 16, 2007. Ms. Farsai is not nor is it intended that she will be a promoter, underwriter, voting trustee, director or officer of NetSol.

DISCLOSURE OF COMMISSION POSITION OF INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

We have indemnified each member of the board of directors and our executive officers to the fullest extent authorized, permitted or allowed by law. Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the Act) may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, the small business issuer has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

For the purpose of determining any liability under the Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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DESCRIPTION OF BUSINESS

GENERAL

NetSol Technologies, Inc. (f/k/a NetSol International, Inc.) (NetSol) is in the business of information technology (I/T) services. Since we were founded in 1997, we have developed enterprise solutions that help clients use I/T more efficiently in order to improve their operations and profitability and to achieve business results. Our focus has remained the lease and finance, banking and financial services industries. We operate on a global basis with locations in the U.S., Europe, East Asia and Asia Pacific. By utilizing our worldwide resources, we believe we have been able to deliver high quality, cost-effective I/T services. NetSol Technologies Pvt. Ltd. (NetSol PK) develops the majority of the software for us. NetSol PK was the first company in Pakistan to achieve the ISO 9001 accreditation. This year, we also obtained the Carnegie Mellon s Software Engineering Institute (SEI) Capable Maturity Model (CMM) Level 3 assessment. According to the SEI website, the CMM is a model for judging the maturity of the software process of an organization and for identifying the key practices that are required for the maturity of these processes. The software CMM has been developed by the software community with stewardship by the SEI. There are only a few software companies worldwide that have achieved SEI CMM Level 3 as of April 2003. NetSol obtained SEI CMM Level 2 assessment in 2002. According to the SEI website, www.sei.cmu/sema/pdf/sw-cmm/2003apr.pdf, the CMM levels developed by SEI in conjunction with the software industry are the highest levels of recognition for quality and best practices a software company can achieve.

COMPANY BUSINESS MODEL

Our business model has evolved over the past six years. NetSol now offers a broad spectrum of I/T products and I/T services that deliver a high return on investment for its customers. NetSol has perfected its delivery capabilities by continuously investing in its software development and Quality Assurance (QA) processes. NetSol believes its key competitive advantage is its ability to build high quality enterprise applications using its offshore development facility in Lahore, Pakistan. In fact, over 80% of NetSol s revenue is generated in US Dollars and 80% of its overhead is incurred in Rupees, providing NetSol with a distinct cost arbitrage business model.

Achieving Software Maturity and Quality Assurance.

NetSol, from the outset, invested heavily in creating a state of the art, world-class software development capability. A series of QA initiatives have delivered to NetSol the ISO 9001 certification as well as the CMM level 3 assessment. Achieving this CMM level 3 required dedication at all our corporate levels.

SEI s CMM, which is organized into five maturity levels, has become a de facto standard for assessing and improving software processes. Through the CMM, SEI and the software development community have established an effective means for modeling, defining, and measuring the maturity of the processes used by software professionals. The CMM for software describes the principles and practices underlying software process maturity and is intended to help software organizations improve the maturity of their software processes in terms of an evolutionary path from ad hoc, chaotic processes to mature, disciplined software processes. Mature processes meet standardized software engineering methods and integrable into a customer s system. Mature processes ensure enhanced product quality resulting in faster project turn around and a shortened time-to-market. In short, a mature process would, ideally, have fewer bugs and integrate better into the customer s system.

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We have always strived to improve quality in every aspect of its business. This quality drive, based on our vision, trickles from the top to the lowest levels in the organization. We believe that it is this quality focus that enabled our software development facility to become the first ISO 9001 certified software development facility in Pakistan in 1999. This accomplishment marked the beginning of our 3-year program towards achieving the higher challenges of CMM (Software Engineering Institute).

The first step of the program was to launch a dedicated Quality Engineering team mandated with software process improvement and achieving CMM ratings. The department was provided every facility, from overseas training to complete commitment of higher management, to enable it to achieve the desired goals. Our management also made sure that everybody in NetSol was committed to achieving CMM. The whole organization went through a comprehensive transformation cycle. The process included, but was not limited to, the hiring and training of key personnel in the U.S. and Pakistan, and following the standards and processes designed and instituted by the SEI. The extreme focus and a major team effort resulted in a CMM level 2 assessment in March 2002. We were the first in Pakistan to achieve this distinction. While proud of this accomplishment, all our levels continued to strive towards CMM level 3. The quality-engineering department in specific, and we in general, started implementing Level 3 Key Processes Areas (KPAs) in a methodical and structured manner. There were training programs conducted by in-house personnel, local experts and foreign consultants on various topics related to defining goals, processes, interpreting KPAs and implementing them. This focus and commitment resulted in us achieving the CMM Level 3 in 16 months compared to the world average of 21 months. Upon passing the rigorous, nearly two week final assessment, conducted by Rayney Wong, SEI CMM Lead Assessor from Xerox Singapore Software Centre, Fuji Xerox Asia Pacific Pte. Ltd., our development facility was granted the CMM Level 3. This is notable in that, according to SEI CMM-CBA IPI and SPA Appraisal Results, Maturity Profile April 2003, there are only 164 software development facilities in the world with software -CMM Level 3 ratings.

Professional Services.

We offer a broad array of professional services to clients in the global commercial markets and specialize in the application of advanced and complex I/T enterprise solutions to achieve its customers strategic objectives. Our service offerings include outsourcing, systems integration, customized I/T solutions, project/program management and I/T management consultancy, as well as other professional services, including e-business solutions.

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

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

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

The experience gained by us through its own software quality endeavors, has enabled us to offer consultancy services in the areas of Software Quality, Process Improvement, ISO Certification and SW-CMM Implementation. ISO certification and CMM services include, but are not limited to GAP Analysis against the standard ISO/CMM; Orientation Workshops; Guiding the Implementation of the plan

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developed after the GAP Analysis; Training on Standard Processes; Process implementation support off-site and on-site; assessment training; and assistance through the final assessment (Certification Audit for ISO).

LeaseSoft

We also develop advanced software systems for the asset based lease and finance industries. We have developed LeaseSoft a complete integrated lease and finance package. LeaseSoft, a robust suite of four software applications, is an end-to-end solution for the lease and finance industry. The four applications under LeaseSoft have been designed and developed for a highly flexible setting and are capable of dealing with multinational, multi-company, multi-asset, multi-lingual, multi-distributor and multi-manufacturer environments.

LeaseSoft is a result of more than 6 years of effort resulting in over 60 modules grouped in four comprehensive applications. These four applications are complete systems in themselves and can be used independently to exhaustively address specific sub-domains of the leasing/financing cycle. And, if used together, they fully automate the entire leasing / financing cycle.

The constituent software applications are:

Credit Application Creation System (CAC). Leasesoft.CAC is a web-based point of sale system for the use of dealers, brokers, agents and sales officers to initiate credit applications. It is a web-based system and, though it can be used with equal efficiently on an intranet, the real ability is to harness the power of the Internet to book sales. LeaseSoft.CAC users create quotations and financing applications (Proposals) for their customers using predefined financial products. The application is submitted to the back office system [such as LeaseSoft.CAP] for approval. After analysis, the application is sent back to the LeaseSoft.CAC system with a final decision.

Credit Application Processing System (CAP). LeaseSoft.CAP provides companies in the financial sector an environment to handle the incoming credit applications from dealers, agents, brokers and the direct sales force. LeaseSoft.CAP automatically gathers information from different interfaces like credit rating agencies, evaluation guides, contract management systems and scores the applications against defined scorecards. All of this is done in a mechanized workflow culminating with credit team members making their decisions more quickly and accurately. Implementation of LeaseSoft.CAP dramatically reduces application-processing time in turn resulting in greater revenue through higher number of applications finalized in a given time. LeaseSoft.CAP is also an excellent tool to reduce probability of a wrong decision thus again providing a concrete business value through minimizing the bad debt portfolio.

Contract Activation & Management System (CAM). LeaseSoft.CAM provides comprehensive business functionality that enables its users to effectively and smoothly manage and maintain a contract with the most comprehensive details throughout its life cycle. It also provides interfaces with company banks and accounting systems. LeaseSoft.CAM also effectively maintains details of all business partners that do business with the company including, but not limited to, customers, dealers, debtors, guarantors, insurance companies and banks. A number of leasing consultants have provided their business knowledge to make this product a most complete lease and finance product. NetSol s LeaseSoft.CAM provides business functionality for all areas that are required to run an effective, efficient and customer oriented lease and finance business.

