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 December 31, 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 (State or other Jurisdiction of Incorporation or Organization)	95-4627685 (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 12,186,070 shares issued and 11,247,039 outstanding of its $.01 par value Common Stock and no Preferred Stock outstanding as of February 5, 2022.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements (Unaudited)

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

(Unaudited)

		As of December 31, 2021		As of June 30, 2021
ASSETS				
Current assets:				
Cash and cash equivalents	$	25,587,515	$	33,705,154
Accounts receivable, net of allowance of $173,589 and $166,231		7,190,759		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 $82,042 and $136,976		18,730,022		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		2,581,401		3,009,393
Total current assets		54,089,697		55,578,774
Revenues in excess of billings, net - long term		985,772		957,603
Convertible note receivable - related party, net of allowance of $4,250,000 and $4,250,000		-		-
Property and equipment, net		10,265,385		12,091,812
Right of use of assets - operating leases		1,029,294		1,345,869
Long term investment		2,921,667		3,155,852
Other assets		33,204		55,127
Intangible assets, net		2,657,204		3,904,656
Goodwill		9,516,568		9,516,568
Total assets	$	81,498,791	$	86,606,261
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued expenses	$	6,394,780	$	6,696,035
Current portion of loans and obligations under finance leases		10,147,993		11,366,171
Current portion of operating lease obligations		770,559		857,729
Unearned revenue		3,719,348		4,556,626
Total current liabilities		21,032,680		23,476,561
Loans and obligations under finance leases; less current maturities		120,277		699,841
Operating lease obligations; less current maturities		319,613		564,257
Total liabilities		21,472,570		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; 12,186,070 shares issued and 11,247,039 outstanding as of December 31, 2021 and 12,181,585 shares issued and 11,265,064 outstanding as of June 30, 2021		121,861		121,816
Additional paid-in-capital		129,042,021		129,018,826
Treasury stock (at cost, 939,031 shares and 916,521 shares as of December 31, 2021 and June 30, 2021, respectively)		(3,920,856)		(3,820,750)
Accumulated deficit		(37,206,528)		(38,801,282)
Other comprehensive loss		(34,935,629)		(31,868,481)
Total NetSol stockholders' equity		53,100,869		54,650,129
Non-controlling interest		6,925,352		7,215,473
Total stockholders' equity		60,026,221		61,865,602
Total liabilities and stockholders' equity	$	81,498,791	$	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 December 31,		For the Six Months Ended December 31,	
	2021	2020	2021	2020
Net Revenues:				
License fees	$ 1,955,331	$ 2,586,504	$ 1,966,047	$ 2,589,979
Subscription and support	9,374,869	5,724,802	15,605,258	10,896,665
Services	4,142,762	4,810,154	11,322,418	12,282,194
Total net revenues	15,472,962	13,121,460	28,893,723	25,768,838
Cost of revenues:				
Salaries and consultants	5,661,917	5,294,662	11,324,327	9,821,311
Travel	282,836	159,174	496,968	262,926
Depreciation and amortization	728,868	713,749	1,494,603	1,420,998
Other	1,156,754	911,566	2,492,215	1,839,719
Total cost of revenues	7,830,375	7,079,151	15,808,113	13,344,954
Gross profit	7,642,587	6,042,309	13,085,610	12,423,884
Operating expenses:				
Selling and marketing	1,807,162	1,558,027	3,427,155	3,167,631
Depreciation and amortization	212,864	221,572	427,135	443,362
General and administrative	3,733,303	4,065,788	7,706,442	7,493,424
Research and development cost	235,390	110,419	510,620	196,408
Total operating expenses	5,988,719	5,955,806	12,071,352	11,300,825
Income from operations	1,653,868	86,503	1,014,258	1,123,059
Other income and (expenses)				
Gain (loss) on sale of assets	(80,125)	(52,531)	(190,725)	(74,273)
Interest expense	(90,808)	(94,241)	(191,821)	(197,568)
Interest income	316,253	210,854	759,386	411,675
Gain (loss) on foreign currency exchange transactions	901,016	13,981	2,185,164	310,022
Share of net loss from equity investment	(79,818)	(43,685)	(240,783)	(151,535)
Other income	19,668	45,365	22,697	132,637
Total other income (expenses)	986,186	79,743	2,343,918	430,958
Net income before income taxes	2,640,054	166,246	3,358,176	1,554,017
Income tax provision	(201,506)	(245,434)	(369,133)	(509,728)
Net income (loss)	2,438,548	(79,188)	2,989,043	1,044,289
Non-controlling interest	(1,031,763)	(162,916)	(1,394,289)	(568,839)
Net income (loss) attributable to NetSol	$ 1,406,785	$ (242,104)	$ 1,594,754	$ 475,450
Net income (loss) per share:				
Net income (loss) per common share				
Basic	$ 0.13	$ (0.02)	$ 0.14	$ 0.04
Diluted	$ 0.13	$ (0.02)	$ 0.14	$ 0.04
Weighted average number of shares outstanding				
Basic	11,244,539	11,580,030	11,249,372	11,683,631
Diluted	11,244,539	11,580,030	11,249,372	11,683,631

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 December 31,		For the Six Months Ended December 31,	
	2021	2020	2021	2020
Net income (loss)	$ 1,406,785	$ (242,104)	$ 1,594,754	$ 475,450
Other comprehensive income (loss):				
Translation adjustment	(1,466,995)	1,633,906	(4,751,391)	2,728,630
Translation adjustment attributable to non-controlling interest	545,252	(483,826)	1,684,243	(703,734)
Net translation adjustment	(921,743)	1,150,080	(3,067,148)	2,024,896
Comprehensive income (loss) attributable to NetSol	$ 485,042	$ 907,976	$ (1,472,394)	$ 2,500,346

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 December 31, 2021 is provided below:

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Shares	Accumulated Deficit	Other Compre-hensive Loss	Non Controlling Interest	Total Stockholders' Equity
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
Common stock issued for:								
Services	2,500	25	9,875	-	-	-	-	9,900
Fair value of subsidiary options issued	-	-	1,164	-	-	-	-	1,164
Foreign currency translation adjustment	-	-	-	-	-	(921,743)	(545,252)	(1,466,995)
Net income for the year	-	-	-	-	1,406,785	-	1,031,763	2,438,548
Balance at December 31, 2021	12,186,070	$ 121,861	$ 129,042,021	$ (3,920,856)	$ (37,206,528)	$ (34,935,629)	$ 6,925,352	$ 60,026,221

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

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Shares	Accumulated Deficit	Other Compre-hensive Loss	Non Controlling Interest	Total Stockholders' 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

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 December 31, 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								
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
Common stock issued for:								
Services	10,413	105	58,563	-	-	-	-	58,668
Purchase of treasury shares	-	-	-	(927,995)	-	-	-	(927,995)
Foreign currency translation adjustment	-	-	-	-	-	1,150,080	483,826	1,633,906
Net income (loss) for the period	-	-	-	-	(242,104)	-	162,916	(79,188)
Balance at								
December 31, 2020	12,147,458	$ 121,476	$ 128,823,181	$ (2,848,640)	$ (40,104,089)	$ (32,060,151)	$ 7,287,273	$ 61,219,050

