

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

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Date of Report (Date of earliest event reported): May 11, 2006 (May 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)

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Item 2.02 Results of Operations and Financial Condition.

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

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 11, 2006

/s/ Naeem Ghauri

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NAEEM GHAURI

Chief Executive Officer

Date: May 11, 2006

/s/ Tina Gilger

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TINA GILGER

Chief Financial Officer

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NETSOL TECHNOLOGIES CONTINUES PROFITABILITY WITH 58 PERCENT QUARTERLY REVENUE GROWTH

Company's Global Expansion Drives EBITDA, Increases Nine-Month Revenue 76 Percent

CALABASAS, CA - May 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 third quarter of fiscal 2006, ended March 31, 2006.

Third Quarter Financial Highlights:

- o Net revenue for the third quarter of fiscal 2006 was approximately \$5.05 million, an increase of 58 percent, compared to revenue of \$3.19 million for the third quarter of fiscal 2005.
- o Third quarter EBITDA (earnings before interest, tax, depreciation and amortization), a fundamental way to value a company's performance, was \$715,299, an approximate 16 percent increase, compared to EBITDA of \$617,850 for the period ended March 31, 2005
- o Net income before minority interest adjustments was \$208,946, or net income per weighted average diluted share of approximately \$0.01, compared to net income before minority interest adjustments of \$156,852, or net income per weighted average diluted share of approximately \$0.01, for the comparable quarter of fiscal 2005.
- o Net income after minority interest adjustments was \$21,819, or net income per weighted average diluted share of \$0.001, compared to net income after minority interest adjustments of \$126,858, or net income per weighted average diluted share of \$0.01, for the comparable 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.
- o Gross profit for the quarter increased more than 47.5 percent to \$2,727,298, with gross profit margin of 54 percent, compared to gross profit of \$1,848,702, with gross profit margin of 58 percent, for the third quarter of fiscal 2005. According to NetSol CFO Tina Gilger, the decrease in gross profit margin was primarily attributable to increased headcount for developers and programmers that directly effects the cost of goods sold as the company scales up to meet anticipated pipeline demands.

"We are pleased to announce results for a quarter marked by tremendous success in large scale LeaseSoft product implementation, streamlining of acquisitions, and continuously improving global brand awareness of NetSol," commented NetSol CEO, Naeem Ghauri.

"Our seventh consecutive quarter of increased revenue growth and profitability," continued Ghauri, "is attributed to new orders of LeaseSoft licenses, an increase in our services business, ongoing maintenance fees, and the integration of revenues contributed by U.K. subsidiary,

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NetSolCQ. We have also seen strong performance from our outsourcing business with the NetSol-TiG joint venture, which generated both domestic and international sales. We anticipate these great strides in building our team and products will support our year-end guidance for fiscal 2006 and aggressive growth plans for fiscal 2007."

Nine Month Financial Highlights:

- o Net revenue for the nine month period ended March 31, 2006, was approximately \$14 million, an increase of 76 percent, compared to revenue of \$7.97 million for comparable fiscal 2005 period.
- o EBITDA for the nine month period was approximately \$2.4 million, a 42 percent increase, compared to EBITDA of \$1.7 million for the same period in fiscal 2005
- o Net income before minority interest adjustments was approximately \$1.05 million, or net income per weighted average diluted share of approximately \$0.07, a 128 percent increase compared to net income before minority interest adjustments of \$460,973, or net income per weighted average diluted share of approximately \$0.03, for the comparable quarter of fiscal 2005.
- o Net income after minority interest adjustments was \$350,601 or net income per weighted average diluted share of \$0.02, compared to net income after minority interest adjustments of \$445,238, or net income per weighted

average diluted share of \$0.03, for the comparable period of fiscal 2005.

- o Gross profit for the first nine months increased more than 60.6 percent to \$8,077,272, with gross profit margin of approximately 58 percent, compared to gross profit of \$5,028,579, with gross profit margin of approximately 63 percent, for the comparable period of fiscal 2005.

"As each profitable quarter passes, NetSol continues its mission to be counted as a global force within the technology industry," commented NetSol Chairman Najeeb U. Ghauri. "In addition to continuing our double digit revenue growth, strong EBITDA, and profitability trend, we are simultaneously scaling the business through both organic growth and strategic acquisitions. The combination of controlled, aggressive growth should serve our employees and shareholders well as we integrate the newly acquired McCue Systems and continue driving market penetration of LeaseSoft in the U.S. and abroad."

#### Third Quarter Business Highlights:

- o Founded in January 1996, NetSol Technologies celebrated its 10th anniversary. The company has grown from a small group of employees located in Lahore, Pakistan, to over 450 employees worldwide with offices in the U.S., China, Australia, the U.K. and Pakistan.
- o NetSol Chairman Najeeb U. Ghauri, was elected to the role of Vice Chairman for the U.S.-Pakistan Business Council (USPBC), an affiliate of the United States Chamber of Commerce.
- o In February of 2006, NetSol signed a new software development and consulting agreement with McCue Systems. In May, the company announced the acquisition of McCue Systems.

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- o NetSol completed the successful integration of its million dollar LeaseSoft implementation at Finlease Company Ltd., a member company of the Mauritius Commercial Bank Group.
- o Haydock Finance became the first implementation site for the two newest LeaseSoft modules, Document Image Processing (DIP) and Document Production Engine (DPE).
- o Newsweek Asia lauded NetSol as a major contributor to Pakistan's dramatic economic revival, highlighting how new economic policy and leading companies such as NetSol have driven the country's dramatic turnaround from a 1990s failed state to a thriving global player with the second largest gross domestic product (GDP) growth rate in the world.
- o NetSol CQ signed a major new contract in UK for LeaseSoft with a major banking institution.
- o NetSol continued making inroads in the public sector, with another major new software development and IT services agreement with the Karachi Patent Office (KPO), the sole patent office registering patents and designs across Pakistan.
- o NetSol inked a new software development agreement with Pakistan's Ministry of Religious Affairs (MoRA) for development of system requirements specification (SRS) and software applications for its Hajj Wing, under the auspices of the Cabinet Division and Ministry of Information Technology.

