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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

or

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

Commission File Number 0-22773

NETSOL TECHNOLOGIES, INC.

(Exact name of Registrant as specified in its charter)

NEVADA
(State or other jurisdiction of
incorporation or organization)

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

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

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

SECURITIES REGISTERED UNDER SECTION 12(b) OF THE EXCHANGE ACT:

**COMMON STOCK, \$.01 PAR VALUE
THE NASDAQ CAPITAL MARKET**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act.

Yes [] No [X]

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No []

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large Accelerated Filer []

Accelerated Filer []

Non-accelerated Filer []

Smaller reporting company [X]

(Do not check if a smaller reporting company)

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

The aggregate market value of the Common Stock held by non-affiliates of the registrant was approximately \$50,679,647 based upon the closing price of the stock as reported on NASDAQ Capital Market (\$5.2 per share) on December 31, 2016, the last business day of the

registrant's second quarter. As of September 25, 2017, there were 11,114,599 shares of common stock outstanding and no shares of its Preferred Stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

(None)

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

TABLE OF CONTENTS AND CROSS REFERENCE SHEET

	<u>PAGE</u>
Note About Forward-Looking Statements	1
<u>PART I</u>	
Item 1 Business	1
Item 1A Risk Factors	10
Item 2 Properties	10
Item 3 Legal Proceedings	10
Item 4 Mine Safety Disclosures	11
<u>PART II</u>	
Item 5 Market for Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	12
Item 6 Selected Financial Data	13
Item 7 Management’s Discussion and Analysis of Financial Condition and Results of Operations	13
Item 7A Quantitative and Qualitative Disclosures about Market Risk	25
Item 8 Financial Statements and Supplementary Data	26
Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	26
Item 9A Controls and Procedures	26
Item 9B Other Information	27
<u>PART III</u>	
Item 10 Directors, Executive Officers and Corporate Governance	27
Item 11 Executive Compensation	30
Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	41
Item 13 Certain Relationships and Related Transactions, and Director Independence	42
Item 14 Principal Accountant Fees and Services	42
<u>PART IV</u>	
Item 15 Exhibits and Financial Statement Schedules	44

NOTE ABOUT FORWARD LOOKING STATEMENTS

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

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

PART 1

ITEM 1 - BUSINESS

GENERAL

NetSol Technologies, Inc. (NasdaqCM: NTKW) 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.

The Company's primary source of revenue is the licensing, customization, enhancement and maintenance of its suite of financial applications under the brand name NFS™ (NetSol Financial Suite) and NFS Ascent™ for leading businesses in the global lease and finance industry.

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

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

- North America Los Angeles Area
- Europe London Metropolitan area
- Asia Pacific Lahore, Karachi, Bangkok, Beijing, Jakarta and Sydney

The Company continues to maintain services, solutions and/or sales specific offices in the USA, England, Pakistan, Thailand, China, Indonesia and Australia.

OUR BUSINESS

Company Business Model

NetSol believes that strong technology solutions with provable returns on investment are required to sell to its globally competitive and mature marketplace. NetSol believes that people are the drivers of success and we invest in hiring, training and retaining top-notch staff to ensure not only successful selling but also the ongoing satisfaction of our clients. Taken together, this “selling and attentive servicing” approach creates a distinctive advantage for NetSol and a unique value for its customers. NetSol continues to underpin this effective business model with a combination of careful cost arbitrage, subject matter expertise, domain experience, scalability and proximity with its global and regional customers.

Niche Market Focus

By specializing in leasing and financing solutions, we have gained footholds in several global locations and a market leading position in the captive auto-finance segment and a growing presence in the general asset finance space.

Subject Matter Expertise

NetSol’s dual expertise in enterprise technology implementation and financial application development has helped it emerge as a global contender in the lease and finance industry, and secure a broad footprint throughout the major markets of North America, Asia Pacific and Europe. The Asia Pacific operating region has particularly benefitted from the organic growth in the fast-developing leasing automation industry, which is still nascent by Western standards.

Domain Experience

NetSol has a strong presence in the captive auto-finance domain. With a collective experience of over two decades in Asia Pacific and over three decades in North America and Europe, NetSol is one of a few global competitors in this niche industry.

Proximity with Global and Regional Customers

The Company has offices across the world, located strategically to maintain close contact and proximity with its customers in various key markets. It has helped in strengthening customer relationships and building a deeper understanding of local market dynamics. Simultaneously, the Company is able to extend services and even development support through a combination of local/onsite and central/off-site resources. This approach allows the Company to offer blended rates to its customers by employing a unique and cost effective global development model.

While our business model is built around the development, implementation and maintenance of our suite of financial applications, under NFS™, NetSol has employed the same facilities and competencies to extend its offerings into related segments, including:

- IT consulting & services
- business intelligence
- information security
- independent system review
- outsourcing services and software process improvement consulting
- maintenance and support of existing systems
- project management
- technology/start-up incubation

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

OUR SOLUTIONS

NetSol Financial Suite™

NetSol's offerings include its flagship global solution, NFS™. A robust suite of four software applications that is an end-to-end solution for the asset finance industry covering the complete leasing and finance cycle starting from quotation origination through end of contract transactions, and including digital channel support with intuitive mobile applications. The four applications under NFS™ have been designed and developed for a highly flexible setting and are capable of dealing with multinational, multi-company, multi-asset, multi-lingual, multi-distributor and multi-manufacturer environments. Each application is a complete system in itself and can be used independently to address specific sub-domains of the leasing/financing cycle. When used together, they fully automate the entire leasing/financing cycle for companies of any size, including those with multi-billion dollar portfolios.

On October 24, 2013, we announced the introduction and release of NFS Ascent™, the Company's next generation platform, offering a technologically advanced solution for the auto and equipment finance and leasing industry. NFS Ascent's™ architecture and user interfaces were designed based on the Company's collective experience with global Fortune 500 companies over the past 40 years combined with UX design concepts. The platform's framework allows auto captive and asset finance companies to rapidly transform legacy driven technology into a state-of-the-art IT and business process environment. At the core of the NFS Ascent™ platform is a lease accounting and contract processing engine, which allows for an array of interest calculation methods, as well as robust accounting of multi-billion dollar lease portfolios 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.

NFS Ascent™ has been developed using the latest tools and technologies and its n-tier SOA architecture allows the system to greatly improve a myriad of areas including, but not limited to, scalability, performance, fault tolerance and security. We believe that the transition from NFS™ to NFS Ascent™ allows:

- Improvement in overall productivity throughout the delivery organization:
 - The features of the integrated Business Process Manager, Workflow Engine and Business Rule Engine, will provide flexibility to our clients allowing them to configure certain parts of the application themselves rather than requesting 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.
- Improvement in talent acquisition and retention:
 - Because NFS Ascent™ has been developed using the latest technologies and tools available in the market, it is helping us in attracting and retaining top engineers.
- Better customer satisfaction:
 - As a result of the powerful NFS Ascent™ platform and improvement in the talent pool, the quality of our deliverables has increased.

NFS™ and NFS Ascent™ have the following as their constituent applications:

Loan Origination System (LOS)

Point of Sale (POS)

POS is a front office processing system for companies in the financial sector. It provides a quotation system which also incorporates a simulation for all kinds of financial products using a powerful built-in loan calculator.

Credit Application Processing System (CAP)

CAP provides companies in the financial sector with an environment to handle the incoming credit applications from dealers, agents, brokers and the direct sales force. CAP automatically gathers information from different interfaces like credit rating agencies, evaluation guides, and contract management systems and gives the applications a score against a user defined point scoring system. This automated workflow permits the credit team members to make their decisions more quickly and accurately. CAP is a database independent online system developed in Microsoft's .Net framework. It can be run from any computer system with normal specifications, which is a key benefit for clients.

Contract Management System (CMS)

CMS provides comprehensive business functionality that enables its users to effectively and smoothly manage and maintain a contract with the most comprehensive details throughout its life cycle. It provides interfaces with external systems such as banks and accounting systems. CMS effectively maintains details of all business partners that do business with the company including, but not limited to, customers, dealers, debtors, guarantors, insurance companies and banks.

Wholesale Finance System (WFS)

WFS automates and manages the floor plan/bailment activities of dealerships through a finance company. The design of the system is based on the concept of one asset/one loan to facilitate asset tracking and costing. The system covers credit limit, payment of loan, billing and settlement, stock auditing, online dealer and auditor access, and ultimately the pay-off functions.

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.

Fleet Management System (FMS)

FMS is designed to efficiently handle all fleet management needs. FMS is easily integrated with CMS and WFS as well as with any third party contract management system to ensure a single comprehensive system. FMS key features include: a detailed tracking of information on every driver and vehicle; customizable reports; periodic reporting on fleet related aspects; internet based access to information; integration with third party software; and, linkage to GPS for real time tracking.

NFS Mobility

NFS mobility enables a sales force for a finance and leasing company to access different channels like point of sale, field investigation and auditing as well as allowing end customers to access their contract details through a self-service mobile application.

Mobile Account

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

Mobile Point of Sale

The application *mPOS* is a web and mobile enabled platform featuring a customizable home screen dashboard along with multiple quotation, application submission, work queues and detailed reporting to empower dealer networks in making the right decisions at the right time, in turn optimizing productivity.

Mobile Dealer

Mobile Platform *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

The *mAuditor* schedules visits, records audit exceptions and tracks assets for higher levels of transparency, in real time.

Mobile Field Investigator

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

Regional NFS™ Offerings

While NFS Ascent™ is designed to be a truly global solution ready for customization in any market, the Company has historically provided products tailored to various markets. As such, we offer the following additional regional products:

LeasePak

In North America, NetSol Technologies Americas, Inc. (NTA) has and continues to develop the LeasePak CMS product. LeasePak streamlines the lease management lifecycle, enabling superior lease and loan portfolio management, flexible financial products (lease or loan terms) and sophisticated financial analysis and management to reducing operating costs and improve profits. It is scalable from a basic offering to a collection of highly specialized add on modules for systems, portfolios and accrual methods for virtually all sizes and varying complexity of operations. It is part of the vehicle leasing infrastructure at leading Fortune 500 banks and manufacturers, as well as for some of the industry's leading independent lessors. It handles every aspect of the lease or loan lifecycle, including credit application origination, credit adjudication, pricing, documentation, booking, payments, customer service, collections, midterm adjustments, and end-of-term options and asset disposition. It is also integrated with important partners in the asset-finance ecosystem, such as Vertex Series O.

LeasePak-SaaS

NTA also offers the LeasePak Software-as-a-Service (“SaaS”) business line, which provides high performance with a reduced total cost of ownership. SaaS offers a proven deployment option whereby customers only require access to the internet to use the software. With an elastic cloud price, revenue stream predictability and improved return on investment for customers, management believes that its SaaS customers will experience the performance, the reliability and the speed usually associated with a highly scalable private cloud. LeasePak-SaaS targets small and mid-sized leasing and finance companies.

LeaseSoft

In addition to offering NFS Ascent™ to the Europe market, NTE has some regional offerings, including:

- LeaseSoft – a full lifecycle lease and finance system aimed predominantly at the UK funder market, including modules to support web portals and an electronic data interchange manager to facilitate integration between funders and introducers.
- LoanSoft – similar to LeaseSoft, but optimized for the consumer loan market.

Implementation Process

The implementation process can span from three to eighteen months depending upon the complexity and scope. The implementation process also includes related software services such as configuration, data migration, training and any other additional third party interfaces. Even after implementation, customers seek enhancements and additions to improve their business processes. NetSol charges these efforts in a man-day rate. Post implementation, NetSol consultants may remain at the client site to assist the customer in smooth operations. After this phase, the regular maintenance and support services phase for the implemented software begins. In addition to the daily rate paid by the customer for each consultant, the customer also pays for all the transportation related expenses, boarding of the consultants, and a living allowance. NetSol's involvement in all of the above steps is priced to bring value to our customers and increase our profitability from our interactions.

Pricing and Revenue Streams

The Company's revenue streams occur through the following three main areas:

- Product licensing
- Implementation related services
- Maintenance and support related services

License fees can vary generally between \$100,000 for SaaS minimal modules to more than \$2,000,000 for more robust multiple module implementations. There are various attributes which determine the level of complexity, a few of which are: number of contracts; size of the portfolio; business strategy of the customer; internal business processes followed by the customer; number of business users; and branch network of the customer. The Company recognizes revenue from license contracts without major customization when a non-cancelable, non-contingent license agreement has been signed, delivery of the software has occurred, the fee is fixed or determinable, and collectability is probable. However, revenue from sale of licenses with major customization, modification, and development is recognized on a percentage of completion basis. Implementation related services, including configuration, data migration and third party interfaces are recognized in accordance with the percentage of completion method. Maintenance and support related services are then provided on a continued basis. The annual maintenance fee, which typically is an agreed upon percentage of overall monetary value of the license, then becomes an ongoing revenue stream realized on yearly basis. Revenue from software services includes fixed price contracts and is recognized in accordance with the percentage of completion method using the output measure of "Unit of Work Completed."

Joint Ventures

NetSol-Innovation

In November 2004, the Company entered into a joint venture agreement with Iinsurer (formerly the Innovation Group) forming NetSol-Innovation (Pvt) Ltd., ("NetSol-Innovation"), a Pakistani company. NetSol-Innovation provides support services enabling Iinsurer to scale solution delivery operations in key growth markets. NetSol-Innovation operations are centered in NetSol's delivery center in Lahore, Pakistan. NetSol owns a majority of the venture. The entities share in the profits of the joint venture on the basis of their shareholding. The outsourcing model between Iinsurer and NetSol involves services pertaining to business analyses, configuration, testing, software quality assurance, technical communication, research and development regarding its insurance platform, client support as well as project management for development of software for Iinsurer.

Initiated with a 10-person outsourcing team in Lahore in February 2005, this arrangement has extended to 156 persons with the additional resources catering to the increased influx of outsourcing of configuration and testing assignments from Iinsurer. Currently, prominent Iinsurer's customers being serviced from Lahore include GuideOne USA, Homesite USA, UPC USA and MDU UK.

Virtual Lease Services

Virtual Lease Services (VLS) is a joint venture partnership with NTE and Investec Bank. NetSol owns a majority of the venture. VLS provides an asset finance services proposition complementing our core solutions offerings. VLS provides three core services, covering business process outsourcing (BPO), provision of standby servicing to the securitization markets, and audit services. The cornerstone of VLS's range of services is the BPO offering which provides portfolio management to a range of businesses, including start-ups, growth businesses, and those in run down mode. The BPO service also supports portfolio acquirers. VLS carries a Fitch ABS Primary Servicer Rating of "ABPS3", upgraded from "ABPS3-" in October 2014.

Alliances

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

Technical Affiliations

The Company is a Microsoft Certified Silver Partner and an Oracle Certified Partner.

Marketing and Selling

NetSol management continues its optimism that the Company will experience ever increasing opportunities for its product and services offerings in 2017 and beyond. The objective of the Company’s marketing program is to create and sustain preference and loyalty for NetSol. Marketing is performed at the corporate and business unit levels. The corporate marketing department has overall responsibility for communications, advertising, public relations and the website. In addition, corporate marketing oversees central marketing and communications programs for use by each of the business units.

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

The Markets

NetSol provides its services primarily to clients in global commercial industries. In the global commercial area, the Company’s service offerings are marketed to clients in a wide array of industries including, automotive, software, banks, higher education and financial services.

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

People and Culture

The Company believes it has developed a strong corporate culture that is critical to its success. Its key values are delivering world-class quality software, client-focused timely delivery, leadership, long-term relationships, creativity, openness and transparency and professional growth. The services provided by NetSol require proficiency in many fields, such as software engineering, project management, business analysis, technical writing, sales and marketing, and communication and presentation skills.

Due to the growing demand for our core offerings and IT services, retention of technical and management personnel is essential. We have enhanced the compensation structure for our technical teams and senior management to stay ahead of global and regional competition. As a result, we have improved IT employee turnover from almost 20% in 2014 to less than 15% today with a goal is to improve the turnover level to under 10% in this fiscal year and onwards. In addition, we are committed to improving key performance indicators such as efficiency, productivity and revenue per employee.

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

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

- Humanitarian Relief— We are all aware of the devastation that can be wrought by natural disasters. NetSol has historically supported earthquake and flood relief where the need is the greatest.
- Literacy Program— launched to educate low paid illiterate employees of the organization. The main objective of this program is to enable these resources to acquire basic reading, writing and arithmetic skills.
- Noble Cause Fund—A noble cause fund has been established to meet medical and education expenses of the children of low paid employees. NetSol employees voluntarily contribute a fixed amount every month to the fund and the Company matches the employee subscriptions with an equivalent contribution amount. A portion of this fund is also utilized to support social needs of certain institutions and individuals, outside NetSol.
- Day Care Facility—NetSol's human resources are its key assets and thus the Company takes numerous steps to ensure the provision of basic comforts to its employees. In Pakistan, the provision of outside pre-school child care is a rarity. With this in mind, a child day care facility has been created in close proximity to NetSol offices providing employees with peace of mind knowing their children are nearby and being taken care of by qualified staff in a child friendly facility.
- Preventative Health Care Program—In addition to the comprehensive out-patient and in-patient medical benefits, preventive health care has also been introduced. This phased program focuses on vaccination of our employees against such diseases as Hepatitis – A/B, Tetanus, Typhoid and Flu on a routine basis.