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 Six Months Ended December 31, 2021	For the Six Months Ended December 31, 2020
Cash flows from operating activities:		
Net income	$ 2,989,043	$ 1,044,289
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,921,738	1,864,360
Provision for bad debts	(33,815)	(175,575)
Share of net loss from investment under equity method	240,783	151,535
Loss on sale of assets	190,725	74,273
Stock based compensation	28,292	165,164
Changes in operating assets and liabilities:		
Accounts receivable	(3,243,348)	5,479,516
Revenues in excess of billing	(4,741,806)	4,540,271
Other current assets	304,464	(252,781)
Accounts payable and accrued expenses	56,539	313,869
Unearned revenue	(749,249)	(554,077)
Net cash provided by (used in) operating activities	(3,036,634)	12,650,844
Cash flows from investing activities:		
Purchases of property and equipment	(773,953)	(1,249,895)
Sales of property and equipment	201,773	123,194
Investment in associates	-	(93,000)
Net cash used in investing activities	(572,180)	(1,219,701)
Cash flows from financing activities:		
Purchase of treasury stock	(100,106)	(1,392,671)
Proceeds from bank loans	188,272	705,338
Payments on finance lease obligations and loans - net	(715,121)	(175,352)
Net cash used in financing activities	(626,955)	(862,685)
Effect of exchange rate changes	(3,881,870)	1,268,359
Net increase (decrease) in cash and cash equivalents	(8,117,639)	11,836,817
Cash and cash equivalents at beginning of the period	33,705,154	20,166,830
Cash and cash equivalents at end of period	$ 25,587,515	$ 32,003,647

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 Six Months Ended December 31,	
	2021	2020
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the period for:		
Interest	$ 238,569	$ 219,412
Taxes	$ 390,307	$ 366,695
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Assets acquired under finance lease	$ -	$ 222,391
Drivemate shares acquired for services rendered	$ -	$ 1,300,000
Shares issued to vendor for services received	$ 9,900	$ -

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 ($78,616) 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 December 31, 2021, and June 30, 2021, the Company had uninsured deposits related to cash deposits in accounts maintained within foreign entities of approximately $23,506,089 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 December 31, 2021, were as follows:

	Level 1	Level 2	Level 3	Total Assets
Revenues in excess of billings - long term	$ -	$ -	$ 985,772	$ 985,772
Total	$ -	$ -	$ 985,772	$ 985,772

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 December 31, 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	-	19,041	19,041
Effect of Translation Adjustment	9,460	(332)	9,128
Balance at December 31, 2021	$ 1,033,842	$ (48,070)	$ 985,772

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.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which requires contract assets and contract liabilities acquired in a business combination to be recognized in accordance with Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers, as if the acquirer had originated the contracts. ASU 2021-08 is effective for annual periods beginning after December 15, 2022, and interim periods within those years, with early adoption permitted. The Company does not expect the standard to have a material effect on its consolidated financial statements.

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 December 31,		For the Six Months Ended December 31,	
	2021	2020	2021	2020
Core:				
License	$ 1,955,331	$ 2,586,504	$ 1,966,047	$ 2,589,979
Subscription and support	9,374,869	5,724,802	15,605,258	10,896,665
Services	2,867,515	3,191,375	8,723,794	9,064,313
Services - related party	-	-	-	-
Total core revenue, net	14,197,715	11,502,681	26,295,099	22,550,957
Non-Core:				
Services	1,275,247	1,618,779	2,598,624	3,217,881
Total non-core revenue, net	1,275,247	1,618,779	2,598,624	3,217,881
Total net revenue	$ 15,472,962	$ 13,121,460	$ 28,893,723	$ 25,768,838

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 December 31, 2021	As of June 30, 2021
Revenues in excess of billings	$ 19,715,794	$ 15,637,734
Unearned revenue	$ 3,719,348	$ 4,556,626

During the six months ended December 31, 2021, the Company recognized revenue of $2,710,059 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 $45,996,382 as of December 31, 2021, of which the Company estimates to recognize approximately $16,566,939 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 December 31, 2021			For the six months ended December 31, 2021		
	Net Income	**Shares**	**Per Share**	**Net Income**	**Shares**	**Per Share**
Basic income per share:						
Net income available to common shareholders	$ 1,406,785	11,244,539	$ 0.13	$ 1,594,754	11,249,372	$ 0.14
Effect of dilutive securities						
Share grants	-	-	-	-	-	-
Diluted income per share	$ 1,406,785	11,244,539	$ 0.13	$ 1,594,754	11,249,372	$ 0.14

	For the three months ended December 31, 2020			For the six months ended December 31, 2020		
	Net Loss	**Shares**	**Per Share**	**Net Income**	**Shares**	**Per Share**
Basic income (loss) per share:						
Net income (loss) available to common shareholders	$ (242,104)	11,580,030	$ (0.02)	$ 475,450	11,683,631	$ 0.04
Effect of dilutive securities						
Share grants	-	-	-	-	-	-
Diluted income per share	$ (242,104)	11,580,030	$ (0.02)	$ 475,450	11,683,631	$ 0.04

For the three months ended December 31, 2020, 41,112 share grants were excluded from the shares used to calculate diluted earnings per share as their inclusion would have been anti-dilutive.

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 $34,935,629 and $31,868,481 as of December 31, 2021 and June 30, 2021, respectively. During the three and six months ended December 31, 2021, comprehensive income (loss) in the consolidated statements of comprehensive income (loss) included a translation loss attributable to NetSol of $(921,743) and $(3,067,148), respectively. During the three and six months ended December 31, 2020, comprehensive income (loss) in the consolidated statements of comprehensive income (loss) included a translation gain attributable to NetSol of $1,150,080 and $2,024,896, respectively.

NOTE 6 – MAJOR CUSTOMERS

During the six months ended December 31, 2021, revenues from Daimler Financial Services ("DFS") and BMW Financial ("BMW") were $11,421,688 and $1,531,588, respectively representing 39.5% and 5.3%, respectively of revenues. During the six months ended December 31, 2020 revenues from these two customers were $5,402,152 and $3,051,244, respectively representing 21.0% and 11.8%, respectively of revenues. The revenue from these customers are shown in the Asia – Pacific segment.

Accounts receivable from DFS and BMW at December 31, 2021, were $1,163,468 and $1,601,071, respectively. Accounts receivable at June 30, 2021, were $462,861 and $35,063, respectively. Revenues in excess of billings at December 31, 2021 were $8,336,839 and $3,326,380 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 December 31, 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 December 31, 2021	As of June 30, 2021
Prepaid Expenses	$ 1,551,735	$ 1,987,556
Advance Income Tax	359,964	344,699
Employee Advances	65,848	28,816
Security Deposits	253,778	281,464
Other Receivables	57,605	143,258
Other Assets	292,471	223,600
Due From Related Party	1,243,633	1,243,633
	3,825,034	4,253,026
Less allowance for doubtful account	(1,243,633)	(1,243,633)
Net Balance	$ 2,581,401	$ 3,009,393

Due from related party is the amount receivable from WRLD3D for which we have provided an allowance for credit loss for the full amount, leaving a net balance of $0.

