

NETSOL TECHNOLOGIES INC
Form 10QSB/A
March 24, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB/A

(Mark One)

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

For the quarterly period ended December 31, 2004

For the transition period from _____ to _____

Commission file number: 0-22773

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

NEVADA
(State or other Jurisdiction of
Incorporation or Organization)

95-4627685
(I.R.S. Employer NO.)

23901 Calabasas Road, Suite 2072, Calabasas, CA 91302
(Address of principal executive offices) (Zip Code)

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

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

Yes No

The issuer had 12,409,155 shares of its \$.001 par value Common Stock issued and outstanding as of February 7, 2005.

Transitional Small Business Disclosure Format (check one)

Yes No

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NETSOL TECHNOLOGIES, INC.

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(a)

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NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2004
(UNAUDITED)

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 488,110
Certificates of deposit	550,000
Accounts receivable, net of allowance for doubtful accounts of \$80,000	1,679,126
Revenues in excess of billings	2,324,715
Other current assets	512,494
Total current assets	5,554,445
Property and equipment , net of accumulated depreciation	4,276,307
Intangibles:	
Product licenses, renewals, enhancements, copyrights, trademarks, and tradenames, net	2,352,804
Customer lists, net	483,736
Goodwill (restated)	1,166,611
Total intangibles (restated)	4,003,151
Total assets (Restated)	
\$	13,833,903

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable and accrued expenses	1,638,752
\$	
Current portion of notes and obligations under capitalized leases	267,846

Billings in excess of revenues	228,430
Loans payable, bank	392,699
Total current liabilities	2,527,727
Obligations under capitalized leases, less current maturities	56,910
Convertible debenture	112,500
Total liabilities	2,697,137
Minority interest	99,752
Contingencies	—
Stockholders' equity:	
Common stock, \$.001 par value; 25,000,000 share authorized; 12,254,076 issued and outstanding	12,254
Additional paid-in-capital (restated)	43,119,861
Treasury stock	(27,197)
)	
Accumulated deficit (restated)	

)	(30,623,443
Stock subscription receivable	
)	(1,375,642
Common stock to be issued	
	254,800
Other comprehensive loss	
)	(323,619
Total stockholders' equity (Restated)	
	11,037,014
Total liabilities and stockholders' equity (Restated)	
\$	13,833,903

See accompanying notes to consolidated financial statements.

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NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2004 (Restated)	2003 (Restated)	2004 (Restated)	2003 (Restated)
Net revenues	\$ 2,723,227	\$ 1,208,345	\$ 4,781,532	\$ 2,180,957
Cost of revenues	828,973	490,336	1,580,620	950,713
Gross profit	1,894,254	718,009	3,200,912	1,230,244
Operating expenses:				
Selling and marketing	135,352	27,465	254,700	46,687
Depreciation and amortization	316,983	303,562	623,141	608,697
Settlement costs	43,200	100,000	43,200	100,000
Bad debt expense	—	41,188	—	93,506
Salaries and wages	447,984	278,909	795,221	594,449
Professional services, including non-cash compensation	140,971	84,288	255,305	239,702
General and administrative	292,751	361,446	570,266	748,484
Total operating expenses	1,377,241	1,196,858	2,541,833	2,431,525
Income (loss) from operations	517,013	(478,849)	659,079	(1,201,281)
Other income and (expenses)				
Gain (Loss) on sale of assets	—	3,069	(620)	(33,919)
Beneficial conversion feature	(194,416)	(96,027)	(231,916)	(96,027)
Fair market value of warrants issued	(221,614)	—	(249,638)	—
Gain on forgiveness of debt	139,367	104,088	189,641	104,088
Interest expense	(108,425)	—	(130,000)	—
Other income and (expenses)	20,884	(48,819)	43,219	(85,392)
Total other expenses	(364,204)	(37,689)	(379,314)	(111,250)
Net income (loss) before minority interest in sub subsidiary	152,809			