NETSOL TECHNOLOGIES INC
Form 10-Q
November 14, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2008

¨ 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)

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

Yes x No ¨

Indicate by a check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check One):

Large Accelerated Filer ¨ Accelerated Filer ¨ Non-Accelerated Filer x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes ¨ No x

The issuer had 26,493,987 shares of its $.001 par value Common Stock and 1,920 shares of Series A 7% Cumulative Convertible Preferred Stock issued and outstanding as of November 11, 2008.

NETSOL TECHNOLOGIES, INC.

INDEX

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of 9/30/08 (Unaudited)	As of 6/30/08 (Audited) (Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,778,690	$ 6,275,238
Certificates of deposit	106,949	-
Accounts receivable, net of allowance for doubtful accounts	13,886,153	10,988,888
Revenues in excess of billings	12,099,722	11,053,042
Other current assets	2,118,275	2,406,407
Total current assets	37,989,789	30,723,575
Property and equipment, net of accumulated depreciation	8,324,257	9,176,780
Other assets, long-term	981,957	1,866,437
Intangibles:		
Product licenses, renewals, enhancements, copyrights, trademarks, and tradenames, net	9,988,525	10,837,856
Customer lists, net	1,559,101	1,732,761
Goodwill	9,439,285	9,439,285
Total intangibles	20,986,911	22,009,902
Total assets	$ 68,282,914	$ 63,776,694
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 3,123,928	$ 4,116,659
Current portion of loans and obligations under capitalized leases	4,133,872	2,280,110
Other payables - acquisitions	103,226	846,215
Unearned revenues	4,037,556	3,293,728
Due to officers	-	184,173
Dividend to preferred stockholders payable	33,876	33,508
Cash dividend to minority shareholders of subsidiary	315,889	-
Loans payable, bank	2,559,509	2,932,551
Total current liabilities	14,307,856	13,686,944
Obligations under capitalized leases, less current maturities	267,358	332,307
Convertible notes payable	6,000,000	-
Long term loans; less current maturities	296,698	411,608
Total liabilities	14,871,912	14,430,859
Minority interest	7,136,565	7,857,969
Commitments and contingencies	-	-
Stockholders' equity:		
Preferred stock, 5,000,000 shares authorized; 1,920; 4,130 issued and outstanding	1,920,000	1,920,000
Common stock, $.001 par value; 95,000,000 shares authorized; 26,219,770; issued and 26,051,274 outstanding as of 9/30/08	26,220	
25,545,482 issued and 25,525,886 outstanding as of 6/30/08		25,545
Additional paid-in-capital	76,657,363	74,950,286
Treasury stock (168,496; 19,596 shares)	(321,008)	(35,681)

Accumulated deficit	(32,048,738)	(33,071,702)
Stock subscription receivable	(708,904)	(600,907)
Common stock to be issued	392,737	1,048,249
Other comprehensive loss	(5,643,233)	(2,747,924)
Total stockholders' equity	40,274,437	41,487,866
Total liabilities and stockholders' equity	$ 62,282,914	$ 63,776,694

See accompanying notes to these unaudited consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