NOTE 9 – REVENUES IN EXCESS OF BILLINGS – LONG TERM

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

	As of December 31, 2021	As of June 30, 2021
Revenues in excess of billings - long term	$ 1,033,842	$ 1,024,382
Present value discount	(48,070)	(66,779)
Net Balance	$ 985,772	$ 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 and six months ended December 31, 2021, the Company accreted $9,539 and $19,041, respectively. During the three and six months ended December 31, 2020, the Company accreted $27,766 and $41,826, 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 December 31, 2021	As of June 30, 2021
Office Furniture and Equipment	$ 3,363,282	$ 3,440,501
Computer Equipment	14,036,802	18,681,991
Assets Under Capital Leases	584,322	1,136,128
Building	5,547,302	6,205,210
Land	1,432,435	1,608,024
Autos	1,903,072	1,770,147
Improvements	195,465	35,592
Subtotal	27,062,680	32,877,593
Accumulated Depreciation	(16,797,295)	(20,785,781)
Property and Equipment, Net	$ 10,265,385	$ 12,091,812

For the three and six months ended December 31, 2021, depreciation expense was $527,463 and $1,067,185, respectively. Of these amounts, $314,599 and $640,050, respectively, are reflected in cost of revenues. For the three and six months ended December 31, 2020, depreciation expense was $485,456 and $981,723, respectively. Of these amounts, $263,884 and $538,361, respectively, are reflected in cost of revenues.

Following is a summary of fixed assets held under finance leases as of December 31, 2021 and June 30, 2021:

	As of December 31, 2021	As of June 30, 2021
Computers and Other Equipment	$ -	$ 169,487
Furniture and Fixtures	-	57,509
Vehicles	584,322	909,132
Total	584,322	1,136,128
Less: Accumulated Depreciation - Net	(265,010)	(627,119)
	$ 319,312	$ 509,009

Finance lease term and discount rate were as follows:

	As of December 31, 2021	As of June 30, 2021
Weighted average remaining lease term - Finance leases	1.99 Years	0.55 Years
Weighted average discount rate - Finance leases	7.6%	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 December 31, 2021	As of June 30, 2021
Assets		
Operating lease assets, net	$ 1,029,294	$ 1,345,869
Liabilities		
Current		
Operating	$ 770,559	$ 857,729
Non-current		
Operating	319,613	564,257
Total Lease Liabilities	$ 1,090,172	$ 1,421,986

The components of lease cost were as follows:

	For the Three Months Ended December 31, 2021	For the Three Months Ended December 31, 2020	For the Six Months Ended December 31, 2021	For the Six Months Ended December 31, 2020
Amortization of finance lease assets	$ 21,895	$ 31,926	$ 42,928	$ 77,179
Interest on finance lease obligation	3,212	6,953	8,148	18,645
Operating lease cost	97,827	310,740	380,778	630,826
Short term lease cost	38,781	13,493	38,781	30,071
Sub lease income	(8,950)	(8,738)	(18,105)	(17,362)
Total lease cost	$ 152,765	$ 354,374	$ 452,530	$ 739,359

Lease term and discount rate were as follows:

	As of December 31, 2021	As of June 30, 2021
Weighted average remaining lease term - Operating leases	1.65 Years	1.78 Years
Weighted average discount rate - Operating leases	5.9%	5.7%

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

	For the Six Months Ended December 31 2021	For the Six Months Ended December 31 2020
Cash flows related to lease liabilities		
Operating cash flows related to operating leases	$ 393,765	$ 529,970
Operating cash flows from finance leases	$ 3,531	$ 13,767
Financing cash flows from finance leases	$ 54,844	$ 168,624

Maturities of operating lease liabilities were as follows as of December 31, 2021:

	Amount
Within year 1	$ 809,508
Within year 2	262,760
Within year 3	62,912
Within year 4	744
Within year 5	744
Thereafter	1,859
Total Lease Payments	1,138,527
Less: Imputed interest	(48,355)
Present Value of lease liabilities	1,090,172
Less: Current portion	(770,559)
Non-Current portion	$ 319,613

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 and six months ended December 31, 2021, the Company received lease income of $8,950 and $18,105, respectively. For the three and six months ended December 31, 2020, the Company received lease income of $8,738 and $17,362, 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 December 31, 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 provided services of $12,528 during the three and six months ended December 31, 2021 and did not provide any services during the three and six months ended December 31, 2020.

Under the equity method of accounting, the Company recorded its share of net income of $4,666 and net loss of $58,905 for the three and six months ended December 31, 2021, respectively and the Company recorded its share of net income of $3,324 and $3,919 for the three and six months ended December 31, 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 and six months ended December 31, 2021 and December 31, 2020. Accounts receivable and revenue in excess of billing were $1,373,099 and $8,163 at December 31, 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 $84,484 and $181,878 for the three and six months ended December 31, 2021, and the Company recorded its share of net loss of $47,009 and $155,454 for the three and six months ended December 31, 2020, respectively.

The following table reflects the above investments at December 31, 2021.

	Drivemate	WRLD3D	Total
Gross investment	$ 1,800,000	$ 3,888,889	$ 5,688,889
Cumulative net loss on investment	(103,521)	(2,103,266)	(2,206,787)
Cumulative other comprehensive income (loss)	-	(565,101)	(565,101)
Net investment	$ 1,696,479	$ 1,220,522	$ 2,917,001

NOTE 13 - INTANGIBLE ASSETS

Intangible assets consisted of the following:

	As of December 31, 2021	As of June 30, 2021
Product Licenses - Cost	$ 47,244,997	$ 47,244,997
Effect of Translation Adjustment	(16,960,809)	(14,440,001)
Accumulated Amortization	(27,626,984)	(28,900,340)
Net Balance	$ 2,657,204	$ 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 $2,657,204 will be amortized over the next 1.75 years. Amortization expense for the three and six months ended December 31, 2021was $414,269 and $854,553, respectively. Amortization expense for the three and six months ended December 31, 2020 was $449,865 and $882,637, respectively.

