UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2021

☐ For the transition period from __________ to __________

Commission file number: 0-22773

NETSOL TECHNOLOGIES, INC.
(Exact name of Registrant as specified in its charter)

NEVADA	95-4627685
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer NO.)

23975 Park Sorrento, Suite 250, Calabasas, CA 91302
(Address of principal executive offices) (Zip Code)

(818) 222-9195 / (818) 222-9197
(Issuer's telephone/facsimile numbers, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, $0.01 par value per share	NTWK	NASDAQ

Indicate by check mark whether the issuer: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer ☐	Accelerated Filer ☐
Non-accelerated Filer ☒	Smaller reporting company ☒
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)
Yes ☐ No ☒

The issuer had 12,183,570 shares issued and 11,244,539 outstanding of its $.01 par value Common Stock and no Preferred Stock outstanding as of November 5, 2021.

NETSOL TECHNOLOGIES, INC.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)

	As of September 30, 2021	As of June 30, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 26,999,876	$ 33,705,154
Accounts receivable, net of allowance of $176,986 and $166,231	6,043,444	4,184,096
Accounts receivable - related party, net of allowance of $1,373,099 and $1,373,099	-	-
Revenues in excess of billings, net of allowance of $70,919 and $136,976	16,164,012	14,680,131
Revenues in excess of billings - related party, net of allowance of $8,163 and $8,163	-	-
Other current assets, net of allowance of $1,243,633 and $1,243,633	2,937,927	3,009,393
Total current assets	52,145,259	55,578,774
Revenues in excess of billings, net - long term	969,456	957,603
Convertible note receivable - related party, net of allowance of $4,250,000 and $4,250,000	-	-
Property and equipment, net	10,821,869	12,091,812
Right of use of assets - operating leases	1,197,453	1,345,869
Long term investment	2,995,104	3,155,852
Other assets	59,638	55,127
Intangible assets, net	3,183,317	3,904,656
Goodwill	9,516,568	9,516,568
Total assets	$ 80,888,664	$ 86,606,261
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 6,369,870	$ 6,696,035
Current portion of loans and obligations under finance leases	10,423,215	11,366,171
Current portion of operating lease obligations	828,879	857,729
Unearned revenue	3,387,902	4,556,626
Total current liabilities	21,009,866	23,476,561
Loans and obligations under finance leases; less current maturities	396,771	699,841
Operating lease obligations; less current maturities	438,423	564,257
Total liabilities	21,845,060	24,740,659
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value; 500,000 shares authorized;	-	-
Common stock, $.01 par value; 14,500,000 shares authorized; 12,183,570 shares issued and 11,244,539 outstanding as of September 30, 2021 and 12,181,585 shares issued and 11,265,064 outstanding as of June 30, 2021	121,836	121,816
Additional paid-in-capital	129,030,982	129,018,826
Treasury stock (at cost, 939,031 shares and 916,521 shares as of September 30, 2021 and June 30, 2021, respectively)	(3,920,856)	(3,820,750)
Accumulated deficit	(38,613,313)	(38,801,282)
Other comprehensive loss	(34,013,886)	(31,868,481)
Total NetSol stockholders' equity	52,604,763	54,650,129
Non-controlling interest	6,438,841	7,215,473
Total stockholders' equity	59,043,604	61,865,602
Total liabilities and stockholders' equity	$ 80,888,664	$ 86,606,261

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended September 30,	
	2021	2020
Net Revenues:		
License fees	$ 10,716	$ 3,475
Subscription and support	6,230,389	5,171,863
Services	7,179,656	7,472,040
Total net revenues	13,420,761	12,647,378
Cost of revenues:		
Salaries and consultants	5,662,410	4,526,649
Travel	214,132	103,752
Depreciation and amortization	765,735	707,249
Other	1,335,461	928,153
Total cost of revenues	7,977,738	6,265,803
Gross profit	5,443,023	6,381,575
Operating expenses:		
Selling and marketing	1,619,993	1,609,604
Depreciation and amortization	214,271	221,790
General and administrative	3,973,139	3,427,636
Research and development cost	275,230	85,989
Total operating expenses	6,082,633	5,345,019
Income (loss) from operations	(639,610)	1,036,556
Other income and (expenses)		
Loss on sale of assets	(110,600)	(21,742)
Interest expense	(101,013)	(103,327)
Interest income	443,133	200,821
Gain on foreign currency exchange transactions	1,284,148	296,041
Share of net loss from equity investment	(160,965)	(107,850)
Other income	3,029	87,272
Total other income (expenses)	1,357,732	351,215
Net income before income taxes	718,122	1,387,771
Income tax provision	(167,627)	(264,294)
Net income	550,495	1,123,477
Non-controlling interest	(362,526)	(405,923)
Net income attributable to NetSol	$ 187,969	$ 717,554
Net income per share:		
Net income per common share		
Basic	$ 0.02	$ 0.06
Diluted	$ 0.02	$ 0.06
Weighted average number of shares outstanding		
Basic	11,254,205	11,787,233
Diluted	11,254,205	11,787,233

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

	For the Three Months Ended September 30,	
	2021	2020
Net income	$ 187,969	$ 717,554
Other comprehensive income (loss):		
Translation adjustment	(3,284,396)	1,094,724
Translation adjustment attributable to non-controlling interest	1,138,991	(219,908)
Net translation adjustment	(2,145,405)	874,816
Comprehensive income (loss) attributable to NetSol	$ (1,957,436)	$ 1,592,370

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Stockholders' Equity
(Unaudited)

A statement of the changes in equity for the three months ended September 30, 2021 is provided below:

	Common Stock		Additional Paid-in	Treasury	Accumulated	Other Compre-hensive	Non Controlling	Total Stockholders'
	Shares	Amount	Capital	Shares	Deficit	Loss	Interest	Equity
Balance at June 30, 2021	12,181,585	$ 121,816	$ 129,018,826	$ (3,820,750)	$ (38,801,282)	$ (31,868,481)	$ 7,215,473	$ 61,865,602
Subsidiary common stock issued for:								
-Services	-	-	167	-	-	-	(167)	-
Common stock issued for:								
Services	1,985	20	11,989	-	-	-	-	12,009
Purchase of treasury shares	-	-	-	(100,106)	-	-	-	(100,106)
Foreign currency translation adjustment	-	-	-	-	-	(2,145,405)	(1,138,991)	(3,284,396)
Net income	-	-	-	-	187,969	-	362,526	550,495
Balance at September 30, 2021	12,183,570	$ 121,836	$ 129,030,982	$ (3,920,856)	$ (38,613,313)	$ (34,013,886)	$ 6,438,841	$ 59,043,604

A statement of the changes in equity for the three months ended September 30, 2020 is provided below:

	Common Stock		Additional Paid-in	Treasury	Accumulated	Other Compre-hensive	Non Controlling	Total Stockholders'
	Shares	Amount	Capital	Shares	Deficit	Loss	Interest	Equity
Balance at June 30, 2020	12,122,149	$ 121,222	$ 128,677,754	$ (1,455,969)	$ (34,269,817)	$ (34,085,047)	$ 6,488,900	$ 65,477,043
Cumulative effect adjustment (1)	-	-	-	-	(6,309,722)	-	(474,578)	(6,784,300)
Subsidiary common stock issued for:								
-Services	-	-	-	-	-	-	378	378
Common stock issued for:								
Services	14,896	149	86,864	-	-	-	-	87,013
Purchase of treasury shares	-	-	-	(464,676)	-	-	-	(464,676)
Foreign currency translation adjustment	-	-	-	-	-	874,816	219,908	1,094,724
Net income	-	-	-	-	717,554	-	405,923	1,123,477
Balance at September 30, 2020	12,137,045	$ 121,371	$ 128,764,618	$ (1,920,645)	$ (39,861,985)	$ (33,210,231)	$ 6,640,531	$ 60,533,659

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For the Three Months Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net income	$ 550,495	$ 1,123,477
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	980,006	929,039
Provision for bad debts	(45,274)	(258,160)
Share of net loss from investment under equity method	160,965	107,850
Loss on sale of assets	110,600	21,742
Stock based compensation	3,003	90,995
Changes in operating assets and liabilities:		
Accounts receivable	(2,034,434)	3,823,299
Revenues in excess of billing	(1,952,228)	394,995
Other current assets	(35,342)	(393,253)
Accounts payable and accrued expenses	(43,293)	255,239
Unearned revenue	(1,086,151)	(1,383,619)
Net cash provided by (used in) operating activities	(3,391,653)	4,711,604
Cash flows from investing activities:		
Purchases of property and equipment	(216,112)	(489,289)
Sales of property and equipment	19,705	32,673
Investment in associates	-	(60,500)
Net cash used in investing activities	(196,407)	(517,116)
Cash flows from financing activities:		
Purchase of treasury stock	(100,106)	(464,676)
Proceeds from bank loans	-	697,295
Payments on finance lease obligations and loans - net	(363,464)	(143,506)
Net cash provided by (used in) financing activities	(463,570)	89,113
Effect of exchange rate changes	(2,653,648)	434,934
Net increase (decrease) in cash and cash equivalents	(6,705,278)	4,718,535
Cash and cash equivalents at beginning of the period	33,705,154	20,166,830
Cash and cash equivalents at end of period	$ 26,999,876	$ 24,885,365

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (CONTINUED)
(Unaudited)

	For the Three Months Ended September 30,	
	2021	2020
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the period for:		
Interest	$ 191,835	$ 142,430
Taxes	$ 155,098	$ 141,521

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NOTE 1 - BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The Company designs, develops, markets, and exports proprietary software products to customers in the automobile financing and leasing, banking, and financial services industries worldwide. The Company also provides system integration, consulting, and IT products and services in exchange for fees from customers.

The consolidated condensed interim financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended June 30, 2021. The Company follows the same accounting policies in preparation of interim reports. Results of operations for the interim periods are not indicative of annual results.

The accompanying consolidated financial statements include the accounts of the Company as follows:

Wholly owned Subsidiaries

NetSol Technologies Americas, Inc. ("NTA")
NetSol Connect (Private), Ltd. ("Connect")
NetSol Technologies Australia Pty Ltd. ("Australia")
NetSol Technologies Europe Limited ("NTE")
NTPK (Thailand) Co. Limited ("NTPK Thailand")
NetSol Technologies (Beijing) Co. Ltd. ("NetSol Beijing")
Ascent Europe Ltd. ("AEL")
Virtual Lease Services Holdings Limited ("VLSH")
Virtual Lease Services Limited ("VLS")
Virtual Lease Services (Ireland) Limited ("VLSIL")

Majority-owned Subsidiaries

NetSol Technologies, Ltd. ("NetSol PK")
NetSol Innovation (Private) Limited ("NetSol Innovation")
NetSol Technologies Thailand Limited ("NetSol Thai")
OTOZ, Inc. ("OTOZ")
OTOZ (Thailand) Limited ("OTOZ Thai")

NOTE 2 – ACCOUNTING POLICIES

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The areas requiring significant estimates are provision for doubtful accounts, provision for taxation, useful life of depreciable assets, useful life of intangible assets, contingencies, assumptions used to determine the net present value of operating lease liabilities, and estimated contract costs. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results could differ from those estimates.

