

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 6, 2005 (May 6, 2005)

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)

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Item 2.02 Results of Operations and Financial Condition.

On May 6, 2005, NetSol Technologies, Inc. issued a press release announcing results of operations and financial conditions for the quarter and nine months ended March 31, 2005 and, updating guideline for the fiscal year ending June 30 2005. The press release is furnished as Exhibit 99.1 to this Form 8-K.

The information in this report shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Exhibits

99.1 News Release dated May 6, 2005.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NETSOL TECHNOLOGIES, INC.

Date: May 6, 2005

/s/ Naeem Ghauri

NAEEM GHauri
Chief Executive Officer

Date: May 6, 2005

/s/ Najeeb Ghauri

NAJEEB GHauri
Chief Financial Officer and Chairman

NEWS RELEASE DATED MAY 6, 2005

[LOGO] netsol

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Chairman
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NETSOL TECHNOLOGIES REVENUE AND PROFIT GROWTH
CONTINUES WITH THIRD QUARTER REVENUES
INCREASING 88 PERCENT

NetSol Issues New Guidance for Fiscal 2005 as Company Delivers
Record Revenues and Three Consecutive Quarters of Earnings

Calabasas, CA - May 6, 2005 - NetSol Technologies, Inc. (NASDAQ:NTWK), a developer of proprietary software applications and provider of information technology (IT) services, today reported revenue for its third quarter of fiscal 2005, ended March 31, 2005. Net revenue for the third quarter of fiscal 2005 was \$3.2 million, an increase of 88.2 percent, compared to revenues of \$1.7 million for the third quarter of fiscal 2004. Net income for the quarter was \$135,194, or net income per weighted average diluted share of \$0.01, compared to a net loss of \$(295,885), or a net loss per weighted average diluted share of \$(0.04), for the third quarter of fiscal 2004.

The net stockholders equity increased to over \$15.2 million in the third quarter of fiscal 2005, compared to \$10.5 million for the second quarter of fiscal 2005. Net cash balance improved to \$2.7 million, from approximately \$1.0 million in the second quarter of fiscal 2005. The consolidation of CQ's balance sheet with NetSol's has brought additional tangible value, as CQ's balance sheet carried no debt or long term liabilities, and has added cash and receivables of over \$1 million to the NetSol consolidated balance sheet.

For the nine months ended March 31, 2005, the company reported revenue of \$8.0 million, an increase of 105 percent, compared to revenue of \$3.9 million for the nine months ended March 31, 2004. NetSol reported net income of \$429,218, or net income per weighted diluted share of \$0.04, for the nine-month period of fiscal 2005, versus a net loss of \$(1.5) million, or a net loss per weighted average diluted share of \$(0.18) for the comparable nine-month period of fiscal 2004.

Gross profit margins for both the third quarter of fiscal 2005 and the comparable 2004 quarter was approximately 59 percent. For the nine months ended March 31, 2005, gross profits rose to \$5.1 million, with gross profit margins of 63.6 percent, compared to gross profits of \$2.2 million, or gross profit margins of 57.6 percent for the comparable nine-month period. The increase in profit margin is due to a strict focus on managing operating expenses, along with increased sales of high-margin products and services.

NetSol's third quarter EBITDA (earnings before interest, tax, depreciation and amortization), a fundamental way to value a company's performance, was \$586,178, compared to an EBITDA loss of \$(26,380) for the same period ended March 31, 2004. The EBITDA gain for the first nine months of fiscal 2005 was approximately \$1.63 million, compared to the EBITDA loss of \$(494,527) for the comparable nine months of fiscal 2004.

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NETSOL TECHNOLOGIES REVENUE AND PROFIT GROWTH CONTINUES WITH THIRD QUARTER
REVENUES INCREASING 88 PERCENT

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"We are pleased with the significant increases in revenue and net income over the past three quarters, as the company-generated \$1.5 million in free cash since our move to profitability in the first quarter of fiscal 2005 - a stunning turnaround when compared to fiscal 2004," commented NetSol Technologies CEO Naeem Ghauri.

"Our LeaseSoft license sales are now consistently driving revenue, as evidenced by a recent contract for \$2.1 million from a top five automotive finance company," continued Ghauri. "These recent LeaseSoft license agreements and exponential growth in our services business have resulted in a significant sales backlog. It is important to note that each LeaseSoft licensing agreement produces a recurring, high-gross-margined revenue stream for an average of five years."

"We fully expect our NetSol-TiG joint venture, which began operations in March 2005, along with our telecommunications subsidiary, NetSol-Akhter, and the

newest member of the NetSol family, CQ Systems, to assist in propelling our robust revenue growth well into fiscal 2006, as the company executes on global marketing and sales initiatives and continues to leverage its strategic partnerships to drive significant increase in sales," said NetSol Chairman Najeeb U. Ghauri.