(B) Future Amortization

Estimated amortization expense of intangible assets is as follows:

Period ended:	
December 31, 2022	$ 1,638,846
December 31, 2023	1,018,358
	$ 2,657,204

NOTE 14 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following:

	As of December 31, 2021	As of June 30, 2021
Accounts Payable	$ 871,445	$ 1,067,937
Accrued Liabilities	2,945,196	2,662,666
Accrued Payroll	1,454,765	1,782,512
Accrued Payroll Taxes	294,979	295,349
Taxes Payable	568,880	608,121
Other Payable	259,515	279,450
Total	$ 6,394,780	$ 6,696,035

NOTE 15 – DEBTS

Notes payable and finance leases consisted of the following:

		As of December 31, 2021		
Name		Total	Current Maturities	Long-Term Maturities
D&O Insurance	(1)	$ 146,959	$ 146,959	$ -
Bank Overdraft Facility	(2)	-	-	-
Term Finance Facility	(3)	979,250	979,250	-
Loan Payable Bank - Export Refinance	(4)	2,817,219	2,817,219	-
Loan Payable Bank - Running Finance	(5)	-	-	-
Loan Payable Bank - Export Refinance II	(6)	2,141,086	2,141,086	-
Loan Payable Bank - Running Finance II	(7)	-	-	-
Loan Payable Bank - Export Refinance III	(8)	3,944,107	3,944,107	-
Sale and Leaseback Financing	(9)	64,193	26,442	37,751
Term Finance Facility	(10)	44,280	19,708	24,572
Insurance Financing	(11)	20,264	20,264	-
		10,157,358	10,095,035	62,323
Subsidiary Finance Leases	(12)	110,912	52,958	57,954
		$ 10,268,270	$ 10,147,993	$ 120,277

		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 December 31, 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 December 31, 2021. The total outstanding balance as of December 31, 2021 and June 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 December 31, 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. 173,797,255 or $979,250, at December 31, 2021, which is shown as current. 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 December 31, 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 $2,817,219 at December 31, 2021 and Rs. 500,000,000 or $3,162,555 at June 30, 2021. The interest rate for the loan was 3% at December 31, 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 $422,583, at December 31, 2021. The balance outstanding at December 31, 2021 and June 30, 2021 was Rs. Nil. The interest rate for the loan was 12.5% and 9.5% at December 31, 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 December 31, 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 $2,141,086 and Rs. 380,000,000 or $2,403,542 at December 31, 2021 and June 30, 2021, respectively. The interest rate for the loan was 3% at December 31, 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 $676,133 and Rs. 120,000,000 or $759,013, at December 31, 2021 and June 30, 2021, respectively. The interest rate for the loan was 12.0% and 9.0% at December 31, 2021 and June 30, 2021, respectively. The balance outstanding at December 31, 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 December 31, 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. The total facility amount is Rs. 900,000,000 or $5,070,994 and Rs. 900,000,000 or $5,692,600, at December 31, 2021 and June 30, 2021, respectively. NetSol PK used Rs. 700,000,000 or $3,944,107 and Rs. 700,000,000 or $4,427,578, at December 31, 2021 and June 30, 2021, respectively. The interest rate for the loan was 3% at December 31, 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 December 31 2021, NetSol PK used Rs. 11,392,924 or $64,193 of which $37,751 was shown as long term and $26,442 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 December 31, 2021, and June 30, 2021.

(10) In March 2019, 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 December 31, 2021, the subsidiary has used this facility up to $44,280, of which $24,572 was shown as long-term and $19,708 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 December 31, 2021 and June 30, 2021.

(11) The Company's subsidiary, VLS, finances Directors' and Officers' ("D&O") liability insurance, and the $20,264 and $41,774 was recorded in current maturities, at December 31, 2021 and June 30, 2021, respectively. The interest rate on this financing ranged from 9.7% to 12.7% as of December 31, 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 December 31, 2021 and 2020.

Following is the aggregate minimum future lease payments under finance leases as of December 31, 2021:

	Amount
Minimum Lease Payments	
Within year 1	$ 59,099
Within year 2	44,749
Within year 3	16,756
Total Minimum Lease Payments	120,604
Interest Expense relating to future periods	(9,692)
Present Value of minimum lease payments	110,912
Less: Current portion	(52,958)
Non-Current portion	$ 57,954

Following is the aggregate future long term debt payments as of December 31, 2021

	Amount
Loan Payments	
Within year 1	$ 1,025,400
Within year 2	49,859
Within year 3	12,464
Total Loan Payments	1,087,723
Less: Current portion	(1,025,400)
Non-Current portion	$ 62,323

NOTE 16 - STOCKHOLDERS' EQUITY

During the three and six months ended December 31, 2021, the Company issued nil and 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 and six months ended December 31, 2021, the Company issued 2,500 shares of common stock for services received from one of its vendor. These shares were valued at the fair market value of $9,900.

During the three and six months ended December 31, 2021, the Company purchased nil and 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, December 31, 2021	5,000	$ 5.69

For the three and six months ended December 31, 2021, the Company recorded compensation expense of $14,225 and $17,228, respectively. For the three and six months ended December 31, 2020, the Company recorded compensation expense of $74,167 and $164,784, respectively. The compensation expense related to the unvested stock grants as of December 31, 2021 was $14,225 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 December 31, 2021 and June 30, 2021:

	As of December 31, 2021	As of June 30, 2021
Identifiable assets:		
Corporate headquarters	$ 2,147,024	$ 2,067,474
North America	5,978,111	6,073,616
Europe	9,763,859	10,363,611
Asia - Pacific	63,609,797	68,101,560
Consolidated	$ 81,498,791	$ 86,606,261

The following table presents a summary of investment under equity method as of December 31, 2021 and June 30, 2021:

	As of December 31, 2021	As of June 30, 2021
Investment in associates under equity method:		
Corporate headquarters	$ 346,491	$ 396,403
Asia - Pacific	2,575,176	2,759,449
Consolidated	$ 2,921,667	$ 3,155,852

NETSOL TECHNOLOGIES, INC.
Notes to Condensed Consolidated Financial Statements
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(Unaudited)

The following table presents a summary of operating information for the three and six months ended December 31:

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2021	2020	2021	2020
Revenues from unaffiliated customers:				
North America	$ 1,060,379	$ 1,016,556	$ 1,990,613	$ 1,829,434
Europe	2,122,094	2,726,206	5,394,993	5,878,097
Asia - Pacific	12,290,489	9,378,698	21,508,117	18,061,307
	15,472,962	13,121,460	28,893,723	25,768,838
Revenue from affiliated customers				
Asia - Pacific	-	-	-	-
	-	-	-	-
Consolidated	$ 15,472,962	$ 13,121,460	$ 28,893,723	$ 25,768,838
Intercompany revenue				
Europe	$ 116,479	$ 126,757	$ 243,677	$ 265,913
Asia - Pacific	774,364	3,125,729	3,334,464	5,284,357
Eliminated	$ 890,843	$ 3,252,486	$ 3,578,141	$ 5,550,270
Net income (loss) after taxes and before non-controlling interest:				
Corporate headquarters	$ 138,089	$ 1,173,146	$ 266,633	$ 2,340,941
North America	(58,915)	(47,019)	(127,008)	(328,816)
Europe	(589,882)	173,085	(398,439)	776,101
Asia - Pacific	2,949,256	(1,378,400)	3,247,857	(1,743,937)
Consolidated	$ 2,438,548	$ (79,188)	$ 2,989,043	$ 1,044,289
Depreciation and amortization:				
North America	$ 527	$ 998	$ 1,093	$ 2,952
Europe	100,646	108,929	199,494	216,937
Asia - Pacific	840,559	825,394	1,721,151	1,644,471
Consolidated	$ 941,732	$ 935,321	$ 1,921,738	$ 1,864,360
Interest expense:				
Corporate headquarters	$ 9,565	$ 4,897	$ 20,006	$ 10,931
North America	-	726	-	1,935
Europe	2,488	1,961	6,284	4,027
Asia - Pacific	78,755	86,657	165,531	180,675
Consolidated	$ 90,808	$ 94,241	$ 191,821	$ 197,568
Income tax expense:				
Corporate headquarters	$ -	$ -	$ 800	$ -
North America	-	-	1,600	-
Europe	9,524	92,359	9,524	204,037
Asia - Pacific	191,982	153,075	357,209	305,691
Consolidated	$ 201,506	$ 245,434	$ 369,133	$ 509,728