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Wholesale Finance System (WFS). LeaseSoft.WFS automates and manages the floor plan/bailment activities of dealerships through a finance company. The design of the system is based on the concept of one asset/one loan to facilitate asset tracking and costing. The system covers credit limit, payment of loan, billing and settlement, stock auditing, online dealer and auditor access and ultimately the pay-off functions.

Typically, NetSol s sales cycle for these products ranges between six to twelve months. We derive our income both from selling the license to use the products as well as from related software services. The related services include extensive customization, implementation, and post deployment support. License fees can vary generally between $75,000 up to $1,000,000 per license depending upon the size of the customer and the complexity of the customization. The revenue for the license and the customization flows in several phases and could take from six months to two years before its is fully recognized as income in accordance with generally accepted accounting principles. The post implementation support which usually is an agreed upon percentage of overall monetary value of the implementation then becomes an ongoing revenue stream realized on a yearly basis.

NetSol manages this sale cycle by having two specialized pools of resources for each of the four products under LeaseSoft. One group focuses on software development required for customization and enhancements. The second group comprises of LeaseSoft consultants concentrating on implementation and onsite support.

NetSol also maintains a LeaseSoft specific product website www.leasesoft.biz

Status of New Products and Services

Effective October 14, 2003, we acquired Pearl Treasury System Ltd., in exchange for the issuance of up to 60,000 shares of common stock of NetSol. With this acquisition, we are expanding our menu of software into banking and other financial areas.

Pearl Treasury System (PTS)

PTS was founded in 2000, and designed for use by financial institutions with treasury departments. Treasury department transactions are high revenue generating with individual deal values in the range of $10 million to over $1 billion. According to IBS Publishing, over 80 contracts for treasury systems were signed in 2002, representing approximately $155 million in revenues.

The PTS system will seamlessly handle foreign exchange and money market trading, trading in derivative products, risk management, credit control, pricing, and various interfaces for rate feeds, with one system platform. The system platform, modular in design, also allows financial institutions to purchase only the modules they require. The PTS system was developed over five years with a $4 million investment by a group of visionaries in the U.K. This group completed nearly 80% of the product and needed a stronger development and business partner who could take over completion and marketing. With the acquisition, NetSol believes that it has become that partner.

Pearl Banking Solutions (PBS) (a component of PTS) provides a complete but modular solution for front, middle and back office treasury requirements, incorporating all of the following instruments: foreign exchange; money market; long term securities; financial futures; over-the-counter derivatives; OTC options; and, exchange traded options. In addition to this total coverage, a unique selling point of PTS is the flexibility of incorporating new instruments as they arise. PTS is a highly sophisticated, totally integrated treasury product operating in real time. It has been specified and designed by Noel Thurlow, a

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leading authority in investment banking, to provide total treasury management. Advanced technology and innovative architecture provide the system with a comprehensive set of functions and complete flexibility. In the past, NetSol has developed and marketed smaller banking solutions to Citibank in Pakistan. While there are no assurances, Management hopes to couple the sophistication of PTS with its own experience in developing and marketing banking solutions to our advantage.

Growth Through Acquisition

After a period of consolidation and disposals, we believe it is the right time to look at M&A opportunities again. With the technology downturn, valuations have become more realistic and many smaller private companies have found raising capital for growth a major challenge.

With this backdrop, NetSol identified Altvia Technologies Inc. of the Maryland/Washington D.C. area as a potential acquisition. In order to benefit from the recent turnaround in technology spending which has focused on off-shore outsourcing of software engineering and customer service, NetSol acquired Altvia Technologies, Inc. which had a successful offshore model. Altvia provides the platform to take advantage of this out-sourcing, as it uses a similar methodology as NetSol.

Altvia provides NetSol with an immediate presence, processes, high-level sales and marketing resources and existing customers to offer its array of products and services to the mainstream US markets.

We will continue to explore merger and acquisition opportunities, which will benefit us by providing market opportunities or economies of scale.

Growth through Establishing Partners Network

NetSol is well aware that market reach is essential to effectively market I/T products and services around the globe. For this purpose, we are looking forward to establishing a network of partners worldwide. These companies will represent NetSol in their respective countries and will develop business for NetSol.

We hope to initially find partners in Denmark, for the Scandinavian markets, and Holland, for the Benelux countries.

Strategic Alliances

Making well thought out strategic alliances result in corporate synergies enabling accomplishments otherwise unattainable. NetSol has recently made such an alliance with Hyundai Information Technology Co., Ltd. (HIT) of South Korea. HIT has had a successful experience in implementing a $25 Million I/T project for the State Bank of Pakistan. As per the mandate of this alliance, NetSol and HIT anticipate to bid work as a team on all potential infrastructure development and defense related projects within Pakistan. These projects will primarily involve the public sector and Pakistan s armed forces. Despite the alliance, no assurances can be given that any project will be awarded to the NetSol-HIT team.

With the recent deregulation of Pakistan s telecommunications sector and the government s desire to attract investors to the country, while experiencing an unprecedented increase in exports, Pakistan is keen to build a solid technology infrastructure to support the growth expected over the next several years. The areas within Pakistan expected to receive major information technology investments by the government are education, public sector automation, railways and the country s armed forces.

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NetSol Connect, Pvt. Ltd., a wholly owned IP backbone and broadband subsidiary of ours, has recently forged a partnership with UK based computer company, Akhtar Computers of U.K. Pursuant to this agreement, NetSol has retained control of them with ownership of 50.1% to Akhtar s 49.9%. This alliance is designed to permit NetSol to benefit from the potentially high growth of the telecommunications market by bringing in new technology, new resources and capital while permitting NetSol to focus on its core competencies of developing and marketing software.

NetSol and Intel Corporation recently announced a strategic relationship that would potentially permit NetSol to market its core product, LeaseSoft , through Intel websites. In a joint press release made recently by both NetSol and Intel, both companies agreed that they would deliver a new Solution Blueprint for its core leasing solution. With the collaboration to create a world-class blueprint for the leasing and finance industry, deployment should become even faster and smoother for our customers. This alliance is discussed at www.Intel.com/ebusiness/Solutions/finance.htm.

Technical Affiliations

We currently have technical affiliations as: a MicroSoft Certified Partner; a member of the Intel Early Access Program; and, an Oracle Certified Partner.

Marketing and Selling

The Marketing Program

While affiliations and partnering result in potential growth for us, marketing and selling remain essential to building our revenue. The objective of our marketing program is to create and sustain preference and loyalty for NetSol as a leading provider of enterprise solutions, e-services consulting and software solutions. Marketing is performed at the corporate and business unit levels. The corporate marketing department has overall responsibility for communications, advertising, public relations and the website and also engineers and oversees central marketing and communications programs for use by each of the business units.

Our dedicated marketing personnel within the business units undertake a variety of marketing activities, including sponsoring focused client events to demonstrate our skills and products, sponsoring and participating in targeted conferences and holding private briefings with individual companies. We believe that the industry focus of our sales professionals and our business unit marketing personnel enhances their knowledge and expertise in these industries and will generate additional client engagements. With the US technology market slow down, NetSol marketing teams are concentrating on the overseas markets with gradual and cautious entry into the US market.

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

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The Markets

NetSol provides its services primarily to clients in global commercial industries. In the global commercial area, our service offerings are marketed to clients in a wide array of industries including, automotive: chemical; tiles/ceramics; Internet marketing; software; medical; banks; U.S. higher education and telecommunication associations and, financial services.

Geographically, NetSol has operations on the West and East Coast of the United States, Central Asia, Europe, and Asia Pacific regions.