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

As of June 30, 2017, we had approximately 1,461 employees; comprised of 1,082 IT project and technical personnel; and 380 non-IT personnel. The IT project and technical personnel include 766 employees dedicated to NFS and NFS Ascent™, 151 employees dedicated to the joint venture with linsurer and 165 employees supporting the regional offerings as well as IT consulting and services. None of our employees are subject to a collective bargaining agreement.

Competition

Neither a single company, nor a small number of companies, dominate the IT market in the space in which the Company competes. A substantial number of companies offer services that overlap and are competitive with those offered by NetSol. Some of these are large include computer manufacturers and computer consulting firms that have greater financial resources than NetSol and, in some cases, may have greater capacity to perform services similar to those provided by NetSol.

In the NFS™ business space, the barriers to entry are getting higher. The products are becoming more cutting-edge while richness in functionality is paramount. Older companies have prolonged the life of their legacy products by creating web-based front ends, while the core of the systems has not been re-engineered. In the case of NFS™, we compete chiefly against leading suppliers of IT solutions to the financial industry, including names such as White Clarke, Fimasys, International Decision Systems (IDS), Data Scan, Alfa, 3i Infotech, Finnone and Nucleus Software.

In the IT based business services areas, we compete with both smaller local firms and many global IT services providers, including names such as Wipro, InfoSys, Satyam Infoway, HCL and TCS (Tata Consulting).

Many of the competitors of NetSol have longer operating history, larger client bases, and longer relationships with clients, greater brand or name recognition and significantly greater financial, technical, and public relations resources than NetSol. Existing or future competitors may develop or offer services that are comparable or superior to ours at a lower price, which could have a material adverse effect on our business, financial condition and results of operations.

Customers

NetSol customers include world renowned auto manufacturers through their finance arms and large regional banks. In addition, NetSol provides offshore development and testing services to linsurer, formerly Innovation Group Plc UK, and their blue chip global insurance customers through the NetSol-Innovation joint venture, which contributes about 8.67% of NetSol's revenues. NetSol is also a strategic business partner for Daimler (which consists of a group of many companies in different countries), which accounts for 44.25% of our revenue.

Global Operations and Geographic Data

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

The Americas

At NTA, Mr. Jeffrey Bilbrey, formerly a NetSol Technologies Inc. independent board member for three years and also Vice President at Majesco Software and Services, acts as President. Mr. Bilbrey brings 24 years of software product management, consulting services delivery and technology business operations leadership to NTA. His focus is to expand the presence of NetSol in the Americas region while assuring elevated service levels to all existing clients.

Operations and head of sales continue to be led by Mr. Farooq Ghauri. He is a technology industry and domain expert with a 13 year proven track record in driving the rapid expansion of an industry leading global software organization. He has been working in NTA since 2008 as an active member of the management team. He has worked in NetSol's Pakistan, China, Australia, Thailand and US offices providing him with the complete understanding of NetSol's global operations in an industry that is rapidly expanding and changing.

Europe

Mr. Asad Ghauri leads our European market as Group Managing Director. Mr. Ghauri has a long history of experience in the Company, including a tenure as a board of director member, and vast experience in leading our Asia Pacific unit. We believe this experience will be utilized to lead growth in Europe. The NTE entity is led by Mr. Tim O'Sullivan as Managing Director. Mr. O'Sullivan has the necessary industry expertise and domain knowledge to service the needs of the European Market.

VLS is led by Ms. Louise Ikonomides. As Managing Director and founding shareholder of VLS, Ms. Ikonomides has been with VLS since its inception in 1999.

Asia Pacific Region

NetSol Technologies, Ltd., a majority owned subsidiary of the parent company is located in Lahore, Pakistan and is headed by Mr. Salim Ghauri as its CEO. Mr. Ghauri is a co-founder of NetSol Technologies and has been with the Company since 1996.

NetSol Beijing is headed by Mr. Umar Qadri as President. Mr. Qadri has been with NetSol for over five years where he has gained valuable experience in both technology and management.

The Global Sales Division is headed by Mr. Naeem Ghauri as President of Sales from the NetSol Thai offices located in Bangkok, Thailand. Mr. Ghauri has been with NetSol since 1999 and has over 28 combined years of experience in business and IT. He is also a member of the board of directors of the parent Company.

The Asia Pacific region including Australia/New Zealand and the Middle East, is targeted from the Asia Pacific region offices located in Beijing China; Bangkok, Thailand; Lahore and Karachi, Pakistan. While Lahore continues to be a mainstay of the Company's delivery and research and development, Bangkok's expanded sales operation and client relations facility has grown into a back-up to the Lahore facility. With the continued growth of the Chinese market, our Beijing office continues to expand as both a sales and support facility. Finally, the Asia Pacific region maintains and will establish offices through the region as is necessary to support its customers and to explore potential new markets.

Our Asia Pacific Region accounted for approximately 81% of our revenues in 2017 and our North America and European regions together accounted for approximately 19% of our revenues in 2017. Information regarding financial data by geographic areas is set forth in Item 7 and Item 8 of this Annual Report on form 10-K. See note 19 of Notes to Consolidated Financial Statements under Item 8.

Intellectual Property

The Company relies upon a combination of nondisclosure and other contractual arrangements, as well as common law trade secret, copyright and trademark laws to protect its proprietary rights. The Company enters into confidentiality agreements with its employees, generally requires its consultants and clients to enter into these agreements, and limits access to and distribution of its proprietary information. The NetSol logo and name, as well as the NFS logo and product name have been copyrighted and trademark registered in Pakistan. The NetSol logo and BestShoring® name has been registered with the U.S. Patent and Trademark Office. An application has been filed to trademark the NFS Ascent™ with the U.S. Patent and Trademark Office and is currently being processed. The Company intends to trademark and copyright its intellectual property as necessary and in the appropriate jurisdictions.

Governmental Approval and Regulation

Current Company operations do not require specific governmental approvals. Like all companies, including those with multinational subsidiaries, we are subject to the laws of the countries in which the Company maintains subsidiaries and conducts operations. Pakistani law allows a tax exemption on income from exports of IT services and products up to 2018. While foreign based companies may invest in Pakistan, repatriation of their investment, in the form of dividends or other methods, requires approval of the State Bank of Pakistan.

Available Information

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

We webcast our earnings calls and certain events we participate in or host with members of the investment community on our investor relations website. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases, and blogs as part of our investor relations website. Investors and others can receive notifications of new information posted on our investor relations website by signing up for e-mail alerts. Further corporate governance information, including our committee charters and code of conduct, is also available on our investor relations website at <http://ir.netsoltech.com/governance-docs>. The content of our websites are not intended to be incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

ITEM 1A - RISK FACTORS

Not Applicable.

ITEM 2 - PROPERTIES

Our corporate headquarters are located in Calabasas, California where we lease 7,210 square feet of office space. We own our Lahore Technology Campus which consists of approximately 140,000 square feet of computer and general office space. This includes the newly constructed building having a covered area of approximately 90,000 square feet with the capacity to house approximately 1,000 resources. In addition, we maintain leased office space in the UK, China, Australia, Thailand and Indonesia. Our NTA office has been consolidated with the corporate headquarters. We believe our existing facilities, both owned and leased, are in good condition and suitable for the conduct of our business.

ITEM 3 - LEGAL PROCEEDINGS

On October 27, 2015, a shareholder derivative lawsuit was filed in the California state court entitled *McArthur v Ghauri, et al.*, Case No. BC599020 (Los Angeles, Cty.), naming current and former members of the Company's board of directors as defendants. The complaint alleges that the defendants breached their fiduciary duties. The Company was named as a nominal defendant only and no damages are sought from it. On March 16, 2016, the parties in the California lawsuit reached an agreement-in-principle providing for the settlement of that case.

On December 30, 2015, a virtually identical shareholder derivative lawsuit was filed in Nevada state court, *Paulovits v. Ghauri, et al.*, Case No. CV15-02470 (Washoe Cty.). The Nevada complaint named the same defendants and was based on the same alleged facts as the earlier-filed California case. On April 29, 2016, the Company filed a motion to dismiss or stay the Nevada proceeding on multiple grounds, including that it is duplicative of the first-filed California action. On May 23, 2016, pursuant to the parties' stipulation, the Nevada court ordered that matter to be stayed for a period of one year.

On June 15, 2016, the parties in the California and the Nevada cases jointly executed a Stipulation and Agreement of Settlement of Derivative Claims, which is intended to fully resolve both cases. Pursuant to the stipulation and subject to the court's approval, the Company has agreed to adopt or maintain certain corporate governance measures, and has agreed to cause its insurers to pay plaintiff counsel's fees and expenses in an aggregate amount not to exceed \$175,000. On June 16, 2016, the California plaintiff filed a motion for preliminary approval of the derivative settlement.

On May 30, 2017, Los Angeles Superior Court Judge Kenneth R. Freeman signed the Final Judgment and Order approving settlement and dismissing with prejudice the shareholder derivative litigation involving the Company. The order became effective on June 29, 2017.

On April 7, 2017, Conister Bank Limited filed a complaint in the High Court of Justice Chancery Division, as claim no HC-2017-001045 against our subsidiary, Virtual Lease Services Limited ("VLS"). The complaint alleges that VLS was in willful default of their agreements with Conister Bank Limited by failing to fulfill its obligations under the agreements with Conister. The complaint alleges damages in excess of £200,000 (approximately \$260,000). VLS has responded to the complaint and its expenses are currently covered by available insurance. VLS denies all claims and intends to vigorously defend the action.

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

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

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

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

Fiscal Year 2017	High	Low
First Quarter	\$ 7.00	\$ 5.64
Second Quarter	\$ 6.65	\$ 5.00
Third Quarter	\$ 5.55	\$ 4.35
Fourth Quarter	\$ 5.60	\$ 3.80

Fiscal Year 2016	High	Low
First Quarter	\$ 5.96	\$ 4.20
Second Quarter	\$ 9.50	\$ 5.02
Third Quarter	\$ 8.20	\$ 6.02
Fourth Quarter	\$ 7.46	\$ 5.40

RECORD HOLDERS - As of September 25, 2017, the number of holders of record of the Company's common stock was 162.

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

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

The table shows information related to our equity compensation plans as of June 30, 2017:

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity Compensation Plans approved by Security holders	475,133(1)	\$ 4.20(2)	474,111(3)
Equity Compensation Plans not approved by Security holders	None	None	None
Total	475,133	\$ 4.20	474,111

(1) Consists of 1,000 under the 2003 Incentive and Nonstatutory Stock Option Plan; 53,462 under the 2005 Incentive and Nonstatutory Stock Option Plan; and 420,671 under the 2013 Incentive and Nonstatutory Stock Option Plan.

(2) The weighted average exercise price of the options is \$4.20.

(3) Represents 130,000 available for issuance under the 2011 Incentive and Nonstatutory Stock Option Plan, 2,595 under the 2013 Incentive and Nonstatutory Stock Option Plan and 341,516 under the 2015 Incentive and Nonstatutory Stock Option Plan.

(b) RECENT SALES OF UNREGISTERED SECURITIES

None.

ITEM 6 – SELECTED FINANCIAL DATA

Not applicable.

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

The following discussion is intended to assist in an understanding our financial position and results of operations for the year ended June 30, 2017. It should be read together with our consolidated financial statements and related notes included under Item 8 of this Annual Report on Form 10-K.

A few of our highlights for 2016-2017 were:

- The first implementation of our contract with a long-standing customer to upgrade to NFS Ascent™ in 11 countries and implement NFS Ascent™, in one new country was recently completed in Australia and New Zealand. The implementation phase continues in China, Korea, and South Africa.
- Sold LeasePak license valued at \$500,000 to Korean based automotive captive for their U.S. operations.
- NetSol PK signed a collaboration agreement to provide technology services to WRLD3D, an interactive 3D mapping company based in the United Kingdom. The WRLD3D platform enables businesses to easily visualize complex data sets and location-based services in a 3D mobile experience.
- Went live with a major implementation of our NFS legacy system with Tri Petch Isuzu Leasing in Thailand.
- Went live with NFS legacy system in China.
- A restructuring of the Company’s efficiencies, initiated in December 2016, is expected to result in approximately \$4 million in savings spread over the next year.
- Teamed up with Microsoft Pakistan to foster innovation, encourage entrepreneurship and provide senior mentorship to promising new start-ups as part of the NSPIRE program.
- NetSol PK signed an agreement with Microsoft North Africa, East Mediterranean & Pakistan to further support the Pakistan technological start-ups.

Our success, in the near term, will depend in large part on the Company’s ability to: (a) continue to grow revenues and improve profits, (b) adequately capitalize for growth in various markets and verticals, (c) make progress in the North American and European markets and, (d) continue to increase sales and marketing efforts in every market we operate.

Marketing and Business Development Activities

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

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

- Build strong C-level executive teams in each key location to execute our long-term strategy.
- Develop and groom the next tier level management for leadership to navigate long term growth.
- Upgrade Bangkok and Beijing offices to support the growing and existing client relationships and new client acquisitions in the region.
- Strengthen the NetSol brand in the Americas and Europe and further penetrate the APAC markets such as China, Thailand, Indonesia, Japan, Australia and New Zealand.
- Develop the sales and account management teams with Ascent domain expertise for the Americas markets, in particular the growth in the US auto and banking sectors.
- Maximize penetration into new and existing smaller markets by increasing the sales activities for our legacy version of NFS™ in emerging markets in Latin America, APAC, and the Middle Eastern regions where the legacy product is better suited to middle market companies to meet their requirements and IT budgets.
- Maintain the quality of our delivery, after delivery support, and client relationships.
- Further penetration of NFS Ascent™ into the leasing and financing sectors in China, APAC, Europe and North America by focusing on multi-national auto captive Fortune 500 companies.
- Continue to implement new tools, systems and processes, such as JIRA, and the Agile frame work to further enhance productivity, efficiencies and operating margins.

Growth Prospects for NFS™

Growth prospects for NFS™ are linked to the maturing of the product portfolio and its growing customer base across different geographic and product markets. NetSol is eyeing key international markets for growth in sales. Its sales strategy now carefully balances expansion into new geographic markets, including North and South America, and further penetration of our leading position in Asia Pacific.

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

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

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

In China, NetSol is a leader in the leasing and finance enterprise solution domain. With this position, NetSol continues to enjoy demand for the current NFS™ solution, as well as NFS Ascent™. NetSol will continue strengthening its position within existing multinational auto manufacturers, as well as, local Chinese captive finance and leasing companies. The Chinese auto leasing market is young and low on consumer penetration in comparison with the giant U.S. market. We see a tremendous opportunity to grow demand for our products widely and in new markets in China such as Shanghai.

In Thailand, NetSol established a sales headquarters and client service center. The NetSol Thai operation is the hub for NetSol Global markets and directly supports all APAC markets including China, Indonesia and Australia. Our operation in Bangkok serves a very robust and growing market for leasing companies and regional banks.

MATERIAL TRENDS AFFECTING NETSOL

Management has identified the following material trends affecting NetSol.

Positive trends:

- Improving U.S. economy generally, and particularly auto and banking markets.
- Robust Chinese markets as asset based leasing and finance sector are far from maturity levels.
- Latin American markets, primarily in Mexico, remain largely untapped.
- Pakistan economy growth in gross domestic product reached 4.7% in 2016, according to the Pakistan Bureau of Statistics; and improved credit ratings by Bloomberg, S&P, Moody's and Forbes Pakistan security and geopolitical environment has improved.
- China investment or CPEC (China Pakistan Economic Corridor) has exceeded \$50 billion from originally \$46 billion in Pakistan on energy and infrastructure projects.
- Continuous strong U.S. auto sales in excess of 17 million units in 2016 according to Auto news.com.
- New emerging markets and IT destinations in Thailand, Malaysia, Indonesia, China and Australia.
- Continued interest from Fortune 500 multinational auto captives and global companies in NetSol Ascent™.
- Growing interest from existing clients in the NFS™ legacy systems in emerging and developing markets.
- Growing demand and traction for upgrading to NFS Ascent™ by existing tier one auto captive clients.
- Higher caliber and quality talent joining NetSol, globally.
- Employee turnover is contained to under 15% level in 2017 from 20% in 2014.

