UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2014

( ) For the transition period from __________ to __________

Commission file number: 0-22773

NETSOL TECHNOLOGIES, INC.
(Exact name of small business issuer as specified in its charter)

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

24025 Park Sorrento, Suite 410, Calabasas, CA 91302
(Address of principal executive offices) (Zip Code)

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

Indicate by check mark whether the issuer: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No___

Indicate by a check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large Accelerated Filer __	Accelerated Filer ___
Non-Accelerated Filer __	Small Reporting Company X

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

The issuer had 9,150,889 shares of its $.01 par value Common Stock and no shares of Preferred Stock issued and outstanding as of May 9, 2014.

NETSOL TECHNOLOGIES, INC.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

ASSETS	As of March 31, 2014	As of June 30, 2013
Current assets:		
Cash and cash equivalents	$ 12,383,695	$ 7,874,318
Restricted cash	2,495,354	1,875,237
Accounts receivable, net	12,967,350	14,684,212
Revenues in excess of billings	4,519,754	15,367,198
Other current assets	3,017,570	2,273,314
Total current assets	35,383,723	42,074,279
Investment under equity method	175,151	545,483
Property and equipment, net	27,625,986	20,978,369
Intangible assets, net	30,850,059	29,452,654
Goodwill	9,653,330	9,653,330
Total assets	$ 103,688,249	$ 102,704,115
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 5,250,138	$ 4,027,147
Current portion of loans and obligations under capitalized leases	5,855,371	5,308,626
Unearned revenues	3,607,582	2,446,018
Common stock to be issued	342,898	88,325
Total current liabilities	15,055,989	11,870,116
Long term loans and obligations under capitalized leases; less current maturities	1,837,583	1,412,212
Total liabilities	16,893,572	13,282,328
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.01 par value; 15,000,000 shares authorized; 9,124,164 and 8,929,523 issued and outstanding as of March 31, 2014 and June 30, 2013	91,242	89,295
Additional paid-in-capital	115,786,958	114,292,510
Treasury stock	(415,425)	(415,425)
Accumulated deficit	(27,845,083)	(23,821,256)
Stock subscription receivable	(2,280,488)	(2,280,488)
Other comprehensive loss	(14,915,572)	(15,714,112)
Total NetSol stockholders' equity	70,421,632	72,150,524
Non-controlling interest	16,373,045	17,271,263
Total stockholders' equity	86,794,677	89,421,787
Total liabilities and stockholders' equity	$ 103,688,249	$ 102,704,115

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

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2014	2013	2014	2013
Net Revenues:				
License fees	$ 2,118,015	$ 4,790,015	$ 4,826,198	$11,537,363
Maintenance fees	2,556,017	2,488,774	7,803,621	7,199,293
Services	4,689,019	5,327,826	14,208,275	16,140,819
Total net revenues	9,363,051	12,606,615	26,838,094	34,877,475
Cost of revenues:				
Salaries and consultants	4,106,150	2,954,192	10,526,701	8,156,677
Travel	354,554	487,870	1,090,809	1,191,174
Repairs and maintenance	256,629	88,264	570,712	330,998
Depreciation and amortization	1,471,126	912,669	3,517,804	2,654,289
Other	728,446	1,220,075	2,109,372	2,618,996
Research and development cost	65,060	45,770	178,862	105,692
Total cost of revenues	6,981,965	5,708,840	17,994,260	15,057,826
Gross profit	2,381,086	6,897,775	8,843,834	19,819,649
Operating expenses:				
Selling and marketing	1,083,753	728,873	3,032,675	2,350,275
Depreciation and amortization	493,814	437,700	1,351,378	1,113,136
Salaries and wages	1,414,356	1,375,930	4,313,831	3,722,590
General and administrative	2,070,542	1,213,232	5,575,498	4,069,396
Total operating expenses	5,062,465	3,755,735	14,273,382	11,255,397
Income (loss) from operations	(2,681,379)	3,142,040	(5,429,548)	8,564,252
Other income and (expenses)				
Gain (loss) on sale of assets	(995)	15,097	(190,027)	29,118
Interest expense	(8,275)	(115,556)	(170,230)	(587,877)
Interest income	114,141	86,018	186,926	141,802
Gain (loss) on foreign currency exchange transactions	(908,192)	97,831	299,270	997,725
Share of net income (loss) from equity investment	(203,684)	(16,392)	(370,332)	468,095
Amortization of financing costs	-	(173,266)	-	(615,394)
Other income (expense)	(5,006)	20	(4,341)	52
Total other income (expenses)	(1,012,011)	(106,248)	(248,734)	433,521
Net income (loss) before income taxes	(3,693,390)	3,035,792	(5,678,282)	8,997,773
Income tax benefit (provision)	(98,920)	(10,579)	(139,321)	(22,027)
Net income (loss) from continuing operations	(3,792,310)	3,025,213	(5,817,603)	8,975,746
Income (loss) from discontinued operations net of gain on disposal	1,480,786	(493,994)	1,158,752	(1,494,640)
Net income (loss)	(2,311,524)	2,531,219	(4,658,851)	7,481,106
Non-controlling interest	1,011,720	(968,384)	635,024	(2,766,163)
Net income (loss) attributable to NetSol	$(1,299,804)	$ 1,562,835	$ (4,023,827)	$ 4,714,943
Amount attributable to NetSol common shareholders:				
Income (loss) from continuing operations	$(2,780,590)	$ 2,056,829	$ (5,182,579)	$ 6,209,583
Income (loss) from discontinued operations	1,480,786	(493,994)	1,158,752	(1,494,640)
Net income (loss)	$(1,299,804)	$ 1,562,835	$ (4,023,827)	$ 4,714,943
Net income (loss) per share:				
Net income (loss) per share from continuing operations:				
Basic	$ (0.31)	$ 0.25	$ (0.57)	$ 0.78
Diluted	$ (0.31)	$ 0.24	$ (0.57)	$ 0.77
Net income (loss) per share from discontinued operations:				
Basic	$ 0.16	$ (0.06)	$ 0.13	$ (0.19)
Diluted	$ 0.16	$ (0.06)	$ 0.13	$ (0.19)
Net income (loss) per common share				
Basic	$ (0.14)	$ 0.19	$ (0.45)	$ 0.59

Diluted	$ (0.14)	$ 0.19	$ (0.45)	$ 0.59
Weighted average number of shares outstanding				
Basic	9,092,834	8,344,408	9,034,532	7,961,843
Diluted	9,092,834	8,408,426	9,034,532	8,025,861

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

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2014	2013	2014	2013
Net Income (loss)	$(1,299,804)	$ 1,562,835	$(4,023,827)	$ 4,714,943
Other comprehensive income (loss):				
Translation adjustment	5,026,610	(1,302,180)	1,183,585	(3,465,191)
Comprehensive income (loss)	3,726,806	260,655	(2,840,242)	1,249,752
Comprehensive income (loss) attributable to non-controlling interest	1,646,559	(453,263)	385,045	(1,084,915)
Comprehensive income (loss) attributable to NetSol	$ 2,080,247	$ 713,918	$(3,225,287)	$ 2,334,667

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Nine Months Ended March 31,	
	2014	2013
Cash flows from operating activities:		
Net income (loss)	$ (4,658,851)	$ 7,481,106
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	4,869,182	4,128,317
Provision for bad debts	247,530	54,444
Share of net loss (income) from investment under equity method	370,332	(468,095)
(Gain) loss on sale of assets	190,027	(29,118)
(Gain) loss on sale of subsidiary	(1,870,871)	-
Stock issued for interest on notes payable	-	211,111
Stock issued for services	817,417	38,790
Fair market value of warrants and stock options granted	189,937	455,926
Amortization of financing costs	-	615,394
Changes in operating assets and liabilities:		
Accounts receivable	2,393,876	(4,649,531)
Revenue in excess of billing	10,568,918	98,323
Other current assets	144,372	(228,434)
Accounts payable and accrued expenses	2,064,982	2,032,318
Net cash provided by operating activities	15,326,851	9,740,551
Cash flows from investing activities:		
Purchases of property and equipment	(9,583,663)	(6,751,002)
Sales of property and equipment	61,080	138,385
Sale of subsidiary	1,810,700	-
Purchase of non-controlling interest in subsidiaries	(17,852)	(799,349)
Increase in intangible assets	(3,158,083)	(3,495,938)
Net cash used in investing activities	(10,887,818)	(10,907,904)
Cash flows from financing activities:		
Proceeds from the exercise of stock options and warrants	709,436	2,212,712
Payment to common shareholders for fractional shares	-	(194)
Proceeds from exercise of subsidiary options	376,811	90,589
Restricted cash	(620,117)	(1,925,344)
Dividend paid by subsidiary to non-controlling interest	(1,008,543)	-
Proceeds from bank loans	1,366,226	1,874,079
Payments on capital lease obligations and loans - net	(610,822)	(687,125)
Net cash provided by financing activities	212,991	1,564,717
Effect of exchange rate changes	(142,647)	(290,813)
Net increase in cash and cash equivalents	4,509,377	106,551
Cash and cash equivalents, beginning of the period	7,874,318	7,599,607
Cash and cash equivalents, end of period	$ 12,383,695	$ 7,706,158

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

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(UNAUDITED)

	For the Nine Months Ended March 31,	
	2014	2013
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the period for:		
Interest	$ 220,928	$ 317,483
Taxes	$ 245,397	$ 23,700
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Stock issued for the payment of vendors	$ 210,060	$ -
Stock issued for the conversion of convertible notes payable	$ -	$3,600,000

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

NOTE 1 - BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

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

The consolidated condensed interim financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended June 30, 2013. The Company follows the same accounting policies in preparation of interim reports. Results of operations for the interim periods are not indicative of annual results.

