

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-K**

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-22773



**NETSOL TECHNOLOGIES, INC.**

(Exact Name of Registrant specified in its charter)

**NEVADA**  
(State or other jurisdiction of  
incorporation or organization)

**95-4627685**  
(I.R.S. Employer  
Identification Number)

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

(818) 222-9195  
(Issuer's telephone number including area code)

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the Common Stock held by non-affiliates of the registrant was approximately \$38,398,112 based upon the closing price of the stock as reported on NASDAQ Capital Market (\$3.96 per share) on December 31, 2021, the last business day of the registrant's second quarter. As of September 19, 2022, 12,196,570 shares issued and 11,257,539 outstanding of its \$.01 par value Common Stock and no Preferred Stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

(None)

**ANNUAL REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES ACT OF 1934**

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## NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 relating to the development of the Company's products and services and future operation results, including statements regarding the Company that are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. The words "believe," "expect," "anticipate," "intend," variations of such words, and similar expressions, identify forward looking statements, but their absence does not mean that the statement is not forward looking. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Factors that could affect the Company's actual results include the progress and costs of the development of products and services and the timing of the market acceptance. Forward looking statements may appear throughout this report, including without limitation, the following sections: Item 1 "Business," and Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations." We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risk and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

As used herein, "NETSOL," "we", "our," and similar terms include NetSol Technologies, Inc. and its subsidiaries, unless the context indicates otherwise.

### PART 1

#### ITEM 1 - BUSINESS

##### GENERAL

NetSol Technologies, Inc. (Nasdaq CM: NTKW) is a worldwide provider of IT and enterprise software solutions to the global finance and leasing industry. 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.

NETSOL's primary sources of revenues have been licensing, subscriptions, modification, enhancement and support of its suite of financial applications, under the brand name NFS Ascent<sup>®</sup> to 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<sup>®</sup> 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 companies, financial institutions, global vehicle manufacturers through their captive finance companies ("auto captives"), unrelated automotive finance companies ("non-captives"), equipment finance and leasing companies, and banks. 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. NETSOL follows a global strategy for sales and delivery of its portfolio of solutions and services through its offices in the following locations:

- |                 |  |
|-----------------|--|
| ■ North America | Los Angeles Area   |
| ■ Europe        | London Metropolitan Area, Horsham, Flintshire                            |
| ■ Asia Pacific  | Lahore, Karachi, Bangkok, Beijing, Shanghai, Tianjin, Jakarta and Sydney |

## **OUR BUSINESS**

### **Company Business Model**

NETSOL believes that our technology solutions offer our customers a return on their investment and allow 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 affordable pricing through effective cost arbitrage, subject matter expertise, domain experience, scalability and proximity with its global and regional customers.

### **Niche Market Focus**

Through our specialization in the leasing and financing space, we have gained a strong foothold in several global locations and a market leading position in the auto equipment finance segment. NETSOL has a significantly growing presence in the general asset finance space, including equipment and the big-ticket financing industry together with startups and banks.

### **Subject Matter Expertise**

Our dual expertise in enterprise technology implementation and financial application development has helped us emerge as a global player in the finance and leasing industry and secure a broad footprint across the major markets of North America, Asia Pacific and Europe. The Asia Pacific region has particularly benefitted from the organic growth in the fast-developing leasing automation industry, which is still nascent per Western standards.

### **Domain Experience**

NETSOL has a strong presence in the captive asset-finance domain. With a collective experience of over two decades in Asia Pacific and Europe and of nearly four decades in North America, NETSOL is one of the few players in this niche industry with a global presence.

### **Proximity with Global and Regional Customers**

We have offices across the world, located strategically to maintain close contact and proximity with our customers in various key markets. This has not only helped us strengthen our customer relationships but also build a deeper understanding of local market dynamics. Simultaneously, we are able to extend services and even support development through a combination of onsite and off-site resources. This approach has allowed us to offer blended rates to our customers by employing a unique and cost-effective global development model.

While our business model is built around the development, implementation and maintenance of our suite of financial applications, we have employed the same facilities and competencies to extend our offerings into related segments, including but not limited to:

- IT consulting and services
- Solutions development and implementation
- Business intelligence
- Outsourcing services and software process improvement consulting
- Maintenance and support of existing systems
- Project management
- Technology/start-up incubation
- White labelled digital retailing for auto-captives

Our global operation is broken down into three regions: North America, Europe and Asia Pacific. All of the subsidiaries are seamlessly integrated to function effectively with global delivery capabilities, cross selling to multinational asset finance companies, leveraging of the centralized marketing and pre-sales organization, and a network of employees connected across the globe to support local and global customers and partners.

## OUR PRODUCTS AND SERVICES

### NFS Ascent®

Covering the complete finance and leasing cycle starting from quotation origination through contract settlements, NFS Ascent® has been designed and developed for a highly flexible setting and is capable of dealing with multinational, multi-company, multi-asset, multi-lingual, multi-distributor and multi-manufacturer environments. The solution fully automates the entire financing/leasing cycle for companies of any size, including those with multi-billion-dollar portfolios. NFS Ascent® empowers financial institutions to effectively manage their complex lending portfolios, enabling them to thrive in hyper-competitive global markets.

NFS Ascent® is built on cutting-edge, modern technology that enables auto, equipment and big-ticket finance companies, alongside banks, to run their retail and wholesale finance business with ease. With comprehensive domain coverage and powerful configuration engines, it is well architected to empower finance and leasing companies with a platform that supports their growth in terms of business volume and transactions.

NETSOL's next generation platform offers a technologically advanced solution for the asset finance and leasing industry. NFS Ascent's® architecture and user interfaces were designed based on NETSOL's collective experience with blue chip organizations and global Fortune 500 companies over the past 40 years combined with modern 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 in compliance with various regulatory standards. 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.

Our premier solution 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. NFS Ascent® empowers users with:

- Improvement in overall productivity within the delivery organization:
  - The features of the integrated Business Process Manager, Workflow Engine, Business Rule Engine and Integration Hub provide flexibility to our clients allowing them to configure certain parts of the application themselves rather than requesting customization.
  - The NFS Ascent® platform and the SOA architecture allow us to develop portals and mobile applications quickly by utilizing our existing services.
  - The n-tier architecture allows us to intelligently distribute processing and eases application maintenance. The loose coupling between various modules and layers reduces the risk of regression in other parts of the system as a result of changes made in one part of the system and follows proven and accepted SOA principles.
- Amplified customer satisfaction:
  - NFS Ascent® and NFS Digital empower not only the finance company and dealerships, but the end customer as well with self-service digital tools allowing a seamless customer experience throughout the customer journey from origination through contract maturity.

## **NFS ASCENT® CONSTITUENT APPLICATIONS**

### **Omni Point of Sale (Omni POS)**

A highly agile, easy-to-use, web-based application - also accessible through mobile devices - Ascent's Omni POS system delivers an intuitive user experience, with features that enable rapid data capture. Information captured at the point of sale can be made available to anyone in an organization at any point in the lifecycle of each transaction.

### **Contract Management System (CMS)**

Ascent's Contract Management System (CMS) is a powerful, highly agile, functionally rich application for managing and maintaining detailed credit contracts throughout their lifecycle – from pre-activation and activation through customer management, asset financial management, billing and collections, finance and accounting, restructuring and maturity.

### **Wholesale Finance System (WFS)**

The Ascent Wholesale Finance System (WFS) provides a powerful, seamless and efficient system for automating and managing the entire lifecycle of wholesale finance. With floor planning, dealer and inventory financing, it is ideal for a culture of collaboration. Dealers, distributors, partners and anyone in the supply chain are empowered to realize the benefits of financing – and leverage the advantages of real-time business intelligence. The system also supports asset and non-asset-based financing.

### **Dealer Auditor Access System (DAAS)**

DAAS is a web-based solution that can be used in conjunction with WFS or any third-party wholesale finance system. It addresses the needs of dealer, distributor, and auditor access in a wholesale financing arrangement.

### **NFS Ascent® deployed on the cloud**

Our premier, next generation solution NFS Ascent® is also available on the cloud. 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. Clients further benefit from a rapid deployment process and the ability to scale on demand.

### **NFS Digital**

NETSOL is the pioneer in the global finance and leasing industry providing a full suite of digital transformation solutions. NFS Digital is a combination of our core strengths, domain, and technology. Our insight into the evolving landscape together with our valuable experience led us to define sound digital transformation strategies and compliment them with smart digital solutions so that 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.

#### **■ Self-Point of Sale**

Our Self POS portal allows customers to go through the complete buying and financing process online and on their mobile devices including car configuration, generating quotations, and filling out applications. It is the ultimate origination application that enables users to compare, select and configure an asset using a mobile device anywhere, at any time and submit an accompanying financial product application.

#### **■ Mobile Account**

mAccount is a powerful, self-service mobile solution. It empowers the dealer with a powerful backend system and allows the customer to setup a secure account and view information 24/7 to keep track of contract status, resolve queries and make payments, reducing inbound calls for customer queries and improving turnaround time for repayments.

- **Mobile Point of Sale**

The mPOS application is a web and mobile-enabled platform featuring a customizable dashboard along with menu selling, application submission, loan calculator, work queues and detailed reporting. mPOS empowers the dealer to make the origination process quick and seamless, increasing overall productivity and system-wide efficiency.

- **Mobile Dealer**

mDealer provides more visibility and control over inventories – with minimal effort. Dealers can view their use of floor plan facility, stock status and financial conditions, while entering settlement requests or relocating assets.

- **Mobile Auditor**

mAuditor schedules visits, records audit exceptions and tracks assets for higher levels of transparency. It also enables the auditor to conduct audits and submit results in real-time through quick audit processing tools, providing visibility and saving significant time.

- **Mobile Collector**

mCollector empowers collections teams to do more, with an easy-to-use interface and intelligent architecture. The tool exponentially increases the productivity of field teams by enabling them to carry out all collection related tasks on the go.

- **Mobile Field Investigator**

By using Mobile Field Investigator (mFI), the applicant has access to powerful features that permit detailed applicant field verifications on the go. The application features a reporting dashboard that displays progress stats, action items and the latest notifications, enabling the client to achieve daily goals while tracking performance.

## **Otoz™ Digital Auto Retail and Mobility Orchestration**

Otoz™ provides a white-label SaaS platform to OEMs, finance companies, dealers, and start-ups that enables short and long-term on-demand mobility models (subscriptions, rental and car-sharing) and digital retail.

Our turn-key platform helps automotive companies make a move into the digital era, addressing a range of customer segments with evolving needs by offering them a seamless, omni-channel, end-to-end car buying and usage experience. It enables both direct-to-consumer transactions as well as traditional dealer models with the option to add peer-to-peer market place functionalities for the future of EV pay-per-use and mobility orchestration.

Digital auto-retail is not a one-size-fits-all. Otoz™ offers a flexible, configurable, and scalable platform along with a proven launch strategy framework for auto companies that intend to launch and grow digital retail and mobility businesses quickly and seamlessly.

### **Otoz™ Ecosystem**

Otoz™ is built on state-of-the-art technology, offering open Application Programming Interfaces, (“APIs”) and ecosystem partner integrations that are crucial to digital retail and mobility operations including finance and insurance providers, trade-in tools, KYC and fraud detection tools, CRM systems, website providers (Tier 1 – Tier 3), marketing toolkits, inventory feeds, pricing engines, payment processors, an insurance marketplace and vehicle delivery logistics providers.

In addition, Otoz™ is equipped with intelligent lead generation and product analytics capabilities, empowering dealerships with the tools to track customer journeys, personalize customer engagements, and convert qualified leads.

## **Otoz™ Platform**

A fully digital, white-label platform for digital auto retail and mobility orchestration that delivers an intuitive and elegant user experience.

Otoz™ platform consists of two portals:

- Dealer/Admin Tool
- Customer Portal

### **Dealer/Admin Tool**

- Account creation
- Order management work queue
- User roles and rights
- Tax configurator
- Customer KYC reports
- Vehicle delivery scheduling
- Payment gateways
- Inventory management
- Finance and insurance products feed and prioritization
- Accessories/add-on management and association
- Dealer fee management
- Ecosystem APIs
- DMS integrations

### **Customer App**

- Inventory search and selection
- Multi-lender capabilities
- Deal builder and personalized pricing for purchase, lease, finance, subscription, and rentals
- Buy finance and insurance products
- Buy accessories
- License checks (paperless)
- Vehicle options and finance and insurance products
- Trade-in valuation
- Credit application and decision
- Paperless contracts and e-signing
- Digital payments
- Vehicle delivery and pick-up scheduling

## **Flex**

Flex is a newly developed, API-based, ready-to-use calculation engine. It is a pure play SaaS product that is cloud-based and can be integrated seamlessly into an organization's products, services and ecosystem. Our calculation engine intelligently adapts to demand by monitoring usage to maintain reliable and predictable performance at desired costs. It is a one-stop solution that guarantees precise calculations at all stages of the contract lifecycle through various calculation types.

It is a comprehensive solution which creates an ecosystem of value across multiple functions, systems and industries to fuel growth and propel businesses into the future by increasing delivery efficiency and product management, centralization through a connected ecosystem resulting in a higher ROI and a larger market share.

Flex proves versatility by covering all the calculation aspects ranging from the pricing for the end customer at inception, in-life financial modifications, the re-creation of the repayment plan, termination, amortizations/re-amortizations, among other calculation types. All the calculations are parameter-driven, which helps perform simple, multi-dimensional, or complex calculations based on the needs.

## **Professional Services**

NETSOL is also offering professional services to organizations in different regions in order to enable them to meet their business objectives. These services primarily consist of technical consultancy, web development, app development, digital marketing, cloud services, outsourcing and co-sourcing.

Pertaining to its professional services offerings, NETSOL's highly skilled and experienced professionals include skilled software programmers, well-versed business analysts, competent quality assurance engineers, technical and solution architects, project managers, cloud native developers and architects, mobile/web app developers and automation specialists.

We enable businesses to employ the industry's best talent to help them develop and refine their technology strategy, innovate, execute their roadmap and optimize service quality.

#### **Amazon Web Services**

We have been expanding our footprint in the cloud services domain by offering services to the AWS community. We aim for our cloud services to be well recognized, expanding our reach to relevant prospects. Since AWS is the most comprehensive and highly adopted cloud offering, we are leveraging its power to ensure lower costs, increased agility, a secure environment, and innovative solutions across all domains.

Our AWS customer offerings include: analytics, data pipeline and big data services; application modernization services; database migration and modernization; development operations; managed services; and, information security services.

#### **Artificial Intelligence**

A dedicated team has been working with great enthusiasm under the leadership of Dr. Ali Ahmed, Chief Data Scientist at NETSOL, to develop artificial intelligence and machine learning solutions. With experience in Machine Learning, Scientific Computing and Computer Vision, Dr. Ahmed has extensive experience in developing and implementing algorithms for industrial solutions in predictive maintenance.

This is a new service offering from NETSOL and by deploying AI solutions and leveraging cutting-edge technologies, we enable clients to optimize production, decrease downtime and provide a holistic view of their business processes.

#### **IMPLEMENTATION PROCESS**

The implementation process of our products can span from three to fifteen months depending upon the methodology, complexity and scope. The implementation process may also include related software services such as configuration, data migration, training, gaps development and any other additional third-party interfaces. Even after implementation, customers constantly seek enhancements and additions to improve their business processes and have changing requirements addressed at mutually agreed rates.

Post implementation, our consultants may remain at the client site to assist the customer in smooth operations. After this phase, the regular maintenance and support services phase for the implemented software begins in exchange for agreed subscriptions or support fees. In addition to the daily rate paid by the customer for each consultant engaged, the customer also pays for all visa and transportation-related expenses, boarding of the consultants, and a living allowance. Our involvement in all the above steps is suitably priced to bring value to our customers and increase our profitability.

Cloud-enabled solutions are offered via seamless and rapid deployments. The swift speed of implementations for our cloud-ready products enables businesses to be more responsive and attain a competitive advantage.

## PRICING AND REVENUE STREAMS

The company's revenue streams are the outcome of the following four main areas:

- Product licensing
- Subscription-based pricing
- Implementation and customization-related services
- Post implementation, support-related services

License fees can range to a multi-million-dollar fee for single or multiple module implementations. License revenue is realized with traditional, non-SaaS-based agreements, whereas SaaS-based agreements do not contain license fees and are offered via flexible, value-driven, subscription-based pricing. There are various attributes which determine the level of pricing complexity, a few of which are: number of contracts; size of the portfolio; IT budgets; business strategy of the customer; internal business processes followed by the customer; number of business users; amount of customization required; complexity of data migration and branch network of the customer.

We recognize revenue from license contracts when the software has been delivered to the customer. Implementation-related services, including customization, configuration, data migration, training and third-party interfaces are recognized as the services are performed. Post implementation support services are then provided on a continued basis. The annual support fee, which typically is an agreed upon percentage of overall monetary value of the license, then becomes an ongoing revenue stream realized on a yearly basis. Revenue from software services includes fixed price and time and materials-based contracts and is recognized as the services are performed.

Additionally, in order to avoid lumpiness in our revenues and to ensure a predictable revenue base over coming years, the business has shifted to a pricing strategy whereby the business is now offering its cloud-ready products at SaaS/subscription-based pricing models. Rapid deployments coupled with affordable prices/payment schedules is expected to lead the business towards volume-based selling. Moreover, this value-driven pricing plan is intended to decrease the initial buy-in cost for new customers by eliminating heavy license fees, reduce the sales cycles and provide an alternative to current customers seeking lower software usage and maintenance costs.

## ALLIANCES

Daimler South East Asia Pte. Ltd. ("DSEA"), (through the regional office Daimler Financial Services ("DFS") Africa Asia Pacific), has established a "Centre of Competence" ("CoC") in Singapore to facilitate the regional companies in product related matters. The DSEA CoC is powered by highly qualified technical and business personnel. In conjunction with our Asia Pacific region, the CoC supports DFS companies in twelve different countries in Asia and Africa and this list can increase as more DFS companies from other countries opt for NFS Ascent<sup>®</sup>. In July 2004, the company entered into a Frame Agreement with DFS for the Asia Pacific and Africa region. This agreement was renewed in 2008, 2010, 2013 and most recently in January 2016. The agreement serves as a guideline for managing the business relationship with DFS and the use of licensed products of the company by DFS and its affiliated companies.

We have strategic partnerships with Microsoft and CGI pertaining to cloud-hosting activities for our cloud-based products. NETSOL hosts its cloud version of Ascent, NFS Ascent<sup>®</sup> deployed on the cloud and LeasePak Cloud - SaaS in the high performance and cost-effective Microsoft Azure cloud environment. A quick start implementation program combined with hassle-free Microsoft Azure<sup>™</sup> cloud connectivity ensures new clients see a time-to-value faster than ever before.

NETSOL and CGI agreed to promote each other for their respective products and services amongst their respective existing customers across various regions. We also utilize CGI for managed services and cloud hosting-related activities for our engagements with their customers in Europe particularly.

## TECHNICAL AFFILIATIONS

We are a Microsoft Certified Silver Partner and an Oracle Certified Partner.

## MARKETING AND SELLING

We continue our optimism that we will experience ever increasing opportunities for our product and services offerings in 2022 and beyond. The objective of our marketing program is to create and sustain preference and loyalty for NETSOL. Marketing is performed at the corporate and business unit levels. The corporate marketing department has overall responsibility for communications, advertising, public relations and management of all digital owned and paid mediums including website, social media channels and collaboration with industry partners. In addition, corporate marketing oversees central marketing and communications programs for use by each of the business units.

Our dedicated marketing personnel, within the regions, undertake a variety of marketing activities, including sponsoring focused client events to demonstrate our skills and products and participating in targeted conferences, webinars and holding private briefings with individual companies. We believe that the industry focus of our sales professionals and our business unit marketing personnel enhances their knowledge and expertise in these industries and will generate additional client engagements.

## **GROWTH PROSPECTS FOR NFS ASCENT®**

Growth prospects for NFS Ascent® are linked to the constant innovation in the product and its growing customer base across different geographic and product markets. NETSOL is eyeing key international markets for growth in sales. Its sales strategy not only focuses on expansion into new geographic markets, including the Americas, Europe, and further penetration of our leading position in Asia Pacific, but also within existing markets into new verticals with targeting of Tier 2 and Tier 3 prospects as well.

Growth in North America and Europe is expected to come from the potential market for replacement of legacy systems as well as acquisition of new customers. NFS Ascent® is aimed at providing a highly flexible and robust solution based on the latest technology and advanced architecture for North American and European customers looking to replace their legacy systems. We believe that NFS Ascent® can provide substantial competitive disruption to the market's lagging technology provided by incumbent vendors. The existing customer base may also represent latent demand for increased service and support revenues by offering business process optimization, customization and upgrade services. With a market ready product with successful implementation, the prospects for NFS Ascent® in the region are positive.

Further traction in Europe will come from NFS Ascent® deployed on the cloud, which will continue to allow the Europe division to support not only larger organizations, but also small and medium sized organizations including startups.

Growth in NETSOL's traditionally strong base in Asia Pacific is expected through diversification across market segments to include new customers in related banking and commercial lending areas. At the same time, the existing customer base is tapped for increased service and support revenues by offering enhanced features and new solutions to emerging customer needs. In addition, there is a potential for NFS Ascent® in Asia Pacific in the form of existing customers who are looking for replacement of their current system.

In China, NETSOL is a leader in the leasing and finance enterprise solution domain. With this position, NETSOL continues to enjoy demand for the current NFS™ solution, as well as NFS Ascent®. NETSOL will continue strengthening its position within existing multinational auto manufacturers, as well as local Chinese captive finance and leasing companies.

## **THE MARKETS**

We provide our services primarily to clients in global commercial industries. In the global commercial area, our service offerings are marketed to clients in a wide array of industries including, automotive, banks and other financial lending service companies.

The Asian continent, including Australia and New Zealand, from the perspective of marketing, are targeted by the Asia Pacific Region from our Bangkok, Beijing, Jakarta, Lahore, Shanghai, Tianjin and Sydney facilities. The marketing for our core offerings in the Americas and Europe is carried out from our Los Angeles Area and London Metropolitan Area and Horsham offices, respectively.

## **PEOPLE AND CULTURE**

We believe we have developed a strong corporate culture that is critical to our success. Our key values are delivering world-class quality solutions, client-focused timely delivery, leadership, long-term relationships, creativity, transparency and professional growth. The services provided by NETSOL require proficiency in many fields, such as software engineering, quality assurance, project management, business analysis, technical writing, sales and marketing, communication and presentation skills.

Due to the growing demand for our core offerings and IT services, retention of technical and management personnel is essential. Our employee turnover was under 16.04 % in 2022 with a goal to maintain the turnover level under 18% during the 2023 fiscal year and onwards. In addition, we are committed to improving key performance indicators such as efficiency, productivity and revenue per employee.

To encourage all employees to build on our core values, we reward teamwork and promote individuals that demonstrate these values. We believe that our growth and success are attributable in large part to the high caliber of our employees and our commitment to maintain the values on which our success has been based. We support gender diversity on a global basis. We are an equal opportunity employer with the largest concentration of female employees in Lahore, Pakistan and our U.S. headquarters.

NETSOL believes it should give back to the community and employees as much as possible. Certain subsidiaries of NETSOL are located in regions where basic services are not readily available. Where possible, NETSOL acts to not only improve the quality of life of its employees, but also the standard of living in these regions. Examples of such programs are as follows:

- Literacy Program: Launched to educate children of our unskilled staff, the main objective of this program is to enable them to acquire basic reading, writing and arithmetic skills.
- Higher Education and Science and Research Institutions: In order to support higher education in Pakistan, we have contributed endowments to NUST, Forman Christian College, and a few other universities who are focused on science and engineering.
- Noble Cause Fund: A noble cause fund has been established to meet medical and education expenses of the children of the lower paid employees. Our employees voluntarily contribute a fixed amount every month to the fund and NETSOL matches the employee subscriptions with an equivalent contribution amount. A portion of this fund is also utilized to support social needs of certain institutions and individuals, outside of NETSOL.
- Day Care Facility: NETSOL's human resources are its key assets and thus we take numerous steps to ensure the provision of basic comforts to our employees. In Pakistan, the provision of outside pre-school childcare is a rarity. With this in mind, a children's day care facility has been created near NETSOL's offices providing employees with peace of mind knowing their children are nearby and being taken care of by qualified staff in a child friendly facility. Due to COVID-19 restrictions, the facility is temporarily closed.
- Preventative Health Care Program: In addition to the comprehensive out-patient and in-patient medical benefits, preventative health care has also been introduced. This phased program focuses on vaccination of our employees against such diseases as Hepatitis – A/B, Tetanus, Typhoid, Flu and COVID-19 on a routine basis.

There is significant competition for employees with the skills required to perform the services we offer. We run an elaborate training program for different cadres of employees to cover technical skills and business domain knowledge, as well as communication, management and leadership skills. We believe that we have been successful in our efforts to attract and retain the highest level of talent available, in part because of the emphasis on core values, training and professional growth. We intend to continue to recruit, hire and promote employees who share our vision.

