

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): November 15, 2006(November 14, 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 November 14, 2006, NetSol Technologies, Inc. issued a press release announcing results of operations and financial conditions for the quarter ended September 30, 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 November 14, 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: November 15, 2006

/s/ Naeem Ghauri

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NAJEEB GHURI  
Chief Executive Officer

Date: November 15, 2006

/s/ Tina Gilger

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TINA GILGER  
Chief Financial Officer

EXHIBIT 99.1

NEWS RELEASE DATED NOVEMBER 14, 2006

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# **NEWS RELEASE**

## **NETSOL REPORTS FIRST QUARTER FISCAL 2007 RESULTS; POSTS NON GAAP NET INCOME OF \$273,846; AND REVENUE GREW BY 31 PERCENT TO \$5.9 MILLION**

**New CEO Begins Restructuring Global Operation to Aggressively Leverage Offshore Capabilities**

**CALABASAS, CA** - November 14, 2006 - **NetSol Technologies, Inc.** (NASDAQ:NTWK) ("NetSol"), a U.S.-based, multinational provider of enterprise software solutions and services for commercial finance, today announced financial results for its first quarter of fiscal 2007, ending September 30, 2006.

"While the first quarter shows a profit of \$273,846 on a non-GAAP basis, several non-cash items impacted our net results. Our two successful acquisitions in the U.S. and the U.K. have created a sustainable business model that represents about 47 percent of NetSol's topline growth in the most significant markets," said Najeeb U. Ghauri, Chairman and new CEO of NetSol Technologies, Inc. "Our revenue guidance for FY 2007 for \$30 million is reiterated and we anticipate an update to our guidance sometime in early calendar year 2007. I remain confident that we will continue to improve our gross margins from the previous period."

Net revenues for the quarter ended September 30, 2006 were \$5,862,560, compared to \$4,469,985 for the quarter ended September 30, 2005. This reflects an increase of \$1,392,575, or 31 percent. The increase is attributable primarily to growth in NetSol's services business in the U.S. and Asia Pacific markets and the growing outsourcing business of NetSol-TiG. "We have spent the capital necessary to grow and have restructured our business to meet that growth, and certain areas of our budget are already beginning to respond to investments made for NetSol's global expansion," commented CEO Ghauri.

Gross profit was \$3,051,000 in the first quarter ending September 30, 2006, compared to \$2,802,635 for the same quarter of the previous year, for an increase of \$248,365, reflecting an upward trend in growth. The gross profit percentage for the quarter decreased approximately 11 percent to 54 percent, when compared to the first quarter ended September 30, 2005. The increase in cost of sales in the current quarter played a significant role in the lower gross profit percentage. The net loss on the U.S. GAAP basis is, in part, the direct result of non-cash items associated with both U.K. and U.S. acquisitions and related financing in June 2006. .

"We are delighted that both the U.K. and U.S. acquisitions have fared so well and met our expectations of integration while we are expeditiously working on leveraging NetSol's Center of Excellence CMMi Level 5 capability in Lahore," said CEO Ghauri. "The U.K. and U.S. acquisitions combined accounted for over 47 percent of our total revenues in the fiscal first quarter of 2007, and that's nearly half of our revenues. This is a result of our designed growth strategy to turn NetSol into a real global IT company with a solid presence in such strategic locations as China, the U.S., the U.K. and Asia Pacific, and NetSol gaining revenues from all around the world."

Net loss for the first quarter of fiscal 2007 was \$1,295,964, or a net loss per basic and diluted share of \$0.08, compared to net income of \$203,745, or net income per basic and diluted share of \$0.01, for the quarter ended September 30, 2005. EBITDA for the current quarter posted a loss of \$342,188, or a net loss of earnings per share of \$0.02, with a net non-GAAP income of \$273,846, or an income of \$0.01 earnings on basic and diluted shares.

"The cost of revenues and operating expenses showed increases on a quarter-to-quarter comparison for the first quarter of fiscal 2007," commented CEO Ghauri. "The increase is due in part to our expansion into the U.S. market through the acquisition of McCue Systems. Salaries substantially increased with the addition of approximately 40 employees. Our marketing expenses increased as we initiated our worldwide marketing and branding campaign throughout the entire company."