Concentration of Credit Risk

Cash includes cash on hand and demand deposits in accounts maintained within the United States as well as in foreign countries. Certain financial instruments, which subject the Company to concentration of credit risk, consist of cash and restricted cash. The Company maintains balances at financial institutions which, from time to time, may exceed Federal Deposit Insurance Corporation insured limits for the banks located in the United States. Balances at financial institutions within certain foreign countries are not covered by insurance except balances maintained in China are insured for RMB 500,000 ($77,399) in each bank and in UK for GBP 85,000 ($114,865) in each bank. The Company maintains two bank accounts in China and six bank accounts in the UK. As of September 30, 2021, and June 30, 2021, the Company had uninsured deposits related to cash deposits in accounts maintained within foreign entities of approximately $25,245,529 and $31,662,035, respectively. The Company has not experienced any losses in such accounts.

The Company's operations are carried out globally. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environments of each country and by the general state of the country's economy. The Company's operations in each foreign country are subject to specific considerations and significant risks not typically associated with companies in economically developed nations. These include risks associated with, among others, the political, economic and legal environments and foreign currency exchange. The Company's results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

Fair Value of Financial Instruments

The Company applies the provisions of Accounting Standards Codification ("ASC") 820-10, *"Fair Value Measurements and Disclosures."* ASC 820-10 defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. For certain financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and short-term debt, the carrying amounts approximate fair value due to their relatively short maturities. The carrying amounts of the convertible note receivable and the long-term debt approximate their fair values based on current interest rates for instruments with similar characteristics.

The three levels of valuation hierarchy are defined as follows:

Level 1: Valuations consist of unadjusted quoted prices in active markets for identical assets and liabilities and has the highest priority.

Level 2: Valuations rely on quoted prices in markets that are not active or observable inputs over the full term of the asset or liability.

Level 3: Valuations are based on prices or third party or internal valuation models that require inputs that are significant to the fair value measurement and are less observable and thus have the lowest priority.

The Company's financial assets that were measured at fair value on a recurring basis as of September 30, 2021, were as follows:

	Level 1	Level 2	Level 3	Total Assets
Revenues in excess of billings - long term	$ -	$ -	$ 969,456	$ 969,456
Total	$ -	$ -	$ 969,456	$ 969,456

The Company's financial assets that were measured at fair value on a recurring basis as of June 30, 2021, were as follows:

	Level 1	Level 2	Level 3	Total Assets
Revenues in excess of billing - long term	$ -	$ -	$ 957,603	$ 957,603
Total	$ -	$ -	$ 957,603	$ 957,603

The reconciliation from June 30, 2021 to September 30, 2021 is as follows:

	Revenues in excess of billings - long term	Fair value discount	Total
Balance at June 30, 2021	$ 1,024,382	$ (66,779)	$ 957,603
Amortization during the period	-	9,502	9,502
Effect of Translation Adjustment	2,452	(101)	2,351
Balance at September 30, 2021	$ 1,026,834	$ (57,378)	$ 969,456

Management analyzes all financial instruments with features of both liabilities and equity under ASC 480, *"Distinguishing Liabilities from Equity"* and ASC 815, *"Derivatives and Hedging."* Derivative liabilities are adjusted to reflect fair value at each period end, with any increase or decrease in the fair value being recorded in results of operations as adjustments to fair value of derivatives. The effects of interactions between embedded derivatives are calculated and accounted for in arriving at the overall fair value of the financial instruments. In addition, the fair values of freestanding derivative instruments such as warrants and option derivatives are valued using the Black-Scholes model.

Recent Accounting Standards:

Accounting Standards Recently Issued but Not Yet Adopted by the Company:

In August 2020, the FASB issued ASU No. 2020-06, "Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity" ("ASU 2020-06"). ASU 2020-06 reduces the number of accounting models for convertible debt instruments and convertible preferred stock and results in fewer instruments with embedded conversion features being separately recognized from the host contract as compared with current standards. Those instruments that do not have a separately recognized embedded conversion feature will no longer recognize a debt issuance discount related to such a conversion feature and would recognize less interest expense on a periodic basis. Additionally, the ASU amends the calculation of the share dilution impact related to a conversion feature and eliminates the treasury method as an option. For instruments that do not have a component mandatorily settled in cash, the change will likely result in a higher amount of share dilution in the calculation of earnings per share. This ASU is effective for fiscal years (and interim periods within those fiscal years) beginning after December 15, 2021, which for the Company is the first quarter of fiscal 2023, with early adoption permitted beginning in the first quarter of fiscal 2022. The Company is currently assessing the impact and timing of adoption of this ASU.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of Effects of Reference Rate Reform on Financial Reporting*, which provides practical expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The elective amendments provide expedients to contract modification, affected by reference rate reform if certain criteria are met. The expedients and exceptions provided by this guidance apply only to contracts, hedging relationships, and other transactions that reference the London interbank offered rate ("LIBOR") or another reference rate expected to be discontinued as a result of reference rate reform. This guidance is not applicable to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022. The guidance can be applied immediately through December 31, 2022. The Company will adopt this standard when LIBOR is discontinued and does not expect a material impact to its financial condition, results of operations or disclosures based on the current debt portfolio and capital structure.

All other newly issued accounting pronouncements not yet effective have been deemed either immaterial or not applicable.

NOTE 3 – REVENUE RECOGNITION

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

The Company records the amount of revenue and related costs by considering whether the entity is a principal (gross presentation) or an agent (net presentation) by evaluating the nature of its promise to the customer. Revenue is presented net of sales, value-added and other taxes collected from customers and remitted to government authorities.

The Company has two primary revenue streams: core revenue and non-core revenue.

Core Revenue

The Company generates its core revenue from the following sources: (1) software licenses, (2) services, which include implementation and consulting services, and (3) subscription and support, which includes post contract support, of its enterprise software solutions for the lease and finance industry. The Company offers its software using the same underlying technology via two models: a traditional on-premises licensing model and a subscription model. The on-premises model involves the sale or license of software on a perpetual basis to customers who take possession of the software and install and maintain the software on their own hardware. Under the subscription delivery model, the Company provides access to its software on a hosted basis as a service and customers generally do not have the contractual right to take possession of the software.

Non-Core Revenue

The Company generates its non-core revenue by providing business process outsourcing ("BPO"), other IT services and internet services.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under Topic 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied by transferring the promised good or service to the customer. The Company identifies and tracks the performance obligations at contract inception so that the Company can monitor and account for the performance obligations over the life of the contract.

The Company's contracts which contain multiple performance obligations generally consist of the initial purchase of subscription or licenses and a professional services engagement. License purchases generally have multiple performance obligations as customers purchase post contract support and services in addition to the licenses. The Company's single performance obligation arrangements are typically post contract support renewals, subscription renewals and services engagements.

For contracts with multiple performance obligations where the contracted price differs from the standalone selling price ("SSP") for any distinct good or service, the Company may be required to allocate the contract's transaction price to each performance obligation using its best estimate for the SSP.

Software Licenses

Transfer of control for software is considered to have occurred upon delivery of the product to the customer. The Company's typical payment terms tend to vary by region, but its standard payment terms are within 30 days of invoice.

Subscription

Subscription revenue is recognized ratably over the initial subscription period committed to by the customer commencing when the product is made available to the customer. The initial subscription period is typically 12 to 60 months. The Company generally invoices its customers in advance in quarterly or annual installments and typical payment terms provide that customers make payment within 30 days of invoice.

Post Contract Support

Revenue from support services and product updates, referred to as subscription and support revenue, is recognized ratably over the term of the maintenance period, which in most instances is one year. Software license updates provide customers with rights to unspecified software product updates and patches released during the term of the support period on a when-and-if available basis. The Company's customers purchase both product support and license updates when they acquire new software licenses. In addition, a majority of customers renew their support services contracts annually and typical payment terms provide that customers make payment within 30 days of invoice.

Professional Services

Revenue from professional services is typically comprised of implementation, development, data migration, training or other consulting services. Consulting services are generally sold on a time-and-materials or fixed fee basis and can include services ranging from software installation to data conversion and building non-complex interfaces to allow the software to operate in integrated environments. The Company recognizes revenue for time-and-materials arrangements as the services are performed. In fixed fee arrangements, revenue is recognized as services are performed as measured by costs incurred to date, compared to total estimated costs to complete the services project. Management applies judgment when estimating project status and the costs necessary to complete the services projects. A number of internal and external factors can affect these estimates, including labor rates, utilization and efficiency variances and specification and testing requirement changes. Services are generally invoiced upon milestones in the contract or upon consumption of the hourly resources and payments are typically due 30 days after invoice.

BPO and Internet Services

Revenue from BPO services is recognized based on the stage of completion which is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours for each contract. Internet services are invoiced either monthly, quarterly or half yearly in advance to the customers and revenue is recognized ratably overtime on a monthly basis.

Disaggregated Revenue

The Company disaggregates revenue from contracts with customers by category — core and non-core, as it believes it best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The Company's disaggregated revenue by category is as follows:

	For the Three Months Ended September 30,	
	2021	2020
Core:		
License	$ 10,716	$ 3,475
Subscription and support	6,230,389	5,171,863
Services	5,856,279	5,872,938
Total core revenue, net	12,097,384	11,048,276
Non-Core:		
Services	1,323,377	1,599,102
Total non-core revenue, net	1,323,377	1,599,102
Total net revenue	$ 13,420,761	$ 12,647,378

Significant Judgments

Due to the complexity of certain contracts, the actual revenue recognition treatment required under Topic 606 for the Company's arrangements may be dependent on contract-specific terms and may vary in some instances.

Judgment is required to determine the SSP for each distinct performance obligation. The Company rarely licenses or sells products on a stand-alone basis, so the Company is required to estimate the range of SSPs for each performance obligation. In instances where SSP is not directly observable because the Company does not sell the license, product or service separately, the Company determines the SSP using information that may include market conditions and other observable inputs. In making these judgments, the Company analyzes various factors, including its pricing methodology and consistency, size of the arrangement, length of term, customer demographics and overall market and economic conditions. Based on these results, the estimated SSP is set for each distinct product or service delivered to customers.

The most significant inputs involved in the Company's revenue recognition policies are: The (1) stand-alone selling prices of the Company's software license, and the (2) the method of recognizing revenue for installation/customization, and other services.

The stand-alone selling price of the licenses was measured primarily through an analysis of pricing that management evaluated when quoting prices to customers. Although the Company has no history of selling its software separately from post contract support and other services, the Company does have historical experience with amending contracts with customers to provide additional modules of its software or providing those modules at an optional price. This information guides the Company in assessing the stand-alone selling price of the Company's software, since the Company can observe instances where a customer had a particular component of the Company's software that was essentially priced separate from other goods and services that the Company delivered to that customer.

The Company recognizes revenue from implementation and customization services using the percentage of estimated "man-days" that the work requires. The Company believes the level of effort to complete the services is best measured by the amount of time (measured as an employee working for one day on implementation/customization work) that is required to complete the implementation or customization work. The Company reviews its estimate of man-days required to complete implementation and customization services each reporting period.

Revenue is recognized over time for the Company's subscription, post contract support and fixed fee professional services that are separate performance obligations. For the Company's professional services, revenue is recognized over time, generally using costs incurred or hours expended to measure progress. Judgment is required in estimating project status and the costs necessary to complete projects. A number of internal and external factors can affect these estimates, including labor rates, utilization, specification variances and testing requirement changes.