As of June 30, 2022, we had approximately 1,781 employees; comprised of 80.4 % technical staff and 19.6 % non-IT personnel.

## **COMPETITION**

No company dominates the IT market in the space in which we compete. A substantial number of companies offer services that overlap and are competitive with those offered by NETSOL.

We compete chiefly against leading suppliers of IT solutions to the global asset finance and leasing industry, including, but not limited to, White Clarke Group, Alfa, Cassiopae, LineData, FIS, International Decision Systems (IDS) and Data Scan.

In the IT-based business services areas, we compete with both smaller local firms and many global IT services providers, including, but not limited to, Wipro, InfoSys, Satyam Infoway, HCL and TCS (Tata Consulting).

## **CUSTOMERS**

NETSOL's solutions and services cater to a broad spectrum of finance and leasing businesses, from automotive captive finance companies to equipment finance and leasing companies to large regional banks.

NETSOL's customers include world renowned auto manufacturers through their finance arms. NETSOL is a strategic business partner for Daimler and BMW (which consists of a group of many companies in different countries), which accounts for approximately 31.6% and 7.5%, respectively, of our revenue for our fiscal year ended June 30, 2022. Other globally renowned auto captives that are customers of the company include Toyota, Nissan, Ford, and FIAT.

Other customers include equipment finance and leasing companies and banks worldwide. Some of these clients include Motorcycle Group, SCI Lease Corp, Maple Commercial Finance and Yamaha Motor Finance.

## **GLOBAL OPERATIONS AND GEOGRAPHIC DATA**

NETSOL divides its operations into three regions: the Americas, Europe and Asia Pacific. The regions consist of individual subsidiaries which operate as autonomous companies and are strategically managed on a regional basis.

### **The Americas**

Mr. Peter Minshall, Executive Vice President at NetSol Technologies Americas, Inc. (NTA) is responsible for the entire portion of NTA's business operations. He brings three decades of international experience in the financial services industry holding various senior leadership roles with Daimler Financial Services. Peter continues to be supported by Doug Jones as Vice President - Operations for NTA. Doug is a visionary, focused, and driven technology leader credited with shaping team performance to deliver best-in-class, leading web-based and embedded software applications for the finance and leasing industry. Peter is also supported by James Freto, who serves as Vice President – Sales for NTA. Prior to his appointment, Freto had been working for Fortune 500 financial product and services provider FIS as a Senior Sales Executive, selling origination and credit assessment solutions to mid to large-size financial institutions in the banking and asset finance segments. Freto brings directly applicable sales experience and subject matter expertise in key NETSOL markets. To augment the AWS team, in the United States, Rajnish Harjika serves as VP Technology, Cloud Services and Mark Timm serves as Senior Vice President of Cloud Services.

Otoz™ CEO and Co-founder, Mr. Naeem Ghauri, was also recently appointed as Chairman for NETSOL Technologies Pakistan and is also NETSOL's President for the parent company NetSol Technologies, Inc. He is based in our Lahore, Pakistan office.

## Europe

Mr. Asad Ghauri is the President of Asia Pacific (APAC) and Group Managing Director of Europe. Mr. Ghauri has a strong management team in the U.K. comprising of Chris Mobley and Chris Tobey.

NetSol had previously acquired the remaining stake in Virtual Lease Services (VLS) - rebranded as Banking Works. Previously limited to being a UK-based portfolio and risk management servicing partner for business and consumer finance providers, Banking Works focuses on supporting financial services businesses to achieve their own transformation ambitions. Mark Cawood, an industry veteran, is the Managing Director, while Diane Roberts serves as Director Finance.

## Asia Pacific Region

NetSol Technologies, Ltd., (“NetSol PK”) a majority owned subsidiary of the parent company is located in Lahore, Pakistan and is headed by Mr. Salim Ghauri as its CEO. Mr. Ghauri is a Co-founder of NetSol PK and has been with the company since 1996. NetSol PK is the “Center of Excellence” and a state-of-the-art facility for programming, R&D, global implementations and 24-hour support to our customers worldwide.

NetSol Technologies (Beijing) Co. Ltd. (“NetSol Beijing”) is headed by Amanda Li as President. Ms. Li previously worked as a managing director for Sopra Banking Software where she was instrumental in developing business and driving sales. She has previous experience working for NETSOL as well.

NETSOL Indonesia’s Country Head is Withoon Hardat. During his 12 years as NETSOL, before taking charge of the Indonesia office, he has served as Client Partner for the Thailand office as well as Director for Business Development for APAC.

The Managing Director for NetSol Technologies Australia is Farooq Ghauri. He has played a vital role in the NETSOL’s global success through his hands-on leadership and unrelenting drive to meet the needs of NETSOL’s growing client base. Since he joined the company in 2004, Mr. Ghauri has worked in NETSOL’s Pakistan, China, Australia, Thailand and U.S. offices.

The Global Sales Division is headed by Mr. Asad Ghauri as President of Sales from the NetSol PK office. Mr. Ghauri has been with NETSOL since 2000 and has over 20 years of experience in business and IT.

The Asia Pacific region including Australia/New Zealand and the Middle East, is supported and clients are serviced from the APAC region offices located in Sydney, Beijing, Shanghai, Tianjin, Bangkok, Indonesia, Lahore and Karachi. Pakistan continues to be a nucleus of NETSOL’s delivery and research and development. With the continued growth of the Chinese market, our Beijing office continues to expand as both a sales and support facility. Finally, the Asia Pacific region maintains and will establish offices through the region as is necessary to support its customers and to explore potential new markets.

Our APAC Region accounted for approximately 75.1% of our revenues in 2022. Information regarding financial data by geographic areas is set forth in Item 7 and Item 8 of this Annual Report on form 10-K. See note 21 of Notes to Consolidated Financial Statements under Item 8.

## INTELLECTUAL PROPERTY

NETSOL relies upon a combination of non-disclosure and other contractual arrangements, as well as common law trade secret, copyright and trademark laws to protect its proprietary rights. NETSOL enters into confidentiality agreements with its employees, generally requires its consultants and clients to enter into these agreements, and limits access to and distribution of its proprietary information. The NETSOL “N” logo and name, as well as the NFS logo and product name have been copyrighted and trademark registered in Pakistan. The NETSOL “N” logo has been registered with the U.S. Patent and Trademark Office. NFS Ascent<sup>®</sup> has been registered with the U.S. Patent and Trademark Office. The Company intends to trademark and copyright its intellectual property as necessary and in the appropriate jurisdictions.

## **GOVERNMENTAL APPROVAL AND REGULATION**

Current Company operations do not require specific governmental approvals. Like all companies, including those with multinational subsidiaries, we are subject to the laws of the countries in which we maintain subsidiaries and conduct operations. Pakistani law allows a tax exemption on income from exports of IT services and products up to 2025. While foreign based companies may invest in Pakistan, repatriation of their investment, in the form of dividends or other methods, requires approval of the State Bank of Pakistan.

## **AVAILABLE INFORMATION**

Our website is located at [www.netsoltech.com](http://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](http://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 Annual Report on Form 10-K 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. 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://ir.netsoltech.com/governance-docs>. The content of our websites is not intended to be incorporated by reference into this Annual Report on Form 10-K 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.

## **ITEM 1A - RISK FACTORS**

Not Applicable

## **ITEM 1B – UNRESOLVED STAFF COMMENTS**

None

## **ITEM 2 - PROPERTIES**

Our corporate headquarters are located in Calabasas, California where we lease 5,000 square feet of office space. We own our Lahore Technology Campus which consists of approximately 140,000 square feet of computer and general office space. This includes two adjacent five story buildings having a covered area of approximately 90,000 square feet with the capacity to house approximately 1,000 resources. In addition, we maintain leased office spaces in the UK, China, Australia, Thailand and a shared office in Indonesia. Our NTA office has been consolidated with the corporate headquarters. We believe our existing facilities, both owned and leased, are in good condition and suitable for the conduct of our business.

## **ITEM 3 - LEGAL PROCEEDINGS**

None

## **ITEM 4 – MINE SAFETY DISCLOSURES**

Not applicable.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITY

(a) MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION - Common stock of NetSol Technologies, Inc. is listed and traded on NASDAQ Capital Market under the ticker symbol "NTWK".

The table shows the high and low intra-day prices of the Company's common stock as reported on the composite tape of the NASDAQ for each quarter during the last two fiscal years.

Fiscal Year 2022	High	Low
First Quarter	\$ 4.85	\$ 3.70
Second Quarter	\$ 5.65	\$ 3.85
Third Quarter	\$ 4.43	\$ 3.61
Fourth Quarter	\$ 4.04	\$ 2.74

Fiscal Year 2021	High	Low
First Quarter	\$ 3.29	\$ 2.52
Second Quarter	\$ 4.07	\$ 2.35
Third Quarter	\$ 5.30	\$ 3.80
Fourth Quarter	\$ 6.12	\$ 3.71

RECORD HOLDERS - As of September 19, 2022, the number of holders of record of the Company's common stock was 138.

DIVIDENDS - The Company has not paid dividends on its Common Stock in the past two fiscal years.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

The table shows information related to our equity compensation plans as of June 30, 2022:

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity Compensation Plans approved by Security holders	None	None	422,004(1)
Equity Compensation Plans not approved by Security holders	None	None	None
Total	None	None	422,004

(1) Represents 17,386 available for issuance under the 2005 Incentive and Nonstatutory Stock Option Plan, 98,196 under the 2013 Incentive and Nonstatutory Stock Option Plan and 306,422 under the 2015 Incentive and Nonstatutory Stock Option Plan.

(b) RECENT SALES OF UNREGISTERED SECURITIES

None.

(c) ISSUER PURCHASES OF EQUITY SECURITIES

The repurchases provided in the table below were made through the year ended June 30, 2022:

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
As of June 30, 2021			669,018	
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 June 30, 2021, the total number of shares that could be purchased under both plans was 849,256. The actual maximum number of shares will vary depending on the actual price paid per share purchased. The Company purchased 22,510 shares of its common stock from the open market for cash proceeds of \$100,106 at an average price of \$4.45 per share during fiscal year ended June 30, 2022 and the Company purchased a cumulative 669,018 shares of its common stock from the open market for cash proceeds of \$2,364,781 at an average price of \$3.53 per share during fiscal year ended June 30, 2021 from both repurchase plans.

ITEM 6 – [Reserved]

## ITEM 7- MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is intended to assist in understanding our financial position and results of operations for the year ended June 30, 2022. It should be read together with our consolidated financial statements and related notes included under Item 8 of this Annual Report on Form 10-K.

### A few of our highlights for the fiscal year ended June 30, 2022 were:

- We generated approximately \$5,500,000 of revenue by successfully implementing change requests from various customers across multiple regions.
- We went live with NFS Ascent® and NFS Ascent® Digital in New Zealand for a leading Japanese equipment manufacturer and in addition signed a statement of work which will generate approximately \$1,000,000 of revenue.
- We went live in Japan, Australia, and South Africa 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.
- 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 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 successfully delivered our cloud enabled Ascent® front end (POS/CAP) to a leading commercial finance company in Australia at subscription-based pricing. This implementation has generated revenues of approximately \$200,000.
- We signed a contract with a notable Swedish bank to implement NFS Ascent® in Sweden, Norway, Denmark and Finland with an estimated value of \$5,000,000 over the five-year contract period.
- We were awarded a contract by the Government of Khyber Pakhtunkhwa under the World Bank Funded “Khyber Pakhtunkhwa Revenue Mobilization and Public Resource Management Program” to provide a document management system. The contract is valued at approximately \$2,250,000.
- We successfully implemented our modern technology platform Ascent® on the Cloud (LeasePak Version) for a leading North American lease and loan portfolio servicing provider. The client has deployed Ascent® Retail’s Contract Management System (CMS) on the Cloud. The organization plans to generate approximately \$2,000,000 from this contract over a 5-year period.
- We successfully went live with our cloud-based NFS Ascent® Retail Platform for a bank in the United Kingdom. The Retail Platform constitutes both NFS Ascent® Omni Point of Sale and NFS Ascent® Contract Management System. This contract will provide additional subscription fee of approximately \$1,000,000 over the coming 5 years.
- We successfully upgraded our front-end solution currently deployed at a leading bank of Japan based in Indonesia. This upgrade helped the business generate close to \$500,000.
- We onboarded another 20 dealers of a leading German Auto Manufacturer in the U.S, on our digital retailing solution Otoz.
- We started the implementation process for NFS Ascent Retail in Taiwan related to the DFS contract.
- We were awarded a Five-Star Premier Business Partnership Level Status with the American Financial Services Association.

### *Marketing and Business Development Activities*

Management has developed a growth strategy aimed at increasing competitiveness, enhancing global delivery capabilities and increasing financial strength to become a leading global IT institution in the leasing and finance space.

The growth strategy contemplates the following enhanced activities and initiatives to accomplish these goals:

- Build strong C-level executive professional teams in each key location to execute our long-term strategy.
- Develop, groom and retain the next tier level management for leadership to navigate long term growth.
- Upgraded our offices in China to support the growing and existing client relationships and new client acquisitions in the region.
- Strengthen the NETSOL brand in the Americas and Europe and further penetrate the APAC markets such as China, Thailand, Indonesia, Japan, Australia and New Zealand.
- Maintain the quality of our delivery, after delivery support, and client relationships.
- Further penetration of NFS Ascent<sup>®</sup> into the leasing and financing sectors in China, APAC, Europe and North America by focusing on multi-national auto captive Fortune 500 companies.
- Pursue a well thought out strategy to diversify into complimentary verticals by way of organic expansion, partnerships and synergistic M&A.
- Continue to implement new tools, systems and processes, such as JIRA, and the Agile framework to further enhance productivity, efficiencies and operating margins.
- Offer a cloud enabled NFS Ascent<sup>®</sup> at subscription-based pricing models to generate additional interest from prospects.
- Continue investing in Otoz<sup>™</sup> and our innovation lab to generate new verticals for the business.

### ***Growth Prospects for NFS Ascent<sup>®</sup>***

Growth prospects for NFS Ascent<sup>®</sup> are linked to the maturing of the product portfolio and its growing customer base across different geographic and product markets. We are eyeing key international markets for growth in sales. Our sales strategy now carefully balances expansion into new geographic markets, including the Americas, Europe, and further penetration of our leading position in Asia Pacific.

Growth in North America is expected to come from the potential market for replacement of legacy systems. NFS Ascent<sup>®</sup> is aimed at providing a highly flexible and robust solution based on the latest technology and advanced architecture for the North American customers looking to replace their legacy systems. We believe that NFS Ascent<sup>®</sup> can provide substantial competitive disruption to the market's lagging technology provided by incumbent vendors. The existing customer base may also represent latent demand for increased service and maintenance revenues by offering business process optimization, customization and upgrade services.

Growth in Europe will come from the introduction of NFS Ascent<sup>®</sup>, which will allow NTE to support larger organizations than those typically selecting the existing LeaseSoft product set, and opens the door for European expansion. This is designed to attract larger license and professional services revenues across a wider geography. In addition, leveraging the core strengths of NFS Ascent<sup>®</sup> will increasingly provide opportunities in the automotive sector where NTE is currently underrepresented.

Growth in our traditionally strong base in Asia Pacific is expected through diversification across market segments to include new customers in related banking and commercial lending areas. At the same time, the existing customer base is tapped for increased service and maintenance revenues by offering enhanced features and new solutions to emerging customer needs. In addition, there is a potential for NFS Ascent<sup>®</sup> in Asia Pacific in the form of existing customers who are looking for replacement of their current system.

In China, we are a de facto leader in the leasing and finance enterprise solution domain. With this position, we continue to enjoy demand for the current NFS<sup>™</sup> solution, as well as NFS Ascent<sup>®</sup>. We will continue strengthening our position within existing multinational auto manufacturers, as well as, local Chinese captive finance and leasing companies. The Chinese auto leasing market is young and low on consumer penetration in comparison with the giant U.S. market.

#### MATERIAL TRENDS AFFECTING NETSOL

Management has identified the following material trends affecting NetSol.

##### Positive trends:

- Most countries no longer require COVID-19 testing and other travel restrictions have been lifted which increases opportunities to meet face to face with current and potential customers.
- NFS Ascent<sup>®</sup> SaaS offering is gaining traction in mid-size auto captives in North American and European markets.
- The auto and banking sectors continue momentum towards increased mobility and digital solutions.
- In developing markets, we continue to see interest from existing clients for upgrades and mobility platforms.
- The dynamics of shared car ownership through ride hailing and car sharing create opportunities for our innovation and development tools.
- Otoz<sup>™</sup> platform is showing a steady growth of interest from existing and new auto leasing and Tier 1 companies in all of our markets.
- Startups in Pakistan and venture capital investments are at a record high which is boosting the country's technology image while acknowledging the skillset of Pakistan's technology workers.
- 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 with customers requesting additional services reflecting the resilience of our offerings.
- There has been increased traction in the UK and the Scandinavian region.
- There is a growing interest from long-time customers in upgrading from our legacy NFS solution to Ascent<sup>®</sup>.

#### Negative trends:

- General economic conditions in our geographic markets; geopolitical tensions, including trade wars, tariffs and/or sanctions in our geographic areas; Global pandemics, including COVID-19; and, global conflicts or disasters that impact the global economy or one or more sectors of the global economy.
- A fear of global recession impacts the future expansions and budgets in every country and every sector.
- War and hostility between Russia and Ukraine.
- China travel and 14 days quarantine rules have yet to soften and is adversely affecting business travels and face to face meetings with decision makers.
- High inflation globally has impacted compensation and benefits for employees resulting in increased turnover in Pakistan.
- The U.S. markets including the NASDAQ index and the Russell 2000 index have been down by over 20% in 2022.
- Working from the office might never return to 100% affecting productivity and collaboration.
- The Pakistan political environment will likely remain unsteady until the new elections are called in Fall 2022.

#### **CRITICAL ACCOUNTING POLICIES**

Our financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management’s application of accounting policies. Critical accounting policies for us include revenue recognition and multiple element arrangements, intangible assets, software development costs, and goodwill.

#### **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: 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.

### *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.

### *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.

### *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, maintenance releases 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.

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.

### **Significant Judgments**

More judgments and estimates are required under Topic 606 than were required under Topic 605. 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 (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.

## **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-cancellable 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, we incur few direct incremental costs of obtaining new customer contracts. We rarely incur incremental costs to review or otherwise enter into contractual arrangements with customers. In addition, our sales personnel receive fees that we refer to as commissions, but that are based on more than simply signing up new customers. Our sales personnel are required to perform additional duties beyond new customer contract inception dates, including fulfillment duties and collections efforts.

## ***INTANGIBLE ASSETS***

Intangible assets consist of product licenses, renewals, enhancements, copyrights, trademarks, trade names, and customer lists. Intangible assets with finite lives are amortized over the estimated useful life and are evaluated for impairment at least on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. We assess recoverability by determining whether the carrying value of such assets will be recovered through the undiscounted expected future cash flows. If the future undiscounted cash flows are less than the carrying amount of these assets, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets.

### ***SOFTWARE DEVELOPMENT COSTS***

Costs incurred to internally develop computer software products or to enhance an existing product are recorded as research and development costs and expensed when incurred until technological feasibility for the respective product is established. Thereafter, all software development costs are capitalized and reported at the lower of unamortized cost or net realizable value. Capitalization ceases when the product or enhancement is available for general release to customers.

The Company makes on-going evaluations of the recoverability of its capitalized software projects by comparing the amount capitalized for each product to the estimated net realizable value of the product. If such evaluations indicate that the unamortized software development costs exceed the net realizable value, the Company writes off the amount which the unamortized software development costs exceed net realizable value. Capitalized and purchased computer software development costs are being amortized ratably based on the projected revenue associated with the related software or on a straight-line basis.

### ***STOCK-BASED COMPENSATION***

Our stock-based compensation expense is estimated at the grant date based on the award's fair value as calculated by the Black-Scholes-Merton (BSM) option pricing model and is recognized as expense over the requisite service period. The BSM model requires various highly judgmental assumptions including expected volatility and expected term. If any of the assumptions used in the BSM model changes significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period. In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. We estimate the forfeiture rate based on historical experience and our expectations regarding future pre-vesting termination behavior of employees. To the extent our actual forfeiture rate is different from our estimate; stock-based compensation expense is adjusted accordingly.

### ***GOODWILL***

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a purchase business combination. Goodwill is reviewed for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying amount of goodwill may be impaired. In conducting its annual impairment test, the Company first reviews qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. If factors indicate that the fair value of the reporting unit is less than its carrying amount, the Company performs a quantitative assessment and the fair value of the reporting unit is determined by analyzing the expected present value of future cash flows. If the carrying value of the reporting unit continues to exceed its fair value, the fair value of the reporting unit's goodwill is calculated and an impairment loss equal to the excess is recorded.

### **Recent Accounting Pronouncement**

See Note 2 "Summary of Significant Accounting Policies" in the Notes to the Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K, for a full description of recent accounting pronouncements, including the expected dates of adoption.

## RESULTS OF OPERATIONS

### THE YEAR ENDED JUNE 30, 2022 COMPARED TO THE YEAR ENDED JUNE 30, 2021

The following table sets forth the items in our consolidated statement of operations for the years ended June 30, 2022 and 2021 as a percentage of revenues.

	For the Years Ended June 30,			
	2022	%	2021	%
<b>Net Revenues:</b>				
License fees	\$ 4,539,260	7.9%	\$ 6,249,924	11.4%
Subscription and support	28,284,759	49.4%	22,173,745	40.4%
Services	24,423,960	42.7%	26,448,171	48.2%
Services - related party	-	0.0%	48,775	0.1%
Total net revenues	57,247,979	100.0%	54,920,615	100.0%
<b>Cost of revenues:</b>				
Salaries and consultants	24,528,155	42.8%	20,969,298	38.2%
Travel	1,036,623	1.8%	663,403	1.2%
Depreciation and amortization	2,949,093	5.2%	2,990,689	5.4%
Other	4,996,934	8.7%	3,944,197	7.2%
Total cost of revenues	33,510,805	58.5%	28,567,587	52.0%
<b>Gross profit</b>	23,737,174	41.5%	26,353,028	48.0%
<b>Operating expenses:</b>				
Selling and marketing	7,220,022	12.6%	6,555,004	11.9%
Depreciation and amortization	863,180	1.5%	965,625	1.8%
General and administrative	15,390,141	26.9%	15,437,382	28.1%
Research and development cost	1,342,154	2.3%	674,168	1.2%
Total operating expenses	24,815,497	43.3%	23,632,179	43.0%
<b>Income (loss) from operations</b>	(1,078,323)	-1.9%	2,720,849	5.0%
<b>Other income and (expenses)</b>				
Gain (loss) on sale of assets	(205,288)	-0.4%	(191,935)	-0.3%
Interest expense	(369,801)	-0.6%	(394,289)	-0.7%
Interest income	1,655,883	2.9%	1,017,432	1.9%
Gain (loss) on foreign currency exchange transactions	4,327,590	7.6%	(597,433)	-1.1%
Share of net loss from equity investment	(2,021,480)	-3.5%	(253,819)	-0.5%
Other income (expense)	(218,840)	-0.4%	987,444	1.8%
Total other income (expenses)	3,168,064	5.5%	567,400	1.0%
<b>Net income before income taxes</b>	2,089,741	3.7%	3,288,249	6.0%
<b>Income tax provision</b>	(988,938)	-1.7%	(1,026,617)	-1.9%
<b>Net income</b>	1,100,803	1.9%	2,261,632	4.1%
<b>Non-controlling interest</b>	(1,951,959)	-3.4%	(483,375)	-0.9%
<b>Net income (loss) attributable to NetSol</b>	\$ (851,156)	-1.5%	\$ 1,778,257	3.2%
<b>Net income (loss) per share:</b>				
Net income (loss) per common share				
Basic	\$ (0.08)		\$ 0.15	
Diluted	\$ (0.08)		\$ 0.15	
<b>Weighted average number of shares outstanding</b>				
Basic	11,250,219		11,499,983	
Diluted	11,250,219		11,499,983	

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 21 “Segment Information and Geographic Areas” within the Notes to the 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 Years Ended June 30,				Favorable (Unfavorable) Change in Constant Currency	Favorable (Unfavorable) Change due to Currency Fluctuation	Total Favorable (Unfavorable) Change as Reported
	2022	%	2021	%			
<b>Net Revenues:</b>	\$ 57,247,979	100.0%	\$ 54,920,615	100.0%	\$ 5,073,468	\$ (2,746,104)	\$ 2,327,364
<b>Cost of revenues:</b>	33,510,805	58.5%	28,567,587	52.0%	(7,733,551)	2,790,333	(4,943,218)
<b>Gross profit</b>	23,737,174	41.5%	26,353,028	48.0%	(2,660,083)	44,229	(2,615,854)
<b>Operating expenses:</b>	24,815,497	43.3%	23,632,179	43.0%	(2,771,416)	1,588,098	(1,183,318)
<b>Income (loss) from operations</b>	\$ (1,078,323)	-1.9%	\$ 2,720,849	5.0%	\$ (5,431,499)	\$ 1,632,327	\$ (3,799,172)

Net revenues for the years ended June 30, 2022 and 2021 by segment are as follows:

	2022		2021	
	Revenue	%	Revenue	%
North America	\$ 4,288,008	7.5%	\$ 3,724,547	6.8%
Europe	10,428,203	18.2%	11,283,499	20.5%
Asia-Pacific	42,531,768	74.3%	39,912,569	72.7%
Total	\$ 57,247,979	100.0%	\$ 54,920,615	100.0%

#### Revenues

##### License Fees

License fees for the year ended June 30, 2022 were \$4,539,260 compared to \$6,249,924 for the year ended June 30, 2021 reflecting a decrease of \$1,710,664 with a change in constant currency of \$1,152,220. In the fiscal year ended June 30, 2022, we recognized approximately \$3,000,000 related to a new agreement with DTFS for the sale of both our legacy and Ascent product<sup>®</sup> for their new business segment in the Japanese, Australian and South African markets and \$465,000 from the DFS contract. We also recognized approximately \$720,000 related to a new agreement with the Government of Khyber Pakhtunkhwa for the sale of our Ascent product<sup>®</sup>. In the fiscal year ended June 30, 2021, we recognized \$2,400,000 of license revenue for the GAC NFS Ascent<sup>®</sup> contract, \$2,100,000 for the TIL NFS Ascent<sup>®</sup> contract, and \$1,400,000 for the BMW NFS Ascent<sup>®</sup> contract.