The following table presents a summary of capital expenditures for the six months ended December 31:

	For the Six Months Ended December 31, 2021	For the Six Months Ended December 31, 2020
Capital expenditures:		
North America	$ -	$ 1,521
Europe	89,451	301,233
Asia - Pacific	684,502	947,141
Consolidated	$ 773,953	$ 1,249,895

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 December 31, 2021
NetSol PK	33.88%	$ 6,832,666
NetSol-Innovation	33.88%	127,969
NetSol Thai	0.006%	(145)
OTOZ Thai	5.60%	701
OTOZ	5.59%	(35,839)
Total		$ 6,925,352

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 and six months ended December 31, 2021, the Company recorded an income tax provision of $201,506 and $369,133, respectively, resulting in an effective tax rate of 7.6% and 11.0%, respectively. During the three and six months ended December 31, 2020, the Company recorded an income tax provision of $245,434 and $509,728, respectively, resulting in an effective tax rate of 147.6% and 32.8%, 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 and six months ended December 31, 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 Application Program Interface (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, Know Your Customers (KYC), 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 Application (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 December 31, 2021:

- We went live in Japan and Australia with various NFS Ascent® and NFS implementations with Daimler Truck Financial Services GmbH ("DTFS"). These implementations were on time as per requirements of the Clients. The implementations will generate over $4,000,000 in revenues including license revenue, services revenue and support revenue over the next four years.

- We renegotiated a support contract with DFS which will generate over $10,000,000 on top of the previously projected revenues from the same contract, to be recognized over the next four years.

- We generated approximately $1,500,000 by implementing change requests from various customers across multiple regions.

- We renegotiated the support contract with BMW in China to additionally generate approximately $400,000 above the previously expected revenues.

- We signed a contract with a commercial finance organization in Australia, which is part of a bigger finance network to implement NFS Ascent®. This SaaS implementation is expected to generate approximately $500,000 in subscriptions and services over the next five years.

- We progressed to the UAT stage in the implementation process of our NFS Ascent® Suite for DFS in India.

- We entered into a strategic partnership with CGI in a bid to gain further traction in Europe. This partnership is expected to not only expand the current business pipeline in Europe but will also help in successfully delivering future SaaS implementations across Europe and other regions.

- We were awarded a Five-Star Premier Business Partnership Level Status with the American Financial Services Association.

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 and is consistent with our transformation strategy as market size has expanded globally.

- Mobility and digital transformation is the new norm showing acceleration in every sector particularly in auto and banking.

- 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, have positively impacted our financials.

- Since September 2021, we have over 40% of employees working from the office in all of our global locations.

- The work environment created by COVID-19 has led our R&D teams to expand and monetize mobile and digital solutions in our space and complementary sectors in an effort to anticipate customer needs.

- 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 or car sharing encourage the use of 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 December 31, 2021 Compared to the Quarter Ended December 31, 2020

The following table sets forth the items in our unaudited condensed consolidated statement of operations for the three months ended December 31, 2021 and 2020 as a percentage of revenues.

	For the Three Months Ended December 31,			
	2021	%	2020	%
Net Revenues:				
License fees	$ 1,955,331	12.6%	$ 2,586,504	19.7%
Subscription and support	9,374,869	60.6%	5,724,802	43.6%
Services	4,142,762	26.8%	4,810,154	36.7%
Total net revenues	15,472,962	100.0%	13,121,460	100.0%
Cost of revenues:				
Salaries and consultants	5,661,917	36.6%	5,294,662	40.4%
Travel	282,836	1.8%	159,174	1.2%
Depreciation and amortization	728,868	4.7%	713,749	5.4%
Other	1,156,754	7.5%	911,566	6.9%
Total cost of revenues	7,830,375	50.6%	7,079,151	54.0%
Gross profit	7,642,587	49.4%	6,042,309	46.0%
Operating expenses:				
Selling and marketing	1,807,162	11.7%	1,558,027	11.9%
Depreciation and amortization	212,864	1.4%	221,572	1.7%
General and administrative	3,733,303	24.1%	4,065,788	31.0%
Research and development cost	235,390	1.5%	110,419	0.8%
Total operating expenses	5,988,719	38.7%	5,955,806	45.4%
Income from operations	1,653,868	10.7%	86,503	0.7%
Other income and (expenses)				
Gain (loss) on sale of assets	(80,125)	-0.5%	(52,531)	-0.4%
Interest expense	(90,808)	-0.6%	(94,241)	-0.7%
Interest income	316,253	2.0%	210,854	1.6%
Gain (loss) on foreign currency exchange transactions	901,016	5.8%	13,981	0.1%
Share of net loss from equity investment	(79,818)	-0.5%	(43,685)	-0.3%
Other income	19,668	0.1%	45,365	0.3%
Total other income (expenses)	986,186	6.4%	79,743	0.6%
Net income before income taxes	2,640,054	17.1%	166,246	1.3%
Income tax provision	(201,506)	-1.3%	(245,434)	-1.9%
Net income (loss)	2,438,548	15.8%	(79,188)	-0.6%
Non-controlling interest	(1,031,763)	-6.7%	(162,916)	-1.2%
Net income (loss) attributable to NetSol	$ 1,406,785	9.1%	$ (242,104)	-1.8%

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 December 31,				Favorable (Unfavorable) Change in Constant	Favorable (Unfavorable) Change due to Currency	Total Favorable (Unfavorable) Change as
	2021	%	2020	%	Currency	Fluctuation	Reported
Net Revenues:	$ 15,472,962	100.0%	$ 13,121,460	100.0%	$ 2,991,365	$ (639,863)	$ 2,351,502
Cost of revenues:	7,830,375	50.6%	7,079,151	54.0%	(1,178,913)	427,689	(751,224)
Gross profit	7,642,587	49.4%	6,042,309	46.0%	1,812,452	(212,174)	1,600,278
Operating expenses:	5,988,719	38.7%	5,955,806	45.4%	(224,992)	192,079	(32,913)
Income (loss) from operations	$ 1,653,868	10.7%	$ 86,503	0.7%	$ 1,587,460	$ (20,095)	$ 1,567,365

Net revenues for the quarter ended December 31, 2021 and 2020 are broken out among the segments as follows:

	2021		2020	
	Revenue	%	Revenue	%
North America	$ 1,060,379	6.9%	$ 1,016,556	7.7%
Europe	2,122,094	13.7%	2,726,206	20.8%
Asia-Pacific	12,290,489	79.4%	9,378,698	71.5%
Total	$ 15,472,962	100.0%	$ 13,121,460	100.0%

Revenues

License fees

License fees for the three months ended December 31, 2021 were $1,955,331 compared to $2,586,504 for the three months ended December 31, 2020 reflecting a decrease of $631,173 with a change in constant currency of $469,465. During the three months ended December 31, 2021, we recognized approximately $1,920,000 related to a new agreement with DTFS for the sale of both our legacy and Ascent product® for their new business segment in the Japanese and Australian markets. During the three months ended December 31, 2020, the Company recognized approximately $2,410,000 of revenue related to a new agreement with an existing tier one finance company in China to upgrade to our NFS Ascent® Retail and Wholesale platforms.