If a group of agreements are entered at or near the same time and so closely related that they are, in effect, part of a single arrangement, such agreements are deemed to be combined as one arrangement for revenue recognition purposes. The Company exercises significant judgment to evaluate the relevant facts and circumstances in determining whether agreements should be accounted for separately or as a single arrangement. The Company's judgments about whether a group of contracts comprise a single arrangement can affect the allocation of consideration to the distinct performance obligations, which could have an effect on results of operations for the periods involved.

If a contract includes variable consideration, the Company exercises judgment in estimating the amount of consideration to which the entity will be entitled in exchange for transferring the promised goods or services to a customer. When estimating variable consideration, the Company will consider all relevant facts and circumstances. Variable consideration will be estimated and included in the contract price only when it is probable that a significant reversal in the amount of revenue recognized will not occur.

Contract Balances

The timing of revenue recognition may differ from the timing of invoicing to customers and these timing differences result in receivables, contract assets (revenues in excess of billings), or contract liabilities (deferred revenue) on the Company's Consolidated Balance Sheets. The Company records revenues in excess of billings when the Company has transferred goods or services but does not yet have the right to consideration. The Company records deferred revenue when the Company has received or has the right to receive consideration but has not yet transferred goods or services to the customer.

The revenues in excess of billings are transferred to receivables when the rights to consideration become unconditional, usually upon completion of a milestone.

The Company's revenues in excess of billings and unearned revenue are as follows:

	As of September 30, 2021	As of June 30, 2021
Revenues in excess of billings	$ 17,133,468	$ 15,637,734
Unearned revenue	$ 3,387,902	$ 4,556,626

During the three months ended September 30, 2021, the Company recognized revenue of $1,996,511 that was included in the deferred revenue balance at the beginning of the period. All other activity in deferred revenue is due to the timing of invoicing in relation to the timing of revenue recognition.

Revenue allocated to remaining performance obligations represents the transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, which includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods. Contracted but unsatisfied performance obligations were approximately $44,365,579 as of September 30, 2021, of which the Company estimates to recognize approximately $14,599,321 in revenue over the next 12 months and the remainder over an estimated 6 years thereafter. Actual revenue recognition depends in part on the timing of software modules installed at various customer sites. Accordingly, some factors that affect the Company's revenue, such as the availability and demand for modules within customer geographic locations, is not entirely within the Company's control. In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined that its contracts generally do not include a significant financing component. The primary purpose of invoicing terms is to provide customers with simplified and predictable ways of purchasing the Company's products and services, and not to facilitate financing arrangements.

Unearned Revenue

The Company typically invoices its customers for subscription and support fees in advance on a quarterly or annual basis, with payment due at the start of the subscription or support term. Unpaid invoice amounts for non-cancelable license and services starting in future periods are included in accounts receivable and unearned revenue.

Practical Expedients and Exemptions

There are several practical expedients and exemptions allowed under Topic 606 that impact timing of revenue recognition and the Company's disclosures. The Company has applied the following practical expedients:

● The Company does not evaluate a contract for a significant financing component if payment is expected within one year or less from the transfer of the promised items to the customer.

● The Company generally expenses sales commissions and sales agent fees when incurred when the amortization period would have been one year or less or the commissions are based on cashed received. These costs are recorded within sales and marketing expense in the Consolidated Statement of Operations.

● The Company does not disclose the value of unsatisfied performance obligations for contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for services performed (applies to time-and-material engagements).

Costs to Obtain a Contract

The Company does not have a material amount of costs to obtain a contract capitalized at any balance sheet date. In general, the Company incurs few direct incremental costs of obtaining new customer contracts. The Company rarely incurs incremental costs to review or otherwise enter into contractual arrangements with customers. In addition, the Company's sales personnel receive fees that are referred to as commissions, but that are based on more than simply signing up new customers. The Company's sales personnel are required to perform additional duties beyond new customer contract inception dates, including fulfillment duties and collections efforts.

NOTE 4 – EARNINGS PER SHARE

Basic earnings per share are computed based on the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed based on the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding stock options and stock awards.

The components of basic and diluted earnings per share were as follows:

	For the three months ended September 30, 2021		
	Net Income	Shares	Per Share
Basic income per share:			
Net income available to common shareholders	$ 187,969	11,254,205	$ 0.02
Effect of dilutive securities			
Share grants	-	-	-
Diluted income per share	$ 187,969	11,254,205	$ 0.02

	For the three months ended September 30, 2020		
	Net Income	Shares	Per Share
Basic income per share:			
Net income available to common shareholders	$ 717,554	11,787,233	$ 0.06
Effect of dilutive securities			
Share grants	-	-	-
Diluted income per share	$ 717,554	11,787,233	$ 0.06

NOTE 5 – OTHER COMPREHENSIVE INCOME AND FOREIGN CURRENCY

The accounts of NTE, AEL, VLSH and VLS use the British Pound; VLSIL uses the Euro; NetSol PK, Connect, and NetSol Innovation use the Pakistan Rupee; NTPK Thailand and NetSol Thai use the Thai Baht; Australia uses the Australian dollar; and NetSol Beijing uses the Chinese Yuan as the functional currencies. NetSol Technologies, Inc., and its subsidiary, NTA, use the U.S. dollar as the functional currency. Assets and liabilities are translated at the exchange rate on the balance sheet date, and operating results are translated at the average exchange rate throughout the period. Accumulated translation losses classified as an item of accumulated other comprehensive loss in the stockholders' equity section of the consolidated balance sheet were $34,013,886 and $31,868,481 as of September 30, 2021 and June 30, 2021, respectively. During the three months ended September 30, 2021 and 2020, comprehensive income (loss) in the consolidated statements of comprehensive income (loss) included a translation loss attributable to NetSol of $(2,145,405) and a translation gain of $874,816, respectively.

NOTE 6 – MAJOR CUSTOMERS

During the three months ended September 30, 2021, revenues from Daimler Financial Services ("DFS") and BMW Financial ("BMW") were $3,542,284 and $891,679, respectively representing 26.4% and 6.6%, respectively of revenues. During the three months ended September 30, 2020 revenues from these two customers were $2,598,652 and $2,485,229, respectively representing 20.6% and 19.7%, respectively of revenues. The revenue from these customers are shown in the Asia – Pacific segment.

Accounts receivable from DFS and BMW at September 30, 2021, were $1,198,049 and $189,964, respectively. Accounts receivable at June 30, 2021, were $462,861 and $35,063, respectively. Revenues in excess of billings at September 30, 2021 were $2,987,736 and $5,158,269 for DFS and BMW, respectively. Revenues in excess of billings at June 30, 2021, were $2,041,750 and $4,453,299 for DFS and BMW, respectively.

NOTE 7 – CONVERTIBLE NOTES RECEIVABLE – RELATED PARTY

The Company has entered into multiple convertible note receivable agreements with WRLD3D. The convertible notes bear interest ranging from 5% to 10% with various maturity dates. The convertible notes have conversion features which allow the Company to convert the notes into shares of WRLD3D stock upon the occurrence of certain events. The Company has a security interest in all of WRLD3D's personal property, inventory, equipment, general intangibles, financial assets, investment property, securities, deposit accounts and the proceeds thereof.

The following table summarizes the convertible notes receivable from WRLD3D.

Agreement Date	Interest Rate	Maturity Date	Convertible Note Amount	Accrued Interest
May 25, 2017	5%	March 2, 2018	$ 750,000	$ 110,202
February 9, 2018	10%	March 31, 2019	2,500,000	500,773
April 1, 2019	10%	March 31, 2020	600,000	57,648
August 19, 2019	10%	March 31, 2020	400,000	32,439
			4,250,000	701,062
Less allowance for doubtful account			(4,250,000)	(701,062)
Net Balance			$ -	$ -

The Company has accrued interest of $701,062 at September 30, 2021 and June 30, 2021, which is included in "Other current assets". As of July 1, 2020, the Company stopped accruing interest.

NOTE 8 - OTHER CURRENT ASSETS

Other current assets consisted of the following:

	As of September 30, 2021	As of June 30, 2021
Prepaid Expenses	$ 1,859,691	$ 1,987,556
Advance Income Tax	366,800	344,699
Employee Advances	59,400	28,816
Security Deposits	276,693	281,464
Other Receivables	107,419	143,258
Other Assets	267,924	223,600
Due From Related Party	1,243,633	1,243,633
	4,181,560	4,253,026
Less allowance for doubtful account	(1,243,633)	(1,243,633)
Net Balance	$ 2,937,927	$ 3,009,393

NOTE 9 – REVENUES IN EXCESS OF BILLINGS – LONG TERM

Revenues in excess of billings, net consisted of the following:

	As of September 30, 2021	As of June 30, 2021
Revenues in excess of billings - long term	$ 1,026,834	$ 1,024,382
Present value discount	(57,378)	(66,779)
Net Balance	$ 969,456	$ 957,603

Pursuant to revenue recognition for contract accounting, the Company had recorded revenues in excess of billings long-term for amounts billable after one year. During the three months ended September 30, 2021 and 2020, the Company accreted $9,502 and $14,060, respectively, which was recorded in interest income for that period. The Company used the discounted cash flow method with interest rates ranging from 4.65% to 6.25%.

NOTE 10 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	As of September 30, 2021	As of June 30, 2021
Office Furniture and Equipment	$ 3,234,460	$ 3,440,501
Computer Equipment	15,266,280	18,681,991
Assets Under Capital Leases	1,019,445	1,136,128
Building	5,751,992	6,205,210
Land	1,487,065	1,608,024
Autos	1,644,324	1,770,147
Improvements	84,836	35,592
Subtotal	28,488,402	32,877,593
Accumulated Depreciation	(17,666,533)	(20,785,781)
Property and Equipment, Net	$ 10,821,869	$ 12,091,812

For the three months ended September 30, 2021 and 2020, depreciation expense totaled $539,722 and $496,267, respectively. Of these amounts, $325,451 and $274,477, respectively, are reflected in cost of revenues.

Following is a summary of fixed assets held under finance leases as of September 30, 2021 and June 30, 2021:

	As of September 30, 2021	As of June 30, 2021
Computers and Other Equipment	$ 126,088	$ 169,487
Furniture and Fixtures	55,955	57,509
Vehicles	837,402	909,132
Total	1,019,445	1,136,128
Less: Accumulated Depreciation - Net	(581,143)	(627,119)
	$ 438,302	$ 509,009

Finance lease term and discount rate were as follows:

	As of September 30, 2021	As of June 30, 2021
Weighted average remaining lease term - Finance leases	1.75 Years	0.55 Years
Weighted average discount rate - Finance leases	6.1%	5.6%

NOTE 11 - LEASES

The Company leases certain office space, office equipment and autos with remaining lease terms of one year to 10 years under leases classified as financing and operating. For certain leases, the Company has options to extend the lease term for additional periods ranging from one year to 10 years.

The Company treats a contract as a lease when the contract conveys the right to use a physically distinct asset for a period of time in exchange for consideration, or the Company directs the use of the asset and obtains substantially all the economic benefits of the asset. These leases are recorded as right-of-use ("ROU") assets and lease obligation liabilities for leases with terms greater than 12 months. ROU assets represent the Company's right to use an underlying asset for the entirety of the lease term. Lease liabilities represent the Company's obligation to make payments over the life of the lease. A ROU asset and a lease liability are recognized at commencement of the lease based on the present value of the lease payments over the life of the lease. Initial direct costs are included as part of the ROU asset upon commencement of the lease. Since the interest rate implicit in a lease is generally not readily determinable for the operating leases, the Company uses an incremental borrowing rate to determine the present value of the lease payments. The incremental borrowing rate represents the rate of interest the Company would have to pay to borrow on a collateralized basis over a similar lease term to obtain an asset of similar value.