### Subscription and Support

Subscription and support fees for the year ended June 30, 2022, were \$28,284,759 compared to \$22,173,745 for the year ended June 30, 2021 reflecting an increase of \$6,111,014 with a change in constant currency of \$7,861,490. 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 year ended June 30, 2022. In addition, the Company will recognize approximately \$7,900,000 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<sup>®</sup>.

### Services

Services income for the year ended June 30, 2022, was \$24,423,960 compared to \$26,448,171 for the year ended June 30, 2021, reflecting a decrease of \$2,024,211 with a decrease in constant currency of \$1,587,028. The decrease in services revenue is due to the decrease in implementation revenue associated with major contracts which we have fully implemented or are in the latter stages of implementation offset by services revenue for new contracts. 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.

### Services – Related Party

Services income from related party for the year ended June 30, 2022 was \$nil compared to \$48,775 for the year ended June 30, 2021 reflecting a decrease of \$48,775 with a decrease in constant currency of \$48,775. The decrease in related party service revenue is due to a decrease in revenue due to less services performed for WRLD3D.

### *Gross Profit*

The gross profit was \$23,737,174 for the year ended June 30, 2022 as compared with \$26,353,028 for the year ended June 30, 2021. This is a decrease of \$2,615,854 with a decrease in constant currency of \$2,660,083. The gross profit percentage for the year ended June 30, 2022 decreased to 41.5% from 48.0% for the year ended June 30, 2021. The cost of sales was \$33,510,805 for the year ended June 30, 2022 compared to \$28,567,587 for the year ended June 30, 2021 for an increase of \$4,943,218 and on a constant currency basis an increase of \$7,733,551. As a percentage of sales, cost of sales increased from 52.0% for the year ended June 30, 2021 to 58.5% for the year ended June 30, 2022.

Salaries and consultant fees increased by \$3,558,857 from \$20,969,298 for the year ended June 30, 2021 to \$24,528,155 for the year ended June 30, 2022 and on a constant currency basis increased by \$5,586,576. 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. We had 1,009, 1,036, and 1,356 technical employees as of June 30, 2020, 2021 and 2022, respectively. As a percentage of sales, salaries and consultant expense increased from 38.2% for the year ended June 30, 2021 to 42.9% for the year ended June 30, 2022.

Travel increased by \$373,220 from \$663,403 for the year ended June 30, 2021 to \$1,036,623 for the year ended June 30, 2022 and on a constant currency basis increased by \$459,471. The increase in travel expense is due to the increase in travel as countries begin lifting travel restrictions. As a percentage of sales, travel expense increased from 1.2% for year ended June 30, 2021 to 1.8% for the year ended June 30, 2022.

Depreciation and amortization expense slightly decreased to \$2,949,093 compared to \$2,990,689 for the year ended June 30, 2021 or a decrease of \$41,596 and on a constant currency basis a decrease of \$280,234.

Other cost increased to \$4,996,934 for the year ended June 30, 2022 compared to \$3,944,197 for the year ended June 30, 2021 or an increase of \$1,052,737 and on a constant currency basis an increase of \$1,407,270. The increase is mainly due to a one-time hosting charge of approximately \$300,000, an increase in repair and maintenance cost of approximately \$460,000, and an increase in computer hardware and software costs of approximately \$500,000, offset by reductions in other areas.

### *Operating Expenses*

Operating expenses were \$24,815,497 for the year ended June 30, 2022 compared to \$23,632,179, for the year ended June 30, 2021 for an increase of 5.0% or \$1,183,318 and on a constant currency basis an increase of 11.7% or \$2,771,416. As a percentage of sales, it increased from 43.0% to 43.4%. The increase in operating expenses was primarily due to increases in selling expenses, general and administrative expenses and research and development costs.

Selling and marketing expenses increased by \$665,018 or 10.2% and on a constant currency basis an increase of \$1,127,924 or 17.2%. The increase is mainly due to increase in travel of approximately \$400,000 and sales promotion activities of approximately \$170,000.

General and administrative expenses were \$15,390,141 for the year ended June 30, 2022, compared to \$15,437,382 at June 30, 2021 or a decrease of \$47,241 or 0.3% and on a constant currency basis an increase of \$825,084 or 5.3%. During the year ended June 30, 2022, salaries decreased by approximately \$244,000 or increased by approximately \$191,000 on a constant currency basis, and professional services increased approximately \$205,000 or \$226,000 on a constant currency basis and other general and administrative expenses decreased approximately \$8,000 or increased by approximately \$407,000 on a constant currency basis.

Research and development costs were \$1,342,154 for the year ended June 30, 2022 compared to \$674,168 at June 30, 2021 or an increase of \$667,986 or 99.1% and on constant currency basis an increase of \$864,608 or 128.3%.

### *Income/Loss from Operations*

Loss from operations was \$1,078,323 for the year ended June 30, 2022 compared to income from operations of \$2,720,849 for the year ended June 30, 2021. This represents a decrease of \$3,799,172 with a decrease of \$5,431,499 on a constant currency basis for the year ended June 30, 2022 compared with the year ended June 30, 2021. As a percentage of sales, loss from operations was 1.9% for the year ended June 30, 2022 compared to income from operation 5.0% for the year ended June 30, 2021.

### *Other Income and Expense*

Other income was \$3,168,064 for the year ended June 30, 2022 compared to \$567,400 for the year ended June 30, 2021. This represents an increase of \$2,600,664 with an increase of \$3,138,581 on a constant currency basis. The increase is primarily due to the interest income and foreign currency exchange transactions off set by recording an impairment in the WRLD3D and DriveMate investments and recording goodwill impairment.

Interest income was \$1,655,883 for the year ended June 30, 2022 compared to \$1,017,432 for the period ended June 30, 2021. This represents an increase of \$638,451 or a change of \$831,405 on a constant currency basis. Interest income is earned on cash maintained in interest bearing accounts.

During the year ended June 30, 2022, we recognized a gain of \$4,327,590 in foreign currency exchange transactions compared to a loss of \$597,433 for the year ended June 30, 2021. 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 year ended June 30, 2022, the value of the U.S. dollar and the Euro increased 29.9% and 14.9%, respectively, compared to the PKR. During the year ended June 30, 2021, the value of the U.S. dollar and the Euro decreased 5.9% and 0.5%, respectively, compared to the PKR.

The share of net loss from equity investment was \$2,021,480 for the year ended June 30, 2022 compared to \$253,819 for the period ended June 30, 2021. This represents an increase of \$1,767,661 or a change of \$1,948,838 on constant currency basis. The increase is primarily due to the impairment of our investment in WRLD3D and DriveMate of approximately \$966,000 and \$651,000, respectively.

Included in other expenses for the year ended June 30, 2022 is \$214,000 related to the goodwill impairment related to VLS.

### *Non-controlling Interest*

For the year ended June 30, 2022 and 2021, the net income attributable to non-controlling interest was \$1,951,959 and \$483,375, respectively. 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 loss was \$851,156 for the year ended June 30, 2022 compared to net income of \$1,778,257 for the year ended June 30, 2021. This is a decrease of \$2,629,413 with a decrease of \$4,080,861 on a constant currency basis, compared to the prior year. For the year ended June 30, 2022, net loss per share was \$0.08 for basic and diluted shares. For the year ended June 30, 2021, net income per share was \$0.15 for basic and diluted shares.

### **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 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 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 years ended June 30, 2022 and 2021 are as follows:

	For the Year Ended June 30, 2022	For the Year Ended June 30, 2021
Net Income (loss) attributable to NetSol	\$ (851,156)	\$ 1,778,257
Non-controlling interest	1,951,959	483,375
Income taxes	988,938	1,026,617
Depreciation and amortization	3,812,273	3,956,314
Interest expense	369,801	394,289
Interest (income)	(1,655,883)	(1,017,432)
EBITDA	<u>\$ 4,615,932</u>	<u>\$ 6,621,420</u>
Add back:		
Non-cash stock-based compensation	104,347	342,153
Adjusted EBITDA, gross	<u>\$ 4,720,279</u>	<u>\$ 6,963,573</u>
Less non-controlling interest (a)	<u>(2,903,457)</u>	<u>(1,588,701)</u>
Adjusted EBITDA, net	<u><u>\$ 1,816,822</u></u>	<u><u>\$ 5,374,872</u></u>
Weighted Average number of shares outstanding		
Basic	11,250,219	11,499,983
Diluted	<u>11,250,219</u>	<u>11,499,983</u>
Basic adjusted EBITDA per common share	<u>\$ 0.16</u>	<u>\$ 0.47</u>
Diluted adjusted EBITDA per common share	<u><u>\$ 0.16</u></u>	<u><u>\$ 0.47</u></u>

(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	\$ 1,951,959	\$ 483,375
Income Taxes	258,468	147,688
Depreciation and amortization	1,096,709	1,115,734
Interest expense	109,361	121,740
Interest (income)	(526,567)	(319,674)
EBITDA	<u>\$ 2,889,930</u>	<u>\$ 1,548,863</u>
Add back:		
Non-cash stock-based compensation	13,527	39,838
Adjusted EBITDA of non-controlling interest	<u><u>\$ 2,903,457</u></u>	<u><u>\$ 1,588,701</u></u>

## LIQUIDITY AND CAPITAL RESOURCES

Our cash position was \$23,963,797 at June 30, 2022, compared to \$33,705,154 at June 30, 2021.

Net cash provided by operating activities was \$3,060,622 for the year ended June 30, 2022 compared to \$15,725,923 for the year ended June 30, 2021. At June 30, 2022, we had current assets of \$49,428,136 and current liabilities of \$20,830,926. We had accounts receivable of \$8,669,202 at June 30, 2022 compared to \$4,184,096 at June 30, 2021. We had revenues in excess of billings of \$15,425,377 at June 30, 2022 compared to \$15,637,734 at June 30, 2021 of which \$853,601 and \$957,603 are shown as long term as of June 30, 2022 and 2021, respectively. The long-term portion was discounted by \$28,339 and \$66,779 at June 30, 2022 and 2021, respectively, using the discounted cash flow method with an interest rate of 4.35%, for the years ended June 30, 2022 and 2021. During the year ended June 30, 2022, 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 \$4,272,749 from \$19,821,830 at June 30, 2021 to \$24,094,579 at June 30, 2022. Accounts payable and accrued expenses, and current portions of loans and lease obligations amounted to \$6,813,541 and \$8,567,145, respectively, at June 30, 2022. The average days sales outstanding for the years ended June 30, 2022 and 2021 were 140 and 165 days respectively. The days sales outstanding have been calculated by taking into consideration the average combined balances of accounts receivable and revenue in excess of billings.

Net cash used by investing activities amounted to \$2,260,147 for the year ended June 30, 2022, compared to \$2,518,550 for the year ended June 30, 2021. We had net purchases of property and equipment of \$2,260,147 compared to \$2,363,050 for the comparable period last fiscal year. For the year ended June 30, 2022 and 2021, we invested \$nil and \$155,500, respectively, in DriveMate.

Net cash used in financing activities was \$1,378,721 compared to \$1,165,565, for the years ended June 30, 2022, and 2021, respectively. During the year ended June 30, 2022, we purchased 22,510 shares of our common stock from the open market for \$100,106 compared to 669,018 shares of common stock from the open market for \$2,364,781 for the year ended June 30, 2021. During the year ended June 30, 2022, NetSol PK purchased 2,000,000 shares of its common stock from the open market for \$950,352. The year ended June 30, 2022, included cash inflow of \$941,841 from bank proceeds compared to \$1,898,013 for the same period last year. During the year ended June 30, 2022, we had net payments for bank loans and capital leases of \$1,270,104 compared to \$698,797 for the year ended June 30, 2021. 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.

We typically fund the cash requirements for our operations in the U.S. through our license, services, and maintenance agreements, intercompany charges for corporate services, and through the exercise of options. As of June 30, 2022, we had approximately \$24.0 million of cash, cash equivalents and marketable securities of which approximately \$22.8 million is held by our foreign subsidiaries. As of June 30, 2021, we had approximately \$33.7 million of cash, cash equivalents and marketable securities of which approximately \$31.7 million is held by our foreign subsidiaries.

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

As a growing company, we have on-going capital expenditure needs based on our short term and long-term business plans. Although our requirements for capital expenses vary from time to time, for the next 12 months, we anticipate needing working capital of \$2 to \$3 million for APAC, U.S. and European new business development activities and infrastructure enhancements.

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 (\$365,854) 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 (\$2,434,749) and a running finance facility of Rupees 53.6 million (\$261,005). NetSol PK has an approved facility for export refinance from Habib Metro Bank Limited amounting to Rupees 900 million (\$4,382,548). These facilities require NetSol PK to maintain a long-term debt equity ratio of 60:40 and a current ratio of 1:1. NetSol PK also has an approved export refinance facility of Rs. 380 million (\$1,850,409) 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.

## Dividends and Redemption

It has been our policy to invest earnings in growth rather than distribute earnings as common stock dividends. This policy, under which common stock dividends have not been paid since our inception is expected to continue but is subject to regular review by the Board of Directors.

## Contractual Obligations

Our contractual obligations are as follows:

Contractual Obligation	Payment due by period				More than 5 years
	Total	0 - 1 year	1-3 Years	3-5 Years	
<b>Debt Obligations</b>					
D&O Insurance	\$ 89,552	\$ 89,552	\$ -	\$ -	\$ -
Paycheck Protection Program Loans	-	-	-	-	-
Bank Overdraft Facility	-	-	-	-	-
Term Finance Facility	423,101	423,101	-	-	-
Loan Payable Bank - Export Refinance	2,434,749	2,434,749	-	-	-
Loan Payable Bank - Running Finance					
Loan Payable Bank - Export Refinance II	1,850,409	1,850,409	-	-	-
Loan Payable Bank - Export Refinance III	3,408,648	3,408,648	-	-	-
Term Finance Facility	31,204	18,339	12,865	-	-
Sale and Leaseback Financing	619,108	189,226	429,882	-	-
Insurance financing	118,026	118,026	-	-	-
Subsidiary Finance Leases	68,571	35,095	33,476	-	-
Operating Lease Obligations	995,938	548,678	271,220	174,815	1,225
					-
<b>Total</b>	<b>\$ 10,039,306</b>	<b>\$ 9,115,823</b>	<b>\$ 747,443</b>	<b>\$ 174,815</b>	<b>\$ 1,225</b>

## Off-Balance Sheet Arrangements

We do not maintain any off-balance sheet arrangements, transactions, obligations or other relationships with unconsolidated entities that would be expected to have a material current or future effect upon our financial condition or results of operations.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to financial market risks, including changes in currency exchange rates and interest rates.

### Foreign Currency Exchange Risk

#### Economic Exposure

We transact business in various foreign currencies and have significant international revenues, as well as costs denominated in foreign currencies. This exposes us to the risk of fluctuations in foreign currency exchange rates. Since the majority of the Company's operations are based in the Asia Pacific region where the Pakistan Rupee is continuously losing its value against the US Dollar and we don't have any imports; therefore, we believe it is counter-productive to hedge this exposure. The devaluation of the Pakistan Rupee results in a foreign exchange gain to the Company.

#### Transaction Exposure

Our exposure to foreign currency transaction gains and losses is the result of certain net receivables due from our foreign subsidiaries and customers being denominated in currencies other than the functional currency of the subsidiary, primarily the Euro, Yuan, Baht and the Pakistan Rupee. Our foreign subsidiaries conduct their businesses in local currency. Since the majority of the Company's operations are based in the Asia Pacific region where the Pakistan Rupee is continuously losing its value against the US Dollar and we don't have any imports; therefore, we believe it is counter-productive to hedge this exposure.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements that constitute Item 8 are included at the end of this report on page F-1.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

NETSOL's financial statements for the fiscal years ended June 30, 2022 and June 30, 2021, did not contain an adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

In connection with the audit of NETSOL's financial statements for the fiscal year ended June 30, 2022 and 2021, there were no disagreements, disputes, or differences of opinion with BF Borgers CPA PC. ("BF Borgers") on any matters of accounting principles or practices, financial statement disclosure, or auditing scope and procedures, which, if not resolved to the satisfaction of BF Borgers would have caused BF Borgers to make reference to the matter in their report.

## **ITEM 9A. 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 Annual Report on Form 10-K. Based upon that evaluation, the Chief Financial Officer and Chief Executive Officer concluded that our disclosure controls and procedures were effective.

### ***Management's Report on Internal Control over Financial Reporting***

Our management has the responsibility to establish and maintain adequate internal controls over our financial reporting, as defined in Rule 13a-15(f) under the Securities and Exchange Act of 1934. Our internal controls are designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our external financial statements in accordance with generally accepted accounting principles (GAAP).

Due to inherent limitations of any internal control system, management acknowledges that there are limitations as to the effectiveness of internal controls over financial reporting and therefore recognize that only reasonable assurance can be gained from any internal control system. Accordingly, our internal control system may not detect or prevent material misstatements in our financial statements and projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and participation of management, including the Chief Executive Officer and Chief Financial Officer, we have performed an assessment of the effectiveness of our internal controls over financial reporting as of June 30, 2022. This assessment was based on the criteria established in Internal Control-Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the results of our assessment, the Company has determined that as of June 30, 2022, the Company's internal control over financial reporting are effective.

### ***Changes in Internal Control over Financial Reporting***

There have been no changes in our internal controls over financial reporting during the fourth quarter of fiscal year 2022, 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)).

## **ITEM 9B. OTHER INFORMATION**

NONE

## **ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

NONE

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

***Section 16(a) Beneficial Ownership Reporting Compliance***

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires that the Company's directors and executive officers and persons owning more than 10% of the outstanding Common Stock, file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC"). Executive officers, directors and beneficial owners of more than 10% of the Company's Common Stock are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on copies of such forms furnished as provided above, or written representations that no such forms were required, the Company believes that during the fiscal year ended June 30, 2022, all Section 16(a) filing requirements applicable to its executive officers, directors and beneficial owners of more than 10% of its Common Stock were complied with.

**CHANGE IN MANAGEMENT AND BOARD OF DIRECTORS**

*Board of Directors*

At the 2021 Annual Shareholders Meeting held in June 2022, a five-member board stood for election. The members were elected and, according to the bylaws of the Company shall retain their position as directors until the next meeting. The board of directors is made up of Mr. Najeeb U. Ghauri (Chairman of the Board), Mr. Mark Caton, Ms. Malea Farsai, Mr. Kausar Kazmi and Mr. Henry Tolentino.

*Committees*

The Audit Committee is made up of Mr. Kazmi, as Chairman, with Mr. Caton and Mr. Tolentino as members. The Compensation Committee consists of Mr. Caton, as Chairman, with Mr. Kazmi and Mr. Tolentino as its members. The Nominating and Corporate Governance Committee consists of Mr. Tolentino, as Chairman, with Mr. Caton and Mr. Kazmi as its members.

The table below provides the membership for each of the committees during Fiscal Year 2022.

Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Najeeb Ghauri			
Malea Farsai			
Mark Caton (I)	X	X (C)	X
Kausar Kazmi (I)	X (C)	X	X
Henry Tolentino (I)	X	X	X (C)

(I) Denotes an Independent Director.

(C) Denotes the Chairperson of the Committee.

## DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the names and ages of the current directors and executive officers of the Company, the principal offices and positions with the Company held by each person and the date such person became a director or executive officer of the Company. The Board of Directors elects the executive officers of the Company annually. Each year the stockholders elect the Board of Directors. The executive officers serve varying terms until their death, resignation or removal by the Board of Directors. In addition, there was no arrangement or understanding between any executive officer and any other person pursuant to which any person was selected as an executive officer.

The directors and executive officers of the Company are as follows:

<u>Name</u>	<u>Year First Elected as an Officer or Director</u>	<u>Age</u>	<u>Position Held with the Registrant</u>	<u>Family Relationship</u>
Najeeb Ghauri	1997	68	Chief Executive Officer, Chairman and Director	Brother of Naeem Ghauri
Naeem Ghauri	1999	65	President	Brother of Najeeb Ghauri
Roger Almond	2013	57	Chief Financial Officer	None
Patti L. W. McGlasson	2004	57	Sr. V.P., Legal and Corporate Affairs; Secretary, General Counsel	None
Mark Caton	2002	73	Director	None
Malea Farsai	2018	53	Director; Corporate Counsel	None
Henry Tolentino	2018	73	Director	None
Syed Kausar Kazmi	2019	69	Director	None

### Business Experience of Officers and Directors:

**NAJEEB U. GHAURI** is the Chief Executive Officer and Chairman of NETSOL. He has been the Co-founder and director of the Company since 1997, Chairman since 2003 and Chief Executive Officer from January 1998 to September 2002 and from October 2006 to present. Mr. Ghauri was responsible for NETSOL listing on NASDAQ in 1999 and NETSOL Pakistan subsidiary listing on the Karachi Stock Exchange in 2005. Mr. Ghauri served as the Company's Chief Executive Officer from 1999 to 2001 and as the Chief Financial Officer from 2001 to 2005. As CEO, Mr. Ghauri is responsible for managing the day-to-day operations of the Company, as well as the Company's overall growth and expansion plan. In 2017, Mr. Najeeb Ghauri as the CEO, implemented a Company-wide initiative cutting costs which saved the Company in excess of \$7,000,000. Mr. Ghauri was also instrumental in the substantial increase in revenue for fiscal year end 2015. In addition, Mr. Ghauri traveled overseas multiple times to execute the largest contract for the Company, worth over \$100 million, in December 2015. Under his watch, NETSOL has become a leading player in China with innovation and a cutting-edge technology.

In September 2020, Mr. Ghauri was presented with the highest civilian award in Pakistan, “Sitar e Imtiaz”, a medal of pride, in recognition for his work in IT and charitable causes in Pakistan. This medal was conferred by the President of Pakistan at the President House in Islamabad, Pakistan. Prior to joining the Company, Mr. Ghauri was part of the marketing team of Atlantic Richfield Company (ARCO) (now acquired by BP), a Fortune 500 company, from 1987-1997. Prior to ARCO, he spent nearly five years with Unilever as brand and sales managers. Mr. Ghauri attended Eastern Illinois University in 1977-78 for Bachelor of Science degree in Management/Economics. He earned an M.B.A. in Marketing Management from Peter F. Drucker School of Management, Claremont, California in 1981. Mr. Ghauri was elected Vice Chairman of US Pakistan Business Council in 2006, a Washington D.C. based council of US Chamber of Commerce. He is also very active in several philanthropic activities in emerging markets and is a founding director of Pakistan Human Development Fund, a non-profit organization, a partnership with UNDP to promote literacy, health services and poverty alleviation in Pakistan. Mr. Ghauri has participated in NASDAQ opening and/or closing bell ceremonies in 2006, 2008, 2009, 2015 and 2020.

*Skills and Qualifications:* Mr. Ghauri has an extensive executive, operational and strategic leadership experience in a global setting and substantial experience in establishing management performance objective and establishing goals. Mr. Ghauri not only serves the Board with his experience as a chief executive officer, but also his skills and insight into global operational logistics, which he developed over the course of his 25-year career in technology industry.

**NAEEM GHOURI** was a Director of the Company from 1999 through 2020 and was the Company’s Chief Executive Officer from August 2001 to October 2006. Mr. Ghauri is also a co-founder of the Company. Currently, Mr. Ghauri serves as the President and Director of Global Sales of NETSOL, director of NETSOL (UK) Ltd., a wholly owned subsidiary of the Company located in London, and Chairman of NetSol Technologies Limited in Pakistan. While instrumental in numerous transactions, his most significant contribution to the revenue of the Company was his role in overseeing and leading the closing of the largest contract to date for the Company worth \$100 million signed in December 2015. More recently, Mr. Ghauri headed the sales team that signed a contract valued in excess of \$35 million. Mr. Ghauri has spearheaded the Innovation practice of the Company while located in Thailand with an eye towards working with rideshare platforms as sustainable business models for the Company as the CEO of OTOZ, Inc. Prior to joining the Company, Mr. Ghauri was Program Director for Mercedes-Benz Finance Ltd., from 1994-1999. Mr. Ghauri supervised over 200 project managers, developers, analysts and users in nine European Countries. Mr. Ghauri is a board member of Drivemate Co., Ltd., the Company’s partner in Thailand, as a representative of NetSol. Mr. Ghauri earned his degree in computer science from Brighton University in England.

