UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2022

☐ For the transition period from __________ to __________

Commission file number: 0-22773

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

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

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

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

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

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

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

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

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

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

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

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

The issuer had 12,191,570 shares issued and 11,252,539 outstanding of its $.01 par value Common Stock and no Preferred Stock outstanding as of May 6, 2022.

NETSOL TECHNOLOGIES, INC.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

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

		As of March 31, 2022		As of June 30, 2021
ASSETS				
Current assets:				
Cash and cash equivalents	$	30,573,312	$	33,705,154
Accounts receivable, net of allowance of $208,547 and $166,231		7,054,468		4,184,096
Accounts receivable - related party, net of allowance of $1,373,099 and $1,373,099		-		-
Revenues in excess of billings, net of allowance of $84,209 and $136,976		14,610,725		14,680,131
Revenues in excess of billings - related party, net of allowance of $8,163 and $8,163		-		-
Other current assets, net of allowance of $1,243,633 and $1,243,633		2,864,742		3,009,393
Total current assets		55,103,247		55,578,774
Revenues in excess of billings, net - long term		993,862		957,603
Convertible note receivable - related party, net of allowance of $4,250,000 and $4,250,000		-		-
Property and equipment, net		10,114,458		12,091,812
Right of use of assets - operating leases		1,238,713		1,345,869
Long term investment		2,893,700		3,155,852
Other assets		37,583		55,127
Intangible assets, net		2,178,128		3,904,656
Goodwill		9,516,568		9,516,568
Total assets	$	82,076,259	$	86,606,261
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued expenses	$	6,317,127	$	6,696,035
Current portion of loans and obligations under finance leases		9,622,669		11,366,171
Current portion of operating lease obligations		706,684		857,729
Unearned revenue		6,948,669		4,556,626
Total current liabilities		23,595,149		23,476,561
Loans and obligations under finance leases; less current maturities		127,899		699,841
Operating lease obligations; less current maturities		570,871		564,257
Total liabilities		24,293,919		24,740,659
Commitments and contingencies				
Stockholders' equity:				
Preferred stock, $.01 par value; 500,000 shares authorized;		-		-
Common stock, $.01 par value; 14,500,000 shares authorized; 12,191,570 shares issued and 11,252,539 outstanding as of March 31, 2022 and 12,181,585 shares issued and 11,265,064 outstanding as of June 30, 2021		121,916		121,816
Additional paid-in-capital		129,084,786		129,018,826
Treasury stock (at cost, 939,031 shares and 916,521 shares as of March 31, 2022 and June 30, 2021, respectively)		(3,920,856)		(3,820,750)
Accumulated deficit		(37,484,998)		(38,801,282)
Other comprehensive loss		(36,740,406)		(31,868,481)
Total NetSol stockholders' equity		51,060,442		54,650,129
Non-controlling interest		6,721,898		7,215,473
Total stockholders' equity		57,782,340		61,865,602
Total liabilities and stockholders' equity	$	82,076,259	$	86,606,261

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

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

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2022	2021	2022	2021
Net Revenues:				
License fees	$ 1,620,827	$ 2,120,963	$ 3,586,874	$ 4,710,942
Subscription and support	6,554,540	5,674,776	22,159,798	16,571,441
Services	6,634,459	5,988,257	17,956,877	18,270,451
Total net revenues	14,809,826	13,783,996	43,703,549	39,552,834
Cost of revenues:				
Salaries and consultants	6,756,898	5,372,302	18,081,225	15,193,613
Travel	256,730	151,075	753,698	414,001
Depreciation and amortization	741,587	759,768	2,236,190	2,180,766
Other	1,220,041	1,075,403	3,712,256	2,915,122
Total cost of revenues	8,975,256	7,358,548	24,783,369	20,703,502
Gross profit	5,834,570	6,425,448	18,920,180	18,849,332
Operating expenses:				
Selling and marketing	2,074,873	1,595,967	5,502,028	4,763,598
Depreciation and amortization	206,346	272,075	633,481	715,437
General and administrative	3,841,655	3,860,509	11,548,097	11,353,933
Research and development cost	251,001	234,678	761,621	431,086
Total operating expenses	6,373,875	5,963,229	18,445,227	17,264,054
Income (loss) from operations	(539,305)	462,219	474,953	1,585,278
Other income and (expenses)				
Gain (loss) on sale of assets	8,770	(53,012)	(181,955)	(127,285)
Interest expense	(85,916)	(98,656)	(277,737)	(296,224)
Interest income	364,161	231,979	1,123,547	643,654
Gain (loss) on foreign currency exchange transactions	499,516	(1,825,349)	2,684,680	(1,515,327)
Share of net loss from equity investment	(76,798)	(80,953)	(317,581)	(232,488)
Other income	(30,296)	521,758	(7,599)	654,395
Total other income (expenses)	679,437	(1,304,233)	3,023,355	(873,275)
Net income (loss) before income taxes	140,132	(842,014)	3,498,308	712,003
Income tax provision	(157,604)	(133,156)	(526,737)	(642,884)
Net income (loss)	(17,472)	(975,170)	2,971,571	69,119
Non-controlling interest	(260,998)	351,939	(1,655,287)	(216,900)
Net income (loss) attributable to NetSol	$ (278,470)	$ (623,231)	$ 1,316,284	$ (147,781)
Net income (loss) per share:				
Net income (loss) per common share				
Basic	$ (0.02)	$ (0.05)	$ 0.12	$ (0.01)
Diluted	$ (0.02)	$ (0.05)	$ 0.12	$ (0.01)
Weighted average number of shares outstanding				
Basic	11,249,606	11,343,406	11,249,449	11,571,878
Diluted	11,249,606	11,343,406	11,249,449	11,571,878

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

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

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2022	2021	2022	2021
Net income (loss)	$ (278,470)	$ (623,231)	$ 1,316,284	$ (147,781)
Other comprehensive income (loss):				
Translation adjustment	(2,269,229)	1,448,793	(7,020,620)	4,177,423
Translation adjustment attributable to non-controlling interest	464,452	(507,440)	2,148,695	(1,211,174)
Net translation adjustment	(1,804,777)	941,353	(4,871,925)	2,966,249
Comprehensive income (loss) attributable to NetSol	$ (2,083,247)	$ 318,122	$ (3,555,641)	$ 2,818,468

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

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

A statement of the changes in equity for the three months ended March 31, 2022 is provided below:

	Common Stock		Additional Paid-in	Treasury	Accumulated	Other Comprehensive	Non Controlling	Total Stockholders'
	Shares	Amount	Capital	Shares	Deficit	Loss	Interest	Equity
Balance at December 31, 2021	12,186,070	$ 121,861	$ 129,042,021	$ (3,920,856)	$ (37,206,528)	$ (34,935,629)	$ 6,925,352	$ 60,026,221
Common stock issued for:								
Services	5,500	55	22,170	-	-	-	-	22,225
Fair value of subsidiary options issued			20,595	-	-	-	-	20,595
Foreign currency translation adjustment	-	-	-	-		(1,804,777)	(464,452)	(2,269,229)
Net income (loss)	-	-	-	-	(278,470)		260,998	(17,472)
Balance at March 31, 2022	12,191,570	$ 121,916	$ 129,084,786	$ (3,920,856)	$ (37,484,998)	$ (36,740,406)	$ 6,721,898	$ 57,782,340

A statement of the changes in equity for the three months ended December 31, 2021 is provided below:

	Common Stock		Additional Paid-in	Treasury	Accumulated	Other Comprehensive	Controlling	Stockholders'
	Shares	Amount	Capital	Shares	Deficit	Loss	Interest	Equity
Balance at September 30, 2021	12,183,570	$ 121,836	$ 129,030,982	$ (3,920,856)	$ (38,613,313)	$ (34,013,886)	$ 6,438,841	$ 59,043,604
Common stock issued for:								
Services	2,500	25	9,875	-	-	-	-	9,900
Fair value of subsidiary options issued	-	-	1,164	-	-	-	-	1,164
Foreign currency translation adjustment	-	-	-	-	-	(921,743)	(545,252)	(1,466,995)
Net income	-	-	-	-	1,406,785	-	1,031,763	2,438,548
Balance at December 31, 2021	12,186,070	$ 121,861	$ 129,042,021	$ (3,920,856)	$ (37,206,528)	$ (34,935,629)	$ 6,925,352	$ 60,026,221

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

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

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

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

A statement of the changes in equity for the three months ended March 31, 2021 is provided below:

	Common Stock		Additional Paid-in	Treasury	Accumulated	Other Comprehensive	Non Controlling	Total Stockholders'
	Shares	Amount	Capital	Shares	Deficit	Loss	Interest	Equity
Balance at December 31, 2020	12,147,458	$ 121,476	$ 128,823,181	$ (2,848,640)	$ (40,104,089)	$ (32,060,151)	$ 7,287,273	$ 61,219,050
Common stock issued for:								
Services	10,413	104	58,563	-	-	-	-	58,667
Purchase of treasury shares	-	-	-	(672,129)	-	-	-	(672,129)
Foreign currency translation adjustment	-	-	-	-	-	941,353	507,440	1,448,793
Net loss	-	-	-	-	(623,231)	-	(351,939)	(975,170)
Balance at March 31, 2021	12,157,871	$ 121,580	$ 128,881,744	$ (3,520,769)	$ (40,727,320)	$ (31,118,798)	$ 7,442,774	$ 61,079,211

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

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

A statement of the changes in equity for the three months ended December 31, 2020 is provided below:

	Common Stock		Additional Paid-in	Treasury	Accumulated	Other Comprehensive	Non Controlling	Total Stockholders'
	Shares	Amount	Capital	Shares	Deficit	Loss	Interest	Equity
Balance at September 30, 2020	12,137,045	$ 121,371	$ 128,764,618	$ (1,920,645)	$ (39,861,985)	$ (33,210,231)	$ 6,640,531	$ 60,533,659
Common stock issued for:								
Services	10,413	105	58,563	-	-	-	-	58,668
Purchase of treasury shares	-	-	-	(927,995)	-	-	-	(927,995)
Foreign currency translation adjustment	-	-	-	-	-	1,150,080	483,826	1,633,906
Net income (loss)	-	-	-	-	(242,104)	-	162,916	(79,188)
Balance at December 31, 2020	12,147,458	$ 121,476	$ 128,823,181	$ (2,848,640)	$ (40,104,089)	$ (32,060,151)	$ 7,287,273	$ 61,219,050

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

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

(1) Cumulative effect adjustment relates to the adoption of Accounting Standard Update No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. Refer to Note 2 – Accounting Policies for more information.