Subscription and support

Subscription and support fees for the three months ended December 31, 2021 were $9,374,869 compared to $5,724,802 for the three months ended December 31, 2020 reflecting an increase of $3,650,067 with a change in constant currency of $4,170,753. The major increase is related to the revised ceiling amount for post contract support due to the software customizations related to the DFS contract. The Company recorded a one-time post contract support revenue of approximately $3,480,000 using the catch-up approach during the three months ended December 31, 2021. In addition, the Company will recognize approximately $7,931,000 of additional subscription and support revenue over the remaining four years of the contract. 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 December 31, 2021 was $4,142,762 compared to $4,810,154 for the three months ended December 31, 2020 reflecting a decrease of $667,392 with a decrease in constant currency of $709,923. The decrease is primarily due to the reduction in implementation services as certain implementations are nearing completion or have gone live. 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 $7,642,587, for the three months ended December 31, 2021 as compared with $6,042,309 for the three months ended December 31, 2020. This is an increase of $1,600,278 with a change in constant currency of $1,812,452. The gross profit percentage for the three months ended December 31, 2021 also increased to 49.4% from 46.0% for the three months ended December 31, 2020. The cost of sales was $7,830,375 for the three months ended December 31, 2021 compared to $7,079,151 for the three months ended December 31, 2020 for an increase of $751,224 and on a constant currency basis an increase of $1,178,913. As a percentage of sales, cost of sales decreased from 54.0% for the three months ended December 31, 2020 to 50.6% for the three months ended December 31, 2021.

Salaries and consultant fees increased by $367,255 from $5,294,662 for the three months ended December 31, 2020 to $5,661,917 for the three months ended December 31, 2021 and on a constant currency basis increased by $666,430. 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 decreased from 40.4% for the three months ended December 31, 2020 to 36.6% for the three months ended December 31, 2021.

Travel expense was $282,836 for the three months ended December 31, 2021 compared to $159,174 for the three months ended December 31, 2020 for an increase of $123,662 with an increase in constant currency of $133,039. The increase in travel expense is due to the increase in travel as countries begin lifting travel restrictions.

Depreciation and amortization expense increased to $728,868 compared to $713,749 for the three months ended December 31, 2020 or an increase of $15,119 and on a constant currency basis an increase of $76,963.

Other cost increased to $1,156,754 for the three months ended December 31, 2021 compared to $911,566 for the three months ended December 31, 2020 or an increase of $245,188 and on constant currency basis an increase of $302,481. The increase is mainly due to increase in repair and maintenance cost and computer cost.

Operating Expenses

Operating expenses were $5,988,719 for the three months ended December 31, 2021 compared to $5,955,806, for the three months ended December 31, 2020 for an increase of 0.60% or $32,913 and on a constant currency basis an increase of 3.8% or $224,992. As a percentage of sales, it decreased from 45.4% to 38.7%. The increase in operating expenses was primarily due to increases in selling expenses and research and development costs off set by decrease in general and administrative expenses.

Selling expenses were $1,807,162 for the three months ended December 31, 2021 compared to $1,558,027, for the three months ended December 31, 2020 for an increase of $249,135 and on constant currency basis an increase of $330,431.

General and administrative expenses were $3,733,303 for the three months ended December 31, 2021 compared to $4,065,788 at December 31, 2020 or a decrease of $332,485 or 8.2% and on a constant currency basis a decrease of $248,398 or 6.1%. During the three months ended December 31, 2021, salaries decreased by approximately $20,778 and increased $41,105 on a constant currency basis, and other general and administrative expenses decreased approximately $312,726 or $290,017 on a constant currency basis.

Research and development cost was $235,390 for the three months ended December 31, 2021 compared to $110,419, for the three months ended December 31, 2020 for an increase of $124,971 and on constant currency basis an increase of $145,160.

Income/Loss from Operations

Income from operations was $1,653,868 for the three months ended December 31, 2021 compared to $86,503 for the three months ended December 31, 2020. This represents an increase of $1,567,365 with an increase of $1,587,460 on a constant currency basis for the three months ended December 31, 2021 compared with the three months ended December 31, 2020. As a percentage of sales, income from operations was 10.7% for the three months ended December 31, 2021 compared to 1.0% for the three months ended December 31, 2020.

Other Income and Expense

Other income was $986,186 for the three months ended December 31, 2021 compared to $79,743 for the three months ended December 31, 2020. This represents an increase of $906,443 with an increase of $990,441 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 December 31, 2021, we recognized a gain of $901,016 in foreign currency exchange transactions compared to a gain of $13,981 for the three months ended December 31, 2020. During the three months ended December 31, 2021, the value of the U.S. dollar and the Euro increased 3.8% and 1.6%, respectively, compared to the PKR. During the three months ended December 31, 2020, the value of the U.S. dollar decreased 3.3% and the value of the Euro increased 1.2%, respectively, compared to the PKR.

Non-controlling Interest

For the three months ended December 31, 2021, the net income attributable to non-controlling interest was $1,031,763, compared to $162,916 for the three months ended December 31, 2020. The increase in non-controlling interest is primarily due to the increase in net income of NetSol PK.

Net Income (loss) attributable to NetSol

Net income was $1,406,785 for the three months ended December 31, 2021 compared to a net loss of $242,104 for the three months ended December 31, 2020. This is an increase of $1,648,889 with an increase of $1,641,692 on a constant currency basis, compared to the prior year. For the three months ended December 31, 2021, net income per share was $0.13 for basic and diluted shares compared to a net loss per share $0.02 for basic and diluted shares for the three months ended December 31, 2020.

Six Months Ended December 31, 2021 Compared to the Six Months Ended December 31, 2020

The following table sets forth the items in our unaudited condensed consolidated statement of operations for the six months ended December 31, 2021 and 2020 as a percentage of revenues.