*Skills and Qualifications:* Mr. Naeem Ghauri has served in many leadership capacities within the Company throughout the past 23 years. Through his various senior leadership positions and extensive executive experience, Mr. Ghauri brings to NetSol his unique insight related to technology, innovation, marketing, and growth, including digital and mobility strategy.

**ROGER ALMOND** was appointed Chief Financial Officer on September 9, 2013. Since 2007, Roger Almond held the position of Senior Manager at Pickard & Green Certified Public Accountants where he and his team were responsible for assisting national and international companies with their financial reporting requirements to the SEC. Roger Almond’s duties also included overseeing multiple entity consolidations, converting financial data to US GAAP, preparing financials statements, footnotes and MD&A. Prior to his current position, Roger Almond held the position of Assurance Manager at Grant Thornton LLP, in Los Angeles, California from 2003-2006. From November 1999 to August 2003, he was the Chief Financial Officer of Keysor Century Corporation located in Saugus, California.

Roger Almond received his BS in Accounting from Brigham Young University in 1991 and he is a Certified Public Accountant licensed in California. He has also completed executive management courses at UCLA in 2001.

*Skills and Qualifications:* Through his senior leadership as Chief Financial Officer, Mr. Almond possesses extensive knowledge in several important business areas, including public company accounting, leadership, risk assessment, and international, cross-border accounting.

**PATTI L. W. MCGLASSON** joined NETSOL as General Counsel in January 2004 and was elected to the position of Secretary in March 2004. She was appointed Senior Vice President, Corporate and Legal Affairs in 2013.

In the role of General Counsel, Ms. McGlasson is responsible for leading NETSOL's legal department company-wide. She is also responsible for the implementation of the Company's internal corporate governance and policy plans, ethics and business conduct. She oversees all board meetings in her executive position as corporate secretary.

Ms. McGlasson has over 30 years of experience in corporate law, mergers and acquisitions, business and cross-border transactions and securities law. Immediately prior to joining NETSOL, Patti practiced at Vogt & Resnick, law corporation. She was admitted to practice in California in 1991.

She received her Bachelor of Arts in Political Science in 1987 from the University of California, San Diego and, her Juris Doctor and Masters in Law in Transnational Business from the University of the Pacific, McGeorge School of Law, in 1991 and 1993, respectively. As part of her Masters in Law in Transnational Business, she interned at the law firm of Loeff Claey's Verbeke in Rotterdam, the Netherlands in 1991.

*Skills and Qualifications:* As General Counsel, Ms. McGlasson offers extensive knowledge in several important strategic areas, including innovative problem-solving related to global risks and opportunities. Her legal expertise also helps NetSol navigate cross-cultural and cross-border opportunities.

**MARK CATON** joined the Board of Directors in 2007. Mr. Caton is currently President of Centela Capital, Inc. a diversified financial services company, a position he has held since 2006. Prior to joining Centela Capital, Mr. Caton was President of NETSOL Technologies USA, responsible for US sales, from June 2002 to December 2003. Mr. Caton was employed by ePlus from 1994 to 2002 as Senior Vice President-Business Development. He was a member of the UCLA Alumni Association Board of Directors and served on the Board of Directors of NETSOL from 2002-2003. Mr. Caton is a Chairman of the Compensation Committee and a member of the Audit and Nominating and Corporate Governance Committees. Mr. Caton received his BA from UCLA in psychology in 1971.

*Skills and Qualifications:* Mr. Caton has over 35 years of experience in sales, marketing and management in the financial leasing and software industries.

**MALEA FARSAI** joined the Board of Directors for the first time in 2018 and is currently the Company's Corporate Counsel. Before joining NETSOL in March 2000, Ms. Farsai was an associate at the law firm of Horwitz and Beam where she represented both domestic and international private and public clients from technology to apparel in various transactions from 1996-2000. She has also worked on the formation of business startups and IPOs. Ms. Farsai was on the team that took NETSOL public and is the one who listed NETSOL on NASDAQ in 1999 and has maintained its listing since then to current. After nearly two decades with the Company, Ms. Farsai continues to work part-time as Corporate Counsel overseeing the Company's insurance as well as day to day corporate legal needs. She has also obtained many of NETSOL's various trademarks. Ms. Farsai has been actively updating and overseeing the Company's Corporate and Social Responsibilities (CSR) globally and has effectively established a 501(c)(3) foundation for NETSOL to continue its charitable work internationally. Ms. Farsai received her B.A. degree from University of California, Irvine and her J.D. in 1996, and has been a member of the California State Bar since 1996. She sits on the board of various charitable organizations in Los Angeles.

*Skills and Qualifications:* Ms. Farsai has served the Company and its legal department since its inception and has a breadth of knowledge and understanding about NETSOL's business through her role as Corporate Counsel. She also has an understanding of Public Company corporate governance as well as the management and retention of a diverse group of employees.

**HENRY TOLENTINO** joined the Board of Directors for the first time in 2018. Mr. Tolentino brings more than 30 years of experience in the auto finance industry working with global manufacturers such as Toyota and General Motors. Prior to joining NETSOL's advisory board, Mr. Tolentino has held several executive positions at Toyota Leasing (Thailand) Co., Ltd., including most recently as president from 2006 to 2014 and then served as an advisor from 2015 to 2016. Prior to Toyota Leasing, Mr. Tolentino spent more than 10 years with Toyota Motor Credit Corporation, USA. He began his career in the auto finance industry with General Motors Acceptance Corporation. Mr. Tolentino joined the advisory board of NETSOL in September 2017 where he provided strategic advice to the senior management of the Company. Mr. Tolentino is the Chairman of the Nomination and Corporate Governance Committee and member of the Audit and Compensation Committees.

*Skills and Qualifications:* Mr. Tolentino has significant knowledge in international automobile manufacturing, business strategy and managing growth in the automotive industry.

**SYED KAUSAR KAZMI** joined the Board of Directors in 2019. Mr. Kazmi brings over 40 years of expertise in the banking industry and is currently the Head of Commercial Banking and Business Development at Habib Bank Zurich PLC, located in London where he has served in this capacity since 2016. Prior to this position, Mr. Kazmi served as the Head of Business Development for UK and Europe at Habib Bank AG Zurich in London from 2012-2016, before which Mr. Kazmi was the CEO of the UK operations of Habib Bank AG Zurich from 2009-2012. In 2018, Mr. Kazmi was awarded by Power 100, Parliamentary Review in association with The British Publishing Company a "Lifetime Achievement Award" for his significant and lasting impact on the banking sector. In addition, Mr. Kazmi has been awarded by the Asian Media Group the "GG2 Power List" celebrating Britain's 101 most influential Asians from 2016-2018.

Mr. Kazmi received his BSc in Chemical Engineering with II Class Honors from Habib Institute of Technology in 1974. He sits on the board of many charitable organizations, with a focus on helping raise funds. Mr. Kazmi is the Chairman of the Audit Committee and is a member of the Nominating and Corporate Governance and Compensation Committees.

*Skills and Qualifications:* Mr. Kazmi has strong financial services and management expertise. He directs the operations of a financial services business, expending its focus on business development.

## **COPORATE GOVERNANCE**

### *Code of Business Conduct & Ethics*

The Company adopted its Code of Business Conduct & Ethics, as amended and restated on September 9, 2013, applicable to every officer, director and employee of the Company, including, but not limited to the Company's principal executive officer, principal financial officer, and principal accounting officer or controller, or persons performing similar functions. Our Code of Business Conduct & Ethics has been posted on our website and may be viewed at <http://ir.netsoltech.com/governance-docs>.

### *Audit Committee*

The Company has an Audit Committee whose members are the independent directors of the Company, specifically, Mr. Kazmi, Mr. Caton, and Mr. Tolentino. Mr. Kazmi is the current Chairman of the Audit Committee.

### *Audit Committee Financial Expert*

The Company has identified its audit chairperson, Mr. Kausar Kazmi as its Audit Committee financial expert. Mr. Kazmi is an independent board member as the term is defined in the Nasdaq Listing Rules. Mr. Kazmi's over 40 years of experience in the banking industry including his current tenure as Head of Commercial Banking and Business Development for UK and Europe for Habib Bank AG Zurich as well as his service as a board member on various charities as the board member responsible for fundraising, provides him with an understanding of generally accepted accounting principles and financial reporting. Additionally, this experience provides an ability to assess the general application of accounting principles in connection with the accounting for estimates, accruals and reserves; experience analyzing financial statements that were comparable in the breadth and complexity of issues that can be reasonably expected to be raised by the Company's financial statements; an understanding of internal control over financial reporting; and an understanding of audit committee functions.

## ITEM 11-EXECUTIVE COMPENSATION

### Introduction

Our Compensation Committee is responsible for establishing and overseeing compensation programs that comply with NetSol's executive compensation philosophy. As described in this Compensation Discussion and Analysis ("CD&A"), the Compensation Committee follows a disciplined process for setting executive compensation. This process involves analyzing factors such as company performance, individual performance, strategic goals and competitive market data to arrive at each element of compensation. The Compensation Committee approves compensation decisions for all executive officers. An independent compensation consultant helps the Compensation Committee by providing advice, information, and an objective opinion. This CD&A will focus on the compensation awarded to NetSol's "named executive officers"—the Chief Executive Officer, Chief Financial Officer, and General Counsel, Corporate Secretary. You can find more complete information about all elements of compensation for the named executive officers in the following discussion and in the Summary Compensation table that appears on page 46.

### Fiscal 2022 Executive Compensation Highlights and Governance

This section identifies the most significant decisions and changes made regarding NETSOL's executive compensation in fiscal year 2022.

#### *Shareholder Approval of Compensation*

At the last annual general meeting held on June 7, 2022, shareholders expressed support for our executive compensation programs, with 90% of votes cast at the meeting voting to ratify the compensation of our named executive officers. Although the advisory shareholder vote on executive compensation is non-binding, the Compensation Committee has considered, and will continue to consider, the outcome of the vote and the sentiments of our shareholders when making future compensation decisions for the named executive officers. Based on the results from our last annual general meeting, the Compensation Committee believes shareholders support the Company's executive compensation philosophy and the compensation paid to the named executive officers.

Taking into account the support of this plan at the June 7, 2022 Annual Shareholders Meeting, the Compensation Committee believes the compensation program meaningfully explains the Compensation Committee's compensation decisions and its determination to tie long term incentives of the Chief Executive Officer to performance criteria. The Compensation Committee continues to reach out to its shareholders regarding their positions on the Company's compensation program. In connection with the proxy solicitations, the executive compensation was discussed with certain of our top shareholders and their general acceptance of the compensation structure is reflected in the proxy vote results. Accordingly, the Compensation Committee will continue to provide the CEO with a bonus criterion that is based on total revenues and income from operations on a graduated basis. Bonuses would be paid 60% in cash and 40% in stock valued at the share price on June 30<sup>th</sup> of the fiscal year in which it was earned.

Based on the 2016 Annual Meeting of Shareholders vote on the Frequency of Say on Pay voting, we will continue to provide our stockholders with an annual opportunity to cast an advisory vote on the compensation programs for our named executive officers and as always, the stockholders are welcome to contact Investor Relations with any questions.

### ***Governance and Evolving Compensation Practices***

The Compensation Committee and the Board are aware of evolving practices in executive compensation and corporate governance. In response, we have adopted and/or maintained certain policies and practices that are in keeping with “best practices” in many areas. For example:

- The Compensation Committee engages an independent compensation consultant to evaluate our chief executive officer’s executive compensation practices in comparison to a peer group.
- We do not provide excessive executive perquisites to our named executive officers.
- Our incentive plans expressly prohibit repricing of options (directly or indirectly) without prior shareholder approval.
- Our policy on the prevention of insider trading prohibits various types of transactions involving Company stock or securities, including short sales, options trading, hedging, margin purchases and pledges.
- Our stock ownership guidelines require our executive officers to align their long-term interests with those of our stockholders.
- Our policy prohibits the named executive officers from selling any newly issued shares for a period of three months, in an open market transaction.
- Beginning with our fiscal year 2019 to current, we modified our compensation practices for our CEO to tie a significant portion to financial results both on a top line and bottom-line basis.

### ***General Compensation Overview***

For 2022, compensation designed for our executive officers consisted of:

- Base Salary
- Cash awards at the discretion of the Compensation Committee
- Long term equity in the form of time-based restricted stock; and
- Ability to participate generally in all group health and welfare benefit programs and tax-qualified retirement plans on the same basis as applicable to all of our employees.

In response to discussions we have had with certain shareholders and given the percentage voting in favor of our executive compensation, beginning with the 2019 fiscal year, Chief Executive Officer compensation shall consist of:

- Base Salary
- Short-term cash awards conditioned upon achieving objective performance targets
- Long-term equity in the form of time and objective performance targets; and
- Ability to participate generally in all group health and welfare benefit programs and tax-qualified retirement plans on the same basis as applicable to all of our employees.

The Compensation Committee administers the cash and non-cash compensation programs applicable to our executive officers. The Compensation Committee makes all decisions about executive officer compensation for the Chief Executive Officer and the remaining named executives after discussion with our Chief Executive Officer about his direct reports. The Compensation Committee has often refined the direct reports’ compensation recommendations made by the Chief Executive Officer. Our Chief Executive Officer’s compensation is determined solely by the Compensation Committee, which, consistent with NASDAQ requirements, is comprised exclusively of independent directors, and the Chief Executive Officer does not participate in Committee decisions surrounding his compensation.

### ***Independent Compensation Consultant***

The Compensation Committee retained Compensation Resources, Inc. as its independent compensation consultant. Compensation Resources provided chief executive officer and director compensation consulting services to the Compensation Committee, including a competitive market analysis of peers and the base salary, total cash compensation and total direct compensation. Interactions with Compensation Resources was limited to the Compensation Committee Chair and interaction with executives was generally limited to discussions as required to compile information at the Compensation Committee's direction. During fiscal year 2022, Compensation Resources did not provide services to the Company. Based on these factors and its own evaluation of Compensation Resources independence pursuant to the requirements approved and adopted by the SEC, the Compensation Committee has determined that the work performed by Compensation Resources does not raise any conflicts of interest.

### ***Compensation Philosophy and Objectives***

Our executive compensation philosophy calls for competitive total compensation that will reward executives for achieving individual and corporate performance objectives and will attract, motivate and retain leaders who will drive the creation of shareholder value. It incorporates elements that create shareholder value by driving financial performance, retaining a high-performing and talented executive team, and aligning the interests of the executive team with the interests of shareholders. The Compensation Committee reviews the compensation and benefit programs for executive officers, including the named executive officers, and performs an annual assessment of the Company's executive compensation policy. In determining total compensation, the Compensation Committee considers the objectives and attributes described below.

#### **Executive Compensation Principles**

- Shareholder Alignment • Our executive compensation programs are designed to create shareholder value.
- Long-term incentive awards, delivered in the form of equity, make up a portion of our executives' total compensation and closely align the interests of executives with the long-term interests of our shareholders. Our policy prohibits the named executive officers from selling any newly issued shares for a period of three months, on an open market transaction.
- Performance based • Long-term incentive awards are designed to reward our executive officers for creating long-term shareholder value. Long-term incentive awards are granted primarily in the form of stock options and/or shares.
- Appropriate Risk • Our executive compensation programs are designed to encourage executive officers to take appropriate risks in managing their businesses to achieve optimal performance.
- Competitive with external talent markets • Our executive compensation programs are designed to be competitive within the relevant markets.
- Simple and transparent • Our executive compensation programs are designed to be readily understood by our executives, and transparent to our investors.

### ***Compensation Analysis Peer Group***

After consideration of business models, company revenue and market capitalization of other companies in the Company's technology industry segment, and with the input from Compensation Resources, Inc., the compensation consultant used by the Company at the time the study was last conducted, the Compensation Committee established the following list of peer companies to provide a comparative framework for use in setting executive compensation:

BSquare Corp.  
Cass Information Systems  
Digital Turbine, Inc.  
Everbridge, Inc.  
Mitek Systems, Inc.  
SPS Commerce Inc.  
Zix Corp.

### ***Executive Officer Base Salaries and Compensation Comparisons***

Compensation plans are developed by utilizing publicly available compensation data in the information technology and software services industries. We believe that the practices of these groups of companies provide us with appropriate compensation benchmarks, because these groups of companies are in similar businesses and tend to compete with us for executives and other employees. For benchmarking executive compensation, we typically review the compensation data we have collected from these groups of companies, as well as a subset of the data from those companies that have a similar number of employees as the Company. The Compensation Committee has determined to utilize the services of a consultant for purposes of comparing our compensation program with similarly situated companies in like industries. The recommendations of these consultants will be utilized by the Compensation Committee in determining the appropriate compensation packages in addition to taking into account the unique global scale of the Company's business. While these consultants may make general recommendations about the size and components of compensation, we anticipate our philosophy to continue on the basis of a pay-for-performance philosophy.

In establishing the compensation of our named Chief Executive Officer, we based the amounts primarily on the market data and advice provided by Compensation Resources, Inc. with respect to the compensation paid to individuals who perform substantially similar functions within the peer group companies. In connection with the other named executive officers, we also relied on the recommendations of the Chief Executive Officer's analysis relative to those individuals' performance and compensation. We also examined the outstanding stock options and equity grants held by the executive officers for the purpose of considering the retention value of any additional equity awards.

As a general guideline, for our named executive officers, we aim to set base salary, cash compensation and total compensation at approximately the mean market range. Our analysis determined that the base salary of our Chief Executive officer was slightly above the mean, cash compensation was generally within the mean, but the total direct compensation was below the mean. As such, it was determined to develop a long-term, performance-based element of the compensation that brought the total direct compensation within the mean.

### ***2022 Executive Compensation Components***

#### ***Base Salary***

An executive's base salary is a fixed element of the executive's compensation intended to attract and retain executives. It is evaluated together with components of the executive's other compensation to ensure that the executive's total compensation is consistent with our overall compensation philosophy. Base salaries are adjusted annually by the Compensation Committee.

The base salaries were established in arms-length negotiations between the executive and the Company, considering their extensive experience, knowledge of the industry, track record, and achievements on behalf of the Company. The Company expects each named executive officer to contribute to the Company's overall success as a member of the executive team rather than focus solely on specific objectives within the officer's area of responsibility.

Mr. Ghauri's base salary for fiscal year 2022 was \$700,000 and in addition he received \$200,000 in allowances. Mr. Ghauri's base salary and allowances will remain the same for fiscal year 2023. Mr. Almond's base salary for fiscal year 2022 was \$197,041 and in addition he received \$24,000 in allowances. For fiscal year 2023, Mr. Almond's salary will be \$226,000 and he will receive \$24,000 in allowances. Ms. McGlasson's salary for fiscal year 2022 was \$212,384 and her base salary for fiscal year 2023 will be \$233,622. The Compensation Committee determined that salary alone was an adequate basis for short term compensation, and that equity incentives would be used for the long-term elements of incentive programs for Ms. McGlasson and Mr. Almond.

### *Annual Bonus*

Our compensation program includes eligibility for bonuses as rewarded by the Compensation Committee. All executives are eligible for annual performance-based cash bonuses in accordance with Company policies. The Compensation Committee takes into consideration the executive's performance during the previous year to determine eligibility for discretionary bonuses. Further, the compensation committee will review, if applicable, the performance criteria set forth in an executive's previous year's agreement and will determine if the executive has met such criteria in order to achieve the bonus. The Company's bonus criteria at the executive management level, is typically based on a gross revenue and income from operations targets. Cash bonuses, if any for 2022 are reflected in the summary of compensation table on page 46. For 2022, based on structured KPI's by the compensation committee, Mr. Ghauri earned a bonus of \$69,922. See bonus structure as discussed below on page 44. The Compensation Committee determined that Gross Revenue and Income from Operations structure used in fiscal 2022 continues to be a proper measure for measuring Mr. Ghauri's performance in that it encourages his participation in revenue generating activities and continues to incentivize him to monitor and maximize cost efficiency.

### *Long-Term Equity Incentive Compensation*

We believe that long-term performance is achieved through an ownership culture that encourages long-term participation by our executives in equity-based awards. Because base salary and equity awards are such basic elements of compensation within our industry, as well as the high technology and software industries in general, and are generally expected by employees, we believe that these components must be included in our compensation mix in order for us to compete effectively for talented executives. We award time based vested stock from our Equity Incentive Plans for several reasons. First, such awards facilitate retention of our executives. Restricted stock generally vests only if the executive remains employed by the Company. Second, time-based stock awards align executive compensation with the interests of our shareholders and thereby focuses executives on increasing value for the shareholders. Time vested stock generally only provides a superior return if the stock price appreciates, and results in materially less dilution to the shareholders than options while frequently providing equivalent value to the employee at less cost to the Company than options. In determining the number of shares to be granted to executives, we take into account the individual's position, scope of responsibility, ability to affect profits and shareholder value, past and recent performance, and the estimated value of shares at the time of grant. Assuming individual performance at a level satisfactory to the Compensation Committee, the size of total equity compensation is generally targeted at the 50th percentile for the peer group. As indicated above, market data, including compensation percentiles, were among several factors the committee reviewed in determining compensation.

Equity incentives provided to executives are determined by the Fair Market Value of our common stock on the grant date. Each executive's stock award was based on an analysis of the Compensation Committee of an appropriate overall cash compensation for each individual taking into account their position and compensation at similarly situated companies. Each executive's stock award was based on a desired overall compensation cash value less the base salary as approved by the Compensation Committee.

Mr. Najeeb Ghauri is eligible to receive grants of shares based on the performance criteria connected to gross revenues and net income from operations as discussed below. The total compensation including equity grants is designed to bring the Chief Executive Officer to the mean market average.

Mr. Najeeb Ghauri's bonus for fiscal year 2022 is based on the total revenues and income from operations on a graduated basis. The following table demonstrates the graduated percentage of bonus that Mr. Ghauri will be eligible to earn based on the percentage of the goal achieved. Bonuses will be paid 60% in cash and 40% in shares of common stock valued on June 30, 2022. Total net revenues and income from operations are based on those values reported for the year ending June 30, 2022 excluding any adjustments relating to changes in revenue recognition policy.

	Allocated Bonus %	% of Bonus	25%	50%	100%	125%	150%	175%	200%
Net revenues	55%	Increase in revenues	5%	10%	15%	20%	25%	30%	35%
Bonus Earned			\$ 82,500	\$ 165,000	\$ 330,000	\$ 412,500	\$ 495,000	\$ 577,500	\$ 660,000
	Allocated Bonus %	% of Bonus	25%	50%	100%	125%	150%	175%	200%
Income from Operations	45%	Income from Operations %	5.0%	7.5%	10.0%	12.5%	15.0%	17.5%	20.0%
Bonus Earned			\$ 67,500	\$ 135,000	\$ 270,000	\$ 337,500	\$ 405,000	\$ 472,500	\$ 540,000
Total Bonus			\$ 150,000	\$ 300,000	\$ 600,000	\$ 750,000	\$ 900,000	\$ 1,050,000	\$ 1,200,000

Mr. Ghauri's bonus for the fiscal year 2023 will be based on the same criteria stated above.

#### ***Perquisites and Other Personal Benefits***

We provide named executive officers with perquisites and other personal benefits that we believe are reasonable and consistent with our overall compensation program to better enable the Company to attract and retain superior employees for key positions. The Compensation Committee periodically reviews the level of perquisites and other personal benefits provided to NETSOL's executive officers.

We maintain benefits and perquisites that are offered to all employees, including health and dental insurance. Benefits and perquisites may vary in different country locations and are consistent with local practices and regulations.

#### ***Termination Based Compensation***

Upon termination of employment, all executive officers with a written employment agreement are entitled to receive severance payments under their employment agreements. In determining whether to approve, and as part of the process of setting the terms of, such severance arrangements, the Compensation Committee recognizes that executives and officers often face challenges securing new employment following termination. Further, the Committee recognizes that many of the named executives and officers have participated in the Company since its founding and that this participation has not resulted in a return on their investments. Termination and Change in Control Payments considered both the risk and the dedication of these executives' service to the Company.

Our Chief Executive Officer has an employment agreement that provides, if his employment is terminated without cause or if the executive terminates the agreement with Good Reason, he is entitled to (a) all remaining salary to the end of the date of termination, plus salary from the end of the employment term through the end of the fourth anniversary of the date of termination, and (b) the continuation by the Company of medical and dental insurance coverage for him and his family until the end of the employment term and through the end of the fourth anniversary of the date of termination. Provided, however, if such benefits cannot be continued for this extended period, the Executive shall receive cash (including a tax-equivalency payment for Federal, state and local income and payroll taxes assuming Executive is in the maximum tax bracket for all such purposes) where such benefits may not be continued. These agreements further provide for vesting of all options and restrictive stock grants, if any.