During the last two fiscal years ended June 30, 2003, the Company s revenue mix by major markets was as follows:

	2003	2002
North American (NetSol USA, Intereve)	15%	41%
Europe (NetSol Technologies, UK Ltd.)	5%	0%
Other International (Abraxas, NetSol Technologies Pvt. Ltd., NetSol Pvt., Ltd., NetSol Connect)	80%	59%
Total Revenues	100%	100%

Fiscal Year 2003 Performance Overview

We have effectively expanded our development base and technical capabilities by training our programmers to provide customized I/T solutions in many other sectors and not limiting ourselves to the lease and finance industry. We believe that the offshore development concept has been successful as evidenced by several companies in India, which according to the recent statistics by the Indian I/T agency, NASSCOM, showed software exports exceeding $9.5 billion in the year 2002-2003 as opposed to $7 billion in 2001. This upward growth, though not phenomenal anymore, is expected to remain unchanged for the next few years.

NetSol Technologies PVT Ltd.

Our subsidiary in Pakistan continues to perform strongly and has enhanced its capabilities and expanded its sales and marketing activities. The Lahore operation supports our worldwide customer base of the LeaseSoft suite of products and all other product offerings. NetSol has continued to lend support to the Lahore subsidiary to further develop its quality initiatives and infrastructure. The major initiative in this area is the final stage of phase 1 of the development of the technology campus. The development facility in Pakistan, being the engine, which drives NetSol, continues to be the major source of revenue generation. The Pakistan operation has contributed nearly 43% of 2003 revenues primarily through export of I/T Services and product licensed to the overseas markets. NetSol Pakistan has signed on new customers such as Mercedes Benz Finance Japan, DaimlerChrysler Finance Korea and, DaimlerChrysler Leasing Thailand. It also recently signed development contracts with Yamaha Motors of Australia with the marketing and customer support provided by NetSol s subsidiary in Adelaide, Australia.

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NetSol Technologies UK Ltd

We launched our UK subsidiary in Fiscal 2003. The UK company is resourced with experts from the financial services industry. The senior executives joining our UK group brings substantial experience gained from CitiGroup as well as academic excellence from the world s renowned IIT of India. The main focus of this entity is to market the array of banking and leasing solutions in the heart of the financial district in London and the rest of Europe. The UK company has grown completely organically to a business expected to produce over $0.5 Million in revenue by the end of the current fiscal year.

The UK company will shortly launch the marketing of the LeaseSoft suite of products. A comprehensive benchmarking of the LeaseSoft Suite will precede the launch. We have retained a consultancy firm to conduct a Gap Analysis for the European market. This exercise will help the UK subsidiary position LeaseSoft as a solution that provides a core set of functionality for the European markets. In addition, the pending acquisition of PTS is designed to create incremental business and new revenue base by penetrating into the UK and European banking segments. Most recently, the UK operations entered into agreements with Citibank Bahrain, DCD Group UK and Habib Allied Bank in the UK.

NetSol-Abraxas

The Australian market continues to be active as NetSol maintains its customers such as Yamaha Motors, GMAC Australia, St. George Bank and Volvo Australia. We continue to pursue new customers and new business from its existing customers for its core product lines.

We signed Yamaha Motors in Australia and DaimlerChrysler Finance in New Zealand as new customers of the LeaseSoft suite. There are a number of new prospects that are in varying degrees of the decision-making process. The Australian subsidiary contributed over 12% of our revenues in fiscal year 2003.

NetSol CONNECT

In August 2003, NetSol entered into an agreement with United Kingdom based Akhtar Group PLC (Akhtar). Under the terms of the agreement, Akhtar Group acquired 49.9 percent of our subsidiary, Pakistan based NetSol Connect PTV Ltd., an Internet service provider (ISP) in Pakistan. As part of this Agreement, NetSolCONNECT changed its name to NetSol Akhtar.

NetSol CONNECT was launched in early 2000 in Karachi, Pakistan s largest city. Prior to NetSol CONNECT s technology being brought to Karachi, the concept of high speed ISP backbone infrastructure was new in Pakistan. NetSol was the first company to turn such concept into reality. In the past two years, NetSol CONNECT has become the second largest high speed and fast access ISP in Karachi. NetSol believes the ISP space is still in its infancy and the growth prospects are extremely good. By the end of Fiscal year 2002, the direct membership was over 40,000 subscribers. The main competitor of NetSol CONNECT has a subscriber base in the range of 40,000-50,000 in Karachi and has been in business for over 7 years. NetSol CONNECT has been able to attract a number of local and multi-national corporate clients in addition to individual retail customers. *NetSol IR*, a brand of NetSol Connect, was ranked by Pakistan s Ministry of Science & Technology as one of the leading brands in the regional markets of Karachi, Pakistan with respect to high-speed connectivity and service. *NetSol IR s* rapid growth has contributed over 25% to NetSol s revenue. The retail business continues to hold steady accounting for close to 60% of NetSol CONNECT s revenue while corporate clients accounted for 40%. The new partnership with Akhtar Computers is designed to rollout the services of connectivity and wireless to the Pakistani national market.

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Akhtar, one of the oldest established computer companies in the UK, is well recognized as a provider of managed Internet services, integrated networks, both local area networks and wide area networks, as well as metropolitan area networks within the UK.

Akhtar s proprietary broadband technologies and solutions will provide NetSol CONNECT a technologically strong platform for strengthening its telecommunications infrastructure within Pakistan with a goal of becoming a leading provider of broadband Internet access to both residential and commercial users.

The initial stage of the agreement provides NetSol with an investment of up to $1 million in early 2004 in cash to launch a broadband infrastructure in Karachi, the largest business hub in Pakistan. The initial infrastructure will provide a 155MB backbone and a 5MB broadband to customer premises using a proprietary broadband technology and an infrastructure consisting of 20 hubs. After the successful launch of the initial six-month beta program to Karachi s residential and commercial customers, additional rollouts of the hubs are scheduled in Lahore and Islamabad within a 12-month period.

The second investment into the program could provide up to $20 million to create the first Terabit backbone in Pakistan. This will allow NetSol to provide data, voice, video and other multi-media services to major cities within Pakistan.

NetSol Akhtar Pvt Ltd. shall continue to aggressively seek revenues to growth.

NetSol USA

In May 2003, NetSol acquired the assets of Altvia Technologies, Inc. (Altvia). Altvia provided NetSol an experienced management team familiar with the offshore software development model. From 2000 2003, Altvia maintained an offshore development team in Islamabad, Pakistan. Altvia s clients included major member-based higher education and telecommunications trade associations in the Washington, D.C. and Baltimore area. The acquisition allows NetSol to extend its business presence in the United States, specifically in the high-growth, greater-Washington, D.C. market. NetSol USA functions as the service provider for the US based customers both in the consulting services area as well as project management. The office provides greater access to the emerging East Coast markets.

LeaseSoft Sales

LeaseSoft is establishing itself as a dependable and preferred system in the niche market of asset based lease and finance. In 2002-2003, NetSol was able to sell a number of LeaseSoft licenses in Asia, details of which are as follows:

LeaseSoft.WFS at Yamaha Motors Finance Australia (YMF). This was an implementation carried out in only 10 weeks. A pilot project within the client organization, YMF has recommended this software for future implementations wherever YMF may start a wholesale lease and finance business.

LeaseSoft.CAP DaimlerChrysler Leasing Thailand (DCLT). DCLT was already using LeaseSoft.WFS for managing their wholesale finance business and as soon as they decided to aggressively follow retail side leasing in Thailand they opted for NetSol s Credit Application Processing System. LeaseSoft.CAP will enable DCLT to process larger numbers of applications per given period of time while simultaneously providing the functionalities to reduce the probability of default per approved loan.

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LeaseSoft.CAP at UMF Leasing Singapore. UMF Leasing Singapore was already using LeaseSoft.CAM and opted for another application from the LeaseSoft suite, LeaseSoft.CAP. Both the applications (LeaseSoft.CAM and LeaseSoft.CAP) seamlessly integrate to provide back office automated processing of credit applications and comprehensive management of the resulting contracts.

LeaseSoft.CAP at DaimlerChrysler Services New Zealand. DaimlerChrysler was already using this system in Australia and opted for this system as they started their operations in New Zealand.

Management believes this highlights that the LeaseSoft system has satisfied and built a brand loyal customer base.

Shin DB (Database Model of retail side LeaseSoft) at Mercedes Benz Finance Japan (MBFJ). MBFJ has acquired an integrated Database Model of LeaseSoft.CAP and LeaseSoft.CAM.