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

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

	For the Nine Months Ended March 31,	
	2022	2021
Cash flows from operating activities:		
Net income	$ 2,971,571	$ 69,119
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,869,671	2,896,203
Provision for bad debts	6,897	(280,363)
Share of net loss from investment under equity method	317,581	232,488
Loss on sale of assets	181,955	127,285
Stock based compensation	78,225	239,333
Changes in operating assets and liabilities:		
Accounts receivable	(3,404,247)	(777,953)
Revenues in excess of billing	(385,971)	7,485,646
Other current assets	53,173	(791,849)
Accounts payable and accrued expenses	14,918	(69,021)
Unearned revenue	2,822,178	1,256,456
Net cash provided by operating activities	5,525,951	10,387,344
Cash flows from investing activities:		
Purchases of property and equipment	(1,680,856)	(2,109,058)
Sales of property and equipment	321,251	131,293
Investment in associates	-	(155,500)
Net cash used in investing activities	(1,359,605)	(2,133,265)
Cash flows from financing activities:		
Purchase of treasury stock	(100,106)	(2,064,800)
Proceeds from bank loans	312,467	2,109,572
Payments on finance lease obligations and loans - net	(1,045,464)	(533,344)
Net cash used in financing activities	(833,103)	(488,572)
Effect of exchange rate changes	(6,465,085)	2,666,800
Net increase (decrease) in cash and cash equivalents	(3,131,842)	10,432,307
Cash and cash equivalents at beginning of the period	33,705,154	20,166,830
Cash and cash equivalents at end of period	$ 30,573,312	$ 30,599,137

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,	
	2022	2021
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the period for:		
Interest	$ 332,239	$ 392,950
Taxes	$ 694,161	$ 468,628
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Assets acquired under finance lease	$ -	$ 222,391
Drivemate shares acquired for services rendered	$ -	$ 1,300,000
Shares issued to vendor for services received	$ 19,525	$ -

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

NOTE 1 - BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

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

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

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

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

<u>Wholly owned Subsidiaries</u>

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

<u>Majority-owned Subsidiaries</u>

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

NOTE 2 – ACCOUNTING POLICIES

Use of Estimates

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

Concentration of Credit Risk

Cash includes cash on hand and demand deposits in accounts maintained within the United States as well as in foreign countries. Certain financial instruments, which subject the Company to concentration of credit risk, consist of cash and restricted cash. The Company maintains balances at financial institutions which, from time to time, may exceed Federal Deposit Insurance Corporation insured limits for the banks located in the United States. Balances at financial institutions within certain foreign countries are not covered by insurance except balances maintained in China are insured for RMB 500,000 ($78,864) in each bank and in UK for GBP 85,000 ($111,842) in each bank. The Company maintains three bank accounts in China and nine bank accounts in the UK. As of March 31, 2022, and June 30, 2021, the Company had uninsured deposits related to cash deposits in accounts maintained within foreign entities of approximately $29,315,355 and $31,662,035, respectively. The Company has not experienced any losses in such accounts.

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

Fair Value of Financial Instruments

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

The three levels of valuation hierarchy are defined as follows:

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

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

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

The Company's financial assets that were measured at fair value on a recurring basis as of March 31, 2022, were as follows:

	Level 1	Level 2	Level 3	Total Assets
Revenues in excess of billings - long term	$ -	$ -	$ 993,862	$ 993,862
Total	$ -	$ -	$ 993,862	$ 993,862

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

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

The reconciliation from June 30, 2021 to March 31, 2022 is as follows:

	Revenues in excess of billings - long term	Fair value discount	Total
Balance at June 30, 2021	$ 1,024,382	$ (66,779)	$ 957,603
Amortization during the period	-	28,587	28,587
Effect of Translation Adjustment	7,813	(141)	7,672
Balance at March 31, 2022	$ 1,032,195	$ (38,333)	$ 993,862

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

Recent Accounting Standards:

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

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

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

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

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

NOTE 3 – REVENUE RECOGNITION

The Company determines revenue recognition through the following steps:

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

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

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

Core Revenue

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

Non-Core Revenue

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

Performance Obligations

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

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

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

Software Licenses

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

Subscription

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

Post Contract Support

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

Professional Services

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

BPO and Internet Services

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

Disaggregated Revenue

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

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

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2022	2021	2022	2021
Core:				
License	$ 1,620,827	$ 2,120,963	$ 3,586,874	$ 4,710,942
Subscription and support	6,554,540	5,674,776	22,159,798	16,571,441
Services	5,416,635	4,379,316	14,140,429	13,443,629
Services - related party	-	-	-	-
Total core revenue, net	13,592,002	12,175,055	39,887,101	34,726,012
Non-Core:				
Services	1,217,824	1,608,941	3,816,448	4,826,822
Total non-core revenue, net	1,217,824	1,608,941	3,816,448	4,826,822
Total net revenue	$ 14,809,826	$ 13,783,996	$ 43,703,549	$ 39,552,834

Significant Judgments

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

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

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

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

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

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

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

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

Contract Balances

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

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

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

	As of March 31, 2022	As of June 30, 2021
Revenues in excess of billings	$ 15,604,587	$ 15,637,734
Unearned revenue	$ 6,948,669	$ 4,556,626

During the nine months ended March 31, 2022, the Company recognized revenue of $3,282,962 that was included in the deferred revenue balance at the beginning of the period. All other activity in deferred revenue is due to the timing of invoicing in relation to the timing of revenue recognition.

Revenue allocated to remaining performance obligations represents the transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, which includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods. Contracted but unsatisfied performance obligations were approximately $43,389,621 as of March 31, 2022, of which the Company estimates to recognize approximately $15,344,251 in revenue over the next 12 months and the remainder over an estimated 6 years thereafter. Actual revenue recognition depends in part on the timing of software modules installed at various customer sites. Accordingly, some factors that affect the Company's revenue, such as the availability and demand for modules within customer geographic locations, is not entirely within the Company's control. In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined that its contracts generally do not include a significant financing component. The primary purpose of invoicing terms is to provide customers with simplified and predictable ways of purchasing the Company's products and services, and not to facilitate financing arrangements.

Unearned Revenue

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

Practical Expedients and Exemptions

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

● The Company does not evaluate a contract for a significant financing component if payment is expected within one year or less from the transfer of the promised items to the customer.
● The Company generally expenses sales commissions and sales agent fees when incurred when the amortization period would have been one year or less or the commissions are based on cashed received. These costs are recorded within sales and marketing expense in the Consolidated Statement of Operations.
● The Company does not disclose the value of unsatisfied performance obligations for contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for services performed (applies to time-and-material engagements).

Costs to Obtain a Contract

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

NOTE 4 – EARNINGS PER SHARE

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

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

	For the three months ended March 31, 2022			For the nine months ended March 31, 2022		
	Net Loss	**Shares**	**Per Share**	**Net Income**	**Shares**	**Per Share**
Basic income (loss) per share:						
Net income (loss) available to common shareholders	$ (278,470)	11,249,606	$ (0.02)	$ 1,316,284	11,249,449	$ 0.12
Effect of dilutive securities						
Share grants	-	-	-	-	-	-
Diluted income (loss) per share	$ (278,470)	11,249,606	$ (0.02)	$ 1,316,284	11,249,449	$ 0.12

	For the three months ended March 31, 2021			For the nine months ended March 31, 2021		
	Net Loss	**Shares**	**Per Share**	**Net Loss**	**Shares**	**Per Share**
Basic loss per share:						
Net loss available to common shareholders	$ (623,231)	11,343,406	$ (0.05)	$ (147,781)	11,571,878	$ (0.01)
Effect of dilutive securities						
Share grants	-	-	-	-	-	-
Diluted loss per share	$ (623,231)	11,343,406	$ (0.05)	$ (147,781)	11,571,878	$ (0.01)

For the three month ended March 31, 2022, 5,000 share grants were excluded from the shares used to calculate diluted earnings per share as their inclusion would have been anti-dilutive.

For the three and nine months ended March 31, 2021, 30,699 share grants were excluded from the shares used to calculate diluted earnings per share as their inclusion would have been anti-dilutive.

NOTE 5 – OTHER COMPREHENSIVE INCOME AND FOREIGN CURRENCY

The accounts of NTE, AEL, VLSH and VLS use the British Pound; VLSIL uses the Euro; NetSol PK, Connect, and NetSol Innovation use the Pakistan Rupee; NTPK Thailand and NetSol Thai use the Thai Baht; Australia uses the Australian dollar; and NetSol Beijing and Tianjin use the Chinese Yuan as the functional currencies. NetSol Technologies, Inc., and its subsidiary, NTA, use the U.S. dollar as the functional currency. Assets and liabilities are translated at the exchange rate on the balance sheet date, and operating results are translated at the average exchange rate throughout the period. Accumulated translation losses classified as an item of accumulated other comprehensive loss in the stockholders' equity section of the consolidated balance sheet were $36,740,406 and $31,868,481 as of March 31, 2022 and June 30, 2021, respectively. During the three and nine months ended March 31, 2022, comprehensive income (loss) in the consolidated statements of comprehensive income (loss) included a translation loss attributable to NetSol of $(1,804,777) and $(4,871,925), respectively. During the three and nine months ended March 31, 2021, comprehensive income (loss) in the consolidated statements of comprehensive income (loss) included a translation gain attributable to NetSol of $941,353 and $2,966,249, respectively.