Our Chief Financial Officer has an employment agreement that provides, if his employment is terminated without cause or if the executive terminates the agreement with Good Reason, he is entitled to (a) all remaining salary to the end of the date of termination, plus salary from the end of the employment term through the end of the first anniversary of the date of termination, and (b) the continuation by the Company of medical and dental insurance coverage for him and his family until the end of the employment term and through the end of the first anniversary from the date of termination. Provided, however, if such benefits cannot be continued for this extended period, the Executive shall receive cash (including a tax-equivalency payment for Federal, state and local income and payroll taxes assuming Executive is in the maximum tax bracket for all such purposes) where such benefits may not be continued. These agreements further provide for vesting of all options and restrictive stock grants, if any.

The Secretary of the Company has an employment agreement that provides, if she is terminated without cause or if the executive terminates the agreement with Good Reason, she is entitled to (a) all remaining salary to the end of the date of termination, plus salary from the end of the employment term through the end of the second anniversary of the date of termination, and (b) the continuation by the Company of medical and dental insurance coverage for her and her family until the end of the employment term and through the end of the second anniversary of the date of termination. Provided, however, if such benefits cannot be continued for this extended period, the Executive shall receive cash (including a tax-equivalency payment for Federal, state and local income and payroll taxes assuming Executive is in the maximum tax bracket for all such purposes) where such benefits may not be continued. These agreements further provide for vesting of all options and restrictive stock grants, if any.

These agreements were designed to assist in the retention of the services of our named executives and to determine in advance the rights and remedies of the parties in connection with any termination. The types and amounts of compensation and the triggering events set forth in these agreements were based on a review of the terms and conditions of normal and customary agreements in our competitive marketplace.

## **Tax and Accounting Implications**

### ***Deductibility of Executive Compensation***

As part of its role, the Compensation Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code, which provides that we may not deduct compensation of more than \$1,000,000 that is paid to certain individuals. The Compensation Committee is aware of the limitations imposed by Section 162(m) and considers the issue of deductibility when and if circumstances warrant. The committee reviews proposed compensation plans in light of applicable tax deductions, and generally seeks to maximize the deductibility for tax purposes of all elements of compensation. However, the committee may approve compensation that does not qualify for deductibility, including stock option and time-based restricted stock awards, if and when the committee deems it to be in the best interests of the Company and our shareholders.

### ***Accounting for Stock-Based Compensation***

Commencing on July 1, 2006, we began accounting for stock-based payments, including awards under our Employee Stock Option Plans, in accordance with the of Financial Accounting Standards Board's Accounting Standards Codification Topic 718, *Compensation – Stock Compensation*.

## Summary Compensation

The following table shows the compensation for the fiscal year ended June 30, 2022, 2021, and 2020, earned by our Chairman and Chief Executive Officer, our Chief Financial Officer who is our Principal Financial and Accounting Officer, and others considered to be executive officers of the Company.

Name and Principle Position	Fiscal Year Ended	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)	All Other Compensation (\$)	Total (\$)
Najeeb Ghauri CEO & Chairman	2022	\$ 700,000	\$ 69,922(2)	\$ -	\$ -	\$ 200,000(3)	\$ 969,922
	2021	\$ 667,000	\$ 67,500(2)	\$ -	\$ -	\$ 180,383(3)	\$ 914,883
	2020	\$ 689,000	\$ -	\$ -	\$ -	\$ 156,586(3)	\$ 845,586
Naeem Ghauri President	2022	\$ 793,428(4)	\$ -	\$ -	\$ -	\$ 45,830(5)	\$ 839,258
	2021	\$ 767,768(4)	\$ -	\$ -	\$ -	\$ 77,045(5)	\$ 844,813
Roger K Almond Chief Financial Officer	2022	\$ 197,041	\$ 20,000	\$ -	\$ -	\$ 34,066(6)	\$ 251,107
	2021	\$ 186,515	\$ -	\$ -	\$ -	\$ 32,872(6)	\$ 219,387
	2020	\$ 217,111	\$ 20,000	\$ 56,900	\$ -	\$ 10,639(6)	\$ 304,650
Patti L. W. McGlasson Secretary, General Counsel	2022	\$ 212,384	\$ -	\$ -	\$ -	\$ 10,426(7)	\$ 222,810
	2021	\$ 202,271	\$ -	\$ -	\$ -	\$ 9,784(7)	\$ 212,055
	2020	\$ 219,481	\$ -	\$ 42,675	\$ -	\$ 10,019(7)	\$ 272,175

(1) The stock was awarded as compensation to the officers. See also Grants of Plan Based Awards. These amounts do not reflect compensation actually received by the named executive officer. These amounts represent the aggregate grant date fair value of the stock awards granted during the relevant time period, computed in accordance with FASB ASC 718, excluding the effect of any estimated forfeitures based on vesting conditions. The awards for which the aggregate grant date fair value is shown in this column include awards described under the Grants of Plan-Based Awards Table and in the Outstanding Equity Awards at Fiscal Year-End Table.

(2) Bonus was awarded based on Mr. Ghauri's bonus structure as detailed on page 44.

(3) Per Mr. Najeeb Ghauri's compensation agreement, he received \$200,000, \$180,383 and \$156,586 in allowances, perquisites and benefits such as car allowance, insurance premiums, and home office allowance for the fiscal years ended June 30, 2022, 2021 and 2020, respectively.

(4) Consists of \$586,397 and \$400,000 base salary and \$207,031 and \$367,768 commission for the fiscal years ended June 30, 2022 and 2021, respectively.

(5) Per Mr. Naeem Ghauri's compensation agreement, he received \$45,830 and \$77,045 in allowances, perquisites and benefits for the fiscal years ended June 30, 2022 and 2021, respectively.

(6) Consists of \$10,066, \$8,872 and \$10,639 paid for medical and dental insurance premiums for participation in the health insurance program for the fiscal year ended June 30, 2022, 2021 and 2020, respectively, and \$24,000 paid as car allowance for the years ended June 30, 2022 and 2021, respectively.

(7) Consists of \$10,426, \$9,784 and \$10,019 paid for medical and dental insurance premiums for participation in the health insurance program for the fiscal year ended June 30, 2022, 2021 and 2020, respectively.

## **Grants of Plan-Based Awards**

In August 2019, Mr. Roger Almond was granted 10,000 shares of the Company's common stock, which vest quarterly over the period of two years. The shares were approved by the Compensation Committee as an incentive for the named officer.

In August 2019, Ms. Patti McGlasson was granted 7,500 shares of the Company's common stock, which vest quarterly over the period of two years. The shares were approved by the Compensation Committee as an incentive for the named officer.

## **Discussion of Summary Compensation Table**

The terms of our executive officers' compensation are derived from our employment agreements with them and the annual performance review by our Compensation Committee. The terms of Mr. Najeeb Ghauri's employment agreement with the Company were the result of negotiations between the Company and the executive and were approved by our Compensation Committee and Board of Directors. The terms of Ms. McGlasson's and Mr. Almond's employment agreement with the Company were the result of negotiations between our Chief Executive Officer and the employees and were approved by our Compensation Committee.

### ***Employment Agreement with Najeeb Ghauri***

Effective January 1, 2007, the Company entered into an Employment Agreement with our Chief Executive Officer, Najeeb Ghauri (the "CEO Agreement"). The CEO Agreement was amended effective January 1, 2008, January 1, 2010, July 25, 2013 and again on June 30, 2014. Changes made in the June 30, 2014 amendment are effective July 1, 2014. Pursuant to the CEO Agreement, as amended, between Mr. Ghauri and the Company (the "CEO Agreement"), the Company agreed to employ Mr. Ghauri as its Chief Executive Officer for a five-year term. The term of employment automatically renews for 12 additional months unless notice of intent to terminate is received by either party at least 6 months prior to the end of the term. For the fiscal year 2022, Mr. Ghauri is entitled to an annualized compensation of \$900,000 consisting of salary, allowances, perquisites and benefits, and is eligible for annual bonuses based on the bonus structure adopted by the Compensation Committee as described in Item 11 under Executive Compensation beginning on page 39. For fiscal year 2023, Mr. Ghauri's annualized compensation consisting of salary, allowance, perquisites and benefits will be \$900,000. Mr. Ghauri is entitled to six weeks of paid vacation per calendar year.

The CEO Agreement also includes provisions respecting severance, non-solicitation, non-competition, and confidentiality obligations. Pursuant to the CEO Agreement, if he terminates his employment for Good Reason (as described below), or is terminated prior to the end of the employment term by the Company other than for Cause (as described below) or death, he shall be entitled to all remaining salary from the termination date until 48 months thereafter, at the rate of salary in effect on the date of termination, immediate vesting of all options and continuation of all health related plan benefits for a period of 48 months. He shall have no obligation to seek other employment and any income so earned shall not reduce the foregoing amounts. If he is terminated by the Company for Cause (as described below), or at the end of the employment term, he shall not be entitled to further compensation. Under the CEO Agreement, Good Reason includes the assignment of duties inconsistent with his title, a material reduction in salary and perquisites, the relocation of the Company's principal office by 30 miles, if the Company asks him to perform any act which is illegal, including the commission of a crime or act of moral turpitude, or a material breach of the CEO Agreement by the Company. Under the CEO Agreement, Cause includes conviction of crime involving moral turpitude, failure to perform his duties to the Company, engaging in activities which are directly competitive to or intentionally injurious to the Company, or any material breach of the CEO Agreement by Mr. Ghauri.

The above summary of the CEO Agreement is qualified in its entirety by reference to the full text of the CEO Agreement, a copy of which was filed as an exhibit to the Company's 10-KSB for the fiscal year ended June 30, 2007. The above summary of the First Amendment is qualified in its entirety by reference to the full text of the Amendment, a copy of which was filed as an exhibit to the Company's 10-KSB for the fiscal year ended June 30, 2008. The above summary of the Second Amendment is qualified in its entirety by reference to the full text of the Amendment, a copy of which was filed as an exhibit to the Company's 10-Q for the fiscal year ended December 31, 2009. The above summary of the Third Amendment is qualified in its entirety by reference to the full text of the Amendment, a copy of which was filed as an exhibit to the Company's 8-K filed on July 26, 2013. The above summary of the Fourth Amendment is qualified in its entirety by reference to the full text of the Amendment, a copy of which was filed as an exhibit to the Company's 8-K filed on July 3, 2014.

### ***Employment Agreement with Roger K. Almond***

Effective March 1, 2015, the Company entered into an Employment Agreement with our Chief Financial Officer, Mr. Roger K. Almond. Pursuant to the Employment Agreement, between Mr. Almond and the Company (the "CFO Agreement"), the Company agreed to employ Mr. Almond as its Chief Financial Officer from the date of the CFO Agreement through February 28, 2017. According to the terms of the CFO Agreement, the term of the agreement automatically extends for an additional one-year period unless notice of intent to terminate is received by either party at least 6 months prior to the end of the term. For the fiscal year 2022, Mr. Almond was entitled to an annualized base salary of \$197,041 per annum and a \$2,000 per month car allowance, and eligible for annual bonuses at the discretion of the Chief Executive Officer. Effective July 1, 2022, Mr. Almond's salary, was increased to \$226,000 per annum and a \$2,000 per month car allowance, and is eligible for annual bonuses at the discretion of the Chief Executive Officer. In addition, Mr. Almond is entitled to participate in the Company's equity incentive plans and is entitled to four weeks of paid vacation per calendar year.

The CFO Agreement also includes provisions respecting severance, non-solicitation, non-competition, and confidentiality obligations. Pursuant to the CFO Agreement, if he terminates his employment for Good Reason (as described below), or is terminated prior to the end of the employment term by the Company other than for Cause (as described below) or death, he shall be entitled to all remaining salary from the termination date until 12 months thereafter, at the rate of salary in effect on the date of termination, immediate vesting of all options and continuation of all health related plan benefits for a period of 12 months. He shall have no obligation to seek other employment and any income so earned shall not reduce the foregoing amounts. If he is terminated by the Company for Cause (as described below), or at the end of the employment term, he shall not be entitled to further compensation. Under the CFO Agreement, Good Reason includes the assignment of duties inconsistent with his title, a material reduction in salary and perquisites, the relocation of the Company's principal office by 60 miles, if the Company asks him to perform any act which is illegal, including the commission of a crime or act of moral turpitude, or a material breach of the CFO Agreement by the Company. Under the CFO Agreement, Cause includes conviction of crime involving moral turpitude, failure to perform his duties to the Company, engaging in activities which are directly competitive to or intentionally injurious to the Company, or any material breach of the CFO Agreement by Mr. Almond.

The above summary of the CFO Agreement is qualified in its entirety by reference to the full text of the CFO Agreement, a copy of which was filed as an exhibit to the Company's 8-K filed on March 4, 2015.

### ***Employment Agreement with Patti L. W. McGlasson***

Effective May 1, 2006, the Company entered into an Employment Agreement with our Secretary, General Counsel and Sr. Vice President, Legal and Corporate Affairs, Ms. Patti L. W. McGlasson. Pursuant to the Employment Agreement and its related amendments, between Ms. McGlasson and the Company (the "General Counsel Agreement"), the Company agreed to employ Ms. McGlasson as its Secretary and General Counsel from the date of the General Counsel Agreement through June 30, 2017. According to the terms of the General Counsel Agreement, the term of the agreement automatically extends for an additional one-year period unless notice of intent to terminate is received by either party at least 6 months prior to the end of the term. The General Counsel Agreement was amended on July 25, 2013 and again on June 30, 2014 (the General Counsel Agreement and all amendments referred to as the "GC Agreement"). Changes made in the June 30, 2014 amendment are effective July 1, 2014. Under the GC Agreement, Ms. McGlasson is entitled to an annualized base salary of \$212,384 per annum, and is eligible for annual bonuses at the discretion of the Chief Executive Officer. Effective July 1, 2022, Ms. McGlasson's salary, was increased to \$233,622. In addition, Ms. McGlasson is entitled to participate in the Company's equity incentive plans and, is entitled to six weeks of paid vacation per calendar year.

The General Counsel Agreement also includes provisions respecting severance, non-solicitation, non-competition, and confidentiality obligations. Pursuant to the General Counsel Agreement, if she terminates her employment for Good Reason (as described below), or is terminated prior to the end of the employment term by the Company other than for Cause (as described below) or death, she shall be entitled to all remaining salary from the termination date until 24 months thereafter, at the rate of salary in effect on the date of termination, immediate vesting of all options and continuation of all health related plan benefits for a period of 24 months. She shall have no obligation to seek other employment and any income so earned shall not reduce the foregoing amounts. If she is terminated by the Company for Cause (as described below), or at the end of the employment term, she shall not be entitled to further compensation. Under the General Counsel Agreement, Good Reason includes the assignment of duties inconsistent with her title, a material reduction in salary and perquisites, the relocation of the Company's principal office by 60 miles, if the Company asks her to perform any act which is illegal, including the commission of a crime or act of moral turpitude, or a material breach of the General Counsel Agreement by the Company. Under the General Counsel Agreement, Cause includes conviction of crime involving moral turpitude, failure to perform her duties to the Company, engaging in activities which are directly competitive to or intentionally injurious to the Company, or any material breach of the General Counsel Agreement by Ms. McGlasson.

The above summary of the General Counsel Agreement is qualified in its entirety by reference to the full text of the General Counsel Agreement, a copy of which was filed as an exhibit to the Company's 10-KSB for the fiscal year ended June 30, 2006 on September 27, 2006. The above summary is also qualified in its entirety by reference to the full text of the Amendment to the General Counsel Agreement, a copy of which was filed as an exhibit to the Company's 10-Q for the quarter ended March 31, 2010. The above summary is also qualified in its entirety by reference to the full text of the Second Amendment to the General Counsel Agreement, a copy of which was filed as an exhibit to the Company's 8-K filed on July 26, 2013. The above summary is also qualified in its entirety by reference to the full text of the Third Amendment to the General Counsel Agreement, a copy of which was filed as an exhibit to the Company's 8-K filed on July 3, 2014.

#### **Outstanding Equity Awards at Fiscal Year-End**

As of June 30, 2022, there are no outstanding stock options or grants of unvested stock awards.

#### **Pension Benefits**

We do not have any qualified or non-qualified defined benefit plans.

#### **Potential Payments upon Termination or Change of Control**

Generally, regardless of the manner in which a named executive officer's employment terminates, the executive officer is entitled to receive amounts earned during the term of employment. Such amounts include the portion of the executive's base salary that has accrued prior to any termination and not yet been paid, and unused vacation pay.

In addition, we are required to make the additional payments and/or provide additional benefits to the individuals named in the Summary Compensation Table in the event of a termination of employment or a change of control, as set forth below.

#### **Change-in-Control Payments**

##### *Najeeb Ghauri, Chairman and Chief Executive Officer*

In the event that Mr. Ghauri is terminated as a result of a change in control, he is entitled to all payments due in the event of a termination for Cause or Good Reason and: (a) a onetime payment equal to the product of 2.99 and his salary during the preceding 12 months; (b) a one-time payment equal to the higher of (i) Executive's bonus for the previous year and (ii) one percent of the Company's consolidated gross revenues for the previous twelve (12) months; and at the election of the Executive, (c) a one-time cash payment equal to the cash value of all shares eligible for exercise upon the exercise of Executive's Options then currently outstanding and exercisable as if they had been exercised in full (the "Change of Control Termination Payment"). In the event Executive elects to receive the cash value of the shares underlying Executive's options, he shall so notify the Company of his intent.

The following table summarizes the potential payments to Mr. Ghauri assuming his employment with us was terminated or a change of control occurred on June 30, 2022, the last day of our most recently completed fiscal year.

BENEFITS AND PAYMENTS	TERMINATION AFTER CHANGE OF CONTROL	TERMINATION UPON DEATH OR DISABILITY	TERMINATION BY US WITHOUT CAUSE OR BY EXECUTIVE FOR GOOD REASON
Base Salary Continuance	\$ 2,800,000	\$ 116,667	\$ 2,800,000
Health Related Benefits	67,104	-	67,104
Bonus	-	-	-
Salary Multiple Pay-out	2,093,000	-	-
Bonus or Revenue One-time Pay-Out	572,480	-	-
Net Cash Value of Options	-	-	-
<b>Total</b>	<b>\$ 5,532,584</b>	<b>\$ 116,667</b>	<b>\$ 2,867,104</b>

***Roger Almond, Chief Financial Officer***

In the event that Mr. Almond is terminated as a result of a change in control, he is entitled to all payments due in the event of a termination for Cause or Good Reason and: (a) a onetime payment equal to the product of 2.99 and his salary during the preceding 12 months; (b) a one-time payment equal to the higher of (i) Executive's bonus for the previous year and (ii) one-half of one percent of the Company's consolidated gross revenues for the previous twelve (12) months (the "Change of Control Termination Payment").

The following table summarizes the potential payments to Mr. Almond assuming his employment with us was terminated or a change of control occurred on June 30, 2022, the last day of our most recently completed fiscal year.

BENEFITS AND PAYMENTS	TERMINATION AFTER CHANGE OF CONTROL	TERMINATION UPON DEATH OR DISABILITY	TERMINATION BY US WITHOUT CAUSE OR BY EXECUTIVE FOR GOOD REASON
Base Salary Continuance	\$ 217,041	\$ 36,174	\$ 217,041
Health related benefits	10,068	-	10,068
Bonus	-	-	-
Salary Multiple Pay-out	648,953	-	-
Bonus or Revenue One-time Pay-Out	286,240	-	-
Net Cash Value of Options	-	-	-
<b>Total</b>	<b>\$ 1,162,301</b>	<b>\$ 36,174</b>	<b>\$ 227,109</b>

**Patti L. W. McGlasson, Senior V.P. of Legal and Corporate Affairs, Secretary and General Counsel**

In the event that Ms. McGlasson is terminated as a result of a change in control, she is entitled to all payments due in the event of a termination for Cause or Good Reason and: (a) a onetime payment equal to the product of 2.99 and her salary during the preceding 12 months; (b) a one-time payment equal to the higher of (i) Executive's bonus for the previous year and (ii) one-half of one percent of the Company's consolidated gross revenues for the previous twelve (12) months (the "Change of Control Termination Payment").

The following table summarizes the potential payments to Ms. McGlasson assuming her employment with us was terminated or a change of control occurred on June 30, 2022, the last day of our most recently completed fiscal year.

<u>BENEFITS AND PAYMENTS</u>	<u>TERMINATION AFTER CHANGE OF CONTROL</u>	<u>TERMINATION UPON DEATH OR DISABILITY</u>	<u>TERMINATION BY US WITHOUT CAUSE OR BY EXECUTIVE FOR GOOD REASON</u>
Base Salary Continuance	\$ 424,768	\$ 35,397	\$ 424,768
Health related benefits	20,856	-	20,856
Bonus	-	-	-
Salary Multiple Pay-out	635,028	-	-
Bonus or Revenue One-time Pay-Out	286,240	-	-
Net Cash Value of Options	-	-	-
Total	<u>\$ 1,366,892</u>	<u>\$ 35,397</u>	<u>\$ 445,624</u>

**Director Compensation**

**Director Compensation Table**

The following table sets forth a summary of the compensation earned by our Directors and/or paid to certain of our Directors pursuant to the Company's compensation policies for the fiscal year ended June 30, 2022, other than Najeeb Ghauri and Malea Farsai who were paid as part of their employment agreements with the Company and not as directors.

<u>NAME</u>	<u>FEES EARNED OR PAID IN CASH (\$)</u>	<u>SHARE AWARDS (\$)</u>	<u>TOTAL (\$)</u>
Mark Caton	87,500	12,009	99,509
Henry Tolentino	87,500	-	87,500
Kausar Kazmi	87,500	-	87,500
	<u>262,500</u>	<u>12,009</u>	<u>274,509</u>

### Director Compensation Policy

Mr. Najeeb Ghauri and Ms. Malea Farsai are not paid any fees or other compensation for services as members of our Board of Directors.

The Committee relied on a survey conducted by Compensation Resources, Inc. in setting the compensation for the non-employee members of our Board of Directors. As with named executives, the aim is to compensate the Board of Directors at the mean of peer companies. Any additional cash and/or equity compensation for the fiscal year beginning was designed to maintain this mean.

The non-employee members of our Board of Directors received as compensation for services as directors as well as reimbursement for documented reasonable expenses incurred in connection with attendance at meetings of our Board of Directors and the committees thereof. The Company paid the following amounts to members of the Board of Directors for the activities shown during the fiscal year ended June 30, 2022.

BOARD ACTIVITY	CASH PAYMENTS
Board Member Fee	\$ 262,500
Chairperson for Audit Committee	\$ -
Chairperson for Compensation Committee	\$ -
Chairperson for Nominating and Corporate Governance Committee	\$ -
	<u>\$ 262,500</u>

In previous years, the committee chairs have received additional compensation, but was eliminated as part of the Company's Covid-19 mitigation measures. Independent members of our Board of Directors are also eligible to receive stock option or stock award grants both upon joining the Board of Directors and on an annual basis in line with recommendations by the Compensation Committee, which grants are non-qualified stock options under our Employee Stock Option Plans. Further, from time to time, the non-employee members of the Board of Directors are eligible to receive stock grants that may be granted if and only if approved by the shareholders of the Company.

On September 12, 2016, the Compensation Committee granted independent board members 19,834 shares of common stock vesting at 50% immediately and rest at the completion of each year served commencing with the period ended September 30, 2017 and ending September 30, 2021.

### Compensation Committee Interlocks and Insider Participation

The current members of the Compensation Committee are Mr. Caton (Chairman), Mr. Kazmi, and Mr. Tolentino. All current members of the Compensation Committee are "independent directors" as defined under the NASDAQ Listing Rules. None of these individuals were at any time during the fiscal year ended June 30, 2022, or at any other relevant time, an officer or employee of the Company.

No executive officer of the Company serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of the Company's Board of Directors or Compensation Committee.

### Employee Equity Plans

#### OPTIONS:

	Number of Options Authorized	Options Grants Issued	Options Grants Cancelled / Expired	Available for Issue	Options Issued but Outstanding
The 2005 stock option plan	500,000	482,614	-	17,386	-
The 2013 stock option plan	1,250,000	1,151,804	-	98,196	-
The 2015 stock option plan	1,250,000	943,578	-	306,422	-
	<u>3,700,000</u>	<u>3,277,996</u>	<u>-</u>	<u>422,004</u>	<u>-</u>

**ITEM 12- SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock, its only class of outstanding voting securities as of September 20, 2022, by (i) each person who is known to the Company to own beneficially more than 5% of the outstanding common Stock with the address of each such person, (ii) each of the Company's present directors and officers, and (iii) all officers and directors as a group:

Name of Beneficial Owner (1)	(3)	Number of Shares Beneficially Owned (2)	Percentage
Najeeb Ghauri	(3)	808,656	7.18%
Naeem Ghauri	(3)	400,689	3.56%
Mark Caton	(3)	101,582	*
Henry Tolentino	(3)	27,313	*
Patti McGlasson	(3)	81,050	*
Roger Almond	(3)	30,000	*
Kausar Kazmi	(3)	11,445	*
Malea Farsai	(3)	39,811	*
Renaissance Technologies Holdings Corp.	(5)	579,401	5.15%
Topline Capital Management LLC	(5)	570,493	5.07%
All officers and directors as a group (eight persons)		1,500,546	13.33%

\* Less than one percent

(1) Except as otherwise indicated, the Company believes that the beneficial owners of the common stock listed below, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities.