LeaseSoft.WFS at DaimlerChrysler Services South Korea. Looking at the success of this software in Thailand, DaimlerChrysler purchased and implemented this software while establishing their operations in South Korea.

Pay per use Pricing Strategy for LeaseSoft

NetSol understands that the high upfront cost of acquiring LeaseSoft can be barrier to entry for some medium to small size companies. To continue to aggressively broaden the client base, NetSol has been innovative in this regard and plans to introduce PAY PER USE pricing strategy for all LeaseSoft constituent applications. According to this strategy, small and medium scale clients will only pay for the system for the amount of time they use it or the number of transactions they carry out through it. NetSol plans to introduce this novel pricing by end of first quarter 2004.

Technology Campus

We broke ground for our Technology Campus in January 2000 with a three-phase plan of completion. Initially, we anticipated the completion of Phase One by fall 2001, but due to the delay in financing, and other challenges we faced, the completion was delayed. However, Phase One is nearly complete and the Lahore operation is expected to be moved to the Technology Campus before February 2004. By relocating the entire Lahore operation from its current leased premises to the Campus, we will save approximately $150,000 annually, in rent and rent or other facility related expenses. Once fully operational and completed, the campus is expected to house over 2,500 I/T professionals in approximately three acres of land. The campus site is located in Pakistan s second largest city, Lahore, with a population of six million. An educational and cultural center, the city is home to most of the leading technology oriented academia of Pakistan including names like LUMS, NU-FAST and UET. These institutions are also the source of quality I/T resources for us. Lahore is a modern city with very good communication infrastructure and road network, The Technology campus is located at about a 5-minute drive from the newly constructed advanced and high-tech Lahore International Airport. This campus will be the first purpose built software building with state of the art technology and communications infrastructure in Pakistan. We have made this investment to attract contracts and projects from blue chip customers from all over the world.

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Employees

We believe we have developed a strong corporate culture that is critical to our success. Our key values are delivering world-class quality software, client-focused timely delivery, leadership, long-term relationships, creativity, openness and transparency and professional growth. The services provided by NetSol require proficiency in many fields, such as computer sciences, programming, mathematics, physics, engineering, and communication and presentation skills. Almost every one of our software developers is proficient in the English language. English is the second most spoken language in Pakistan and is mandatory in middle and high schools.

To encourage all employees to build on our core values, we reward teamwork and promote individuals who demonstrate these values. NetSol offers all of its employees the opportunity to participate in its stock option program. Also, we have an intensive orientation program for new employees to introduce our core values and a number of internal communications and training initiatives defining and promoting these core values. We believe that our growth and success are attributable in large part to the high caliber of our employees and our commitment to maintain the values on which our success has been based. NetSol worldwide is an equal opportunity employer. NetSol attracts professionals not just from Pakistan, where it is very well known, but also I/T professionals living overseas.

NetSol believes it has gathered, over the course of many years, a team of very loyal, dedicated and committed employees. Their continuous support and belief in the management has been demonstrated by their further investment of cash. Most of these employees have exercised their stock options during very difficult times for us. Management believes that its employees are the most valuable asset of NetSol.

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

As of September 30, 2003, we had 253 full-time employees; comprised of 173 I/T project personnel, 54 employees in general and administration and 26 employees in sales and marketing. There are 8 employees in the United States, 235 employees in Pakistan, 5 in Australia and 5 in the United Kingdom. None of our employees are subject to a collective bargaining agreement.

Competition

Neither a single company nor a small number of companies dominate the I/T market in the space in which we compete. A substantial number of companies offer services that overlap and are competitive with those offered by NetSol. Some of these are large industrial firms, including computer manufacturers and computer consulting firms that have greater financial resources than NetSol and, in some cases, may have greater capacity to perform services similar to those provided by NetSol.

Some of our competitors are International Decisions Systems, Inc., McHugh Systems, Ltd., Data Scan, Inc., KPMG, CresSoft Pvt Ltd., Systems Limited, Cybernet Pvt. Ltd., Tenhill Plc, and SouthPac Australia. These companies are scattered worldwide geographically. In terms of offshore development, we are in competition with some of the Indian companies such as Wipro, HCL, TCS, InfoSys, Satyam Infoway and others. Many of the competitors of NetSol have longer operating history, larger client bases, and longer relationships with clients, greater brand or name recognition and significantly greater financial, technical, and public relations resources than NetSol. Existing or future competitors may develop or offer services that are comparable or superior to ours at a lower price, which could have a material adverse effect on our business, financial condition and results of operations.

Customers

Some of the customers of NetSol include: DaimlerChrysler Services Asia Pacific - Singapore; Mercedes Benz Finance Japan; Yamaha Motors Finance Australia; Tung-Yang Leasing Company Taiwan; Debis Portfolio Systems UK; DaimlerChrysler Services Australia; DaimlerChrysler Leasing Thailand; DaimlerChrysler Services Korea; UMF Leasing Singapore; and, DaimlerChrysler Services New Zealand. In addition, NetSol provides offshore development and customized I/T solutions to blue chip customers such as Citibank Pakistan, DCD Holding UK, and, Habib Allied Bank UK. With the Altvia acquisition, NetSol has acquired, as clients, some of the most well known higher education and telecommunications associations based in the United States. NetSol is also a strategic business partner for DaimlerChrysler Services Asia Pacific (which consists of a group of many companies), which accounts for approximately 20% of our revenue. No other individual client represents more than 10% of the revenue for the fiscal year ended June 30, 2003.

The Internet

We are committed to regaining and extending the advantages of our direct model approach by moving even greater volumes of product sales, service and support to the Internet. The Internet provides greater convenience and efficiency to customers and, in turn, to us. We receive 150,000 hits per month to www.netsoltek.com. We also maintain a product specific website for LeaseSoft at www.leasesoft.biz.

Through our Web sites, customers, potential customers and investors can access a wide range of information about our product offerings, can configure and purchase systems on-line, and can access volumes of support and technical information about us.

Operations

Our headquarters are in Calabasas, California. Nearly 75% of the production and development is conducted at NetSol PK in Lahore, Pakistan. The other 25% of development is conducted in the Proximity Development Center or PDC in Adelaide, Australia. The majority of the marketing is conducted through NetSol USA, NetSol Abraxas Australia, and NetSol UK.

NetSol UK services and supports the clients in the UK and Europe. NetSol PK services and supports the customers in the Asia and South Asia regions.

A significant portion of our software is developed in Pakistan. Despite global unrest, regional tension and downturn in the US markets, the economy of Pakistan is bouncing back. For the first time in the history of Pakistan, the foreign exchange reserve has exceeded $11.0 billion in comparison with just below $2.0 billion in 2000. The stock market in Pakistan is the most bullish in the Asia Pacific region with market growth over 300% year to date (Karachi Stock Exchange on October 18, 2001 was at 1,103 points vs. 4,500 points on September 1, 2003). Pakistan, now a close US ally, is recognized by the western world as becoming a very conducive and attractive country for foreign collaboration and investments. We believe that we are in a strong position to continue to use this offshore model, which includes competitive price advantage, to serve our customers. Just recently Moody s International assessed Pakistan as less vulnerable than many countries in the Asia Pacific region. Also, Standard & Poor s rating on Pakistan

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has been improved to positive. The present government has taken major bold steps to attract new foreign investment and bolster the local economy.

NetSol USA functions as the service provider for US based customers both in the consulting services area as well as in the project management. In addition, the Maryland office provides greater access to the emerging markets on the East Coast. NetSol USA is exploring opportunities for marketing alliances with local companies to further enhance its marketing capabilities.

Organization

NetSol Technologies, Inc. (formerly NetSol International, Inc.) was founded in 1997 and is organized as a Nevada corporation. We amended our Articles of Incorporation on March 20, 2002 to change our name to NetSol Technologies, Inc.

Our success, in the near term, will depend, in large part, on our ability to: (a) minimize additional losses in our operations; (b) raise funds for continued operations and growth; and, (c) enhance and streamline sales and marketing efforts in the United States, Asia Pacific region, Pakistan, Europe, Japan and Australia. However, management s outlook for the continuing operations, which has been consolidated and has been streamlined, remains optimistic and bullish. With continued emphasis on a shift in product mix towards the higher margin consulting services, we anticipate to be able to continue to improve operating results at its core by reducing costs and improving gross margins.