The Company reviews the impairment of ROU assets consistent with the approach applied for the Company's other long-lived assets. The Company reviews the recoverability of long-lived assets when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the Company's ability to recover the carrying value of the asset from the expected undiscounted future pre-tax cash flows of the related operations.

The Company elected the practical expedient to exclude short-term leases (leases with original terms of 12 months or less) from ROU asset and lease liability accounts.

Lease expense is recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred. Variable payments change due to facts or circumstances occurring after the commencement date, other than the passage of time, and do not result in a re-measurement of lease liabilities. The Company's variable lease payments include payments for finance leases that are adjusted based on a change in the Karachi Inter Bank Offer Rate. The Company's lease agreements do not contain any significant residual value guarantees or restrictive covenants.

Supplemental balance sheet information related to leases was as follows:

	As of September 30, 2021	As of June 30, 2021
Assets		
Operating lease assets, net	$ 1,197,453	$ 1,345,869
Liabilities		
Current		
Operating	$ 828,879	$ 857,729
Non-current		
Operating	438,423	564,257
Total Lease Liabilities	$ 1,267,302	$ 1,421,986

The components of lease cost were as follows:

	For the Three Months Ended September 30, 2021	For the Three Months Ended September 30, 2020
Amortization of finance lease assets	$ 21,033	$ 45,253
Interest on finance lease obligation	4,936	11,692
Operating lease cost	282,951	320,086
Short term lease cost	-	16,578
Sub lease income	(9,155)	(8,624)
Total lease cost	$ 299,765	$ 384,985

Lease term and discount rate were as follows:

	As of September 30, 2021	As of June 30, 2021
Weighted average remaining lease term - Operating leases	1.6 Years	1.78 Years
Weighted average discount rate - Operating leases	5.7%	5.7%

Supplemental disclosures of cash flow information related to leases were as follows:

	For the Three Months Ended September 30 2021	For the Three Months Ended September 30 2020
Cash flows related to lease liabilities		
Operating cash flows related to operating leases	$ 288,623	$ 269,783
Operating cash flows from finance leases	$ 3,502	$ 8,141
Financing cash flows from finance leases	$ 48,908	$ 93,105

Maturities of operating lease liabilities were as follows as of September 30, 2021:

		Amount
Within year 1	$	875,294
Within year 2		359,175
Within year 3		90,226
Within year 4		772
Within year 5		772
Thereafter		2,123
Total Lease Payments		1,328,362
Less: Imputed interest		(61,060)
Present Value of lease liabilities		1,267,302
Less: Current portion		(828,879)
Non-Current portion	$	438,423

The Company is a lessor for certain office space leased by the Company and sub-leased to others under non-cancelable leases. These lease agreements provide for a fixed base rent and are currently on a month by month basis. All leases are considered operating leases. There are no rights to purchase the premises and no residual value guarantees. For the three months ended September 30, 2021 and 2020, the Company received lease income of $9,155 and $8,624, respectively.

NOTE 12 – LONG TERM INVESTMENT

Drivemate

The Company and Drivemate Co., Ltd. ("Drivemate") entered into a subscription agreement on April 25, 2019, ("Drivemate Agreement") whereby the Company purchased an equity interest of 30% in Drivemate. Per the Drivemate Agreement, the Company purchased 5,469 preferred shares for $1,800,000 consisting of $500,000 cash to be paid over a two-year period and $1,300,000 to be provided in services. The Company has paid the $500,000 in cash and has provided services of $1,300,000. Pursuant to the agreement, the number of shares to be issued is adjusted as necessary to result in an equity ownership equal to 30% of the issued and outstanding shares at the final payment date. As of September 30, 2021, the Company has been issued 8,178 shares equal to 30% of Drivemate. Per the Drivemate Agreement, the Company appointed two directors to the Drivemate board. The Company determined that it met the significant influence criteria since two of the four directors are appointed by the Company and the Company owns 30% of Drivemate; therefore, the Company accounts for the investment using the equity method of accounting.

The Company did not provide any services during the three months ended September 30, 2021 and 2020.

Under the equity method of accounting, the Company recorded its share of net loss of $63,571 compared to its share of net income of $595 for the three months ended September 30, 2021 and 2020, respectively.

WRLD3D-Related Party

On March 2, 2017, the Company purchased a 4.9% interest in WRLD3D, a non-public company, for $1,111,111. The Company paid $555,556 at the initial closing and $555,555 on September 1, 2017. NetSol PK, the subsidiary of the Company, purchased a 12.2% investment in WRLD3D, for $2,777,778 which was earned by providing IT and enterprise software solutions.

NetSol PK has not provided services to WRLD3D for the three months ended September 30, 2021 and September 30, 2020. Accounts receivable and revenue in excess of billing were $1,373,099 and $8,163 at September 30, 2021, respectively. The Company has established an allowance for the full amounts of these accounts.

Under the equity method of accounting, the Company recorded its share of net loss of $97,394 and $108,445 for the three months ended September 30, 2021 and 2020, respectively.

The following table reflects the above investments at September 30, 2021.

	Drivemate	WRLD3D	Total
Gross investment	$ 1,800,000	$ 3,888,889	$ 5,688,889
Cumulative net loss on investment	(98,776)	(2,018,782)	(2,117,558)
Cumulative other comprehensive income (loss)	-	(576,227)	(576,227)
Net investment	$ 1,701,224	$ 1,293,880	$ 2,995,104

NOTE 13 - INTANGIBLE ASSETS

Intangible assets consisted of the following:

	As of September 30, 2021	As of June 30, 2021
Product Licenses - Cost	$ 47,244,997	$ 47,244,997
Effect of Translation Adjustment	(16,197,429)	(14,440,001)
Accumulated Amortization	(27,864,251)	(28,900,340)
Net Balance	$ 3,183,317	$ 3,904,656

(A) Product Licenses

Product licenses include internally developed original license issues, renewals, enhancements, copyrights, trademarks, and trade names. Product licenses are amortized on a straight-line basis over their respective lives, and the unamortized amount of $3,183,317 will be amortized over the next 2.0 years. Amortization expense for the three months ended September 30, 2021 and 2020 was $440,284 and $432,772, respectively.

(B) Future Amortization

Estimated amortization expense of intangible assets is as follows:

Period ended:	
September 30, 2022	$ 1,701,347
September 30, 2023	1,481,970
	$ 3,183,317

NOTE 14 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following:

	As of September 30, 2021	As of June 30, 2021
Accounts Payable	$ 939,871	$ 1,067,937
Accrued Liabilities	4,320,310	4,512,499
Accrued Payroll & Taxes	305,340	228,028
Taxes Payable	599,011	608,121
Other Payable	205,338	279,450
Total	$ 6,369,870	$ 6,696,035

NOTE 15 – DEBTS

Notes payable and finance leases consisted of the following:

		As of September 30, 2021		
Name		Total	Current Maturities	Long-Term Maturities
D&O Insurance	(1)	$ 26,452	$ 26,452	$ -
Bank Overdraft Facility	(2)	-	-	-
Term Finance Facility	(3)	1,270,755	990,623	280,132
Loan Payable Bank - Export Refinance	(4)	2,924,661	2,924,661	-
Loan Payable Bank - Running Finance	(5)	-	-	-
Loan Payable Bank - Export Refinance II	(6)	2,222,742	2,222,742	-
Loan Payable Bank - Running Finance II	(7)	-	-	-
Loan Payable Bank - Export Refinance III	(8)	4,094,525	4,094,525	-
Sale and Leaseback Financing	(9)	73,117	26,063	47,054
Term Finance Facility	(10)	49,021	19,408	29,613
Insurance Financing	(11)	45,198	45,198	-
		10,706,471	10,349,672	356,799
Subsidiary Finance Leases	(12)	113,515	73,543	39,972
		$ 10,819,986	$ 10,423,215	$ 396,771

		As of June 30, 2021		
Name		Total	Current Maturities	Long-Term Maturities
D&O Insurance	(1)	$ 73,143	$ 73,143	$ -
Bank Overdraft Facility	(2)	-	-	-
Term Finance Facility	(3)	1,648,818	1,090,259	558,559
Loan Payable Bank - Export Refinance	(4)	3,162,555	3,162,555	-
Loan Payable Bank - Running Finance	(5)	-	-	-
Loan Payable Bank - Export Refinance II	(6)	2,403,542	2,403,542	-
Loan Payable Bank - Running Finance II	(7)	-	-	-
Loan Payable Bank - Export Refinance III	(8)	4,427,578	4,427,578	-
Sale and Leaseback Financing	(9)	85,313	28,183	57,130
Term Finance Facility	(10)	55,182	19,644	35,538
Insurance Financing	(11)	41,774	41,774	-
		11,897,905	11,246,678	651,227
Subsidiary Finance Leases	(12)	168,107	119,493	48,614
		$ 12,066,012	$ 11,366,171	$ 699,841

(1) The Company finances Directors' and Officers' ("D&O") liability insurance and Errors and Omissions ("E&O") liability insurance, for which the D&O and E&O balances are renewed on an annual basis and, as such, are recorded in current maturities. The interest rate on these financings were ranging from 5.0% to 7.0% as of September 30, 2021 and June 30, 2021.

(2) The Company's subsidiary, NTE, has an overdraft facility with HSBC Bank plc whereby the bank would cover any overdrafts up to £300,000, or approximately $405,405. The annual interest rate was 5.12% as of September 30, 2021. The total outstanding balance as of September 30, 2021 was £Nil.

This overdraft facility requires that the aggregate amount of invoiced trade debtors (net of provisions for bad and doubtful debts and excluding intra-group debtors) of NTE, not exceeding 90 days old, will not be less than an amount equal to 200% of the facility. As of September 30, 2021, NTE was in compliance with this covenant.

(3) The Company's subsidiary, NetSol PK, has a term finance facility from Askari Bank Limited, approved by the Government of Pakistan to protect the employment situation during the COVID-19 pandemic. This is a term loan payable in three years. The availed facility amount was Rs. 217,248,351 or $1,270,755, at September 30, 2021, of which $990,623 is shown as current and the remaining $280,132 is shown as long term. The availed facility amount was Rs. 260,678,818 or $1,648,818, at June 30, 2021, of which $1,090,259 is shown as current and the remaining $558,559 is shown as long term. The interest rate for the loan was 3% at September 30, 2021 and June 30, 2021.

(4) The Company's subsidiary, NetSol PK, has an export refinance facility with Askari Bank Limited, secured by NetSol PK's assets. This is a revolving loan that matures every nine months. The total facility amount is Rs. 500,000,000 or $2,924,661 at September 30, 2021 and Rs. 500,000,000 or $3,162,555 at June 30, 2021. The interest rate for the loan was 3% at September 30, 2021 and June 30, 2021.

(5) The Company's subsidiary, NetSol PK, has a running finance facility with Askari Bank Limited, secured by NetSol PK's assets. The total facility amount is Rs. 75,000,000 or $438,699, at September 30, 2021. The balance outstanding at September 30, 2021 and June 30, 2021 was Rs. Nil. The interest rate for the loan was 9.8% and 9.5% at September 30, 2021 and June 30, 2021, respectively.

