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, 2024

☐ 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.)

16000 Ventura Blvd., Suite 770, Encino, CA 91436
(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 12,344,271 shares issued and 11,405,240 outstanding of its $.01 par value Common Stock and no Preferred Stock outstanding as of May 17, 2024.

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, 2024	As of June 30, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,338,642	$ 15,533,254
Accounts receivable, net of allowance of $414,745 and $420,354	15,826,210	11,714,422
Revenues in excess of billings, net of allowance of $116,023 and $1,380,141	15,659,806	12,377,677
Other current assets	2,398,403	1,978,514
Total current assets	46,223,061	41,603,867
Revenues in excess of billings, net - long term	752,582	-
Property and equipment, net	5,505,609	6,161,186
Right of use assets - operating leases	1,490,669	1,151,575
Other assets	32,341	32,327
Intangible assets, net	-	127,931
Goodwill	9,302,524	9,302,524
Total assets	$ 63,306,786	$ 58,379,410
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 6,707,937	$ 6,552,181
Current portion of loans and obligations under finance leases	6,047,511	5,779,510
Current portion of operating lease obligations	635,168	505,237
Unearned revenue	9,503,548	7,932,306
Total current liabilities	22,894,164	20,769,234
Loans and obligations under finance leases; less current maturities	130,381	176,229
Operating lease obligations; less current maturities	837,756	652,194
Total liabilities	23,862,301	21,597,657
Stockholders' equity:		
Preferred stock, $.01 par value; 500,000 shares authorized;	-	-
Common stock, $.01 par value; 14,500,000 shares authorized; 12,344,271 shares issued and 11,405,240 outstanding as of March 31, 2024, 12,284,887 shares issued and 11,345,856 outstanding as of June 30, 2023	123,445	122,850
Additional paid-in-capital	128,736,328	128,476,048
Treasury stock (at cost, 939,031 shares as of March 31, 2024 and June 30, 2023)	(3,920,856)	(3,920,856)
Accumulated deficit	(44,129,431)	(44,896,186)
Other comprehensive loss	(45,505,920)	(45,975,156)
Total NetSol stockholders' equity	35,303,566	33,806,700
Non-controlling interest	4,140,919	2,975,053
Total stockholders' equity	39,444,485	36,781,753
Total liabilities and stockholders' equity	$ 63,306,786	$ 58,379,410

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,	
	2024	2023	2024	2023
Net Revenues:				
License fees	$ 558,340	$ 1,982,985	$ 4,829,242	$ 2,248,829
Subscription and support	7,140,358	6,656,082	20,480,382	19,175,585
Services	7,765,818	4,867,322	19,635,014	17,178,452
Total net revenues	15,464,516	13,506,389	44,944,638	38,602,866
Cost of revenues	7,989,696	8,801,360	24,132,064	26,503,377
Gross profit	7,474,820	4,705,029	20,812,574	12,099,489
Operating expenses:				
Selling, general and administrative	5,811,335	5,333,202	17,051,798	16,727,836
Research and development cost	345,582	302,262	1,065,412	1,244,793
Total operating expenses	6,156,917	5,635,464	18,117,210	17,972,629
Income (loss) from operations	1,317,903	(930,435)	2,695,364	(5,873,140)
Other income and (expenses)				
Interest expense	(289,677)	(188,137)	(856,016)	(512,110)
Interest income	376,466	263,794	1,259,464	1,005,557
Gain (loss) on foreign currency exchange transactions	(963,887)	5,385,591	(1,112,757)	7,358,519
Share of net loss from equity investment	-	2,377	-	7,510
Other income (expense)	21,634	(62,941)	22,210	57,383
Total other income (expenses)	(855,464)	5,400,684	(687,099)	7,916,859
Net income before income taxes	462,439	4,470,249	2,008,265	2,043,719
Income tax provision	(146,569)	(227,718)	(418,517)	(641,122)
Net income	315,870	4,242,531	1,589,748	1,402,597
Non-controlling interest	11,679	(1,697,908)	(822,993)	(1,571,629)
Net income (loss) attributable to NetSol	$ 327,549	$ 2,544,623#	$ 766,755	$ (169,032)
Net income (loss) per share:				
Net income (loss) per common share				
Basic	$ 0.03	$ 0.23	$ 0.07	$ (0.01)
Diluted	$ 0.03	$ 0.23	$ 0.07	$ (0.01)
Weighted average number of shares outstanding				
Basic	11,390,888	11,283,954	11,369,778	11,270,466
Diluted	11,430,493	11,283,954	11,409,383	11,270,466

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,	
	2024	2023	2024	2023
Net income (loss)	$ 327,549	$ 2,544,623	$ 766,755	$ (169,032)
Other comprehensive income (loss):				
Translation adjustment	441,993	(7,628,982)	812,109	(11,428,326)
Translation adjustment attributable to non-controlling interest	(77,604)	2,447,328	(342,873)	3,598,417
Net translation adjustment	364,389	(5,181,654)	469,236	(7,829,909)
Comprehensive income (loss) attributable to NetSol	$ 691,938	$ (2,637,031)	$ 1,235,991	$ (7,998,941)

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, 2024 is provided below:

	Common Stock		Additional Paid-in Capital	Treasury Shares	Accumulated Deficit	Other Compre-hensive Loss	Non Controlling Interest	Total Stockholders' Equity
	Shares	Amount						
Balance at December 31, 2023	12,329,919	$ 123,301	$ 128,587,384	$ (3,920,856)	$ (44,456,980)	$ (45,870,309)	$ 4,074,994	$ 38,537,534
Common stock issued for: Services	14,352	144	39,606	-	-	-	-	39,750
Fair value of options issued	-	-	101,424	-	-	-	-	101,424
Fair value of subsidiary options issued	-	-	7,914	-	-	-	-	7,914
Foreign currency translation adjustment	-	-	-	-	-	364,389	77,604	441,993
Net income (loss) for the year	-	-	-	-	327,549	-	(11,679)	315,870
Balance at March 31, 2024	12,344,271	$ 123,445	$ 128,736,328	$ (3,920,856)	$ (44,129,431)	$ (45,505,920)	$ 4,140,919	$ 39,444,485

A statement of the changes in equity for the three months ended December 31, 2023 is provided below:

	Common Stock		Additional Paid-in Capital	Treasury Shares	Accumulated Deficit	Other Compre-hensive Loss	Non Controlling Interest	Total Stockholders' Equity
	Shares	Amount						
Balance at September 30, 2023	12,311,850	$ 123,120	$ 128,536,132	$ (3,920,856)	$ (44,865,296)	$ (46,411,702)	$ 3,201,723	$ 36,663,121
Common stock issued for: Services	18,069	181	39,569	-	-	-	-	39,750
Fair value of subsidiary options issued	-	-	11,683	-	-	-	-	11,683
Foreign currency translation adjustment	-	-	-	-	-	541,393	298,772	840,165
Net income (loss) for the year	-	-	-	-	408,316	-	574,499	982,815
Balance at December 31, 2023	12,329,919	$ 123,301	$ 128,587,384	$ (3,920,856)	$ (44,456,980)	$ (45,870,309)	$ 4,074,994	$ 38,537,534

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, 2023 is provided below:

	Common Stock		Additional Paid-in Capital	Treasury Shares	Accumulated Deficit	Other Compre-hensive Loss	Non Controlling Interest	Total Stockholders' Equity
	Shares	Amount						
Balance at June 30, 2023	12,284,887	$ 122,850	$ 128,476,048	$ (3,920,856)	$ (44,896,186)	$ (45,975,156)	$ 2,975,053	$ 36,781,753
Common stock issued for: Services	26,963	270	48,530	-	-	-	-	48,800
Fair value of subsidiary options issued	-	-	11,554	-	-	-	-	11,554
Foreign currency translation adjustment	-	-	-	-	-	(436,546)	(33,503)	(470,049)
Net income (loss) for the year	-	-	-	-	30,890	-	260,173	291,063
Balance at September 30, 2023	12,311,850	$ 123,120	$ 128,536,132	$ (3,920,856)	$ (44,865,296)	$ (46,411,702)	$ 3,201,723	$ 36,663,121

A statement of the changes in equity for the three months ended March 31, 2023 is provided below:

	Common Stock		Additional Paid-in Capital	Treasury Shares	Accumulated Deficit	Other Compre-hensive Loss	Non Controlling Interest	Total Stockholders' Equity
	Shares	Amount						
Balance at December 31, 2022	12,222,985	$ 122,231	$ 128,484,714	$ (3,920,856)	$ (42,366,093)	$ (42,011,340)	$ 4,052,456	$ 44,361,112
Common stock issued for: Services	15,057	151	39,599	-	-	-	-	39,750
Fair value of subsidiary options issued	-	-	12,642	-	-	-	-	12,642
Foreign currency translation adjustment	-	-	-	-	-	(5,181,654)	(2,447,328)	(7,628,982)
Net income (loss) for the year	-	-	-	-	2,544,623	-	1,697,908	4,242,531
Balance at March 31, 2023	12,238,042	$ 122,382	$ 128,536,955	$ (3,920,856)	$ (39,821,470)	$ (47,192,994)	$ 3,303,036	$ 41,027,053

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, 2022 is provided below:

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Shares	Accumulated Deficit	Other Compre-hensive Loss	Non Controlling Interest	Total Stockholders' Equity
Balance at September 30, 2022	12,209,230	$ 122,093	$ 128,420,519	$ (3,920,856)	$ (40,273,167)	$ (42,281,135)	$ 4,279,113	$ 46,346,567
Common stock issued for: Services	13,755	138	39,612	-	-	-	-	39,750
Fair value of subsidiary options issued	-	-	24,583	-	-	-	-	24,583
Foreign currency translation adjustment	-	-	-	-	-	269,795	82,380	352,175
Net income (loss) for the year	-	-	-	-	(2,092,926)	-	(309,037)	(2,401,963)
Balance at December 31, 2022	12,222,985	$ 122,231	$ 128,484,714	$ (3,920,856)	$ (42,366,093)	$ (42,011,340)	$ 4,052,456	$ 44,361,112

A statement of the changes in equity for the three months ended September 30, 2022 is provided below:

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Shares	Accumulated Deficit	Other Compre-hensive Loss	Non Controlling Interest	Total Stockholders' Equity
Balance at June 30, 2022	12,196,570	$ 121,966	$ 128,218,247	$ (3,920,856)	$ (39,652,438)	$ (39,363,085)	$ 5,450,389	$ 50,854,223
Common stock issued for: Services	12,660	127	39,623	-	-	-	-	39,750
Adjustment in APIC for change in subsidiary shares to non-controlling interest	-	-	120,565	-	-	-	(120,565)	-
Fair value of subsidiary options issued	-	-	42,084	-	-	-	-	42,084
Foreign currency translation adjustment	-	-	-	-	-	(2,918,050)	(1,233,469)	(4,151,519)
Net income (loss) for the year	-	-	-	-	(620,729)	-	182,758	(437,971)
Balance at September 30, 2022	12,209,230	$ 122,093	$ 128,420,519	$ (3,920,856)	$ (40,273,167)	$ (42,281,135)	$ 4,279,113	$ 46,346,567

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,	
	2024	2023
Cash flows from operating activities:		
Net income	$ 1,589,748	$ 1,402,597
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,351,239	2,519,469
Provision for bad debts	9,739	7,648
Share of net (gain) loss from investment under equity method	-	(7,510)
(Gain) loss on sale of assets	(1,154)	56,494
Stock based compensation	260,875	198,559
Changes in operating assets and liabilities:		
Accounts receivable	(3,922,773)	(1,855,899)
Revenues in excess of billing	(3,904,609)	240,324
Other current assets	(1,525)	(621,731)
Accounts payable and accrued expenses	77,541	1,321,289
Unearned revenue	938,242	(696,621)
Net cash provided by (used in) operating activities	(3,602,677)	2,564,619
Cash flows from investing activities:		
Purchases of property and equipment	(948,337)	(1,575,059)
Sales of property and equipment	125,886	153,402
Net cash used in investing activities	(822,451)	(1,421,657)
Cash flows from financing activities:		
Proceeds from bank loans	340,847	270,292
Payments on finance lease obligations and loans - net	(307,235)	(787,641)
Net cash provided by (used in) financing activities	33,612	(517,349)
Effect of exchange rate changes	1,196,904	(9,329,913)
Net decrease in cash and cash equivalents	(3,194,612)	(8,704,300)
Cash and cash equivalents at beginning of the period	15,533,254	23,963,797
Cash and cash equivalents at end of period	$ 12,338,642	$ 15,259,497

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,	
	2024	2023
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the period for:		
Interest	$ 1,100,101	$ 378,720
Taxes	$ 522,633	$ 706,658
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Assets acquired under finance lease	$ 122,045	$ -

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, 2023. The Company follows the same accounting policies in preparation of interim reports. Results of operations for the interim periods are not indicative of annual results.

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

Wholly owned Subsidiaries

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

Majority-owned Subsidiaries

NetSol Technologies, Ltd. ("NetSol PK")
NetSol Innovation (Private) Limited ("NetSol Innovation")
NETSOL Ascent Middle East Computer Equipment Trading LLC ("Namecet")
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 ($69,252) in each bank and in the UK for GBP 85,000 ($107,595) in each bank. The Company maintains three bank accounts in China and nine bank accounts in the UK. As of March 31, 2024, and June 30, 2023, the Company had uninsured deposits related to cash deposits in accounts maintained within foreign entities of approximately $11,779,289 and $13,524,518, 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 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, 2024, were as follows:

	Level 1	Level 2	Level 3	Total Assets
Revenues in excess of billings - long term	$ -	$ -	$ 752,582	$ 752,582
Total	$ -	$ -	$ 752,582	$ 752,582

The Company did not have any financial assets that were measured at fair value on a recurring basis at June 30, 2023.

The reconciliation from June 30, 2023 to March 31, 2024 is as follows:

	Revenues in excess of billings - long term	Fair value discount	Total
Balance at June 30, 2023	$ -	$ -	$ -
Additions	827,853	(103,958)	723,895
Amortization during the period	-	30,773	30,773
Effect of Translation Adjustment	(1,404)	(682)	(2,086)
Balance at March 31, 2024	$ 826,449	$ (73,867)	$ 752,582

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:

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, and was adopted by the Company on July 1, 2023. The adoption of the new standard did not have a material impact on the Company's consolidated financial statements.

In August 2023, the FASB issued ASU 2023-05, "Business Combinations – Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement. ASU 2023-05 provides decision-useful information to a joint venture's investors and reduces diversity in practice by requiring that a joint venture apply a new basis of accounting upon formation. As a result, a newly formed joint venture, upon formation, would initially measure its assets and liabilities at fair value (with exceptions to fair value measurement that are consistent with the business combinations guidance). ASU 2023-05 is effective prospectively for all joint ventures with a formation date on or after January 1, 2025, and early adoption is 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, most 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,	
	2024	2023	2024	2023
Core:				
License	$ 558,340	$ 1,982,985	$ 4,829,242	$ 2,248,829
Subscription and support	7,140,358	6,656,082	20,480,382	19,175,585
Services	6,477,849	3,869,444	15,566,480	14,109,271
Total core revenue, net	14,176,547	12,508,511	40,876,104	35,533,685
Non-Core:				
Services	1,287,969	997,878	4,068,534	3,069,181
Total non-core revenue, net	1,287,969	997,878	4,068,534	3,069,181
Total net revenue	$ 15,464,516	$ 13,506,389	$ 44,944,638	$ 38,602,866

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 (unearned 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 unearned 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, 2024	As of June 30, 2023
Revenues in excess of billings	$ 16,412,388	$ 12,377,677
Unearned revenue	$ 9,503,548	$ 7,932,306

The Company's unearned revenue reconciliation is as follows:

	Unearned Revenue
Balance at June 30, 2023	$ 7,932,306
Invoiced	18,714,384
Revenue Recognized	(17,213,051)
Adjustments	69,909
Balance at March 31, 2024	$ 9,503,548

During the three and nine months ended March 31, 2024, the Company recognized revenue of $620,000 and $7,074,000 that was included in the unearned revenue balance at the beginning of the period. All other activity in unearned 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 $36,014,000 as of March 31, 2024, of which the Company estimates to recognize approximately $24,225,000 in revenue over the next 12 months and the remainder over an estimated 3 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.

	For the three months ended March 31, 2024			For the nine months ended March 31, 2024		
	Net Income	**Shares**	**Per Share**	**Net Income**	**Shares**	**Per Share**
Basic income (loss) per share:						
Net income (loss) available to common shareholders	$ 327,549	11,390,888	$ 0.03	$ 766,755	11,369,778	$ 0.07
Effect of dilutive securities						
Stock options	-	39,605	-	-	39,605	-
Diluted income (loss) per share	$ 327,549	11,430,493	$ 0.03	$ 766,755	11,409,383	$ 0.07

	For the three months ended March 31, 2023			For the nine months ended March 31, 2023		
	Net Income	**Shares**	**Per Share**	**Net Loss**	**Shares**	**Per Share**
Basic income (loss) per share:						
Net income (loss) available to common shareholders	$ 2,544,623	11,283,954	$ 0.23	$ (169,032)	11,270,466	$ (0.01)
Effect of dilutive securities						
Stock options	-	-	-	-	-	-
Diluted income (loss) per share	$ 2,544,623	11,283,954	$ 0.23	$ (169,032)	11,270,466	$ (0.01)

NOTE 5 – OTHER COMPREHENSIVE INCOME AND FOREIGN CURRENCY

The following table represents the functional currencies of the Company and its subsidiaries:

The Company and Subsidiaries	Functional Currency
NetSol Technologies, Inc.	USD
NTA	USD
Otoz	USD
NTE	British Pound
AEL	British Pound
VLSH	British Pound
VLS	British Pound
VLSIL	Euro
NetSol PK	Pakistan Rupee
Connect	Pakistan Rupee
NetSol Innovation	Pakistan Rupee
NetSol Thai	Thai Bhat
Otoz Thai	Thai Bhat
Australia	Australian Dollar
Namecet	AED
NetSol Beijing	Chinese Yuan
Tianjin	Chinese Yuan

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 $45,505,920 and $45,975,156 as of March 31, 2024 and June 30, 2023, respectively. During the three and nine months ended March 31, 2024, comprehensive income (loss) in the consolidated statements of comprehensive income (loss) included a translation gain attributable to NetSol of $364,389 and $469,236, respectively. During the three and nine months ended March 31, 2023, comprehensive income (loss) in the consolidated statements of comprehensive income (loss) included a translation loss attributable to NetSol of $(5,181,654) and $(7,829,909), respectively.

NOTE 6 – MAJOR CUSTOMERS

During the three and nine months ended March 31, 2024, revenues from Daimler Financial Services ("DFS") were $4,207,409 and $11,840,101, representing 27.2% and 26.3% of revenues, respectively. During the three and nine months ended March 31, 2023, revenues from Daimler Financial Services ("DFS") were $3,754,752 and $10,824,636, representing 27.8% and 28.0% of revenues. The revenues from DFS are shown in the Asia – Pacific segment.