(2) Beneficial ownership is determined in accordance with the rules of the Commission and generally includes voting or investment power with respect to securities. Shares of common stock relating to share grants that will vest or options currently exercisable or exercisable within 60 days of September 20, 2022, are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares shown as beneficially owned by them.

(3) Address c/o NetSol Technologies, Inc. at 23975 Park Sorrento, Suite 250, Calabasas, CA 91302.

(4) Shares issued and outstanding as of September 19, 2022 were 11,257,539.

(5) 5% or greater shareholder based on Schedule 13G filing on February 11, 2022.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.**

On May 31, 2017, Faizaan Ghauri, son of CEO Najeeb Ghauri, and an employee of the Company, was appointed CEO of WRLD3D by the Board of WRLD3D which does not include Najeeb Ghauri.

The Company entered into an agreement with WRLD3D, whereby the Company was issued a Convertible Promissory Note (the "Convertible Note") which was fully executed on May 25, 2017. The maximum principal amount of the Convertible Note is \$750,000, and as of June 30, 2018, the Company had disbursed \$750,000. The Convertible Note bears interest at 5% per annum and all unpaid interest and principal is due and payable upon the Company's request on or after February 1, 2018.

The Company entered into an agreement with WRLD3D, whereby NetSol Thai was issued a Convertible Promissory Note (the “Thai Convertible Note”) which was fully executed on February 9, 2018. The maximum principal amount of the Convertible Note is \$2,500,000, and as of June 30, 2019, NetSol Thai had disbursed \$2,500,000. The Thai Convertible Note bears interest at 10% per annum and all unpaid interest and principal is due and payable upon NetSol Thai’s request on or after March 31, 2019.

The Company entered into an agreement with WRLD3D, whereby the Company was issued a Convertible Promissory Note (the “April 1, 2019 Note”) which was fully executed on April 1, 2019. The maximum principal amount of the April 1, 2019 Note is \$600,000, and as of June 30, 2020, the Company had disbursed \$600,000. The April 1, 2019 Note bears interest at 10% per annum and all unpaid interest and principal is due and payable upon the Company’s request on or after March 31, 2020.

The Company entered into an agreement with WRLD3D, whereby the Company was issued a Convertible Promissory Note (the “August 2019 Note”) which was fully executed on August 19, 2019. The maximum principal amount of \$400,000 was paid on September 9, 2019. The August 2019 Note bears interest at 10% per annum and all unpaid interest and principal is due and payable upon the Company’s request on or after March 31, 2020.

Najeeb Ghauri, CEO and Chairman of the Board, and Naeeem Ghauri, Director, have a financial interest in G-Force, LLC which purchased a 4.9% investment in WRLD3D for \$1,111,111.

#### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

##### **Audit Fees**

BF Borgers audited the Company’s financial statements for the fiscal year ended June 30, 2022 and 2021. The aggregate fees billed by principal accountants for the annual audit and review of financial statements included in the Company’s Form 10-K, services related to providing an opinion in connection with our public offering of shares of common stock and/or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements was \$250,000 for the years ended June 30, 2022 and 2021.

##### **Tax Fees**

Tax fees for fiscal year 2022 were \$13,000 and consisted of the preparation of the Company’s federal and state tax returns for the fiscal years 2021. Tax fees for fiscal year 2021 were \$13,000 and consisted of the preparation of the Company’s federal and state tax returns for the fiscal year 2020.

##### **All Other Fees**

No other fees were paid to principal accountant during the fiscal year 2022 and 2021.

##### **Pre-Approval Procedures**

The Audit Committee and the Board of Directors are responsible for the engagement of the independent auditors and for approving, in advance, all auditing services and permitted non-audit services to be provided by the independent auditors. The Audit Committee maintains a policy for the engagement of the independent auditors that is intended to maintain the independent auditor’s independence from NetSol. In adopting the policy, the Audit Committee considered the various services that the independent auditors have historically performed or may be needed to perform in the future. The policy, which is to be reviewed and re-adopted at least annually by the Audit Committee:

- (i) Approves the performance by the independent auditors of certain types of service (principally audit-related and tax), subject to restrictions in some cases, based on the Committee’s determination that this would not be likely to impair the independent auditors’ independence from NetSol;
- (ii) Requires that management obtain the specific prior approval of the Audit Committee for each engagement of the independent auditors to perform other types of permitted services; and
- (iii) Prohibits the performance by the independent auditors of certain types of services due to the likelihood that their independence would be impaired.

Any approval required under the policy must be given by the Audit Committee, by the Chairman of the Committee in office at the time, or by any other Committee member to whom the Committee has delegated that authority. The Audit Committee does not delegate its responsibilities to approve services performed by the independent auditors to any member of management.

The standard applied by the Audit Committee in determining whether to grant approval of an engagement of the independent auditors is whether the services to be performed, the compensation to be paid therefore and other related factors are consistent with the independent auditors’ independence under guidelines of the Securities and Exchange Commission and applicable professional standards. Relevant considerations include, but are not limited to, whether the work product is likely to be subject to, or implicated in, audit procedures during the audit of NetSol’s financial statements; whether the independent auditors would be functioning in the role of management or in an advocacy role; whether performance of the service by the independent auditors would enhance NetSol’s ability to manage or control risk or improve audit quality; whether performance of the service by the independent auditors would increase efficiency because of their familiarity with NetSol’s business, personnel, culture, systems, risk profile and other factors; and whether the amount of fees involved, or the proportion of the total fees payable to the independent auditors in the period that is for tax and other non-audit services, would tend to reduce the independent auditors’ ability to exercise independent judgment in performing the audit.

PART IV

ITEM 15 – EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Exhibits

- 3.1 [Articles of Incorporation of Mirage Holdings, Inc., a Nevada corporation, dated March 18, 1997, incorporated by reference as Exhibit 3.1 to NETSOL's Registration Statement No. 333-28861 filed on Form SB-2 filed June 10, 1997. \\*](#)
- 3.2 [Amendment to Articles of Incorporation dated May 21, 1999, incorporated by reference as Exhibit 3.2 to NETSOL's Annual Report for the fiscal year ended June 30, 1999 on Form 10K-SB filed September 28, 1999. \\*](#)
- 3.3 [Amendment to the Articles of Incorporation of NETSOL International, Inc. dated March 20, 2002 incorporated by reference as Exhibit 3.3 to NETSOL's Annual Report on Form 10-KSB/A filed on February 2, 2001. \\*](#)
- 3.4 [Amendment to the Articles of Incorporation of NetSol Technologies, Inc. dated August 20, 2003 filed as Exhibit A to NETSOL's Definitive Proxy Statement filed June 27, 2003. \\*](#)
- 3.5 [Amendment to the Articles of Incorporation of NetSol Technologies, Inc. dated March 14, 2005 filed as Exhibit 3.0 to NETSOL's quarterly report filed on Form 10-QSB for the period ended March 31, 2005. \\*](#)
- 3.6 [Amendment to the Articles of Incorporation dated October 18, 2006 filed as Exhibit 3.5 to NETSOL's Annual Report for the fiscal year ended June 30, 2007 on Form 10-KSB. \\*](#)
- 3.7 [Amendment to Articles of Incorporation dated May 12, 2008. \\*](#)
- 3.8 [Amendment to the Articles of Incorporation dated August 6, 2012, filed as Appendix A to NETSOL's Definitive Proxy Statement filed June 14, 2012. \\*](#)
- 3.9 [Amended and Restated Bylaws of NetSol Technologies, Inc. dated February 9, 2018\\*. \\*](#)
- 4.1 [Form of Common Stock Certificate. \\*](#)
- 10.1 [Stock Purchase Agreement dated May 6, 2006 by and between the Company, McCue Systems, Inc. and the shareholders of McCue Systems, Inc. incorporated by reference as Exhibit 2.1 to NETSOL's Current Report filed on form 8-K on May 8, 2006. \\*](#)
- 10.3 [Employment Agreement by and between NetSol Technologies, Inc. and Patti L. W. McGlasson dated May 1, 2006 incorporated by reference as Exhibit 10.20 to NETSOL's Annual Report on form 10-KSB dated September 18, 2006. \\*](#)
- 10.4 [Employment Agreement by and between the Company and Najeeb Ghauri dated January 1, 2007 filed as Exhibit 10.11 to the Company's Annual Report filed on Form 10-KSB for the year ended June 30, 2007. \\*](#)
- 10.5 [Employment Agreement by and between the Company and Naeem Ghauri dated January 1, 2007 filed as Exhibit 10.11 to the Company's Annual Report filed on Form 10-KSB for the year ended June 30, 2007. \\*](#)
- 10.6 [Amendment to Employment Agreement by and between Company and Najeeb Ghauri dated effective January 1, 2007. \\*](#)
- 10.7 [Amendment to Employment Agreement by and between Company and Naeem Ghauri dated effective January 1, 2007. \\*](#)
- 10.8 [Company 2005 Stock Option Plan incorporated by reference as Exhibit 1.1 to NETSOL's Definitive Proxy Statement filed on March 3, 2006. \\*](#)
- 10.9 [Amendment to Employment Agreement by and between Company and Najeeb Ghauri dated effective January 1, 2010. \\*](#)
- 10.10 [Amendment to Employment Agreement by and between Company and Naeem Ghauri dated effective January 1, 2010. \\*](#)
- 10.11 [Amendment to Employment Agreement by and between Company and Patti L. W. McGlasson dated effective April 1, 2010. \\*](#)
- 10.12 [Company's 2011 Equity Incentive and Nonstatutory Plan incorporated by reference as Appendix A to NETSOL's Proxy Statement filed on April 11, 2011. \\*](#)
- 10.13 [Company's 2013 Equity Incentive Plan incorporated by reference as Appendix A to NETSOL's Definitive Proxy Statement filed on May 29, 2013. \\*](#)
- 10.14 [Amendment to Employment Agreement between NetSol Technologies, Inc. and Najeeb Ghauri dated effective July 25, 2013. \\*](#)
- 10.15 [Amendment to Employment Agreement between NetSol Technologies, Inc. and Patti L.W. McGlasson dated effective July 25, 2013. \\*](#)
- 10.16 [Restated Charter of the Compensation Committee dated effective September 10, 2013. \\*](#)
- 10.17 [Restated Charter of the Nominating and Corporate Governance Committee dated effective September 10, 2013. \\*](#)
- 10.18 [Restated Charter of the Audit Committee dated effective September 10, 2013. \\*](#)
- 10.19 [Restated Code of Business Conduct & Ethics dated effective September 10, 2013. \\*](#)
- 10.20 [Company's 2015 Equity Incentive Plan incorporated by reference as Appendix A to NETSOL's Definitive Proxy Statement filed on April 15, 2015. \\*](#)
- 21.1 [A list of all subsidiaries of the Company\(1\)](#)
- 31.1 [Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(CEO\)\(1\)](#)
- 31.2 [Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(CFO\)\(1\)](#)
- 32.1 [Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(CEO\)\(1\)](#)
- 32.2 [Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley act of 2002 \(CFO\)\(1\)](#)
- 101.INS Inline XBRL Instance Document
- 101.SCH Inline XBRL Taxonomy Extension Schema Document
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DFE Inline XBRL Taxonomy Extension definition Linkbase Document
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

\*Previously Filed  
(1) Filed Herewith

**SIGNATURES**

In accordance with Section 13 or 15 (d) of the Exchange Act, the Registrant caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized.

NetSol Technologies, Inc.

Date: September 27, 2022

BY: /S/ NAJEEB GHURI

Najeeb Ghauri  
Chief Executive Officer

Date: September 27, 2022

BY: /S/ ROGER K. ALMOND

Roger K. Almond  
Chief Financial Officer  
Principal Financial Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: September 27, 2022

BY: /S/ NAJEEB U. GHAURI

Najeeb U. Ghauri  
Chief Executive Officer  
Director, Chairman

Date: September 27, 2022

BY: /S/ ROGER K. ALMOND

Roger K. Almond  
Chief Financial Officer  
Principal Accounting Officer

Date: September 27, 2022

BY: /S/ MARK CATON

Mark Caton  
Director

Date: September 27, 2022

BY: /S/ MALEA FARSAI

Malea Farsai  
Director

Date: September 27, 2022

BY: /S/ HENRY TOLENTINO

Henry Tolentino  
Director

Date: September 27, 2022

BY: /S/ KAUSAR KAZMI

Kausar Kazmi  
Director

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES  
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors  
NetSol Technologies, Inc. and subsidiaries  
Calabasas, California

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of NetSol Technologies, Inc. and subsidiaries (the “Company”) as of June 30, 2022 and 2021, and the related consolidated statements of operations and comprehensive income (loss), stockholders’ equity and cash flows for the year ended June 30, 2022, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial positions of NetSol Technologies, Inc. and subsidiaries as of June 30, 2022 and 2021 and the results of their operations and their cash flows for the year ended June 30, 2022, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

## Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### *Revenue recognition — identification of contractual terms in certain customer arrangements*

#### *Critical Audit Matter Description*

As described in Note 3 to the consolidated financial statements, management assesses relevant contractual terms in its customer arrangements to determine the transaction price and recognizes revenue upon transfer of control of the promised goods or services in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. Management applies judgment in determining the transaction price which is dependent on the contractual terms. In order to determine the transaction price, management may be required to estimate variable consideration when determining the amount and timing of revenue recognition.

#### How the Critical Audit Matter Was Addressed in the Audit

The principal considerations for our determination that performing procedures relating to the identification of contractual terms in customer arrangements to determine the transaction price is a critical audit matter are there was significant judgment by management in identifying contractual terms due to the volume and customized nature of the Company's customer arrangements. This in turn led to significant effort in performing our audit procedures which were designed to evaluate whether the contractual terms used in the determination of the transaction price and the timing of revenue recognition were appropriately identified and determined by management and to evaluate the reasonableness of management's estimates.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including those related to the identification of contractual terms in customer arrangements that impact the determination of the transaction price and revenue recognition. These procedures also included, among others, (i) testing the completeness and accuracy of management's identification of the contractual terms by examining customer arrangements on a test basis, and (ii) testing management's process for determining the appropriate amount and timing of revenue recognition based on the contractual terms identified in the customer arrangements.

### *Goodwill and Intangible asset- Refer to Note 12 and Note 13 to the financial statements*

#### *Critical Audit Matter Description*

The Company tests goodwill and intangible assets for impairment annually (in the fourth quarter), or more frequently when events or changes in circumstances indicate it is more likely than not that the fair value of a reporting unit has declined below its carrying value. The Company utilizes a discounted cash flow methodology to calculate the fair value of its reporting units, which requires management to make significant estimates and assumptions related to projected revenue growth rates, discount rates, and earnings before interest, taxes, depreciation and amortization ("EBITDA"). Changes in these assumptions could have a significant impact on the fair value of the reporting unit and the amount of any goodwill impairment charge. As of June 30, 2022, the Company has four reporting units, but only three of which have goodwill.

Given the significant judgments made by management to estimate the fair value of the reporting units, performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to projected revenue growth rates, discount rates, EBITDA and EBITDA margin required a high degree of auditor judgment and an increased extent of effort, including the assistance of our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

- Our audit procedures related to management’s estimates and assumptions related to projected revenue growth rates, discount rates, EBITDA and EBITDA margin for the reporting units included the following, among other procedures:
- We tested the effectiveness of internal controls over the goodwill impairment evaluation, including controls over the selection of the discount rates and over forecasts of future revenue growth rates, EBITDA, and EBITDA margin.
- We performed a retrospective review comparing actual revenue and EBITDA results of the reporting unit for 2022 to the forecasted results from 2021.
- We performed a retrospective review comparing management’s estimates and assumptions relating to revenue, EBITDA, and EBITDA margin projections for the reporting unit used for the purpose of current year’s annual impairment test to the projections previously used in connection with the prior year annual impairment test.
- We evaluated the consistency of estimates and assumptions relating to revenue and EBITDA growth inherent in the discounted cash flow model for the reporting unit to those used by management in other annual forecasting activities.
- With the assistance of our fair value specialists, we performed a benchmarking exercise comparing management’s estimates and assumptions related to revenue growth, EBITDA and EBITDA margin for the reporting unit as of the measurement date to the revenue growth, EBITDA and EBITDA margins of a peer group of public companies for the most recent three years and the projection period.
- With the assistance of our fair value specialists, we evaluated (1) the valuation methodology used and (2) the projections of long-term revenue growth and the discount rates by testing the underlying source information, and by developing a range of independent estimates and comparing those to the rates selected by management.

*/s/ BF Borgers CPA PC.*

CERTIFIED PUBLIC ACCOUNTANTS

We have served as the Company’s auditor since 2020

BF Borgers CPA PC (PCAOB ID 5041).  
Lakewood, CO  
September 27, 2022

**NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**

ASSETS	As of June 30, 2022	As of June 30, 2021
<b>Current assets:</b>		
Cash and cash equivalents	\$ 23,963,797	\$ 33,705,154
Accounts receivable, net of allowance of \$156,846 and \$166,231	8,669,202	4,184,096
Revenues in excess of billings, net of allowance of \$136,839 and \$136,976	14,571,776	14,680,131
Other current assets, net of allowance of \$1,243,633 and \$1,243,633	2,223,361	3,009,393
<b>Total current assets</b>	<b>49,428,136</b>	<b>55,578,774</b>
Revenues in excess of billings, net - long term	853,601	957,603
Convertible note receivable - related party, net of allowance of \$4,250,000 and \$4,250,000	-	-
Property and equipment, net	9,382,624	12,091,812
Right of use assets - operating leases	969,163	1,345,869
Long term investment	1,059,368	3,155,852
Other assets	25,546	55,127
Intangible assets, net	1,587,670	3,904,656
Goodwill	9,302,524	9,516,568
<b>Total assets</b>	<b>\$ 72,608,632</b>	<b>\$ 86,606,261</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 6,813,541	\$ 6,696,035
Current portion of loans and obligations under finance leases	8,567,145	11,366,171
Current portion of operating lease obligations	548,678	857,729
Unearned revenue	4,901,562	4,556,626
<b>Total current liabilities</b>	<b>20,830,926</b>	<b>23,476,561</b>
Loans and obligations under finance leases; less current maturities	476,223	699,841
Operating lease obligations; less current maturities	447,260	564,257
<b>Total liabilities</b>	<b>21,754,409</b>	<b>24,740,659</b>
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
Preferred stock, \$.01 par value; 500,000 shares authorized;	-	-
Common stock, \$.01 par value; 14,500,000 shares authorized; 12,196,570 shares issued and 11,257,539 outstanding as of June 30, 2022 and 12,181,585 shares issued and 11,265,064 outstanding as of June 30, 2021	121,966	121,816
Additional paid-in-capital	128,218,247	129,018,826
Treasury stock (at cost, 939,031 shares and 916,521 shares as of June 30, 2022 and June 30, 2021, respectively)	(3,920,856)	(3,820,750)
Accumulated deficit	(39,652,438)	(38,801,282)
Other comprehensive loss	(39,363,085)	(31,868,481)
<b>Total NetSol stockholders' equity</b>	<b>45,403,834</b>	<b>54,650,129</b>
Non-controlling interest	5,450,389	7,215,473
<b>Total stockholders' equity</b>	<b>50,854,223</b>	<b>61,865,602</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 72,608,632</b>	<b>\$ 86,606,261</b>

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

**NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Operations**

	For the Years Ended June 30,	
	2022	2021
<b>Net Revenues:</b>		
License fees	\$ 4,539,260	\$ 6,249,924
Subscription and support	28,284,759	22,173,745
Services	24,423,960	26,448,171
Services - related party	-	48,775
Total net revenues	<u>57,247,979</u>	<u>54,920,615</u>
<b>Cost of revenues:</b>		
Salaries and consultants	24,528,155	20,969,298
Travel	1,036,623	663,403
Depreciation and amortization	2,949,093	2,990,689
Other	4,996,934	3,944,197
Total cost of revenues	<u>33,510,805</u>	<u>28,567,587</u>
<b>Gross profit</b>	<b>23,737,174</b>	<b>26,353,028</b>
<b>Operating expenses:</b>		
Selling and marketing	7,220,022	6,555,004
Depreciation and amortization	863,180	965,625
General and administrative	15,390,141	15,437,382
Research and development cost	1,342,154	674,168
Total operating expenses	<u>24,815,497</u>	<u>23,632,179</u>
<b>Income (loss) from operations</b>	<b>(1,078,323)</b>	<b>2,720,849</b>
<b>Other income and (expenses)</b>		
Loss on sale of assets	(205,288)	(191,935)
Interest expense	(369,801)	(394,289)
Interest income	1,655,883	1,017,432
Gain (loss) on foreign currency exchange transactions	4,327,590	(597,433)
Share of net loss from equity investment	(2,021,480)	(253,819)
Other income (expense)	(218,840)	987,444
Total other income (expenses)	<u>3,168,064</u>	<u>567,400</u>
<b>Net income before income taxes</b>	<b>2,089,741</b>	<b>3,288,249</b>
<b>Income tax provision</b>	<b>(988,938)</b>	<b>(1,026,617)</b>
<b>Net income</b>	<b>1,100,803</b>	<b>2,261,632</b>
<b>Non-controlling interest</b>	<b>(1,951,959)</b>	<b>(483,375)</b>
<b>Net income (loss) attributable to NetSol</b>	<b>\$ (851,156)</b>	<b>\$ 1,778,257</b>
<b>Net income (loss) per share:</b>		
Net income (loss) per common share		
Basic	\$ (0.08)	\$ 0.15
Diluted	\$ (0.08)	\$ 0.15
<b>Weighted average number of shares outstanding</b>		
Basic	<u>11,250,219</u>	<u>11,499,983</u>
Diluted	<u>11,250,219</u>	<u>11,499,983</u>

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

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

	For the Years Ended June 30,	
	2022	2021
<b>Net income (loss)</b>	\$ (851,156)	\$ 1,778,257
<b>Other comprehensive income (loss):</b>		
Translation adjustment	(11,175,077)	2,933,964
Translation adjustment attributable to non-controlling interest	3,680,473	(717,398)
Net translation adjustment	(7,494,604)	2,216,566
<b>Comprehensive income (loss) attributable to NetSol</b>	<u>\$ (8,345,760)</u>	<u>\$ 3,994,823</u>

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

**NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**Consolidated Statement of Stockholders' Equity**  
**For the Years Ended June 30, 2022 and 2021**

	Common Stock		Additional Paid-in Capital	Treasury Shares	Accumulated Deficit	Other Comprehensive Loss	Non Controlling Interest	Total Stockholders' Equity
	Shares	Amount						
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	59,436	594	341,072	-	-	-	-	341,666
Purchase of treasury shares	-	-	-	(2,364,781)	-	-	-	(2,364,781)
Foreign currency translation adjustment	-	-	-	-	-	2,216,566	717,398	2,933,964
Net income for the year	-	-	-	-	1,778,257	-	483,375	2,261,632
Balance at June 30, 2021	<u>12,181,585</u>	<u>\$ 121,816</u>	<u>\$ 129,018,826</u>	<u>\$(3,820,750)</u>	<u>\$ (38,801,282)</u>	<u>\$ (31,868,481)</u>	<u>\$ 7,215,473</u>	<u>\$ 61,865,602</u>

(1) Cumulative effect adjustment relates to the adoption of Accounting Standard Update No. 2016-13, Financial Instruments – Credit Losses (Topic 326):

Measurement of Credit Losses on Financial Instruments. Refer to Note 2 – Accounting Policies for more information.