This facility requires NetSol PK to maintain a long-term debt equity ratio of 60:40 and the current ratio of 1:1. As of September 30, 2021, NetSol PK was in compliance with this covenant.

(6) The Company's subsidiary, NetSol PK, has an export refinance facility with Samba Bank Limited, secured by NetSol PK's assets. This is a revolving loan that matures every nine months. The total facility amount is Rs. 380,000,000 or $2,222,742 and Rs. 380,000,000 or $2,403,542 at September 30, 2021 and June 30, 2021, respectively. The interest rate for the loan was 3% at September 30, 2021 and June 30, 2021.

(7) The Company's subsidiary, NetSol PK, has a running finance facility with Samba Bank Limited, secured by NetSol PK's assets. The total facility amount is Rs. 120,000,000 or $701,919 and Rs. 120,000,000 or $759,013, at September 30, 2021 and June 30, 2021, respectively. The interest rate for the loan was 9.3% and 9.0% at September 30, 2021 and June 30, 2021, respectively. The balance outstanding at September 30, 2021 and June 30, 2021 was Rs. Nil.

During the tenure of the loan, the facilities from Samba Bank Limited require NetSol PK to maintain at a minimum a current ratio of 1:1, an interest coverage ratio of 4 times, a leverage ratio of 2 times, and a debt service coverage ratio of 4 times. As of September 30, 2021, NetSol PK was in compliance with these covenants.

(8) The Company's subsidiary, NetSol PK, has an export refinance facility with Habib Metro Bank Limited, secured by NetSol PK's assets. This is a revolving loan that matures every nine months. Total facility amount is Rs. 900,000,000 or $5,264,389 and Rs. 900,000,000 or $5,692,600, at September 30, 2021 and June 30, 2021, respectively. NetSol PK used Rs. 700,000,000 or $4,094,525 and Rs. 700,000,000 or $4,427,578, at September 30, 2021 and June 30, 2021, respectively. The interest rate for the loan was 3% at September 30, 2021 and June 30, 2021.

(9) The Company's subsidiary, NetSol PK, availed sale and leaseback financing from First Habib Modaraba secured by the transfer of the vehicles' title. As of June 30, 2021, NetSol PK used Rs. 12,499,891 or $73,117 of which $47,054 was shown as long term and $26,063 as current. As of June 30, 2021, NetSol PK used Rs. 13,487,949 or $85,313 of which $57,130 was shown as long term and $28,183 as current. The interest rate for the loan was 9.0% at September 30, 2021, and June 30, 2021.

(10) In March 2020, the Company's subsidiary, VLS, entered into a loan agreement. The loan amount was £69,549, or $93,985, for a period of 5 years with monthly payments of £1,349, or $1,823. As of September 30, 2021, the subsidiary has used this facility up to $49,021, of which $29,613 was shown as long-term and $19,408 as current. As of June 30, 2021, the subsidiary has used this facility up to $55,182, of which $35,538 was shown as long-term and $19,644 as current. The interest rate was 6.14% at September 30, 2021 and June 30, 2021.

(11) The Company’s subsidiary, VLS, finances Directors’ and Officers’ (“D&O”) liability insurance, and the $45,198 and $41,774 was recorded in current maturities, at September 30, 2021 and June 30, 2021, respectively. The interest rate on this financing ranged from 9.7% to 12.7% as of September 30, 2021 and was 9.7% as of June 30, 2021.

(12) The Company leases various fixed assets under finance lease arrangements expiring in various years through 2024. The assets and liabilities under finance leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are secured by the assets themselves. Depreciation of assets under finance leases is included in depreciation expense for the three months ended September 30, 2021 and 2020.

Following is the aggregate minimum future lease payments under finance leases as of September 30, 2021:

		Amount
Minimum Lease Payments		
Within year 1	$	77,806
Within year 2		30,102
Within year 3		11,845
Total Minimum Lease Payments		119,753
Interest Expense relating to future periods		(6,238)
Present Value of minimum lease payments		113,515
Less: Current portion		(73,543)
Non-Current portion	$	39,972

NOTE 16 - STOCKHOLDERS’ EQUITY

During the three months ended September 30, 2021, the Company issued 1,985 shares of common stock for services rendered by the independent members of the Board of Directors as part of their board compensation. These shares were valued at the fair market value of $12,009.

During the three months ended September 30, 2021, the Company purchased 22,510 shares of its own stock for $100,106 pursuant to the Company’s stock repurchase plan.

NOTE 17 – SHARE BASED PAYMENTS

The following table summarizes stock grants awarded as compensation:

	# of shares		Weighted Average Grant Date Fair Value ($)
Unvested, June 30, 2021	6,985	$	5.75
Granted	-	$	-
Vested	(1,985)	$	6.05
Forfeited / Cancelled	-	$	-
Unvested, September 30, 2021	5,000	$	5.69

For the three months ended September 30, 2021 and 2020, the Company recorded compensation expense of $3,003 and $90,617, respectively. The compensation expense related to the unvested stock grants as of September 30, 2021 was $28,450 which will be recognized during the fiscal year 2022.

NOTE 18 – CONTINGENCIES

From time to time, the Company is subject to legal proceedings, claims, and litigation arising in the ordinary course of business including tax assessments. The Company defends itself vigorously against any such claims. When (i) it is probable that an asset has been impaired or a liability has been incurred and (ii) the amount of the loss can be reasonably estimated, the Company records the estimated loss. The Company provides disclosure in the notes to the consolidated financial statements for loss contingencies that do not meet both conditions if there is a reasonable possibility that a loss may have been incurred that would be material to the financial statements. Significant judgment is required to determine the probability that a liability has been incurred and whether such liability is reasonably estimable. The Company bases accruals on the best information available at the time, which can be highly subjective. The final outcome of these matters could vary significantly from the amounts included in the accompanying consolidated financial statements.

NOTE 19 – OPERATING SEGMENTS

The Company has identified three segments for its products and services; North America, Europe and Asia-Pacific. Our reportable segments are business units located in different global regions. Each business unit provides similar products and services; license fees for leasing and asset-based software, related maintenance fees, and implementation and IT consulting services. Separate management of each segment is required because each business unit is subject to different operational issues and strategies due to their particular regional location. The Company accounts for intra-company sales and expenses as if the sales or expenses were to third parties and eliminates them in the consolidation.

The following table presents a summary of identifiable assets as of September 30, 2021 and June 30, 2021:

	As of September 30, 2021	As of June 30, 2021
Identifiable assets:		
Corporate headquarters	$ 2,089,513	$ 2,067,474
North America	5,890,236	6,073,616
Europe	10,294,197	10,363,611
Asia - Pacific	62,614,718	68,101,560
Consolidated	$ 80,888,664	$ 86,606,261

The following table presents a summary of investment under equity method as of September 30, 2021 and June 30, 2021:

	As of September 30, 2021	As of June 30, 2021
Investment in associates under equity method:		
Corporate headquarters	$ 367,512	$ 396,403
Asia - Pacific	2,627,592	2,759,449
Consolidated	$ 2,995,104	$ 3,155,852

The following table presents a summary of operating information for the three months ended September 30:

	For the Three Months Ended September 30, 2021	2020
Revenues from unaffiliated customers:		
North America	$ 930,234	$ 812,878
Europe	3,272,899	3,151,891
Asia - Pacific	9,217,628	8,682,609
	13,420,761	12,647,378
Revenue from affiliated customers		
Asia - Pacific	-	-
	-	-
Consolidated	$ 13,420,761	$ 12,647,378
Intercompany revenue		
Europe	$ 127,198	$ 139,156
Asia - Pacific	2,560,100	2,158,628
Eliminated	$ 2,687,298	$ 2,297,784
Net income (loss) after taxes and before non-controlling interest:		
Corporate headquarters	$ 128,544	$ 1,167,795
North America	(68,093)	(281,797)
Europe	191,443	603,016
Asia - Pacific	298,601	(365,537)
Consolidated	$ 550,495	$ 1,123,477
Depreciation and amortization:		
North America	$ 566	$ 1,954
Europe	98,848	108,008
Asia - Pacific	880,592	819,077
Consolidated	$ 980,006	$ 929,039
Interest expense:		
Corporate headquarters	$ 10,441	$ 6,034
North America	-	1,209
Europe	3,796	2,066
Asia - Pacific	86,776	94,018
Consolidated	$ 101,013	$ 103,327
Income tax expense:		
Corporate headquarters	$ 800	$ -
North America	1,600	-
Europe	-	111,678
Asia - Pacific	165,227	152,616
Consolidated	$ 167,627	$ 264,294

The following table presents a summary of capital expenditures for the three months ended September 30:

	For the Three Months Ended September 30, 2021	For the Three Months Ended September 30, 2020
Capital expenditures:		
North America	$ -	$ 1,521
Europe	54,380	57,429
Asia - Pacific	161,732	430,339
Consolidated	$ 216,112	$ 489,289

NOTE 20 – NON-CONTROLLING INTEREST IN SUBSIDIARY

The Company had non-controlling interests in several of its subsidiaries. The balance of non-controlling interest was as follows:

SUBSIDIARY	Non-Controlling Interest %	Non-Controlling Interest at September 30, 2021
NetSol PK	33.88%	$ 6,333,101
NetSol-Innovation	33.88%	130,638
NetSol Thai	0.006%	(174)
OTOZ Thai	5.60%	4,007
OTOZ	5.59%	(28,731)
Total		$ 6,438,841

SUBSIDIARY	Non-Controlling Interest %	Non-Controlling Interest at June 30, 2021
NetSol PK	33.88%	$ 7,101,883
NetSol-Innovation	33.88%	136,611
NetSol Thai	0.006%	(208)
OTOZ Thai	0.006%	(52)
OTOZ	5.00%	(22,761)
Total		$ 7,215,473

The Company's subsidiary, OTOZ, issued 19,633 shares to one of its employees as part of their employment agreement resulting in an increase of non-controlling interest from 5.0% to 5.59%.

The effective shareholding of the non-controlling interest for OTOZ Thai increased to 5.6%.

NOTE 21 – INCOME TAXES

The current tax provision is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for tax on income is calculated at the current rates of taxation as applicable after considering tax credit and tax rebates available, if any. We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Our effective tax rate is lower than the U.S. statutory rate primarily because of more earnings realized in countries that have lower statutory tax rates. Our effective tax rate in the future will depend on the portion of our profits earned within and outside the United States. Income from the export of computer software and its related services developed in Pakistan is exempt from tax through June 30, 2025; however, tax at the applicable rates is charged to the income from revenue generated from other than core business activities.

During the three months ended September 30, 20120 and 2020, the Company recorded an income tax provision of $167,627 and $264,294, respectively, resulting in an effective tax rate of 23.3% and 19.0%, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is intended to assist in an understanding of the Company's financial position and results of operations for the three months ended September 30, 2021. The following discussion should be read in conjunction with the information included within our Annual Report on Form 10-K for the year ended June 30, 2021, and the Condensed Consolidated Financial Statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

Our website is located at www.netsoltech.com, and our investor relations website is located at http://ir.netsoltech.com. The following filings are available through our investor relations website after we file with the SEC: Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and our Proxy Statements for our annual meetings of stockholders. These filings are also available for download free of charge on our investor relations website. We also provide a link to the section of the SEC's website at www.sec.gov that has all of our public filings, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, all amendments to those reports, our Proxy Statements and other ownership related filings. Further, a copy of this Quarterly Report on Form 10-Q is located at the SEC's Public Reference Room at 100 F Street, NE, Washington D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330.