Accounts receivable from DFS at March 31, 2024 and June 30, 2023, were $7,379,879 and $4,368,881, respectively. Revenues in excess of billings at March 31, 2024 and June 30, 2023, were $2,275,426 and $1,961,750, respectively.

NOTE 7 - OTHER CURRENT ASSETS

Other current assets consisted of the following:

	As of March 31, 2024	As of June 30, 2023
Prepaid Expenses	$ 1,408,652	$ 1,299,334
Advance Income Tax	295,226	144,428
Employee Advances	116,184	68,488
Security Deposits	193,289	177,148
Other Receivables	135,690	92,716
Other Assets	249,362	196,400
Net Balance	$ 2,398,403	$ 1,978,514

NOTE 8 – REVENUES IN EXCESS OF BILLINGS – LONG TERM

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

	As of March 31, 2024	As of June 30, 2023
Revenues in excess of billings - long term	$ 826,449	$ -
Present value discount	(73,867)	-
Net Balance	$ 752,582	$ -

Pursuant to revenue recognition for contract accounting, the Company has recorded revenues in excess of billings long-term for amounts billable after one year. During the three and nine months ended March 31, 2024, the Company accreted $12,309 and $30,773, respectively, which was recorded in interest income for that period. During the three and nine months ended March 31, 2023, the Company accreted $9,372 and $28,029, respectively. The Company used the discounted cash flow method with an interest rate of 7.34% for the period ended March 31, 2024. The Company used the discounted cash flow method with interest rates ranging from 4.65% to 6.25% for the period ended March 31, 2023.

NOTE 9 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	As of March 31, 2024	As of June 30, 2023
Office Furniture and Equipment	$ 2,469,658	$ 2,678,664
Computer Equipment	8,561,715	8,317,131
Assets Under Capital Leases	154,762	46,554
Building	3,607,498	3,497,913
Land	914,722	885,474
Autos	1,964,370	1,941,063
Improvements	207,726	205,289
Subtotal	17,880,451	17,572,088
Accumulated Depreciation	(12,374,842)	(11,410,902)
Property and Equipment, Net	$ 5,505,609	$ 6,161,186

For the three and nine months ended March 31, 2024, depreciation expense totaled $391,290 and $1,225,198, respectively. Of these amounts, $250,126 and $781,442, respectively, are reflected in cost of revenues. For the three and nine months ended March 31, 2023, depreciation expense totaled $507,314 and $1,598,325, respectively. Of these amounts, $327,177 and $1,029,012, respectively, are reflected in cost of revenues.

Following is a summary of fixed assets held under finance leases as of March 31, 2024 and June 30, 2023:

	As of March 31, 2024	As of June 30, 2023
Vehicles	$ 154,762	$ 46,554
Total	154,762	46,554
Less: Accumulated Depreciation - Net	(18,647)	(17,366)
	$ 136,115	$ 29,188

Finance lease term and discount rate were as follows:

	As of March 31, 2024	As of June 30, 2023
Weighted average remaining lease term - Finance leases	3 Years	1.21 Years
Weighted average discount rate - Finance leases	11.3%	16.4%

NOTE 10 - LEASES

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

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

The Company 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, 2024	As of June 30, 2023
Assets		
Operating lease assets, net	$ 1,490,669	$ 1,151,575
Liabilities		
Current		
Operating	$ 635,168	$ 505,237
Non-current		
Operating	837,756	652,194
Total Lease Liabilities	$ 1,472,924	$ 1,157,431

The components of lease cost were as follows:

	For the Three Months Ended March 31, 2024	For the Three Months Ended March 31, 2023	For the Nine Months Ended March 31, 2024	For the Nine Months Ended March 31, 2023
Amortization of finance lease assets	$ 3,963	$ 2,569	$ 8,624	$ 8,564
Interest on finance lease obligation	1,434	1,043	3,073	4,402
Operating lease cost	99,201	115,392	304,543	346,993
Short term lease cost	41,087	39,356	122,311	143,978
Sub lease income	(8,406)	(8,099)	(25,011)	(23,697)
Total lease cost	$ 137,279	$ 150,261	$ 413,540	$ 480,240

Lease term and discount rate were as follows:

	As of March 31, 2024	As of June 30, 2023
Weighted average remaining lease term - Operating leases	2.2 Years	3.09 Years
Weighted average discount rate - Operating leases	4.6%	4.0%

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

	For the Nine Months Ended March 31, 2024	For the Nine Months Ended March 31, 2023
Operating cash flows related to operating leases	$ 230,943	$ 358,778
Operating cash flows related to finance leases	$ 3,070	$ 4,472
Financing cash flows related finance leases	$ 20,180	$ 24,362

Maturities of operating lease liabilities were as follows as of March 31, 2024:

		Amount
Within year 1	$	698,961
Within year 2		485,363
Within year 3		275,582
Within year 4		108,551
Within year 5		27,494
Thereafter		119
Total Lease Payments		1,596,070
Less: Imputed interest		(123,146)
Present Value of lease liabilities		1,472,924
Less: Current portion		(635,168)
Non-Current portion	$	837,756

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, 2024, the Company received lease income of $8,406 and $25,011, respectively. For the three and nine months ended March 31, 2023, the Company received lease income of $8,099 and $23,697, respectively.

NOTE 11 - INTANGIBLE ASSETS

Intangible assets consisted of the following:

		As of March 31, 2024		As of June 30, 2023
Product Licenses - Cost	$	39,395,533	$	47,244,997
Effect of Translation Adjustment		(24,348,267)		(24,756,959)
Accumulated Amortization		(15,047,266)		(22,360,107)
Net Balance	$	-	$	127,931

Product Licenses

Product licenses include internally developed software cost. Product licenses are amortized on a straight-line basis over their respective lives. Amortization expense for the three and nine months ended March 31, 2024, was $nil and $126,041, respectively. Amortization expense for the three and nine months ended March 31, 2023, was $275,652 and $921,144, respectively.

NOTE 12 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following:

		As of March 31, 2024		As of June 30, 2023
Accounts Payable	$	1,364,926	$	1,114,915
Accrued Liabilities		3,619,695		3,695,091
Accrued Payroll		1,110,573		982,884
Accrued Payroll Taxes		169,967		170,063
Taxes Payable		88,591		195,491
Other Payable		354,185		393,737
Total	$	6,707,937	$	6,552,181

NOTE 13 – DEBTS

Notes payable and finance leases consisted of the following:

		As of March 31, 2024		
Name		Total	Current Maturities	Long-Term Maturities
D&O Insurance	(1)	$ 237,600	$ 237,600	$ -
Bank Overdraft Facility	(2)	-	-	-
Loan Payable Bank - Export Refinance	(3)	1,799,014	1,799,014	-
Loan Payable Bank - Running Finance	(4)	-	-	-
Loan Payable Bank - Export Refinance II	(5)	1,367,251	1,367,251	-
Loan Payable Bank - Export Refinance III	(6)	2,518,620	2,518,620	-
Sale and Leaseback Financing	(7)	149,141	107,694	41,447
Term Finance Facility	(8)	-	-	-
		6,071,626	6,030,179	41,447
Subsidiary Finance Leases	(9)	106,266	17,332	88,934
		$ 6,177,892	$ 6,047,511	$ 130,381

		As of June 30, 2023		
Name		Total	Current Maturities	Long-Term Maturities
D&O Insurance	(1)	$ 89,823	$ 89,823	$ -
Bank Overdraft Facility	(2)	-	-	-
Loan Payable Bank - Export Refinance	(3)	1,741,493	1,741,493	-
Loan Payable Bank - Running Finance	(4)	-	-	-
Loan Payable Bank - Export Refinance II	(5)	1,323,535	1,323,535	-
Loan Payable Bank - Export Refinance III	(6)	2,438,089	2,438,089	-
Sale and Leaseback Financing	(7)	321,113	148,264	172,849
Term Finance Facility	(8)	13,356	13,356	-
		5,927,409	5,754,560	172,849
Subsidiary Finance Leases	(9)	28,330	24,950	3,380
		$ 5,955,739	$ 5,779,510	$ 176,229

(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 8.6% to 10.9% as of March 31, 2024 and 5.0% to 7.9% as of June 30, 2023, respectively.

(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 $379,747. The annual interest rate was 9.5% as of March 31, 2024. The total outstanding balance as of March 31, 2024 and June 30, 2023 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, 2024, NTE was in compliance with this covenant.

(3) 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 $1,799,014 at March 31, 2024 and Rs. 500,000,000 or $1,741,493 at June 30, 2023. The interest rate for the loan was 19.0% and 17.0% at March 31, 2024 and June 30, 2023, respectively.

(4) The Company's subsidiary, NetSol PK, has a running finance facility with Askari Bank Limited, secured by NetSol PK's assets. The total facility amount is Rs. 53,000,000 or $192,854, at March 31, 2024. The balance outstanding at March 31, 2024 and June 30, 2023 was Rs. Nil. The interest rate for the loan was 24.0% and 24.9% at March 31, 2024 and June 30, 2023, respectively.

This facility requires NetSol PK to maintain a long-term debt equity ratio of 60:40 and a current ratio of 1:1. As of March 31, 2024, NetSol PK was in compliance with this covenant.

(5) 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 $1,367,251 and Rs. 380,000,000 or $1,323,535 at March 31, 2024 and June 30, 2023, respectively. The interest rate for the loan was 19.0% and 18.0% at March 31, 2024 and June 30, 2023, respectively.

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, 2024, NetSol PK was in compliance with these covenants.