Negative trends:

- Growing Global terrorism and extremism threats in European countries.
- Geopolitical unrest in the Middle East and potential terrorism and the disruption risk it creates.
- Restricted liquidity and financial burden due to tighter internal processes and limited budgets might cause delays in the receivables from some clients.
- The threats of conflict between in the Middle Eastern countries could potentially create volatility in oil prices, causing readjustments of corporate budgets and consumer spending slowing global auto sales.

CRITICAL ACCOUNTING POLICIES

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

REVENUE RECOGNITION

The Company derives revenues from the following sources: (1) software licenses, (2) services, which include implementation and consulting services, and (3) maintenance, which includes post contract support.

The Company recognizes revenue from license contracts without major customization when a non-cancelable, non-contingent license agreement has been signed, delivery of the software has occurred, the fee is fixed or determinable, and collectability is probable. Delivery is considered to have occurred upon electronic transfer of the license key that provides immediate availability of the product to the purchaser. Determining whether and when some of these criteria have been satisfied often involves assumptions and judgments that can have a significant impact on the timing and amount of revenue the Company reports.

If an arrangement does not qualify for separate accounting of the software license and consulting transactions, then new software license revenue is generally recognized together with the consulting services based on contract accounting using either the percentage-of-completion or completed contract method. Contract accounting is applied to any arrangements: (1) that include milestones or customer specific acceptance criteria that may affect collection of the software license fees; (2) where services include significant modification or customization of the software; (3) where significant consulting services are provided for in the software license contract without additional charge or are substantially discounted; or (4) where the software license payment is tied to the performance of consulting services.

Revenue from consulting services is recognized as the services are performed for time-and-materials contracts. Revenue from training and development services is recognized as the services are performed.

Revenue from maintenance agreements is recognized ratably over the term of the maintenance agreement, typically one year.

Multiple Element Arrangements

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

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

COST OF REVENUES

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

ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

INTANGIBLE ASSETS

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

SOFTWARE DEVELOPMENT COSTS

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

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

SHARE-BASED COMPENSATION

The Company records stock compensation in accordance with ASC 718, *Compensation – Stock Compensation*. ASC 718 requires companies to measure compensation cost for stock employee compensation at fair value at the grant date and recognize the expense over the employee's requisite service period. The Company recognizes in the statement of operations the grant-date fair value of stock options and other equity-based compensation issued to employees and non-employees. We estimate the grant date fair value of our stock options using the Black-Scholes option-pricing model with the assumptions of expected term, expected volatility, risk-free interest rate and expected dividend. Each of these assumptions is subjective and generally requires significant judgment to determine. We estimate the volatility using our own common stock data.

GOODWILL

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a purchase businesses combination. Goodwill is reviewed for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying amount of goodwill may be impaired. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed. If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the enterprise must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

The source of the Company's goodwill relates to the acquisition of four companies. NetSol PK operates in the Asia Pacific region; CQ Systems (now NetSol Technologies Europe Limited) and VLS both operate in Europe; and McCue Systems (now NetSol Technologies Americas, Inc.) operates in the North American region. All these geographies are considered as different reporting segments. Goodwill arising from the acquisition of these companies has been allocated to their respective geographical segments to which they relate. While identifying reporting segments, we take into consideration the reports reviewed by the CEO (chief operating decision maker). As our financial reports are analyzed on this regional basis, we have defined this as segment reporting for purposes of goodwill impairment testing. The Company tests for goodwill impairment at each reporting unit.

Recent Accounting Pronouncement

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

RESULTS OF OPERATIONS

THE YEAR ENDED JUNE 30, 2017 COMPARED TO THE YEAR ENDED JUNE 30, 2016

The following table sets forth the items in our consolidated statement of operations for the years ended June 30, 2017 and 2016 as a percentage of revenues.

	2017	%	2016	%
Net Revenues:				
License fees	\$ 18,218,912	27.87%	\$ 8,352,441	12.94%
Maintenance fees	14,157,367	21.66%	13,310,591	20.62%
Services	24,798,899	37.94%	30,037,459	46.53%
License fees - related party	246,957	0.38%	1,616,138	2.50%
Maintenance fees - related party	311,359	0.48%	365,772	0.57%
Services - related party	7,632,774	11.68%	10,867,792	16.84%
Total net revenues	<u>65,366,268</u>	100.00%	<u>64,550,193</u>	100.00%
Cost of revenues:				
Salaries and consultants	24,645,223	37.70%	21,789,329	33.76%
Travel	3,137,671	4.80%	2,334,019	3.62%
Depreciation and amortization	5,448,059	8.33%	5,926,969	9.18%
Other	3,727,379	5.70%	3,698,290	5.73%
Total cost of revenues	<u>36,958,332</u>	56.54%	<u>33,748,607</u>	52.28%
Gross profit	28,407,936	43.46%	30,801,586	47.72%
Operating expenses:				
Selling and marketing	9,746,229	14.91%	7,823,916	12.12%
Depreciation and amortization	1,114,275	1.70%	1,225,170	1.90%
Provision for bad debts	1,407,751	2.15%	237,703	0.37%
General and administrative	16,747,550	25.62%	14,727,313	22.82%
Research and development cost	393,345	0.60%	485,783	0.75%
Total operating expenses	<u>29,409,150</u>	44.99%	<u>24,499,885</u>	37.95%
Income from (loss) operations	(1,001,214)	-1.53%	6,301,701	9.76%
Other income and (expenses)				
Gain (loss) on sale of assets	(30,147)	-0.05%	23,930	0.04%
Interest expense	(310,044)	-0.47%	(264,511)	-0.41%
Interest income	179,723	0.27%	161,794	0.25%
Gain (loss) on foreign currency exchange transactions	306,819	0.47%	(738,158)	-1.14%
Other income (expense)	50,378	0.08%	224,931	0.35%
Total other income (expenses)	<u>196,729</u>	0.30%	<u>(592,014)</u>	-0.92%
Net income (loss) before income taxes	(804,485)	-1.23%	5,709,687	8.85%
Income tax provision	(931,951)	-1.43%	(652,546)	-1.01%
Net income (loss)	(1,736,436)	-2.66%	5,057,141	7.83%
Non-controlling interest	(3,241,594)	-4.96%	(1,654,380)	-2.56%
Net income (loss) attributable to NetSol	<u>\$ (4,978,030)</u>	-7.62%	<u>\$ 3,402,761</u>	5.27%

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

	For the Year Ended June 30,				Favorable (Unfavorable) Change in Constant Currency	Favorable (Unfavorable) Change due to Currency Fluctuation	Total Favorable (Unfavorable) Change as Reported
	2017	%	2016	%			
Net Revenues:	65,366,268	100.00%	64,550,193	100.00%	2,166,632	(1,350,557)	816,075
Cost of revenues:	36,958,332	56.54%	33,748,607	52.28%	(3,878,280)	668,555	(3,209,725)
Gross profit	28,407,936	43.46%	30,801,586	47.72%	(1,711,648)	(682,002)	(2,393,650)
Operating expenses:	29,409,150	44.99%	24,499,885	37.95%	(5,855,816)	946,551	(4,909,265)
Income (loss) from operations	(1,001,214)	-1.53%	6,301,701	9.76%	(7,567,464)	264,549	(7,302,915)

Net revenues for the years ended June 30, 2017 and 2016 by segment are as follows:

	2017		2016	
	Revenue	%	Revenue	%
North America	\$ 5,624,434	8.60%	\$ 5,464,740	8.47%
Europe	6,850,320	10.48%	10,670,117	16.53%
Asia-Pacific	52,891,514	80.92%	48,415,336	75.00%
Total	\$ 65,366,268	100.00%	\$ 64,550,193	100.00%

Revenues

License fees

License fees for the year ended June 30, 2017 were \$18,218,912 compared to \$8,352,441 for the year ended June 30, 2016 reflecting an increase of \$9,866,471 with a change in constant currency of \$9,933,367. The increase in license revenue for the fiscal year ended June 30, 2017 compared to 2016 is primarily due to the \$16,345,000 of license revenue recognized for the 12 country NFS Ascent contract. We also had license revenues through sales of our regional offerings in the U.S. and the U.K.

License fees – related party

License fees from related party for the year ended June 30, 2017 were \$246,957 compared to \$1,616,138 for the year ended June 30, 2016 reflecting a decrease of \$1,369,181 with a change in constant currency of \$1,326,335. The decrease in license revenue for the fiscal year ended June 30, 2017 compared to 2016 is due to unexpected delays in a complex implementation during fiscal year 2017.

Maintenance fees

Maintenance fees for the year ended June 30, 2017 were \$14,157,367 compared to \$13,310,591 for the year ended June 30, 2016 reflecting an increase of \$846,776 with a change in constant currency of \$1,170,153. Maintenance fees begin once a customer has “gone live” with our product. The increase was due to the start of new maintenance agreements from customers who went live with our product during the latter stages of fiscal year 2016 and into fiscal year 2017. We anticipate maintenance fees to gradually increase as we implement both our NFS legacy product and NFS Ascent™.

Maintenance fees – related party

Maintenance fees from related party for the year ended June 30, 2017 were \$311,359 compared to \$365,772 for the year ended June 30, 2016 reflecting a decrease of \$54,413 with a change in constant currency of \$1,353. The decrease was due to fluctuation in foreign currency translation.

Services

Services income for the year ended June 30, 2017 was \$24,798,899 compared to \$30,037,459 for the year ended June 30, 2016 reflecting a decrease of \$5,238,560 with a change in constant currency of \$4,486,525. The services revenue decrease was due to a decrease in services revenue associated with new implementations and change requests. Services revenue is derived from services provided to both current customers as well as services provided to new customers as part of the implementation process.

Services – related party

Services income from related party for the year ended June 30, 2017 was \$7,632,774 compared to \$10,867,792 for the year ended June 30, 2016 reflecting a decrease of \$3,235,018 with a change in constant currency of \$3,125,381. The decrease in related party service revenue is due to a decrease in revenue from our joint venture with Insurer of approximately \$2,500,000 and a decrease of approximately \$1,700,000 due to implementation delays, offset by an approximately \$975,000 increase in service revenue related to services performed for WRLD3D.

Gross Profit

The gross profit was \$28,407,936, for the year ended June 30, 2017 as compared with \$30,801,586 for the year ended June 30, 2016. This is a decrease of \$2,393,650 with a decrease in constant currency of \$1,711,648. The gross profit percentage for the year ended June 30, 2017 also decreased to 43.5% from 47.7% for the year ended June 30, 2016. The cost of sales was \$36,958,332 for the year ended June 30, 2017 compared to \$33,748,607 for the year ended June 30, 2016, for an increase of \$3,209,725 and on a constant currency basis an increase of \$3,878,280. As a percentage of sales, cost of sales increased from 52.3% for the year ended June 30, 2016 to 56.5% for the year ended June 30, 2017.

Salaries and consultant fees increased by \$2,855,894 from \$21,789,329 for the year ended June 30, 2016 to \$24,645,223 for the year ended June 30, 2017 and on a constant currency basis increased \$3,253,753. The increase in salaries and consultant fees is due to the hiring and training of technical employees at key locations including Pakistan, Thailand, China, UK and North America as we anticipated new projects associated with NFS Ascent™. In order to prepare for growth with our new product NFS Ascent™, we continued to focus on hiring technical personnel. However, due to the decline in revenues, we began cost cutting measures during Q3 of fiscal year 2017. We had 1,195, 1,234 and 1,081 technical employees as of June 30, 2015, 2016 and 2017, respectively. As a percentage of sales, salaries and consultant expense increased from 33.8% for the year ended June 30, 2016 to 37.7% for the year ended June 30, 2017.

Depreciation and amortization expense decreased to \$5,448,059 compared to \$5,926,969 for the year ended June 30, 2016 or a decrease of \$478,910 and on a constant currency basis a decrease of \$504,554. Depreciation and amortization expense decreased as some products became fully amortized.

Operating Expenses

Operating expenses were \$29,409,150 for the year ended June 30, 2017 compared to \$24,499,885, for the year ended June 30, 2016 for an increase of 20.0% or \$4,909,265 and on a constant currency basis an increase of 23.9% or \$5,855,816. As a percentage of sales, it increased from 38.0% to 45.0%. The increase in operating expenses was primarily due to increases in selling and marketing expenses, provision for bad debt, and general and administrative expenses.

Selling and marketing expenses increased \$1,922,313 or 24.6% and on a constant currency basis an increase of \$2,228,963 or 28.5%. The increase in selling and marketing expenses is due to the increase in our salaries and commissions, travel expenses, and business development costs to market and sell NFS Ascent™ globally.

Provision for bad debt increased by approximately \$1,170,048 or \$1,297,623 on a constant currency basis as certain accounts were estimated to be uncollectible.

General and administrative expenses were \$16,747,550 for the year ended June 30, 2017 compared to \$14,727,313 at June 30, 2016 or an increase of \$2,020,237 or 13.7% and on a constant currency basis an increase of \$2,499,144 or 17.0%. During the year ended June 30, 2017, salaries increased by approximately \$2,758,127 or \$2,957,980 on a constant currency basis due to the increase in the number of employees, annual raises, share grants, cash bonuses and options, and other general and administrative expenses decreased by approximately \$770,208 or \$526,883 on a constant currency basis.

Income/Loss from Operations

Loss from operations was \$1,001,214 for the year ended June 30, 2017 compared to income of \$6,301,701 for the year ended June 30, 2016. This represents a decrease of \$7,302,915 with a decrease of 7,567,464 on a constant currency basis for the year ended June 30, 2017 compared with the year ended June 30, 2016. As a percentage of sales, loss from operations was 1.53% for the year ended June 30, 2017 compared to income of 9.76% % for the year ended June 30, 2016.

Net Income/Loss

Net loss was \$4,978,030 for the year ended June 30, 2017 compared to net income of \$3,402,761 for the year ended June 30, 2016. This is a decrease of \$8,380,791 with a decrease of \$8,684,151 on a constant currency basis, compared to the prior year. For the year ended June 30, 2017, net loss per share was \$0.46 for basic and diluted shares. For the year ended June 30, 2016, income per share was \$0.33 and \$0.32 for basic and diluted shares, respectively.

Non-GAAP Financial Measures

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

We define the non-GAAP measures as follows:

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

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

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

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

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

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

Our reconciliation of the non-GAAP financial measures of adjusted EBITDA and non-GAAP earnings per basic and diluted share to the most comparable GAAP measures for the years ended June 30, 2017 and 2016 are as follows:

	Year Ended June 30, 2017	Year Ended June 30, 2016
Net Income (loss) before preferred dividend, per GAAP	\$ (4,978,030)	\$ 3,402,761
Non-controlling interest	3,241,594	1,654,380
Income taxes	931,951	652,546
Depreciation and amortization	6,562,334	7,152,139
Interest expense	310,044	264,511
Interest (income)	(179,723)	(161,794)
EBITDA	\$ 5,888,170	\$ 12,964,543
Add back:		
Non-cash stock-based compensation	2,763,323	1,533,209
Adjusted EBITDA, gross	\$ 8,651,493	\$ 14,497,752
Less non-controlling interest (a)	(5,841,143)	(5,363,326)
Adjusted EBITDA, net	\$ 2,810,350	\$ 9,134,426
Weighted Average number of shares outstanding		
Basic	10,912,284	10,391,157
Diluted	10,919,169	10,584,835
Basic adjusted EBITDA	\$ 0.26	\$ 0.88
Diluted adjusted EBITDA	\$ 0.26	\$ 0.86

(a) The reconciliation of adjusted EBITDA of non-controlling interest to net income attributable to non-controlling interest is as follows

Net Income attributable to non-controlling interest	\$ 3,241,594	\$ 1,654,380
Income Taxes	140,499	178,689
Depreciation and amortization	2,168,249	3,442,235
Interest expense	98,331	51,023
Interest (income)	(60,042)	(98,638)
EBITDA	\$ 5,588,631	\$ 5,227,689
Add back:		
Non-cash stock-based compensation	252,512	135,637
Adjusted EBITDA of non-controlling interest	\$ 5,841,143	\$ 5,363,326

As of June 30, 2017, the compensation expense related to unvested stock grants was \$2,565,438 which will be recognized during fiscal years 2018 and 2019.

LIQUIDITY AND CAPITAL RESOURCES

Our cash position was \$14,172,954 at June 30, 2017, compared to \$11,557,527 at June 30, 2016.