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Ghauri continued, "Other increases, which were mostly capitalized, were in research and development as we are working on a new generation technology platform that would eventually provide one platform to our global customers in all three regions of North America, Europe and Asia Pacific. As we continue with the integration of McCue/NetSol Technologies U.S., we expect to see a significant reduction in the cost of revenue, reduced investment in research and development, and an increase in revenue per employee," added Ghauri.

"Even though the cost of sales weakened our earnings in the first quarter and we had a non-cash paper loss due to warrants being issued, our balance sheet remained strong with a cash position of \$3,822,420, compared to \$1,469,154 on September 30, 2005, and our working capital was \$10,459,785," commented NetSol CFO Tina Gilger.

**NetSol Goals and Plans of Operation for Fiscal 2007**

- With NetSol's presence established in The Peoples Republic of China, aggressively exploit the booming Chinese market and continue to expand NetSol's presence in China
- Divide global business in two groups : 1) Global Products Group 2) Global Services Group
- Set up a small new sales and customers service office in Bangkok, Thailand to cater to our many Fortune 500 clients and new prospects in Asia Pacific
- Re -structure company's operation to create better productivity, enhance efficiencies, and visibility of new business
- Create new technology partnership with Oracle and strengthen our relationship with Intel in Asia Pacific and in the U.S.
- Market aggressively the company's tri-product solutions with broader marketing efforts for LeaseSoft in the Asia Pacific markets
- Increase product positioning through alliances, joint ventures and partnerships
- Effectively position and market 'InBanking' by launching a beta test
- Effectively advantage the new business divisions in Pakistan to expand operations
- Continue the integration of NetSol-CQ and McCue Systems and migrate the work load gradually from CQ and McCue to NetSol Pakistan which will eventually improve gross margins and productivity per employee

The second quarter of fiscal 2007 has started out with good news from several areas:

- Earlier this month, NetSol issued a news release announcing the success of its LeasePak product at Yamaha Motor through an upgrade to the current 5.3 version for their core equipment finance portfolio management.
- On October 24, 2006, The Maxim Group initiated coverage on NetSol with a 'Buy' recommendation, citing optimistic confidence that NetSol is now well positioned to extend the penetration of its products beyond previous core competency.
- Also in October, NetSol was a sponsor of the Equipment Leasing Association of America's 45<sup>th</sup> Annual Convention. Management addressed a group of leaders from commercial finance institutions in the U.S.

**About NetSol Technologies, Inc.**

NetSol Technologies is a U.S.-based multinational provider of enterprise software solutions and services for commercial finance. Headquartered in Calabasas, CA, NetSol Technologies, Inc. operates on a global basis with locations in the U.S., Europe, East Asia and Asia Pacific, including: London, Los Angeles, San Francisco, Sydney, Beijing, Toronto, and Lahore, Pakistan.

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The NetSol family of products includes: the LeaseSoft Contract Management System, LeaseSoft Credit Application Processing, LeaseSoft Wholesale Finance System, LeaseSoft Premium Finance System, LeaseSoft EPO system, and the LeasePak system. NetSol clients include:, VW Credit Corp, Hyundai IT, City National Bank, BMW, Toyota, Yamaha, Scania Asset Finance, and Investec Asset. NetSol's largest customer: DaimlerChrysler Services, a division of DaimlerChrysler, the world's fifth-largest carmaker, ranks NetSol as a preferred vendor in 40-plus countries.

NetSol Technologies helps its clients identify, evaluate and implement technology solutions to meet their strategic business challenges and maximize their bottom line. By utilizing its worldwide resources, NetSol Technologies delivers high-quality, cost-effective equipment finance portfolio management solutions and IT services ranging from consulting and application development to systems integration and outsourcing. NetSol Technologies' commitment to quality is demonstrated by its achievement of both ISO 9001 and SEI (Software Engineering Institute) CMMI (Capability Maturity Model) Level 5 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 BALANCE SHEET — SEPTEMBER 30, 2006  
(UNAUDITED)**