(6) 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 $3,238,225 and Rs. 900,000,000 or $3,134,687, at March 31, 2024 and June 30, 2023, respectively. NetSol PK used Rs. 700,000,000 or $2,518,620 and Rs. 700,000,000 or $2,438,089, at March 31, 2024 and June 30, 2023, respectively. The interest rate for the loan was 19.0% and 18.0% at March 31, 2024 and June 30, 2023, respectively.

(7) 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, 2024, NetSol PK used Rs. 41,450,876 or $149,141 of which $41,447 was shown as long term and $107,694 as current. As of June 30, 2023, NetSol PK used Rs. 92,194,774 or $321,113 of which $172,849 was shown as long term and $148,264 as current. The interest rate for the loan was 9.0% to 16.0% at March 31, 2024, and June 30, 2023.

(8) In March 2019, the Company's subsidiary, VLS, entered into a loan agreement. The loan amount was £69,549, or $88,037, for a period of 5 years with monthly payments of £1,349, or $1,708. As of March 31, 2024, the subsidiary has paid this facility in full. As of June 30, 2023, the subsidiary has used this facility up to $13,356, which was shown as current. The interest rate was 6.14% at March 31, 2024 and June 30, 2023.

(9) The Company leases various fixed assets under finance lease arrangements expiring in various years through 2028. The assets and liabilities under finance leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are secured by the assets themselves. Depreciation of assets under finance leases is included in depreciation expense for the three months ended March 31, 2024 and 2023.

Following are the aggregate minimum future lease payments under finance leases as of March 31, 2024:

		Amount
Minimum Lease Payments		
Within year 1	$	29,213
Within year 2		22,805
Within year 3		88,023
Total Minimum Lease Payments		140,041
Interest Expense relating to future periods		(33,775)
Present Value of minimum lease payments		106,266
Less: Current portion		(17,332)
Non-Current portion	$	88,934

Following are the aggregate future long term debt payments as of March 31, 2024 which consists of "Sale and Leaseback Financing (7)" and "Term Finance Facility (8)".

		Amount
Loan Payments		
Within year 1	$	107,696
Within year 2		41,445
Total Loan Payments		149,141
Less: Current portion		(107,694)
Non-Current portion	$	41,447

NOTE 14 - STOCKHOLDERS' EQUITY

During the three and nine months ended March 31, 2024, the Company issued 14,352 and 54,384 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 $39,750 and $119,250, respectively.

During the three and nine months ended March 31, 2024, the Company issued nil and 5,000 shares of common stock for services rendered by the employees of the Company as part of their compensation. These shares were valued at the fair market value of $nil and $9,050.

Stock Grants

The following table summarizes stock grants awarded as compensation:

	# Number of shares	Weighted Average Grant Date Fair Value ($)
Unvested, June 30, 2022	-	$ -
Granted	58,317	$ 2.73
Vested	(58,317)	$ 2.73
Unvested, June 30, 2023	-	$ -
Granted	59,384	$ 2.16
Vested	(59,384)	$ 2.16
Unvested, March 31, 2024	-	$ -

For the three and nine months ended March 31, 2024, the Company recorded compensation expense of $39,750 and $128,300, respectively. For the three and nine months ended March 31, 2023, the Company recorded compensation expense of $39,750 and $119,250, respectively. The weighted average grant date fair value is determined by the Company's closing stock price on the grant date.

NOTE 15 – INCENTIVE AND NON-STATUTORY STOCK OPTION PLAN

Common stock purchase options consisted of the following:

OPTIONS:

	# of shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding and exercisable, June 30, 2023	-	-	-	
Granted	250,000	$ 2.15	0.74	
Exercised	-	-	-	
Expired / Cancelled	-	-	-	
Outstanding and exercisable, March 31, 2024	250,000	$ 2.15	0.74	$ 155,000

The aggregate intrinsic value at March 31, 2024 represents the difference between the Company's closing stock price of $2.77 on March 31, 2024 and the exercise price of the in-the-money stock options.

The following table summarizes information about stock options outstanding and exercisable at March 31, 2024.

Exercise Price	Number Outstanding and Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
OPTIONS:			
$2.15	250,000	0.74	$ 2.15
Totals	250,000	0.74	$ 2.15

OPTIONS

During the nine months ended March 31, 2024, the Company granted 250,000 options to officers and employees with an exercise price of $2.15 per share, an expiration date of one year, and immediate vesting. Using the Black-Scholes method to value the options, the Company recorded $101,424 in compensation expense for these options in the accompanying condensed consolidated financial statements. The fair market value was calculated using the Black-Scholes option pricing model with the following assumptions:

- Risk-free interest rate - 5.24%
- Expected life – 6 months
- Expected volatility – 63.6%
- Expected dividend - 0%

NOTE 16– 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, 2024 and June 30, 2023:

	As of March 31, 2024	As of June 30, 2023
Identifiable assets:		
Corporate headquarters	$ 984,161	$ 878,899
North America	6,060,509	7,344,122
Europe	9,296,634	8,716,656
Asia - Pacific	46,965,482	41,439,733
Consolidated	$ 63,306,786	$ 58,379,410

The following table presents a summary of revenue streams by segment for the three months ended March 31, 2024 and 2023:

	2024				2023			
	License fees	Subscription and support	Services	Total	License fees	Subscription and support	Services	Total
North America	$ -	$ 1,161,417	$ 203,657	$ 1,365,074	$ -	$ 1,075,286	$ 290,270	$ 1,365,556
Europe	92,925	869,429	2,083,430	3,045,784	65,177	665,585	1,819,610	2,550,372
Asia-Pacific	465,415	5,109,512	5,478,731	11,053,658	1,917,808	4,915,211	2,757,442	9,590,461
Total	$ 558,340	$ 7,140,358	$ 7,765,818	$ 15,464,516	$ 1,982,985	$ 6,656,082	$ 4,867,322	$ 13,506,389

The following table presents a summary of revenue streams by segment for the nine months ended March 31, 2024 and 2023:

	2024				2023			
	License fees	Subscription and support	Services	Total	License fees	Subscription and support	Services	Total
North America	$ -	$ 3,454,455	$ 784,455	$ 4,238,910	$ 28,000	$ 3,251,397	$ 809,299	$ 4,088,696
Europe	101,891	2,457,513	5,520,770	8,080,174	115,416	1,847,690	5,680,302	7,643,408
Asia-Pacific	4,727,351	14,568,414	13,329,789	32,625,554	2,105,413	14,076,498	10,688,851	26,870,762
Total	$ 4,829,242	$ 20,480,382	$ 19,635,014	$ 44,944,638	$ 2,248,829	$ 19,175,585	$ 17,178,452	$ 38,602,866

NETSOL TECHNOLOGIES, INC.
Notes to Condensed Consolidated Financial Statements
March 31, 2024
(Unaudited)

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, 2024	For the Three Months Ended March 31, 2023	For the Nine Months Ended March 31, 2024	For the Nine Months Ended March 31, 2023
Revenues from unaffiliated customers:				
North America	$ 1,365,074	$ 1,365,556	$ 4,238,910	$ 4,088,696
Europe	3,045,784	2,550,372	8,080,174	7,643,408
Asia - Pacific	11,053,658	9,590,461	32,625,554	26,870,762
	15,464,516	13,506,389	44,944,638	38,602,866
Revenue from affiliated customers				
Asia - Pacific	-	-	-	-
	-	-	-	-
Consolidated	$ 15,464,516	$ 13,506,389	$ 44,944,638	$ 38,602,866
Intercompany revenue				
Europe	$ 100,315	$ 103,249	$ 300,732	$ 292,210
Asia - Pacific	2,601,585	3,026,986	8,087,181	7,720,764
Eliminated	$ 2,701,900	$ 3,130,235	$ 8,387,913	$ 8,012,974
Net income (loss) after taxes and before non-controlling interest:				
Corporate headquarters	$ (1,003,157)	$ 289,652	$ (2,229,549)	$ 919,914
North America	7,679	(3,702)	(61,546)	82,677
Europe	14,516	(103,219)	(228,303)	(586,607)
Asia - Pacific	1,296,832	4,059,800	4,109,146	986,613
Consolidated	$ 315,870	$ 4,242,531	$ 1,589,748	$ 1,402,597
Depreciation and amortization:				
North America	$ 407	$ 657	$ 1,305	$ 1,866
Europe	58,469	65,584	179,128	207,186
Asia - Pacific	332,414	716,725	1,170,806	2,310,417
Consolidated	$ 391,290	$ 782,966	$ 1,351,239	$ 2,519,469
Interest expense:				
Corporate headquarters	$ 12,028	$ 7,834	$ 24,687	$ 16,226
North America	-	-	-	-
Europe	508	1,806	6,984	8,146
Asia - Pacific	277,141	178,497	824,345	487,738
Consolidated	$ 289,677	$ 188,137	$ 856,016	$ 512,110
Income tax expense:				
Corporate headquarters	$ -	$ -	$ -	$ (44,154)
North America	800	1,600	800	45,754
Europe	-	2,822	(93,583)	2,822
Asia - Pacific	145,769	223,296	511,300	636,700
Consolidated	$ 146,569	$ 227,718	$ 418,517	$ 641,122

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

	For the Nine Months Ended March 31, 2024	For the Nine Months Ended March 31, 2023
Capital expenditures:		
North America	$ -	$ 4,880
Europe	592,432	31,519
Asia - Pacific	355,905	1,538,660
Consolidated	$ 948,337	$ 1,575,059

NOTE 17 – NON-CONTROLLING INTEREST IN SUBSIDIARY

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

SUBSIDIARY	Non-Controlling Interest %	Non-Controlling Interest at March 31, 2024
NetSol PK	32.38%	$ 4,624,485
NetSol-Innovation	32.38%	(393,420)
NAMECET	32.38%	(15,591)
NetSol Thai	0.006%	(136)
OTOZ Thai	5.60%	(18,532)
OTOZ	5.59%	(55,887)
Total		$ 4,140,919

SUBSIDIARY	Non-Controlling Interest %	Non-Controlling Interest at June 30, 2023
NetSol PK	32.38%	$ 3,314,659
NetSol-Innovation	32.38%	(223,504)
NAMECET	32.38%	(5,384)
NetSol Thai	0.006%	(194)
OTOZ Thai	5.60%	(23,572)
OTOZ	5.59%	(86,952)
Total		$ 2,975,053

NOTE 18– 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, 2024, the Company recorded an income tax provision of $146,569 and $418,517, respectively. During the three and nine months ended March 31, 2023, the Company recorded an income tax provision of $227,718 and $641,122, respectively. The tax is derived from non-core business activities generated from NetSol PK.