NOTE 6 – MAJOR CUSTOMERS

During the nine months ended March 31, 2022, revenues from Daimler Financial Services ("DFS") and BMW Financial ("BMW") were $15,692,171 and $3,203,536, respectively representing 35.9% and 7.3%, respectively of revenues. During the nine months ended March 31, 2021, revenues from Daimler Financial Services ("DFS") and BMW Financial ("BMW") were $7,763,189 and $4,295,139, respectively representing 19.6% and 10.9%, respectively of revenues. The revenue from these customers are shown in the Asia – Pacific segment.

Accounts receivable from DFS and BMW at March 31, 2022, were $3,168,260 and $305,321, respectively. Accounts receivable at June 30, 2021, were $462,861 and $35,063, respectively. Revenues in excess of billings at March 31, 2022 were $1,252,548 and $3,696,816 for DFS and BMW, respectively. Revenues in excess of billings at June 30, 2021, were $2,041,750 and $4,453,299 for DFS and BMW, respectively.

NOTE 7 – CONVERTIBLE NOTES RECEIVABLE – RELATED PARTY

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

The following table summarizes the convertible notes receivable from WRLD3D.

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

The Company has accrued interest of $701,062 at March 31, 2022 and June 30, 2021, which is included in "Other current assets". As of July 1, 2020, the Company stopped accruing interest.

NOTE 8 - OTHER CURRENT ASSETS

Other current assets consisted of the following:

	As of March 31, 2022	As of June 30, 2021
Prepaid Expenses	$ 1,709,971	$ 1,987,556
Advance Income Tax	379,638	344,699
Employee Advances	112,595	28,816
Security Deposits	252,941	281,464
Other Receivables	93,628	143,258
Other Assets	315,969	223,600
Due From Related Party	1,243,633	1,243,633
	4,108,375	4,253,026
Less allowance for doubtful account	(1,243,633)	(1,243,633)
Net Balance	$ 2,864,742	$ 3,009,393

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

NOTE 9 – REVENUES IN EXCESS OF BILLINGS – LONG TERM

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

	As of March 31, 2022	As of June 30, 2021
Revenues in excess of billings - long term	$ 1,032,195	$ 1,024,382
Present value discount	(38,333)	(66,779)
Net Balance	$ 993,862	$ 957,603

Pursuant to revenue recognition for contract accounting, the Company had recorded revenues in excess of billings long-term for amounts billable after one year. During the three and nine months ended March 31, 2022, the Company accreted $9,546 and $28,587, respectively. During the three and nine months ended March 31, 2021, the Company accreted $2,331 and $44,157, respectively, which was recorded in interest income for that period. The Company used the discounted cash flow method with interest rates ranging from 4.65% to 6.25%.

NOTE 10 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	As of March 31, 2022	As of June 30, 2021
Office Furniture and Equipment	$ 3,287,329	$ 3,440,501
Computer Equipment	14,122,850	18,681,991
Assets Under Capital Leases	341,927	1,136,128
Building	5,378,874	6,205,210
Land	1,387,483	1,608,024
Autos	2,244,069	1,770,147
Improvements	191,934	35,592
Subtotal	26,954,466	32,877,593
Accumulated Depreciation	(16,840,008)	(20,785,781)
Property and Equipment, Net	$ 10,114,458	$ 12,091,812

For the three and nine months ended March 31, 2022, depreciation expense was $540,822 and $1,608,007, respectively. Of these amounts, $334,476 and $974,526, respectively, are reflected in cost of revenues. For the three and nine months ended March 31, 2021, depreciation expense was $575,855 and $1,557,578, respectively. Of these amounts, $303,780 and $842,141, respectively, are reflected in cost of revenues.

Following is a summary of fixed assets held under finance leases as of March 31, 2022 and June 30, 2021:

	As of March 31, 2022	As of June 30, 2021
Computers and Other Equipment	$ -	$ 169,487
Furniture and Fixtures	-	57,509
Vehicles	341,927	909,132
Total	341,927	1,136,128
Less: Accumulated Depreciation - Net	(149,740)	(627,119)
	$ 192,187	$ 509,009

Finance lease term and discount rate were as follows:

	As of March 31, 2022	As of June 30, 2021
Weighted average remaining lease term - Finance leases	2.18 Years	0.55 Years
Weighted average discount rate - Finance leases	9.7%	5.6%

NOTE 11 - LEASES

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

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

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

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

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

Supplemental balance sheet information related to leases was as follows:

	As of March 31, 2022	As of June 30, 2021
Assets		
Operating lease assets, net	$ 1,238,713	$ 1,345,869
Liabilities		
Current		
Operating	$ 706,684	$ 857,729
Non-current		
Operating	570,871	564,257
Total Lease Liabilities	$ 1,277,555	$ 1,421,986

The components of lease cost were as follows:

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021	For the Nine Months Ended March 31, 2022	For the Nine Months Ended March 31, 2021
Amortization of finance lease assets	$ 16,273	$ 65,628	$ 59,201	$ 142,807
Interest on finance lease obligation	5,632	6,662	13,780	25,307
Operating lease cost	137,270	319,712	518,048	950,538
Short term lease cost	128,008	33,138	166,789	63,209
Sub lease income	(8,907)	(9,155)	(27,012)	(26,517)
Total lease cost	$ 278,276	$ 415,985	$ 730,806	$ 1,155,344

Lease term and discount rate were as follows:

	As of March 31, 2022	As of June 30, 2021
Weighted average remaining lease term - Operating leases	3.38 Years	1.78 Years
Weighted average discount rate - Operating leases	5.9%	5.7%

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

	For the Nine Months Ended March 31 2022	For the Nine Months Ended March 31 2021
Operating cash flows related to operating leases	$ 541,705	$ 856,135
Operating cash flows related to finance leases	$ 3,553	$ 20,138
Financing cash flows related to finance leases	$ 55,399	$ 254,985

Maturities of operating lease liabilities were as follows as of March 31, 2022:

		Amount
Within year 1	$	742,215
Within year 2		221,799
Within year 3		146,200
Within year 4		131,729
Within year 5		98,977
Thereafter		1,621
Total Lease Payments		1,342,541
Less: Imputed interest		(64,986)
Present Value of lease liabilities		1,277,555
Less: Current portion		(706,684)
Non-Current portion	$	570,871

The Company is a lessor for certain office space leased by the Company and sub-leased to others under non-cancelable leases. These lease agreements provide for a fixed base rent and are currently on a month by month basis. All leases are considered operating leases. There are no rights to purchase the premises and no residual value guarantees. For the three and nine months ended March 31, 2022, the Company received lease income of $8,907 and $27,012, respectively. For the three and nine months ended March 31, 2021, the Company received lease income of $9,155 and $26,517, respectively.

NOTE 12 – LONG TERM INVESTMENT

Drivemate

The Company and Drivemate Co., Ltd. ("Drivemate") entered into a subscription agreement on April 25, 2019, ("Drivemate Agreement") whereby the Company purchased an equity interest of 30% in Drivemate. Per the Drivemate Agreement, the Company purchased 5,469 preferred shares for $1,800,000 consisting of $500,000 cash to be paid over a two-year period and $1,300,000 to be provided in services. The Company has paid the $500,000 in cash and has provided services of $1,300,000. Pursuant to the agreement, the number of shares to be issued is adjusted as necessary to result in an equity ownership equal to 30% of the issued and outstanding shares at the final payment date. As of March 31, 2022, the Company has been issued 8,178 shares equal to 30% of Drivemate. Per the Drivemate Agreement, the Company appointed two directors to the Drivemate board. The Company determined that it met the significant influence criteria since two of the four directors are appointed by the Company and the Company owns 30% of Drivemate; therefore, the Company accounts for the investment using the equity method of accounting.

The Company provided services of $Nil and $12,528 during the three and nine months ended March 31, 2022, respectively and did not provide any services during the three and nine months ended March 31, 2021.

Under the equity method of accounting, the Company recorded its share of net income of $4,712 and net loss of $54,193 for the three and nine months ended March 31, 2022, respectively and the Company recorded its share of net income of $Nil and $3,919 for the three and nine months ended March 31, 2021, respectively.

WRLD3D-Related Party

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

NetSol PK has not provided services to WRLD3D for the three and nine months ended March 31, 2022 and March 31, 2021. Accounts receivable and revenue in excess of billing were $1,373,099 and $8,163 at March 31, 2022, respectively. The Company has established an allowance for the full amounts of these accounts.

Under the equity method of accounting, the Company recorded its share of net loss of $81,510 and $263,388 for the three and nine months ended March 31, 2022, and the Company recorded its share of net loss of $80,953 and $236,407 for the three and nine months ended March 31, 2021, respectively.

The following table reflects the above investments at March 31, 2022.

		Drivemate		WRLD3D		Total
Gross investment	$	1,800,000	$	3,888,889	$	5,688,889
Cumulative net loss on investment		(94,143)		(2,184,775)		(2,278,918)
Cumulative other comprehensive income (loss)		-		(516,271)		(516,271)
Net investment	$	1,705,857	$	1,187,843	$	2,893,700

NOTE 13 - INTANGIBLE ASSETS

Intangible assets consisted of the following:

		As of March 31, 2022		As of June 30, 2021
Product Licenses - Cost	$	47,244,997	$	47,244,997
Effect of Translation Adjustment		(17,652,591)		(14,440,001)
Accumulated Amortization		(27,414,278)		(28,900,340)
Net Balance	$	2,178,128	$	3,904,656

(A) Product Licenses

Product licenses include internally developed original license issues, renewals, enhancements, copyrights, trademarks, and trade names. Product licenses are amortized on a straight-line basis over their respective lives, and the unamortized amount of $2,178,128 will be amortized over the next 1.5 years. Amortization expense for the three and nine months ended March 31, 2022 was $407,111 and $1,261,664, respectively. Amortization expense for the three and nine months ended March 31, 2021 was $455,988 and $1,338,625, respectively.