		For the Three Months Ended September 30, 2008		2007
Net Revenues:		(Unaudited)		(Unaudited)
License fees	$	2,529,808	$	1,903,552
Maintenance fees		1,593,734		1,583,420
Services		5,177,425		5,166,265
Total revenues		9,300,967		8,653,237
Cost of revenues:				
Salaries and consultants		2,640,713		2,321,030
Travel		485,936		266,828
Repairs and maintenance		106,665		114,154
Insurance		32,839		38,645
Depreciation and amortization		551,325		258,907
Other		751,068		387,891
Total cost of revenues		4,568,546		3,387,455
Gross profit		4,732,421		5,265,782
Operating expenses:				
Selling and marketing		969,518		832,493
Depreciation and amortization		480,208		464,647
Bad debt expense		-		2,439
Salaries and wages		979,254		907,879
Professional services, including non-cash compensation		306,886		160,050
General and adminstrative		868,117		678,573
Total operating expenses		3,603,983		3,046,081
Income from operations		1,128,438		2,219,701
Other income and (expenses)				
Loss on sale of assets		(165,738)		(32,223)
Interest expense		(203,892)		(233,804)
Interest income		27,941		33,863
Gain on foreign currency exchange rates		2,007,882		55,986
Fair market value of options issued		(117,300)		-
Other income		16,454		55,961
Total other expenses		1,565,347		(120,217)
Net income before minority interest in subsidiary		2,693,785		2,099,484
Minority interest in subsidiary (restated 2007)		(1,629,761)		(1,152,107)
Income taxes		(7,182)		(32,441)
Net income (restated 2007)		1,056,842		914,936
Dividend required for preferred stockholders		(33,876)		(71,157)
Net income (loss) applicable to common shareholders (restated 2007)		1,022,966		843,779
Other comprehensive income (loss):				
Translation adjustment		(2,895,310)		162,403
Comprehensive income (restated 2007)	$	(1,872,344)	$	1,006,182
Net income per share (restated 2007):				
Basic	$	0.04	$	0.04
Diluted	$	0.04	$	0.04

Weighted average number of shares outstanding		
Basic	26,307,175	21,425,235
Diluted	28,029,442	22,844,361

See accompanying notes to these unaudited consolidated financial statements.

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

	For the Three Months Ended Sept 30, 2008	2007
Cash flows from operating activities:		
Net income (restated 2007)	$ 1,056,842	$ 914,936
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,031,533	723,554
Provision for uncollectible accounts	-	-
Loss on sale of assets	165,738	32,223
Minority interest in subsidiary (restated 2007)	1,629,761	1,152,107
Stock issued for services	33,163	-
Fair market value of warrants and stock options granted	207,000	24,320
Changes in operating assets and liabilities:		
Increase in accounts receivable	(3,942,317)	(353,500)
Increase in other current assets	(1,960,129)	(1,080,375)
Decrease in accounts payable and accrued expenses	(259,967)	(1,130,337)
Net cash (used in) provided by operating activities	(2,038,376)	282,928
Cash flows from investing activities:		
Purchases of property and equipment	(930,058)	(745,901)
Sales of property and equipment	40,900	85,076
Payments of acquisition payable	(742,989)	(879,007)
Purchase of treasury stock	(285,328)	-
Short-term investments held for sale	(113,738)	-
Increase in intangible assets	(689,544)	(841,312)
Net cash used in investing activities	(2,720,757)	(2,381,144)
Cash flows from financing activities:		
Proceeds from sale of common stock	150,000	250,000
Proceeds from the exercise of stock options and warrants	520,569	903,499
Purchase of subsidary stock in Pakistan	(250,000)	-
Proceeds from convertible notes payable	6,000,000	-
Proceeds from bank loans	1,768,212	2,444,291
Payments on bank loans	(75,732)	(25,110)
Bank overdraft	257,502	-
Payments on capital lease obligations & loans - net	(121,418)	(692,353)
Net cash provided by financing activities	8,249,133	2,880,327
Effect of exchange rate changes in cash	13,451	44,966
Net increase in cash and cash equivalents	3,503,451	827,077
Cash and cash equivalents, beginning of period	6,275,239	4,010,164
Cash and cash equivalents, end of period	$ 9,778,690	$ 4,837,241

See accompanying notes to the unaudited consolidated financial statements.

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

	For the Three Months Ended September 30,			
		2008		2007
SUPPLEMENTAL DISCLOSURES:				
Cash paid during the period for:				
Interest	$	177,087	$	48,326
Taxes	$	2,400	$	76,762
NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Stock issued for the payment of dividends to Preferred Shareholders	$	33,508	$	-
Stock issued for the conversion of Preferred Stock	$	-	$	330,000

See accompanying notes to the unaudited consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

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

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

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these consolidated condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-KSB for the year ended June 30, 2008. The Company follows the same accounting policies in preparation of interim reports. Results of operations for the interim periods are not indicative of annual results.