The accompanying condensed consolidated financial statements include the accounts of NetSol Technologies, Inc. and subsidiaries (collectively, the "Company") as follows:

Wholly-owned Subsidiaries
NetSol Technologies Americas, Inc. ("NTA") formerly, NetSol Technologies North America, Inc. ("NTNA")
NetSol Connect (Private), Ltd. ("Connect")
NetSol-Abraxas Australia Pty Ltd. ("Abraxas")
NetSol Technologies Europe Limited ("NTE")
NetSol Technologies Limited ("NetSol UK")
NTPK (Thailand) Co. Limited ("NTPK Thailand")
NetSol Technologies (Beijing) Co. Ltd. ("NetSol Beijing")
NetSol Omni (Private) Ltd. ("Omni")
NetSol Technologies (GmbH) ("NTG")

Majority-owned Subsidiaries
NetSol Technologies, Ltd. ("NetSol PK")
NetSol Innovation (Private) Limited ("NetSol Innovation")
Vroozi, Inc. ("Vroozi")
Virtual Lease Services Holdings Limited ("VLSH")
Virtual Lease Services Limited ("VLS")
Virtual Lease Services (Ireland) Limited ("VLSIL")

For comparative purposes, prior year's condensed consolidated financial statements have been reclassified to conform to report classifications of the current year.

NOTE 2 – ACCOUNTING POLICIES

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

Accounting Standards Update No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists: An unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. For example, an entity should not evaluate whether the deferred tax asset expires before the statute of limitations on the tax position or whether the deferred tax asset may be used prior to the unrecognized tax benefit being settled. The amendments in this update do not require new recurring disclosures. ASU Topic No. 2013 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In March 2013, the FASB issued Accounting Standards Update No. 2013-05, Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. This new guidance requires that the parent release any related cumulative translation adjustment into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. The new guidance will be effective for us beginning July 1, 2014. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360)." ASU 2014-08 amends the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Under the new guidance, only disposals representing a strategic shift in operations or that have a major effect on the Company's operations and financial results should be presented as discontinued operations. This new accounting guidance is effective for annual periods beginning after December 15, 2014. The Company is currently evaluating the impact of adopting ASU 2014-08 on the Company's results of operations or financial condition.

NOTE 3 – EARNINGS PER SHARE

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

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

	For the three months ended March 31, 2014			For the nine months ended March 31, 2014		
	Net Loss	Shares	Per Share	Net Loss	Shares	Per Share
Basic loss per share:						
Net loss available to common shareholders	$ (1,299,804)	9,092,834	$ (0.14)	$ (4,023,827)	9,034,532	$ (0.45)
Effect of dilutive securities						
Stock options	-	-	-	-	-	-
Warrants	-	-	-	-	-	-
Diluted loss per share	$ (1,299,804)	9,092,834	$ (0.14)	$ (4,023,827)	9,034,532	$ (0.45)

	For the three months ended March 31, 2013			For the nine months ended March 31, 2013		
	Net Income	Shares	Per Share	Net Income	Shares	Per Share
Basic income per share:						
Net income available to common shareholders	$ 1,562,835	8,344,408	$ 0.19	$ 4,714,943	7,961,843	$ 0.59
Effect of dilutive securities						
Stock options	-	36,185	-	-	36,185	-
Warrants	-	27,833	-	-	27,833	-
Diluted income per share	$ 1,562,835	8,408,426	$ 0.19	$ 4,714,943	8,025,861	$ 0.59

As of March 31, 2014 and 2013, the following potential dilutive shares were excluded from the shares used to calculate diluted earnings per share as their inclusion would be anti-dilutive.

	As of March 31, 2014	2013
Stock Options	6,372	-
Warrants	3,571	-
Convertible Note	-	8,114
	9,943	8,114

NOTE 4 – OTHER COMPREHENSIVE INCOME AND FOREIGN CURRENCY:

The accounts of NTE, NetSol UK, VLSH and VLS use the British Pound; VLSIL and NTG use the Euro; NetSol PK, Connect, Omni and NetSol Innovation use Pakistan Rupees; NTPK Thailand uses Thai Baht; Abraxas uses the Australian dollar; and NetSol Beijing uses Chinese Yuan as the functional currencies. NetSol Technologies, Inc., and its subsidiaries, NTA and Vroozi, use the U.S. dollar as the functional currency. Assets and liabilities are translated at the exchange rate on the balance sheet date, and operating results are translated at the average exchange rate throughout the period. Accumulated translation losses classified as an item of accumulated other comprehensive loss in the stockholders' equity section of the consolidated balance sheet were $14,915,572, and $15,714,112 as of March 31, 2014 and June 30, 2013, respectively. During the three and nine months ended March 31, 2014, comprehensive loss in the consolidated statements of operations included translation gains of $3,380,051, and $798,540, respectively. During the three and nine months ended March 31, 2013, comprehensive loss in the consolidated statements of operations included translation losses of $848,917 and $2,380,276, respectively.

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable include $154,050 due from a related party as of March 31, 2014 and June 30, 2013.

NOTE 6 - OTHER CURRENT ASSETS

Other current assets consisted of the following:

	As of March 31, 2014	As of June 30, 2013
Prepaid Expenses	$ 770,812	$ 559,217
Advance Income Tax	804,966	887,893
Employee Advances	61,891	43,794
Security Deposits	203,957	189,382
Tender Money Receivable	80,194	106,398
Other Receivables	813,470	222,609
Other Assets	235,412	197,915
Due From Related Party (1)	46,868	66,106
Total	$ 3,017,570	$ 2,273,314

(1) Due from related party as of March 31, 2014 and June 30, 2013 is a receivable from Atheeb NetSol Saudi Company Limited.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment, net, consisted of the following:

	As of March 31, 2014	As of June 30, 2013
Office furniture and equipment	$ 2,478,953	$ 2,508,975
Computer equipment	24,328,362	19,987,480
Assets under capital leases	2,015,764	1,126,860
Building	6,241,603	2,391,550
Land	2,565,633	2,460,144
Capital work in progress	3,331,291	5,104,283
Autos	977,115	689,440
Improvements	419,175	513,044
Subtotal	42,357,896	34,781,776
Accumulated depreciation	(14,731,910)	(13,803,407)
Property and equipment, net	$ 27,625,986	$ 20,978,369

For the three and nine months ended March 31, 2014, depreciation expense totaled $1,325,978, and $3,439,885, respectively. Of these amounts, $858,334, and $2,188,334, respectively, is reflected in cost of revenues. For the three and nine months ended March 31, 2013, depreciation expense totaled $1,015,352 and $2,545,008, respectively. Of these amounts, $619,886 and $1,559,798, respectively, are reflected in cost of revenues.

The Company's capital work in progress consists of ongoing enhancements to its facilities and infrastructure necessary to meet the Company's expected long term growth needs. Accumulated capitalized interest was $1,325,493, and $904,700 as of March 31, 2014 and June 30, 2013, respectively.

Following is a summary of fixed assets held under capital leases as of March 31, 2014 and June 30, 2013:

	As of March 31, 2014	As of June 30, 2013
Computer Equipment and Software	$ 844,899	$ 454,002
Furniture and Fixtures	280,361	951
Vehicles	890,504	671,907
Total	2,015,764	1,126,860
Less: Accumulated Depreciation	(489,693)	(350,048)
Net	$ 1,526,071	$ 776,812

NOTE 8 - INTANGIBLE ASSETS

Intangible assets consisted of the following:

	Product Licenses	Customer Lists	Technology	Total
Intangible assets - June 30, 2013 - cost	$ 44,837,558	$ 6,052,378	$ 242,702	$ 51,132,638
Additions	3,158,083	-	-	3,158,083
Disposal	(591,216)	-	-	(591,216)
Effect of translation adjustment	836,407	-	-	836,407
Accumulated amortization	(17,636,284)	(5,928,217)	(121,352)	(23,685,853)
Net balance - March 31, 2014	$ 30,604,548	$ 124,161	$ 121,350	$ 30,850,059

(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, which is currently a weighted average of approximately 8 years. Amortization expense for the three and nine months ended March 31, 2014 was $612,792, and $1,329,470, respectively. Amortization expense for the three and nine months ended March 31, 2013 was $413,137 and $1,455,383, respectively.

(B) Customer Lists

Customer lists are being amortized based on a straight-line basis, which approximates the anticipated rate of attrition, which is currently a weighted average of approximately 5 years. Amortization expense for the three and nine months ended March 31, 2014 was $13,235, and $62,115, respectively. Amortization expense for the three and nine months ended March 31, 2013 was $17,442 and $78,224, respectively.

(C) Technology

Technology assets are being amortized on a straight-line basis over their respective lives, which is currently a weighted average of approximately 5 years. Amortization expense for the three and nine months ended March 31, 2014 was $12,935, and $37,712, respectively. Amortization expense for the three and nine months ended March 31, 2013 was $24,792 and $49,702, respectively.