Ghauri noted, "The traction in the market from our LeaseSoft product line will be augmented by CQ Systems' complementary product line and aggressive sales team. Our inBanking(TM) product has been significantly enhanced utilizing the n-Tier Architecture standard and is progressing well as a development-stage product. Based on our marketing information, we believe this product has the potential to be as successful, if not more so, than our flagship LeaseSoft product. We look forward to the commercialization of our inBanking product in late 2005."

Third Quarter Business Highlights:

- o NetSol awarded the first of what promises to be several Federal Government software development contracts from the Pakistan government;
- o NetSol adds five new Customers and 95 new employees including 45 from CQ Systems' acquisition;
- o NetSol's wholly-owned subsidiary, NetSol Technologies Ltd., enters into underwriting agreement with AKD Securities and other blue chip institutions for IPO and listing on the KSE;
- o Filed listing application on KSE for subsidiary, expected to raise up to \$6.0 million without using NASDAQ:NTWK stock;
- o NetSol's state-of-the-art technology campus inauguration ceremony, presided over by Pakistan's Prime Minister Shaukat Aziz, while the World Economic Forum survey ranks Pakistan as second best in South Asia, using information technology to drive economic growth;
- o NetSol signs \$2.1 million LeaseSoft contract with big five auto finance company;
- o NetSol completes acquisition of CQ Systems;
- o CQ Systems adds 55 new lease and finance customers to NetSol's portfolio;
- o CQ Systems reports revenues of \$5.2 million and net income of \$730,000;
- o E-Commerce Times News Network adopts NetSol as a case study entitled "Choosing a Software Business Model" discussing how business models such as NetSol's positions companies for long term success;

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NETSOL TECHNOLOGIES REVENUE AND PROFIT GROWTH CONTINUES WITH THIRD QUARTER REVENUES INCREASING 88 PERCENT

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- o NetSol's wholly-owned subsidiary, CQ Systems, completes \$650,000 software implementation; and,
- o NetSol appoints leasing industry leader to its board of directors.

Guidance Fiscal Year End June 30, 2005

- o Revenues to exceed \$11.0 million; previous guidance \$10.0 million in revenues;
- o EPS to exceed \$0.05;
- o More focus in Europe and penetration in Asia Pacific region.

Outlook For Fiscal Year 2005/06

- o Launching major initiative in china to target leasing and finance companies;
- o Revive US sales with new acquisition targets;
- o Begin Phase two of the IT Village expansion, with another 500 seat facility to accommodate sales backlog;
- o Projecting 600-plus headcount in Lahore;
- o New initiative in high end business process outsourcing (BPO) product for specific business verticals;
- o Expansion of CQ Systems into Central/Eastern Europe;
- o CMMi Level 5 certification.

About NetSol Technologies, Inc.

NetSol Technologies is a leading end-to-end solution provider for the lease and finance industry. Headquartered in Calabasas, CA, NetSol Technologies, Inc. operates on a global basis with locations in the U.S., Europe, East Asia and Asia Pacific. NetSol helps its clients identify, evaluate and implement technology solutions to meet their most critical business challenges and maximize their bottom line. By utilizing its worldwide resources, NetSol delivers high-quality, cost-effective IT services ranging from consulting and application development to systems integration and outsourcing. NetSol's commitment to quality is demonstrated by its achievement of both ISO 9001 and SEI (Software Engineering Institute) CMM (Capability Maturity Model) Level 4

assessment. For more information, visit NetSol Technologies' web site at www.netsoltek.com.

Securities Exchange Act of 1934

This release is comprised of inter-related information that must be interpreted in the context of all the information provided; accordingly, care should be exercised not to consider portions of this release out of context. This release is provided in compliance with Commission Regulation FD and contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21B of the Securities Exchange Act of 1934. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, goals, assumptions or future events or performance, are not statements of historical fact and may be "forward-looking statements." Forward looking statements are based on expectations, estimates and projections at the time the statements are made that involve a number of risks and uncertainties which could cause actual results or events to differ materially from those

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NETSOL TECHNOLOGIES REVENUE AND PROFIT GROWTH CONTINUES WITH THIRD QUARTER REVENUES INCREASING 88 PERCENT

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presently anticipated. Forward looking statements in this action may be identified through the use of words such as "expects", "will", "anticipates", "estimates", "believes", or statements indicating certain actions "may", "could", or "might" occur. Such statements reflect the current views of NetSol Technologies with respect to future events and are subject to certain assumptions, including those described in this release. Should one or more of the underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed or expected. NetSol Technologies does not intend to update these forward-looking statements prior to announcement of quarterly or annual results.