Intellectual Property

We rely upon a combination of nondisclosure and other contractual arrangements, as well as common law trade secret, copyright and trademark laws to protect our proprietary rights. We enter into confidentiality agreements with our employees, generally requires its consultants and clients to enter into these agreements, and limits access to and distribution of its proprietary information. The NetSol logo and name, as well as the LeaseSoft logo and product name have been copyrighted and trademark registered in Pakistan.

Governmental Approval and Regulation

Our current operations do not require specific governmental approvals. Like all companies, including those with multinational subsidiaries, we are subject to the laws of the countries in which we maintain subsidiaries and conduct operations. Pakistani law allows a 15-year tax holiday on exports of I/T products and services. There are no State Bank restrictions on profits and dividends repatriation. Accordingly, foreign-based companies are free to invest safely in Pakistan and at the same time transfer their investment out of Pakistan without any approvals or notices. The present Pakistani government has effectively reformed the policies and regulations effecting foreign investors and multinational companies thus, making Pakistan an attractive and friendly country in which to do business.

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MANAGEMENT S DISCUSSION AND ANALYSIS AND PLAN OF OPERATIONS

Our management and global team of engineers have set clear goals and objectives to transform NetSol into a profitable enterprise. Management believes that we have turned the corner by reaching the significant milestone of preserving its NASDAQ SmallCap Market listing with the approval by the stockholders of a 1 for 5 stock split in June 2003, thus removing a major distraction for its key executives. After successful recapitalization of share structure, management is re-focused on the fundamentals. Execution of a revised marketing plan, aligned with an increased awareness and demand for its product and services, will play a key role in improvement of fundamentals as incremental top line growth is beginning to demonstrate.

Going forward, management has set new goals to achieve over the next two quarters.

Initiatives and Investment to Grow Capabilities.

- Achieve CMM Level 4 Accreditation
- Enhance Software Design and Engineering Capabilities by increasing investment in training
- Embark on a program of recruiting the best available talent in Project and Program Management
- Complete the first phase of its dedication and fully owned Technology Campus
- Increase Capex, enhance Communications and Development Infrastructure
- Further enhance the development and outsourcing capabilities in regional South East Asian markets

Top Line Growth through Investment in Marketing and Positioning.

- Launch LeaseSoft into new markets
- Product Positioning through alliances and partnership
- Event participation
- Joint Ventures
- Direct Marketing of Services
- Embark on aggressive M&A activities broadly in the software development domain

NetSol-Intel Corporation. NetSol forged what management believes to be a very important and strategic alliance with Intel Corporation to develop a blue print that would give broader exposure and introduction to NetSol s Lease Soft products to a global market.

NetSol Hyundai IT. NetSol collaborated with Hyundai IT Group, from South Korea, as a local development partner. By virtue of this relationship, NetSol and Hyundai as a partner will bid in major public sector and infrastructure projects in Pakistan,

Funding and Investor Relations.

- Grow its relationships with new Investment Banking Partners
- Continue to raise capital at attractive terms through private placements, convertible debt debentures and as needed new public offerings, for its many initiatives and programs
- Infuse new capital from potential exercise of outstanding investors warrants and employees options for business development and enhancement of infrastructures
- Re-write its Investor Relations plan and share our turnaround with the investment community

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Improving the Bottom Line.

- Continue to review costs at every level
- Grow process automation
- Profit Centric Management Incentives
- More local empowerment and P&L Ownership in each Country Office

In summary, the drive for consolidation and cost cutting continued in fiscal year 2003. From the biggest loss in the history in fiscal year 2001 of $14 million, the loss in fiscal year 2003 was reduced to $2,600,000 and we believe NetSol is now well positioned to achieve profitability based on trends and initiatives taken by the management. The parent company took a major step by terminating its previous office lease in September 2002. Just in rent and related expenses, it saved over $130,000 approximately in one year. In addition, a number of senior positions were eliminated saving another $250,000 annually.

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

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

CASH RESOURCES

We were successful in improving our cash position by the end of our fiscal year, June 30, 2003, and as of the end of the first quarter of fiscal 2004, September 30, 2003. In addition to $809,566 injected by the exercise of options by several employees in 2003, we also entered into a financing deal with a UK based institution, DCD Group Ltd. This agreement was reached in February 2003 by which a first tranche of $257,000 was raised through equity placement. We also offered a substantial number of warrants to DCD Group. If exercised, these are potentially valued over $1.7 million with exercise prices ranging from $1.75, $2.50 and $5.00 per share. There is also a standing line of credit of $1 million with DCD Group to fund new development related projects.

On May 5, 2003, we entered into an investment banking relationship with Maxim Group LLC, a New York based investment bank. In July, we closed the first Private Placement Offering with Maxim as the placement agent for approximately $1.2 million for 946,963 shares. We are registering the shares of these shareholders in this Registration Statement. We may explore new financing once this registration is effective, based on its capital needs.

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Early in the second quarter of 2003, we were successful in getting a release of a $500,000 performance bond from one of its biggest customers, Daimler Chrysler-Singapore. This bond was posted by NetSol upon request of the customer in 2000. The release of this bond not only helped us financially, but it also reflected the confidence of the customer in our deliverability and capabilities.

In October 2002, NetSol terminated its rental lease agreement with Kilroy Realty for the office space it occupied from 2000. We were able to recover over $200,000 cash from the letter of credit it provided to Kilroy in 2000.

As a result of stock price recovery and stability, we have witnessed employees willing to exercise their stock options and inject cash into us. Unexercised options and warrants, if exercised in full, represent an approximate $3 million addition of capital to the Company and are detailed in other sections. Continued exercise of options our employees could result in an increased cash flow for us.

CHANGE IN MANAGEMENT AND BOARD OF DIRECTORS

During the fiscal year 2002, Syed Husain, the Chief Operating Officer (COO) and Rick Poole, the Chief Financial Officer (CFO) left the Company. Najeeb Ghauri was appointed CFO and secretary in addition to his role of Chairman of the Board of Directors. Mark Caton joined the Company as a President of NetSol USA, Inc., a subsidiary of NetSol. He is employed as a consultant and is responsible for sales and marketing for North America.

Board of Directors

At the 2003 Annual Shareholders Meeting in January, the board was expanded to nine members. The shareholders voted in an overwhelming majority for the new slate of directors. The board now consists of: Mr. Najeeb U. Ghauri; Mr. Jim Moody; Mr. Salim Ghauri; Mr. Eugen Beckert; Mr. Naeem U. Ghauri; Mr. Shahid Burki; Mr. Irfan Mustafa; Mr. Mark Caton; and, Mr. Shabir Randeree.

Committees

Our Audit Committee consists of Mr. Jim Moody, Chairman, Mr. Shahid Burki, member, and Mr. Irfan Mustafa, member. The Compensation committee consists of Mr. Mark Caton, Chairman, Mr. Shahid Burki, member, and Mr. Irfan Mustafa, member.

RESULTS OF OPERATIONS

The Year Ended June 30, 2003 Compared To The Year Ended June 30, 2002

Net revenues for the year ended June 30, 2003 were $3,745,386 as compared to $3,578,112 for the year ended June 30, 2002. Net revenues are broken out among the subsidiaries as follows:

	2003	2002
Netsol USA	$ 467,662	$ 1,453,819
Netsol - Altiva	41,206	
Netsol TECH and Private	1,581,012	1,931,639
Netsol Connect	1,185,162	
Netsol UK	83,737	
Netsol-Abraxas Australia	386,607	192,655
Total Net Revenues	$ 3,745,386	$ 3,578,113

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The total consolidated net revenue for fiscal year 2003 was $3,745,386 compared to $3,578,112 in fiscal year 2002. This is a nearly 5% increase in revenue, which could be directly attributed to an increased demand of LeaseSoft products and services. The operating loss from operations in fiscal year 2003 was $2,265,491 including a depreciation and amortization charge of $1,576,890. The loss also includes settlement expenses of $202,759 for the UK and German entities. The total loss from operations including the above mentioned non-cash charges was $2,615,581, which is a significant reduction of 63% from $5,229,134 in fiscal year 2002. The net loss in fiscal year 2003 was $2,615,581 compared to $5,998,864 in fiscal year 2002 or 57% reduction. Similarly the net loss per share dropped to $0.47 in 2003 compared to $2.00 in 2002. The total weighted average of shares outstanding basic and diluted was 4.5 million against 3.0 million in 2002.