(D) Future Amortization

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

Year ended:	
March 31, 2015	$ 2,468,920
March 31, 2016	2,341,279
March 31, 2017	2,080,550
March 31, 2018	2,017,453
March 31, 2019	1,957,049
Thereafter	19,984,808
	$30,850,059

NOTE 9 – GOODWILL

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

	As of March 31, 2014	As of June 30, 2013
Asia Pacific	$ 1,303,372	$ 1,303,372
Europe	3,685,858	3,685,858
USA	4,664,100	4,664,100
Total	$ 9,653,330	$ 9,653,330

The Company has determined that there was no impairment of the goodwill for either period presented.

NOTE 10 – INVESTMENT UNDER EQUITY METHOD

On April 10, 2009, the Company entered into an agreement to form a joint venture with the Atheeb Trading Company, a member of the Atheeb Group ("Atheeb"). The joint venture entity Atheeb NetSol Saudi Company Ltd. ("Atheeb NetSol") is a company organized under the laws of the Kingdom of Saudi Arabia. The venture was formed with an initial capital contribution of $268,000 by the Company and $266,930 by Atheeb with a profit sharing ratio of 50.1:49.9, respectively. The final formation of the company was completed on March 7, 2010. Currently the Company does not have control over the operational and financial matters of Atheeb NetSol; therefore, it is considered as an associated company and accounted for under the equity method.

Net book value at June 30, 2013	$ 545,483
Net loss applicable to NetSol	(370,332)
Net book value at March 31, 2014	$ 175,151

NOTE 11 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following:

	As of March 31, 2014	As of June 30, 2013
Accounts Payable	$ 1,869,260	$ 825,025
Accrued Liabilities	2,376,042	2,056,003
Accrued Payroll	27,791	25,529
Accrued Payroll Taxes	201,838	218,084
Interest Payable	78,164	71,872
Taxes Payable	593,817	727,408
Other Payable	103,226	103,226
Total	$ 5,250,138	$ 4,027,147

NOTE 12 – DEBTS

Notes payable and capital leases consisted of the following:

Name		As of March 31 2014	Current Maturities	Long-Term Maturities
D&O Insurance	(1)	$ 60,594	$ 60,594	$ -
Habib Bank Line of Credit	(2)	2,405,354	2,405,354	-
Bank Overdraft Facility	(3)	65,437	65,437	-
HSBC Loan	(4)	899,450	337,895	561,555
Term Finance Facility	(5)	756,888	252,296	504,592
Loan Payable Bank	(6)	2,018,367	2,018,367	-
Subsidiary Capital Leases	(7)	1,136,567	489,946	646,621
Loan From Related Party	(8)	350,297	225,482	124,815
		$ 7,692,954	$5,855,371	$1,837,583

Name		As of June 30 2013	Current Maturities	Long-Term Maturities
D&O Insurance	(1)	$ 88,292	$ 88,292	$ -
Habib Bank Line of Credit	(2)	1,785,237	1,785,237	-
Bank Overdraft Facility	(3)	312,139	312,139	-
HSBC Loan	(4)	1,047,014	336,339	710,675
Term Finance Facility	(5)	867,195	495,540	371,655
Loan Payable Bank	(6)	1,982,161	1,982,161	-
Subsidiary Capital Leases	(7)	638,800	308,918	329,882
		$ 6,720,838	$5,308,626	$1,412,212

(1) The Company finances Directors' and Officers' ("D&O") liability insurance as well as Errors and Omissions ("E&O") liability insurance, for which the total balances are renewed on an annual basis and as such are recorded in current maturities. The interest rate on the insurance financing was 0.55% and 0.40% as of March 31, 2014 and June 30, 2013, respectively.

(2) In April 2008, the Company entered into an agreement with Habib American Bank to secure a line of credit to be collateralized by Certificates of Deposit held at the bank. The interest rate on this line of credit is variable and was 1.5% as of March 31, 2014 and June 30, 2013. In June 2012, the Company's subsidiary, NTA entered into an agreement with Habib American Bank to secure a line of credit up to $500,000 to be collateralized by Certificates of Deposit of same value held at the bank. The interest rate on this line of credit is variable and was 1.90% as of March 31, 2014 and June 30, 2013. Interest expense for the three and nine months ended March 31, 2014 was $9,536, and $26,262, respectively. Interest expense for the three and nine months ended March 31, 2013 was $9,334 and $22,876, respectively.

In February 2012, the Company entered into agreement with HSBC for the issuance of stand by letter of credit worth $90,000 in favor of its landlord against the new office space. The Company has deposited $90,000 in a savings account with HSBC as collateral against this letter of credit.

(3) During the year ended June 30, 2008, the Company's subsidiary, NTE entered into an overdraft facility with HSBC Bank plc whereby the bank would cover any overdrafts up to £300,000, or $499,260. The annual interest rate was 4.75% and 5.20% as of March 31, 2014 and June 30, 2013, respectively.

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 March 31, 2014, NTE was in compliance with this covenant.

(4) In October 2011, the Company's subsidiary, NTE, entered into a loan agreement with HSBC Bank to finance the acquisition of 51% of controlling interest in VLSH. HSBC Bank guaranteed the loan up to a limit of £1,000,000, or $1,664,200, for a period of 5 years with monthly payments of £18,420, or $30,655. The interest rate was 4% which is 3.5% above the bank sterling base rate. The loan is securitized against debentures comprising of fixed and floating charges over all the assets and undertakings of NTE including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both present and future. As of June 30, 2013, the subsidiary has used this facility up to $1,047,015, of which, $710,675 was shown as long term and the remaining $336,339, as current maturity. As of March 31, 2014, the subsidiary has used this facility up to $899,450, of which $561,555 was shown as long term and the remaining $337,895, as current maturity.

This facility requires that NTE's adjusted tangible net worth would not be less than £600,000. For this purpose, adjusted tangible net worth means shareholders' funds less intangible assets plus non-redeemable preference shares. In addition, NTE's cash debt service coverage would not fall below 150% of the aggregate debt service cost. As of March 31, 2014, NTE was in compliance with this covenant.

(5) The Company's subsidiary, NetSol PK, entered into two different term finance facilities from Askari Bank to finance the construction of a new building. The total aggregate amount of these facilities is Rs. 112,500,000, or $1,135,332, (secured by the first charge of Rs. 580 million or approximately $5.85 million over the land, building and equipment of the company). The interest rate was 12.90% and 12.13% as of March 31, 2014 and June 30, 2013, respectively, which is 2.75% above the six-month Karachi Inter Bank Offering Rate. As of the year ended June 30, 2013, NetSol PK has used a total of Rs. 87,500,000, or $867,195, of which $371,655 is shown as long term liabilities and the remainder of $495,540 as current maturity. As of March 31, 2014, NetSol PK has used a total of Rs.75,000,000, or $756,888, of which $504,592 is shown as long term liabilities and the remainder of $252,296, as current maturity.

(6) The Company's subsidiary, NetSol PK, has a loan with Askari Bank Limited, secured by the Company's assets. This is a revolving loan that matures every six months. Total facility amount is Rs. 300,000,000 or $3,027,551. The balance of the loan availed at March 31, 2014 and June 30, 2013 was $2,018,367, and $1,982,161, respectively. The interest rate for the loans was 9.4% at March 31, 2014 and June 30, 2013.

Both term finance and export refinance from Askari Bank Limited amounting to Rupees 312.5 million ($3,227,155) which requires NetSol PK to maintain a long term debt equity ratio of 60:40 and the current ratio of 1:1. As of March 31, 2014, NetSol PK was in compliance with this covenant.

(7) The Company leases various fixed assets under capital lease arrangements expiring in various years through 2018. 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 depreciated over the lesser of their related lease terms or their estimated useful lives and are secured by the assets themselves. Depreciation of assets under capital leases is included in depreciation expense for the three and nine months ended March 31, 2014 and 2013.

Following is the aggregate minimum future lease payments under capital leases as of March 31, 2014:

	As of March 31, 2014
Minimum Lease Payments	
Due FYE 3/31/15	$ 599,169
Due FYE 3/31/16	446,982
Due FYE 3/31/17	248,611
Due FYE 3/31/18	19,565
Total Minimum Lease Payments	1,314,327
Interest Expense relating to future periods	(177,760)
Present Value of minimum lease payments	1,136,567
Less: Current portion	(489,946)
Non-Current portion	$ 646,621

(8) In October 2013, the Company's subsidiary, NTE, entered into a loan agreement with Investec a related party to finance VLS. The loan amount was £100,000, or $166,420, for a period of 1 year with monthly payments of £8,676, or $14,439. The interest rate was 4.1%. As of March 31, 2014, the subsidiary has used this facility up to $98,587, and was shown as current maturity.

In March 2014, the Company's subsidiary, VLS, entered into a loan agreement with Investec a related party. The loan amount was £150,000, or $249,430, for a period of 2 years with annual payments of £75,000, or $124,815. The interest rate was 3.13%. As of March 31, 2014, the subsidiary has used this facility up to $249,430, of which $124,415 was shown as long term liabilities and remainder $126,895 as current maturity including one month accrued interest.

NOTE 13 - STOCKHOLDERS' EQUITY

Share-Based Payment Transactions

During the nine months ended March 31, 2014, the Company issued 40,000 shares of restricted common stock for services rendered by officers of the Company. These shares were valued at the fair market value of $427,200 and recorded as compensation expense in the accompanying condensed consolidated financial statements.

During the nine months ended March 31, 2014, the Company issued 3,448 shares of restricted common stock for services rendered by the independent members of the Board of Directors as part of their board compensation. These shares were valued at the fair market value of $36,826 and recorded as compensation expense in the accompanying condensed consolidated financial statements.