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, 2024. 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, 2023, 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 https://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 https://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 our 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 our new customers to opt for a subscription-based pricing model rather than the traditional licensing model.

Our 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 our strategically placed support and delivery locations around the globe.

Founded in 1997, NetSol is headquartered in Los Angeles County, 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 — Encino, California and Austin, Texas
- Europe — London Metropolitan area, Horsham, and Flintshire
- Asia Pacific — Lahore, Karachi, Bangkok, Beijing, Tianjin, Shanghai, Jakarta and Sydney
- Middle East — Dubai

We believe 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. We believe that people are the drivers of success; therefore, we invest heavily in our hiring, training and retention of outstanding 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 us and a unique value for our customers. We continue to underpin our proven and effective business model which is a combination of careful cost arbitrage, subject matter expertise, domain experience, scalability and proximity with our global and regional customers.

Our primary offerings include the following:

NFS Ascent®

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

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

Our next generation platform offers a technologically advanced solution for the asset finance and leasing industry. NFS Ascent’s® architecture and user interfaces were designed based on our collective experience with blue chip organizations and global Fortune 500 companies over the past 40 years combined with modern UX design concepts. The platform’s framework allows auto captive and asset finance companies to rapidly transform legacy driven technology into a state-of-the-art IT and business process environment.

At the core of the NFS Ascent® platform, is a lease accounting and contract processing engine, which allows for an array of interest calculation methods, as well as robust accounting for multi-billion-dollar lease portfolios in compliance with various regulatory standards. NFS Ascent®, with its distributed and clustered deployment across parallel application and high-volume data servers, enables finance companies to process voluminous data in a hyper speed environment.

Our premier solution has been developed using the latest tools and technologies and its n-tier SOA architecture allows the system to greatly improve a myriad of areas including, but not limited to, scalability, performance, fault tolerance and security. NFS Ascent® empowers users with:

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

NFS ASCENT® CONSTITUENT APPLICATIONS

Omni Point of Sale (Omni POS)

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

Contract Management System (CMS)

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

Wholesale Finance System (WFS)

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

Dealer Auditor Access System (DAAS)

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

NFS Ascent® deployed on the cloud

Our premier, next generation solution NFS Ascent® is also available on the cloud. With swift, seamless deployments and easy scalability, it is an extremely adaptive retail and wholesale platform for the global finance and leasing industry. This cloud-version of NFS Ascent® is offered via flexible, value-driven subscription-based pricing options without the need to pay any upfront license fees. Clients further benefit from a rapid deployment process and the ability to scale on demand.

NFS Digital

NetSol is the pioneer in the global finance and leasing industry providing a full suite of digital transformation solutions. NFS Digital is a combination of our core strengths, domain, and technology. Our insight into the evolving landscape together with our valuable experience led us to define sound digital transformation strategies and compliment them with smart digital solutions so that our customers always remain competitive and relevant to the dynamic environment. Our digital transformation solutions are extremely robust and can be used with or without our core, next-gen solution (NFS Ascent®) to effectively augment and enhance our customer's ecosystem.

- **Self-Point of Sale**

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

- **Mobile Account**

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

- **Mobile Point of Sale**

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

- **Mobile Dealer**

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

- **Mobile Auditor**

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

- **Mobile Collector**

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

- **Mobile Field Investigator**

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

Otoz™ Digital Auto Retail and Mobility Orchestration

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

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

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

Otoz™ Ecosystem

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

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

Otoz™ Platform

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

Otoz™ expands into a comprehensive in-life subscription and rental platform that empowers in-life and end-of-life management of such contracts. The platform's seamless handling of complex tax rules and contract management processes are compliant with local and state standards for jurisdictions it operates in across the U.S.

Otoz™ platform consists of two portals:

- Dealer/Admin Tool
- Customer Portal

Dealer/Admin Tool

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

Customer Portal

- Inventory search and selection
- Multi-lender capabilities
- Deal builder and personalized pricing for purchase, lease, finance, subscription, and rentals
- Dealer-Customer-Chat tool
- Buy finance and insurance products including collision & liability insurance via integrated provider marketplaces
- Buy accessories
- License checks (paperless)
- Vehicle options and finance and insurance products
- Trade-in valuation
- Credit application and decision
- Paperless contracts and e-signing
- Digital payments
- Vehicle delivery and pick-up scheduling

AppexNow

NetSol introduced AppexNow - the first marketplace for API-first products specifically for the global credit, finance, and leasing industry. Two products, Flex and Hubex, have been launched under the umbrella of the AppexNow marketplace. NetSol will introduce and launch further products and services under this marketplace in the future.

AppexNow: Flex

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

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

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

AppexNow: Hubex

Hubex is an API library that enables companies to standardize all their API integration procedures across multiple API services through a single integration. Hubex is NetSol's second product offering from the AppexNow marketplace following Flex.

In addition to traditional lending companies, Hubex can also streamline the operations of dealerships, vendors, and consultants through an API library. With a ready-to-use service, Hubex makes it easy for businesses to seamlessly connect with multiple APIs and achieve their desired outcomes. Pre-integrated services in the Hubex library include, but are not limited to, payment processing, bank account authentication, finance and insurance products, fraud check, KYC service, driver license verification, address validation, vehicle valuation and notification service.

Professional Services

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

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

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

Amazon Web Services

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

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

Artificial Intelligence

Under the leadership of Dr. Ali Ahmed, Chief Data Scientist at NetSol, a dedicated team is developing artificial intelligence and machine learning solutions. With experience in machine learning, scientific computing and computer vision, Dr. Ahmed has extensive experience in developing and implementing algorithms for industrial solutions in predictive maintenance.

Our AI team seeks to deploy AI solutions leveraging cutting-edge technologies to enable clients to optimize production, decrease downtime and provide a holistic view of their business processes.

Highlights

Listed below are a few of NetSol's highlights for the quarter ended March 31, 2024:

- Close Brothers, a UK based merchant banking group, successfully went live with Flex Calculation Engine which is part of the Apex Now suite. This solution will facilitate running complex calculations for their business.

- We secured Advanced Tier status in the AWS Partner Network, showcasing expertise in cloud transformations and optimizing client's cloud investments.

- Haydock Finance, an award-winning business finance specialist based in the UK, is now offering access to our API-based Flex Calculation Engine to its broker division, following its initial use since 2023. This move aligns with Haydock Finance's subscription to additional products from Appex Now.

- We successfully implemented our NFS Ascent® platform at a captive auto finance company of a notable German auto manufacturer based in Korea.

- We successfully renegotiated an existing contract in the UK to accommodate an enhanced scope implementation. This expanded scope implementation will generate approximately $3.5 Million in additional revenues.

- We secured a contract to implement our NFS Ascent® wholesale platform at an independent leasing company based in the Netherlands. This contract will generate approximately $1 Million in revenues over forthcoming quarters.

- We successfully took GAC-Sofinco Automobile Finance Co., LTD live on our NFC Ascent® platform in China.

- We signed a contract with a new customer in the Middle East to develop a ride hailing app under our Professional Services vertical. This contract will generate nearly $300,000 in revenues over the coming months.

- We generated approximately $1.5 Million in revenues by successfully implementing modifications and enhancements requests from multiple customers across various regions.

Management has identified the following material trends affecting NetSol.

Positive trends:

- According to PR Newswire, December 14, 2023, and the S&P Global Mobility, new vehicles sales globally are expected to reach 86 million units in 2023 for an 8.9% increase over 2022 and forecasts 2024 auto sales at 88.3 million for a 2.8% increase over 2023.

- U.S. automotive sales volumes are expected to reach approximately 15.5 million units, an estimated increase of 9% from the projected 2022 levels, and 2024 sales are expected to reach 15.9 million for an estimated increase of 2% compared to 2023.

- The U.S. inflation rate ended at 3.5% as of end of March 2024. (CNBC April 24, 2024)

- The U.S. market remains strong and resilient for NetSol to continue investing in building local teams for its core offerings.

- The Chinese car market is expected to maintain its position as the world's largest and fastest growing, projecting 10% sales growth to 25.5 million units, with electric vehicles (EVs) representing nearly 35% of new sales. Government incentives, reduced car taxes, and preferential financing rates contributed to an 8.8% increase in Chinese auto sales in the first half of 2023, with total vehicle sales, including trucks and buses, rising by 9.8% to 13.2 million.

- The China Pakistan Economic Corridor (CPEC) investment, initiated by China, has exceeded $65 billion from the originally planned $46 billion, in Pakistan energy and infrastructure sectors. Last June, China authorized a new $2.3 billion loan at a discounted rate to Pakistan as a short-term loan.