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, NetSol Technologies North America, Inc. ("NTNA"), NetSol Technologies Limited ("NetSol UK"), NetSol-Abraxas Australia Pty Ltd. ("Abraxas"), NetSol Technologies Europe Limited ("NTE"), and its majority-owned subsidiaries, NetSol Technologies, Ltd.("NetSol PK"), NetSol Connect (Pvt), Ltd. ("Connect"), TIG-NetSol (Pvt) Limited ("NetSol-TIG"), and NetSol Omni (Private) Limited ("Omni"). All material inter-company accounts have been eliminated in the consolidation.

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

NOTE 2 - USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - NEW ACCOUNTING PRONOUNCEMENTS:

In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements". This Statement amends ARB 51 to establish accounting and reporting standards for the non-controlling (minority) interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS No. 160 is effective for the Company's fiscal year beginning October 1, 2009. Management is currently evaluating the effect of this pronouncement on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), “Business Combinations”. This Statement replaces SFAS No. 141, Business Combinations. This Statement retains the fundamental requirements in Statement 141 that the acquisition method of accounting (which Statement 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. This Statement also establishes principles and requirements for how the acquirer: a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree; b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and, c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) will apply prospectively to business combinations for which the acquisition date is on or after Company’s fiscal year beginning October 1, 2009. While the Company has not yet evaluated this statement for the impact, if any, that SFAS No. 141(R) will have on its consolidated financial statements, the Company will be required to expense costs related to any acquisitions after September 30, 2009.

In March, 2008, the FASB issued FASB Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities". The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The new standard also improves transparency about the location and amounts of derivative instruments in an entity's financial statements; how derivative instruments and related hedged items are accounted for under Statement 133; and how derivative instruments and related hedged items affect its financial position, financial performance, and cash flows. FASB Statement No. 161 achieves these improvements by requiring disclosure of the fair values of derivative instruments and their gains and losses in a tabular format. It also provides more information about an entity's liquidity by requiring disclosure of derivative features that are credit risk–related. Finally, it requires cross-referencing within footnotes to enable financial statement users to locate important. Based on current conditions, the Company does not expect the adoption of SFAS 161 to have a significant impact on its results of operations or financial position.

In May 2008, FASB issued SFASB No.162, "The Hierarchy of Generally Accepted Accounting Principles". The pronouncement mandates the GAAP hierarchy reside in the accounting literature as opposed to the audit literature. This has the practical impact of elevating FASB Statements of Financial Accounting Concepts in the GAAP hierarchy. This pronouncement will become effective 60 days following SEC approval. The Company does not believe this pronouncement will impact its financial statements.

In May 2008, FASB issued SFASB No. 163, "Accounting for Financial Guarantee Insurance Contracts-an interpretation of FASB Statement No. 60". The scope of the statement is limited to financial guarantee insurance (and reinsurance) contracts. The pronouncement is effective for fiscal years beginning after December 31, 2008. The Company does not believe this pronouncement will impact its financial statements.

NOTE 4 – EARNINGS/(LOSS) PER SHARE:

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

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations:

For the three months ended September 30, 2008	**Net Income**	**Shares**	**Per Share**
Basic earnings per share:	$ 1,022,966	26,307,175	$ 0.04
Dividend to preferred shareholders	33,876		
Net income available to common shareholders			
Effect of dilutive securities			
Stock options		853,766	
Warrants		519,745	
Convertible Preferred Shares		348,755	
Diluted earnings per share	$ 1,056,842	28,029,441	$ 0.04

For the three months ended September 30, 2007	**Net Income**	**Shares**	**Per Share**
Basic earnings per share:	$ 843,779	21,425,235	$ 0.04

Dividend to preferred shareholders		71,157			
Net income available to common shareholders					
Effect of dilutive securities					
Stock options			657,399		
Warrants			387,279		
Convertible Preferred Shares			374,448		
Diluted earnings per share	$	914,936	22,844,361	$	0.04