We webcast our earnings calls and certain events we participate in or host with members of the investment community on our investor relations website. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases, and blogs as part of our investor relations website and on social media platforms linked to our corporate website. Investors and others can receive notifications of new information posted on our investor relations website by signing up for e-mail alerts. Further corporate governance information, including our committee charters and code of conduct, is also available on our investor relations website at http:// netsoltech.com/about-us. The content of our websites is not intended to be incorporated by reference into this or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

Forward-Looking Information

This report contains certain forward-looking statements and information relating to the Company that is based on the beliefs of its management as well as assumptions made by and information currently available to its management. When used in this report, the words "anticipate", "believe", "estimate", "expect", "intend", "plan", and similar expressions as they relate to the Company or its management, are intended to identify forward-looking statements. These statements reflect management's current view of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Should any of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this report as anticipated, estimated or expected. The Company's realization of its business aims could be materially and adversely affected by any technical or other problems in, or difficulties with, planned funding and technologies, third party technologies which render the Company's technologies obsolete, the unavailability of required third party technology licenses on commercially reasonable terms, the loss of key research and development personnel, the inability or failure to recruit and retain qualified research and development personnel, or the adoption of technology standards which are different from technologies around which the Company's business ultimately is built. The Company does not intend to update these forward-looking statements.

Business Overview

NetSol Technologies, Inc. (NasdaqCM: NTWK) is a worldwide provider of IT and enterprise software solutions. We believe that our solutions constitute mission critical applications for clients, as they encapsulate end-to-end business processes, facilitating faster processing and increased transactions.

Our primary sources of revenues have been licensing, subscriptions, modification, enhancement and support of our suite of financial applications, under the brand name NFS Ascent® for leading businesses in the global finance and leasing space. With constant innovation being a major part of NETSOL's DNA, we have enabled NFS Ascent® deployment on the cloud with several implementations already live and some underway. This shift to the cloud will enable NETSOL's new customers to opt for a subscription-based pricing model rather than the traditional licensing model.

NETSOL's clients include blue chip organizations, Dow-Jones 30 Industrials, Fortune 500 manufacturers, financial institutions, global vehicle manufacturers and enterprise technology providers, all of which are serviced by NETSOL's strategically placed support and delivery locations around the globe.

Founded in 1997, NetSol is headquartered in Calabasas, California. While the Company follows a global strategy for sales and delivery of its portfolio of solutions and services, it continues to maintain regional offices in the following locations:

- North America — Los Angeles Area
- Europe — London Metropolitan area and Horsham in the UK
- Asia Pacific — Lahore, Karachi, Bangkok, Beijing, Shanghai, Jakarta and Sydney

NETSOL believes that our strong technology solutions offer our customers a return on their investment and allows us to thrive in a hyper competitive and mature global marketplace. Our solutions are bolstered by our people. NETSOL believes that people are the drivers of success; therefore, we invest heavily in our hiring, training and retention of top-notch staff to ensure not only successful selling, but also the ongoing satisfaction of our clients. Taken together, this “selling and attentive servicing” approach creates a distinctive advantage for NETSOL and a unique value for its customers. NETSOL continues to underpin its proven and effective business model which is a combination of careful cost arbitrage, subject matter expertise, domain experience, scalability and proximity with its global and regional customers.

Our primary offerings include the following:

NFS Ascent®

NFS Ascent®, the Company’s next generation platform, offers a technologically advanced solution for the auto and equipment finance and leasing industry. NFS Ascent’s® architecture and user interfaces were designed based on the Company’s collective experience with global Fortune 500 companies over the past 40 years combined with UX design concepts. The platform’s framework allows auto captive and asset finance companies to rapidly transform legacy driven technology into a state-of-the-art IT and business process environment. At the core of the NFS Ascent® platform, is a lease accounting and contract processing engine, which allows for an array of interest calculation methods, as well as robust accounting of multi-billion-dollar lease portfolios. NFS Ascent®, with its distributed and clustered deployment across parallel application and high-volume data servers, enables finance companies to process voluminous data in a hyper speed environment. NFS Ascent® has been developed using the latest tools and technologies and its n-tier SOA architecture allows the system to greatly improve a myriad of areas including, but not limited to, scalability, performance, fault tolerance and security. Our premier, next generation solution NFS Ascent® is now also available on the cloud via SaaS/subscription-based pricing. With swift, seamless deployments and easy scalability, it is an extremely adaptive retail and wholesale platform for the global finance and leasing industry. This cloud-version of NFS Ascent® is offered via flexible, value-driven subscription-based pricing options without the need to pay any upfront license fees.

NFS Digital

NFS Digital is a combination of our core strengths, domain, and technology. Our insight into the evolving landscape along with our valuable experience enables us to define sound digital transformation strategies and compliment them with smart digital solutions so our customers always remain competitive and relevant to the dynamic environment. Our digital transformation solutions are extremely robust and can be used with or without our core, next-gen solution (NFS Ascent®) to effectively augment and enhance our customer’s ecosystem. NFS Digital includes Self-Point of Sale, Mobile Account, Mobile Point of Sale, Mobile Dealer, Mobile Auditor, Mobile Collector and Mobile Field Investigator.

Otoz

Otoz Digital Auto Retail

Otoz provides a white-labelled SaaS platform to OEMs, auto-captives, dealers and start-ups that helps them launch short and long-term on-demand mobility models (car-share and car subscription) and digital retail in minimum time. Our white-label, turn-key platform helps dealers to make the move into digital era by offering an end-to-end car buying experience completely online. Digital auto-retail is not a one-size-fits-all. Otoz provides a flexible, configurable and scalable turn-key platform that helps define, launch and scale a variety of retail products (finance, lease, buy, etc.). Otoz platform empowers dealers to compete in digital era by addressing a range of customer segments with varied needs.

Otoz Ecosystem

The Otoz powerful API-based architecture allows OEMs, auto-captives and dealerships to integrate with a plethora of providers to offer an end-to-end Omni-channel digital car finance and lease experience. Out-of-the-box APIs by Otoz help dealers and auto-captives connect with ecosystem partners which are crucial for running their auto retail business. It includes, finance and insurance products, trade-in tools, fraud checks, CRM system, websites (Tier 1 – Tier 3), marketing toolkit, inventory feeds, KYCs, payment processors, vehicle delivery providers etc. In addition, Otoz is equipped with smart lead generation and product analytics capabilities. It empowers dealers with the capability to convert qualified leads and never lose contact with customers. The product analytics capability allows us to improve the customer journey by addressing friction points, herein improving customer experience and conversions – a win-win scenario for dealers and customers.

Otoz Platform

A fully digital, white label platform for lease, finance, and cash transactions that delivers a frictionless customer experience.

Otoz platform consists of two components the Dealer Tool and the Customer App of a Dealer Tool which provides for a myriad of services including account creation, order management work queue, user roles and rights, tax configurator, customer KYC reports, vehicle delivery scheduling, payment gateways and inventory management, finance and insurance products feed and prioritization, dealer fee management and ecosystem APIs. The Customer App permits the dealer to work with the customer to get a vehicle via cash, finance or lease, manage vehicle delivery and pick-up scheduling, buy finance and insurance products, buy accessories, paperless license checks, personalized pricing, vehicle options, trade-in valuation, credit application and decision, paperless contracts and e-signing, digital payments and a deal builder.

Other Products

The Company continues to support its North America and European legacy systems including LeasePak and LeaseSoft.

Highlights

Listed below are a few of NetSol's highlights for the quarter ended September 30, 2021:

- We generated approximately $1,500,000 by successfully implementing change requests from various customers across multiple regions.
- We went live with NFS Ascent® and NFS Ascent Digital in New Zealand for a leading Japanese equipment manufacturer.
- We began the NFS Ascent® implementation process in India related to the DFS project.
- We continued to onboard new dealers on the Otoz™ digital retail platform.
- We were able to renegotiate certain annual support contracts resulting in additional support revenue of approximately $1,000,000 to be recognized over the term of the contracts.

Management has identified the following material trends affecting NetSol.

Positive trends:

- NFS Ascent® SaaS offering is gaining traction in mid-size auto captives and financial institutions in North American and European markets.
- Mobility and digital transformation is the new norm showing acceleration in every sector particularly in auto and banking.
- On Cloud demand for our solution is on the rise.
- COVID-19 has created new dynamics for businesses and corporations with employees and executives working from home. Essentially, the decreased office and maintenance costs, as well as the sharply reduced travel expenses, should positively impact our financials.
- We have up to 40% of employees working in person at our NetSol PK technology campus since the middle of September.
- COVID-19 is creating new opportunities for our R&D teams to expand and monetize mobile and digital solutions in our space and complementary sectors.
- In developing markets, new interests are emerging from existing clients for upgrades and mobility platforms.
- Growing opportunities and dynamics of shared car ownership either through ride hailing and car sharing encouraging our innovation and development tools.
- Otoz™ platform is showing positive trajectory of interest from existing and new auto leasing and Tier 1 companies in all of our markets, including China, the US and Europe.
- Improved stability in US and Pakistan relationship boosting confidence and trade relations.
- The China Pakistan Economic Corridor (CPEC) investment, initiated by China, has exceeded $62 billion investment from the originally planned $46 billion on Pakistan energy and infrastructure sectors.
- China's auto sector remains strong as our customers are constantly demanding 'Change Requests' or additional services and reflects resilience.

Negative trends:

- The degree to which the COVID-19 pandemic impacts our future business globally, results of operations and financial condition will depend on future developments, which are uncertain, including but not limited to the duration, spread and severity of the pandemic, the availability, adoption and efficacy of vaccines, government responses and other actions to mitigate the spread of and to treat COVID-19, and when and to what extent normal business, economic and social activity and conditions resume.
- We are unable to predict the extent to which the pandemic impacts our customers and other partners and their financial conditions, but adverse effects on these parties could also adversely affect us.
- Most OEMs and auto sectors are experiencing a major slowdown due to lockdowns, health concerns and component part supply chain issues.
- The C-level decision making to acquire new systems or even upgrade will be elongated due to uncertainty of the COVID-19 virus.
- Due to travel restrictions caused by COVID-19, it has been difficult to conduct face to face meetings for global clients and new prospects removing the personal connection essential to some decision making.
- The COVID-19 pandemic has adversely affected live industry conferences and events, such as those held by the Equipment Leasing and Finance Association (ELFA), reducing leads and market exposure.
- Working from the office continues to pose its own risk of virus spread until it ameliorated.
- Political actions, including trade protection and national security policies of the U.S. and Chinese governments, such as tariffs or bans could in the future limit or prevent companies from transacting business with China and aggravate the global business environment.

CHANGES IN FINANCIAL CONDITION

Quarter Ended September 30, 2021 Compared to the Quarter Ended September 30, 2020

The following table sets forth the items in our unaudited condensed consolidated statement of operations for the three months ended September 30, 2021 and 2020 as a percentage of revenues.