We experienced a revenue decrease from the prior year for its North American operations. We are aligning ourselves with the current reduction in demand for its services in the US markets. This has been achieved by laying off 10 employees from its US operations and by downsizing our office space in Virginia and Calabasas, resulting in major cost reductions. Since August 1999, NetSol USA has generated a total of $3,876,561 of revenues.

Operating expenses were $4,231,884 for the year ended June 30, 2003 compared to $5,845,567 for the year ended June 30, 2002. During the years ended June 30, 2003 and 2002, we issued 93,400 and 163,000 restricted common shares, respectively, in exchange for services rendered. We recorded this non-cash compensation expense of $39,200 and $116,995 for the years ended June 30, 2003 and 2002, respectively. Total professional service expense, including non-cash compensation, was $272,447 and $964,508 for the years ended June 30, 2003 and 2002, respectively. During the years ended June 30, 2003 and 2002, we recorded depreciation and amortization expense of $1,576,890 and $2,115,399. Operating expenses in total, including all general and administrative expenses, have also decreased as a result of reduction in salaries and related costs primarily due to reduction in staff at all levels of Netsol and the continuing monitoring of our infrastructure, both at the parent and the subsidiary levels. We believe that the accounts receivable balance as of June 30, 2003 will provide a good source of working capital for fiscal 2004. Salaries and wages expenses were $934,383 and $1,461,157 for the years ended June 30, 2003 and 2002, respectively. This reduction was due in part to the elimination of higher salaried positions. General and administrative expenses were $956,644 and $1,135,560 for the years ended June 30, 2003 and 2002, respectively. The decrease was due in part to the cost savings actions taken by us. Gross Profit was 47.5% of revenues for fiscal 2003, compared to 17.23% of revenues in fiscal 2002. Net loss was $2,137,506 or $0.47 per share (basic and diluted) for the year ended June 30, 2003 as compared to $5,998,864 or $2.00 per share (basic and diluted) for the year ended June 30, 2002. This resulted in a loss per share, basic and diluted, from continuing operations of $0.57 for fiscal 2003 as compared with $2.00 for fiscal 2002. The loss per share for discontinued operations was $0.11 for fiscal 2003. Our United Kingdom and German operations were discontinued in 2002 and the early part of 2003.

Our cash position was $214,490 at June 30, 2003. After year-end June 30, 2003, in July 2003, we closed a private placement financing of more than $1.2 million through the sale of 946,963 shares of our common stock. In this private placement, the placement agent received a warrant to purchase 81,000 shares of our common stock.

Three Month Period Ended September 30, 2003 Compared To The Three Month Period Ended September 30, 2002:

Net revenues were $972,612 and $653,331 for the three-month periods ended September 30, 2003 and September 30, 2002, respectively. This reflects an increase of $319,281 (48%) in the three month period

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ended September 30, 2003. This increase is attributable to new license sales and an increase in services business, including additional maintenance work.

We added a few new customers such as Habib Allied Bank, enhancement in the Yamaha Motors project, DaimlerChrysler New Zealand and a few local customers in Pakistan. Due to successful implementation s of some of our current systems with DaimlerChrysler we are noticing an increasing demand for Lease Soft. Although the sales cycle for Lease Soft is rather long, we are experiencing 100% increase from 2002 in product demonstration, evaluation and assessment by blue chip companies in the UK, Australia, Japan, Europe and Pakistan. The crown jewel of our product line CMS (Contract Management System) which was sold to three companies of DaimlerChrysler Asia Pacific Region in 2001 for a combined value in excess of $2 million is being implemented and delivered to customer in 2003. Maturity of our key products has given rise to a positive interest by many new blue chip customers globally. We believe a number of large leasing companies will be looking to renew legacy applications. This places NetSol in a very strong position to capitalize on any upturn in IT spending by these companies. We believe that we are well positioned to sell several new licenses in fiscal year 2003-2004 that could potentially increase the sales and bottom line. As we sell more of these licenses, management believes it is possible that the margins could increase to upward of 70%. The License prices of these products vary from $100,000 to $1,000,000 with additional charges for customization and maintenance of between 20%-30% each year. We, in parallel, have developed banking applications software to boost its product line and these systems were sold to Citibank and Askari Banks in Pakistan in 2002. New customers in the banking sector are also growing and we expect substantial growth in this area in the coming year.

The gross profit was $512,235 in the quarter ending September 30, 2003 as compared with $323,296 for the same quarter of the previous year. The gross profit percentage has increased modestly to approximately 52% in the quarter ended September 30, 2003 from approximately 49% for the quarter ended September 30, 2002 as a result of us reducing cost across the board without compromising on its delivery capabilities. Whilst the cost of sales and the cost of delivery of projects have both been reduced in the quarter, we maintained all its delivery commitments and have won new business from existing and new customers. While management is striving to negotiate better pricing on new agreements, we have been required to react to overall general economic factors in determining its present pricing structure. The gross profit margin was also improved due to improved quality standards such as achieving the assessment of CMM Level 3 in 2003.

Operating expenses were $1,342,333 for the three-month period ending September 30, 2003 as compared to $1,454,554, for the corresponding period last year. The decrease in the current fiscal year is largely attributable to the focus on reduction of all non-essential costs. We have streamlined it operations by consolidation, divestment and enhanced operating efficiencies. Depreciation and amortization expense amounted to $412,801 and $457,162 for the three-month period ended September 30, 2003 and September 30, 2002, respectively. This decrease was attributable to selling of assets by our subsidiaries. Combined salaries and wage costs were $315,540 and $258,500 for the three month period ended September 30, 2003 and 2002, respectively, or an increase of $57,040 from the corresponding period last year. While we reduced operation expenses overall, the addition of new management level employees and consultants from the Altvia acquisition and new employees at our UK subsidiary, resulted in an overall increase.

Selling and marketing expenses decreased to $19,222 in the three-month period ended September 30, 2003 as compared to $41,714 in the three-month period ended September 30, 2002. We wrote-off as uncollectible bad debts of $52,318 in the current quarter compared to $81,312 for the comparable prior period. Professional services expense decreased to $29,801 in the three-month periods ended September 30, 2003, from $201,482 in the corresponding periods last year.

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Loss from continued operations was $830,098 in the three month period ended September 30, 2003 as compared to $1,131,258 for the corresponding periods last year. This represents a reduction of $301,160 for the three-month period compared to prior year. This reduction is attributable to improved operating margins.

Net Losses were $868,350 in the three-month period ended September 30, 2003 as compared to $1,146,787 for the corresponding period last year. The current period amount includes $35,309 add-back for the 49.9% minority interest in NetSol Connect owned by another party. This is reduction of 24.2% compared to prior year. Net loss per share, basic and diluted, was $0.13 for the three month periods ended September 30, 2003 as compared with $0.30 for the corresponding period last year.

Income Taxes

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

Going Concern Qualification

Our independent auditors have included an explanatory paragraph in their report on the June 30, 2003 consolidated financial statements discussing issues which raise substantial doubt about our ability to continue as a going concern. The going concern qualification is attributable to our historical operating losses, our lack of cash reserves and capital, and the amount of capital which we project our needs to satisfy existing liabilities and achieve profitable operations. In positive steps, we have closed down our loss generating businesses, and continue to evaluate and implement cost cutting measures at every entity level. We are optimistic that the remaining entities can become profitable in fiscal 2004. For the year ended June 30, 2003, we continued to experience a negative cash flow from consolidated operations, and projects that it will need certain additional capital to enable it to continue operations at its current level beyond the near term. We believe that certain of this needed capital will result from the successful collection of our accounts receivable balances as projects are completed during the coming fiscal year. We believe we can raise additional funds though private placements of its common stock.

Liquidity And Capital Resources

Three Month Period Ended September 30, 2003 Compared to the Three Month Period Ended September 30, 2002.

Net cash used for operating activities amounted to $1,086,059 for the three months ended September 30, 2003, as compared to $290,469 for the three months ended September 30, 2002, mainly due to an increase in accounts receivable.