Net cash provided by operating activities was \$454,365 for the year ended June 30, 2017 compared to \$1,659,036 for the year ended June 30, 2016. At June 30, 2017, we had current assets of \$44,272,075 and current liabilities of \$21,117,015. We had accounts receivable of \$8,228,141 at June 30, 2017 compared to \$15,382,407 at June 30, 2016. We had revenues in excess of billings of \$24,380,632 at June 30, 2017 compared to \$11,297,264 at June 30, 2016 of which \$5,173,538 is shown as long term as of June 30, 2017. The long-term portion was discounted by \$310,331 using the discounted cash flow method with an interest rate of 3.96% which is NetSol PK's weighted average borrowing rate at June 30, 2017. During the year ended June 30, 2017, 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 \$5,929,102 from \$26,679,671 at June 30, 2016 to \$32,608,773 at June 30, 2017. The increase is due to the increase in revenues recognized on the 12 country NFS Ascent contract. Accounts payable and accrued expenses, and current portions of loans and lease obligations amounted to \$6,880,194 and \$10,222,795, respectively at June 30, 2017. The average days sales outstanding for the years ended June 30, 2017 and 2016 were 165 and 119 days respectively. The days sales outstanding have been calculated by taking into consideration the average combined balances of accounts receivable and revenue in excess of billings.

Net cash used by investing activities amounted to \$2,727,740 for the year ended June 30, 2017, compared to \$3,672,441 for the year ended June 30, 2016. We had net purchases of property and equipment of \$1,422,185 compared to \$2,349,488 for the comparable period last fiscal year. For the year ended June 30, 2017, we invested \$200,000 in a short-term convertible note receivable from WRLD3D, Inc. ("WRLD3D"), (formerly "eeGeo, Inc."). For the year ended June 30, 2017, we invested \$2,336,670 in WRLD3D by paying cash of \$1,105,555 and providing services valued at \$1,231,115 compared to cash payments of \$555,556 for the fiscal year ended June 30, 2017. We used \$nil and \$767,397 for the years ended June 30, 2017 and 2016, respectively, to purchase shares of NetSol PK on the open market.

Net cash provided by financing activities was \$4,377,249 and \$598,179 for the years ended June 30, 2017, and 2016, respectively. The year ended June 30, 2017 included the cash inflow of \$866,438 from the exercising of stock options and warrants compared to \$1,137,480 for the year ended June 30, 2016. The Company purchased 7,500 of its common stock from the open market at an average price of \$5.18 per share. During the year ended June 30, 2017, we had net proceeds from bank loans and capital leases of \$5,630,587 compared to \$382,877 for the year ended June 30, 2016. We are operating in various geographical regions of the world through its various subsidiaries. Those subsidiaries have financial arrangements from various financial institutions to meet both their short and long term funding requirements. These loans will become due at different maturity dates as described in Note 14 of the financial statements. We are in compliance with the covenants of the financial arrangements and there is no default which may lead to early payment of these obligations. We anticipate paying back all these obligations on their respective due dates.

We typically fund the cash requirements for our operations in the U.S. through our license, services, and maintenance agreements, intercompany charges for corporate services, and through the exercise of options and warrants. As of June 30, 2017, we have approximately \$14.17 million of cash, cash equivalents and marketable securities of which approximately \$11.56 million is held by our foreign subsidiaries. As of June 30, 2016, we had approximately \$11.56 million of cash, cash equivalents and marketable securities of which approximately \$7.64 million is held by our foreign subsidiaries. We intend to permanently reinvest these funds outside the U.S., and therefore, we do not anticipate repatriating undistributed earnings from our non-U.S. operations. If funds from foreign operations are required to fund U.S. operations in the future and if U.S. tax has not previously been provided, we would be required to accrue and pay additional U.S. taxes to repatriate these funds.

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

As a growing company, we have on-going capital expenditure needs based on our short term and long term business plans. Although our requirements for capital expenses vary from time to time, for the next 12 months, we anticipate needing working capital of \$1 to \$2 million for APAC, U.S. and European new business development activities and infrastructure enhancements.

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

Financial Covenants

Our UK based subsidiary, NTE, has an approved overdraft facility of £300,000 (\$389,610) 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 (\$4,776,461) which requires NetSol PK to maintain a long-term debt equity ratio of 60:40 and the current ratio of 1:1. During the year, NetSol PK availed an export refinance facility of Rs. 200 million (\$1,910,585) and a running finance facility of Rs. 300 million (\$2,865,877) from Samba Bank Limited. These two facilities require NetSol PK to maintain at a minimum of current ratio of 1:1, Interest coverage ratio 4 times, Leverage 2 times and Debt Service Coverage Ratio 4 times during the tenure of loan.

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

Dividends and Redemption

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

Contractual Obligations

Our contractual obligations are as follows:

Contractual Obligation	Payment due by period				
	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 years
Debt Obligations					
D&O Insurance	\$ 87,485	\$ 87,485	\$ -	\$ -	\$ -
Bank Overdraft Facility	221,379	221,379	-	-	-
Loan Payable Bank - Export Refinance	4,776,461	4,776,461	-	-	-
Loan Payable Bank - Export Refinance	1,910,585	1,910,585	-	-	-
Loan Payable Bank - Running Finance	2,865,877	2,865,877	-	-	-
Capital Lease Obligations					
Subsidiary Capital Leases	727,770	361,008	366,762	-	-
Operating Lease Obligations					
Non-cancellable operating lease	2,445,105	1,121,034	946,029	226,161	151,881
Total	\$ 13,034,662	\$ 11,343,829	\$ 1,312,791	\$ 226,161	\$ 151,881

Off-Balance Sheet Arrangements

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Foreign Currency Exchange Risk

Economic Exposure

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

Transaction Exposure

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

NetSol's financial statements for the fiscal years ended June 30, 2017 and June 30, 2016, did not contain an adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

In connection with the audit of NetSol's financial statements for the fiscal years ended June 30, 2017 and June 30, 2016, there were no disagreements, disputes, or differences of opinion with KSP Group, Inc. ("KSP") on any matters of accounting principles or practices, financial statement disclosure, or auditing scope and procedures, which, if not resolved to the satisfaction of KSP would have caused KSP to make reference to the matter in its report.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Management's Report on Internal Control over Financial Reporting

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

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

Under the supervision and participation of management, including the Chief Executive Officer and Chief Financial Officer, we have performed an assessment of the effectiveness of our internal controls over financial reporting as of June 30, 2017. This assessment was based on the criteria established in Internal Control-Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the results of our assessment, the Company has determined that as of June 30, 2017, the Company's internal control over financial reporting are not effective due to the material weakness described below.

A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness was identified in our form 10-Q filed on May 22, 2017 relating to the restatement of certain quarterly financial information, as described therein.

The Company is in the process of remediating the material weakness, including, but not limited to, by continuing the implementation of a leading cloud-based global ERP system, as approved by the Company's Board in fiscal year 2016, which is already live in certain locations, and is expected to be completed by June 30, 2018. Further, on June 7, 2017, the Company engaged an internal audit consulting firm to advise and assist with the remediation and internal control improvements, including to assist with the expansion and training of the Company's internal audit function, and to augment corporate oversight and internal audit coverage.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting during the fourth quarter of fiscal year 2017, that have materially affected, or are reasonable likely to materially affect, the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)).

ITEM 9B. OTHER INFORMATION

The Company purchased shares of its common stock according to a repurchase plan since the last reporting period as follows:

Issuer Purchases of Equity Securities (1)				
Month	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that may be Purchased Under the Plans or Programs
Jul-17	20,247	\$ 4.32	20,247	-
Aug-17	91,533	\$ 4.51	111,780	-
Total	111,780		111,780	1,000,000

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Section 16(a) Beneficial Ownership Reporting Compliance

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

Based solely on copies of such forms furnished as provided above, or written representations that no such forms were required, the Company believes that during the fiscal year ended June 30, 2017, all Section 16(a) filing requirements applicable to its executive officers, directors and beneficial owners of more than 10% of its Common Stock were complied with.

CHANGE IN MANAGEMENT AND BOARD OF DIRECTORS

Board of Directors

At the 2017 Annual Shareholders Meeting, a five-member board stood for election. The members were elected and, according to the bylaws of the company shall retain their position as directors until the next meeting. The board of directors is made up of: Mr. Najeeb U. Ghauri (Chairman of the Board) Mr. Eugen Beckert, Mr. Naeem U. Ghauri, Mr. Shahid Burki and, Mr. Mark Caton.

Committees

The Audit committee is made up of Mr. Burki as Chairman, and Mr. Caton and, Mr. Beckert as members. The Compensation committee consists of Mr. Caton as its Chairman and Mr. Beckert and, Mr. Burki as its members. The Nominating and Corporate Governance Committee consists of Mr. Beckert as chairman and Mr. Burki and, Mr. Caton as its members.

The table below provides the membership for each of the committees during Fiscal Year 2017.

Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Najeeb Ghauri			
Naeem Ghauri			
Shahid J. Burki (I)	X(C)	X	X
Eugen Beckert (I)	X	X	X(C)
Mark Caton (I)	X	X(C)	X

(I) Denotes an independent director.

(C) Denotes the Chairperson of the committee.

DIRECTORS AND EXECUTIVE OFFICERS

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

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

Name	Year First Elected As an Officer or Director	Age	Position Held with the Registrant	Family Relationship
Najeeb Ghauri	1997	63	Chief Executive Officer, Chairman and Director	Brother to Naeem Ghauri
Roger Almond	2013	52	Chief Financial Officer	None
Patti L. W. McGlasson	2004	52	Sr. V.P., Legal and Corporate Affairs; Secretary, General Counsel	None
Naeem Ghauri	1999	60	Director	Brother to Najeeb Ghauri
Shahid Javed Burki	2000	78	Director	None
Eugen Beckert	2001	70	Director	None
Mark Caton	2002	68	Director	None

Business Experience of Officers and Directors:

NAJEEB U. GHAURI is the Chief Executive Officer and Chairman of NetSol. He has been a Director of the Company since 1997, Chairman since 2003 and Chief Executive Officer from January 1998 to September 2002 and from October 2006 to present. Mr. Ghauri is a co-founder of NetSol Technologies, Inc. He was responsible for NetSol listing on NASDAQ in 1999, the NetSol subsidiary listing on KSE (Karachi Stock Exchange) in 2005, and the NetSol listing on the NASDAQ Dubai exchange in 2008. Mr. Ghauri served as the Company's Chief Executive Officer from 1999 to 2001 and as the Chief Financial Officer from 2001 to 2005. As CEO, Mr. Ghauri is responsible for managing the day-to-day operations of the Company, as well as the Company's overall growth and expansion plan. Mr. Najeeb Ghauri, as the CEO, was instrumental in the substantial increase in revenue for fiscal year end 2015. In addition, Mr. Ghauri traveled overseas multiple times to execute the largest contract for the Company, worth over \$100 million, in December 2015. Prior to joining the Company, Mr. Ghauri was part of the marketing team of Atlantic Richfield Company (ARCO) (now acquired by BP), a Fortune 500 company, from 1987-1997. Prior to ARCO, he spent nearly five years with Unilever as brand and sales managers. Mr. Ghauri attended Eastern Illinois University where he received a Bachelor of Science degree in Management/Economics in 1978. He also received an M.B.A. in Marketing Management from Claremont Graduate School in California in 1981. Mr. Ghauri was elected Vice Chairman of US Pakistan Business Council in 2006, a Washington D.C. based council of US Chamber of Commerce. He is also very active in several philanthropic activities in emerging markets and is a founding director of Pakistan Human Development Fund, a non-profit organization, a partnership with UNDP to promote literacy, health services and poverty alleviation in Pakistan. Mr. Ghauri has participated in NASDAQ opening and/or closing bell ceremonies in 2006, 2008 and 2009.

ROGER ALMOND was appointed Chief Financial Officer on September 9, 2013.

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

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

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

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

Ms. McGlasson has nearly 25 years of experience in corporate law, mergers and acquisitions, business and cross-border transactions and securities law. Prior to joining NetSol, Patti practiced at Vogt & Resnick, law corporation. She was admitted to practice in California in 1991.

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

NAEEM GHAURI has been a Director of the Company since 1999 and was the Company's Chief Executive Officer from August 2001 to October 2006. Mr. Ghauri was also a co-founder of the Company. Currently, Mr. Ghauri serves as the President and Head of Global Sales of NetSol as well as the director of NetSol (UK) Ltd., a wholly owned subsidiary of the Company located in London, England. While instrumental in numerous transactions, his most significant and recent contribution to the revenue of the Company was his role in overseeing and leading the closing of the largest contract to date for the Company worth \$100 million signed in December 2015. Prior to joining the Company, Mr. Ghauri was Program Director for Mercedes-Benz Finance Ltd., from 1994-1999. Mr. Ghauri supervised over 200 project managers, developers, analysis and users in nine European Countries.

EUGEN BECKERT was appointed to the Board of Directors in August 2001. A native of Germany, Mr. Beckert received his master's in Engineering and Economics from the University of Karlsruhe, Germany.

Mr. Beckert was with Daimler AG during his career, initially working in technology and systems development of the car division. Other appointments include servicing as Vice President Corporate Strategy from 1991 and Director of Global IT (CIO) for Daimler Financial Services from 1993. From 1996 to 2000, he acted as Director of Processes and Systems (CIO) for Financial Services Asia Pacific out of Singapore. During this period he was instrumental to having the LeaseSoft products of NetSol developed and introduced in several countries. From 2001 to 2004, he served as Vice President in the Japanese company of Daimler. From 2005 he was overseeing the implementation of LaeseSoft in the newly established Daimler Finance company in China. Mr. Beckert retired from Daimler in November 2006.

Mr. Beckert is chairman of the Nominating and Corporate Governance Committee and a member of the Audit and Compensation Committees.

SHAHID JAVED BURKI was first appointed to the Board of Directors in February 2003. Before joining the World Bank in 1974 he was a member of the Civil Service of Pakistan. He had a distinguished career with the World Bank from 1974 to 1999 where he held a number of senior positions including Chief of Policy Planning (1974-1981); Director of International Relations Department (1981-87); Director of China Department (1987-94); and Vice President of Latin America and the Caribbean Region (1994-99). Upon taking early retirement from the Bank, he took up the position of Chief Executive Officer of EMP Financial Advisors, a consulting company linked with the Washington based EMP Global, a private equity firm and worked there until 2005. He is currently Chairman the Institute of Public Policy, a think tank associated with the Beacon house National University, Lahore, Pakistan. He also spends some time each year as Senior Visiting Research Fellow at the Institute of South Asian Studies, National Singapore University. In 1996-97 he took leave of absence from the World Bank to take up the position of Finance Minister of Pakistan. Mr. Burki was educated at Government College, Lahore from where he received M.Sc. in Physics; at Oxford University as a Rhodes Scholar from where he received M.A. (Hons) in Economics; at Harvard University as a Mason Fellow from where he received M.P.A. and also studied for Ph.D. in Economics (not completed). In 1997, he received a Diploma in Advanced Management from Harvard University's Business School. Mr. Burki has authored several books and articles on development issues including *Study of Chinese Communes* (Harvard University Press, 1969); *Pakistan Under Bhutto* (Macmillan, 1990); *Changing Perceptions, Altered Reality: Pakistan's Economy Under Musharraf, 1999-2006* (Oxford University Press, 2007). Finally, Mr. Burki's most recent book is *Rising Powers and Global Governance* which was published in January 2107 (Macmillan Palgrave, New York). Mr. Burki is the chairman of the Audit Committee and a member of the Compensation and Nominating and Corporate Governance Committees. Mr. Burki is the Company's Financial Expert on the Audit Committee.

MARK CATON joined the board of directors in 2007. Mr. Caton is currently President of Ciena Financial, Inc. a diversified financial services company, a position he has held since 2003. Prior to joining Ciena, Mr. Caton was President of NetSol Technologies USA, responsible for US sales, from June 2002 to December 2003. Mr. Caton was employed by ePlus from 1997 to 2002 as Senior Account Representative. He was a member of the UCLA Alumni Association Board of Directors and served on the Board of Directors of NetSol from 2002-2003. Mr. Caton is a Chairman of the Compensation Committee and a member of the Audit and Nominating Committees. Mr. Caton received his BA from UCLA in psychology in 1971.

CORPORATE GOVERNANCE

Code of Business Conduct & Ethics

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

Audit Committee

The Company has an audit committee whose members are the independent directors of the Company, specifically, Mr. Beckert, Mr. Burki and, Mr. Caton. Mr. Burki is the current chairman of the audit committee.

Audit Committee Financial Expert

The Company has identified its audit chairperson, Mr. Shahid Javed Burki as its audit committee financial expert. Mr. Burki is an independent board member as the term is defined in the Nasdaq Listing Rules. Mr. Burki's experience as Finance Minister of Pakistan, Chief Executive Officer of EMP Financial Advisors, his various roles at the World Bank, and his tenure as both an audit committee member and chair for the Company, provides him with an understanding of generally accepted accounting principles and financial reporting. Additionally, this experience provides an ability to assess the general application of accounting principles in connection with the accounting for estimates, accruals and reserves; experience analyzing financial statements that were comparable in the breadth and complexity of issues that can be reasonably expected to be raised by the Company's financial statements; an understanding of internal control over financial reporting; and an understanding of audit committee functions.