	For the Six Months Ended December 31,			
	2021	%	2020	%
Net Revenues:				
License fees	$ 1,966,047	6.8%	$ 2,589,979	10.1%
Subscription and support	15,605,258	54.0%	10,896,665	42.3%
Services	11,322,418	39.2%	12,282,194	47.7%
Total net revenues	28,893,723	100.0%	25,768,838	100.0%
Cost of revenues:				
Salaries and consultants	11,324,327	39.2%	9,821,311	38.1%
Travel	496,968	1.7%	262,926	1.0%
Depreciation and amortization	1,494,603	5.2%	1,420,998	5.5%
Other	2,492,215	8.6%	1,839,719	7.1%
Total cost of revenues	15,808,113	54.7%	13,344,954	51.8%
Gross profit	13,085,610	45.3%	12,423,884	48.2%
Operating expenses:				
Selling and marketing	3,427,155	11.9%	3,167,631	12.3%
Depreciation and amortization	427,135	1.5%	443,362	1.7%
General and administrative	7,706,442	26.7%	7,493,424	29.1%
Research and development cost	510,620	1.8%	196,408	0.8%
Total operating expenses	12,071,352	41.8%	11,300,825	43.9%
Income from operations	1,014,258	3.5%	1,123,059	4.4%
Other income and (expenses)				
Gain (loss) on sale of assets	(190,725)	-0.7%	(74,273)	-0.3%
Interest expense	(191,821)	-0.7%	(197,568)	-0.8%
Interest income	759,386	2.6%	411,675	1.6%
Gain (loss) on foreign currency exchange transactions	2,185,164	7.6%	310,022	1.2%
Share of net loss from equity investment	(240,783)	-0.8%	(151,535)	-0.6%
Other income	22,697	0.1%	132,637	0.5%
Total other income (expenses)	2,343,918	8.1%	430,958	1.7%
Net income before income taxes	3,358,176	11.6%	1,554,017	6.0%
Income tax provision	(369,133)	-1.3%	(509,728)	-2.0%
Net income	2,989,043	10.3%	1,044,289	4.1%
Non-controlling interest	(1,394,289)	-4.8%	(568,839)	-2.2%
Net income attributable to NetSol	$ 1,594,754	5.5%	$ 475,450	1.8%

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 December 31,				Favorable (Unfavorable) Change in Constant Currency	Favorable (Unfavorable) Change due to Currency Fluctuation	Total Favorable (Unfavorable) Change as Reported
	2021	%	2020	%			
Net Revenues:	$ 28,893,723	100.0%	$ 25,768,838	100.0%	$ 3,471,902	$ (347,017)	$ 3,124,885
Cost of revenues:	15,808,113	54.7%	13,344,954	51.8%	(2,698,220)	235,061	(2,463,159)
Gross profit	13,085,610	45.3%	12,423,884	48.2%	773,682	(111,956)	661,726
Operating expenses:	12,071,352	41.8%	11,300,825	43.9%	(838,248)	67,721	(770,527)
Income (loss) from operations	$ 1,014,258	3.5%	$ 1,123,059	4.4%	$ (64,566)	$ (44,235)	$ (108,801)

Net revenues for the six months ended December 31, 2021 and 2020 are broken out among the segments as follows:

	2021		2020	
	Revenue	%	Revenue	%
North America	$ 1,990,613	6.9%	$ 1,829,434	7.1%
Europe	5,394,993	18.7%	5,878,097	22.8%
Asia-Pacific	21,508,117	74.4%	18,061,307	70.1%
Total	$ 28,893,723	100.0%	$ 25,768,838	100.0%

Revenues

License fees

License fees for the six months ended December 31, 2021 were $1,966,047 compared to $2,589,979 for the six months ended December 31, 2020 reflecting a decrease of $623,932 with a change in constant currency of $462,780. During the six months ended December 31, 2021, we recognized approximately $1,920,000 related to a new agreement with DTFS for the sale of both our legacy and Ascent product® for their new business segment in the Japanese and Australian markets. During the six months ended December 31, 2020, the Company recognized approximately $2,410,000 of revenue related to a new agreement with an existing tier one finance company in China to upgrade to our NFS Ascent® Retail and Wholesale platforms.

Subscription and support

Subscription and support fees for the six months ended December 31, 2021 were $15,605,258 compared to $10,896,665 for the six months ended December 31, 2020 reflecting an increase of $4,708,593 with a change in constant currency of $5,074,240. The major increase is related to the revised ceiling amount for post contract support due to the software customizations related to the DFS contract. The Company recorded a one-time post contract support revenue of approximately $3,480,000 using the catch-up approach during the six months ended December 31, 2021. In addition, the Company will recognize approximately $7,931,000 of additional subscription and support revenue over the remaining four years of the contract. 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 six months ended December 31, 2021 was $11,322,418 compared to $12,282,194 for the six months ended December 31, 2020 reflecting a decrease of $959,776 with a decrease in constant currency of $1,139,558. The decrease is primarily due to the reduction in implementation services as certain implementations are nearing completion or have gone live. 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 $13,085,610, for the six months ended December 31, 2021 as compared with $12,423,884 for the six months ended December 31, 2020. This is an increase of $661,726 with a change in constant currency of $773,682. The gross profit percentage for the six months ended December 31, 2021 decreased to 45.3% from 48.2% for the six months ended December 31, 2020. The cost of sales was $15,808,113 for the six months ended December 31, 2021 compared to $13,344,954 for the six months ended December 31, 2020 for an increase of $2,463,159 and on a constant currency basis an increase of $2,698,220. As a percentage of sales, cost of sales increased from 51.8% for the six months ended December 31, 2020 to 54.7% for the six months ended December 31, 2021.

Salaries and consultant fees increased by $1,503,016 from $9,821,311 for the six months ended December 31, 2020 to $11,324,327 for the six months ended December 31, 2021 and on a constant currency basis increased by $1,667,575. 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 38.1% for the six months ended December 31, 2020 to 39.2% for the six months ended December 31, 2021.

Travel expense was $496,968 for the six months ended December 31, 2021 compared to $262,926 for the six months ended December 31, 2020 for an increase of $234,042 with an increase in constant currency of $234,351. The increase in travel expense is due to the increase in travel as countries begin lifting travel restrictions.

Depreciation and amortization expense increased to $1,494,603 compared to $1,420,998 for the six months ended December 31, 2020 or an increase of $73,605 and on a constant currency basis an increase of $122,301.

Other cost increased to $2,492,215 for the six months ended December 31, 2021 compared to $1,839,719 for the six months ended December 31, 2020 or an increase of $652,496 and on constant currency basis an increase of $673,993. The increase is mainly due to a one time hosting cost of $302,000 and increase in repair and maintenance cost and computer cost.

Operating Expenses

Operating expenses were $12,071,352 for the six months ended December 31, 2021 compared to $11,300,825, for the six months ended December 31, 2020 for an increase of 6.8% or $770,527 and on a constant currency basis an increase of 7.4% or $838,248. As a percentage of sales, it decreased from 43.9% to 41.8%. The increase in operating expenses was primarily due to increases in general and administrative expenses and research and development costs.

Selling expenses were $3,427,155 for the six months ended December 31, 2021 compared to $3,167,631, for the six months ended December 31, 2020 for an increase of $259,524 and on constant currency basis an increase of $314,785.

General and administrative expenses were $7,706,442 for the six months ended December 31, 2021 compared to $7,493,424 at December 31, 2020 for an increase of $213,018 or 2.8% and on a constant currency basis an increase of $205,203 or 2.8%. During the six months ended December 31, 2021, salaries increased by approximately $207,154 or $221,131 on a constant currency basis, and professional services increased approximately $119,054 or $109,451 on constant currency basis and other general and administrative expenses decreased approximately $113,190 or $125,379 on a constant currency basis.

Research and development cost was $510,620 for the six months ended December 31, 2021 compared to $196,408, for the six months ended December 31, 2020 for an increase of $314,212 and on constant currency basis an increase of $334,542.