NOTE 5 - FOREIGN CURRENCY:

The accounts of NetSol UK and NTE use the British Pound; NetSol PK, Connect, Omni, and NetSol-TiG use Pakistan Rupees; and Abraxas uses the Australian dollar as the functional currencies. NetSol Technologies, Inc., and subsidiary, NTNA, use the U.S. dollar as the functional currency. Assets and liabilities are translated at the exchange rate on the balance sheet date, and operating results are translated at the average exchange rate throughout the period. Accumulated translation losses are classified as an item of accumulated other comprehensive loss in the stockholders' equity section of the consolidated balance sheet and were $5,643,233 as of September 30, 2008. During the three months ended September 30, 2008 and 2007, comprehensive gain (loss) in the consolidated statements of operations included translation loss of $2,895,310 and gain of $162,403, respectively.

NOTE 6 - OTHER CURRENT ASSETS

Other current assets consist of the following:

	As of 9/30/08 (Unaudited)	As of 6/30/08 (Audited)
Prepaid Expenses	$ 751,837	$ 825,640
Advance Income Tax	337,791	356,843
Employee Advances	65,473	133,954
Security Deposits	218,964	244,409
Advance Rent	182,749	211,828
Tender Money Receivable	258,878	293,943
Other Receivables	298,925	335,493
Other Assets	3,658	4,297
Total	$ 2,118,275	$ 2,406,407

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment, net, consist of the following:

	As of 9/30/08 (Unaudited)	As of 6/30/08 (Audited)
Office furniture and equipment	$ 938,272	$ 1,224,340
Computer equipment	7,707,941	9,043,307
Assets under capital leases	1,381,764	1,511,311
Building	2,532,968	2,902,142
Land	1,526,697	925,210
Autos	214,329	245,855
Improvements	308,568	413,175
Subtotal	14,610,539	16,265,340
Accumulated depreciation	(6,286,282)	(7,088,560)
	$ 8,324,257	$ 9,176,780

For the three months ended September 30, 2008 and 2007, fixed asset depreciation expense totaled $402,949 and $318,077, respectively. Of these amounts, $272,266 and $202,955, respectively, are reflected as part of cost of goods sold.

NOTE 8 - INTANGIBLE ASSETS:

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

As part of intangible assets, the Company capitalizes certain computer software development costs in accordance with SFAS No. 86, “Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed.” Costs incurred internally to create a computer software product or to develop an enhancement to an existing product are charged to expense when incurred as research and development expense until technological feasibility for the respective product is established. Thereafter, all software development costs are capitalized and reported at the lower of unamortized cost or net realizable value. Capitalization ceases when the product or enhancement is available for general release to customers.

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

Product licenses and customer lists were comprised of the following:

	Product Licenses	Customer Lists	Total
Intangible assets - June 30, 2007 - cost	$ 14,511,208	$ 5,451,094	$ 19,962,302
Additions	4,481,077	-	4,481,077
Effect of translation adjustment	(381,578)	-	(381,578)
Accumulated amortization	(7,772,851)	(3,718,333)	(11,491,184)
Net balance - June 30, 2008 (Audited)	$ 10,837,856	$ 1,732,761	$ 12,570,617
Intangible assets - June 30, 2008 - cost	$ 18,992,284	$ 5,451,094	$ 24,443,378
Additions	649,969	-	649,969
Effect of translation adjustment	(1,515,830)	-	(1,515,830)
Accumulated amortization	(8,137,898)	(3,891,993)	(12,029,891)
Net balance - September 30, 2008 (Unaudited)	$ 9,988,525	$ 1,559,101	$ 11,547,626
Amortization expense:			
Quarter ended September 30, 2008	$ 454,924	$ 173,661	$ 628,585
Quarter ended September 30, 2007	$ 231,816	$ 173,661	$ 405,477

The above amortization expense includes amounts in “Cost of Goods Sold” for capitalized software development costs of $279,060 and $55,952 for the quarters ended September 30, 2008 and 2007, respectively.