During the nine months ended March 31, 2014, the Company issued 9,000 shares of its common stock to employees pursuant to the terms of their employment agreements valued at $81,395 and recorded as compensation expense in the accompanying condensed consolidated financial statements.

During the nine months ended March 31, 2014, the Company issued 2,400 shares of its common stock for provision of services to unrelated consultants valued at $17,424 and recorded as general and administrative costs in the accompanying condensed consolidated financial statements.

During the nine months ended March 31, 2014, the Company issued 27,000 shares of its common stock for the settlement of a payable to a related party valued at $210,060.

NOTE 14 - INCENTIVE AND NON-STATUTORY STOCK OPTION PLAN

Common stock purchase options and warrants consisted of the following:

OPTIONS:

	# of shares	Weighted Ave Exericse Price	Weighted Average Remaining Contractual Life (in years)	Aggregated Intrinsic Value
Outstanding and exercisable, June 30, 2013	311,462	$ 15.65	3.3	
Granted	112,793	$ 6.29		
Exercised	(112,793)	$ 6.29		
Expired / Cancelled	(54,000)	$ 32.92		
Outstanding and exercisable, March 31, 2014	257,462	$ 12.03	2.88	$ -
WARRANTS:				
Outstanding and exercisable, June 30, 2013	163,124	$ 7.29	3.19	
Granted / adjusted	-	-		
Exercised	-	-		
Expired	-	-		
Outstanding and exercisable, March 31, 2014	163,124	$ 7.29	2.45	$ -

The following table summarizes information about stock options and warrants outstanding and exercisable at March 31, 2014.

Exercise Price	Number Outstanding and Exercisable	Weighted Average Remaining Contractual Life	Weighted Ave Exericse Price
OPTIONS:			
$0.10 - $9.90	183,462	3.22	$ 7.21
$10.00 - $19.90	14,000	1.86	$ 18.18
$20.00 - $29.90	60,000	2.07	$ 25.33
Totals	257,462	2.88	$ 12.03
WARRANTS:			
$3.10 - $7.73	163,124	2.45	$ 7.29
Totals	163,124	2.45	$ 7.29

All options and warrants granted are vested and exercisable as of March 31, 2014.

The following table summarizes stock grants awarded as compensation:

	# of shares	Weighted Average Grant Date Fair Value ($)
Unvested, June 30, 2012	-	-
Granted	3,750	$ 5.48
Vested	(3,750)	$ 5.48
Unvested, June 30, 2013	-	-
Granted	86,899	$ 10.68
Vested	(65,173)	$ 10.68
Unvested, March 31, 2014	21,726	$ 10.68

OPTIONS

During the nine months ended March 31, 2014, the Company granted 112,793 options to employees with exercise prices of $3.83 to $8 per share and expiration date of 1 to 3 months, vesting immediately. Using the Black-Scholes method to value the options, the Company recorded $189,405 in compensation expense for these options in the accompanying condensed consolidated financial statements. The fair market value was calculated using the Black-Scholes option pricing model with the following assumptions:

- Risk-free interest rate - 0.05% - 0.06%
- Expected life – 1 month - 3 months
- Expected volatility – 17.5% - 51.26%
- Expected dividend - 0%

NOTE 15 – OPERATING SEGMENTS

The Company has identified three segments for its products and services; North America, Europe, and Asia-Pacific. Our reportable segments are business units located in different global regions. Each business unit provides similar products and services; license fees for leasing and asset-based software, related maintenance fees, and implementation and IT consulting services. Separate management of each segment is required because each business unit is subject to different operational issues and strategies due to their particular regional location. We account for intra-company sales and expenses as if the sales or expenses were to third parties and eliminate them in the consolidation. The following table presents a summary of identifiable assets as of March 31, 2014 and June 30, 2013:

	As of March 31, 2014	As of June 30, 2013
Identifiable assets:		
Corporate headquarters	$ 15,913,979	$ 14,450,760
North America	2,540,223	2,997,145
Europe	3,011,908	5,366,611
Asia - Pacific	82,222,139	79,889,599
Consolidated	$ 103,688,249	$ 102,704,115

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

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2014	2013	2014	2013
Revenues from unaffiliated customers:				
North America	$ 1,192,372	$ 2,137,965	$ 3,131,894	$ 4,196,360
Europe	2,217,627	1,842,729	4,986,009	5,762,058
Asia - Pacific	5,953,052	8,625,921	18,720,191	24,919,057
Consolidated	$ 9,363,051	$12,606,615	$26,838,094	$34,877,475
Inter segment revenue				
Europe	$ 76,641	$ -	$ 413,173	$ -
Asia - Pacific	304,986	442,183	1,224,651	2,107,388
Eliminated	$ 381,627	$ 442,183	$ 1,637,824	$ 2,107,388
Net income (loss) after taxes and before non-controlling interest:				
Corporate headquarters	$(1,370,839)	$ (926,559)	$ (3,790,901)	$ (2,767,880)
North America	408,517	1,263,476	624,989	1,749,923
Europe	28,614	160,746	(822,699)	815,938
Asia - Pacific	(2,858,602)	2,527,550	(1,828,992)	9,177,765
Discontinued operation	1,480,786	(493,994)	1,158,752	(1,494,640)
Consolidated	$(2,311,524)	$ 2,531,219	$ (4,658,851)	$ 7,481,106

The following table presents a summary of capital expenditures for the nine months ended March 31:

	For the Nine Months Ended March 31,	
	2014	2013
Capital expenditures:		
Corporate headquarters	$ 4,531	$ 4,236
North America	16,388	51,195
Europe	460,053	431,417
Asia - Pacific	9,102,691	6,264,154
Consolidated	$9,583,663	$6,751,002

NOTE 16 – DISCONTINUED OPERATIONS

On March 31, 2014, the Company sold 100% of its stock in Vroozi, Inc. for a purchase price of $2,716,050 consisting of $1,810,700 cash, a $452,675 non-interest bearing note receivable due September 30, 2014, and a $452,675 non-interest bearing note receivable contingent upon the occurrence of future events; however, the future events must occur before March 31, 2015. The Company recognized a $1,870,871 gain on the sale, which is recorded in the net income (loss) from discontinued operations in the condensed consolidated statements of operations. The $452,674 non-interest bearing note receivable that is contingent upon the occurrence of future events was not included in the gain calculation due to the uncertainty that the future events would occur.

NOTE 17 – 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 March 31, 2014
NetSol PK	36.37%	$ 14,837,377
NetSol-Innovation	49.90%	1,274,879
VLS, VLHS & VLSIL Combined	49.00%	260,789
Total		$ 16,373,045

SUBSIDIARY	Non Controlling Interest %	Non-Controlling Interest at June 30, 2013
NetSol PK	34.81%	$ 15,593,585
NetSol-Innovation	49.90%	1,161,649
VLS, VLHS & VLSIL Combined	49.00%	481,121
Vroozi	9.09%	34,908
Total		$ 17,271,263

NETSOL TECHNOLOGIES, LIMITED

During the nine months ended March 31, 2014, NetSol PK had the following equity transactions:

- Paid a cash dividend of $743,363.
- Declared a 10% stock dividend.
- Issued 2,069,500 shares of common stock and received cash of $314,585 pursuant to employees exercising stock options.

In addition, during the nine months ended March 31, 2014, the Company purchased 42,500 shares of NetSol PK's common stock from the open market for $17,667.

NETSOL INNOVATION (PVT) LIMITED

During the nine months ended March 31, 2014, NetSol-Innovation paid a cash dividend of $1,500,000.

VROOZI, INC.

On March 31, 2014, the Company sold 100% of its shares in Vroozi. (See Note 16 Discontinued Operations.)

Item 2. Management's Discussion and Analysis of Plan of Operation

The following discussion is intended to assist in an understanding of the Company's financial position and results of operations for the quarter ending March 31, 2014.

Forward-Looking Information

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

NetSol Technologies, Inc. (NasdaqCM: NTWK) is a worldwide provider of IT and enterprise application solutions. NetSol Technologies, Inc. executes its mission of focusing technology on the operational needs of its clients. NetSol's services and solutions enable businesses to streamline their operations and compete more effectively.

NetSol global operation is broken down into three regions: North America, Europe and Asia Pacific. All of the subsidiaries are seamlessly integrated to function effectively in terms of global delivery capabilities, cross selling to multinational captives' finance companies, centralized marketing organization and a network of employees connected across the globe to support local and global customers and partners.

NetSol's clients include Dow-Jones 30 Industrials and Fortune 500 manufacturers and financial institutions, global vehicle manufacturers, and enterprise technology providers, all of which are serviced by NetSol delivery locations across the globe.

Founded in 1997, NetSol is headquartered in Calabasas, California. While the Company follows a global strategy for sales and delivery of its portfolio of solutions and services, it continues to maintain regional offices in the San Francisco Bay Area, for North America; the London Metropolitan area for Europe; and Bangkok, Thailand, Beijing, China and Lahore, Pakistan for Asia Pacific. The Company continues to maintain services, solutions and/or sales specific offices in Australia, China, Pakistan, Thailand, the United Kingdom, the United States, and through alliances in the Kingdom of Saudi Arabia and Japan.