- The overall size of the mobility market in the Europe and the United States is projected to increase over $425 billion combined, by 2035 or a compound CAGR of 5% from 2022. (Deloitte Global Automotive Mobility Market Simulation Tool)

- The global automotive finance market accounted for $245 billion in 2022 and is expected to more than double by 2035 at a CAGR of 7.4% according to Precedence Research.

- The Russell Index finished 2023 with a 15.1% gain after falling 21.6% in 2022. (CBS News December 29, 2023)

- The real gross domestic product (GDP) for the US increased at an annual rate of 3.3% in the fourth quarter of 2023 according to the advance estimate released by the Bureau of Economic Analysis. In the third quarter, real GDP increased 4.9%. (Bureau of Economic Analysis - January 25, 2024)

Negative trends:

- The conflict in Gaza has disrupted the entire Middle East region since October 7, 2023. This has created uncertainty and has affected the economies of the neighboring nations.

- General economic conditions in our geographic markets; inflation, geopolitical tensions, including trade wars, tariffs and/or sanctions in geographic areas; and global conflicts or disasters that impact the global economy or one or more sectors of the global economy.

- Continued interest rate increases by the U.S. Federal Reserve Board is restricting buying power for consumers.

- Political, monetary, and economic challenges and a higher inflation rate than other regional countries impacting Pakistan exports.

- Inflation and higher interest rates globally have greatly increased the cost of doing business, including salaries and benefits worldwide, affecting profitability.

- War and hostility between Russia and Ukraine continue to foster global economic uncertainty.

- While marginal economic growth is expected in Pakistan, according to a report issued by the World Bank, implementing an ambitious and credibly communicated economic reform plan is critical for a robust economic recovery. See Press Release, dated April 2, 2024, World Bank. There is no guarantee that such reforms will be implemented.

- While the US-China bilateral summit exceeded expectations, the objective of the summit was risk management. Continued trade tensions between the U.S. and China are causing some American companies to pull out of China and move their supply chain elsewhere. (Business Insider, Aug. 28, 2023; Bookings, January 12, 2024).

CHANGES IN FINANCIAL CONDITION

Quarter Ended March 31, 2024 Compared to the Quarter Ended March 31, 2023

The following table sets forth the items in our unaudited condensed consolidated statement of operations for the three months ended March 31, 2024 and 2023 as a percentage of revenues.

	For the Three Months Ended March 31,			
	2024	%	2023	%
Net Revenues:				
License fees	$ 558,340	3.6%	$ 1,982,985	14.7%
Subscription and support	7,140,358	46.2%	6,656,082	49.3%
Services	7,765,818	50.2%	4,867,322	36.0%
Total net revenues	15,464,516	100.0%	13,506,389	100.0%
Cost of revenues	7,989,696	51.7%	8,801,360	65.2%
Gross profit	7,474,820	48.3%	4,705,029	34.8%
Operating expenses:				
Selling, general and administrative	5,811,335	37.6%	5,333,202	39.5%
Research and development cost	345,582	2.2%	302,262	2.2%
Total operating expenses	6,156,917	39.8%	5,635,464	41.7%
Income (loss) from operations	1,317,903	8.5%	(930,435)	-6.9%
Other income and (expenses)				
Interest expense	(289,677)	-1.9%	(188,137)	-1.4%
Interest income	376,466	2.4%	263,794	2.0%
Gain (loss) on foreign currency exchange transactions	(963,887)	-6.2%	5,385,591	39.9%
Share of net loss from equity investment	-	0.0%	2,377	0.0%
Other income (expense)	21,634	0.1%	(62,941)	-0.5%
Total other income (expenses)	(855,464)	-5.5%	5,400,684	40.0%
Net income before income taxes	462,439	3.0%	4,470,249	33.1%
Income tax provision	(146,569)	-0.9%	(227,718)	-1.7%
Net income	315,870	2.0%	4,242,531	31.4%
Non-controlling interest	11,679	0.1%	(1,697,908)	-12.6%
Net income (loss) attributable to NetSol	$ 327,549	2.1%	$ 2,544,623	18.8%
Net income (loss) per share:				
Net income (loss) per common share				
Basic	$ 0.03		$ 0.23	
Diluted	$ 0.03		$ 0.23	
Weighted average number of shares outstanding				
Basic	11,390,888		11,283,954	
Diluted	11,430,493		11,283,954	

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 16 "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
	2024	%	2023	%	Currency	Fluctuation	Reported
Net Revenues:	$15,464,516	100.0%	$13,506,389	100.0%	$ 2,096,552	$ (138,425)	$ 1,958,127
Cost of revenues:	7,989,696	51.7%	8,801,360	65.2%	427,511	384,153	811,664
Gross profit	7,474,820	48.3%	4,705,029	34.8%	2,524,063	245,728	2,769,791
Operating expenses:	6,156,917	39.8%	5,635,464	41.7%	(692,778)	171,325	(521,453)
Income (loss) from operations	$ 1,317,903	8.5%	$ (930,435)	-6.9%	$ 1,831,285	$ 417,053	$ 2,248,338

Net revenues for the three months ended March 31, 2024 and 2023 are broken out among the segments as follows:

	2024		2023	
	Revenue	%	Revenue	%
North America	$ 1,365,074	8.8%	$ 1,365,556	10.1%
Europe	3,045,784	19.7%	2,550,372	18.9%
Asia-Pacific	11,053,658	71.5%	9,590,461	71.0%
Total	$ 15,464,516	100.0%	$ 13,506,389	100.0%

Revenues

<u>License fees</u>

License fees for the three months ended March 31, 2024 were $558,340 compared to $1,982,985 for the three months ended March 31, 2023 reflecting a decrease of $1,424,645 with a decrease in constant currency of $1,406,271. During the three months ended March 31, 2024, we recognized approximately $465,000 related to the additional sale of our NFS Ascent® CMS software to a renowned German auto manufacturer based in China. During the three months ended March 31, 2023, we recognized approximately $1,918,000 related to a new NFS Ascent® agreement with Kubota in Australia.

Subscription and support

Subscription and support fees for the three months ended March 31, 2024 were $7,140,358 compared to $6,656,082 for the three months ended March 31, 2023 reflecting an increase of $484,276 with an increase in constant currency of $534,352. 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, 2024 was $7,765,818 compared to $4,867,322 for the three months ended March 31, 2023 reflecting an increase of $2,898,496 with an increase in constant currency of $2,968,472. The increase is due to the increase in fees associated with current implementations.

Gross Profit

The gross profit was $7,474,820, for the three months ended March 31, 2024 compared with $4,705,029 for the three months ended March 31, 2023. This is an increase of $2,769,791 with an increase in constant currency of $2,524,063. The gross profit percentage for the three months ended March 31, 2024 also increased to 48.3% from 34.8% for the three months ended March 31, 2023. The cost of sales was $7,989,696 for the three months ended March 31, 2024 compared to $8,801,360 for the three months ended March 31, 2023 for a decrease of $811,664 and on a constant currency basis a decrease of $427,511. As a percentage of sales, cost of sales decreased from 65.2% for the three months ended March 31, 2023 to 51.7% for the three months ended March 31, 2024.

Salaries and consultant fees decreased by $649,904 from $6,453,814 for the three months ended March 31, 2023 to $5,803,910 for the three months ended March 31, 2024 and on a constant currency basis decreased by $377,178. As a percentage of sales, salaries and consultant expense decreased from 47.8% for the three months ended March 31, 2023 to 37.5% for the three months ended March 31, 2024.

Travel expenses were $799,560 for the three months ended March 31, 2024 compared to $724,431 for the three months ended March 31, 2023 for an increase of $75,129 with an increase in constant currency of $119,840. The increase in travel expense is due to the increase in travel for the current implementations. As a percentage of sales, travel expense slightly decreased from 5.4% for the three months ended March 31, 2023 to 5.2% for the three months ended March 31, 2024.

Depreciation and amortization expense decreased to $250,126 compared to $602,829 for the three months ended March 31, 2023 or a decrease of $352,703 and on a constant currency basis a decrease of $334,639. The decrease is primarily attributed to the full amortization of capitalized software costs in the quarter ending March 31, 2024.

Other costs increased to $1,136,100 for the three months ended March 31, 2024 compared to $1,020,286 for the three months ended March 31, 2023 or an increase of $115,814 and on a constant currency basis an increase of $164,466.

Operating Expenses

Operating expenses were $6,156,917 for the three months ended March 31, 2024 compared to $5,635,464, for the three months ended March 31, 2023 for an increase of $521,453 and on a constant currency basis an increase of $692,778. As a percentage of sales, it decreased from 41.7% to 39.8%. The increase in operating expenses was primarily due to increases in selling and marketing expenses, salaries and wages and other general and administrative expenses.

Selling expenses were $1,830,025 for the three months ended March 31, 2024 compared to $1,643,853, for the three months ended March 31, 2023 for an increase of $186,172 and on a constant currency basis an increase of $254,342.

General and administrative expenses were $3,840,146 for the three months ended March 31, 2024 compared to $3,509,212 for the three months ended March 31, 2023 or an increase of $330,934 and on a constant currency basis an increase of $406,122. During the three months ended March 31, 2024, salaries increased by approximately $214,275 and increased $265,787 on a constant currency basis, and other general and administrative expenses increased approximately $116,659 or increased by $140,335 on a constant currency basis.

Research and development cost was $345,582 for the three months ended March 31, 2024 compared to $302,262, for the three months ended March 31, 2023 for an increase of $43,320 and on a constant currency basis an increase of $67,526.

