

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):  
February 9, 2006 (February 9, 2006)

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)

-----  
Page 1

Item 2.02 Results of Operations and Financial Condition.

On February 9, 2006, NetSol Technologies, Inc. issued a press release announcing results of operations and financial conditions for the quarter ended December 31, 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 February 9, 2006.

-----  
Page 2

*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: February 9, 2006*

*/s/ Naeem Ghauri*

-----  
*NAEEM GHURI*  
*Chief Executive Officer*

*Date: February 9, 2006*

*/s/ Tina Gilger*

-----  
*TINA GILGER*  
*Chief Financial Officer*

NetSol Technologies, Inc. News Release

Contacts:

Marty Tullio or Mark D. Tullio  
McCloud Communications, LLC  
949.553.9748  
marty@McCloudCommunications.com  
mark@McCloudCommunications.com

NetSol Technologies:

Najeeb U. Ghauri, Chairman  
Tina Gilger, CFO  
818.222.9195  
najeeb@netsoltek.com  
tina@netsoltek.com

NETSOL TECHNOLOGIES CONTINUES REVENUE GROWTH AND  
PROFITABILITY FOR SECOND QUARTER OF FISCAL 2006

Revenues for Six Month Period Grow By 88 Percent as Company  
Marks Sixth Consecutive Quarter of Profitability

Calabasas, CA - February 9, 2006 - NetSol Technologies, Inc. (NASDAQ:NTWK), a developer of proprietary software applications and provider of information technology (IT) services, today reported financial results for its second quarter of fiscal 2006, ended December 31, 2005.

Second Quarter Highlights

- - Net revenue for the second quarter of fiscal 2006 was approximately \$4.52 million, an increase of 66 percent, when compared to revenue of \$2.72 million for the second quarter of fiscal 2005.
- - Net income before minority interest adjustments was \$270,567, or net income per weighted average diluted share of approximately \$0.02, compared to net income before minority interest adjustments of \$179,456, or net income per weighted average diluted share of approximately \$0.01, for the comparable quarter of fiscal 2005.
- - Net income after minority interest adjustments was \$125,035, or net income per weighted average diluted share of \$0.01, compared to net income after minority interest adjustments of \$178,647, or net income per weighted average diluted share of \$0.01 for the comparable second quarter of fiscal 2005.
- - The minority interest adjustments reflect the minority-owned portion of net income of three of NetSol's subsidiaries: NetSol Technologies, Ltd., NetSol Connect and NetSol TiG Joint Venture.
- - The October earthquake in Pakistan had a direct impact on our Pakistan subsidiary as a number of contracts were deferred. The company will benefit from rebuilding projects and expects to close new contracts during the third quarter in the public and private sector in Pakistan.
- - Gross profit for the second quarter of fiscal 2006 increased more than 35 percent to \$2,547,339, with gross profit margin of 56.3 percent, compared to gross profit of \$1,883,840, with gross profit margin of 69 percent, for the second quarter of fiscal 2005. According to NetSol CFO Tina Gilger, the decrease in gross profit margin was primarily attributable to the salaries and training of additional programmers hired for upcoming projects.
- - NetSol's second quarter EBITDA (earnings before interest, tax, depreciation and amortization), a fundamental way to value a company's performance, was \$769,001, an approximately 27 percent increase, when compared to EBITDA of \$605,013 for the same period ended December 31, 2004.

- more -

NETSOL TECHNOLOGIES CONTINUES REVENUE GROWTH AND PROFITABILITY FOR SECOND  
QUARTER OF FISCAL 2006

Page 2

"We are pleased to announce our sixth consecutive quarter of revenue growth and profitability during what is historically a slow quarter for the software and services industry," said NetSol CEO Naeem Ghauri. "To facilitate our aggressive growth plans, we have continued hiring the best and brightest engineering, sales and technology services talent. Although this has had a negative short-term impact on gross margin, we anticipate that the new hires will start to be productive and add to the top line in the current and future quarters."

Six Month Highlights

- - Net revenue for the first six months of fiscal 2006 was approximately \$9 million, an increase of 88 percent, when compared to revenue of \$4.8 million for the first six months of fiscal 2005.
- - Net income before minority interest adjustments was \$841,527, or net income per weighted average diluted share of approximately \$0.06, a 177 percent increase, when compared to net income before minority interest adjustments was \$304,121, or net income per weighted average diluted share of approximately \$0.02, for the comparable six month period of fiscal 2005, .
- - Net income after minority interest adjustments was \$328,782, or net income per weighted average diluted share of \$0.02, compared to net income after minority interest adjustments of \$318,380, or net income per weighted average diluted share of \$0.02, for the comparable period of fiscal 2005.
- - Gross profit increased more than 68 percent to \$5,349,974, with a gross profit margin of 60 percent, as compared to gross profit of \$3,179,877, or a gross profit margin of 67 percent, for the comparable period of fiscal 2005.
- - EBITDA for the six month period ended December 31, 2005, was \$1,678,864, an approximate 56 percent increase, when compared to EBITDA of \$1,073,993 for the same period ended December 31, 2004.