In today's highly competitive marketplace, business executives with labor or services-centric budgetary responsibilities are not just encouraged but, in fact, obliged to engage in "Make or Buy" decision process when contemplating how to support and staff new development, testing, services support and delivery activities. The Company business offerings are aligned as a BestShoring® solutions strategy. Simply defined, BestShoring® is NetSol Technologies' ability to draw upon its global resource base and construct the best possible solution and price for each and every customer. Unlike traditional outsourcing offshore vendors, NetSol draws upon an international workforce and delivery capability to ensure a "BestShoring® delivers BestSolution™" approach.

NetSol combines domain expertise with competitive cost blended rates from its "center of excellence" delivery center in Pakistan and other global centers located in the USA, UK, Thailand and China, Our model also provides localized programs in key markets and project management while minimizing any implementation risk associated with a single service center. Our BestShoring® approach, which we consider a unique and cost effective global development model, is leading the way, providing value added solutions for Global Business Services™ through a win-win partnership, rather than the traditional outsourced vendor framework. Our global locations provide NetSol customers with the optimum balance of subject matter expertise, in-depth domain experience, and cost effective labor, all merged into a scalable solution. In this way, "BestShoring® delivers BestSolution™".

Information technology services are valuable only if they fulfill the business strategy and project objectives set forth by the customer. NetSol's expert consultants have the technical knowledge and business experience to ensure the optimization of the development process in alignment with basic business principles. The Company offers a broad array of professional services to clients in the global commercial markets and specializes in the application of advanced and complex IT enterprise solutions to achieve its customers' strategic objectives. Its service offerings include IT consulting and services, business intelligence, information security, independent system review, outsourcing services and software process improvement consulting, maintenance and support of existing systems, and project management.

In addition to services, our product offerings are fashioned to provide a Best Product for Best Solution model. Our offerings include our flagship global solution, NetSol Financial Suite (NFS™). NFS™, a robust suite of five software applications, is an end-to-end solution for the lease and finance industry covering the complete leasing and finance cycle starting from quotation origination through end of contract. The five software applications under NFS™ have been designed and developed for a highly flexible setting and are capable of dealing with multinational, multi-company, multi-asset, multi-lingual, multi-distributor and multi-manufacturer environments. Each application is a complete system in itself and can be used independently to address specific sub-domains of the leasing/financing cycle.

On October 24, NetSol announced the introduction and global release of NFS Ascent™, the Company's next generation platform, offering the most technologically advanced solution for the auto and equipment finance and leasing industry. NFS Ascent™'s architecture and user interfaces were designed based on the company's collective experience with global Fortune 500 companies over the past 30 years. The platform's framework allows auto captive and asset finance companies to rapidly transform legacy dependent information 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 under various types of generally accepted accounting principles (GAAP), as well as international financial reporting standards (IFRS). NFS Ascent™, with its distributed and clustered deployment across parallel application and high volume data servers, enables finance companies to process voluminous data in a hyper speed environment.

NFS Ascent™ has been developed using the latest tools and technologies and its n-tier SOA architecture allows the system to dramatically improve in various areas like scalability, performance, fault tolerance and security to name a few. We are excited about the transition from NFS™ to NFS Ascent™ for the following reasons:

- Improvement in overall productivity throughout the delivery organization:
  - The new architecture and design of the system allows the delivery team to deliver more with less i.e. deliver more projects in a given financial year thereby increasing the revenue generation capacity of our organization.
  - The modules like Business Process Manager, Workflow Engine and Business Rule Engine will provide flexibility to our clients allowing them to configure certain parts of the application themselves rather than requesting for customization.
  - The powerful NFS Ascent™ platform and the SOA architecture allow us to develop portals and mobile applications rather quickly by utilizing our existing services. Integration with other systems will also be very easy and quick as we can expose our services to the external world for consumption.
  - The n-tier architecture allows us to better distribute the tasks among various team members and because of the loose coupling between various modules and layers, the risk of regression in other parts of the system as a result of changes made in one part of the system is reduced tremendously.

- Improvement in talent acquisition and retention:

  - Because NFS Ascent™ has been developed using the latest technologies and tools available in the market, it is helping us in attracting the top engineers and keeping them motivated compared to when we had to hire people for older technologies.

- Better customer satisfaction:

  - As a result of the powerful NFS Ascent™ platform and improvement in the talent acquisition and retention, the quality of our deliverables has increased.

NFS™ also includes LeasePak. LeasePak provides the leasing technology industry with the development of Web-enabled and Web-based tools to deliver superior customer service, reduce operating costs, streamline the lease management lifecycle, and support collaboration with origination channel and asset partners. LeasePak can be configured to run on HP-UX, SUN/Solaris or Linux, as well as for Oracle and Sybase users. In terms of scalability, NetSol Technologies Americas offers the basic solutions as well as a collection of highly specialized add on modules for systems, portfolios and accrual methods for virtually all sizes and complexities of operations. These solutions provide the equipment and vehicle leasing infrastructure at leading Fortune 500 banks and manufacturers, as well as for some of the industry's leading independent lessors.

The following discussion is intended to assist in an understanding of NetSol's financial position and results of operations for the nine months ended March 31, 2014. It should be read together with our condensed consolidated financial statements and related notes included herein.

A few of NetSol's major successes achieved in the first nine months of fiscal year 2014 were:

- Implementation of NetSol's mPOS (mobile point of sale) solution by a global luxury car manufacturer across its dealer network in China. Subsequent implementations in other markets are also being planned as per the agreement between NetSol and the customer.
- Launch of NetSol's mobility products, which optimize productivity and improve the responsiveness of global sales teams. The applications seamlessly integrates with NFS™.
- The appointment of Roger K. Almond as the Company's Chief Financial Officer and Boo Ali Siddiqui, the Company's former Chief Financial Officer, as the PK subsidiary CFO and the Company's Chief Accounting Officer.
- NetSol PK signed an agreement to implement NFS™ at a leading auto captive finance company in China.
- NetSol Technologies was awarded "First Rate and Best Selling Leasing and Finance Solution" at this year's China Leasing Summit for its flagship product, NetSol Financial Suite.
- NTE and VLS developed a Business Process Outsource service to address the broker market for own book management. In collaboration with funders, the service will form part of the funding approval sanction, which will generate a significant increase in sales opportunities.
- VLS signed new contracts with Investec and another European bank for providing due diligence and audit services.
- NTE concluded two license upgrades of its product LeaseSoft.

The success of the Company, in the near term, will depend, in large part, on the Company's ability to: (a) continue to grow revenues and improve profits; (b) adequately capitalize for growth in various markets and verticals; (c) make progress in the North American markets and, (d) continue to streamline sales and marketing efforts in every market we operate. However, management's outlook for the continuing operations, which has been consolidated and has been streamlined, remains optimistic.

Marketing and Business Development Activities

Management has developed, and the board of directors has ratified, an aggressive 3-5 year growth strategy aimed at increasing competitiveness and financial strength.

A focus of the marketing plan centers on the Global Launch of NFS Ascent™, the next generation of NFS™ that the company has been developing for nearly four years. Announced on October 24, 2013, NetSol has commenced a soft, regional launch with selected customers in Asia Pacific to test the readiness for the global markets. A formal launch of the global marketing plan is expected for all of our key markets of North America, Europe and Asia Pacific.

This plan is designed to:

- Achieve double digit revenue growth for the next 5 years once NFS Ascent™ takes off
- Achieve 50% to 55% gross margins in 2015 and maintain 60% or better for the next three years
- Ramp up license revenues for NFS Ascent™

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

- Grow delivery and sales capacity in APAC and the USA from approximately 600 NFS™ domain experts to over 1,000 within 18 months.
- Continue to build the delivery capacity. NetSol has hired over 275 new personnel during fiscal year 2014 so as to train and develop them to meet the long term growth outlook. This activity will continue until an optimum level of 1,000 NFS domain experts is achieved. Currently we have 704 employees dedicated solely to NFS Ascent™.
- Continue to advance infrastructure and systems in Lahore and Bangkok.
- Strengthen the NetSol brand in the Americas and penetration in APAC markets such as China, Europe, Thailand, Indonesia, Australia and South Africa.
- Hire and retain the best available talent to develop the next line of managers for our growing demand.
- Develop the sales and delivery capabilities for the Americas markets, in particular the growth in the US auto and banking sectors. A shift in revenue contribution from the Americas market would improve both gross and net operating margins due to the volume and size of US contracts
- Further position NetSol to deliver and support the new growth and technology dimensions in IT services, maintenance, mobile apps and cloud based solutions.

Management continues to be focused on scaling up its delivery capability and has achieved key milestones in that respect. Key projects are being delivered on time and on budget, quality initiatives are succeeding, especially in maturing internal processes. CMMI level companies are reassessed every three years by independent consultants under the standards of the Carnegie Mellon University to maintain its CMMI Level 5 quality certification. As required, NetSol was reassessed in 2010 and was successfully recertified as CMMI Level 5. While we believe this quality certification will be renewed, our current reassessment due for August 2013 is currently pending. We believe that the CMMI standards are a key reason in NetSol's demand surge worldwide. We remain convinced that this trend will continue for all NetSol offerings promoting further beneficial alliances and increasing the number and quality of our global customers.