Income/Loss from Operations

Income from operations was $1,317,903 for the three months ended March 31, 2024 compared to a loss of $930,435 for the three months ended March 31, 2023. This represents an increase in income from operations of $2,248,338 with an increase in income from operations of $1,831,285 on a constant currency basis for the three months ended March 31, 2024 compared with the three months ended March 31, 2023. As a percentage of sales, income from operations was 8.5% for the three months ended March 31, 2024 compared to loss of 6.9% for the three months ended March 31, 2023.

Other Income and Expense

Other expense was $855,464 for the three months ended March 31, 2024 compared to other income of $5,400,684 for the three months ended March 31, 2023. This represents a decrease in other income of $6,256,148 with a decrease of $6,318,621 on a constant currency basis. The decrease 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, 2024, we recognized a loss of $963,887 in foreign currency exchange transactions compared to a gain of $5,385,591 for the three months ended March 31, 2023. During the three months ended March 31, 2024, the value of the U.S. dollar and the Euro decreased 0.6% and 2.8%, compared to the PKR. During the three months ended March 31, 2023, the value of the U.S. dollar increased 25.3% and the Euro increased 27.3%, compared to the PKR.

Non-controlling Interest

For the three months ended March 31, 2024, the net loss attributable to non-controlling interest was $11,679, compared to a net income attributable to non-controlling interest of $1,697,908 for the three months ended March 31, 2023. The decrease in non-controlling interest is primarily due to the decrease in net income from NetSol PK and an increase in net loss from NetSol Innovation.

Net income (loss) attributable to NetSol

Net income was $327,549 for the three months ended March 31, 2024 compared to $2,544,623 for the three months ended March 31, 2023. This is a decrease in net income of $2,217,074 with a decrease of $2,579,348 on a constant currency basis, compared to the prior year. For the three months ended March 31, 2024, net income per share was $0.03 for basic and diluted shares compared to net income per share of $0.23 for basic and diluted shares for the three months ended March 31, 2023.

Nine Months Ended March 31, 2024 Compared to the Nine Months Ended March 31, 2023

The following table sets forth the items in our unaudited condensed consolidated statement of operations for the nine months ended March 31, 2024 and 2023 as a percentage of revenues.

	For the Nine Months Ended March 31,			
	2024	%	2023	%
Net Revenues:				
License fees	$ 4,829,242	10.7%	$ 2,248,829	5.8%
Subscription and support	20,480,382	45.6%	19,175,585	49.7%
Services	19,635,014	43.7%	17,178,452	44.5%
Total net revenues	44,944,638	100.0%	38,602,866	100.0%
Cost of revenues	24,132,064	53.7%	26,503,377	68.7%
Gross profit	20,812,574	46.3%	12,099,489	31.3%
Operating expenses:				
Selling, general and administrative	17,051,798	37.9%	16,727,836	43.3%
Research and development cost	1,065,412	2.4%	1,244,793	3.2%
Total operating expenses	18,117,210	40.3%	17,972,629	46.6%
Income (loss) from operations	2,695,364	6.0%	(5,873,140)	-15.2%
Other income and (expenses)				
Interest expense	(856,016)	-1.9%	(512,110)	-1.3%
Interest income	1,259,464	2.8%	1,005,557	2.6%
Gain (loss) on foreign currency exchange transactions	(1,112,757)	-2.5%	7,358,519	19.1%
Share of net loss from equity investment	-	0.0%	7,510	0.0%
Other income (expense)	22,210	0.0%	57,383	0.1%
Total other income (expenses)	(687,099)	-1.5%	7,916,859	20.5%
Net income before income taxes	2,008,265	4.5%	2,043,719	5.3%
Income tax provision	(418,517)	-0.9%	(641,122)	-1.7%
Net income	1,589,748	3.5%	1,402,597	3.6%
Non-controlling interest	(822,993)	-1.8%	(1,571,629)	-4.1%
Net income (loss) attributable to NetSol	$ 766,755	1.7%	$ (169,032)	-0.4%
Net income (loss) per share:				
Net income (loss) per common share				
Basic	$ 0.07		$ (0.01)	
Diluted	$ 0.07		$ (0.01)	
Weighted average number of shares outstanding				
Basic	11,369,778		11,270,466	
Diluted	11,409,383		11,270,466	

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 16 “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
	2024	%	2023	%			
Net Revenues:	$44,944,638	100.0%	$38,602,866	100.0%	$ 6,551,321	$ (209,549)	$ 6,341,772
Cost of revenues:	24,132,064	53.7%	26,503,377	68.7%	(843,921)	3,215,234	2,371,313
Gross profit	20,812,574	46.3%	12,099,489	31.3%	5,707,400	3,005,685	8,713,085
Operating expenses:	18,117,210	40.3%	17,972,629	46.6%	(1,499,467)	1,354,886	(144,581)
Income (loss) from operations	$ 2,695,364	6.0%	$ (5,873,140)	-15.2%	$ 4,207,933	$ 4,360,571	$ 8,568,504

Net revenues for the nine months ended March 31, 2024 and 2023 are broken out among the segments as follows:

	2024		2023	
	Revenue	%	Revenue	%
North America	$ 4,238,910	9.4%	$ 4,088,696	10.6%
Europe	8,080,174	18.0%	7,643,408	19.8%
Asia-Pacific	32,625,554	72.6%	26,870,762	69.6%
Total	$ 44,944,638	100.0%	$ 38,602,866	100.0%

Revenues

License fees

License fees for the nine months ended March 31, 2024 were $4,829,242 compared to $2,248,829 for the nine months ended March 31, 2023 reflecting an increase of $2,580,413 with an increase in constant currency of $2,631,044. During the nine months ended March 31, 2024, we recognized approximately $2,800,000 related to the sale of our NFS Ascent® CMS software to a renowned US auto manufacturer based in China and we recognized approximately $1,142,000 related to the license renewal with an existing customer, and we recognized approximately $465,000 related to the additional sale of our NFS Ascent® CMS software to a renowned German auto manufacturer based in China. During the nine months ended March 31, 2023, we recognized approximately $465,000 related to the additional sale of our NFS Ascent® CMS software to a renowned German auto manufacturer based in China, approximately $1,918,000 related to a new NFS Ascent® agreement with Kubota in Australia and approximately $188,000 related to a new agreement with the Government of Khyber Pakhtunkhwa for the sale of our Ascent® product.

Subscription and support

Subscription and support fees for the nine months ended March 31, 2024 were $20,480,382 compared to $19,175,585 for the nine months ended March 31, 2023 reflecting an increase of $1,304,797 with an increase in constant currency of $1,326,644. 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, 2024 was $19,635,014 compared to $17,178,452 for the nine months ended March 31, 2023 reflecting an increase of $2,456,562 with an increase in constant currency of $2,593,634. The increase is due to the increase in fees associated with current implementations.

Gross Profit

The gross profit was $20,812,574, for the nine months ended March 31, 2024 compared with $12,099,489 for the nine months ended March 31, 2023. This is an increase of $8,713,085 with an increase in constant currency of $5,707,400. The gross profit percentage for the nine months ended March 31, 2024 increased to 46.3% from 31.3% for the nine months ended March 31, 2023. The cost of sales was $24,132,064 for the nine months ended March 31, 2024 compared to $26,503,377 for the nine months ended March 31, 2023 for a decrease of $2,371,313 and on a constant currency basis an increase of $843,921. As a percentage of sales, cost of sales decreased from 68.7% for the nine months ended March 31, 2023 to 53.7% for the nine months ended March 31, 2024.

Salaries and consultant fees decreased by $1,817,305 from $19,482,720 for the nine months ended March 31, 2023 to $17,665,415 for the nine months ended March 31, 2024 and on a constant currency basis increased by $456,886. The increase on a constant currency basis is due to annual salary raises. As a percentage of sales, salaries and consultant expense decreased from 50.5% for the nine months ended March 31, 2023 to 39.3% for the nine months ended March 31, 2024.

Travel expense was $2,207,999 for the nine months ended March 31, 2024 compared to $1,752,074 for the nine months ended March 31, 2023 for an increase of $455,925 with an increase in constant currency of $738,233. The increase in travel expense is due to the increase in travel for current implementations.

Depreciation and amortization expense decreased to $907,483 compared to $1,950,156 for the nine months ended March 31, 2023 or a decrease of $1,042,673 and on a constant currency basis a decrease of $836,777. The decrease is primarily attributed to the full amortization of capitalized software costs in the quarter ending March 31, 2024.

Other costs increased to $3,351,167 for the nine months ended March 31, 2024 compared to $3,318,427 for the nine months ended March 31, 2023 or an increase of $32,740 and on a constant currency basis an increase of $485,579. The increase on a constant currency basis is mainly due to increases in computer costs.

Operating Expenses

Operating expenses were $18,117,210 for the nine months ended March 31, 2024 compared to $17,972,629, for the nine months ended March 31, 2023 for an increase of $144,581 and on a constant currency basis an increase of $1,499,467. As a percentage of sales, it decreased from 46.6% to 40.3%. The increase in operating expenses on constant currency basis was primarily due to increases in selling expenses, general and administrative expenses, and research and development costs.

Selling expenses were $5,323,400 for the nine months ended March 31, 2024 compared to $5,413,492, for the nine months ended March 31, 2023 for a decrease of $90,092 and on a constant currency basis an increase of $356,925.

General and administrative expenses were $11,284,642 for the nine months ended March 31, 2024 compared to $10,745,031 for the nine months ended March 31, 2023 or an increase of $539,611 and on a constant currency basis an increase of $1,197,129. During the nine months ended March 31, 2024, salaries increased by approximately $447,568 and increased $900,149 on a constant currency basis, and other general and administrative expenses increased approximately $92,043 and increased $296,980 on a constant currency basis.