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

**NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**Consolidated Statement of Stockholders' Equity**  
**For the Years Ended June 30, 2022 and 2021**

	Common Stock		Additional Paid-in Capital	Treasury Shares	Accumulated Deficit	Other Comprehensive Loss	Non Controlling Interest	Total Stockholders' Equity
	Shares	Amount						
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	14,985	150	72,434	-	-	-	-	72,584
Purchase of treasury shares	-	-	-	(100,106)	-	-	-	(100,106)
Purchase of subsidiary treasury shares	-	-	(950,352)	-	-	-	-	(950,352)
Adjustment in APIC for purchase of subsidiary treasury shares	-	-	36,403	-	-	-	(36,403)	-
Fair value of subsidiary options issued	-	-	40,769	-	-	-	-	40,769
Foreign currency translation adjustment	-	-	-	-	-	(7,494,604)	(3,680,473)	(11,175,077)
Net income (loss) for the year	-	-	-	-	(851,156)	-	1,951,959	1,100,803
Balance at June 30, 2022	<u>12,196,570</u>	<u>\$ 121,966</u>	<u>\$ 128,218,247</u>	<u>\$ (3,920,856)</u>	<u>\$ (39,652,438)</u>	<u>\$ (39,363,085)</u>	<u>\$ 5,450,389</u>	<u>\$ 50,854,223</u>

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

**NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**

	For the Years Ended June 30,	
	2022	2021
<b>Cash flows from operating activities:</b>		
Net income	\$ 1,100,803	\$ 2,261,632
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,812,273	3,956,314
Provision for bad debts	23,388	(332,325)
Goodwill impairment	214,044	-
Share of net loss from investment under equity method	2,021,480	253,819
Loss on sale of assets	205,288	191,935
Gain on forgiveness of loan	-	(469,721)
Stock based compensation	104,347	342,153
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(5,669,262)	6,861,454
Revenues in excess of billing	(1,273,693)	2,839,709
Other current assets	469,194	(857,708)
Accounts payable and accrued expenses	1,121,308	474,098
Unearned revenue	931,452	204,563
<b>Net cash provided by operating activities</b>	<b>3,060,622</b>	<b>15,725,923</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(2,609,205)	(2,551,283)
Sales of property and equipment	349,058	188,233
Investment in associates	-	(155,500)
<b>Net cash used in investing activities</b>	<b>(2,260,147)</b>	<b>(2,518,550)</b>
<b>Cash flows from financing activities:</b>		
Purchase of treasury stock	(100,106)	(2,364,781)
Purchase of subsidiary treasury stock	(950,352)	-
Proceeds from bank loans	941,841	1,898,013
Payments on finance lease obligations and loans - net	(1,270,104)	(698,797)
<b>Net cash used in financing activities</b>	<b>(1,378,721)</b>	<b>(1,165,565)</b>
<b>Effect of exchange rate changes</b>	<b>(9,163,111)</b>	<b>1,496,516</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(9,741,357)</b>	<b>13,538,324</b>
Cash and cash equivalents at beginning of the period	33,705,154	20,166,830
<b>Cash and cash equivalents at end of period</b>	<b>\$ 23,963,797</b>	<b>\$ 33,705,154</b>

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

**NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows (Continued)**

	For the Years Ended June 30,	
	2022	2021
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Cash paid during the period for:		
Interest	\$ 433,083	\$ 455,647
Taxes	\$ 1,234,793	\$ 601,703
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Assets acquired under finance lease	\$ 49,189	\$ 222,391
Drivemate shares acquired for services rendered	\$ -	\$ 1,300,000
Shares issued to vendor for services received	\$ 19,525	\$ -

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

**NETSOL TECHNOLOGIES, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS**

NetSol Technologies, Inc., was incorporated under the laws of the State of Nevada on March 18, 1997. (NetSol Technologies, Inc. and subsidiaries collectively referred to as the “Company”)

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.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation**

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”)  
Tianjin NuoJinZhiCheng Co., Ltd (“Tianjin”)  
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”)

The Company consolidates any variable interest entities of which it is the primary beneficiary. Equity investments through which the Company exercises significant influence over but does not control the investee and is not the primary beneficiary of the investee’s activities are accounted for using the equity method. Investments through which the Company is not able to exercise significant influence over the investee and which do not have readily determinable fair values are accounted for under the cost method. All material inter-company accounts have been eliminated in the consolidation.

**Basis of Presentation**

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”).

**NETSOL TECHNOLOGIES, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**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, and estimated contract costs. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less which are not securing any corporate obligations.

**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 RMB500,000 (\$74,627) in each bank and in the UK for GBP 85,000 (\$103,659) in each bank. The Company maintains three bank accounts in China and nine bank accounts in the UK. As of June 30, 2022 and 2021, the Company had uninsured deposits related to cash deposits in accounts maintained within foreign entities of approximately \$22,758,963 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.

**Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are recorded at the invoiced amount and are non-interest bearing. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management regularly reviews the composition of accounts receivable and analyzes customer credit worthiness, customer concentrations, current economic trends and changes in customer payment patterns. Reserves are recorded primarily on a specific identification basis. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

**Notes Receivable**

Notes Receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of purchase premiums and discounts, deferred loan fees and costs, and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income.

**NETSOL TECHNOLOGIES, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**Revenues in Excess of Billings**

Revenues in excess of billings represent the total of the project to be billed to the customer for revenues recognized per US GAAP. As the customers are billed under the terms of their contract, the corresponding amount is transferred from this account to “Accounts Receivable.”

**Investments**

The Company uses the equity investment without readily determinable fair value method to account for investments in businesses that are not publicly traded and for which the Company does not control or have the ability to exercise significant influence over operating and financial policies. In accordance with this method, these investments are recorded at lower of cost or fair value, as appropriate, and are classified as long-term.

Investments held by the Company in businesses that are not publicly traded and for which the Company has the ability to exercise significant influence over operating and financial management are accounted for under the equity method. In accordance with the equity method, these investments are originally recorded at cost and are adjusted for the Company’s proportionate share of earnings, losses and distributions. These investments are classified as long-term.

The Company assesses and records impairment losses when events and circumstances indicate the investments might be impaired. Gains and losses are recognized when realized and recorded in other income (expense) in the accompanying Consolidated Statements of Operations.

**Property and Equipment**

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to earnings as incurred; additions, renewals and betterments are capitalized. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Depreciation is computed using various methods over the estimated useful lives of the assets, ranging from three to twenty years. Following is the summary of estimated useful lives of the assets:

<u>Category</u>	<u>Estimated Useful Life</u>
Computer equipment and software	3 to 5 Years
Office furniture and equipment	5 to 10 Years
Building	20 Years
Autos	5 Years
Assets under capital leases	3 to 10 Years
Improvements	5 to 10 Years

The Company capitalizes costs of materials, consultants, and payroll and payroll-related costs for employees incurred in developing internal-use computer software. These costs are included with “Computer equipment and software.”

**Impairment of Long-Lived Assets**

The Company tests long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted cash flows expected to result from the use and eventual disposition of the assets. Whenever any such impairment exists, an impairment loss will be recognized for the amount by which the carrying value exceeds the fair value.

**NETSOL TECHNOLOGIES, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**Intangible Assets**

Intangible assets consist of product licenses, renewals, enhancements, copyrights, trademarks, trade names, and customer lists. Intangible assets with finite lives are amortized over the estimated useful life and are evaluated for impairment at least on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company assesses recoverability by determining whether the carrying value of such assets will be recovered through the discounted expected future cash flows. If the future discounted cash flows are less than the carrying amount of these assets, the Company recognizes an impairment loss based on the excess of the carrying amount over the fair value of the assets.

**Software Development Costs**

Costs incurred to internally develop computer software products or to enhance an existing product are recorded as research and development costs and expensed when incurred until technological feasibility for the respective product is established. Thereafter, all software development costs are capitalized and reported at the lower of unamortized cost or net realizable value. Capitalization ceases when the product or enhancement is available for general release to customers.

The Company makes on-going evaluations of the recoverability of its capitalized software projects by comparing the amount capitalized for each product to the estimated present value of expected future net income from the product. If such evaluations indicate that the unamortized software development costs exceed the present value of expected future net income, the Company writes off the amount which the unamortized software development costs exceed such present value. Capitalized and purchased computer software development costs are being amortized ratably based on the projected revenue associated with the related software or on a straight-line basis.

**Research and Development Costs**

Research and development expenses are comprised of salaries, benefits and overhead expenses of employees involved in software product enhancement and development, cost of outside contractors engaged to perform quality assurance, software product enhancement and development (if any). Development costs are expensed as incurred.

**Goodwill**

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a purchase business combination. Goodwill is reviewed for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying amount of goodwill may be impaired. In conducting its annual impairment test, the Company first reviews qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. If factors indicate that the fair value of the reporting unit is less than its carrying amount, the Company performs a quantitative assessment and the fair value of the reporting unit is determined by analyzing the expected present value of future cash flows. If the carrying value of the reporting unit continues to exceed its fair value, the fair value of the reporting unit's goodwill is calculated and an impairment loss equal to the excess is recorded.

**NETSOL TECHNOLOGIES, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**Fair Value of Financial Instruments**

The Company applies the provisions of 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, restricted cash, 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 notes receivable and 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.

Our financial assets that are measured at fair value on a recurring basis as of June 30, 2022 are as follows:

	Level 1	Level 2	Level 3	Total Assets
Revenues in excess of billings - long term	\$ -	\$ -	\$ 853,601	\$ 853,601
Total	\$ -	\$ -	\$ 853,601	\$ 853,601

Our financial assets that are measured at fair value on a recurring basis as of June 30, 2021, are as follows:

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

**NETSOL TECHNOLOGIES, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

The reconciliation for the years ended June 30, 2022 and 2021 is as follows:

	Revenues in excess of billings - long term	Fair value discount	Total
Balance at June 30, 2020	\$ 1,341,575	\$ (41,286)	\$ 1,300,289
Additions	1,023,634	(78,124)	945,510
Amortization during the period	-	53,119	53,119
Transfers to short term	(1,341,575)	-	(1,341,575)
Effect of Translation Adjustment	748	(488)	260
Balance at June 30, 2021	\$ 1,024,382	\$ (66,779)	\$ 957,603
Amortization during the period	-	38,005	38,005
Transfers to short term	(129,352)	-	(129,352)
Effect of Translation Adjustment	(13,090)	435	(12,655)
Balance at June 30, 2022	<u>\$ 881,940</u>	<u>\$ (28,339)</u>	<u>\$ 853,601</u>

The Company used the discounted cash flow method with an interest rate of 4.35% for the years ended June 30, 2021 and 2022.

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.

#### Unearned Revenue

Unearned revenue represents billings in excess of revenue earned on contracts and are recognized on a pro-rata basis over the life of the contract.

#### Cost of Revenues

Cost of revenues includes salaries and benefits for technical employees, consultant costs, amortization of capitalized computer software development costs, depreciation of computer and equipment, travel costs, and indirect costs such as rent and insurance.

#### Advertising Costs

The Company expenses the cost of advertising as incurred. Advertising costs for the years ended June 30, 2022 and 2021 were \$119,592 and \$224,933, respectively.

#### Share-Based Compensation

The Company records stock compensation in accordance with ASC 718, *Compensation – Stock Compensation*. ASC 718 requires companies to measure compensation cost for stock employee compensation at fair value at the grant date and recognize the expense over the employee’s requisite service period. The Company recognizes forfeitures as they occur. The Company recognizes in the statement of operations the grant-date fair value of stock options and other equity-based compensation issued to employees and non-employees.

**NETSOL TECHNOLOGIES, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for deferred tax assets if it is more likely than not these items will either expire before the Company is able to realize their benefits, or that future deductibility is uncertain.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Applicable interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the statements of operations.

**Foreign Currency Translation**

The Company transacts business in various foreign currencies. The accounts of NetSol UK, NTE, AEL, VLSH and VLS use the British Pound; VLSIL uses the Euro; NetSol PK, Connect, Omni and NetSol Innovation use Pakistan Rupees; NTPK Thailand, NetSol Thai and OTOZ Thai use Thai Baht; NetSol Australia uses the Australian dollar; and NetSol Beijing and Tianjin use the Chinese Yuan as the functional currencies. NetSol Technologies, Inc., and its subsidiaries, NTA and OTOZ, use the U.S. dollar as the functional currency. Consequently, revenues and expenses of operations outside the United States are translated into U.S. Dollars using average exchange rates while assets and liabilities of operations outside the United States are translated into U.S. Dollars using exchange rates at the balance sheet date. The effects of foreign currency translation adjustments are recorded to other comprehensive income.

**Statement of Cash Flows**

The Company's cash flows from operations are calculated based upon the local currencies. As a result, amounts related to assets and liabilities reported on the statement of cash flows will not necessarily agree with changes in the corresponding balances on the consolidated balance sheet.

**Segment Reporting**

The Company defines operating segments as components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performances. The Company allocates its resources and assesses the performance of its sales activities based on the geographic locations of its subsidiaries. (See Note 21 "Segment Information and Geographic Areas")

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**Recent Accounting Standards Adopted by the Company:**

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (ASC 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify the accounting for income taxes by removing certain exceptions and by updating accounting requirements around franchise taxes, goodwill recognized for tax purposes, the allocation of current and deferred tax expense among legal entities, among other minor changes. Most amendments within the standard are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. This new standard is effective for fiscal years beginning after December 15, 2020 and was adopted by the Company July 1, 2021. The adoption of the new standard did not have a material impact on the Company's consolidated financial statements.

**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 does not expect the standard to have a material effect on its consolidated financial statements.

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 August 2020, the FASB issued ASU 2020-06, "*Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*", which simplifies accounting for convertible instruments by removing major separation models required under current Generally Accepted Accounting Principles (GAAP)." In addition, the ASU "removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, which will permit more equity contracts to qualify for it" and "simplifies the diluted earnings per share (EPS) calculation in certain areas. The guidance is effective for fiscal years beginning after December 15, 2021 and interim periods therein, with early adoption permitted. The Company does not expect the standard to have a material effect on its consolidated financial statements.

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.

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**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.

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*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.

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

	For the Years Ended June 30,	
	2022	2021
<b>Core:</b>		
License	\$ 4,539,260	\$ 6,249,924
Subscription and support	28,284,759	22,173,745
Services	19,519,508	20,139,320
Services - related party	-	48,775
Total core revenue, net	52,343,527	48,611,764
<b>Non-Core:</b>		
Services	4,904,452	6,308,851
Total non-core revenue, net	4,904,452	6,308,851
Total net revenue	\$ 57,247,979	\$ 54,920,615

**Significant Judgments**

More judgments and estimates are required under Topic 606 than were required under Topic 605. 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.

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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 June 30, 2022	As of June 30, 2021
Revenues in excess of billings	\$ 15,425,377	\$ 15,637,734
Unearned revenue	\$ 4,901,562	\$ 4,556,626

During the year ended June 30, 2022, the Company recognized revenue of \$3,480,224, which 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.

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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 \$34,575,607 as of June 30, 2022, of which the Company estimates to recognize approximately \$14,053,692 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.

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**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. During the years ended June 30, 2022 and 2021, there were no outstanding dilutive instruments.

**NOTE 5 – MAJOR CUSTOMERS**

During the year ended June 30, 2022, revenues from Daimler Financial Services (“DFS”) and BMW Financial (“BMW”) were \$18,090,059 and \$4,273,740, respectively representing 31.6% and 7.5%, respectively of revenues. During the year ended June 30, 2021, revenues from DFS and BMW were \$11,522,694 and \$7,137,653, respectively representing 21.0% and 13.0%, respectively of revenues. The revenue from these customers are shown in the Asia – Pacific segment.

Accounts receivable from DFS and BMW at June 30, 2022, were \$2,005,463 and \$2,498,645, respectively. Accounts receivable from DFS and BMW at June 30, 2021, were \$462,861 and \$35,063, respectively. Revenues in excess of billings at June 30, 2022 were \$365,863 and \$2,199,381, respectively. Revenues in excess of billings at June 30, 2021 were \$2,041,750 and \$4,453,299, respectively.

**NOTE 6 – CONVERTIBLE NOTE 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.

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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
			<u>4,250,000</u>	<u>701,062</u>
Less allowance for doubtful account			<u>(4,250,000)</u>	<u>(701,062)</u>
Net Balance			<u>\$ -</u>	<u>\$ -</u>

The Company has accrued interest of \$701,062 at June 30, 2022 and 2021, which is included in "Other current assets". The Company has not been accruing interest since July 1, 2020.

**NOTE 7 - OTHER CURRENT ASSETS**

Other current assets consisted of the following:

	As of June 30, 2022	As of June 30, 2021
Prepaid Expenses	\$ 1,389,370	\$ 1,987,556
Advance Income Tax	202,783	344,699
Employee Advances	87,627	28,816
Security Deposits	236,909	281,464
Other Receivables	21,581	143,258
Other Assets	285,091	223,600
Due From Related Party	<u>1,243,633</u>	<u>1,243,633</u>
	3,466,994	4,253,026
Less allowance for doubtful account	<u>(1,243,633)</u>	<u>(1,243,633)</u>
Net Balance	<u>\$ 2,223,361</u>	<u>\$ 3,009,393</u>

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.

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**NOTE 8 – REVENUES IN EXCESS OF BILLINGS – LONG TERM**

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

	As of June 30, 2022	As of June 30, 2021
Revenues in excess of billings - long term	\$ 881,940	\$ 1,024,382
Present value discount	(28,339)	(66,779)
Net Balance	<u>\$ 853,601</u>	<u>\$ 957,603</u>

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 years ended June 30, 2022 and 2021, the Company accreted \$38,005 and \$53,119, respectively, which was recorded in interest income for that period. The Company used the discounted cash flow method with an interest rate of 4.35% during the years ended June 30, 2022 and 2021.

**NOTE 9 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	As of June 30, 2022	As of June 30, 2021
Office Furniture and Equipment	\$ 3,021,586	\$ 3,440,501
Computer Equipment	11,388,856	18,681,991
Assets Under Capital Leases	305,081	1,136,128
Building	4,818,650	6,205,210
Land	1,237,965	1,608,024
Autos	2,503,990	1,770,147
Improvements	175,560	35,592
Subtotal	<u>23,451,688</u>	<u>32,877,593</u>
Accumulated Depreciation	<u>(14,069,064)</u>	<u>(20,785,781)</u>
Property and Equipment, Net	<u>\$ 9,382,624</u>	<u>\$ 12,091,812</u>

For the years ended June 30, 2022 and 2021, depreciation expense totaled \$2,179,509 and \$2,148,578, respectively. Of these amounts, \$1,316,329 and \$1,182,953, respectively, are reflected in cost of revenues.

Following is a summary of fixed assets held under capital leases as of June 30, 2022 and 2021:

	As of June 30, 2022	As of June 30, 2021
Computers and Other Equipment	\$ -	\$ 169,487
Furniture and Fixtures	-	57,509
Vehicles	<u>305,081</u>	<u>909,132</u>
Total	305,081	1,136,128
Less: Accumulated Depreciation - Net	<u>(145,658)</u>	<u>(627,119)</u>
	<u>\$ 159,423</u>	<u>\$ 509,009</u>

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Finance lease term and discount rate were as follows:

	As of June 30, 2022	As of June 30, 2021
Weighted average remaining lease term - Finance leases	2.39 Years	0.55 Years
Weighted average discount rate - Finance leases	12.5%	5.6%

**NOTE 10 - 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 used the incremental borrowing rate on July 1, 2019 for all leases that commenced prior to that date. For finance leases, the Company used the incremental borrowing rate implicit in the lease.

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.

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Supplemental balance sheet information related to leases was as follows:

	As of June 30, 2022	As of June 30, 2021
<b>Assets</b>		
Operating lease assets, net	\$ 969,163	\$ 1,345,869
<b>Liabilities</b>		
<b>Current</b>		
Operating	\$ 548,678	\$ 857,729
<b>Non-current</b>		
Operating	447,260	564,257
<b>Total Lease Liabilities</b>	<b>\$ 995,938</b>	<b>\$ 1,421,986</b>

The components of lease cost were as follows:

	For the Years Ended June 30,	
	2022	2021
Amortization of finance lease assets	\$ 72,340	\$ 186,721
Interest on finance lease obligation	22,010	32,675
Operating lease cost	652,911	1,271,947
Short term lease cost	258,227	91,705
Sub lease income	(35,356)	(35,740)
<b>Total lease cost</b>	<b>\$ 970,132</b>	<b>\$ 1,547,308</b>

Lease term and discount rate were as follows:

	As of June 30, 2022	As of June 30, 2021
Weighted average remaining lease term - Operating leases	3.34 Years	1.78 Years
Weighted average discount rate - Operating leases	4.2%	5.7%

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

	For the Years Ended June 30	
	2022	2021
Operating cash flows related to operating leases	\$ 893,196	\$ 1,182,028
Operating cash flows related to finance leases	\$ 3,577	\$ 25,338
Financing cash flows related finance leases	\$ 55,476	\$ 334,939

Maturities of operating lease liabilities were as follows as of June 30, 2022:

	Amount
Within year 1	\$ 574,383
Within year 2	158,335
Within year 3	127,543
Within year 4	122,066
Within year 5	61,355
Thereafter	1,286
Total Lease Payments	1,044,968
Less: Imputed interest	(49,030)
Present Value of lease liabilities	995,938
Less: Current portion	(548,678)
Non-Current portion	\$ 447,260

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 terminate by January 2027. All leases are considered operating leases. There are no rights to purchase the premises and no residual value guarantees. For the years ended June 30, 2022 and 2021, the Company received lease income of \$35,356 and \$35,740, respectively.

**NOTE 11 – LONG-TERM INVESTMENT**

**Drivemate – Related Party**

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 June 30, 2022 and 2021, the Company owns 8,178 shares equal to 30.0% 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.

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During the years ended June 30, 2022 and 2021, the Company performed services of \$12,528 and \$18,006, respectively.

Under the equity method of accounting, the Company recorded its share of net loss of \$49,664 and \$20,001 for the years ended June 30, 2022 and 2021, respectively. For the year ended June 30, 2022, the Company performed a fair value analysis and determined that the carrying amount of the investment exceeded the investment's fair value; therefore, the Company recorded an impairment of \$651,018. The impairment expense is recorded in the line item "share of net loss under equity method" in the "Consolidated Statement of Operations".

**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. As of June 30, 2022 and 2021, NTI and NTPK own 1,636,876 and 4,092,189, respectively, of Series BB Preferred Stock.

In connection with the investment, the Company and NetSol PK received a warrant to purchase preferred stock of WRLD3D, which warrants expired on March 2, 2020.

The Company determined that it met the significant influence criteria since the CEO of WRLD3D is the son of the CEO, Najeeb Ghauri, and also an employee of the Company; therefore, the Company accounts for the investment using the equity method of accounting.

During the year ended June 30, 2022 NetSol PK did not provide any services and during the year ended June 30, 2021, NetSol PK provided services valued at \$48,775, which is recorded as services-related party. Under the equity method of accounting, the Company recorded its share of net loss of \$354,802 and \$233,818 for the years ended June 30, 2022 and 2021, respectively. For the year ended June 30, 2022, the Company performed a fair value analysis and determined that the carrying amount of the investment exceeded the investment's fair value; therefore, the Company recorded an impairment of \$965,996. The impairment expense is recorded in the line item "share of net loss under equity method" in the "Consolidated Statement of Operations".

The following table reflects the above investments at June 30, 2022.

	Drivemate	WRLD3D	Total
Gross investment	\$ 1,800,000	\$ 3,888,889	\$ 5,688,889
Cumulative net loss on investment	(740,632)	(3,238,647)	(3,979,279)
Cumulative other comprehensive income (loss)	-	(650,242)	(650,242)
Net investment	<u>\$ 1,059,368</u>	<u>\$ -</u>	<u>\$ 1,059,368</u>

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

	Drivemate	WRLD3D	Total
Gross investment	\$ 1,800,000	\$ 3,888,889	\$ 5,688,889
Cumulative net loss on investment	(38,853)	(1,924,134)	(1,962,987)
Cumulative other comprehensive income (loss)	-	(570,050)	(570,050)
Net investment	<u>\$ 1,761,147</u>	<u>\$ 1,394,705</u>	<u>\$ 3,155,852</u>

**NOTE 12 - INTANGIBLE ASSETS**

Intangible assets consisted of the following:

	As of June 30, 2022	As of June 30, 2021
Product Licenses - Cost	\$ 47,244,997	\$ 47,244,997
Effect of Translation Adjustment	(19,914,206)	(14,440,001)
Accumulated Amortization	(25,743,121)	(28,900,340)
Net Balance	<u>\$ 1,587,670</u>	<u>\$ 3,904,656</u>

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**(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 \$1,587,670 will be amortized over the next 1.25 years. Amortization expense for the years ended June 30, 2022 and 2021 was \$1,632,764 and \$1,807,736, respectively.

**(B) Future Amortization**

Estimated amortization expense of intangible assets over the next five years is as follows:

Period ended:	Amortization
June 30, 2023	\$ 1,416,353
June 30, 2024	171,317
	<u>\$ 1,587,670</u>

**NOTE 13 – GOODWILL**

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in prior period business combinations. Goodwill was comprised of the following amounts:

	As of June 30, 2021	Impairment	As of June 30, 2022
NetSol PK (Asia - Pacific)	\$ 1,166,610	\$ -	\$ 1,166,610
NTE (Europe)	3,471,814	-	3,471,814
VLS (Europe)	214,044	(214,044)	-
NTA (North America)	4,664,100	-	4,664,100
Total	<u>\$ 9,516,568</u>	<u>\$ (214,044)</u>	<u>\$ 9,302,524</u>

The Company tests for goodwill impairment at each reporting unit and recorded an impairment of \$214,044 at June 30, 2022. The Company performed the goodwill analysis using a combination of an income approach and a market approach. The impairment was caused by the decline in VLS' revenue due to the loss of their largest customer and some smaller customers. The expense is recorded in the line item of "other income (expense)" in the "Consolidated Statement of Operations".