(B) Future Amortization

Estimated amortization expense of intangible assets is as follows:

Period ended:		
March 31, 2023	$	1,587,416
March 31, 2024		590,712
	$	2,178,128

NOTE 14 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following:

	As of March 31, 2022	As of June 30, 2021
Accounts Payable	$ 1,791,577	$ 1,067,937
Accrued Liabilities	3,543,428	2,662,666
Accrued Payroll	-	1,782,512
Accrued Payroll Taxes	316,355	295,349
Taxes Payable	405,550	608,121
Other Payable	260,217	279,450
Total	$ 6,317,127	$ 6,696,035

NOTE 15 – DEBTS

Notes payable and finance leases consisted of the following:

		As of March 31, 2022		
Name		Total	Current Maturities	Long-Term Maturities
D&O Insurance	(1)	$ 186,395	$ 186,395	$ -
Bank Overdraft Facility	(2)	-	-	-
Term Finance Facility	(3)	711,264	711,264	-
Loan Payable Bank - Export Refinance	(4)	2,728,811	2,728,811	-
Loan Payable Bank - Running Finance	(5)	-	-	-
Loan Payable Bank - Export Refinance II	(6)	2,073,896	2,073,896	-
Loan Payable Bank - Running Finance II	(7)	-	-	-
Loan Payable Bank - Export Refinance III	(8)	3,820,335	3,820,335	-
Sale and Leaseback Financing	(9)	101,342	39,417	61,925
Term Finance Facility	(10)	38,428	19,486	18,942
Insurance Financing	(11)	5,010	5,010	-
		9,665,481	9,584,614	80,867
Subsidiary Finance Leases	(12)	85,087	38,055	47,032
		$ 9,750,568	$ 9,622,669	$ 127,899

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

(1) The Company finances Directors' and Officers' ("D&O") liability insurance and Errors and Omissions ("E&O") liability insurance, for which the D&O and E&O balances are renewed on an annual basis and, as such, are recorded in current maturities. The interest rate on these financings were ranging from 5.0% to 7.0% as of March 31, 2022 and June 30, 2021.

(2) The Company's subsidiary, NTE, has an overdraft facility with HSBC Bank plc whereby the bank would cover any overdrafts up to £300,000, or approximately $394,737. The annual interest rate was 5.12% as of March 31, 2022. The total outstanding balance as of March 31, 2022 and June 30, 2021 was £Nil.

This overdraft facility requires that the aggregate amount of invoiced trade debtors (net of provisions for bad and doubtful debts and excluding intra-group debtors) of NTE, not exceeding 90 days old, will not be less than an amount equal to 200% of the facility. As of March 31, 2022, NTE was in compliance with this covenant.

(3) The Company's subsidiary, NetSol PK, has a term finance facility from Askari Bank Limited, approved by the Government of Pakistan to protect the employment situation during the COVID-19 pandemic. This is a term loan payable in three years. The availed facility amount was Rs. 130,324,892 or $711,264, at March 31, 2022, which is shown as current. The availed facility amount was Rs. 260,678,818 or $1,648,818, at June 30, 2021, of which $1,090,259 is shown as current and the remaining $558,559 is shown as long term. The interest rate for the loan was 3% at March 31, 2022 and June 30, 2021.

(4) The Company's subsidiary, NetSol PK, has an export refinance facility with Askari Bank Limited, secured by NetSol PK's assets. This is a revolving loan that matures every nine months. The total facility amount is Rs. 500,000,000 or $2,728,811 at March 31, 2022 and Rs. 500,000,000 or $3,162,555 at June 30, 2021. The interest rate for the loan was 3% at March 31, 2022 and June 30, 2021.

(5) The Company's subsidiary, NetSol PK, has a running finance facility with Askari Bank Limited, secured by NetSol PK's assets. The total facility amount is Rs. 75,000,000 or $409,322, at March 31, 2022. The balance outstanding at March 31, 2022 and June 30, 2021 was Rs. Nil. The interest rate for the loan was 14.0% and 9.5% at March 31, 2022 and June 30, 2021, respectively.

This facility requires NetSol PK to maintain a long-term debt equity ratio of 60:40 and the current ratio of 1:1. As of March 31, 2022, NetSol PK was in compliance with this covenant.

(6) The Company's subsidiary, NetSol PK, has an export refinance facility with Samba Bank Limited, secured by NetSol PK's assets. This is a revolving loan that matures every nine months. The total facility amount is Rs. 380,000,000 or $2,073,896 and Rs. 380,000,000 or $2,403,542 at March 31, 2022 and June 30, 2021, respectively. The interest rate for the loan was 3% at March 31, 2022 and June 30, 2021.

(7) The Company's subsidiary, NetSol PK, has a running finance facility with Samba Bank Limited, secured by NetSol PK's assets. The total facility amount is Rs. 120,000,000 or $654,915 and Rs. 120,000,000 or $759,013, at March 31, 2022 and June 30, 2021, respectively. The interest rate for the loan was 13.5% and 9.0% at March 31, 2022 and June 30, 2021, respectively. The balance outstanding at March 31, 2022 and June 30, 2021 was Rs. Nil.

During the tenure of the loan, the facilities from Samba Bank Limited require NetSol PK to maintain at a minimum a current ratio of 1:1, an interest coverage ratio of 4 times, a leverage ratio of 2 times, and a debt service coverage ratio of 4 times. As of March 31, 2022, NetSol PK was in compliance with these covenants.

(8) The Company's subsidiary, NetSol PK, has an export refinance facility with Habib Metro Bank Limited, secured by NetSol PK's assets. This is a revolving loan that matures every nine months. The total facility amount is Rs. 900,000,000 or $4,911,859 and Rs. 900,000,000 or $5,692,600, at March 31, 2022 and June 30, 2021, respectively. NetSol PK used Rs. 700,000,000 or $3,820,335 and Rs. 700,000,000 or $4,427,578, at March 31, 2022 and June 30, 2021, respectively. The interest rate for the loan was 3% at March 31, 2022 and June 30, 2021.

(9) The Company's subsidiary, NetSol PK, availed sale and leaseback financing from First Habib Modaraba secured by the transfer of the vehicles' title. As of March 31, 2022, NetSol PK used Rs. 18,568,847 or $101,342 of which $61,925 was shown as long term and $39,417 as current. As of June 30, 2021, NetSol PK used Rs. 13,487,949 or $85,313 of which $57,130 was shown as long term and $28,183 as current. The interest rate for the loan was 9.0% at March 31, 2022, and June 30, 2021.

(10) In March 2019, the Company's subsidiary, VLS, entered into a loan agreement. The loan amount was £69,549, or $91,512, for a period of 5 years with monthly payments of £1,349, or $1,775. As of March 31, 2022, the subsidiary has used this facility up to $34,428, of which $18,942 was shown as long-term and $19,486 as current. As of June 30, 2021, the subsidiary has used this facility up to $55,182, of which $35,538 was shown as long-term and $19,644 as current. The interest rate was 6.14% at March 31, 2022 and June 30, 2021.

(11) The Company's subsidiary, VLS, finances Directors' and Officers' ("D&O") liability insurance, and the $5,011 and $41,774 was recorded in current maturities, at March 31, 2022 and June 30, 2021, respectively. The interest rate on this financing ranged from 9.7% to 12.7% as of March 31, 2022 and was 9.7% as of June 30, 2021.

(12) The Company leases various fixed assets under finance lease arrangements expiring in various years through 2024. The assets and liabilities under finance leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are secured by the assets themselves. Depreciation of assets under finance leases is included in depreciation expense for the three and nine months ended March 31, 2022 and 2021.

Following is the aggregate minimum future lease payments under finance leases as of March 31, 2022:

		Amount
Minimum Lease Payments		
Within year 1	$	44,278
Within year 2		41,162
Within year 3		8,749
Total Minimum Lease Payments		94,189
Interest Expense relating to future periods		(9,102)
Present Value of minimum lease payments		85,087
Less: Current portion		(38,055)
Non-Current portion	$	47,032

Following is the aggregate future long term debt payments as of March 31, 2022

		Amount
Loan Payments		
Within year 1	$	770,167
Within year 2		63,677
Within year 3		17,190
Total Loan Payments		851,034
Less: Current portion		(770,167)
Non-Current portion	$	80,867

NOTE 16 - STOCKHOLDERS' EQUITY

During the three and nine months ended March 31, 2022, the Company issued nil and 1,985 shares of common stock for services rendered by the independent members of the Board of Directors as part of their board compensation. These shares were valued at the fair market value of $12,009.

During the three and nine months ended March 31, 2022, the Company issued 3,000 shares of its common stock to employees pursuant to the terms of their employment agreements valued at $12,600.

During the three and nine months ended March 31, 2022, the Company issued 2,500 and 5,000 shares of common stock for services received from one of its vendors. These shares were valued at the fair market value of $9,625 and $19,525, respectively.

During the three and nine months ended March 31, 2022, the Company purchased nil and 22,510 shares of its own stock for $100,106 pursuant to the Company's stock repurchase plan.

NOTE 17 – SHARE BASED PAYMENTS

The following table summarizes stock grants awarded as compensation:

	# of shares	Weighted Average Grant Date Fair Value ($)
Unvested, June 30, 2021	6,985	$ 5.75
Granted	3,000	$ 4.20
Vested	(4,985)	$ 4.94
Forfeited / Cancelled	-	$ -
Unvested, March 31, 2022	5,000	$ 5.69

For the three and nine months ended March 31, 2022, the Company recorded compensation expense of $19,713 and $36,941, respectively. For the three and nine months ended March 31, 2021, the Company recorded compensation expense of $74,169 and $239,333, respectively. The compensation expense related to the unvested stock grants as of March 31, 2022 was $7,112 which will be recognized during the fiscal year 2022.