**ASSETS**

**Current assets:**

Cash and cash equivalents	\$	3,822,420	
Accounts receivable, net of allowance for doubtful accounts of \$106,090		6,356,012	
Revenues in excess of billings		5,103,259	
Other current assets		<u>2,666,324</u>	
<b>Total current assets</b>			17,948,015

<b>Property and equipment</b> , net of accumulated depreciation			6,411,173
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**Intangibles:**

Product licenses, renewals, enhancements, copyrights, trademarks, and tradenames, net		5,615,521	
Customer lists, net		2,948,387	
Goodwill		<u>6,092,906</u>	
<b>Total intangibles</b>			14,656,814
<b>Total assets</b>			<u>\$ 39,016,002</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**Current liabilities:**

Accounts payable and accrued expenses	\$	4,422,167	
Current portion of notes and obligations under capitalized leases		698,701	
Other payables - acquisitions		60,637	
Billings in excess of revenues		1,085,816	
Due to officers		231,955	
Loans payable, bank		<u>988,957</u>	
<b>Total current liabilities</b>			7,488,233

<b>Obligations under capitalized leases</b> , less current maturities			164,947
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<b>Convertible notes payable - net</b>			<u>4,203,460</u>
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<b>Total liabilities</b>			11,856,640
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<b>Minority interest</b>			1,874,319
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**Commitments and contingencies**

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**Stockholders' equity:**

Common stock, \$.001 par value; 45,000,000 share authorized; 17,618,289 issued and outstanding		17,618	
Additional paid-in-capital		59,517,012	
Treasury stock		(10,194)	
Accumulated deficit		(32,968,005)	
Stock subscription receivable		(1,041,750)	
Common stock to be issued		263,512	

Other comprehensive loss		<u>(493,150)</u>	
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<b>Total stockholders' equity</b>			<u>25,285,043</u>
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<b>Total liabilities and stockholders' equity</b>			<u>\$ 39,016,002</u>
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**NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)**

	For the Three Months Ended September 30,	
	2006	2005
<b>Revenues:</b>		
Licence fees	\$ 1,578,412	\$ 462,478
Maintenance fees	1,294,964	525,915
Services	2,989,184	3,481,592
Total revenues	5,862,560	4,469,985
<b>Cost of revenues:</b>		
Salaries and consultants	1,902,812	1,141,534
Travel and entertainment	339,676	165,599
Communication	42,065	23,804
Depreciation and amortization	162,518	122,668
Other	364,489	213,745
Total cost of sales	2,811,560	1,667,350
<b>Gross profit</b>	3,051,000	2,802,635
<b>Operating expenses:</b>		
Selling and marketing	351,802	318,864
Depreciation and amortization	488,643	552,531
Bad debt expense	65,808	-
Salaries and wages	1,050,106	536,376
Professional services, including non-cash compensation	278,005	139,111
General and administrative	975,843	583,547
Total operating expenses	3,210,207	2,130,429
<b>Income (loss) from operations</b>	(159,207)	672,206
<b>Other income and (expenses)</b>		
Gain (loss) on sale of assets	(12,280)	391
Beneficial conversion feature	-	(6,569)
Fair market value of warrants issued	-	(9,489)
Amortization of debt discount and capitalized cost of debt	(734,659)	-
Gain on forgiveness of debt	-	3,641
Interest expense	(249,790)	(79,023)
Interest income	90,746	84,412
Other income and (expenses)	69,323	(32,503)
Income taxes	(52,824)	(62,108)
Total other expenses	(889,484)	(101,248)
<b>Net income (loss) before minority interest in subsidiary</b>	(1,048,691)	570,958
<b>Minority interest in subsidiary</b>	(247,273)	(367,213)
<b>Net income (loss)</b>	(1,295,964)	203,745
<b>Other comprehensive loss</b>		
Translation adjustment	(73,490)	(120,820)
<b>Comprehensive income (loss)</b>	<u>\$ (1,369,454)</u>	<u>\$ 82,925</u>
<b>Net income (loss) per share</b>		
Basic	<u>\$ (0.08)</u>	<u>\$ 0.01</u>
Diluted	<u>\$ (0.08)</u>	<u>\$ 0.01</u>
Weighted average number of shares outstanding		

Basic	17,046,715	13,897,883
Diluted	17,046,715	14,246,614

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