Income from Operations

Income from operations was $1,014,258 for the six months ended December 31, 2021 compared to $1,123,059 for the six months ended December 31, 2020. This represents a decrease of $108,801 with a decrease of $64,566 on a constant currency basis for the six months ended December 31, 2021 compared with the six months ended December 31, 2020. As a percentage of sales, income from operations was 3.5% for the six months ended December 31, 2021 compared to income from operations of 4.4% for the six months ended December 31, 2020.

Other Income and Expense

Other income was $2,343,918 for the six months ended December 31, 2021 compared to $430,958 for the six months ended December 31, 2020. This represents an increase of $1,912,960 with an increase of $1,977,646 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 six months ended December 31, 2021, we recognized a gain of $2,185,164 in foreign currency exchange transactions compared to a gain of $310,022 for the six months ended December 31, 2020. During the six months ended December 31, 2021, the value of the U.S. dollar and the Euro increased 12.3% and 7.2%, respectively, compared to the PKR. During the six months ended December 31, 2020, the value of the U.S. dollar and the Euro increased 3.5% and 13.2%, respectively, compared to the PKR.

Non-controlling Interest

For the six months ended December 31, 2021, the net income attributable to non-controlling interest was $1,394,289, compared to $568,839 for the six months ended December 31, 2020. The increase in non-controlling interest is primarily due to the increase in net income of NetSol PK.

Net Income attributable to NetSol

Net income was $1,594,754 for the six months ended December 31, 2021 compared to $475,450 for the six months ended December 31, 2020. This is an increase of $1,119,304 with an increase of $1,113,401 on a constant currency basis, compared to the prior year. For the six months ended December 31, 2021, net income per share was $0.14 for basic and diluted shares compared to $0.04 for basic and diluted shares for the six months ended December 31, 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 and six months ended December 31, 2021 and 2020 are as follows:

	For the Three Months Ended December 31, 2021	For the Three Months Ended December 31, 2020	For the Six months Ended December 31, 2021	For the Six months Ended December 31, 2020
Net Income (loss) attributable to NetSol	$ 1,406,785	$ (242,104)	$ 1,594,754	$ 475,450
Non-controlling interest	1,031,763	162,916	1,394,289	568,839
Income taxes	201,506	245,434	369,133	509,728
Depreciation and amortization	941,732	935,321	1,921,738	1,864,360
Interest expense	90,808	94,241	191,821	197,568
Interest (income)	(316,253)	(210,854)	(759,386)	(411,675)
EBITDA	$ 3,356,341	$ 984,954	$ 4,712,349	$ 3,204,270
Add back:				
Non-cash stock-based compensation	25,289	74,169	28,292	165,164
Adjusted EBITDA, gross	$ 3,381,630	$ 1,059,123	$ 4,740,641	$ 3,369,434
Less non-controlling interest (a)	(1,293,037)	(441,853)	(1,881,916)	(1,140,697)
Adjusted EBITDA, net	$ 2,088,593	$ 617,270	$ 2,858,725	$ 2,228,737
Weighted Average number of shares outstanding				
Basic	11,244,539	11,580,030	11,249,372	11,683,631
Diluted	11,244,539	11,580,030	11,249,372	11,683,631
Basic adjusted EBITDA	$ 0.19	$ 0.05	$ 0.25	$ 0.19
Diluted adjusted EBITDA	$ 0.19	$ 0.05	$ 0.25	$ 0.19
(a)The reconciliation of adjusted EBITDA of non-controlling interest to net income attributable to non-controlling interest is as follows				
Net Income (loss) attributable to non-controlling interest	$ 1,031,763	$ 162,916	$ 1,394,289	$ 568,839
Income Taxes	61,761	44,233	114,427	92,882
Depreciation and amortization	273,822	264,535	561,453	529,100
Interest expense	26,682	28,824	56,082	60,344
Interest (income)	(101,385)	(67,207)	(244,729)	(133,164)
EBITDA	$ 1,292,643	$ 433,301	$ 1,881,522	$ 1,118,001
Add back:				
Non-cash stock-based compensation	394	8,552	394	22,696
Adjusted EBITDA of non-controlling interest	$ 1,293,037	$ 441,853	$ 1,881,916	$ 1,140,697

LIQUIDITY AND CAPITAL RESOURCES

Our cash position was $25,587,515 at December 31, 2021, compared to $33,705,154 at June 30, 2021.

Net cash used in operating activities was $3,036,634 for the six months ended December 31, 2021 compared to cash provided by operating activities $12,650,844 for the six months ended December 31, 2020. At December 31, 2021, we had current assets of $54,089,697 and current liabilities of $21,032,680. We had accounts receivable of $7,190,759 at December 31, 2021 compared to $4,184,096 at June 30, 2021. We had revenues in excess of billings of $19,715,794 at December 31, 2021 compared to $15,637,734 at June 30, 2021 of which $985,772 and $957,603 is shown as long term as of December 31, 2021 and June 30, 2021, respectively. The long-term portion was discounted by $48,070 and $66,779 at December 31, 2021 and June 30, 2021, respectively, using the discounted cash flow method with interest rates ranging from 4.65% to 6.25%. During the six months ended December 31, 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 $7,084,723 from $19,821,830 at June 30, 2021 to $26,906,553 at December 31, 2021. Accounts payable and accrued expenses, and current portions of loans and lease obligations amounted to $6,394,780 and $10,147,993, respectively at December 31, 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 six months ended December 31, 2021 and 2020 were 137 and 174 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 $572,180 for the six months ended December 31, 2021, compared to $1,219,701 for the six months ended December 31, 2020. We had purchases of property and equipment of $773,953 compared to $1,249,895 for the six months ended December 31, 2020. For the six months ended December 31, 2020, we invested $93,000, in Drivemate.

Net cash used in financing activities was $626,955 for the six months ended December 31, 2021, compared to $862,685 for the six months ended December 31, 2020. For the six months ended December 31, 2021, we purchased 22,510 shares of our own stock for $100,106 compared to the purchase of 446,996 shares for $1,392,671 for the same period last year. The six months ended December 31, 2021 included the cash inflow of $188,272 from bank proceeds compared to $705,338 for the same period last year. During the six months ended December 31, 2021, we had net payments for bank loans and finance leases of $715,121 compared to $175,352 for the six months ended December 31, 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 December 31, 2021, we had approximately $25.6 million of cash, cash equivalents and marketable securities of which approximately $23.5 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 was 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 ($2,817,219) and a running finance facility of Rupees 75 million ($422,583). NetSol PK has an approved facility for export refinance from another Habib Metro Bank Limited amounting to Rupees 900 million ($5,070,994). 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 ($2,141,086) and a running finance facility of Rs. 120 million ($676,133) 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 December 31, 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 December 31, 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 December 31, 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:	February 14, 2022	*/s/ Najeeb U. Ghauri* NAJEEB U. GHAURI Chief Executive Officer
Date:	February 14, 2022	*/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 December 31, 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: February 14, 2022

/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 December 31, 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: February 14, 2022

/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 December 31, 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: February 14, 2022

/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 December 31, 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: February 14, 2022

/s/ Roger K. Almond

Roger K. Almond
Chief Financial Officer
Principal Accounting Officer