NOTE 18 – CONTINGENCIES

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

NOTE 19 – OPERATING SEGMENTS

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

The following table presents a summary of identifiable assets as of March 31, 2022 and June 30, 2021:

	As of March 31, 2022	As of June 30, 2021
Identifiable assets:		
Corporate headquarters	$ 1,765,803	$ 2,067,474
North America	5,653,292	6,073,616
Europe	9,448,659	10,363,611
Asia - Pacific	65,208,505	68,101,560
Consolidated	$ 82,076,259	$ 86,606,261

The following table presents a summary of investment under equity method as of March 31, 2022 and June 30, 2021:

	As of March 31, 2022	As of June 30, 2021
Investment in associates under equity method:		
Corporate headquarters	$ 337,127	$ 396,403
Asia - Pacific	2,556,573	2,759,449
Consolidated	$ 2,893,700	$ 3,155,852

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, 2022	For the Three Months Ended March 31, 2021	For the Nine Months Ended March 31, 2022	For the Nine Months Ended March 31, 2021
Revenues from unaffiliated customers:				
North America	$ 1,113,820	$ 1,008,011	$ 3,104,433	$ 2,837,445
Europe	2,088,918	2,748,945	7,483,911	8,627,042
Asia - Pacific	11,607,088	10,027,040	33,115,205	28,088,347
	14,809,826	13,783,996	43,703,549	39,552,834
Revenue from affiliated customers				
Asia - Pacific	-	-	-	-
	-	-	-	-
Consolidated	$ 14,809,826	$ 13,783,996	$ 43,703,549	$ 39,552,834
Intercompany revenue				
Europe	$ 105,668	$ 160,970	$ 349,345	$ 426,883
Asia - Pacific	3,104,913	3,810,340	6,439,377	9,094,697
Eliminated	$ 3,210,581	$ 3,971,310	$ 6,788,722	$ 9,521,580
Net income (loss) after taxes and before non-controlling interest:				
Corporate headquarters	$ (394,375)	$ (804,636)	$ (127,742)	$ 1,536,305
North America	(86,722)	57,460	(213,730)	(271,356)
Europe	(575,533)	(474,629)	(973,972)	301,472
Asia - Pacific	1,039,158	246,635	4,287,015	(1,497,302)
Consolidated	$ (17,472)	$ (975,170)	$ 2,971,571	$ 69,119
Depreciation and amortization:				
North America	$ 451	$ 701	$ 1,544	$ 3,653
Europe	88,987	139,180	288,481	356,117
Asia - Pacific	858,495	891,962	2,579,646	2,536,433
Consolidated	$ 947,933	$ 1,031,843	$ 2,869,671	$ 2,896,203
Interest expense:				
Corporate headquarters	$ 8,105	$ 4,647	$ 28,111	$ 15,578
North America	-	725	-	2,660
Europe	1,766	4,106	8,050	8,133
Asia - Pacific	76,045	89,178	241,576	269,853
Consolidated	$ 85,916	$ 98,656	$ 277,737	$ 296,224
Income tax expense:				
Corporate headquarters	$ -	$ -	$ 800	$ -
North America	400	450	2,000	450
Europe	-	18,333	9,524	222,370
Asia - Pacific	157,204	114,373	514,413	420,064
Consolidated	$ 157,604	$ 133,156	$ 526,737	$ 642,884

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

	For the Nine Months Ended March 31, 2022	For the Nine Months Ended March 31, 2021
Capital expenditures:		
North America	$ -	$ 1,520
Europe	134,450	388,367
Asia - Pacific	1,546,406	1,719,171
Consolidated	$ 1,680,856	$ 2,109,058

NOTE 20 – NON-CONTROLLING INTEREST IN SUBSIDIARY

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

SUBSIDIARY	Non-Controlling Interest %	Non-Controlling Interest at March 31, 2022
NetSol PK	33.88%	$ 6,675,082
NetSol-Innovation	33.88%	91,961
NetSol Thai	0.006%	(151)
OTOZ Thai	5.60%	(1,091)
OTOZ	5.59%	(43,903)
Total		$ 6,721,898

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

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

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

NOTE 21 – INCOME TAXES

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

During the three and nine months ended March 31, 2022, the Company recorded an income tax provision of $157,604 and $526,737, respectively, resulting in an effective tax rate of (112.5%) and 15.1%, respectively. During the three and nine months ended March 31, 2021, the Company recorded an income tax provision of $133,156 and $642,884, respectively, resulting in an effective tax rate of (15.8%) and 90.3%, respectively.

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

The following discussion is intended to assist in an understanding of the Company's financial position and results of operations for the three and nine months ended March 31, 2022. The following discussion should be read in conjunction with the information included within our Annual Report on Form 10-K for the year ended June 30, 2021, and the Condensed Consolidated Financial Statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

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

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

Forward-Looking Information

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

Business Overview

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

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

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

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

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

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

Our primary offerings include the following:

NFS Ascent®

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

NFS Digital

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

Otoz

Otoz Digital Auto Retail

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

Otoz Ecosystem

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

Otoz Platform

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

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

Other Products

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

Highlights

Listed below are a few of NetSol's highlights for the quarter ended March 31, 2022:

- We generated approximately $1,300,000 by successfully implementing change requests from various customers across multiple regions.
- We successfully delivered our cloud enabled Ascent front end (POS/CAP) to a leading commercial finance company in Australia at subscription-based pricing. This implementation has generated revenues of approximately $200,000.
- We signed a contract with a notable Swedish bank to implement NFS Ascent in Sweden, Norway, Denmark and Finland. This contract is in the discovery phase.
- We onboarded another 5 dealers of a leading German Auto Manufacturer in US on its digital retailing solution.
- We started the implementation process for NFS Ascent Retail in Taiwan related to the DFS contract.

Management has identified the following material trends affecting NetSol.

Positive trends:

- NFS Ascent® SaaS offering is gaining traction in mid-size auto captives and financial institutions in North American and European markets and is consistent with our transformation strategy as market size has expanded globally.

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

- COVID-19 has created new dynamics for businesses and corporations with employees and executives working from home. Essentially, the decreased office and maintenance costs, as well as the sharply reduced travel expenses, have positively impacted our financials.

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

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

- In developing markets, new interests are emerging from existing clients for upgrades and mobility platforms.

- Growing opportunities and dynamics of shared car ownership either through ride hailing or car sharing encourage the use of our innovation and development tools.

- Otoz platform is showing positive trajectory of interest from existing and new auto leasing and Tier 1 companies in all of our markets, including China, the US and Europe.

- Improved stability in US and Pakistan relationship boosting confidence and trade relations.

- The China Pakistan Economic Corridor (CPEC) investment, initiated by China, has exceeded $62 billion investment from the originally planned $46 billion on Pakistan energy and infrastructure sectors.

- China's auto sector remains strong as our customers are constantly demanding 'Change Requests' or additional services and reflects resilience.

Negative trends:

- With Russia's invasion of Ukraine, the global economy could pose possible barriers to trade and cross border investment which could lead to lower incomes, inflated prices for goods and services, and reduced investment opportunities and returns across the world.

- The global stock markets have continued to decline since the beginning of the year bringing fears of a global recession.

- The degree to which the COVID-19 pandemic impacts our future business globally, results of operations and financial condition will depend on future developments, which are uncertain, including but not limited to the duration, spread and severity of the pandemic, the availability, adoption and efficacy of vaccines, government responses and other actions to mitigate the spread of and to treat COVID-19, and when and to what extent normal business, economic and social activity and conditions resume.

- We are unable to predict the extent to which the pandemic impacts our customers and other partners and their financial conditions, but adverse effects on these parties could also adversely affect us.

- Most OEMs and auto sectors are experiencing a major slowdown due to lockdowns, health concerns and component part supply chain issues.

- The C-level decision making to acquire new systems or even upgrade will be elongated due to uncertainty of the COVID-19 virus.

- Due to travel restrictions caused by COVID-19, and with the recent resurgence in China, it has been difficult to conduct face to face meetings for global clients and new prospects removing the personal connection essential to some decision making.

- The COVID-19 pandemic has adversely affected live industry conferences and events, such as those held by the Equipment Leasing and Finance Association (ELFA), reducing leads and market exposure.

- Working from the office continues to pose its own risk of virus spread until it ameliorated.

- Political actions, including trade protection and national security policies of the U.S. and Chinese governments, such as tariffs or bans could in the future limit or prevent companies from transacting business with China and aggravate the global business environment.

CHANGES IN FINANCIAL CONDITION

Quarter Ended March 31, 2022 Compared to the Quarter Ended March 31, 2021

The following table sets forth the items in our unaudited condensed consolidated statement of operations for the three months ended March 31, 2022 and 2021 as a percentage of revenues.