Net cash used by investing activities amounted to $268,004 for the three months ended September 30, 2003, as compared to providing $258,853 for the three months ended September 30, 2002. The difference

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is mainly in the net purchase of $520,000 in certificates of deposits and proceeds of $200,000 from the sale of a minority interest in our subsidiary NetSol Connect. The cash position is projected to improve in the current and future quarters due to new business signed up in the last quarter. We anticipate substantial exercises of investor warrants and employee stock options in the current and subsequent quarters.

Net cash provided by financing activities amounted to $1,491,711 for the three months ended September 30, 2003 compared to net cash used of $5,150 for the three months ended September 30, 2002. The three-month period ended September 30, 2003 included the cash inflow of $1,112,050 from issuance of equity, $238,250 from the exercising of stock options and $500,000 from proceeds of loans as compared to $34,596 from proceeds of loans in the quarter ended September 30, 2002. Our cash position was $292,528 at September 30, 2003. In addition we had $520,000 in certificates of deposit.

As of September 30, 2003, we had an accumulated deficit of $29,273,605 and a working capital deficit of approximately $743,696.

Year Ended June 30, 2003 compared to Year Ended June 30, 2002.

As of June 30 our working capital (current assets less current liabilities) totaled a deficit of $1.2 million, a decrease in deficit from $2.7 million, as of June 30, 2002. In Fiscal 2003, we raised capital of $257,000 from DCD Group, UK. Ltd. In addition, there are approximately $1.7 million worth of outstanding warrants with DCD Group that could potentially be exercised in Fiscal Year 2004. We also secured a line of credit for $1 million from DCD Group. This line of credit has not yet been utilized. The financing with Maxim Group LLC of approximately $1.2 million was closed in July 2003. We have over $1.2 million in accounts receivable and revenues in excess of billings. We will be pursuing various and feasible means of raising new funding to expand its infrastructure, enhance product offerings and beef up marketing and sales activities in strategic markets.

During the fiscal years 2003 and 2002, we raised a total of $708,400 and $461,249 in cash, respectively, by way of management and employees exercise of stock options. In the first fiscal quarter of 2004, we raised a total of $208,250 in cash by way of management and employee exercise of stock options This will continue to be an important source of raising cash for us. We will continue to inject new cash through the employees exercise of options and warrants from some investors. There is a considerable amount of stock options and warrants outstanding that could potentially be exercised in Fiscal Year 2004. Management believes it will be able to eventually secure cash reserves for at least 6 months based on projected Fiscal Year 2004 revenue.

Additionally, in fiscal 2003 and fiscal 2002 we issued 1,205,400 and 163,000 restricted common shares, respectively, in exchange for services rendered. This further reduced cash needs and compensated for some of the cash shortfall for the years.

Dividends and Redemption

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

Forward-Looking Statements

All statements contained in this prospectus, or in any document filed by us with the Securities and Exchange Commission, or in any press release or other written or oral communication by or on our

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behalf, that do not directly and exclusively relate to historical facts constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements represent our expectations and beliefs, and no assurance can be given that the results described in such statements will be achieved.

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

DESCRIPTION OF PROPERTY

Company Facilities

As of October of 2002, we moved from its corporate headquarters in California to one with approximately 1,575 rentable square feet and a monthly rent of $2,993.00. The previous location had a monthly rent of over $13,000 per month. The lease is on a month-to-month basis. Our current facilities are located at 24011 Ventura Blvd., Suite 101, Calabasas, California, 91302.

Other leased properties as of the date of this report are as follows:

Location/Approximate Square Feet		Purpose/Use	Monthly Rental Expense
Australia	1,140	Computer and General Office	$ 1,380
Pakistan	30,000	Computer and General Office	$ 10,000
United Kingdom	378	General Office	$ 3,000
Maryland	165	General Office	$ 1,200

The Australian lease is a three year lease that expires in September 2007. It is rented at the rate of $1,380 per month. The Pakistani facility is on a month-to-month basis and is currently rented at the rate of approximately $10,000 per month. Our move into the Technology Campus, expected in spring 2004, will result in a cost savings of $150,000 per year from the savings of monthly rental costs and related leasing expenses. UK operations are currently conducted in leased premises operating on a month-to-month basis with current rental costs of approximately $3,000 per month. The facilities in Maryland are subject to a six-month lease, which expires in December 2003 and thereafter operates on a month-to-month basis rented at the rate of $1,200 per month.

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Upon expiration of its leases, the Company does not anticipate any difficulty in obtaining renewals or alternative space.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In February 2003, DCD Holdings, Ltd. signed a $2 million investment agreement with NetSol and is one of NetSol s largest Investors. Shabir Randeree, managing director of DCD Holdings was appointed director of NetSol in 2003, filling a vacancy on the board. A subsidiary of DCD Holdings, DCD Trade Services Ltd., has recently provided a $1 million revolving line of credit to support and launch new customer projects requiring initial investment. In November 2003, DCD Holdings, Ltd., exercised warrants for 200,000 shares of our common stock for $350,000 or $1.75 per share.

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

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION - Common stock of NetSol Technologies, Inc. is listed and traded on the NASDAQ SmallCap Market under the ticker symbol NTWK.

The table shows the high and low intra-day prices of our common stock as reported on the composite tape of the NASDAQ for each quarter during the last two fiscal years. Per share stock prices have been adjusted to reflect the 1 for 5 reverse stock split which occurred in August 2003.

	2001-02		2002-03		2003-04	
	High	**Low**	**High**	**Low**	**High**	**Low**
1st (ended September 30)	11.25	.85	.80	.35	$5.50	$1.94
2nd (ended December 31)	2.30	1.71	1.30	.25		
3rd (ended March 31)	2.05	1.20	1.24	.75		
4th (ended June 30)	1.35	.55	3.50	.95		

RECORD HOLDERS - As of November 28, 2003, the number of holders of record of our common stock was 172. As of November 28, 2003, there were 7,590,263 shares of common stock issued and outstanding.

DIVIDENDS - We have not paid dividends on its Common Stock in the past and do not anticipate doing so in the foreseeable future. We currently intend to retain future earnings, if any, to fund the development and growth of its business.

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EXECUTIVE COMPENSATION

The Summary Compensation Table shows certain compensation information for services rendered in all capacities during each of the last three fiscal years by the executive officers of NetSol who received compensation of, or in excess of, $100,000 during the fiscal year ended June 30, 2003. The following information for the officers includes the dollar value of base salaries, bonus awards, the number of stock options granted and certain other compensation, if any, whether paid or deferred.

SUMMARY COMPENSATION TABLE

		Annual Compensation(1)		Long Term Compensation	
Name and Principal Position	Fiscal Year Ended	Salary	Bonus	Long Term Compensation Awards (2) Restricted Stock Awards(3)	Securities Underlying Options/ SARs (4)
Najeeb U. Ghauri, Chief Financial Officer, Secretary, Chairman, Director	2003	$120,000	-0-	-0-	-0-
	2002	$100,000	-0-	-0-	85,000(5) 100,000(6) 20,000(7)
	2001	$100,000	-0-	-0-	
Naeem Ghauri, CEO, Director	2003	$125,000	-0-	-0-	-0-
	2002	$100,000	-0-	-0-	70,000(8) 100,000(6) 20,000(7)
	2001	$125,000	-0-	-0-	
Salim Ghauri, President, Director	2003	$100,000	-0-	-0-	-0-
	2002	$100,000	-0-	-0-	70,000(8) 100,000(6) 20,000(7)
	2001	$100,000	-0-	-0-	

(1) No officers received any bonus or other annual compensation other than salaries during fiscal 2003 or any benefits other than those available to all other employees that are required to be disclosed. These amounts are not inclusive of automobile allowances, where applicable.

(2) No officers received any long-term incentive plan (LTIP) payouts or other payouts during fiscal years

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2003, 2002 or 2001.

(3) All stock awards are shares of our Common Stock.

(4) All securities underlying options are shares of our Common Stock. We have not granted any stock appreciation rights. No options were granted to the named executive officers in fiscal year 2003. Options are reflected in post-reverse split numbers. All options are currently exercisable or may be exercised within sixty (60) days of the date of this prospectus and are fully vested.