ITEM 11-EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

NetSol Technologies' Named Executive Officers, a group comprised of the Chief Executive Officer, the Chief Financial Officer and the Secretary and General Counsel in the 2016-2017 fiscal year are the following individuals:

Najeeb Ghauri	Chief Executive Officer
Roger K. Almond	Chief Financial Officer
Patti L. W. McGlasson	Sr. V.P. Legal and Corporate Affairs, Secretary and General Counsel

Compensation Philosophy and Objectives

The Compensation Committee believes that the most effective executive compensation program is one that is designed to reward the achievement of specific annual, long-term and strategic goals by the Company, and which aligns executives' interests with those of the stockholders by rewarding performance at or above established goals, with the ultimate objective of increasing stockholder value. The philosophy of the Compensation Committee is to evaluate both performance and compensation to ensure that we maintain our ability to attract and retain superior employees in key positions and that compensation provided to key employees remains competitive relative to the compensation paid to similarly situated executives of our peer companies. To that end, the Compensation Committee believes executive compensation packages should include both cash and equity-based compensation that reward performance as measured against established goals.

Setting Executive Compensation

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

Based on management's analyses and recommendations, the Compensation Committee has approved a pay-for-performance compensation philosophy, which is intended to establish base salaries and total executive compensation (taking into consideration the executive's experience and abilities) that are competitive with those companies with a similar number of employees represented in the compensation data we review.

We work within the framework of this pay-for-performance compensation philosophy to determine each component of an executive's initial compensation package based on numerous factors, including:

- The individual's particular background, track record and circumstances, including training and prior relevant work experience;
- The individual's role with us and the compensation paid to similar persons in the companies represented in the compensation data that we review;
- The demand for individuals with the individual's specific expertise and experience;
- Performance goals and other expectations for the position; and
- Uniqueness of industry skills.

The terms of each executive officer's compensation are derived from employment agreements negotiated between the Company and the executive. Each executive's employment agreement is generally negotiated to cover a one to three-year period, and prescribes the base salary and other annual payments, if any, to the executive. Employment agreements for all executive officers are approved by the Board of Directors and the Compensation Committee. Employment agreements for other executives are approved by the Company's Chief Executive Officer.

2017 Executive Compensation Components

For the fiscal year ended June 30, 2017, the principal components of compensation that our named executive officers were eligible to receive were:

- Base salary;
- Long Term Equity Incentive Compensation;
- Performance-based incentive compensation (discretionary bonus); and
- Perquisites and other personal benefits.

The Company's executive compensation program is intended to promote and maintain stability within the executive team. The Company's goal for its executive compensation program is to attract, motivate and retain a talented, entrepreneurial, ethical and creative team of executives who will provide leadership for the Company's success in dynamic and competitive markets.

Base Salary

An executive's base salary is evaluated together with components of the executive's other compensation to ensure that the executive's total compensation is consistent with our overall compensation philosophy. Base salaries are adjusted annually by the Compensation Committee.

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

Annual Bonus

Our compensation program includes eligibility for bonuses as rewarded by the Compensation Committee. All executives are eligible for annual performance-based cash bonuses in accordance with Company policies. The compensation committee takes into consideration the executive's performance during the previous year to determine eligibility for discretionary bonuses. Further, the compensation committee will review, if applicable, the performance criteria set forth in an executive's previous year's agreement and will determine if the executive has met such criteria in order to achieve the bonus. The Company's bonus criteria at the executive management level, is typically based on a gross revenue and per share profit targets.

Long-Term Equity Incentive Compensation

We believe that long-term performance is achieved through an ownership culture that encourages long-term participation by our executives in equity-based awards. Our various Employee Stock Option Plans allow us to grant stock options to employees. We currently make initial equity awards of stock options to new executives and certain non-executive employees in connection with their employment with the Company. Annual grants of options, if any, are approved by the Compensation Committee.

Equity Incentives. Executives, certain non-executive employees, and directors who join us may be awarded stock awards and/or stock option grants after they join the Company. These grants have an exercise price equal to the fair market value of our common stock on the grant date. Such awards are intended to provide the executive with incentive to build value in the organization over an extended period of time. The size of the stock option award is also reviewed in light of the executive's track record, base salary, other compensation and other factors to ensure that the executive's total compensation is in line with our overall compensation philosophy. A review of all components of compensation is conducted when determining equity awards to ensure that total compensation conforms to our overall philosophy and objectives.

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

Perquisites and Other Personal Benefits

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

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

Termination Based Compensation

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

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

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

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

Tax and Accounting Implications

Deductibility of Executive Compensation

As part of its role, the Compensation Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code, which provides that we may not deduct compensation of more than \$1,000,000 that is paid to certain individuals. We believe that compensation paid under the management incentive plans is generally fully deductible for federal income tax purposes.

Accounting for Stock-Based Compensation

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

Summary Compensation

The following table shows the compensation for the fiscal year ended June 30, 2017, June 30, 2016, and June 30, 2015, earned by our Chairman and Chief Executive Officer, our Chief Financial Officer who is our Principal Financial and Accounting Officer, and others considered to be executive officers of the Company.

Name and Principle Position	Fiscal Year Ended	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)	All Other Compensation (\$)	Total (\$)
Najeeb Ghauri CEO & Chairman	2017	\$600,000	\$200,000	\$500,000	\$76,723 ⁽²⁾	\$ 200,000 ⁽³⁾	\$1,576,723
	2016	\$497,700	\$ -	\$ -	\$44,937 ⁽²⁾	\$ 65,745 ⁽³⁾	\$ 608,382
	2015	\$497,700	\$ -	\$ -	\$ - ⁽²⁾	\$ 65,724 ⁽³⁾	\$ 563,424
Roger K Almond Chief Financial Officer	2017	\$189,263	\$ 10,000	\$ -		\$ 16,360 ⁽⁴⁾	\$ 215,623
	2016	\$181,563	\$ 32,550	\$100,400		\$ 11,725 ⁽⁴⁾	\$ 326,238
	2015	\$128,433	\$ -	\$ 60,000	\$ -	\$ 3,485 ⁽⁴⁾	\$ 191,918
Patti L. W. McGlasson Secretary, General Counsel	2017	\$211,087	\$ -	\$ -		\$ 9,795 ⁽⁵⁾	\$ 220,882
	2016	\$215,049	\$ -	\$100,400		\$ 10,393 ⁽⁵⁾	\$ 325,842
	2015	\$188,180	\$ -	\$ -	\$ -	\$ 17,616 ⁽⁵⁾	\$ 205,796

(1) The stock was awarded as compensation to the officers. See also Grants of Plan Based Awards.

(2) The life of 150,671 outstanding options, granted in June 2014, was extended for one year.

(3) Consists of \$36,000, \$36,000 and \$36,000 paid for automobile and travel allowance, \$16,758, \$16,758 and \$16,758 on account of life insurance, \$16,758, \$12,987 and \$12,966 paid for medical and dental insurance premiums, \$24,000, \$nil and \$nil paid for housing allowance and \$108,514, \$nil and \$nil paid for temporary relocation by the Company for participation in the health insurance program for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

(4) Consists of \$16,360, \$11,725 and \$3,485 paid for medical and dental insurance premiums for participation in the health insurance program for the fiscal year ended June 30, 2017, 2016 and 2015, respectively.

(5) Consists of \$nil, \$nil and \$4,855 paid for automobile allowance and \$9,795, \$10,393 and \$12,761 paid for medical and dental insurance premiums for participation in the health insurance program for the fiscal year ended June 30, 2017, 2016 and 2015, respectively.

Grants of Plan-Based Awards

In September 2016, Mr. Najeeb Ghauri was granted 82,644 shares of the Company's common stock which 50% vested immediately and the remaining 50% will vest annually through June 2017 to June 2021. The shares were approved by the Compensation Committee as an incentive for the named officer.

In September, 2015, Mr. Roger Almond was granted 20,000 shares of the Company's common stock, which vest quarterly over the period of two years. The shares were approved by the Compensation Committee as an incentive for the named officer.

In September, 2015, Ms. McGlasson was granted 20,000 shares of the Company's common stock, which vest quarterly over the period of two years. The shares were approved by the Compensation Committee as an incentive for the named officer.

In March, 2015, Mr. Roger Almond was granted 10,000 shares of the Company's common stock, which vest quarterly. The shares were approved by the Compensation Committee as an incentive for the named officer.

Discussion of Summary Compensation Table

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

Employment Agreement with Najeeb Ghauri

Effective January 1, 2007, the Company entered into an Employment Agreement with our Chief Executive Officer, Najeeb Ghauri (the "CEO Agreement"). The CEO Agreement was amended effective January 1, 2008, January 1, 2010 July 25, 2013 and again on June 30, 2014. Changes made in the June 30, 2014 amendment are effective July 1, 2014. Pursuant to the CEO Agreement, as amended, between Mr. Ghauri and the Company (the "CEO Agreement"), the Company agreed to employ Mr. Ghauri as its Chief Executive Officer for a five year term. The term of employment automatically renews for 12 additional months unless notice of intent to terminate is received by either party at least 6 months prior to the end of the term. Under the CEO Agreement, Mr. Ghauri is entitled to an annualized base salary of \$497,700 and is eligible for annual bonuses at the discretion of the Compensation Committee.

Bonuses may be paid in cash or shares of common stock. Mr. Ghauri earned 12,500 shares of common stock for each quarter of service commencing with the first quarter ended September 30, 2014 through June 30, 2015. Mr. Ghauri was granted 82,644 shares of common stock for services commencing from September 2016 to June 2021, he earned 49,586 shares of common stock for the year ended June 30, 2017. Mr. Ghauri was granted options to purchase 200,000 shares common stock of which 25% of these options vest at the completion of each quarter. Mr. Ghauri is entitled to six weeks of paid vacation per calendar year, receives a car allowance totaling \$3,000 per month for the term of the CEO Agreement, and the Company shall pay premiums not to exceed \$16,600 (or \$4,150 quarterly) for life insurance for the Executive.

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

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

As of July 1, 2016, the compensation committee approved an adjustment of total cash compensation to \$800,000 per annum consisting of salary, allowances, prerequisites and benefits retroactive to July 1, 2016. Also, the committee approved \$500,000 worth of shares of the Company's common stock to be granted on an annual basis commencing June 30, 2017 and ending on June 30, 2021; all share grants conditioned upon continued employment of the CEO with the Company on June 30 of each year.

Employment Agreement with Roger K. Almond

Effective March 1, 2015, the Company entered into an Employment Agreement with our Chief Financial Officer, Mr. Roger K. Almond. Pursuant to the Employment Agreement, between Mr. Almond and the Company (the "CFO Agreement"), the Company agreed to employ Mr. Almond as its Chief Financial Officer from the date of the CFO Agreement through February 28, 2017. According to the terms of the CFO Agreement, the term of the agreement automatically extends for an additional one year period unless notice of intent to terminate is received by either party at least 6 months prior to the end of the term. Under the CFO Agreement, Mr. Almond is entitled to an annualized base salary of \$199,263 per annum, 10,000 shares of common stock to be granted in 25% tranches after each quarter of service through February 28, 2016, and is eligible for annual bonuses at the discretion of the Chief Executive Officer. In addition, Mr. Almond is entitled to participate in the Company's stock option plans and is entitled to four weeks of paid vacation per calendar year.

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

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

Employment Agreement with Patti L. W. McGlasson

Effective May 1, 2006, the Company entered into an Employment Agreement with our Secretary, General Counsel and Sr. Vice President, Legal and Corporate Affairs, Ms. Patti L. W. McGlasson. Pursuant to the Employment Agreement and its related amendments, between Ms. McGlasson and the Company (the "General Counsel Agreement"), the Company agreed to employ Ms. McGlasson as its Secretary and General Counsel from the date of the General Counsel Agreement through June 30, 2017. According to the terms of the General Counsel Agreement, the term of the agreement automatically extends for an additional one-year period unless notice of intent to terminate is received by either party at least 6 months prior to the end of the term. The General Counsel Agreement was amended on July 25, 2013 and again on June 30, 2014 (the General Counsel Agreement and all amendments referred to as the "GC Agreement"). Changes made in the June 30, 2014 amendment are effective July 1, 2014. Under the GC Agreement, Ms. McGlasson is entitled to an annualized base salary of \$211,087 per annum, 10,000 shares of common stock to be granted in 25% tranches after each quarter of service through June 30, 2015, and is eligible for annual bonuses at the discretion of the Chief Executive Officer. In addition, Ms. McGlasson is entitled to participate in the Company's stock option plans and, is entitled to six weeks of paid vacation per calendar year.

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

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

Outstanding Equity Awards at Fiscal Year-End

The following table shows grants of stock options and grants of unvested stock awards outstanding on June 30, 2017, the last day of our fiscal year, to each of the individuals named in the Summary Compensation Table.

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS (#) EXERCISABLE	NUMBER OF SECURITIES UNDERLYING OPTIONS (#) UNEXERCISABLE	OPTION EXERCISE PRICE (\$)	OPTION EXPIRATION DATE
Najeeb Ghauri	150,671		3.88	6/30/18
	30,000		6.50	2/12/19
Roger K Almond	-		-	
	-		-	
Patti L. W. McGlasson	1,000		16.00	7/23/17

Pension Benefits

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

Potential Payments upon Termination or Change of Control

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

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

Change-in-Control Payments

Najeeb Ghauri, Chairman and Chief Executive Officer

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

The following table summarizes the potential payments to Mr. Ghauri assuming his employment with us was terminated or a change of control occurred on June 30, 2017, the last day of our most recently completed fiscal year.

BENEFITS AND PAYMENTS	TERMINATION AFTER CHANGE OF CONTROL	TERMINATION UPON DEATH OR DISABILITY	TERMINATION BY US WITHOUT CAUSE OR BY EXECUTIVE FOR GOOD REASON
Base Salary Continuance	\$ 2,400,000	\$ 100,000	\$ 2,400,000
Health Related Benefits	58,752	-	58,752
Bonus	-	-	-
Salary Multiple Pay-out	1,794,000	-	-
Bonus or Revenue One-time Pay-Out	653,663	-	-
Net Cash Value of Options	779,603	-	-
Total	\$ 5,686,018	\$ 100,000	\$ 2,458,752

Roger Almond, Chief Financial Officer

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

The following table summarizes the potential payments to Mr. Almond assuming his employment with us was terminated or a change of control occurred on June 30, 2017, the last day of our most recently completed fiscal year.

BENEFITS AND PAYMENTS	TERMINATION AFTER CHANGE OF CONTROL	TERMINATION UPON DEATH OR DISABILITY	TERMINATION BY US WITHOUT CAUSE OR BY EXECUTIVE FOR GOOD REASON
Base Salary Continuance	\$ 199,263	\$ 33,210	\$ 199,263
Health related benefits	16,356	-	16,356
Bonus	-	-	-
Salary Multiple Pay-out	595,795	-	-
Bonus or Revenue One-time Pay-Out	326,831	-	-
Net Cash Value of Options	-	-	-
Total	\$ 1,138,245	\$ 33,210	\$ 215,619

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

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

The following table summarizes the potential payments to Ms. McGlasson assuming her employment with us was terminated or a change of control occurred on June 30, 2017 the last day of our most recently completed fiscal year.

<u>BENEFITS AND PAYMENTS</u>	<u>TERMINATION AFTER CHANGE OF CONTROL</u>	<u>TERMINATION UPON DEATH OR DISABILITY</u>	<u>TERMINATION BY US WITHOUT CAUSE OR BY EXECUTIVE FOR GOOD REASON</u>
Base Salary Continuance	\$ 422,174	\$ 35,181	\$ 422,174
Health related benefits	19,584	-	19,584
Bonus	-	-	-
Salary Multiple Pay-out	631,150	-	-
Bonus or Revenue One-time Pay-Out	326,831	-	-
Net Cash Value of Options	-	-	-
Total	<u>\$ 1,399,739</u>	<u>\$ 35,181</u>	<u>\$ 441,758</u>

Director Compensation

Director Compensation Table

The following table sets forth a summary of the compensation earned by our Directors and/or paid to certain of our Directors pursuant to the Company's compensation policies for the fiscal year ended June 30, 2017, other than Najeeb Ghauri and Naeem Ghauri who are paid as part of their employment agreements with the Company or its subsidiaries and not as directors.

<u>NAME</u>	<u>FEES EARNED OR PAID IN CASH</u>		<u>SHARES AWARDS (\$)⁽¹⁾</u>	<u>TOTAL (\$)</u>
	<u>(\$)</u>	<u>(\$)</u>		
Eugen Beckert	42,209	98,177		140,386
Shahid Javed Burki	49,245	98,177		147,422
Mark Caton	45,725	98,177		143,902
	<u>137,179</u>	<u>294,531</u>		<u>431,710</u>

(1) During the fiscal year ended June 30, 2017, 52,251 shares were issued to independent directors.