	For the Three Months Ended September 30,			
	2021	%	2020	%
Net Revenues:				
License fees	$ 10,716	0.1%	$ 3,475	0.0%
Subscription and support	6,230,389	46.4%	5,171,863	40.9%
Services	7,179,656	53.5%	7,472,040	59.1%
Total net revenues	13,420,761	100.0%	12,647,378	100.0%
Cost of revenues:				
Salaries and consultants	5,662,410	42.2%	4,526,649	35.8%
Travel	214,132	1.6%	103,752	0.8%
Depreciation and amortization	765,735	5.7%	707,249	5.6%
Other	1,335,461	10.0%	928,153	7.3%
Total cost of revenues	7,977,738	59.4%	6,265,803	49.5%
Gross profit	5,443,023	40.6%	6,381,575	50.5%
Operating expenses:				
Selling and marketing	1,619,993	12.1%	1,609,604	12.7%
Depreciation and amortization	214,271	1.6%	221,790	1.8%
General and administrative	3,973,139	29.6%	3,427,636	27.1%
Research and development cost	275,230	2.1%	85,989	0.7%
Total operating expenses	6,082,633	45.3%	5,345,019	42.3%
Income (loss) from operations	(639,610)	-4.8%	1,036,556	8.2%
Other income and (expenses)				
Loss on sale of assets	(110,600)	-0.8%	(21,742)	-0.2%
Interest expense	(101,013)	-0.8%	(103,327)	-0.8%
Interest income	443,133	3.3%	200,821	1.6%
Gain on foreign currency exchange transactions	1,284,148	9.6%	296,041	2.3%
Share of net loss from equity investment	(160,965)	-1.2%	(107,850)	-0.9%
Other income	3,029	0.0%	87,272	0.7%
Total other income (expenses)	1,357,732	10.1%	351,215	2.8%
Net income before income taxes	718,122	5.4%	1,387,771	11.0%
Income tax provision	(167,627)	-1.2%	(264,294)	-2.1%
Net income	550,495	4.1%	1,123,477	8.9%
Non-controlling interest	(362,526)	-2.7%	(405,923)	-3.2%
Net income attributable to NetSol	$ 187,969	1.4%	$ 717,554	5.7%

A significant portion of our business is conducted in currencies other than the U.S. dollar. We operate in several geographical regions as described in Note 19 "Operating Segments" within the Notes to the Condensed Consolidated Financial Statements. Weakening of the value of the U.S. dollar compared to foreign currency exchange rates generally has the effect of increasing our revenues but also increasing our expenses denominated in currencies other than the U.S. dollar. Similarly, strengthening of the U.S. dollar compared to foreign currency exchange rates generally has the effect of reducing our revenues but also reducing our expenses denominated in currencies other than the U.S. dollar. We plan our business accordingly by deploying additional resources to areas of expansion, while continuing to monitor our overall expenditures given the economic uncertainties of our target markets. In order to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency fluctuations, we compare the changes in results from one period to another period using constant currency. In order to calculate our constant currency results, we apply the current period results to the prior period foreign currency exchange rates. In the table below, we present the change based on actual results in reported currency and in constant currency.

	For the Three Months Ended September 30,				Favorable (Unfavorable) Change in Constant Currency	Favorable (Unfavorable) Change due to Currency Fluctuation	Total Favorable (Unfavorable) Change as Reported
	2021	%	2020	%			
Net Revenues:	$ 13,420,761	100.0%	$ 12,647,378	100.0%	$ 480,537	$ 292,846	$ 773,383
Cost of revenues:	7,977,738	59.4%	6,265,803	49.5%	(1,519,306)	(192,629)	(1,711,935)
Gross profit	5,443,023	40.6%	6,381,575	50.5%	(1,038,769)	100,217	(938,552)
Operating expenses:	6,082,633	45.3%	5,345,019	42.3%	(613,257)	(124,357)	(737,614)
Income (loss) from operations	$ (639,610)	-4.8%	$ 1,036,556	8.2%	$ (1,652,026)	$ (24,140)	$ (1,676,166)

Net revenues for the quarter ended September 30, 2021 and 2020 are broken out among the segments as follows:

	2021		2020	
	Revenue	%	Revenue	%
North America	$ 930,234	6.9%	$ 812,878	6.4%
Europe	3,272,899	24.4%	3,151,891	24.9%
Asia-Pacific	9,217,628	68.7%	8,682,609	68.7%
Total	$ 13,420,761	100.0%	$ 12,647,378	100.0%

Revenues

License fees

License fees for the three months ended September 30, 2021 were $10,716 compared to $3,475 for the three months ended September 30, 2020 reflecting an increase of $7,241 with a change in constant currency of $6,685.

Subscription and support

Subscription and support fees for the three months ended September 30, 2021 were $6,230,389 compared to $5,171,863 for the three months ended September 30, 2020 reflecting an increase of $1,058,526 with a change in constant currency of $903,486. Subscription and support fees begin once a customer has "gone live" with our product. Subscription and support fees are recurring in nature, and we anticipate these fees to gradually increase as we implement both our NFS legacy products and NFS Ascent®.

Services

Services income for the three months ended September 30, 2021 was $7,179,656 compared to $7,472,040 for the three months ended September 30, 2020 reflecting a decrease of $292,384 with a decrease in constant currency of $429,634. Services revenue is derived from services provided to both current customers as well as services provided to new customers as part of the implementation process.

Gross Profit

The gross profit was $5,443,023, for the three months ended September 30, 2021 as compared with $6,381,575 for the three months ended September 30, 2020. This is a decrease of $938,552 with a change in constant currency of $1,038,769. The gross profit percentage for the three months ended September 30, 2021 also decreased to 40.6% from 50.5% for the three months ended September 30, 2020. The cost of sales was $7,977,738 for the three months ended September 30, 2021 compared to $6,265,803 for the three months ended September 30, 2020 for an increase of $1,711,935 and on a constant currency basis an increase of $1,519,306. As a percentage of sales, cost of sales increased from 49.5% for the three months ended September 30, 2020 to 59.4% for the three months ended September 30, 2021.

Salaries and consultant fees increased by $1,135,761 from $4,526,649 for the three months ended September 30, 2020 to $5,662,410 for the three months ended September 30, 2021 and on a constant currency basis increased by $1,001,144. The increase is due to increases in salaries that had been decreased as part of our cost savings measure due to the COVID-19 pandemic last year, annual salary raises, and new hirings. As a percentage of sales, salaries and consultant expense increased from 35.8% for the three months ended September 30, 2020 to 42.2% for the three months ended September 30, 2021.

Travel expense was $214,132 for the three months ended September 30, 2021 compared to $103,752 for the three months ended September 30, 2020 for an increase of $110,380 with an increase in constant currency of $101,312. The increase in travel expense is due to the increase in travel as countries begin lifting travel restrictions.

Depreciation and amortization expense increased to $765,735 compared to $707,249 for the three months ended September 30, 2020 or an increase of $58,486 and on a constant currency basis an increase of $45,338.

Other cost increased to $1,335,461 for the three months ended September 30, 2021 compared to $925,153 for the three months ended September 30, 2020 or an increase of $407,308 and on constant currency basis an increase of $371,512. The increase is mainly due to a one time hosting cost of $302,000.

Operating Expenses

Operating expenses were $6,082,633 for the three months ended September 30, 2021 compared to $5,345,019, for the three months ended September 30, 2020 for an increase of 13.8% or $737,614 and on a constant currency basis an increase of 11.5% or $613,257. As a percentage of sales, it increased from 42.3% to 45.3%. The increase in operating expenses was primarily due to increases in general and administrative expenses and research and development costs.

General and administrative expenses were $3,973,139 for the three months ended September 30, 2021 compared to $3,427,636 at September 30, 2020 or an increase of $545,503 or 15.9% and on a constant currency basis an increase of $453,602 or 13.2%. During the three months ended September 30, 2021, salaries increased by approximately $227,932 or $180,026 on a constant currency basis, other general and administrative expenses increased approximately $199,536 or $164,639 on a constant currency basis, and professional services increased approximately $118,035 or $108,937 on constant currency basis.

Income/Loss from Operations

Loss from operations was $639,610 for the three months ended September 30, 2021 compared to income from operations of $1,036,556 for the three months ended September 30, 2020. This represents a decrease of $1,676,166 with a decrease of $1,652,026 on a constant currency basis for the three months ended September 30, 2021 compared with the three months ended September 30, 2020. As a percentage of sales, loss from operations was 4.8% for the three months ended September 30, 2021 compared to income of 8.2% for the three months ended September 30, 2020.

Other Income and Expense

Other income was $1,357,732 for the three months ended September 30, 2021 compared to $351,215 for the three months ended September 30, 2020. This represents an increase of $1,006,517 with an increase of $958,918 on a constant currency basis. The increase is primarily due to the foreign currency exchange transactions. The majority of the contracts with NetSol PK are either in U.S. dollars or Euros; therefore, the currency fluctuations will lead to foreign currency exchange gains or losses depending on the value of the PKR compared to the U.S. dollar and the Euro. During the three months ended September 30, 2021, we recognized a gain of $1,284,148 in foreign currency exchange transactions compared to a gain of $296,041for the three months ended September 30, 2020. During the three months ended September 30, 2021, the value of the U.S. dollar and the Euro increased 8.1% and 5.5%, respectively, compared to the PKR. During the three months ended September 30, 2020, the value of the U.S. dollar decreased 1.4% and the value of the Euro increased 3.0%, respectively, compared to the PKR.

Non-controlling Interest

For the three months ended September 30, 2021, the net income attributable to non-controlling interest was $362,526, compared to $405,923 for the three months ended September 30, 2020. The decrease in non-controlling interest is primarily due to the decrease in net income of NetSol PK.

Net Income attributable to NetSol

Net income was $187,969 for the three months ended September 30, 2021 compared to $717,554 for the three months ended September 30, 2020. This is a decrease of $529,585 with a decrease of $550,552 on a constant currency basis, compared to the prior year. For the three months ended September 30, 2021, net income per share was $0.02 for basic and diluted shares compared to $0.06 for basic and diluted shares for the three months ended September 30, 2020.

Non-GAAP Financial Measures

Regulation S-K Item 10(e), "Use of Non-GAAP Financial Measures in Commission Filings," defines and prescribes the conditions for use of non-GAAP financial information. Our measures of adjusted EBITDA and adjusted EBITDA per basic and diluted share meet the definition of a non-GAAP financial measure.

We define the non-GAAP measures as follows:

- EBITDA is GAAP net income or loss before net interest expense, income tax expense, depreciation and amortization.
- Non-GAAP adjusted EBITDA is EBITDA plus stock-based compensation expense.
- Adjusted EBITDA per basic and diluted share – Adjusted EBITDA allocated to common stock divided by the weighted average shares outstanding and diluted shares outstanding.

We use non-GAAP measures internally to evaluate the business and believe that presenting non-GAAP measures provides useful information to investors regarding the underlying business trends and performance of our ongoing operations as well as useful metrics for monitoring our performance and evaluating it against industry peers. The non-GAAP financial measures presented should be used in addition to, and in conjunction with, results presented in accordance with GAAP, and should not be relied upon to the exclusion of GAAP financial measures. Management strongly encourages investors to review our consolidated financial statements in their entirety and not to rely on any single financial measure in evaluating the Company.

The non-GAAP measures reflect adjustments based on the following items:

EBITDA: We report EBITDA as a non-GAAP metric by excluding the effect of net interest expense, income tax expense, depreciation and amortization from net income or loss because doing so makes internal comparisons to our historical operating results more consistent. In addition, we believe providing an EBITDA calculation is a more useful comparison of our operating results to the operating results of our peers.

