Before Dr. Sajid Qureshi, Executive Director (CLD)

In the matter of

M/s. NetSol Technologies Limited

Under Section 195 read with Section 476 of the Companies Ordinance, 1984

No. and date of show cause notice	EMD/233/669/2005-7868 dated February 03, 2006	
Date of final hearing	March 9, 2006	
Present	Mr. Boo Ali, Chief Financial Officer	
	Mr. Asif Anwar, Legal Advisor	
Date of Order	March 9, 2006	

ORDER

The order shall dispose of the proceedings initiated against the Chief Executive Officer and Directors of M/s. NetSol Technologies Limited (the "Company") under Section 195 read with Section 476 of the Companies Ordinance, 1984 (the "Ordinance").

2. The brief facts of the case are that it was noticed from the examination of annual accounts of the Company for the year ended June 30, 2005 that the Company has provided loans to its directors. The break-up of these amounts is as under:

Name of Director	Status	Amount (Rs.)
Mr. Sajjad Hussain Kirmani	Alternate Director	5,500,000/-
Mr. Zahid Bashir Mirza	Alternate Director	4,000,000/-
Total		9,500,000/-

3. On perusal of record, it was observed that the Company has not taken the approval of the Commission for making said loans to the alternate directors. Furthermore, no particulars have been filed with the concerned Registrar of Companies.

4. In the above circumstances, the Enforcement Department apprehended violations of the statutory provisions of Section 195 of the Ordinance, and it was decided to take up the matter with the Company.



Consequently, a show cause notice dated February 03, 2006 (the "SCN") was issued under Section 195 read with Section 476 of the Ordinance to the Chief Executive Officer and Directors of the Company.

5. The Company filed written submissions in response to the above SCN dated February 20, 2006, with the Commission which stated that:

"The company has provided loan to the then employees (presently alternate directors), in accordance with the company's Employee's Loan Policy, which specifically entitles the company to make loans as a matter of policy, if there is reason to believe that it would help the employees to overcome their financial set back or construction of houses. Hence, Sub-section (1) of Section 195 of the Ordinance is not applicable."

6. The submissions of the Company were analyzed and it was found that the present alternate directors were full time employees at the time of taking loans from the Company; hence no approval of Commission is required in this regard.

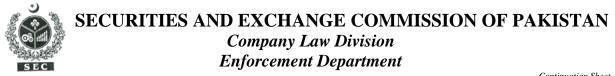
7. However, Sub-section (4) of Section 195 of the Ordinance entails that:

"every person shall within fourteen days of his appointment as director or chief executive of a company file with the registrar the particulars of any loan taken, or guarantee or security obtained, prior to his becoming director and chief executive of the lending company which could not have been take or obtained without the prior approval of the Commission had he at the time of taking loan or obtaining the guarantee or security been the director or chief executive of the lending company."

The perusal of records has shown that the said directors have not filed any particulars with the concerned Registrar for said loans.

8. Keeping in view the above facts and provisions of law, a hearing was fixed on March 9, 2006 before the undersigned. Mr. Boo Ali, Chief Financial Officer and Mr. Asif Anwar, Legal Advisor, appeared before the undersigned and admitted that the Company has failed to file particulars of loans of these alternate directors with the concerned Registrar and requested the undersigned to take a lenient view of the matter and to allow some time to the Company for doing the needful.

9. Having heard the submissions and keeping in view the provisions of law, I am of the view that the Company has breached the mandatory requirements of Section 195 of the Ordinance by not filing the particulars of loan to directors to the concerned Registrar within 14 days and till date, still no particulars have been filed. However, due to the minor nature of default and keeping in view the fact that the



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Company is a newly listed company, I take a lenient view of the matter and instead of imposing any fine, invoke the powers contained in Section 473 of the Ordinance and direct the Company to file particulars of loans to directors with the concerned Registrar and send a copy of the same to the undersigned. Finally, the Company shall, in future, comply with the provisions of the Companies Ordinance, 1984 and this shall be treated as a formal warning.

Dr. Sajid Qureshi Executive Director (CLD)