NetSol management will host a conference call to discuss fiscal 2006 third quarter financial results today, Tuesday, May 9, at 10:00 a.m. Eastern (EDT). Shareholders and members of the investment community are invited to participate in the call. The conference call dial-in number for U.S. callers is toll-free 888.243.3996. The conference call dial-in number for international callers is 973.935.2406.

As a confirmation number is required to access the call, please RSVP your participation by calling Suzanne Schnitzer at McCloud Communications, 949.553.9748. An audio replay of the conference call will be available from May 9 through 16, 2006. To access the audio replay, U.S. callers can dial 877.519.4471 and international callers can dial 973.341.3080. The replay pin code is 7309900.

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).

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## 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)

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

&lt;TABLE&gt;

&lt;CAPTION&gt;

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2006	2005	2006	2005
		(restated)		(restated)
<S>	<C>	<C>	<C>	<C>
Net revenues	\$ 5,045,827	\$ 3,190,918	\$ 14,040,185	\$ 7,972,450
Cost of revenues	2,318,529	1,342,216	5,962,913	2,943,871
Gross profit	2,727,298	1,848,702	8,077,272	5,028,579
Operating expenses:				
Selling and marketing	444,472	219,399	1,190,906	474,099
Depreciation and amortization	594,385	384,649	1,711,771	1,007,789
Settlement costs	--	--	15,953	43,200
Bad debt expense	19,561	--	27,289	--
Salaries and wages	597,636	453,226	1,686,726	1,248,447
Professional services, including non-cash compensation	126,806	112,830	365,152	368,135
General and administrative	675,339	462,421	1,850,885	1,011,653
Total operating expenses	2,458,199	1,632,525	6,848,682	4,153,323
Income from operations	269,099	216,177	1,228,590	875,256
Other income and (expenses)				
Gain (Loss) on sale of assets	(38,624)	--	(34,014)	(620)
Beneficial conversion feature	(2,628)	(3,941)	(14,389)	(205,906)
Fair market value of warrants issued	(12,016)	--	(21,505)	(249,638)
Gain on forgiveness of debt	1,318	49,865	8,294	239,506
Interest expense	(75,015)	(47,356)	(240,900)	(177,356)
Interest income	93,376	11,181	272,417	12,978
Other income and (expenses)	(2,484)	(10,287)	(57,129)	28,013
Income taxes	(24,080)	(58,787)	(90,891)	(61,260)
Total other expenses	(60,153)	(59,325)	(178,117)	(414,283)
Net income before minority interest in subsidiary	208,946	156,852	1,050,473	460,973
Minority interest in subsidiary	(187,127)	(29,994)	(699,872)	(15,735)
Net income	21,819	126,858	350,601	445,238
Other comprehensive (loss)/gain:				
Translation adjustment	(115,740)	(11,252)	201,100	(219,660)
Comprehensive income (loss)	\$ (93,921)	\$ 115,606	\$ 551,701	\$ 225,578
Net income per share:				
Basic	\$ 0.00	\$ 0.01	\$ 0.02	\$ 0.04
Diluted	\$ 0.00	\$ 0.01	\$ 0.02	\$ 0.03
Weighted average number of shares outstanding				
Basic	14,267,690	12,704,226	14,852,941	10,937,910
Diluted	14,692,917	15,642,431	15,278,168	13,750,981

&lt;/TABLE&gt;

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET -- MARCH 31, 2006  
(Unaudited)

<TABLE>

<S>	ASSETS	<C>	<C>
Current assets:			
Cash and cash equivalents		\$ 2,390,245	
Certificates of deposit		2,098,003	
Accounts receivable, net of allowance for doubtful accounts of \$80,000		5,810,972	
Revenues in excess of billings		3,416,762	
Other current assets		2,067,396	
		-----	
Total current assets			15,783,378
Property and equipment, net of accumulated depreciation			6,425,581
Intangibles:			
Product licenses, renewals, enhancements, copyrights, trademarks, and tradenames, net		4,623,098	
Customer lists, net		1,083,528	
Goodwill		1,166,611	
		-----	
Total intangibles			6,873,237
			-----
Total assets			\$ 29,082,196
			=====
	LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:			
Accounts payable and accrued expenses		\$ 3,022,585	
Current portion of notes and obligations under capitalized leases		1,076,757	
Billings in excess of revenues		300,029	
Due to officers		83,021	
Deferred liability		313,397	
Loans payable, bank		755,095	
		-----	
Total current liabilities			5,550,884
Obligations under capitalized leases, less current maturities			118,079
Convertible debenture			--
			-----
Total liabilities			5,668,963
Minority interest			1,385,010
Commitments and contingencies			--
Stockholders' equity:			
Common stock, \$.001 par value; 45,000,000 share authorized; 15,142,185 issued and outstanding		15,142	
Additional paid-in-capital		52,584,940	
Treasury stock		(27,197)	
Accumulated deficit		(29,968,384)	
Stock subscription receivable		(372,688)	
Common stock to be issued		116,000	
Other comprehensive loss		(319,590)	
		-----	
Total stockholders' equity			22,028,223
			-----
Total liabilities and stockholders' equity			\$ 29,082,196
			=====

</TABLE>

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