Stock-based compensation expense: We have excluded the effect of stock-based compensation expense from the non-GAAP adjusted EBITDA and non-GAAP adjusted EBITDA per basic and diluted share calculations. Although stock-based compensation expense is calculated in accordance with current GAAP and constitutes an ongoing and recurring expense, such expense is excluded from non-GAAP results because it is not an expense which generally requires cash settlement by NetSol, and therefore is not used by us to assess the profitability of our operations. We also believe the exclusion of stock-based compensation expense provides a more useful comparison of our operating results to the operating results of our peers.

Non-controlling interest: We add back the non-controlling interest in calculating gross adjusted EBITDA and then subtract out the income taxes, depreciation and amortization and net interest expense attributable to the non-controlling interest to arrive at a net adjusted EBITDA.

Our reconciliation of the non-GAAP financial measures of adjusted EBITDA and non-GAAP earnings per basic and diluted share to the most comparable GAAP measures for the three months ended September 30, 2021 and 2020 are as follows:

	For the Three Months Ended September 30, 2021	For the Three Months Ended September 30, 2020
Net Income (loss) attributable to NetSol	$ 187,969	$ 717,554
Non-controlling interest	362,526	405,923
Income taxes	167,627	264,294
Depreciation and amortization	980,006	929,039
Interest expense	101,013	103,327
Interest (income)	(443,133)	(200,821)
EBITDA	$ 1,356,008	$ 2,219,316
Add back:		
Non-cash stock-based compensation	3,003	90,995
Adjusted EBITDA, gross	$ 1,359,011	$ 2,310,311
Less non-controlling interest (a)	(588,879)	(698,844)
Adjusted EBITDA, net	$ 770,132	$ 1,611,467
Weighted Average number of shares outstanding		
Basic	11,254,205	11,787,233
Diluted	11,254,205	11,787,233
Basic adjusted EBITDA	$ 0.07	$ 0.14
Diluted adjusted EBITDA	$ 0.07	$ 0.14

(a)The reconciliation of adjusted EBITDA of non-controlling interest to net income attributable to non-controlling interest is as follows

	For the Three Months Ended September 30, 2021	For the Three Months Ended September 30, 2020
Net Income (loss) attributable to non-controlling interest	$ 362,526	$ 405,923
Income Taxes	52,666	48,649
Depreciation and amortization	287,631	264,565
Interest expense	29,400	31,520
Interest (income)	(143,344)	(65,957)
EBITDA	$ 588,879	$ 684,700
Add back:		
Non-cash stock-based compensation	-	14,144
Adjusted EBITDA of non-controlling interest	$ 588,879	$ 698,844

LIQUIDITY AND CAPITAL RESOURCES

Our cash position was $26,999,876 at September 30, 2021, compared to $33,705,154 at June 30, 2021.

Net cash used in operating activities was $3,391,653 for the three months ended September 30, 2021 compared to cash provided by operating activities $4,711,604 for the three months ended September 30, 2020. At September 30, 2021, we had current assets of $52,145,259 and current liabilities of $21,009,866. We had accounts receivable of $6,043,444 at September 30, 2021 compared to $4,184,096 at June 30, 2021. We had revenues in excess of billings of $17,133,468 at September 30, 2021 compared to $15,637,734 at June 30, 2021 of which $969,456 and $957,603 is shown as long term as of September 30, 2021 and June 30, 2021, respectively. The long-term portion was discounted by $57,378 and $66,779 at September 30, 2021 and June 30, 2021, respectively, using the discounted cash flow method with interest rates ranging from 4.65% to 6.25%. During the three months ended September 30, 2021, our revenues in excess of billings were reclassified to accounts receivable pursuant to billing requirements detailed in each contract. The combined totals for accounts receivable and revenues in excess of billings increased by $3,355,082 from $19,821,830 at June 30, 2021 to $23,176,912 at September 30, 2021. Accounts payable and accrued expenses, and current portions of loans and lease obligations amounted to $6,369,870 and $10,423,215, respectively at September 30, 2021. Accounts payable and accrued expenses, and current portions of loans and lease obligations amounted to $6,696,035 and $11,366,171, respectively at June 30, 2021.

The average days sales outstanding for the three months ended September 30, 2021 and 2020 were 147 and 200 days, respectively, for each period. The days sales outstanding have been calculated by taking into consideration the average combined balances of accounts receivable and revenues in excess of billings.

Net cash used in investing activities was $196,407 for the three months ended September 30, 2021, compared to $517,116 for the three months ended September 30, 2020. We had purchases of property and equipment of $216,112 compared to $489,289 for the three months ended September 30, 2020. For the three months ended September 30, 2020, we invested $60,500, in DriveMate.

Net cash used in financing activities was $463,570 for the three months ended September 30, 2021, compared to cash provided by financing activities of $89,113 for the three months ended September 30, 2020. For the three months ended September 30, 2021, we purchased 22,510 shares of our own stock for $100,106 compared to the purchase of 147,052 shares for $464,676 for the same period last year. The three months ended September 30, 2021 included the cash inflow of $Nil from bank proceeds compared to $697,295 for the same period last year. During the three months ended September 30, 2021, we had net payments for bank loans and finance leases of $363,464 compared to $143,506 for the three months ended September 30, 2020. We are operating in various geographical regions of the world through our various subsidiaries. Those subsidiaries have financial arrangements from various financial institutions to meet both their short and long-term funding requirements. These loans will become due at different maturity dates as described in Note 15 of the financial statements. We are in compliance with the covenants of the financial arrangements and there is no default, which may lead to early payment of these obligations. We anticipate paying back all these obligations on their respective due dates from its own sources.

We typically fund the cash requirements for our operations in the U.S. through our license, services, and subscription and support agreements, intercompany charges for corporate services, and through the exercise of options and warrants. As of September 30, 2021, we had approximately $27.0 million of cash, cash equivalents and marketable securities of which approximately $25.2 million is held by our foreign subsidiaries. As of June 30, 2021, we had approximately $33.7 million of cash, cash equivalents and marketable securities of which approximately $31.7 million is held by our foreign subsidiaries.

We remain open to strategic relationships that would provide value added benefits. The focus will remain on continuously improving cash reserves internally and reduced reliance on external capital raise.

As a growing company, we have on-going capital expenditure needs based on our short term and long-term business plans. Although our requirements for capital expenses vary from time to time, for the next 12 months, we anticipate needing $2 million for APAC, U.S. and Europe new business development activities and infrastructure enhancements, which we expect to provide from current operations.

While there is no guarantee that any of these methods will result in raising sufficient funds to meet our capital needs or that even if available will be on terms acceptable to us, we will be very cautious and prudent about any new capital raise given the global market uncertainties. However, we are very conscious of the dilutive effect and price pressures in raising equity-based capital.

Financial Covenants

Our UK based subsidiary, NTE, has an approved overdraft facility of £300,000 ($405,405) which requires that the aggregate amount of invoiced trade debtors (net of provisions for bad and doubtful debts and excluding intra-group debtors) of NTE, not exceeding 90 days old, will not be less than an amount equal to 200% of the facility. The Pakistani subsidiary, NetSol PK has an approved facility for export refinance from Askari Bank Limited amounting to Rupees 500 million ($2,924,661) and a running finance facility of Rupees 75 million ($438,699). NetSol PK has an approved facility for export refinance from another Habib Metro Bank Limited amounting to Rupees 900 million ($5,264,389). These facilities require NetSol PK to maintain a long-term debt equity ratio of 60:40 and the current ratio of 1:1. NetSol PK also has an approved export refinance facility of Rs. 380 million ($2,222,742) and a running finance facility of Rs. 120 million ($701,919) from Samba Bank Limited. During the tenure of loan, these two facilities require NetSol PK to maintain at a minimum a current ratio of 1:1, an interest coverage ratio of 4 times, a leverage ratio of 2 times, and a debt service coverage ratio of 4 times.

As of the date of this report, we are in compliance with the financial covenants associated with our borrowings. The maturity dates of the borrowings of respective subsidiaries may accelerate if they do not comply with these covenants. In case of any change in control in subsidiaries, they may have to repay their respective credit facilities.

CRITICAL ACCOUNTING POLICIES

Our condensed consolidated financial statements are prepared applying certain critical accounting policies. The SEC defines “critical accounting policies” as those that require application of management’s most difficult, subjective, or complex judgments. Critical accounting policies require numerous estimates and strategic or economic assumptions that may prove inaccurate or subject to variations and may significantly affect our reported results and financial position for the period or in future periods. Changes in underlying factors, assumptions, or estimates in any of these areas could have a material impact on our future financial condition and results of operations. Our financial statements are prepared in accordance with U.S. GAAP, and they conform to general practices in our industry. We apply critical accounting policies consistently from period to period and intend that any change in methodology occur in an appropriate manner. There have been no significant changes to our accounting policies and estimates as discussed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2021.

RECENT ACCOUNTING PRONOUNCEMENTS

For information with respect to recent accounting pronouncements and the impact of these pronouncements on our consolidated financial statements, see Note 2 of Notes to Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures about Market Risks.

None.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the Chief Financial Officer and Chief Executive Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting during the three months ended September 30, 2021, that have materially affected, or are reasonable likely to materially affect, the Company’s internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)).

PART II OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The repurchases provided in the table below were made through the quarter ended September 30, 2021:

Issuer Purchases of Equity Securities (1)

Month	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that may be Purchased Under the Plans or Programs
Aug-2021	22,510	$ 4.45	691,528	
Total	691,528		691,528	849,256

(1) The Board of Directors approved a repurchase of shares up to $2,000,000 on July 30, 2020. All shares permitted to be purchased under this July 2020 plan were purchased during the plan's original date and prior to the conclusion of the extension of the plan. On May 21, 2021, the Board of Directors authorized an additional repurchase plan of up to $2,000,000 worth of shares of common stock. The plan was authorized commencing May 21, 2021 through November 20, 2021 subject to an additional six months extension at the discretion of management. As of September 30, 2021, the total number of shares that could be purchased under both plans was 849,256. The actual maximum number of shares will vary depending on the actual price paid per share purchased.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CEO)
31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CFO)
32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CEO)
32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CFO)

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 12, 2021	*/s/ Najeeb U. Ghauri* NAJEEB U. GHAURI Chief Executive Officer
Date:	November 12, 2021	*/s/ Roger K. Almond* ROGER K. ALMOND Chief Financial Officer Principal Accounting Officer

Exhibit 31.1

Certification Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Najeeb Ghauri, certify that:

(1) I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2021 of NetSol Technologies, Inc., ("Registrant").

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

(3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedure, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2021

/s/ Najeeb Ghauri
Najeeb Ghauri,
Chief Executive Officer
Principal executive officer

Exhibit 31.2

Certification Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Roger K. Almond, certify that:

(1) I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2021 of NetSol Technologies, Inc., (“Registrant”).

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

(3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedure, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any changes in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and;

(5) The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 12, 2021

/s/ Roger K. Almond
Roger K. Almond
Chief Financial Officer
Principal Accounting Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NetSol Technologies, Inc. on Form 10-Q for the period ending September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Najeeb Ghauri, Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and,

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 12, 2021

/s/ Najeeb Ghauri

Najeeb Ghauri,
Chief Executive Officer
Principal Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NetSol Technologies, Inc. on Form 10-Q for the period ending September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Roger K. Almond, Chief Financial Officer, and Principal Accounting Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and,

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 12, 2021

/s/ Roger K. Almond

Roger K. Almond
Chief Financial Officer
Principal Accounting Officer