Director Compensation Policy

Messrs. Ghauri are not paid any fees or other compensation for services as members of our Board of Directors.

The non-employee members of our Board of Directors received as compensation for services as directors as well as reimbursement for documented reasonable expenses incurred in connection with attendance at meetings of our Board of Directors and the committees thereof. The Company paid the following amounts to members of the Board of Directors for the activities shown during the fiscal year ended June 30, 2017.

BOARD ACTIVITY	CASH PAYMENTS
Board Member Fee	\$ 105,525
Chairperson for Audit Committee	\$ 14,070
Chairperson for Compensation Committee	\$ 10,550
Chairperson for Nominating and Corporate Governance Committee	\$ 7,035
	<u>\$ 137,180</u>

Members of our Board of Directors are also eligible to receive stock option or stock award grants both upon joining the Board of Directors and on an annual basis in line with recommendations by the Compensation Committee, which grants are non-qualified stock options under our Employee Stock Option Plans. Further, from time to time, the non-employee members of the Board of Directors are eligible to receive stock grants that may be granted if and only if approved by the shareholders of the Company.

In July 2014, the board approved compensation for service on the Audit, Compensation and Nominating and Corporate Governance Committees. This compensation is discussed in the sections entitled "Directors' Compensation".

On October 1, 2015, the Compensation Committee granted independent board members 10,000 shares of common stock vesting at 25% at the completion of each quarter served commencing with the quarter ending December 31, 2015 and ending September 30, 2016.

The Compensation Committee further approved to grant a bonus of 10,000 shares of common stock to all independent board members to vest 12.5% over the following eight quarters commencing with December 31, 2015 and ending September 30, 2017.

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

Compensation Committee Interlocks and Insider Participation

The current members of the Compensation Committee are Messrs. Caton (Chairman), Mr. Beckert and Mr. Burki. There were no other members of the committee during the fiscal year ended June 30, 2017. All current members of the Compensation Committee are "independent directors" as defined under the NASDAQ Listing Rules. None of these individuals were at any time during the fiscal year ended June 30, 2017, or at any other relevant time, an officer or employee of the Company.

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

Employee Stock Option Plans

The 2001 plan authorizes the issuance of up to 200,000 options to purchase common stock of which 200,000 have been granted. The grant prices range between \$7.50 and \$25.00.

The 2002 plan authorizes the issuance of up to 200,000 options to purchase common stock of which 199,913 options have been granted. The grant prices range between \$3.00 and \$50.00.

In March 2004, our shareholders approved the 2003 stock option plan. This plan authorizes up to 200,000 options to purchase common stock of which 198,000 have been granted. The grant prices range between \$5.00 and \$50.00.

In March 2005, our shareholders approved the 2004 stock option plan. This plan authorizes up to 500,000 options to purchase common stock of which 460,526 have been granted. The grant prices range between \$3.00 and \$28.90.

In April 2006, our shareholders approved the 2005 stock option plan. This plan authorizes up to 500,000 options to purchase common stock of which 440,947 have been granted. The grant prices range between \$3.00 and \$26.20.

In June 2008, our shareholders approved the 2008 Equity incentive plan. This plan authorizes up to 100,000 grants and/or options of common stock of which 100,000 have been granted. The grant prices range between \$3.20 and \$23.20.

In May 2011, our shareholders approved the 2011 Equity incentive plan. This plan authorizes up to 500,000 grants and/or options of common stock of which 500,000 have been granted. The grant prices range between \$3.00 and \$16.70. 130,000 options at strike price of \$7.50 were expired. These expired options were put back into pool and available for re-issue.

In July 2013, our shareholders approved the 2013 Equity incentive plan. This plan authorizes up to 1,250,000 grants and/or options of common stock of which 1,247,405 have been granted. The grant prices range between \$2.90 and \$10.68.

In May 2015, our shareholders approved the 2015 Equity incentive plan. This plan authorizes up to 1,250,000 grants and/or options of common stock of which 908,484 have been granted. The grant prices range between \$3.78 and \$6.25.

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

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock, its only class of outstanding voting securities as of September 19, 2017, by (i) each person who is known to the Company to own beneficially more than 5% of the outstanding common Stock with the address of each such person, (ii) each of the Company's present directors and officers, and (iii) all officers and directors as a group:

Name of Beneficial Owner (1)	(3)	Number of Shares Beneficially Owned (2)	Percentage
Najeeb Ghauri	(3)	791,080	6.56%
Naeem Ghauri	(3)	459,769	3.92%
Eugen Beckert	(3)	57,617	*
Shahid Javed Burki	(3)	87,167	*
Mark Caton	(3)	59,853	*
Patti McGlasson	(3)	67,050	*
Roger Almond	(3)	32,500	*
All officers and directors as a group (ten persons)		<u>1,555,036</u>	13.17%

* Less than one percent

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

(2) Beneficial ownership is determined in accordance with the rules of the Commission and generally includes voting or investment power with respect to securities. Shares of common stock relating to options currently exercisable or exercisable within 60 days of September 25, 2017, are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares shown as beneficially owned by them.

(3) Address c/o NetSol Technologies, Inc. at 24025 Park Sorrento, Suite 410, Calabasas, CA 91302.

Shares outstanding as of September 25, 2017 were 11,114,599.

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

On May 31, 2017, Faizaan Ghauri, son of CEO Najeeb Ghauri, and an employee of the Company, was appointed CEO of WRLD3D. On March 2, 2016, The Company purchased a 4.9% interest in WRLD3D for \$1,111,111 and the Company's subsidiary NetSol PK purchased a 12.2% investment in WRLD3D for \$2,777,778 which will be earned over future periods by providing IT and enterprise software solutions.

The Company entered into an agreement with WRLD3D, whereby the Company was issued a Convertible Promissory Note (the "Convertible Note") which was fully executed on May 25, 2017. The maximum principal amount of the Convertible Note is \$750,000, and as of June 30, 2017, the Company had disbursed \$200,000. The Convertible Note bears interest at 5% per annum and all unpaid interest and principal is due and payable upon the Company's request on or after February 1, 2018. The Convertible Note is convertible into Series BB Preferred shares at the lesser of (i) the price paid per share for the equity security by the investors in the qualified financing and (ii) \$0.6788 per share (adjusted for any stock dividends, combinations, splits, recapitalizations or the like with respect to WRLD3D's Series BB Preferred Stock after the date of the Convertible Note). The Convertible Note is convertible upon the occurrence of the following events Conversion upon a qualified financing which is an equity financing of at least \$2,000,000; Optional conversion upon an equity financing less than \$2,000,000; Optional conversion after the maturity date; and Change of control.

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

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

KSP Group, Inc. audited the Company's financial statements for the fiscal years ended June 30, 2017 and June 30, 2016. The aggregate fees billed by principal accountants for the annual audit and review of financial statements included in the Company's Form 10-K, services related to providing an opinion in connection with our public offering of shares of common stock and/or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for the year ended June 30, 2017 was \$365,635 and for the year ended June 30, 2016 was \$244,500. The 2017 balances are comprised of audit and review services of \$175,000 for KSP Group, Inc., \$140,635 for Squar Milner, and \$50,000 for Kabani and Co. The 2016 balances are comprised of audit and review services of \$244,500 for Kabani and Co.

Tax Fees

Tax fees for fiscal year 2017 were \$15,000 and consisted of the preparation of the Company's federal and state tax returns for the fiscal years 2016. Tax fees for fiscal year 2016 were \$15,000 and consisted of the preparation of the Company's federal and state tax returns for the fiscal year 2015.

All Other Fees

No other fees were paid to principal accountant during the fiscal year 2017 and 2016.

Pre-Approval Procedures

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

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

(iii) Prohibits the performance by the independent auditors of certain types of services due to the likelihood that their independence would be impaired.

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

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

PART IV

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

(a) Exhibits

- 3.1 Articles of Incorporation of Mirage Holdings, Inc., a Nevada corporation, dated March 18, 1997, incorporated by reference as Exhibit 3.1 to NetSol's Registration Statement No. 333-28861 filed on Form SB-2 filed June 10, 1997.*
- 3.2 Amendment to Articles of Incorporation dated May 21, 1999, incorporated by reference as Exhibit 3.2 to NetSol's Annual Report for the fiscal year ended June 30, 1999 on Form 10K-SB filed September 28, 1999.*
- 3.3 [Amendment to the Articles of Incorporation of NetSol International, Inc. dated March 20, 2002 incorporated by reference as Exhibit 3.3 to NetSol's Annual Report on Form 10-KSB/A filed on February 2, 2001.*](#)
- 3.4 [Amendment to the Articles of Incorporation of NetSol Technologies, Inc. dated August 20, 2003 filed as Exhibit A to NetSol's Definitive Proxy Statement filed June 27, 2003.*](#)
- 3.5 Amendment to the Articles of Incorporation of NetSol Technologies, Inc. dated March 14, 2005 filed as Exhibit 3.0 to NetSol's quarterly report filed on Form 10-QSB for the period ended March 31, 2005.*
- 3.6 Amendment to the Articles of Incorporation dated October 18, 2006 filed as Exhibit 3.5 to NetSol's Annual Report for the fiscal year ended June 30, 2007 on Form 10-KSB.*
- 3.7 Amendment to Articles of Incorporation dated May 12, 2008*
- 3.8 [Bylaws of Mirage Holdings, Inc., as amended and restated as of November 28, 2000 incorporated by reference as Exhibit 3.3 to NetSol's Annual Report for the fiscal year ending in June 30, 2000 on Form 10K-SB/A filed on February 2, 2001.*](#)
- 3.9 [Amendment to the Bylaws of NetSol Technologies, Inc. dated February 16, 2002 incorporated by reference as Exhibit 3.5 to NetSol's Registration Statement filed on Form S-8 filed on March 27, 2002.*](#)
- 4.1 Form of Common Stock Certificate*
- 4.2 Form of Warrant*.
- 4.3 [Form of Series A 7% Cumulative Preferred Stock filed as Annex E to NetSol's Definitive Proxy Statement filed September 18, 2006.*](#)
- 10.1 Company Stock Option Plan dated May 18, 1999 incorporated by reference as Exhibit 10.2 to the Company's Annual Report for the Fiscal Year Ended June 30, 1999 on Form 10K-SB filed September 28, 1999.*
- 10.2 Company Stock Option Plan dated April 1, 1997 incorporated by reference as Exhibit 10.5 to NetSol's Registration Statement No. 333-28861 on Form SB-2 filed June 10, 1997*
- 10.3 [Company 2003 Incentive and Nonstatutory incorporated by reference as Exhibit 99.1 to NetSol's Definitive Proxy Statement filed February 6, 2004.*](#)
- 10.4 [Company 2001 Stock Options Plan dated March 27, 2002 incorporated by reference as Exhibit 5.1 to NetSol's Registration Statement on Form S-8 filed on March 27, 2002.*](#)
- 10.5 Company 2008 Equity Incentive Plan incorporated by reference as Annex A to NetSol's Definitive Proxy Statement filed May 28, 2008.*
- 10.6 [Stock Purchase Agreement dated May 6, 2006 by and between the Company, McCue Systems, Inc. and the shareholders of McCue Systems, Inc. incorporated by reference as Exhibit 2.1 to NetSol's Current Report filed on form 8-K on May 8, 2006.*](#)
- 10.7 [Employment Agreement by and between NetSol Technologies, Inc. and Patti L. W. McGlasson dated May 1, 2006 incorporated by reference as Exhibit 10.20 to NetSol's Annual Report on form 10-KSB dated September 18, 2006.*](#)
- 10.8. [Employment Agreement by and between the Company and Najeeb Ghauri dated January 1, 2007 filed as Exhibit 10.11 to the Company's Annual Report filed on Form 10-KSB for the year ended June 30, 2007.*](#)
- 10.9 [Employment Agreement by and between the Company and Naeem Ghauri dated January 1, 2007 filed as Exhibit 10.11 to the Company's Annual Report filed on Form 10-KSB for the year ended June 30, 2007.*](#)
- 10.10 10.15 Amendment to Employment Agreement by and between Company and Najeeb Ghauri dated effective January 1, 2007.*
- 10.11 Amendment to Employment Agreement by and between Company and Naeem Ghauri dated effective January 1, 2007. *
- 10.12 [Tenancy Agreement by and between NetSol Technologies, Ltd. and Beijing Lucky Goldstar Building Development Co. Ltd. dated June 26, 2007 filed as Exhibit 10.21 to the Company's Annual Report filed on Form 10-KSB for the year ended June 30, 2007.*](#)
- 10.13 [Company 2005 Stock Option Plan incorporated by reference as Exhibit 99.1 to NetSol's Definitive Proxy Statement filed on March 3, 2006.*](#)
- 10.14 [Company 2004 Stock Option Plan incorporated by reference as Exhibit 99.1 to NetSol's Definitive Proxy Statement filed on February 7, 2005.*](#)
- 10.15 Rent Agreement by and between Mr. Tahir Mehmood Khan and NetSol Technologies Ltd. Dated January 21, 2008. *
- 10.16 Amendment to Employment Agreement by and between Company and Najeeb Ghauri dated effective January 1, 2010. *

- 10.17 Amendment to Employment Agreement by and between Company and Naeem Ghauri dated effective January 1, 2010.*
- 10.18 Office Lease by and between NetSol Technologies North America, Inc. and Legacy Partners I Alameda Mariner Loop, LLC dated November 27, 2009.*
- 10.19 Amendment to Employment Agreement by and between Company and Patti L. W. McGlasson dated effective April 1, 2010.*
- 10.20 Employment Agreement by and between Company and Boo-Ali Siddiqui dated effective April 1, 2010.*
- 10.21 Amendment to Employment Agreement between NetSol Technologies, Inc. and Najeeb Ghauri dated effective July 25, 2013.*
- 10.22 Amendment to Employment Agreement between NetSol Technologies, Inc. and Boo-Ali Siddiqui dated effective July 25, 2013.*
- 10.23 Amendment to Employment Agreement between NetSol Technologies, Inc. and Patti L.W. McGlasson dated effective July 25, 2013.*
- 10.24 Restated Charter of the Compensation Committee dated effective September 10, 2013*
- 10.22 Restated Charter of the Nominating and Corporate Governance Committee dated effective September 10, 2013.*
- 10.23 Restated Charter of the Audit Committee dated effective September 10, 2013*
- 10.24 Restated Code of Business Conduct & Ethics dated effective September 10, 2013*
- 10.25 Consulting Agreement between Roger Almond and NetSol Technologies, Inc. dated September 9, 2013.*
- 10.26 Amendment to Consulting Agreement between Roger Almond and NetSol Technologies, Inc. dated September 9, 2014*
- 21.1 [A list of all subsidiaries of the Company\(1\)](#)
- 31.1 [Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(CEO\) \(1\)](#)
- 31.2 [Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(CFO\) \(1\)](#)
- 32.1 [Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002 \(CEO\) \(1\)](#)
- 32.2 [Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley act of 2002 \(CFO\) \(1\)](#)

*Previously Filed
(1) Filed Herewith

SIGNATURES

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

NetSol Technologies, Inc.

Date: September 28, 2017

BY: /S/ NAJEEB GHAURI

Najeeb Ghauri
Chief Executive Officer

Date: September 28, 2017

BY: /S/ ROGER K. ALMOND

Roger K. Almond
Chief Financial Officer
Principal Financial Officer

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

Date: September 28, 2017

BY: /S/ NAJEEB U. GHAURI

Najeeb U. Ghauri
Chief Executive Officer
Director, Chairman

Date: September 28, 2017

BY: /S/ ROGER K. ALMOND

Roger K. Almond
Chief Financial Officer
Principal Accounting Officer

Date: September 28, 2017

BY: /S/ NAEEM GHAURI

Naeem Ghauri
Director

Date: September 28, 2017

BY: /S/ EUGEN BECKERT

Eugen Beckert
Director

Date: September 28, 2017

BY: /S/ SHAHID JAVED BURKI

Shahid Javed Burki
Director

Date: September 28, 2017

BY: /S/ MARK CATON

Mark Caton
Director

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

<u>Description</u>	<u>Page</u>
<u>Report of Independent Registered Public Accounting Firm</u>	F-2
Financial Statements	
<u>Consolidated Balance Sheets as of June 30, 2017 and 2016</u>	F-3
<u>Consolidated Statements of Operations and Comprehensive Income (Loss) for the Years Ended June 30, 2017 and 2016</u>	F-4
<u>Consolidated Statement of Equity for the Years Ended June 30, 2017 and 2016</u>	F-6
<u>Consolidated Statements of Cash Flows for the Years Ended June 30, 2017 and 2016</u>	F-8
<u>Notes to Consolidated Financial Statements</u>	F-10



GROUP

Accountants and Consultants

5757 W Century Blvd, Suite 303,
Los Angeles, CA 90045

Tel +1(310) 568-1628

Fax +1(310) 410-0371

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors

NetSol Technologies, Inc. and subsidiaries

Calabasas, California

We have audited the accompanying consolidated balance sheets of NetSol Technologies, Inc. and subsidiaries (the "Company") as of June 30, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the two years in the period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NetSol Technologies, Inc. and subsidiaries as of June 30, 2017 and 2016 and the results of their operations and their cash flows for each of the two years in the period then ended in conformity with accounting principles generally accepted in the United States of America.