	For the Three Months Ended March 31,			
	2022	%	2021	%
Net Revenues:				
License fees	$ 1,620,827	10.9%	$ 2,120,963	15.4%
Subscription and support	6,554,540	44.3%	5,674,776	41.2%
Services	6,634,459	44.8%	5,988,257	43.4%
Total net revenues	14,809,826	100.0%	13,783,996	100.0%
Cost of revenues:				
Salaries and consultants	6,756,898	45.6%	5,372,302	39.0%
Travel	256,730	1.7%	151,075	1.1%
Depreciation and amortization	741,587	5.0%	759,768	5.5%
Other	1,220,041	8.2%	1,075,403	7.8%
Total cost of revenues	8,975,256	60.6%	7,358,548	53.4%
Gross profit	5,834,570	39.4%	6,425,448	46.6%
Operating expenses:				
Selling and marketing	2,074,873	14.0%	1,595,967	11.6%
Depreciation and amortization	206,346	1.4%	272,075	2.0%
General and administrative	3,841,655	25.9%	3,860,509	28.0%
Research and development cost	251,001	1.7%	234,678	1.7%
Total operating expenses	6,373,875	43.0%	5,963,229	43.3%
Income (loss) from operations	(539,305)	-3.6%	462,219	3.4%
Other income and (expenses)				
Gain (loss) on sale of assets	8,770	0.1%	(53,012)	-0.4%
Interest expense	(85,916)	-0.6%	(98,656)	-0.7%
Interest income	364,161	2.5%	231,979	1.7%
Gain (loss) on foreign currency exchange transactions	499,516	3.4%	(1,825,349)	-13.2%
Share of net loss from equity investment	(76,798)	-0.5%	(80,953)	-0.6%
Other income	(30,296)	-0.2%	521,758	3.8%
Total other income (expenses)	679,437	4.6%	(1,304,233)	-9.5%
Net income (loss) before income taxes	140,132	0.9%	(842,014)	-6.1%
Income tax provision	(157,604)	-1.1%	(133,156)	-1.0%
Net loss	(17,472)	-0.1%	(975,170)	-7.1%
Non-controlling interest	(260,998)	-1.8%	351,939	2.6%
Net loss attributable to NetSol	$ (278,470)	-1.9%	$ (623,231)	-4.5%

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

	For the Three Months Ended March 31,				Favorable (Unfavorable) Change in Constant	Favorable (Unfavorable) Change due to Currency	Total Favorable (Unfavorable) Change as
	2022	%	2021	%	Currency	Fluctuation	Reported
Net Revenues:	$ 14,809,826	100.0%	$ 13,783,996	100.0%	$ 2,039,787	$ (1,013,957)	$ 1,025,830
Cost of revenues:	8,975,256	60.6%	7,358,548	53.4%	(2,417,114)	800,406	(1,616,708)
Gross profit	5,834,570	39.4%	6,425,448	46.6%	(377,327)	(213,551)	(590,878)
Operating expenses:	6,373,875	43.0%	5,963,229	43.3%	(808,935)	398,289	(410,646)
Income (loss) from operations	$ (539,305)	-3.6%	$ 462,219	3.4%	$ (1,186,262)	$ 184,738	$ (1,001,524)

Net revenues for the quarter ended March 31, 2022 and 2021 are broken out among the segments as follows:

	2022		2021	
	Revenue	%	Revenue	%
North America	$ 1,113,820	7.5%	$ 1,008,011	7.3%
Europe	2,088,918	14.1%	2,748,945	19.9%
Asia-Pacific	11,607,088	78.4%	10,027,040	72.7%
Total	$ 14,809,826	100.0%	$ 13,783,996	100.0%

Revenues

License fees

License fees for the three months ended March 31, 2022 were $1,620,827 compared to $2,120,963 for the three months ended March 31, 2021 reflecting a decrease of $500,136 with a change in constant currency of $312,062. During the three months ended March 31, 2022, we recognized approximately $1,117,000 related to a new agreement with DTFS for the sale of both our legacy and Ascent product® for their new business segment in the South African market and $465,000 from the DFS contract. During the three months ended March 31, 2021, we recognized approximately $2,100,000 related to a license agreement with an existing tier one finance company in Thailand for our CAP and CMS solutions.

Subscription and support

Subscription and support fees for the three months ended March 31, 2022 were $6,554,540 compared to $5,674,776 for the three months ended March 31, 2021 reflecting an increase of $879,764 with a change in constant currency of $1,330,584. The major increase is related to the revised ceiling amount for post contract support due to the software customizations related to the DFS contract. Subscription and support fees begin once a customer has "gone live" with our product. Subscription and support fees are recurring in nature, and we anticipate these fees to gradually increase as we implement both our NFS legacy products and NFS Ascent®.

Services

Services income for the three months ended March 31, 2022 was $6,634,459 compared to $5,988,257 for the three months ended March 31, 2021 reflecting an increase of $646,202 with an increase in constant currency of $1,021,265. The increase is primarily due to services provided to customers during the implementation phase.

Gross Profit

The gross profit was $5,834,570, for the three months ended March 31, 2022 as compared with $6,425,448 for the three months ended March 31, 2021. This is a decrease of $590,878 with a change in constant currency of $377,327. The gross profit percentage for the three months ended March 31, 2022 also decreased to 39.4% from 46.6% for the three months ended March 31, 2021. The cost of sales was $8,975,256 for the three months ended March 31, 2022 compared to $7,358,548 for the three months ended March 31, 2021 for an increase of $1,616,708 and on a constant currency basis an increase of $2,417,114. As a percentage of sales, cost of sales increased from 53.4% for the three months ended March 31, 2021 to 60.6% for the three months ended March 31, 2022.

Salaries and consultant fees increased by $1,384,596 from $5,372,302 for the three months ended March 31, 2021 to $6,756,898 for the three months ended March 31, 2022 and on a constant currency basis increased by $1,977,061. The increase is due to increases in salaries that had been decreased as part of our cost savings measure due to the COVID-19 pandemic last year, annual salary raises, and new hirings. As a percentage of sales, salaries and consultant expense increased from 39.0% for the three months ended March 31, 2021 to 45.6% for the three months ended March 31, 2022.

Travel expense was $256,730 for the three months ended March 31, 2022 compared to $151,075 for the three months ended March 31, 2021 for an increase of $105,655 with an increase in constant currency of $127,526. The increase in travel expense is due to the increase in travel as countries begin lifting travel restrictions.

Depreciation and amortization expense decreased to $741,587 compared to $759,768 for the three months ended March 31, 2021 or a decrease of $18,181 and on a constant currency basis an increase of $69,770.

Other cost increased to $1,220,041 for the three months ended March 31, 2022 compared to $1,075,403 for the three months ended March 31, 2021 or an increase of $144,638 and on a constant currency basis an increase of $242,757. The increase is mainly due to increase in repair and maintenance cost and computer cost.

Operating Expenses

Operating expenses were $6,373,875 for the three months ended March 31, 2022 compared to $5,963,229, for the three months ended March 31, 2021 for an increase of 6.9% or $410,646 and on a constant currency basis an increase of 13.8% or $808,935. As a percentage of sales, it decreased from 43.3% to 43.0%. The increase in operating expenses was primarily due to increases in selling expenses, and research and development costs off set by decrease in general and administrative expenses.

Selling expenses were $2,074,873 for the three months ended March 31, 2022 compared to $1,595,967, for the three months ended March 31, 2021 for an increase of $478,906 and on a constant currency basis an increase of $635,079.

General and administrative expenses were $3,841,655 for the three months ended March 31, 2022 compared to $3,860,509 at March 31, 2021 or a decrease of $18,854 or 0.5% and on a constant currency basis an increase of $178,602 or 4.6%. During the three months ended March 31, 2022, salaries decreased by approximately $116,198 and increased $17,034 on a constant currency basis, and other general and administrative expenses increased approximately $97,344 or $161,568 on a constant currency basis.

Research and development cost was $251,001 for the three months ended March 31, 2022 compared to $234,678, for the three months ended March 31, 2021 for an increase of $16,323 and on a constant currency basis an increase of $45,325.

Income/Loss from Operations

Loss from operations was $539,305 for the three months ended March 31, 2022 compared to income from operations of $462,219 for the three months ended March 31, 2021. This represents a decrease of $1,001,524 with a decrease of $1,186,262 on a constant currency basis for the three months ended March 31, 2022 compared with the three months ended March 31, 2021. As a percentage of sales, loss from operations was 3.6% for the three months ended March 31, 2022 compared to income from operations of 3.4% for the three months ended March 31, 2021.

Other Income and Expense

Other income was $679,437 for the three months ended March 31, 2022 compared to other expense of $1,304,233 for the three months ended March 31, 2021. This represents an increase of $1,938,670 with an increase of $2,068,460 on a constant currency basis. The increase is primarily due to the foreign currency exchange transactions. The majority of the contracts with NetSol PK are either in U.S. dollars or Euros; therefore, the currency fluctuations will lead to foreign currency exchange gains or losses depending on the value of the PKR compared to the U.S. dollar and the Euro. During the three months ended March 31, 2022, we recognized a gain of $499,516 in foreign currency exchange transactions compared to a loss of $1,825,349 for the three months ended March 31, 2021. During the three months ended March 31, 2022, the value of the U.S. dollar and the Euro increased 3.2% and 1.2%, respectively, compared to the PKR. During the three months ended March 31, 2021, the value of the U.S. dollar and the Euro decreased 4.5% and 8.7%, respectively, compared to the PKR.

Non-controlling Interest

For the three months ended March 31, 2022, the net income attributable to non-controlling interest was $260,998, compared to net loss of $351,939 for the three months ended March 31, 2021. The increase in non-controlling interest is primarily due to the increase in net income of NetSol PK.

Net loss attributable to NetSol

Net loss was $278,470 for the three months ended March 31, 2022 compared to a net loss of $623,231 for the three months ended March 31, 2021. This is a decrease of $344,761 with a decrease of $152,119 on a constant currency basis, compared to the prior year. For the three months ended March 31, 2022, net loss per share was $0.02 for basic and diluted shares compared to a net loss per share of $0.05 for basic and diluted shares for the three months ended March 31, 2021.

Nine Months Ended March 31, 2022 Compared to the Nine Months Ended March 31, 2021

The following table sets forth the items in our unaudited condensed consolidated statement of operations for the nine months ended March 31, 2022 and 2021 as a percentage of revenues.