(Tables Follow)

NETSOL TECHNOLOGIES REVENUE AND PROFIT GROWTH CONTINUES WITH THIRD QUARTER REVENUES INCREASING 88 PERCENT

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<TABLE>

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

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2005	2004	2005	2004
		(restated)		(restated)
<S>	<C>	<C>	<C>	<C>
Net revenues	\$ 3,190,918	\$ 1,700,774	\$ 7,972,450	\$ 3,881,731
Cost of revenues	1,323,237	694,823	2,903,857	1,645,536
Gross profit	1,867,681	1,005,951	5,068,593	2,236,195
Operating expenses:				
Selling and marketing	219,399	49,690	474,099	96,377
Depreciation and amortization	403,628	294,486	1,026,769	903,182
Settlement costs	--	22,500	43,200	122,500
Bad debt expense	--	59,821	--	153,327
Salaries and wages	453,226	408,840	1,248,447	1,003,289
Professional services, including non-cash compensation	112,830	70,701	368,135	310,403
General and administrative	462,421	490,936	1,032,687	1,239,420
Total operating expenses	1,651,504	1,396,974	4,193,337	3,828,498
Income (loss) from operations	216,177	(391,023)	875,256	(1,592,303)
Other income and (expenses)				
Gain (Loss) on sale of assets	--	160	(620)	(33,759)
Beneficial conversion feature	(7,500)	(3,323)	(239,416)	(99,350)
Fair market value of warrants issued	--	--	(249,638)	--
Gain on forgiveness of debt	49,865	99,146	239,506	203,234
Interest expense	(47,356)	(27,779)	(177,356)	(117,368)
Other income and (expenses)	(45,998)	(44,115)	(2,779)	(39,918)
Total other expenses	(50,989)	24,089	(430,303)	(87,161)

Net income (loss) before minority interest in sub subsidiary	165,188	(366,934)	444,953	(1,679,464)
Minority interest in subsidiary	(29,994)	71,049	(15,735)	164,387
Net income (loss)	135,194	(295,885)	429,218	(1,515,077)
Other comprehensive (loss)/gain: Translation adjustment	(11,252)	(53,590)	(184,661)	(160,797)
Comprehensive income (loss)	\$ 123,942	\$ (349,475)	\$ 244,557	\$ (1,675,874)
Net income (loss) per share:				
Basic	\$ 0.01	\$ (0.04)	\$ 0.04	\$ (0.18)
Diluted	\$ 0.01	\$ (0.04)	\$ 0.03	\$ (0.18)
Weighted average number of shares outstanding				
Basic	12,704,226	7,475,148	10,937,910	8,255,680
Diluted	15,642,431	7,475,148	13,750,981	8,255,680

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NETSOL TECHNOLOGIES REVENUE AND PROFIT GROWTH CONTINUES WITH THIRD QUARTER
REVENUES INCREASING 88 PERCENT
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NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET -- MARCH 31, 2005
(UNAUDITED)

ASSETS

Current assets:

<S>	<C>	<C>
Cash and cash equivalents	\$ 1,596,031	
Certificates of deposit	1,083,450	
Accounts receivable, net of allowance for doubtful accounts of \$80,000	3,699,180	
Revenues in excess of billings	1,914,242	
Other current assets	1,207,016	
Total current assets		9,499,919
Property and equipment, net of accumulated depreciation		4,809,751
Intangibles:		
Product licenses, renewals, enhancements, copyrights, trademarks, and tradenames, net	4,658,299	
Customer lists, net	1,699,752	
Goodwill	3,404,886	
Total intangibles		9,762,937
Total assets		\$ 24,072,607

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable and accrued expenses	\$ 2,729,779	
Current portion of notes and obligations under capitalized leases	4,814,463	
Billings in excess of revenues	218,200	
Loans payable, bank	463,241	
Total current liabilities		8,225,683
Obligations under capitalized leases, less current maturities		161,122
Convertible debenture		120,000
Total liabilities		8,506,805
Minority interest		379,752
Contingencies		--

Stockholders' equity:

Common stock, \$.001 par value; 25,000,000 share authorized; 13,225,937 issued and outstanding	13,226	
Additional paid-in-capital	46,817,522	
Treasury stock	(27,197)	
Accumulated deficit	(30,488,248)	
Stock subscription receivable	(1,328,142)	
Common stock to be issued	533,760	
Other comprehensive loss	(334,871)	

Total stockholders' equity

15,186,050

Total liabilities and stockholders' equity

\$ 24,072,607
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