Research and development cost was $1,065,412 for the nine months ended March 31, 2024 compared to $1,244,793, for the nine months ended March 31, 2023 for a decrease of $179,381 and on a constant currency basis an increase of $28,575.

Income/Loss from Operations

Income from operations was $2,695,364 for the nine months ended March 31, 2024 compared to a loss from operations of $5,873,140 for the nine months ended March 31, 2023. This represents an increase in income from operations of $8,568,504 with an increase in income from operations of $4,207,933 on a constant currency basis for the nine months ended March 31, 2024 compared with the nine months ended March 31, 2023. As a percentage of sales, income from operations was 6.0% for the nine months ended March 31, 2024 compared to a loss from operations of 15.2% for the nine months ended March 31, 2023.

Other Income and Expense

Other expense was $687,099 for the nine months ended March 31, 2024 compared to other income of $7,916,859 for the nine months ended March 31, 2023. This represents a decrease in other income of $8,603,958 with a decrease of $8,627,361 on a constant currency basis. 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, 2024, we recognized a loss of $1,112,757 in foreign currency exchange transactions compared to a gain of $7,358,519 for the nine months ended March 31, 2023. During the nine months ended March 31, 2024, the value of the U.S. dollar and the Euro decreased 3.2% and 4.0%, respectively, compared to the PKR. During the nine months ended March 31, 2023, the value of the U.S. dollar and the Euro increased 38.2% and 43.8%, respectively, compared to the PKR.

Non-controlling Interest

For the nine months ended March 31, 2024, the net income attributable to non-controlling interest was $822,993, compared to $1,571,629 for the nine months ended March 31, 2023. The decrease in non-controlling interest is primarily due to the decrease in net income of NetSol PK and an increase in net loss from NetSol Innovation.

Net income (loss) attributable to NetSol

Net income was $766,755 for the nine months ended March 31, 2024 compared to a net loss of $169,032 for the nine months ended March 31, 2023. This is an increase of $935,787 with a decrease of $2,223,565 on a constant currency basis, compared to the prior year. For the nine months ended March 31, 2024, net income per share was $0.07 for basic and diluted shares compared to net loss per share of $0.01 for basic and diluted shares for the nine months ended March 31, 2023.

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, 2024 and 2023 are as follows:

	For the Three Months Ended March 31,		For the nine Months Ended March 31,	
	2024	2023	2024	2023
Net Income (loss) attributable to NetSol	$ 327,549	$ 2,544,623	$ 766,755	$ (169,032)
Non-controlling interest	(11,679)	1,697,908	822,993	1,571,629
Income taxes	146,569	227,718	418,517	641,122
Depreciation and amortization	391,290	782,966	1,351,239	2,519,469
Interest expense	289,677	188,137	856,016	512,110
Interest (income)	(376,466)	(263,794)	(1,259,464)	(1,005,557)
EBITDA	$ 766,940	$ 5,177,558	$ 2,956,056	$ 4,069,741
Add back:				
Non-cash stock-based compensation	149,088	52,392	260,875	198,559
Adjusted EBITDA, gross	$ 916,028	$ 5,229,950	$ 3,216,931	$ 4,268,300
Less non-controlling interest (a)	(106,463)	(1,971,602)	(1,216,040)	(2,363,774)
Adjusted EBITDA, net	$ 809,565	$ 3,258,348	$ 2,000,891	$ 1,904,526
Weighted Average number of shares outstanding				
Basic	11,390,888	11,283,954	11,369,778	11,270,466
Diluted	11,430,493	11,283,954	11,409,383	11,270,466
Basic adjusted EBITDA	$ 0.07	$ 0.29	$ 0.18	$ 0.17
Diluted adjusted EBITDA	$ 0.07	$ 0.29	$ 0.18	$ 0.17
(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	$ (11,679)	$ 1,697,908	$ 822,993	$ 1,571,629
Income Taxes	43,852	70,033	155,636	198,349
Depreciation and amortization	97,010	219,759	348,092	713,676
Interest expense	89,738	57,797	266,922	157,929
Interest (income)	(115,021)	(77,988)	(387,690)	(303,489)
EBITDA	$ 103,900	$ 1,967,509	$ 1,205,953	$ 2,338,094
Add back:				
Non-cash stock-based compensation	2,563	4,093	10,087	25,680
Adjusted EBITDA of non-controlling interest	$ 106,463	$ 1,971,602	$ 1,216,040	$ 2,363,774

LIQUIDITY AND CAPITAL RESOURCES

Our cash position was $12,338,642 at March 31, 2024, compared to $15,533,254 at June 30, 2023.

Net cash used in operating activities was $3,602,677 for the nine months ended March 31, 2024 compared to cash provided by operating activities of $2,564,619 for the nine months ended March 31, 2023. At March 31, 2024, we had current assets of $46,223,061 and current liabilities of $22,894,164. We had accounts receivable of $15,826,210 at March 31, 2024 compared to $11,714,422 at June 30, 2023. We had revenues in excess of billings of $16,412,388 at March 31, 2024 compared to $12,377,677 at June 30, 2023 of which $752,582 and $nil is shown as long term as of March 31, 2024 and June 30, 2023, respectively. The long-term portion was discounted by $73,867 and $nil at March 31, 2024 and June 30, 2023, respectively, using the discounted cash flow method with an interest rate of 7.24%. During the nine months ended March 31, 2024, 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 $8,146,499 from $24,092,099 at June 30, 2023 to $32,238,598 at March 31, 2024. Accounts payable and accrued expenses, and current portions of loans and lease obligations amounted to $6,707,937 and $6,047,511, respectively at March 31, 2024. Accounts payable and accrued expenses, and current portions of loans and lease obligations amounted to $6,552,181 and $5,779,510, respectively, at June 30, 2023.

The average days sales outstanding for the nine months ended March 31, 2024 and 2023 were 172 and 167 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 $822,451 for the nine months ended March 31, 2024, compared to $1,421,657 for the nine months ended March 31, 2023. We had purchases of property and equipment of $948,337 compared to $1,575,059 for the nine months ended March 31, 2023.

Net cash provided by financing activities was $33,612 for the nine months ended March 31, 2024, compared to cash used in financing activities of $517,349 for the nine months ended March 31, 2023. The nine months ended March 31, 2024 and 2023 included the cash inflow of $340,847 and $270,292, respectively, from bank proceeds. During the nine months ended March 31, 2024, we had net payments for bank loans and finance leases of $307,235 compared to $787,641 for the nine months ended March 31, 2023. 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 13 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, 2024, we had approximately $12.3 million of cash, cash equivalents and marketable securities of which approximately $11.8 million is held by our foreign subsidiaries. As of June 30, 2023, we had approximately $15.5 million of cash, cash equivalents and marketable securities of which approximately $13.5 million is held by our foreign subsidiaries.

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

As a growing company, we have on-going capital expenditure needs based on our short term and long-term business plans. Although our requirements for capital expenses vary from time to time, for the next 12 months, we anticipate needing $1.5 million for APAC, U.S. and Europe new business development activities and infrastructure enhancements, which we expect to provide from current operations.

Financial Covenants

Our UK based subsidiary, NTE, has an approved overdraft facility of £300,000 ($379,747) 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 ($1,799,014) and a running finance facility of Rupees 53 million ($192,854). NetSol PK has an approved facility for export refinance from another Habib Metro Bank Limited amounting to Rupees 900 million ($3,238,225). 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 ($1,367,251) from Samba Bank Limited. During the loan tenure, 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, 2023.

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, 2024, 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

NA

Item 1A. Risk Factors

On May 3, 2024, the SEC ("the Commission") issued an order whereby the Company's then auditor, BF Borgers CPA PC ("Borgers") was banned from appearing or practicing before the Commission as an accountant. This ban results in Borgers being unable to perform the audit or review of financial information included in Commission filings. Issuers who are clients of Borgers were advised that they must: a) engage a new qualified, independent, PCAOB-registered public accountant; (b) may not present financial information that has been reviewed by Borgers in its quarterly reports; and, (c) may not include audit reports from Borgers in its 10-K filings. Further, the Commission advised issuers to consider whether their filings may need to be amended to address any reporting deficiencies arising from the Borgers engagement.

The Company filed an 8-K on May 6, 2024 announcing the dismissal of Borgers and the engagement of a new, independent PCAOB-registered public accountant, Fortune CPA, Inc. ("Fortune") by the audit committee and board of directors of the Company. Fortune has been engaged to conduct a review for the nine months ending March 31, 2024, to audit the year ending June 30, 2024 and to re-audit the year ending June 30, 2023. While the Company believes that its internal controls and procedures used in preparing its reports were effective in its reporting, there is a risk that Fortune may discover discrepancies during the course of its audit of the years ending June 30, 2024 and 2023 that require an amendment of the Company's financial statements.

Other than as stated above, as of the date of this Quarterly Report on Form 10-Q, there have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K for the year ended June 30, 2023, filed with the SEC on September 22, 2023. Any of such factors could result in a significant or material adverse effect on our result of operations or financial conditions. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. We may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

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.	DFE Inline XBRL Taxonomy Extension definition Linkbase Document
101.	LAB Inline XBRL Taxonomy Extension Label Linkbase Document
101.	PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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 20, 2024	*/s/ Najeeb U. Ghauri*
		NAJEEB U. GHAURI Chief Executive Officer
Date:	May 20, 2024	*/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, 2024 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 suchc 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 20, 2024

/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, 2024 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 20, 2024

/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, 2024, 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 20, 2024

/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, 2024, 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 20, 2024

/s/ Roger K. Almond

Roger K. Almond
Chief Financial Officer
Principal Accounting Officer