KSP Group Inc

KSP Group, Inc.

Certified Public Accountants

Los Angeles, CA

September 28, 2017

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
As of June 30,

ASSETS	2017	2016
Current assets:		
Cash and cash equivalents	\$ 14,172,954	\$ 11,557,527
Accounts receivable, net of allowance of \$571,511 and \$492,498	6,583,199	9,691,229
Accounts receivable, net - related party	1,644,942	5,691,178
Revenues in excess of billings	19,126,389	10,493,096
Revenues in excess of billings - related party	80,705	804,168
Convertible note receivable - related party	200,000	-
Other current assets	2,463,886	2,214,628
Total current assets	44,272,075	40,451,826
Restricted cash	90,000	90,000
Revenues in excess of billings, net - long term	5,173,538	-
Property and equipment, net	20,370,703	22,774,435
Other assets	3,211,295	842,553
Intangible assets, net	17,043,151	19,674,033
Goodwill	9,516,568	9,516,568
Total assets	\$ 99,677,330	\$ 93,349,415
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 6,880,194	\$ 5,962,770
Current portion of loans and obligations under capitalized leases	10,222,795	4,440,084
Unearned revenues	3,925,702	4,739,214
Common stock to be issued	88,324	88,324
Total current liabilities	21,117,015	15,230,392
Loans and obligations under capitalized leases; less current maturities	366,762	477,692
Total liabilities	21,483,777	15,708,084
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value; 500,000 shares authorized;	-	-
Common stock, \$.01 par value; 14,500,000 shares authorized; 11,225,385 shares issued and 11,190,606 outstanding as of June 30, 2017 and 10,713,372 shares issued and 10,686,093 outstanding as of June 30, 2016	112,254	107,134
Additional paid-in-capital	124,409,998	121,448,946
Treasury stock (At cost, 34,779 shares and 27,279 shares as of June 30, 2017 and June 30, 2016, respectively)	(454,310)	(415,425)
Accumulated deficit	(42,301,390)	(37,323,360)
Stock subscription receivable	(297,511)	(783,172)
Other comprehensive loss	(18,074,570)	(18,730,494)
Total NetSol stockholders' equity	63,394,471	64,303,629
Non-controlling interest	14,799,082	13,337,702
Total stockholders' equity	78,193,553	77,641,331
Total liabilities and stockholders' equity	\$ 99,677,330	\$ 93,349,415

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

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
For the Years Ended June 30,

	For the Year Ended June 30,	
	2017	2016
Net Revenues:		
License fees	\$ 18,218,912	\$ 8,352,441
Maintenance fees	14,157,367	13,310,591
Services	24,798,899	30,037,459
License fees - related party	246,957	1,616,138
Maintenance fees - related party	311,359	365,772
Services - related party	7,632,774	10,867,792
Total net revenues	<u>65,366,268</u>	<u>64,550,193</u>
Cost of revenues:		
Salaries and consultants	24,645,223	21,789,329
Travel	3,137,671	2,334,019
Depreciation and amortization	5,448,059	5,926,969
Other	3,727,379	3,698,290
Total cost of revenues	<u>36,958,332</u>	<u>33,748,607</u>
Gross profit	28,407,936	30,801,586
Operating expenses:		
Selling and marketing	9,746,229	7,823,916
Depreciation and amortization	1,114,275	1,225,170
Provision for bad debts	1,407,751	237,703
General and administrative	16,747,550	14,727,313
Research and development cost	393,345	485,783
Total operating expenses	<u>29,409,150</u>	<u>24,499,885</u>
Income (loss) from operations	(1,001,214)	6,301,701
Other income and (expenses)		
Gain (loss) on sale of assets	(30,147)	23,930
Interest expense	(310,044)	(264,511)
Interest income	179,723	161,794
Gain (loss) on foreign currency exchange transactions	306,819	(738,158)
Other income (expense)	50,378	224,931
Total other income (expenses)	<u>196,729</u>	<u>(592,014)</u>
Net income (loss) before income taxes	(804,485)	5,709,687
Income tax provision	(931,951)	(652,546)
Net income (loss)	(1,736,436)	5,057,141
Non-controlling interest	(3,241,594)	(1,654,380)
Net income (loss) attributable to NetSol	<u>\$ (4,978,030)</u>	<u>\$ 3,402,761</u>
Net income (loss) per share:		
Net income (loss) per common share		
Basic	\$ (0.46)	\$ 0.33
Diluted	\$ (0.46)	\$ 0.32
Weighted average number of shares outstanding		
Basic	<u>10,912,284</u>	<u>10,391,157</u>
Diluted	<u>10,912,284</u>	<u>10,584,835</u>

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

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)
For the Years Ended June 30,

	2017	2016
Net income (loss)	\$ (4,978,030)	\$ 3,402,761
Other comprehensive income (loss):		
Translation adjustment	778,673	(2,011,810)
Translation adjustment attributable to non-controlling interest	(122,749)	448,416
Net translation adjustment	655,924	(1,563,394)
Comprehensive income (loss) attributable to NetSol	\$ (4,322,106)	\$ 1,839,367

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

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Consolidated Statement of Stockholders' Equity
For the Years Ended June 30, 2017 and 2016

	Common Stock		Additional Paid-in Capital	Treasury Shares	Accumulated Deficit	Stock Subscriptions Receivable	Shares to be Issued	Other Comprehensive Loss	Non Controlling Interest	Total Stockholders' Equity
	Shares	Amount								
Balance at June 30, 2015	10,307,826	\$ 103,078	\$ 119,209,807	\$ (415,425)	\$ (40,726,121)	\$ (1,204,603)	\$ -	\$ (17,167,100)	\$ 13,840,641	73,640,277
Exercise of common stock options	177,024	1,770	779,210	-	-	-	-	-	-	780,980
Exercise of subsidiary common stock options	-	-	(28,331)	-	-	-	-	-	45,075	16,744
Common stock issued for:										
Cash	-	-	-	-	-	64,931	-	-	-	64,931
Services	228,522	2,286	1,262,332	-	-	-	-	-	-	1,264,618
Adjustment for payment of cash in lieu of shares	-	-	(25,391)	-	-	-	-	-	-	(25,391)
Equity component shown as current liability at										
June 30, 2015	-	-	-	-	-	-	88,324	-	-	88,324
June 30, 2016	-	-	-	-	-	-	(88,324)	-	-	(88,324)
Fair value										
of options issued	-	-	145,716	-	-	-	-	-	-	145,716
of options extended	-	-	122,875	-	-	-	-	-	-	122,875
Acquisition of non-controlling interest in subsidiary	-	-	(17,272)	-	-	-	-	-	(750,125)	(767,397)
Dividend to non-controlling interest	-	-	-	-	-	-	-	-	(1,003,853)	(1,003,853)
Payment received for stock subscription	-	-	-	-	-	356,500	-	-	-	356,500
Foreign currency translation adjustment	-	-	-	-	-	-	-	(1,563,394)	(448,416)	(2,011,810)
Net income for the year	-	-	-	-	3,402,761	-	-	-	1,654,380	5,057,141
Balance at June 30, 2016	<u>10,713,372</u>	<u>\$ 107,134</u>	<u>\$ 121,448,946</u>	<u>\$ (415,425)</u>	<u>\$ (37,323,360)</u>	<u>\$ (783,172)</u>	<u>\$ -</u>	<u>\$ (18,730,494)</u>	<u>\$ 13,337,702</u>	<u>\$ 77,641,331</u>

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

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Consolidated Statement of Stockholders' Equity
For the Years Ended June 30, 2017 and 2016

	Common Stock		Additional Paid-in Capital	Treasury Shares	Accumulated Deficit	Stock Subscriptions Receivable	Shares to be Issued	Other Comprehensive Loss	Non Controlling Interest	Total Stockholders' Equity
	Shares	Amount								
Balance at June 30, 2016	10,713,372	\$ 107,134	\$ 121,448,946	\$ (415,425)	\$ (37,323,360)	\$ (783,172)	\$ -	\$ (18,730,494)	\$ 13,337,702	77,641,331
Exercise of common stock options	84,838	848	379,929	-	-	-	-	-	-	380,777
Exercise of subsidiary common stock options	-	-	(177,928)	-	-	-	-	-	253,310	75,382
Common stock issued for:										
Services	427,175	4,272	2,517,886	-	-	-	-	-	-	2,522,158
Purchase of treasury shares	-	-	-	(38,885)	-	-	-	-	-	(38,885)
Equity component shown as current liability at										
June 30, 2016	-	-	-	-	-	-	88,324	-	-	88,324
June 30, 2017	-	-	-	-	-	-	(88,324)	-	-	(88,324)
Fair value										
of options issued	-	-	26,956	-	-	-	-	-	-	26,956
of options extended	-	-	214,209	-	-	-	-	-	-	214,209
Dividend to non-controlling interest	-	-	-	-	-	-	-	-	(2,156,273)	(2,156,273)
Payment received for stock subscription	-	-	-	-	-	485,661	-	-	-	485,661
Foreign currency translation adjustment	-	-	-	-	-	-	-	655,924	122,749	778,673
Net loss for the year	-	-	-	-	(4,978,030)	-	-	-	3,241,594	(1,736,436)
Balance at June 30, 2017	<u>11,225,385</u>	<u>\$ 112,254</u>	<u>\$ 124,409,998</u>	<u>\$ (454,310)</u>	<u>\$ (42,301,390)</u>	<u>\$ (297,511)</u>	<u>\$ -</u>	<u>\$ (18,074,570)</u>	<u>\$ 14,799,082</u>	<u>\$ 78,193,553</u>

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

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended June 30,

	2017	2016
Cash flows from operating activities:		
Net income (loss)	\$ (1,736,436)	\$ 5,057,141
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	6,562,334	7,152,139
Provision for bad debts	1,407,751	237,703
(Gain) Loss on sale of assets	30,147	(23,930)
Stock issued for services	2,522,158	1,264,618
Fair market value of warrants and stock options granted	241,165	268,591
Changes in operating assets and liabilities:		
Accounts receivable	2,292,980	(3,758,422)
Accounts receivable - related party	2,803,520	(2,564,819)
Revenues in excess of billing	(13,966,522)	(4,987,772)
Revenues in excess of billing - related party	211,615	(884,738)
Other current assets	72,522	(729,359)
Accounts payable and accrued expenses	751,835	558,033
Unearned revenue	(738,704)	69,851
Net cash provided by operating activities	454,365	1,659,036
Cash flows from investing activities:		
Purchases of property and equipment	(2,203,203)	(3,335,921)
Sales of property and equipment	781,018	986,433
Convertible note receivable - related party	(200,000)	-
Investment in WRLD3D	(1,105,555)	(555,556)
Purchase of subsidiary shares from open market	-	(767,397)
Net cash used in investing activities	(2,727,740)	(3,672,441)
Cash flows from financing activities:		
Proceeds from sale of common stock	-	64,931
Proceeds from the exercise of stock options and warrants	866,438	1,137,480
Proceeds from exercise of subsidiary options	75,382	16,744
Purchase of treasury stock	(38,885)	-
Dividend paid by subsidiary to non-controlling interest	(2,156,273)	(1,003,853)
Proceeds from bank loans	6,184,635	1,333,406
Payments on capital lease obligations and loans - net	(554,048)	(950,529)
Net cash provided by financing activities	4,377,249	598,179
Effect of exchange rate changes	511,553	(1,196,204)
Net increase (decrease) in cash and cash equivalents	2,615,427	(2,611,430)
Cash and cash equivalents, beginning of the period	11,557,527	14,168,957
Cash and cash equivalents, end of period	\$ 14,172,954	\$ 11,557,527

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

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended June 30,

	<u>2017</u>	<u>2016</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the period for:		
Interest	\$ 225,641	\$ 251,551
Taxes	\$ 195,726	\$ 391,285
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Provided services for investment in WRLD3D	\$ 1,231,115	\$ 164,794
Assets acquired under capital lease	\$ 498,333	\$ 269,427

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

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Principles of Consolidation

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

Wholly-owned Subsidiaries

NetSol Technologies Americas, Inc. (“NTA”)
NetSol Technologies Limited (“NetSol UK”)
NetSol Technologies Australia Pty Limited (“NetSol Australia”)
NetSol Technologies Europe Limited (“NTE”)
NTPK (Thailand) Co. Limited (“NTPK Thailand”)
NetSol Connect (Private), Ltd. (“Connect”)
NetSol Technologies (Beijing) Co. Ltd. (NetSol Beijing)
NetSol Omni (Private) Ltd. (“Omni”)
NetSol Technologies (GmbH) (“NTG”)

Majority-owned Subsidiaries

NetSol Technologies, Ltd. (“NetSol PK”)
NetSol Innovation (Private) Limited (“NetSol Innovation”)
NetSol Technologies Thailand Limited (“NetSol Thai”)
Virtual Lease Services Holdings Limited (“VLSH”)
Virtual Lease Services Limited (“VLS”)
Virtual Lease Services (Ireland) Limited (VLSIL)

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

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

(B) Basis of Presentation

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

(C) Use of Estimates

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

(D) Cash and Cash Equivalents

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

(E) 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. As of June 30, 2017 and 2016, the Company had uninsured deposits related to cash deposits in accounts maintained within foreign entities of approximately \$11,564,343 and \$7,640,095, 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. Also, due to the current economic conditions in China and challenges being faced by the Chinese economy, the Company may face a risk of reduction in future revenue growth and non-collection of receivables from the customers in China.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

On June 23, 2016, the United Kingdom (U.K.) held a referendum in which voters approved an exit from the European Union (E.U.), commonly referred to as “Brexit”. As a result of the referendum, it is expected that the British government will begin negotiating the terms of the U.K.’s future relationship with the E.U. Although it is unknown what those terms will be, it is possible that there will be greater restrictions on imports and exports between the U.K. and E.U. countries and perhaps increased regulatory complexities. These changes may adversely affect the Company’s operations and financial results.

(F) Restricted Cash

The Company has placed \$90,000 in a savings account with HSBC as collateral against a standby letter of credit issued by the bank in favor of the landlord for office space.

(G) Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management regularly reviews the composition of accounts receivable and analyzes customer credit worthiness, customer concentrations, current economic trends and changes in customer payment patterns. Reserves are recorded primarily on a specific identification basis. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. As of June 30, 2017 and 2016, the Company had recorded allowance for doubtful accounts of \$571,511 and \$492,498, respectively.

(H) Revenues in Excess of Billings

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

(I) Investments

The Company uses the cost method to account for investments in businesses that are not publicly traded and for which the Company does not control or have the ability to exercise significant influence over operating and financial policies. In accordance with the cost method, these investments are recorded at lower of cost or fair value, as appropriate, and are classified as long-term.

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

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

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

(J) Property and Equipment

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

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

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

(K) Impairment of Long-Lived Assets

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

(L) Intangible Assets

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

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

(M) Software Development Costs

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

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

(N) – Research and Development Costs

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

(O) Goodwill

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a purchase business combinations. Goodwill is reviewed for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying amount of goodwill may be impaired. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value including goodwill. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed. If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the enterprise must perform step two of the impairment test. Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

(P) Fair Value of Financial Instruments

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

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

The three levels of valuation hierarchy are defined as follows:

- Level 1: Valuations consist of unadjusted quoted prices in active markets for identical assets and liabilities and has the highest priority.
- Level 2: Valuations rely on quoted prices in markets that are not active or observable inputs over the full term of the asset or liability.
- Level 3: Valuations are based on prices or third party or internal valuation models that require inputs that are significant to the fair value measurement and are less observable and thus have the lowest priority.

Our financial assets that are measured at fair value on a recurring basis as of June 30, 2017, are as follows:

	Level 1	Level 2	Level 3	Total Assets
Revenue in excess of billing - long term	-	-	5,173,538	5,173,538
Total	\$ -	\$ -	\$ 5,173,538	\$ 5,173,538

The Company applied the discounted cash flow method to calculate the fair value and used NetSol PK's weighted average borrowing rate, which was 3.96% as of June 30, 2017.

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 warrant and option derivatives are valued using the Black-Scholes model.