MATERIAL TRENDS AFFECTING NETSOL

Management has identified the following material trends affecting NetSol.
Positive trends:

- Improving sales trends in US auto and banking sectors.
- Milken Institute projects global economic growth in excess of 3% globally, 8% GDP growth for China, 2% GDP growth for the US over the next two years.
- Much improved economic environment in the UK and major European economies.
- New emerging markets and IT destinations in Thailand, Malaysia, Indonesia, Mexico, Australia, and some African nations.
- Global Launch of NetSol Ascent™.
- Continued robustness of China's automobile and banking sectors. China's passenger vehicle sales rose 49% in December 2012, while China's total vehicle sales, including trucks and buses, are projected to accelerate this year and surpass 20 million for the first time according to *Bloomberg News*, February 7, 2013.
- The dependency of our blue chip clients on NetSol solutions has further deepened; creating new enhancements, new modules, and services orders in the US.

Negative trends:

- Geopolitical unrest in the Middle East and in regions of Pakistan and Afghanistan.
- The delays of CBRC licenses at least for another year in China.
- Emergence of smaller players offering IT solutions in China resulting in greater price competition.
- Tightened liquidity and credit restrictions in consumer spending has either delayed or reduced spending on business solutions and systems, squeezing IT budgets and extending decision making cycles.
- The threats of conflict between the US and other nations could potentially create volatility in oil prices causing readjustments of corporate budgets and consumer spending slowing global auto sales.
- Continued conflicts in Afghanistan could increase the migration of both refugees and extremists to Pakistan, thus creating domestic and regional challenges

- Our relatively low trading share volume makes the Company’s stock price susceptible to market fluctuations.

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 RECOGNTION

The Company recognizes revenue from license contracts without major customization when a non-cancelable, non-contingent license agreement has been signed, delivery of the software has occurred, the fee is fixed or determinable, and collectability is probable. Revenue from the sale of licenses with major customization, modification, and development is recognized on a percentage of completion method. Revenue from the implementation of software is recognized on a percentage of completion method.

Revenue from consulting services is recognized as the services are performed for time-and-materials contracts. Revenue from training and development services is recognized as the services are performed. Revenue from maintenance agreements is recognized ratably over the term of the maintenance agreement, which in most instances is one year.

MULTIPLE ELEMENT ARRANGEMENTS

We may enter into multiple element revenue arrangements in which a customer may purchase a number of different combinations of software licenses, consulting services, maintenance and support, as well as training and development (multiple element arrangements).

Vendor Specific Objective Evidence ("VSOE") of fair value for each element is based on the price for which the element is sold separately. We determine the VSOE of fair value of each element based on historical evidence of our stand-alone sales of these elements to third-parties or from the stated renewal rate for the elements contained in the initial software license arrangement. When VSOE of fair value does not exist for any undelivered element, revenue is deferred until the earlier of the point at which such VSOE of fair value exists or until all elements of the arrangement have been delivered. The only exception to this guidance is when the only undelivered element is maintenance and support or other services, then, the entire arrangement fee is recognized ratably over the performance period.

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 businesses 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. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the enterprise must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

RECENT ACCOUNTING PRONOUNCEMENTES

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

AVAILABLE INFORMATION

Through the company's web sites, its customers, both existing and potential, and investors can access a wide range of information about its product offerings, and support and technical matters.

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

We webcast our earnings calls and certain events we participate in or host with members of the investment community on our investor relations website. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases, and blogs as part of our investor relations website. 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://www.netsoltech.com/us/investors/corporate-governance . The content of our websites are not intended to be incorporated by reference into this 10-Q 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.

CHANGES IN FINANCIAL CONDITION

Quarter Ended March 31, 2014 compared to the Quarter Ended March 31, 2013

Net revenues for the quarter ended March 31, 2014 and 2013 are broken out among the subsidiaries as follows:

	2014		2013	
	Revenue	%	Revenue	%
Corporate headquarters	$ -	0.00%	$ -	0.00%
North America:				
NTA	1,192,372	12.73%	2,137,965	16.96%
	1,192,372	12.73%	2,137,965	16.96%
Europe:				
NTE	1,657,935	17.71%	1,418,081	11.25%
VLS	559,692	5.98%	424,648	3.37%
	2,217,627	23.68%	1,842,729	14.62%
Asia-Pacific:				
NetSol PK	3,068,036	32.77%	6,867,696	54.48%
Netsol-Innovation	1,416,740	15.13%	1,043,798	8.28%
Connect	223,479	2.39%	195,249	1.55%
Abraxas	80,067	0.86%	207,431	1.65%
NTPK Thailand	-	0.00%	311,747	2.47%
NetSol Beijing	1,164,730	12.44%	-	0.00%
	5,953,052	63.58%	8,625,921	68.42%
Total	$9,363,051	100.00%	$12,606,615	100.00%

The following table sets forth the items in our unaudited condensed consolidated statement of operations for the quarter ended March 31, 2014 and 2013 as a percentage of revenues.

	For the Three Months Ended March 31,			
	2014	%	2013	%
Net Revenues:				
License fees	$ 2,118,015	22.62%	$ 4,790,015	38.00%
Maintenance fees	2,556,017	27.30%	2,488,774	19.74%
Services	4,689,019	50.08%	5,327,826	42.26%
Total net revenues	9,363,051	100.00%	12,606,615	100.00%
Cost of revenues:				
Salaries and consultants	4,106,150	43.85%	2,954,192	23.43%
Travel	354,554	3.79%	487,870	3.87%
Repairs and maintenance	256,629	2.74%	88,264	0.70%
Depreciation and amortization	1,471,126	15.71%	912,669	7.24%
Other	728,446	7.78%	1,220,075	9.68%
Research and development cost	65,060	0.69%	45,770	0.36%
Total cost of revenues	6,981,965	74.57%	5,708,840	45.28%
Gross profit	2,381,086	25.43%	6,897,775	54.72%
Operating expenses:				
Selling and marketing	1,083,753	11.57%	728,873	5.78%
Depreciation and amortization	493,814	5.27%	437,700	3.47%
Salaries and wages	1,414,356	15.11%	1,375,930	10.91%
General and administrative	2,070,542	22.11%	1,213,232	9.62%
Total operating expenses	5,062,465	54.07%	3,755,735	29.79%
Income (loss) from operations	(2,681,379)	-28.64%	3,142,040	24.92%
Other income and (expenses)				
Gain (loss) on sale of assets	(995)	-0.01%	15,097	0.12%
Interest expense	(8,275)	-0.09%	(115,556)	-0.92%
Interest income	114,141	1.22%	86,018	0.68%
Gain on foreign currency exchange transactions	(908,192)	-9.70%	97,831	0.78%
Share of net income (loss) from equity investment	(203,684)	-2.18%	(16,392)	-0.13%
Amortization of financing costs	-	0.00%	(173,266)	-1.37%
Other income (expense)	(5,006)	-0.05%	20	0.00%
Total other income (expenses)	(1,012,011)	-10.81%	(106,248)	-0.84%
Net income (loss) before income taxes	(3,693,390)	-39.45%	3,035,792	24.08%
Income tax benefit (provision)	(98,920)	-1.06%	(10,579)	-0.08%
Net income (loss) from continuing operations	(3,792,310)	-40.50%	3,025,213	24.00%
Income (loss) from discontinued operations net of gain on disposal	1,480,786	15.82%	(493,994)	-3.92%
Net income (loss)	(2,311,524)	-24.69%	2,531,219	20.08%
Non-controlling interest	1,011,720	10.81%	(968,384)	-7.68%
Net income (loss) attributable to NetSol	$(1,299,804)	-13.88%	$ 1,562,835	12.40%

Revenues

License fees for the three months ended March 31, 2014 were $2,118,015 compared to $4,790,015 for the three months ended March 31, 2013 reflecting a decrease of $2,672,000. In October, 2013, we announced our next generation platform NFS Ascent™ and we are launching the product in Europe, Asia Pacific and the U.S. We anticipated that license fees would decrease as the pipeline of our legacy product was converted to NFS Ascent™. Management is expecting licensing revenue to remain depressed through June 30, 2014. Our pipeline of potential business remains strong and we anticipate closing deals and beginning implementation during the fourth quarter of fiscal year 2014 and the first quarter of fiscal year 2015.

Maintenance fees for the three months ended March 31, 2014 were $2,556,017 compared to $2,488,774 for the three months ended March 31, 2013 reflecting a slight increase of $67,243. We anticipate maintenance fees to remain flat until we are able to license NFS Ascent™ to new customers.

Services for the three months ended March 31, 2014 were $4,689,019 compared to $5,327,826 for the three months ended March 31, 2013 reflecting a decrease of $638,807. Service revenue is derived from services provided to current customers and services provided to new customers as part of the implementation. Services have decreased due to the lack of new license agreements.

Gross Profit

The gross profit was $2,381,086, in the quarter ending March 31, 2014 as compared with $6,897,775 for the quarter ended March 31, 2013. This is a decrease of 65.48% or $4,516,689. The gross profit percentage for the quarter ended March 31, 2014 decreased to 25.43% from 54.72% for the quarter ended March 31, 2013. The decrease in the gross profit is due to a decrease in license revenues and an increase in the cost of sales. The cost of sales was $6,981,965 in the current quarter compared to $5,708,840 in quarter ended March 31, 2013. As a percentage of sales, cost of sales increased from 45.28% for the quarter ended March 31, 2013 to 74.57% for the current quarter. Salaries and consultant fees increased by $1,151,958 from $2,954,192 in the prior comparable quarter, to $4,106,150 for the current quarter. The increase in salaries and consultant fees is due to the hiring and training of technical employees at key locations including Pakistan, Thailand, China and North America as we anticipate new projects associated with NFS Ascent™. As a percentage of sales, salaries and consultant expense increased from 23.43% in the prior comparable quarter to 43.85% in the current quarter. Depreciation and amortization expense increased to $1,471,126 compared to $912,669 in the corresponding quarter last year or an increase of $558,457. Depreciation and amortization expense increased as we began amortizing the product licenses costs that had been capitalized related to the NFS Ascent™ development.