	For the Nine Months Ended March 31,			
	2022	%	2021	%
Net Revenues:				
License fees	$ 3,586,874	8.2%	$ 4,710,942	11.9%
Subscription and support	22,159,798	50.7%	16,571,441	41.9%
Services	17,956,877	41.1%	18,270,451	46.2%
Total net revenues	43,703,549	100.0%	39,552,834	100.0%
Cost of revenues:				
Salaries and consultants	18,081,225	41.4%	15,193,613	38.4%
Travel	753,698	1.7%	414,001	1.0%
Depreciation and amortization	2,236,190	5.1%	2,180,766	5.5%
Other	3,712,256	8.5%	2,915,122	7.4%
Total cost of revenues	24,783,369	56.7%	20,703,502	52.3%
Gross profit	18,920,180	43.3%	18,849,332	47.7%
Operating expenses:				
Selling and marketing	5,502,028	12.6%	4,763,598	12.0%
Depreciation and amortization	633,481	1.4%	715,437	1.8%
General and administrative	11,548,097	26.4%	11,353,933	28.7%
Research and development cost	761,621	1.7%	431,086	1.1%
Total operating expenses	18,445,227	42.2%	17,264,054	43.6%
Income from operations	474,953	1.1%	1,585,278	4.0%
Other income and (expenses)				
Gain (loss) on sale of assets	(181,955)	-0.4%	(127,285)	-0.3%
Interest expense	(277,737)	-0.6%	(296,224)	-0.7%
Interest income	1,123,547	2.6%	643,654	1.6%
Gain (loss) on foreign currency exchange transactions	2,684,680	6.1%	(1,515,327)	-3.8%
Share of net loss from equity investment	(317,581)	-0.7%	(232,488)	-0.6%
Other income	(7,599)	0.0%	654,395	1.7%
Total other income (expenses)	3,023,355	6.9%	(873,275)	-2.2%
Net income before income taxes	3,498,308	8.0%	712,003	1.8%
Income tax provision	(526,737)	-1.2%	(642,884)	-1.6%
Net income	2,971,571	6.8%	69,119	0.2%
Non-controlling interest	(1,655,287)	-3.8%	(216,900)	-0.5%
Net income (loss) attributable to NetSol	$ 1,316,284	3.0%	$ (147,781)	-0.4%

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

	For the Nine Months Ended March 31,				Favorable (Unfavorable) Change in Constant Currency	Favorable (Unfavorable) Change due to Currency Fluctuation	Total Favorable (Unfavorable) Change as Reported
	2022	%	2021	%			
Net Revenues:	$ 43,703,549	100.0%	$ 39,552,834	100.0%	$ 5,511,689	$ (1,360,974)	$ 4,150,715
Cost of revenues:	24,783,369	56.7%	20,703,502	52.3%	(5,115,333)	1,035,466	(4,079,867)
Gross profit	18,920,180	43.3%	18,849,332	47.7%	396,356	(325,508)	70,848
Operating expenses:	18,445,227	42.2%	17,264,054	43.6%	(1,647,183)	466,010	(1,181,173)
Income (loss) from operations	$ 474,953	1.1%	$ 1,585,278	4.0%	$ (1,250,827)	$ 140,502	$ (1,110,325)

Net revenues for the nine months ended March 31, 2022 and 2021 are broken out among the segments as follows:

	2022		2021	
	Revenue	%	Revenue	%
North America	$ 3,104,433	7.1%	$ 2,837,445	7.2%
Europe	7,483,911	17.1%	8,627,042	21.8%
Asia-Pacific	33,115,205	75.8%	28,088,347	71.0%
Total	$ 43,703,549	100.0%	$ 39,552,834	100.0%

Revenues

License fees

License fees for the nine months ended March 31, 2022 were $3,586,874 compared to $4,710,942 for the nine months ended March 31, 2021 reflecting a decrease of $1,124,068 with a change in constant currency of $774,842. During the nine months ended March 31, 2022, we recognized approximately $3,039,000 related to a new agreement with DTFS for the sale of both our legacy and Ascent product® for their new business segment in the Japanese, Australian and South African markets and $465,000 from the DFS contract. During the nine months ended March 31, 2021, we recognized approximately $2,410,000 related to a new agreement with an existing tier one finance company in China to upgrade to our NFS Ascent® Retail and Wholesale platforms and approximately $2,100,000 related to an agreement with an existing tier one finance company in Thailand.

Subscription and support

Subscription and support fees for the nine months ended March 31, 2022 were $22,159,798 compared to $16,571,441 for the nine months ended March 31, 2021 reflecting an increase of $5,588,357 with a change in constant currency of $6,404,824. The major increase is related to the revised ceiling amount for post contract support due to the software customizations related to the DFS contract. The Company recorded a one-time post contract support revenue of approximately $3,480,000 using the catch-up approach during the nine months ended March 31, 2022. In addition, the Company will recognize approximately $7,931,000 of additional subscription and support revenue over the remaining four years of the contract. Subscription and support fees begin once a customer has “gone live” with our product. Subscription and support fees are recurring in nature, and we anticipate these fees to gradually increase as we implement both our NFS legacy products and NFS Ascent®.

Services

Services income for the nine months ended March 31, 2022 was $17,956,877 compared to $18,270,451 for the nine months ended March 31, 2021 reflecting a decrease of $313,574 with a decrease in constant currency of $118,293. The decrease is not material and is due to timing of implementation services and change requests. Services revenue is derived from services provided to both current customers as well as services provided to new customers as part of the implementation process.

Gross Profit

The gross profit was $18,920,180, for the nine months ended March 31, 2022 as compared with $18,849,332 for the nine months ended March 31, 2021. This is an increase of $70,848 with a change in constant currency of $396,356. The gross profit percentage for the nine months ended March 31, 2022 decreased to 43.3% from 47.7% for the nine months ended March 31, 2021. The cost of sales was $24,783,369 for the nine months ended March 31, 2022 compared to $20,703,502 for the nine months ended March 31, 2021 for an increase of $4,079,867 and on a constant currency basis an increase of $5,115,333. As a percentage of sales, cost of sales increased from 52.3% for the nine months ended March 31, 2021 to 56.7% for the nine months ended March 31, 2022.

Salaries and consultant fees increased by $2,887,612 from $15,193,613 for the nine months ended March 31, 2021 to $18,081,225 for the nine months ended March 31, 2022 and on a constant currency basis increased by $3,644,636. The increase is due to increases in salaries that had been decreased as part of our cost savings measure due to the COVID-19 pandemic last year, annual salary raises, and new hirings. As a percentage of sales, salaries and consultant expense increased from 38.4% for the nine months ended March 31, 2021 to 41.4% for the nine months ended March 31, 2022.

Travel expense was $753,698 for the nine months ended March 31, 2022 compared to $414,001 for the nine months ended March 31, 2021 for an increase of $339,697 with an increase in constant currency of $361,876. The increase in travel expense is due to the increase in travel as countries begin lifting travel restrictions.

Depreciation and amortization expense increased to $2,236,190 compared to $2,180,766 for the nine months ended March 31, 2021 or an increase of $55,424 and on a constant currency basis an increase of $192,071.

Other cost increased to $3,712,256 for the nine months ended March 31, 2022 compared to $2,915,122 for the nine months ended March 31, 2021 or an increase of $797,134 and on a constant currency basis an increase of $916,750. The increase is mainly due to a one time hosting cost of $302,000 and increases in repair and maintenance cost and computer cost.

Operating Expenses

Operating expenses were $18,445,227 for the nine months ended March 31, 2022 compared to $17,264,054, for the nine months ended March 31, 2021 for an increase of 6.8% or $1,181,173 and on a constant currency basis an increase of 9.5% or $1,647,183. As a percentage of sales, it decreased from 43.7% to 42.2%. The increase in operating expenses was primarily due to increases in selling expenses, general and administrative expenses and research and development costs.

Selling expenses were $5,502,028 for the nine months ended March 31, 2022 compared to $4,763,598, for the nine months ended March 31, 2021 for an increase of $738,430 and on a constant currency basis an increase of $949,864.

General and administrative expenses were $11,548,097 for the nine months ended March 31, 2022 compared to $11,353,933 at March 31, 2021 for an increase of $194,164 or 1.7% and on a constant currency basis an increase of $383,805 or 3.4%. During the nine months ended March 31, 2022, salaries increased by approximately $90,956 or $238,165 on a constant currency basis, and professional services increased approximately $155,897 or $151,683 on a constant currency basis and other general and administrative expenses decreased approximately $339,949 or $296,216 on a constant currency basis.

Research and development cost was $761,621 for the nine months ended March 31, 2022 compared to $431,086, for the nine months ended March 31, 2021 for an increase of $330,535 and on a constant currency basis an increase of $379,867.

Income from Operations

Income from operations was $474,953 for the nine months ended March 31, 2022 compared to $1,585,278 for the nine months ended March 31, 2021. This represents a decrease of $1,110,325 with a decrease of $1,250,827 on a constant currency basis for the nine months ended March 31, 2022 compared with the nine months ended March 31, 2021. As a percentage of sales, income from operations was 1.1% for the nine months ended March 31, 2022 compared to income from operations of 4.0% for the nine months ended March 31, 2021.

Other Income and Expense

Other income was $3,023,355 for the nine months ended March 31, 2022 compared to other expense of $873,275 for the nine months ended March 31, 2021. This represents an increase of $3,896,630 with an increase of $4,046,106 on a constant currency basis. The increase is primarily due to the foreign currency exchange transactions. The majority of the contracts with NetSol PK are either in U.S. dollars or Euros; therefore, the currency fluctuations will lead to foreign currency exchange gains or losses depending on the value of the PKR compared to the U.S. dollar and the Euro. During the nine months ended March 31, 2022, we recognized a gain of $2,684,680 in foreign currency exchange transactions compared to a loss of $1,515,327 for the nine months ended March 31, 2021. During the nine months ended March 31, 2022, the value of the U.S. dollar and the Euro increased 15.9% and 8.5%, respectively, compared to the PKR. During the nine months ended March 31, 2021, the value of the U.S. dollar and the Euro decreased 8.0% and 1.9%, respectively, compared to the PKR.

Non-controlling Interest

For the nine months ended March 31, 2022, the net income attributable to non-controlling interest was $1,655,287, compared to $216,900 for the nine months ended March 31, 2021. The increase in non-controlling interest is primarily due to the increase in net income of NetSol PK.

Net Income (loss) attributable to NetSol

Net income was $1,316,284 for the nine months ended March 31, 2022 compared to a net loss of $147,781 for the nine months ended March 31, 2021. This is an increase of $1,464,065 with an increase of $1,265,521 on a constant currency basis, compared to the prior year. For the nine months ended March 31, 2022, net income per share was $0.12 for basic and diluted shares compared to a net loss per share of $0.01 for basic and diluted shares for the nine months ended March 31, 2021.