(5) Includes options to purchase 85,000 shares of our common stock granted on February 16, 2002 at the exercise price of $.75 per share. Options must be exercised within five years after the grant date.

(6) Includes options to purchase 100,000 shares of our common stock granted on February 16, 2002 at the exercise price of $1.25 per share.

(7) Includes options to purchase 200,000 shares of our common stock granted on February 16, 2002 at the exercise price of $2.50 per share.

(8) Includes options to purchase 70,000 shares of our common stock granted on February 16, 2002 at the exercise price of $.75 per share. Options must be exercised within five years after the grant date.

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

Name	Shares Acquired on Exercise (#)	Value Realized (1)($)	Number of Unexercised Options/SARs at fiscal year end (##) Exercisable (2) / Unexercisable	Value of unexercised in-the-money at fiscal year end ($)Exercisable (2) / Unexercisable
Najeeb Ghauri, CFO Secretary, Director , Chairman	200,000	$ 8,000	436,115/0	$305,280.50/0
Salim Ghauri, President, Director	211,112	$ 8,445	388,888/0	$272,221.60/0
Naeem Ghauri, CEO, Director	328,332	$ 13,133	321,668/0	$225,167.60/0

(1) The closing price of the stock at the June 30, 2003, Fiscal Year End was $0.74.

(2) All options are currently exercisable.

EMPLOYMENT AGREEMENTS

Effective October 2002, we entered into a Consulting Agreement with Mark Caton. The Agreement was for one year with a consulting fee of $60,000 and a stock option package consisting of options to purchase 40,000 shares of common stock as the exercise price of $.75, all of which are vested, for an additional one year term at a fee of $60,000 and a stock option package consisting of options to purchase 20,000 shares of common stock at the exercise price of $2.50. These options vest quarterly.

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Effective April 22, 2002, we entered into an employment agreement with Naeem Ghauri as our Chief Executive Officer. The agreement is for a base term of three years, and continues thereafter on an at will basis until terminated by either NetSol or Mr. Ghauri. The agreement provides for a yearly salary of $125,000. The salary shall increase to $150,000 per year at the time we reach profitability for a full fiscal year. The agreement also provides for such additional compensation as the Board of Directors determines is proper in recognition of Mr. Ghauri s contributions and services to the us. In addition, the agreement provides for option grants under our employee stock option plan of 100,000 options (post-reverse split) granted on April 2002, 25% of which vest at the beginning of each quarter. Further, 40,000 additional options are to be granted upon our achievement of $9,500,000 in revenues and $50,000 EBITDA for the calendar year 2002.

Effective April 22, 2002, we entered into an employment agreement with Najeeb Ghauri as Corporate Secretary. The agreement is for a base term of three years, and continues thereafter on an at will basis until terminated by either NetSol or Mr. Ghauri. The agreement provides for a yearly salary of $125,000. In June 2002, Mr. Ghauri s responsibilities were increased when he was appointed Chief Financial Officer and elected Chairman of the Board. The salary is to increase to $150,000 per year at the time we reach profitability for a full fiscal year. The agreement also provides for such additional compensation as the Board of Directors determines is proper in recognition of Mr. Ghauri s contributions and services to NetSol. In addition, the agreement provides for option grants under the Company s employee stock option plan of 100,000 options (post-reverse split) granted on April 2002, 25% of which vest at the beginning of each quarter. Further, 40,000 additional options are to be granted upon our achievement of $9,500,000 in revenues and $50,000 EBITDA for the calendar year 2002.

Effective April 22, 2002, we entered into an employment agreement with Salim Ghauri as the President and Chief Executive Officer our Pakistan subsidiary. The agreement is for a base term of three years, and continues thereafter on an at will basis until terminated by either us or Mr. Ghauri. The agreement provides for a yearly salary of $100,000. The salary is to increase to $150,000 per year at the time we reach profitability for a full fiscal year. The agreement also provides for such additional compensation as the Board of Directors determines is proper in recognition of Mr. Ghauri s contributions and services to NetSol. In addition, the agreement provides for option grants under our employee stock option plan of 100,000 options (post-reverse split) granted on April 2002, 25% of which vest at the beginning of each quarter. Further, 40,000 additional options are to be granted upon our achievement of $9,500,000 in revenues and $50,000 EBITDA for the calendar year 2002.

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

The Company currently has two Incentive and Nonstatutory stock option plans in force for 2001 and 2002 and two other plans from 1997 and 1999. No options have been issued under the 1997 and 1999 plans in the past two fiscal years.

The 2001 plan authorizes the issuance of up to 2,000,000 options to purchase common stock of which 1,717,000 have been granted. The average price of grants is $1.17.

The 2002 plan authorizes the issuance of up to $2,000,000 options to purchase common stock of which 553,083 options have been granted. The average price of these grants is $1.70.

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FINANCIAL STATEMENTS

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS REPORT

Board of Directors

NetSol Technologies, Inc. and subsidiaries

Calabasas, California

We have audited the accompanying consolidated balance sheet of NetSol Technologies, Inc. and subsidiaries as of June 30, 2003, and the related consolidated statements of operations, stockholders equity and cash flows for the years ended June 30, 2003 and 2002. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Network Solutions (PVT) Limited, NetSol (PVT) Limited and NetSol Connect (PVT) Limited, whose statements reflect combined total assets of approximately $4,233,424 as of June 30, 2003 and combined total net revenues of $2,766,174 and $1,932,000 for the years ended June 30, 2003 and 2002, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and in our opinion, insofar as it relates to the amounts included for Network Solutions (PVT) Limited, NetSol (PVT) Limited, NetSol Connect (PVT) Limited for the years ended June 30, 2003 and 2002, is based solely on the report of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NetSol Technologies, Inc. and subsidiaries as of June 30, 2003 and the results of its consolidated operations and its cash flows for the years ended June 30, 2003 and 2002 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the financial statements, the Company has accumulated deficit, has negative cash flows from operations, and has a net working capital deficit. These factors raise substantial doubt about the Company s ability to continue as a going concern. Management s plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

/s/ Kabani & Company, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Fountain Valley, California

August 11, 2003

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ASSETS		
Current assets:		
Cash and cash equivalents	$ 214,490	
Accounts receivable, net of allowance of allowance for doubtful debts of $80,000	627,900	
Revenues in excess of billings	603,647	
Other current assets	328,516	
Total current assets		1,774,553
Property and equipment, net of accumulated depreciation and amortization		2,037,507
Intangibles:		
Product licenses, renewals, enhancements, copyrights, trademarks, and tradenames, net	2,603,035	
Customer lists, net	957,234	
Goodwill, net	1,369,922	
Total intangibles		4,930,191
		$8,742,251
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 2,090,159	
Current portion of notes and obligations under capitalized leases	760,786	
Billings in excess of revenues	104,079	
Loan payable, bank	578,590	
Total current liabilities		3,533,614
Obligations under capitalized leases, less current maturities		7,111
Loans payable		126,674
Total liabilities		3,667,399
Commitments and contingencies		
Stockholders equity:		
Common stock, $.001 par value; 25,000,000 share authorized; 5,757,175 issued and outstanding	5,757	
Additional paid-in-capital	33,409,953	
Accumulated deficit	(28,405,255)	
Stock subscription receivable	(84,900)	
Other comprehensive income	149,297	
Total stockholders equity		5,074,852
		$8,742,251

See accompanying notes to consolidated financial statements.

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NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended June 30, 2003	2002
Net revenues	$ 3,745,386	$ 3,578,113
Cost of revenues	1,778,993	2,961,680
Gross profit	1,966,393	616,433
Operating expenses:		
Selling and marketing	76,136	168,840
Depreciation and amortization	1,576,890	2,115,399
Bad debt expense	415,384	
Salaries and wages	934,383	1,461,157
Professional services, including non-cash compensation	272,447	964,508
General and administrative	956,644	1,135,663
Total operating expenses	4,231,884	5,845,567
Loss from operations	(2,265,491)	(5,229,134)
Other expenses		
Settlement expenses	(202,759)	(549,860)
Loss on sale of assets	(5,464)	
Interest expense	(135,243)	(113,005)
Miscellaneous	(6,624)	(106,865)
Total other expenses	(350,090)	(769,730)