Operating Expenses

Operating expenses were $5,062,465 for the quarter ending March 31, 2014 as compared to $3,755,735, for the quarter ended March 31, 2013 for an increase of 34.79% or $1,306,730. As a percentage of sales, it increased from 29.79% to 54.07%. The increase in operating expenses was primarily due to the increase in selling and marketing expenses of $354,880 or 48.69% and the increase in general and administrative expenses of $857,310 or 70.66%. The increase in selling and marketing expenses is due to the increase in our professional services for business development to market and sell NFS Ascent™ globally. The increase in general and administrative expenses is due to an increase in professional services, awards of share grants to the Board of Directors and travel costs.

Income/Loss from Operations

Loss from operations was $2,681,379, compared to income of $3,142,040, for the quarters ended March 31, 2014 and 2013, respectively. This represents a decrease of $5,823,419 for the quarter compared with the comparable period in the prior year. As a percentage of sales, net loss from operations was 28.64% in the current quarter compared to income of 24.92% in the prior period.

Other Income and Expenses

Other expenses were $1,012,011 for the quarter ended March 31, 2014 compared to an expense of $106,248 for the quarter ended March 31, 2013. The increase in the expense of $905,753 is primarily due to the loss on foreign currency of $908,192 for the quarter ended March 31, 2014 compared to a gain on foreign currency exchange of $97,831 for the quarter ended March 31, 2013 due to the appreciation of the Pakistan Rupee against the US Dollar, the Euro and the British Pound Sterling in the current period.

Discontinued Operations

For the quarter ended March 31, 2014, income from discontinued operations was $1,480,786 compared to a loss of $493,994 for the quarter ended March 31, 2013. On March 31, 2014, we sold 100% of our stock in Vroozi, Inc. for a purchase price of $2,716,050 and recognized a $1,870,871 gain on the sale. We reclassified Vroozi's net loss for the periods presented from continuing operations to discontinued operations.

Net Income/Loss

Net loss was $1,299,804 for the three months ended March 31, 2014 compared to net income of $1,562,835 for the three months ended March 31, 2013. This is a decrease of $2,862,639 compared to the prior year. Net loss per share, basic and diluted, was $0.14 for the three months ended March 31, 2014 compared to net income per share, basic and diluted, $0.19 for the three months ended March 31, 2013.

Nine Months Period Ended March 31, 2014 compared to the Nine Months Period Ended March 31, 2013:

Net revenues for the nine months ended March 31, 2014 and 2013 are broken out among the subsidiaries as follows:

	2014		2013	
	Revenue	%	Revenue	%
Corporate headquarters	$ -	0.00%	$ -	0.00%
North America:				
NTA	3,131,894	11.67%	4,196,360	12.03%
	3,131,894	11.67%	4,196,360	12.03%
Europe:				
NTE	3,563,731	13.28%	4,533,741	13.00%
VLS	1,422,278	5.30%	1,228,317	3.52%
	4,986,009	18.58%	5,762,058	16.52%
Asia-Pacific:				
NetSol PK	10,958,780	40.83%	16,353,556	46.89%
Netsol-Innovation	3,641,182	13.57%	2,754,651	7.90%
Connect	612,681	2.28%	562,757	1.61%
Abraxas	490,101	1.83%	1,197,679	3.43%
NTPK Thailand	688,368	2.56%	3,975,897	11.40%
NetSol Beijing	2,329,079	8.68%	74,517	0.21%
	18,720,191	69.75%	24,919,057	71.45%
Total	$26,838,094	100.00%	$34,877,475	100.00%

The following table sets forth the items in our unaudited condensed consolidated statement of operations for the nine months ended March 31, 2014 and 2013 as a percentage of revenues:

	For the Nine Months Ended March 31,			
	2014	%	2013	%
Net Revenues:				
License fees	$ 4,826,198	17.98%	$11,537,363	33.08%
Maintenance fees	7,803,621	29.08%	7,199,293	20.64%
Services	14,208,275	52.94%	16,140,819	46.28%
Total net revenues	26,838,094	100.00%	34,877,475	100.00%
Cost of revenues:				
Salaries and consultants	10,526,701	39.22%	8,156,677	23.39%
Travel	1,090,809	4.06%	1,191,174	3.42%
Repairs and maintenance	570,712	2.13%	330,998	0.95%
Depreciation and amortization	3,517,804	13.11%	2,654,289	7.61%
Other	2,109,372	7.86%	2,618,996	7.51%
Research and development cost	178,862	0.67%	105,692	0.30%
Total cost of revenues	17,994,260	67.05%	15,057,826	43.17%
Gross profit	8,843,834	32.95%	19,819,649	56.83%
Operating expenses:				
Selling and marketing	3,032,675	11.30%	2,350,275	6.74%
Depreciation and amortization	1,351,378	5.04%	1,113,136	3.19%
Salaries and wages	4,313,831	16.07%	3,722,590	10.67%
General and administrative	5,575,498	20.77%	4,069,396	11.67%
Total operating expenses	14,273,382	53.18%	11,255,397	32.27%
Income (loss) from operations	(5,429,548)	-20.23%	8,564,252	24.56%
Other income and (expenses)				
Gain (loss) on sale of assets	(190,027)	-0.71%	29,118	0.08%
Interest expense	(170,230)	-0.63%	(587,877)	-1.69%
Interest income	186,926	0.70%	141,802	0.41%
Gain on foreign currency exchange transactions	299,270	1.12%	997,725	2.86%
Share of net income (loss) from equity investment	(370,332)	-1.38%	468,095	1.34%
Amortization of financing costs	-	0.00%	(615,394)	-1.76%
Other income (expense)	(4,341)	-0.02%	52	0.00%
Total other income (expenses)	(248,734)	-0.93%	433,521	1.24%
Net income (loss) before income taxes	(5,678,282)	-21.16%	8,997,773	25.80%
Income tax benefit (provision)	(139,321)	-0.52%	(22,027)	-0.06%
Net income (loss) from continuing operations	(5,817,603)	-21.68%	8,975,746	25.74%
Income (loss) from discontinued operations net of gain on disposal	1,158,752	4.32%	(1,494,640)	-4.29%
Net income (loss)	(4,658,851)	-17.36%	7,481,106	21.45%
Non-controlling interest	635,024	2.37%	(2,766,163)	-7.93%
Net income (loss) attributable to NetSol	$ (4,023,827)	-14.99%	$ 4,714,943	13.52%

Revenues

License fees for the nine months ended March 31, 2014 were $4,826,198 compared to $11,537,363 for the nine months ended March 31, 2013 reflecting a decrease of $6,711,165. In October, 2013, we announced our next generation platform NFS Ascent™ and we are launching the product in Europe, Asia Pacific and the U.S. We anticipated that license fees would decrease as the pipeline of our legacy product was converted to NFS Ascent™. Management is expecting licensing revenue to remain depressed through June 30, 2014. Our pipeline of potential business remains strong and we anticipate closing deals and beginning implementation during the fourth quarter of fiscal year 2014 and the first quarter of fiscal year 2015.

Maintenance fees for the nine months ended March 31, 2014 were $7,803,621 compared to $7,199,293 for the nine months ended March 31, 2013 reflecting an increase of $604,328. We anticipate maintenance fees to remain flat until we are able to license NFS Ascent™ to new customers.

Services for the nine months ended March 31, 2014 were $14,208,275 compared to $16,140,819 for the nine months ended March 31, 2013 reflecting a decrease of $1,932,544. Service revenue is derived from services provided to current customers and services provided to new customers as part of the implementation. Services have decreased due to the lack of new license agreements.

Gross Profit

The gross profit was $8,843,834, for the nine ending March 31, 2014 as compared with $19,819,649 for the nine months ended March 31, 2013. This is a decrease of 55.38% or $10,875,815. The gross profit percentage for the nine months ended March 31, 2014 also decreased to 32.95% from 56.83% for the nine months ended March 31, 2013. The decrease in the gross profit is due to a decrease in license revenues and an increase in the cost of sales. The cost of sales was $17,994,260 for the nine months ended March 31, 2014 compared to $15,057,826 for the nine months ended March 31, 2013. As a percentage of sales, cost of sales increased from 45.28% for the nine months ended March 31, 2013 to 74.57% for the nine months ended March 31, 2014. Salaries and consultant fees increased by $2,370,024 from $8,156,677 for the nine months ended March 31, 2013 to $10,526,701 for the nine months ended March 31, 2014. The increase in salaries and consultant fees is due to the hiring and training of technical employees at key locations including Pakistan, Thailand, China and North America as we anticipate new projects associated with NFS Ascent™. As a percentage of sales, salaries and consultant expense increased from 23.39% for the nine months ended March 31, 2013 to 39.22% for the nine months ended March 31, 2014. Depreciation and amortization expense increased to $3,517,804 compared to $2,654,289 for the nine months ended March 31, 2013 or an increase of $863,515. Depreciation and amortization expense increased as we began amortizing the product licenses costs that had been capitalized related to the NFS Ascent™ development.