Non-GAAP Financial Measures

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

We define the non-GAAP measures as follows:

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

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

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

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

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

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

Our reconciliation of the non-GAAP financial measures of adjusted EBITDA and non-GAAP earnings per basic and diluted share to the most comparable GAAP measures for the three and nine months ended March 31, 2022 and 2021 are as follows:

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021	For the Nine Months Ended March 31, 2022	For the Nine Months Ended March 31, 2021
Net Income (loss) attributable to NetSol	$ (278,470)	$ (623,231)	$ 1,316,284	$ (147,781)
Non-controlling interest	260,998	(351,939)	1,655,287	216,900
Income taxes	157,604	133,156	526,737	642,884
Depreciation and amortization	947,933	1,031,843	2,869,671	2,896,203
Interest expense	85,916	98,656	277,737	296,224
Interest (income)	(364,161)	(231,979)	(1,123,547)	(643,654)
EBITDA	$ 809,820	$ 56,506	$ 5,522,169	$ 3,260,776
Add back:				
Non-cash stock-based compensation	49,933	74,169	78,225	239,333
Adjusted EBITDA, gross	$ 859,753	$ 130,675	$ 5,600,394	$ 3,500,109
Less non-controlling interest (a)	(500,805)	66,659	(2,382,721)	(1,074,038)
Adjusted EBITDA, net	$ 358,948	$ 197,334	$ 3,217,673	$ 2,426,071
Weighted Average number of shares outstanding				
Basic	11,249,606	11,343,406	11,249,449	11,571,878
Diluted	11,249,606	11,343,406	11,249,449	11,571,878
Basic adjusted EBITDA	$ 0.03	$ 0.02	$ 0.29	$ 0.21
Diluted adjusted EBITDA	$ 0.03	$ 0.02	$ 0.29	$ 0.21
(a)The reconciliation of adjusted EBITDA of non-controlling interest to net income attributable to non-controlling interest is as follows				
Net Income (loss) attributable to non-controlling interest	$ 260,998	$ (351,939)	$ 1,655,287	$ 216,900
Income Taxes	45,427	34,867	159,854	127,749
Depreciation and amortization	279,055	283,716	840,508	812,816
Interest expense	25,764	29,585	81,846	89,929
Interest (income)	(117,417)	(71,440)	(362,146)	(204,604)
EBITDA	$ 493,827	$ (75,211)	$ 2,375,349	$ 1,042,790
Add back:				
Non-cash stock-based compensation	6,978	8,552	7,372	31,248
Adjusted EBITDA of non-controlling interest	$ 500,805	$ (66,659)	$ 2,382,721	$ 1,074,038

LIQUIDITY AND CAPITAL RESOURCES

Our cash position was $30,573,312 at March 31, 2022, compared to $33,705,154 at June 30, 2021.

Net cash provided by operating activities was $5,525,951 for the nine months ended March 31, 2022 compared to $10,387,344 for the nine months ended March 31, 2021. At March 31, 2022, we had current assets of $55,103,247 and current liabilities of $23,595,149. We had accounts receivable of $7,054,468 at March 31, 2022 compared to $4,184,096 at June 30, 2021. We had revenues in excess of billings of $15,604,587 at March 31, 2022 compared to $15,637,734 at June 30, 2021 of which $993,862 and $957,603 is shown as long term as of March 31, 2022 and June 30, 2021, respectively. The long-term portion was discounted by $38,333 and $66,779 at March 31, 2022 and June 30, 2021, respectively, using the discounted cash flow method with interest rates ranging from 4.65% to 6.25%. During the nine months ended March 31, 2022, our revenues in excess of billings were reclassified to accounts receivable pursuant to billing requirements detailed in each contract. The combined totals for accounts receivable and revenues in excess of billings increased by $2,837,225 from $19,821,830 at June 30, 2021 to $22,659,055 at March 31, 2022. Accounts payable and accrued expenses, and current portions of loans and lease obligations amounted to $6,317,127 and $9,622,669, respectively at March 31, 2022. Accounts payable and accrued expenses, and current portions of loans and lease obligations amounted to $6,696,035 and $11,366,171, respectively at June 30, 2021.

The average days sales outstanding for the nine months ended March 31, 2022 and 2021 were 133 and 183 days, respectively, for each period. The days sales outstanding have been calculated by taking into consideration the average combined balances of accounts receivable and revenues in excess of billings.

Net cash used in investing activities was $1,359,605 for the nine months ended March 31, 2022, compared to $2,133,265 for the nine months ended March 31, 2021. We had purchases of property and equipment of $1,680,856 compared to $2,109,058 for the nine months ended March 31, 2021. For the nine months ended March 31, 2021, we invested $155,000, in Drivemate.

Net cash used in financing activities was $833,103 for the nine months ended March 31, 2022, compared to $488,572 for the nine months ended March 31, 2021. For the nine months ended March 31, 2022, we purchased 22,510 shares of our own stock for $100,106 compared to the purchase of 603,688 shares for $2,064,800 for the same period last year. The nine months ended March 31, 2022 included the cash inflow of $312,467 from bank proceeds compared to $2,109,572 for the same period last year. During the nine months ended March 31, 2022, we had net payments for bank loans and finance leases of $1,045,464 compared to $533,344 for the nine months ended March 31, 2021. We are operating in various geographical regions of the world through our various subsidiaries. Those subsidiaries have financial arrangements from various financial institutions to meet both their short and long-term funding requirements. These loans will become due at different maturity dates as described in Note 15 of the financial statements. We are in compliance with the covenants of the financial arrangements and there is no default, which may lead to early payment of these obligations. We anticipate paying back all these obligations on their respective due dates from its own sources.

We typically fund the cash requirements for our operations in the U.S. through our license, services, and subscription and support agreements, intercompany charges for corporate services, and through the exercise of options and warrants. As of March 31, 2022, we had approximately $30.6 million of cash, cash equivalents and marketable securities of which approximately $29.3 million is held by our foreign subsidiaries. As of June 30, 2021, we had approximately $33.7 million of cash, cash equivalents and marketable securities of which approximately $31.7 million was held by our foreign subsidiaries.

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

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

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

Financial Covenants

Our UK based subsidiary, NTE, has an approved overdraft facility of £300,000 ($394,737) which requires that the aggregate amount of invoiced trade debtors (net of provisions for bad and doubtful debts and excluding intra-group debtors) of NTE, not exceeding 90 days old, will not be less than an amount equal to 200% of the facility. The Pakistani subsidiary, NetSol PK has an approved facility for export refinance from Askari Bank Limited amounting to Rupees 500 million ($2,728,811) and a running finance facility of Rupees 75 million ($409,322). NetSol PK has an approved facility for export refinance from another Habib Metro Bank Limited amounting to Rupees 900 million ($4,911,859). These facilities require NetSol PK to maintain a long-term debt equity ratio of 60:40 and the current ratio of 1:1. NetSol PK also has an approved export refinance facility of Rs. 380 million ($2,073,896) and a running finance facility of Rs. 120 million ($654,915) from Samba Bank Limited. During the tenure of loan, these two facilities require NetSol PK to maintain at a minimum a current ratio of 1:1, an interest coverage ratio of 4 times, a leverage ratio of 2 times, and a debt service coverage ratio of 4 times.

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

CRITICAL ACCOUNTING POLICIES

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

RECENT ACCOUNTING PRONOUNCEMENTS

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

Item 3. Quantitative and Qualitative Disclosures about Market Risks.

None.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting during the three months ended March 31, 2022, that have materially affected, or are reasonable likely to materially affect, the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)).

PART II OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

None.

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

The repurchases provided in the table below were made through the quarter ended March 31, 2022:

Issuer Purchases of Equity Securities (1)

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

(1) The Board of Directors approved a repurchase of shares up to $2,000,000 on July 30, 2020. All shares permitted to be purchased under this July 2020 plan were purchased during the plan's original date and prior to the conclusion of the extension of the plan. On May 21, 2021, the Board of Directors authorized an additional repurchase plan of up to $2,000,000 worth of shares of common stock. The plan was authorized commencing May 21, 2021 through November 20, 2021 subject to an additional nine months extension at the discretion of management. As of March 31, 2022, the total number of shares that could be purchased under both plans was 849,256. The actual maximum number of shares will vary depending on the actual price paid per share purchased.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CEO)
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CFO)
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CEO)
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CFO)
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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 12, 2022	*/s/ Najeeb U. Ghauri* NAJEEB U. GHAURI Chief Executive Officer
Date: May 12, 2022	*/s/ Roger K. Almond* ROGER K. ALMOND Chief Financial Officer Principal Accounting Officer

Exhibit 31.1

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

I, Najeeb Ghauri, certify that:

(1) I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2022 of NetSol Technologies, Inc., ("Registrant").

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

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

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

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

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

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

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

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

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

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

Date: May 12, 2022

/s/ Najeeb Ghauri

Najeeb Ghauri,
Chief Executive Officer
Principal executive officer

Exhibit 31.2

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

I, Roger K. Almond, certify that:

(1) I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2022 of NetSol Technologies, Inc., (“Registrant”).

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

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

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

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

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

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

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

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

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

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

Date: May 12, 2022

/s/ Roger K. Almond

Roger K. Almond
Chief Financial Officer
Principal Accounting Officer

Exhibit 32.1

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

In connection with the Quarterly Report of NetSol Technologies, Inc. on Form 10-Q for the period ending March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Najeeb Ghauri, Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: May 12, 2022

/s/ Najeeb Ghauri

Najeeb Ghauri,
Chief Executive Officer
Principal Executive Officer

Exhibit 32.2

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

In connection with the Quarterly Report of NetSol Technologies, Inc. on Form 10-Q for the period ending March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Roger K. Almond, Chief Financial Officer, and Principal Accounting Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: May 12, 2022

/s/ Roger K. Almond

Roger K. Almond
Chief Financial Officer
Principal Accounting Officer