At September 30, 2008 and 2007, product licenses, renewals, enhancements, copyrights, trademarks, and tradenames, included unamortized software development and enhancement costs of $8,877,364 and $6,615,515, respectively, as the development and enhancement is yet to be completed. Software development amortization expense was $279,060 and $55,952for the quarters ended September 30, 2008 and 2007, respectively.

Amortization expense of intangible assets over the next five years is as follows:

	FISCAL YEAR ENDING					
Asset	9/30/09	9/30/10	9/30/11	9/30/12	9/30/13	TOTAL
Product Licences	$ 1,563,423	$ 1,235,468	$ 831,739	$ 525,066	$ 113,873	$ 4,269,569
Customer Lists	694,644	541,008	323,449	-	-	1,559,101
	$ 2,258,067	$ 1,776,476	$ 1,155,188	$ 525,066	$ 113,873	$ 5,828,670

There were no impairments of the goodwill asset during the periods ended September 30, 2008 and 2007.

NOTE 9 – OTHER ASSETS – LONG TERM

During the year ended June 30, 2007, NetSol PK agreed to lease a facility from the owner of the adjacent land agreed to build an office to the Company's specifications and the Company agreed to help pay for the development of the land in exchange for discounted rent for the next three years. As of June 30, 2008, the Company has paid a total of 26,156,725pkr or approximately $383,530 in connection with this agreement. Of this amount, 14,446,675pkr or approximately $211,828 has been classified as current, representing one-year of rental payments, and 3,570,000pkr or approximately $52,346 shown as long-term assets. As of September 30, 2008, the balance on this account was $182,749, all of which has been classified as current, representing one-year of rental payments. During the quartered ended September 30, 2008, 3,736,675pkr or approximately $50,449 was expensed.

In addition, NetSol PK has begun work on building a new building behind the current one. The enhancement of infra-structure is necessary to meet the company's growth in local and international business. The balance for advance for Capital-Work-In-Progress was $191,899.

In September 2008, our North American operations moved its location from Burlingame to Emeryville. As part of the lease agreement, the Company was required to pay two months of rental payments as a security deposit valued at $155,880.

As of September 30, 2008, one of the Company's subsidiaries has classified two of its accounts receivable as long-term amounting to $634,178 at present value net of discount of $100,027. The discount was calculated using a rate of 8.25% and a time period of two years as the collection is expected by the fiscal year ended June 30, 2010.

Total other assets, long term as of September 30, 2008 was $981,957.

NOTE 10 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

	As of 9/30/08 (Unaudited)	As of 6/30/08 (Audited)
Accounts Payable	$ 1,213,526	$ 1,468,491
Accrued Liabilities	1,526,325	2,099,693
Accrued Payroll	1,320	2,203
Accrued Payroll Taxes	57,790	176,916
Interest Payable	147,917	158,627
Deferred Revenues	49,296	72,240

Taxes Payable		127,754		138,489
Total	$	3,123,928	$	4,116,659

Page 11

NOTE 11 - DEBTS

A) LOANS AND LEASES PAYABLE

Notes payable consist of the following:

Name	Balance at 9/30/08 (Unaudited)	Current Maturities	Long-Term Maturities
D&O Insurance	$ 10,465	$ 10,465	$ -
E&O Insurance	7,179	7,179	-
Habib Bank Line of Credit	3,220,537	3,220,537	-
Bank Overdraft Facility	324,101	324,101	-
HSBC Loan	600,943	304,245	296,698
Subsidiary Capital Leases	534,703	267,345	267,358
	$ 4,697,928	$ 4,133,872	$ 564,056

Name	6/30/08 (Audited)	Maturities	Maturities
D&O Insurance	$ 41,508	$ 41,508	$ -
E&O Insurance	28,518	28,518	-
Habib Bank Line of Credit			