Operating Expenses

Operating expenses were $14,273,382 for the nine months ending March 31, 2014 as compared to $11,255,397, for the nine months ended March 31, 2013 f or an increase of 26.81% or $3,017,985. As a percentage of sales, it increased from 32.27% to 53.18%. The increase in operating expenses was primarily due to the increase in selling and marketing expenses of $682,400 or 29.03%, an increase in salaries and wages of $592,241 or 15.88% and an increase in general and administrative of $1,506,102 or 37.01%. The increase in selling and marketing expenses is due to the increase in our professional services for business development to market and sell NFS Ascent™ globally. The increase in salaries and wages is due to annual raise in salaries compared to last year, hiring of new staff and recognition of options expenses. The increase in general and administrative expenses is due to an increase in professional services, awards of share grants to the Board of Directors and travel costs.

Income/Loss from Operations

Loss from operations was $5,429,548 compared to income of $8,564,252 for the nine months ended March 31, 2014 and 2013, respectively. This represents a decrease of $13,993,800 for the nine months ended March 31, 2014 compared with the nine months ended March 31, 203. As a percentage of sales, net loss from operations was 20.23% for the nine months ended March 31, 2014 compared to net income of 24.56% for the nine months ended March 31, 2013.

Other Income and Expenses

Other expenses were $248,734 for the nine months ended March 31, 2014 compared to income of $433,521 for the nine months ended March 31, 2013. The increase in the expense of $682,225 is primarily due to change in the gain on foreign currency exchange transactions. We recognized a gain of $299,270 for the nine months ended March 31, 2014 compared to a gain of $977,725 for the nine months ended March 31, 2013 for a decrease of $678,455 due to the appreciation of the Pakistan Rupee against the US Dollar, the Euro and the British Pound Sterling in the current period.

Discontinued Operations

For the nine months ended March 31, 2014, income from discontinued operations was $1,158,752 compared to a loss of $1,494,360 for the nine months ended March 31, 2013. On March 31, 2014, we sold 100% of our stock in Vroozi, Inc. for a purchase price of $2,716,050 and recognized a $1,870,871 gain on the sale. We reclassified Vroozi's net loss for the periods presented from continuing operations to discontinued operations.

Net Income/Loss

Net loss was $4,023,827 for the nine months ended March 31, 2014 compared to net income of $4,714,943 for the nine months ended March 31, 2013. This is a decrease of $8,738,770 compared to the prior year. Net loss per share, basic and diluted, was $0.45 for the nine months ended March 31, 2013 compared to net income per share, basic and diluted, of $0.59 for the nine months ended March 31, 2013.

LIQUIDITY AND CAPITAL RESOURCES

We note that our cash position was $12,383,695 at March 31, 2014, compared to $7,874,318 at June 30, 2013.

Net cash provided by operating activities was $15,326,851 for the nine months ended March 31, 2014 compared to $9,740,551 for the nine months ended March 31, 2013. At March 31, 2014, we had current assets of $35,383,723 and current liabilities of $15,055,989. We had accounts receivable of $12,967,350 at March 31, 2014 compared to $14,684,212 at June 30, 2013. We had revenues in excess of billings of $4,519,754 at March 31, 2014 compared to $15,367,198 at June 30, 2013. During the nine months ended March 31, 2014, 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 decreased $12,564,306 from $30,051,410 at June 30, 2013 to $17,487,104 at March 31, 2014. The decrease is due to our efforts to collect these balances as they become due and a decrease in license and service revenue. Accounts payable and accrued expenses, and current portions of loans and lease obligations amounted to $5,250,138 and $5,855,371, respectively at March 31, 2014.

Net cash used by investing activities amounted to $10,887,818 for the nine months ended March 31, 2014, compared to $10,907,904 for the nine months ended March 31, 2013. We had net purchases of property and equipment of $9,583,663 compared to $6,751,002 for the comparable period last fiscal year. The increase in intangible assets which represents amounts capitalized for the development of new products was $3,158,083 for the nine months ended March 31, 2014 and $3,495,938 for the nine months ended March 31, 2013. The company also received $1,810,700 for the sale of Vroozi.

Net cash provided by financing activities was $212,991 and $1,564,717 for the nine months ended March 31, 2014, and 2013, respectively. The nine months ended March 31, 2014 included the cash inflow of $709,436 from the exercising of stock options and warrants compared to $2,212,712 for the nine months ended March 31, 2013. During the nine months ended March 31, 2014, we had net payments for bank loans and capital leases of $755,404 as compared to $1,186,954 for the nine months ended March 31, 2013. We are operating in various geographical regions of the world through its 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 No. 12 of the financial statements. We are in compliance with the covenants of the financial arrangements and there is no default, whatsoever, which may lead to early payment of these obligations. We anticipate paying back all these obligations on their respective due dates from its own sources.

We typically fund the cash requirements for our operations in the U.S. through our license, services, and maintenance agreements, intercompany charges for corporate services, and through the exercise of options and warrants. As of March 31, 2014, we had approximately $12.38 million of cash, cash equivalents and marketable securities of which approximately $8.35 million is held by our foreign subsidiaries. As of June 30, 2013, we had approximately $7.87 million of cash, cash equivalents and marketable securities of which approximately $4.77 million is held by our foreign subsidiaries. We intend to permanently reinvest these funds outside the U.S., and therefore, we do not anticipate repatriating undistributed earnings from our non-U.S. operations. If funds from foreign operations are required to fund U.S. operations in the future and if U.S. tax has not previously been provided, we would be required to accrue and pay additional U.S. taxes to repatriate these funds.

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 $2.5 to $3.5 million for APAC, US, and Europe 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 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. NTE had been granted another credit facility of £1,000,000 for the acquisition VLS. This facility requires that NTE's adjusted tangible net worth would not be less than £600,000. For this purpose, adjusted tangible net worth means shareholders' funds less intangible assets plus non-redeemable preference shares. In addition, NTE's cash debt service coverage would not fall below 150% of the aggregate debt service cost. The Pakistani subsidiary, NetSol PK has an approved facility for both export refinance and term finance from Askari Bank Limited amounting to Rupees 312.5 million ($3,097,126) which requires NetSol PK to maintain a long term debt equity ratio of 60:40 and the current ratio of 1:1.

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.

Item 3. Quantitative and Qualitative Disclosures about Market Risks.

None.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the Chief Financial Officer and Chief Executive Officer concluded that our disclosure controls and procedures were not 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 March 31, 2014. This assessment was based on the criteria established in Internal Control-Integrated Framework, 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 March 31, 2014, there was a material weakness in the Company's internal control over financial reporting. Specifically, while in the performance of this assessment, management identified that some of its accounting staff does not have necessary technical accounting training relating to accounting for complex U.S. GAAP matters. Based on this evaluation, management concluded that our internal control over financial reporting was not effective as of March 31, 2014. Notwithstanding the existence of such material weakness in our internal controls over financial reporting, our management, including our Chief Executive Officer, believes that the financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

On September 9, 2013, the Company appointed Roger Almond, C.P.A. to act as Chief Financial Officer of NetSol. Management believes that Mr. Almond's appointment as CFO results in the requisite technical accounting knowledge and training relating to accounting for complex U.S. GAAP matters. Management believes that Mr. Almond's appointment and oversight of accounting staff will result in the removal of the material weakness in subsequent quarters.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting during the third quarter of fiscal year 2014, that have materially affected, or are reasonable likely to materially affect, the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)).

PART II OTHER INFORMATION

Item 1. Legal Proceedings

To the best knowledge of Company's management and counsel, there is no material litigation pending or threatened against the Company.

Item 1A. Risk Factors

None.

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

In January 2014, the Company issued 20,000 shares to employees as part of their compensation for services rendered for the quarter ended December 31, 2013. The shares were issued based on an exemption from registration under Rule 4(6) of the Securities Act of 1933, as amended.

In January 2014, the Company issued 1,724 shares to its independent directors as part of their compensation for services rendered for the quarter ended December 31, 2013. The shares were issued based on an exemption from registration under Rule 4(6) of the Securities Act of 1933, as amended.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Effective May 9, 2014, the Compensation Committee of the Company granted cash bonuses of $166,667 to each Najeeb, Salim and Naeem Ghauri for the fiscal year 2013 performance.

Item 6. Exhibits

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

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NETSOL TECHNOLOGIES, INC.

Date:	May 14, 2014	/s/ Najeeb U. Ghauri NAJEEB U. GHAURI Chief Executive Officer
Date:	May 14, 2014	/s/Roger K. Almond ROGER K. ALMOND Chief Financial Officer Principal Financial Officer

Exhibit 31.1

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

I, Najeeb Ghauri, certify that:

(1) I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2014 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: May 14, 2014

/s/Najeeb U. Ghauri
Najeeb U. Ghauri,
Chief Executive Officer
Principal Executive Officer

Exhibit 31.2

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

I, Roger K. Almond, certify that:

(1) I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2014 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: May 14, 2014

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

Exhibit 32.1

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

In connection with the Quarterly Report of NetSol Technologies, Inc. on Form 10-Q for the period ending March 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Najeeb U. 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: May 14, 2014

/s/ Najeeb U. Ghauri
Najeeb U. Ghauri,
Chief Executive Officer
Principal Executive Officer

Exhibit 32.2

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

In connection with the Quarterly Report of NetSol Technologies, Inc. on Form 10-Q for the period ending March 31, 2014, 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: May 14, 2014

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