"The outstanding top-line growth and continued profitability trend not only highlights the increased brand awareness and global acceptance of NetSol as a top tier provider of IT solutions, but are also a reflection of our success in managing growth of our joint ventures and subsidiaries," said Najeeb U. Ghauri, Chairman of NetSol Technologies. "I would also like to personally take a moment to comment on the recent events in Pakistan. We are happy to report that in the aftermath of the devastating earthquake, the majority of citizens and businesses are now getting back to work, and the local economy should return to normal levels. Existing contracts, both in the private and public sectors that were previously put on hold are now back in the pipeline, and we anticipate they will contribute to a very strong second half of fiscal 2006."

About NetSol Technologies, Inc.

NetSol Technologies is an 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](http://www.netsoltek.com).

- more -

NETSOL TECHNOLOGIES CONTINUES REVENUE GROWTH AND PROFITABILITY FOR SECOND QUARTER OF FISCAL 2006

Page 3

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 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 CONTINUES REVENUE GROWTH AND PROFITABILITY FOR SECOND  
QUARTER OF FISCAL 2006  
Page 4

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

<TABLE>

<CAPTION>

	Ended December 31,		Ended December 31,	
	2005	2004	2005	2004
<S>	<C>	<C>	<C>	<C>
Net revenues	\$ 4,524,373	\$ 2,723,227	\$ 8,994,358	\$ 4,781,532
Cost of revenues	1,977,034	839,387	3,644,384	1,601,655
Gross profit	2,547,339	1,883,840	5,349,974	3,179,877
Operating expenses:				
Selling and marketing	412,570	135,352	731,434	254,700
Depreciation and amortization	564,855	316,982	1,117,386	623,140
General and administrative	1,295,085	914,493	2,541,663	1,642,958
Total operating expenses	2,272,510	1,366,827	4,390,483	2,520,798
Income from operations	274,829	517,013	959,491	659,079
Other income and (expenses):				
Gain (loss) on sale of assets	4,219	--	4,610	(620)
Non-cash expenses	(5,192)	(386,079)	(21,250)	(451,603)
Gain on forgiveness of debt	3,335	139,367	6,976	189,641
Interest expense	(86,862)	(108,425)	(165,885)	(130,000)
Interest income	94,629	1,236	179,041	1,797
Other income and (expenses)	(22,142)	17,303	(54,645)	38,300
Income taxes	7,751	(959)	(66,811)	(2,473)
Income before minority interest in subsidiary	270,567	179,456	841,527	304,121
Minority interest in subsidiary (income)/loss	(145,532)	(809)	(512,745)	14,259
Net income	125,035	178,647	328,782	318,380
Other comprehensive gain/(loss):				
Translation adjustment	437,660	(89,720)	316,840	(173,409)
Comprehensive income	\$ 562,695	\$ 88,927	\$ 645,622	\$ 144,971
Net income per share:				
Basic	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.03
Diluted	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.02
Weighted average number of shares outstanding:				
Basic	14,064,968	10,643,113	13,981,426	10,073,951
Diluted	14,444,665	13,455,875	14,361,123	12,760,805

</TABLE>

NETSOL TECHNOLOGIES CONTINUES REVENUE GROWTH AND PROFITABILITY FOR SECOND  
QUARTER OF FISCAL 2006  
Page 5

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET -- DECEMBER 31, 2005  
(Unaudited)

<TABLE>

<CAPTION>

ASSETS

Current assets:

<S>	<C>	<C>
Cash and cash equivalents	\$ 1,884,573	

Certificates of deposit	1,501,752	
Restricted cash	206,900	
Accounts receivable, net of allowance for doubtful accounts of \$80,000	5,673,145	
Revenues in excess of billings	3,379,287	
Other current assets	1,448,164	
	-----	
Total current assets		14,093,821
Property and equipment, net of accumulated depreciation		6,052,896
Intangibles:		
Product licenses, renewals, enhancements, copyrights, trademarks, and tradenames, net	4,740,085	
Customer lists, net	1,240,682	
Goodwill	1,166,611	
	-----	
Total intangibles		7,147,378
		-----
Total assets		\$ 27,294,095
		=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,315,622	
Current portion of notes and obligations under capitalized leases	977,382	
Billings in excess of revenues	110,397	
Due to officers	53,157	
Deferred liability	313,397	
Loans payable, bank	500,584	
	-----	
Total current liabilities		5,270,539
Obligations under capitalized leases, less current maturities		145,828
Convertible debenture		97,372
		-----
Total liabilities		5,513,739
Minority interest		1,213,277
Commitments and contingencies		-
Stockholders' equity:		
Common stock, \$.001 par value; 45,000,000 share authorized; 14,084,604 issued and outstanding	14,085	
Additional paid-in-capital	50,962,347	
Treasury stock	(27,197)	
Accumulated deficit	(29,990,203)	
Stock subscription receivable	(320,188)	
Common stock to be issued	132,086	
Other comprehensive loss	(203,851)	
	-----	
Total stockholders' equity		20,567,079
		-----
Total liabilities and stockholders' equity		\$ 27,294,095
		=====

</TABLE>