**NOTE 14 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses consisted of the following:

	As of June 30, 2022	As of June 30, 2021
Accounts Payable	\$ 1,175,527	\$ 1,067,937
Accrued Liabilities	3,507,415	2,662,666
Accrued Payroll	1,397,605	1,782,512
Accrued Payroll Taxes	153,416	295,349
Taxes Payable	328,755	608,121
Other Payable	250,823	279,450
Total	<u>\$ 6,813,541</u>	<u>\$ 6,696,035</u>

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**NOTE 15 – DEBTS**

Notes payable and capital leases consisted of the following:

Name		As of June 30, 2022		
		Total	Current Maturities	Long-Term Maturities
D&O Insurance	(1)	\$ 89,552	\$ 89,552	\$ -
Bank Overdraft Facility	(2)	-	-	-
Term Finance Facility	(3)	423,101	423,101	-
Loan Payable Bank - Export Refinance	(4)	2,434,749	2,434,749	-
Loan Payable Bank - Running Finance	(5)	-	-	-
Loan Payable Bank - Export Refinance II	(6)	1,850,409	1,850,409	-
Loan Payable Bank - Export Refinance III	(7)	3,408,648	3,408,648	-
Sale and Leaseback Financing	(8)	619,108	189,226	429,882
Term Finance Facility	(9)	31,204	18,339	12,865
Insurance Financing	(10)	118,026	118,026	-
		<u>8,974,797</u>	<u>8,532,050</u>	<u>442,747</u>
Subsidiary Finance Leases	(11)	68,571	35,095	33,476
		<u>\$ 9,043,368</u>	<u>\$ 8,567,145</u>	<u>\$ 476,223</u>

Name		As of June 30, 2021		
		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 - Export Refinance III	(7)	4,427,578	4,427,578	-
Sale and Leaseback Financing	(8)	85,313	28,183	57,130
Term Finance Facility	(9)	55,182	19,644	35,538
Insurance Financing	(10)	41,774	41,774	-
		<u>11,897,905</u>	<u>11,246,678</u>	<u>651,227</u>
Subsidiary Finance Leases	(11)	168,107	119,493	48,614
		<u>\$ 12,066,012</u>	<u>\$ 11,366,171</u>	<u>\$ 699,841</u>

(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 range from 5.0% to 7.0% as of June 30, 2022 and 2021, respectively.

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- (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 \$365,854. The annual interest rate was 5.5% and 5.1% as of June 30, 2022 and 2021, respectively. The total outstanding balance as of June 30, 2022 and 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 June 30, 2022, 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 is Rs. 86,887,974 or \$423,101, at June 30, 2022, which is shown as current. The availed facility amount was Rs. 260,678,180 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 June 30, 2022 and 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 six months. The total facility amount is Rs. 500,000,000 or \$2,434,749 and Rs. 500,000,000 or \$3,162,555 at June 30, 2022 and 2021, respectively. The interest rate for the loan was 3% at June 30, 2022 and 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. 53,600,000 or \$261,005 and Rs. 75,000,000 or \$474,383, at June 30, 2022 and 2021, respectively. The balance outstanding at June 30, 2022 and 2021 was Rs. Nil. The interest rate for the loan was 14.0% and 9.5% at June 30, 2022 and 2021, respectively.

These facilities require NetSol PK to maintain a long-term debt equity ratio of 60:40 and the current ratio of 1:1. As of June 30, 2022, 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 six months. The total facility amount is Rs. 380,000,000 or \$1,850,409 and Rs. 380,000,000 or \$2,403,542, at June 30, 2022 and 2021, respectively. The interest rate for the loan was 3% at June 30, 2022 and 2021.

During the loan tenure, the facilities from Samba Bank Limited require NetSol PK to maintain 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 June 30, 2022, NetSol PK was in compliance with these covenants.

- (7) 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 \$4,382,548 and Rs. 900,000,000 or \$5,692,600, at June 30, 2022 and 2021, respectively. NetSol PK used Rs. 700,000,000 or \$3,408,648 and Rs. 700,000,000 or \$4,427,578, at June 30, 2022 and 2021, respectively. The interest rate for the loan was 3% at June 30, 2022 and 2021.

- (8) The Company's subsidiary, NetSol PK, availed sale and leaseback financing from First Habib Modaraba secured by the transfer of the vehicles' title. As of June 30, 2022, NetSol PK used Rs. 127,140,038 or \$619,108 of which \$429,882 was shown as long term and \$189,226 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 ranging from 9.0% to 16.0% at June 30, 2022 and 2021.

- (9) In March 2020, the Company's subsidiary, VLS, entered into a loan agreement with Investec Bank PLC. The loan amount was £69,549, or \$84,816, for a period of 5 years with monthly payments of £1,349, or \$1,645. As of June 30, 2022, the subsidiary has used this facility up to \$31,204, of which \$12,865 was shown as long-term and \$18,339 as current. The interest rate was 6.14% at June 30, 2022.

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(10) The Company's subsidiary, VLS, finances Directors' and Officers' ("D&O") liability insurance, and the \$96,781 and \$41,774 was recorded in current maturities, at March 31, 2022 and June 30, 2021, respectively. The interest rate on this financing ranged from 9.7% to 12.7% as of June 30, 2022 and was 9.7% as of June 30, 2021.

(11) The Company leases various fixed assets under capital lease arrangements expiring in various years through 2024. The assets and liabilities under capital 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 capital leases is included in depreciation expense for the years ended June 30, 2022 and 2021.

Following is the aggregate minimum future lease payments under capital leases as of June 30, 2022:

	Amount
Minimum Lease Payments	
Within year 1	\$ 40,716
Within year 2	31,057
Within year 3	4,538
Total Minimum Lease Payments	<u>76,311</u>
Interest Expense relating to future periods	(7,740)
Present Value of minimum lease payments	<u>68,571</u>
Less: Current portion	(35,095)
Non-Current portion	<u>\$ 33,476</u>

Following is the aggregate future long term debt payments, which consists of "Term Finance Facility (3)", "Sale and Leasback Financing (8)" and "Term Finance Facility (9)", as of June 30, 2022:

	Amount
Loan Payments	
Within year 1	\$ 630,666
Within year 2	229,488
Within year 3	213,259
Total Loan Payments	<u>1,073,413</u>
Less: Current portion	(630,666)
Non-Current portion	<u>\$ 442,747</u>

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**NOTE 16 – INCOME TAXES**

The Company is incorporated in the State of Nevada and registered to do business in the State of California. The following is a breakdown of income before the provision for income taxes:

Consolidated pre-tax income (loss) consists of the following:

	<b>Years Ended June 30,</b>	
	2022	2021
US operations	\$ (1,140,443)	\$ 1,944,974
Foreign operations	3,230,184	1,343,275
	<u>\$ 2,089,741</u>	<u>\$ 3,288,249</u>

The components of the provision for income taxes are as follows:

	<b>Years Ended June 30,</b>	
	2022	2021
<b>Current:</b>		
Federal	\$ -	\$ -
State and Local	2,800	113,152
Foreign	986,138	912,663
<b>Deferred:</b>		
Federal	-	-
State and Local	-	802
Foreign	-	-
Provision for income taxes	<u>\$ 988,938</u>	<u>\$ 1,026,617</u>

A reconciliation of taxes computed at the statutory federal income tax rate to income tax expense (benefit) is as follows:

	<b>Years Ended June 30,</b>			
	2022		2021	
Income tax (benefit) provision at statutory rate	\$ 438,846	21.0%	\$ 690,532	21.0%
State income (benefit) taxes, net of federal tax benefit	145,864	7.0%	229,520	7.0%
Foreign earnings taxed at different rates	82,333	3.9%	72,358	2.2%
Change in valuation allowance for deferred tax assets	318,421	15%	129,758	3.9%
Other	3,474	0.2%	(95,551)	-2.9%
Provision for income taxes	<u>\$ 988,938</u>	<u>47.3%</u>	<u>\$ 1,026,617</u>	<u>31.2%</u>

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Deferred income tax assets and liabilities as of June 30, 2022 and 2021 consist of tax effects of temporary differences related to the following:

	2022	2021
Net operating loss carry forwards	\$ 7,885,333	\$ 7,483,618
Other	80,311	79,675
Net deferred tax assets	7,965,644	7,563,293
Valuation allowance for deferred tax assets	(7,965,644)	(7,563,293)
Net deferred tax assets	\$ -	\$ -

The Company has established a full valuation allowance as management believes it is more likely than not that these assets will not be realized in the future. The valuation allowance increased by \$402,351 for the year ended June 30, 2022.

At June 30, 2022, federal and state net operating loss carry forwards in the United States of America were \$29,909,083 and \$8,640,962, respectively. Federal net operating loss carry forwards begin to expire in 2028, while state net operating loss carry forwards are expiring each year. Due to both historical and recent changes in the capitalization structure of the Company, the utilization of net operating losses may be limited pursuant to section 382 of the Internal Revenue Code. California has suspended the net operating loss carryover deduction for taxable years 2020, 2021 and 2022. Net operating losses related to foreign entities were \$3,967,928 at June 30, 2022.

As of June 30, 2022, the Company does not have any unrecognized tax benefits related to various federal and state income tax matters. The Company will recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense.

The Company is subject to U.S. federal income tax, as well as various state and foreign jurisdictions. The Company is currently open to audit under the statute of limitations by the federal and state jurisdictions for the years ending June 30, 2019 through 2021. The Company does not anticipate any material amount of unrecognized tax benefits within the next 12 months.

The cumulative amount of undistributed earnings of foreign subsidiaries that the Company intends to permanently invest and upon which no deferred US income taxes have been provided is \$28,816,721 as of June 30, 2022. The additional US income tax on unremitted foreign earnings, if repatriated, would be offset in part by foreign tax credits. The extent of this offset would depend on many factors, including the method of distribution, and specific earnings distributed. The Company determined that it is not practicable to determine unrecognized deferred tax liability associated with the unremitted earnings attributable to the foreign subsidiaries.

Income from the export of computer software and its related services developed in Pakistan is exempt from tax through June 30, 2025. The aggregate effect of the tax holiday for June 30, 2022 and 2021 is \$1,260,502 and \$202,918, respectively. The effect on basic and diluted earnings per share is \$0.11 and \$0.018 for June 30, 2022 and 2021, respectively.

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**NOTE 17 - STOCKHOLDERS' EQUITY**

During the years ended June 30, 2022 and 2021, the Company issued nil and 20,353 shares of common stock, respectively, for services rendered by officers of the Company. These shares were valued at the fair market value of \$Nil and \$118,316, respectively, and recorded as compensation expense in the accompanying consolidated financial statements.

During the years ended June 30, 2022 and 2021, the Company issued 1,985 and 1,983 shares of common stock respectively, 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 and \$11,997, respectively, and recorded as compensation expense in the accompanying consolidated financial statements.

During the years ended June 30, 2022 and 2021, the Company issued 8,000 and 37,100 shares of common stock, respectively, to employees pursuant to the terms of their employment agreements. These shares were valued at the fair market value of \$41,050 and \$211,353, respectively, and recorded as compensation expense in the accompanying consolidated financial statements.

During the year ended June 30, 2022, the Company issued 5,000 shares of common stock for services received from one of its vendors. These shares were valued at the fair market value of \$19,525, respectively.

During the years ended June 30, 2022 and 2021, the Company purchased 22,510 and 669,018 shares of its common stock from the open market for cash proceeds of \$100,106 and \$2,364,781 at an average price of \$4.45 and \$3.53 per share, respectively, pursuant to the Company's stock buy-back plan.

**NOTE 18 - INCENTIVE AND NON-STATUTORY STOCK OPTION PLAN**

The Company maintains several Incentive and Non-Statutory Stock Option Plans ("Plans") for its employees and consultants. Options granted under these Plans to an employee of the Company become exercisable over a period of no longer than ten (10) years and no less than twenty percent (20%) of the shares are exercisable annually. Options are not exercisable, in whole or in part, prior to one (1) year from the date of grant unless the Board of Directors specifically determines otherwise, as provided.

Two types of options may be granted under these Plans: (1) Incentive Stock Options (also known as Qualified Stock Options) which may only be issued to employees of the Company and whereby the exercise price of the option is not less than the fair market value of the common stock on the date it was reserved for issuance under the Plan; and (2) Non-statutory Stock Options which may be issued to either employees or consultants of the Company and whereby the exercise price of the option may be less than the fair market value of the common stock on the date it was reserved for issuance under the plan. Grants of options may be made to employees and consultants without regard to any performance measures. All options issued pursuant to the Plan are nontransferable and subject to forfeiture.

The Plans provide for the grant of equity-based awards, including options, stock appreciation rights, restricted stock awards or performance share awards or any other right or interest relating to shares or cash, to eligible participants. The Plans contemplate the issuance of common stock upon exercise of options or other awards granted to eligible persons under the Plans. Shares issued under the Plans may be both authorized and unissued shares or previously issued shares acquired by the Company. Upon termination or expiration of an unexercised option, stock appreciation right or other stock-based award under the Plans, in whole or in part, the number of shares of common stock subject to such award again becomes available for grant under the Plans. Any shares of restricted stock forfeited as described below will become available for grant. The maximum number of shares that may be granted to any one participant in any calendar year may not exceed 50,000 shares. All options issued pursuant to the Plan are nontransferable and subject to forfeiture.

Options granted under the Plans are not generally transferable and must be exercised within 10 years, subject to earlier termination upon termination of the option holder's employment, but in no event later than the expiration of the option's term. The exercise price of each option may not be less than the fair market value of a share of the Company's common stock on the date of grant (except in connection with the assumption or substitution for another option in a manner qualifying under Section 424(a) of the Internal Revenue Code of 1986, as amended).

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Incentive stock options granted to any participant who owns 10% or more of the Company's outstanding common stock (a "Ten Percent Shareholder") must have an exercise price equal to or exceeding 110% of the fair market value of a share of our common stock on the date of the grant and must not be exercisable for longer than five years. Options become vested and exercisable at such times or upon such events and subject to such terms, conditions, performance criteria or restrictions as specified by the Board of Directors. The maximum term of any option granted under the 2015 Plan is ten years, provided that an incentive stock option granted to a Ten Percent Shareholder must have a term not exceeding five years.

Under the Plans, a participant may also be awarded a "performance award," which means that the participant may receive cash, stock or other awards contingent upon achieving performance goals established by the Board of Directors. The Board of Directors may also make "deferred share" awards, which entitle the participant to receive the Company's stock in the future for services performed between the date of the award and the date the participant may receive the stock. The vesting of deferred share awards may be based on performance criteria and/or continued service with the Company. A participant who is granted a "stock appreciation right" under the Plan has the right to receive all or a percentage of the fair market value of a share of stock on the date of exercise of the stock appreciation right minus the grant price of the stock appreciation right determined by the Board of Directors (but in no event less than the fair market value of the stock on the date of grant). Finally, the Board of Directors may make "restricted stock" awards under the Plans, which are subject to such terms and conditions as the Board of Directors determines and as are set forth in the award agreement related to the restricted stock. As of June 30, 2021, the remaining shares to be granted are 17,386 under the 2005 Plan, 98,196 under the 2013 Plan and 306,422 under the 2015 Plan.

**Stock Grants**

The following table summarizes stock grants awarded as compensation:

	Number of shares	Weighted Average Grant Date Fair Value (\$)
Unvested, June 30, 2020	66,421	\$ 5.75
Granted	-	\$ -
Vested	(59,436)	\$ 5.75
Forfeited / Cancelled	-	\$ -
Unvested, June 30, 2021	6,985	\$ 5.75
Granted	3,000	\$ 4.20
Vested	(9,985)	\$ 5.31
Forfeited / Cancelled	-	\$ -
Unvested, June 30, 2022	-	\$ -

For the years ended June 30, 2022 and 2021, the Company recorded compensation expense of \$44,053 and \$341,773, respectively.

**NOTE 19 – COMMITMENTS AND 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.

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**June 30, 2022 and 2021**

**NOTE 20 – RETIREMENT PLANS**

The Company and its subsidiaries have varying defined contribution plans based on country specific laws. Employer contributions vary by subsidiary from 0% up to 8% taking the form in some jurisdictions of employee matching contributions and in others direct employer contributions mandated by local law. During the years ended June 30, 2022 and 2021, the Company contributed \$1,374,376 and \$1,237,677, respectively, to these plans.

**NOTE 21 – SEGMENT INFORMATION AND GEOGRAPHIC AREAS**

The Company has identified three segments for its products and services; North America, Europe and Asia-Pacific. The 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 post contract support 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 June 30, 2022 and 2021:

	As of June 30, 2022	As of June 30, 2021
<b>Identifiable assets:</b>		
Corporate headquarters	\$ 844,178	\$ 2,067,474
North America	6,442,219	6,073,616
Europe	8,727,530	10,363,611
Asia - Pacific	56,594,705	68,101,560
Consolidated	<u>\$ 72,608,632</u>	<u>\$ 86,606,261</u>

The following table presents a summary of investments under the equity method as of June 30, 2022 and 2021:

	As of June 30, 2022	As of June 30, 2021
<b>Investment in associates under equity method:</b>		
Corporate headquarters	\$ -	\$ 396,403
Asia - Pacific	1,059,368	2,759,449
Consolidated	<u>\$ 1,059,368</u>	<u>\$ 3,155,852</u>

**NETSOL TECHNOLOGIES, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

The following table presents a summary of operating information for the years ended June 30:

	For the Years Ended June 30,	
	2022	2021
<b>Revenues from unaffiliated customers:</b>		
North America	\$ 4,288,008	\$ 3,724,547
Europe	10,428,203	11,283,499
Asia - Pacific	42,531,768	39,863,794
	<u>57,247,979</u>	<u>54,871,840</u>
<b>Revenue from affiliated customers</b>		
Asia - Pacific	-	48,775
	<u>-</u>	<u>48,775</u>
<b>Consolidated</b>	<b><u>\$ 57,247,979</u></b>	<b><u>\$ 54,920,615</u></b>
<b>Intercompany revenue</b>		
Europe	\$ 453,242	\$ 549,031
Asia - Pacific	9,612,755	11,678,429
Eliminated	<u>\$ 10,065,997</u>	<u>\$ 12,227,460</u>
<b>Net income (loss) after taxes and before non-controlling interest:</b>		
Corporate headquarters	\$ (1,027,044)	\$ 1,992,218
North America	(116,199)	(161,198)
Europe	(1,407,252)	(74,146)
Asia - Pacific	3,651,298	504,758
<b>Consolidated</b>	<b><u>\$ 1,100,803</u></b>	<b><u>\$ 2,261,632</u></b>
<b>Depreciation and amortization:</b>		
North America	\$ 1,995	\$ 4,310
Europe	396,519	465,825
Asia - Pacific	3,413,759	3,486,179
<b>Consolidated</b>	<b><u>\$ 3,812,273</u></b>	<b><u>\$ 3,956,314</u></b>
<b>Interest expense:</b>		
Corporate headquarters	\$ 32,915	\$ 17,418
Europe	10,335	11,426
Asia - Pacific	326,551	365,445
<b>Consolidated</b>	<b><u>\$ 369,801</u></b>	<b><u>\$ 394,289</u></b>
<b>Income tax expense:</b>		
Corporate headquarters	\$ 800	\$ 69,350
North America	2,000	44,604
Europe	15,862	190,730
Asia - Pacific	970,276	721,933
<b>Consolidated</b>	<b><u>\$ 988,938</u></b>	<b><u>\$ 1,026,617</u></b>

**NETSOL TECHNOLOGIES, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

The following table presents a summary of capital expenditures for the years ended June 30:

	For the Years Ended June 30,	
	2022	2021
Capital expenditures:		
North America	\$ -	\$ 1,521
Europe	151,378	441,672
Asia - Pacific	2,457,827	2,108,090
Consolidated	<u>\$ 2,609,205</u>	<u>\$ 2,551,283</u>

**Geographic Information**

Disclosed in the table below is geographic information for each country that comprised greater than five percent of total revenues for the years ended June 30, 2022 and 2021.

	June 30, 2022		June 30, 2021	
	Revenue	Long-lived Assets	Revenue	Long-lived Assets
China	\$ 20,533,170	\$ 256,468	\$ 22,716,598	\$ 509,935
Thailand	2,781,867	1,240,082	4,518,145	2,033,628
USA	3,161,365	4,852,458	2,691,811	5,440,078
UK	10,428,203	4,986,192	11,283,500	5,217,594
Pakistan & India	3,751,603	11,836,992	1,478,071	17,618,325
Australia & New Zealand	6,545,872	8,304	4,771,216	207,927
Mexico	1,126,643	-	1,032,736	-
Indonesia	2,957,354	-	3,221,342	-
South Africa	2,057,608	-	924,316	-
Other Countries	3,904,294	-	2,282,880	-
<b>Total</b>	<u>\$ 57,247,979</u>	<u>\$ 23,180,496</u>	<u>\$ 54,920,615</u>	<u>\$ 31,027,487</u>

Disclosed in the table below is the geographic information of total revenues by country for the years ended June 30, 2022 and 2021.

	Revenues 2022										
	Total	China	Thailand	USA	UK	Pakistan & India	Australia & New Zealand	Mexico	Indonesia	South Africa	Other Countries
North America:	\$ 4,288,008	\$ -	\$ -	\$ 3,161,365	\$ -	\$ -	\$ -	\$ 1,126,643	\$ -	\$ -	\$ -
Europe:	10,428,203	-	-	-	10,428,203	-	-	-	-	-	-
Asia-Pacific:	42,531,768	20,533,170	2,781,867	-	-	3,751,603	6,545,872	-	2,957,354	2,057,608	3,904,294
<b>Total</b>	<u>\$ 57,247,979</u>	<u>\$ 20,533,170</u>	<u>\$ 2,781,867</u>	<u>\$ 3,161,365</u>	<u>\$ 10,428,203</u>	<u>\$ 3,751,603</u>	<u>\$ 6,545,872</u>	<u>\$ 1,126,643</u>	<u>\$ 2,957,354</u>	<u>\$ 2,057,608</u>	<u>\$ 3,904,294</u>

  

	Revenues 2021										
	Total	China	Thailand	USA	UK	Pakistan & India	Australia & New Zealand	Mexico	Indonesia	South Africa	Other Countries
North America:	\$ 3,724,547	\$ -	\$ -	\$ 2,691,811	\$ -	\$ -	\$ -	\$ 1,032,736	\$ -	\$ -	\$ -
Europe:	11,283,500	-	-	-	11,283,500	-	-	-	-	-	-
Asia-Pacific:	39,912,568	22,716,598	4,518,145	-	-	1,478,071	4,771,216	-	3,221,342	924,316	2,282,880
<b>Total</b>	<u>\$ 54,920,615</u>	<u>\$ 22,716,598</u>	<u>\$ 4,518,145</u>	<u>\$ 2,691,811</u>	<u>\$ 11,283,500</u>	<u>\$ 1,478,071</u>	<u>\$ 4,771,216</u>	<u>\$ 1,032,736</u>	<u>\$ 3,221,342</u>	<u>\$ 924,316</u>	<u>\$ 2,282,880</u>

**NETSOL TECHNOLOGIES, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 22 – 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 June 30, 2022
NetSol PK	32.38%	\$ 5,479,905
NetSol-Innovation	32.38%	49,146
NetSol Thai	0.006%	(196)
OTOZ Thai	5.60%	(30,768)
OTOZ	5.59%	(47,698)
Total		<u>\$ 5,450,389</u>

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		<u>\$ 7,215,473</u>

**NetSol PK**

During the year ended June 30, 2022, NetSol PK purchased 2,000,000 shares of common stock from open market for \$950,352. Due to this purchase, the non-controlling interest decreased from 33.88% at June 30, 2021 to 32.38% at June 30, 2022. The following schedule discloses the effect to the Company's equity due to the changes in the Company's ownership interest in NetSol PK.

	For the Years Ended June 30,	
	2022	2021
<b>Net income (loss) attributable to NetSol</b>	<u>\$ (851,156)</u>	<u>\$ 1,778,257</u>
<b>Transfer (to) from non-controlling interest</b>		
Increase in paid-in capital for purchase of 2,000,000 treasury shares of NetSol Pk's common stock	36,403	-
Net transfer (to) from non-controlling interest	36,403	-
<b>Change from net income (loss) attributable to NetSol and transfer (to) from non-controlling interest</b>	<u>\$ (814,753)</u>	<u>\$ 1,778,257</u>

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”)  
Tianjin NuoJinZhiCheng Co., Ltd (“Tianjin”)  
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”)

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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 annual report on Form 10-K for the year ended June 30, 2022 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 annual 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: September 27, 2022

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

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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 annual report on Form 10-K for the fiscal year ended June 30, 2022 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 annual 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: September 27, 2022

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

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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 Annual Report of NetSol Technologies, Inc. on Form 10-K for the period ending June 30, 2022, 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: September 27, 2022

*/s/ Najeeb Ghauri*

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Najeeb Ghauri,  
Chief Executive Officer  
Principal Executive Officer

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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 Annual Report of NetSol Technologies, Inc. on Form 10-K for the period ending June 30, 2022, 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: September 27, 2022

*/s/Roger K. Almond*

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Roger K. Almond  
Chief Financial Officer  
Principal Accounting Officer

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