(Q) Revenue Recognition

The Company derives revenues from the following sources: (1) software licenses, (2) services, which include implementation and consulting services, and (3) maintenance, which includes post contract support.

The Company recognizes revenue from license contracts without major customization when a non-cancelable, non-contingent license agreement has been signed, delivery of the software has occurred, the fee is fixed or determinable, and collectability is probable. Delivery is considered to have occurred upon electronic transfer of the license key that provides immediate availability of the product to the purchaser. Determining whether and when some of these criteria have been satisfied often involves assumptions and judgments that can have a significant impact on the timing and amount of revenue the Company reports.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

If an arrangement does not qualify for separate accounting of the software license and consulting transactions, then new software license revenue is generally recognized together with the consulting services based on contract accounting using either the percentage-of-completion or completed-contract method. Contract accounting is applied to any arrangements: (1) that include milestones or customer specific acceptance criteria that may affect collection of the software license fees; (2) where services include significant modification or customization of the software; (3) where significant consulting services are provided for in the software license contract without additional charge or are substantially discounted; or (4) where the software license payment is tied to the performance of consulting services.

Revenue from consulting services is recognized as the services are performed for time-and-materials contracts. Revenue from training and development services is recognized as the services are performed.

Revenue from maintenance agreements is recognized ratably over the term of the maintenance agreement, typically one year.

Multiple Element Arrangements

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

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

(R) Unearned Revenue

Unearned revenue represents billings in excess of revenue earned on contracts and are recognized on a pro-rata basis over the life of the contract. Unearned revenue was \$3,925,702 and \$4,739,214 as of June 30, 2017 and 2016, respectively.

(S) Cost of Revenues

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

(T) Advertising Costs

The Company expenses the cost of advertising as incurred. Advertising costs for the years ended June 30, 2017 and 2016 were \$237,221 and \$293,683, respectively.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

(U) Share-Based Compensation

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

(V) Income Taxes

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

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

(W) Foreign Currency Translation

The Company transacts business in various foreign currencies. The accounts of NetSol UK, NTE, VLSH and VLS use the British Pound; VLSIL and NTG use the Euro; NetSol PK, Connect, Omni and NetSol Innovation use Pakistan Rupees; NTPK Thailand and NetSol Thai use Thai Baht; NetSol Australia uses the Australian dollar; and NetSol Beijing uses the Chinese Yuan as the functional currencies. NetSol Technologies, Inc., and its subsidiary, NTA, use the U.S. dollar as the functional currency. Consequently, revenues and expenses of operations outside the United States are translated into U.S. Dollars using average exchange rates while assets and liabilities of operations outside the United States are translated into U.S. Dollars using exchange rates at the balance sheet date. The effects of foreign currency translation adjustments are recorded to other comprehensive income. Accumulated translation losses classified as an item of accumulated other comprehensive loss in the stockholders' equity section of the consolidated balance sheets were \$18,074,570 and \$18,730,494 as of June 30, 2017 and 2016, respectively. During the years ended June 30, 2017 and 2016, comprehensive income (loss) in the consolidated statements of operations included NetSol's share of translation gain of \$655,924 and \$1,563,394, respectively.

Net foreign exchange transaction gains (losses) included in non-operating income (expense) in the accompanying consolidated statements of operations were gains of \$306,819 and losses of \$738,158 for the years ended June 30, 2017 and 2016, respectively.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

(X) Statement of Cash Flows

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

(Y) Segment Reporting

The Company defines operating segments as components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performances. The Company allocates its resources and assesses the performance of its sales activities based on the geographic locations of its subsidiaries (see Note 19).

(Z) Reclassifications

Certain 2016 balances have been reclassified to conform to the 2017 presentation. Below is the table of reclassified amounts:

	For the Year Ended June, 30 2016	
	Originally reported	Reclass
Net Revenues:		
License fees	\$ 6,352,441	\$ 8,352,441
Maintenance fees	13,310,591	13,310,591
Services	32,288,229	30,037,459
License fees - related party	1,616,138	1,616,138
Maintenance fees - related party	365,772	365,772
Services - related party	10,617,022	10,867,792
Total net revenues	64,550,193	64,550,193
Operating expenses:		
Provision for bad debts	-	237,703
General and administrative	14,965,016	14,727,313
	14,965,016	14,965,016

The Company reclassified \$2,000,000 from services to license fees to correspond with the current accounting treatment of the 12 market NFS Ascent implementation, and \$250,770 from services to services - related party for the services provided to WRLD3D, Inc. ("WRLD3D") (formerly "eeGeo, Inc.").

The Company also reclassified "Provision for bad debts" as a separate line item from general and administrative expenses.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

(AA) New Accounting Pronouncements

Recent Accounting Standards Adopted by the Company:

In June 2014, the FASB issued Accounting Standards Update No. 2014-12, *Compensation — Stock Compensation (Topic 718), Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force)* (ASU 2014-12). The guidance applies to all reporting entities that grant their employees share-based payments in which the terms of the award provide that a performance target that affects vesting could be achieved after the requisite service period. The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. For all entities, the amendments in this update are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* (ASU 2014-15). The guidance in ASU 2014-15 sets forth management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern as well as required disclosures. ASU 2014-15 indicates that, when preparing financial statements for interim and annual financial statements, management should evaluate whether conditions or events, in the aggregate, raise substantial doubt about the entity's ability to continue as a going concern for one year from the date the financial statements are issued or are available to be issued. This evaluation should include consideration of conditions and events that are either known or are reasonably knowable at the date the financial statements are issued or are available to be issued, as well as whether it is probable that management's plans to address the substantial doubt will be implemented and, if so, whether it is probable that the plans will alleviate the substantial doubt. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods and annual periods thereafter. Early application is permitted. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In January 2015, the FASB issued Accounting Standards Update No. 2015-01, *Income Statement – Extraordinary and Unusual items (Subtopic 225-20), Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items* (ASU 2015-01). The amendment eliminates from U.S. GAAP the concept of extraordinary items. This guidance is effective for the Company in the first quarter of fiscal 2017. Early adoption is permitted and allows the Company to apply the amendment prospectively or retrospectively. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In February 2015, FASB issued ASU No. 2015-02, (Topic 810): *Amendments to the Consolidation Analysis*. ASU No. 2015-02 provides amendments to respond to stakeholders' concerns about the current accounting for consolidation of certain legal entities. Stakeholders expressed concerns that GAAP might require a reporting entity to consolidate another legal entity in situations in which the reporting entity's contractual rights do not give it the ability to act primarily on its own behalf, the reporting entity does not hold a majority of the legal entity's voting rights, or the reporting entity is not exposed to a majority of the legal entity's economic benefits or obligations. ASU No. 2015-02 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

In April 2015, FASB issued ASU No. 2015-03, (Subtopic 835-30): *Simplifying the Presentation of Debt Issuance Costs*. ASU No. 2015-03 provides guidance that will require debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. ASU No. 2015-03 affects disclosures related to debt issuance costs but does not affect existing recognition and measurement guidance for these items. ASU No. 2015-03 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In April 2015, FASB issued ASU No. 2015-05, (Subtopic 350-40): *Customer's Accounting for Fees Paid in a Cloud Computing Arrangements*. ASU No. 2015-05 provides guidance on a customer's accounting for fees paid in a cloud computing arrangement, which includes software as a service, platform as a service, infrastructure as a service, and other similar hosting arrangements. ASU No. 2015-05 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In September 2015, the Financial Accounting Standards Board ("FASB") issued ASU No. 2015-16, *Business Combinations (Topic 805) Simplifying the Accounting for Measurement-Period Adjustments*. ASU No. 2015-06 simplifies the accounting for measurement-period adjustments attributable to an acquisition. Under prior guidance, adjustments to provisional amounts during the measurement period that arise due to new information regarding acquisition date circumstances must be made retrospectively with a corresponding adjustment to goodwill. The amended guidance requires an acquirer to record adjustments to provisional amounts made during the measurement period in the period that the adjustment is determined. The adjustments should reflect the impact on earnings of changes in depreciation, amortization, or other income effects, if any, as if the accounting had been completed as of the acquisition date. Additionally, amounts recorded in the current period that would have been reflected in prior reporting periods if the adjustments had been recognized as of the acquisition date must be disclosed either on the face of the income statement or in the notes to financial statements. This guidance is effective prospectively for interim and annual periods beginning after December 15, 2015 and early application is permitted. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

In March 2016, the FASB issued Accounting Standards Update 2016-07, *Investments- Equity Method and Joint Ventures: Simplifying the Transition to the Equity Method of Accounting* (“ASU 2016-07”). ASU 2016-07 eliminates the requirement to apply the equity method of accounting retrospectively when a reporting entity obtains significant influence over a previously held investment. ASU 2016-07 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years and early application is permitted. The Company adopted this guidance with respect to its investment in WRLD3D and applied the equity method of accounting prospectively.

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

In May 2014, the (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most current revenue recognition guidance. The standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In August 2015, the FASB deferred the effective date of the new revenue standard by one year, which will make it effective for the Company in the first quarter of its fiscal year ending June 30, 2019. The Company is currently in the process of evaluating the impact of adoption of this ASU on its consolidated financial statements.

In November 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes* (ASU 2015-17), which changes how deferred taxes are classified on the balance sheet and is effective for financial statements issued for annual periods beginning after December 15, 2016, with early adoption permitted. ASU 2015-17 requires all deferred tax assets and liabilities to be classified as non-current. The Company is currently in the process of evaluating the impact of the adoption of this standard on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01), which requires equity investments that are not accounted for under the equity method of accounting to be measured at fair value with changes recognized in net income and updates certain presentation and disclosure requirements. ASU 2016-01 is effective beginning after December 15, 2017. The adoption of this guidance is not expected to have a material impact on the Company’s results of operations, financial position or disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires lessees to recognize right-of-use assets and lease liabilities, for all leases, with the exception of short-term leases, at the commencement date of each lease. This ASU requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. This ASU is effective for annual periods beginning after December 15, 2018 and interim periods within those annual periods. Early adoption is permitted. The amendments of this update should be applied using a modified retrospective approach, which requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*. The guidance simplifies accounting for share-based payments, most notably by requiring all excess tax benefits and tax deficiencies to be recorded as income tax benefits or expense in the income statement and by allowing entities to recognize forfeitures of awards when they occur. This new guidance is effective for annual reporting periods beginning after December 15, 2016 and may be adopted prospectively or retroactively. The adoption of this guidance is not expected to have a material impact on the Company's results of operations, financial position or disclosures.

In August 2016, the FASB issued ASU 2016-15, *Clarification of Certain Cash Receipts and Cash Payments*, which eliminates the diversity in practice related to the classification of certain cash receipts and payments in the statement of cash flows, by adding or clarifying guidance on eight specific cash flow issues. This guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. The amendments in this update should be applied retrospectively to all periods presented, unless deemed impracticable, in which case, prospective application is permitted. The adoption of this guidance is not expected to have a material impact on the Company's results of operations, financial position or disclosures.

On November 17, 2016, the FASB issued Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. It is intended to reduce diversity in the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. The new standard requires that restricted cash and restricted cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. ASU 2016-18 is effective for annual periods beginning after December 15, 2017, including interim periods within those fiscal years. Earlier adoption is permitted. The Company maintains restricted cash balances and will show restricted cash as part of cash and restricted cash equivalents in the statement of cash flows.

In January 2017, the FASB issued ASU No. 2017-01, *Clarifying the Definition of a Business*, which clarifies and provides a more robust framework to use in determining when a set of assets and activities is a business. The amendments in this update should be applied prospectively on or after the effective date. This update is effective for annual periods beginning after December 15, 2017, and interim periods within those periods. Early adoption is permitted for acquisition or deconsolidation transactions occurring before the issuance date or effective date and only when the transactions have not been reported in issued or made available for issuance financial statements. The Company does not expect the adoption to have any significant impact on its Consolidated Financial Statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*. Under the new standard, goodwill impairment would be measured as the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying value of goodwill. This ASU eliminates existing guidance that requires an entity to determine goodwill impairment by calculating the implied fair value of goodwill by hypothetically assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. This update is effective for annual periods beginning after December 15, 2019, and interim periods within those periods. Early adoption is permitted for interim or annual goodwill impairment test performed on testing dates after January 1, 2017. The Company will apply this guidance to applicable impairment tests after the adoption date.

In May 2017, the FASB issued ASU 2017-09, *Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting*, which clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. The new guidance will reduce diversity in practice and result in fewer changes to the terms of an award being accounted for as a modification. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The new standard will be effective prospectively for the Company for the fiscal year beginning July 1, 2018. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of the new standard on its consolidated financial statements and related disclosures.

In July 2017, the FASB issued ASU No. 2017-11, *"Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception"*. The ASU was issued to address the complexity associated with applying generally accepted accounting principles (GAAP) for certain financial instruments with characteristics of liabilities and equity. The ASU, among other things, eliminates the need to consider the effects of down round features when analyzing convertible debt, warrants and other financing instruments. As a result, a freestanding equity-linked financial instrument (or embedded conversion option) no longer would be accounted for as a derivative liability at fair value as a result of the existence of a down round feature. The amendments are effective for fiscal years beginning after December 15, 2018, and should be applied retrospectively. Early adoption is permitted, including adoption in an interim period. The Company does not expect the adoption to have any significant impact on its Consolidated Financial Statements. The Company is currently in the process of evaluating the impact of the adoption of this standard on its consolidated financial statements.

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

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

NOTE 3 – EARNINGS PER SHARE

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

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

	For the year ended June 30, 2017		
	Net Loss	Shares	Per Share
Basic loss per share:			
Net loss available to common shareholders	\$ (4,978,030)	10,912,284	\$ (0.46)
Effect of dilutive securities			
Stock options	-	-	-
Warrants	-	-	-
Diluted loss per share	<u>\$ (4,978,030)</u>	<u>10,912,284</u>	<u>\$ (0.46)</u>
	For the year ended June 30, 2016		
	Net Income	Shares	Per Share
Basic income per share:			
Net income available to common shareholders	\$ 3,402,761	10,391,157	\$ 0.33
Effect of dilutive securities			
Stock options	-	190,595	-
Warrants	-	3,083	-
Diluted income per share	<u>\$ 3,402,761</u>	<u>10,584,835</u>	<u>\$ 0.32</u>

As of June 30, 2017 and 2016, the following potential dilutive shares were excluded from the shares used to calculate diluted earnings per share as their inclusion would be anti-dilutive.

	<u>2017</u>	<u>2016</u>
Stock Options	475,133	-
Share Grants	449,950	-
	<u>925,083</u>	<u>-</u>

NOTE 4 – RELATED PARTY TRANSACTIONS

NetSol-Innovation

In November 2004, the Company entered into a joint venture agreement with insurer formerly *Innovation Group* called NetSol-Innovation. NetSol-Innovation provides support services to insurer. During the years ended June 30, 2017 and 2016, NetSol Innovation provided services of \$5,665,872 and \$8,161,015, respectively. Accounts receivable at June 30, 2017 and 2016 were \$1,462,078 and \$4,689,322, respectively.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

Investec Asset Finance

In October 2011, NTE entered into an agreement with Investec Asset Finance to acquire VLS. NTE and VLS provide support services to Investec. During the year ended June 30, 2017 and 2016, NTE and VLS provided maintenance and services of \$1,299,784 and \$4,437,917, respectively. Accounts receivable at June 30, 2017 and 2016 were \$133,218 and \$1,001,856, respectively. Revenue in excess of billing was \$Nil and \$804,168 as of June 30, 2017 and 2016, respectively. Included in the provision for bad debts is \$557,909 related to Investec.

WRLD3D

On May 31, 2017, Faizaan Ghauri, son of CEO Najeeb Ghauri, and an employee of the Company was appointed CEO of WRLD3D, a non-public company. On March 2, 2016, the Company purchased a 4.9% interest in WRLD3D for \$1,111,111 and the Company's subsidiary NetSol PK purchased a 12.2% investment in WRLD3D for \$2,777,778 which will be earned over future periods by providing IT and enterprise software solutions. See Note 6 and Note 10.

G-Force; LLC

Najeeb Ghauri, CEO and Chairman of the Board, and Naeem Ghauri, Director, have a financial interest in G-Force, LLC which purchased a 4.9% investment in WRLD3D, Inc.) for \$1,111,111. See Note 10 "Other Long Term Assets"

NOTE 5 – MAJOR CUSTOMERS

The Company is a strategic business partner for Daimler Financial Services (which consists of a group of many companies in different countries), which accounts for approximately 44.25% and 19.96% of revenue, and Insurer accounts for approximately 8.67% and 12.64% of revenue for the fiscal years ended June 30, 2017 and 2016, respectively. The revenue from these two customers is shown in the Asia – Pacific segment. Accounts receivable at June 30, 2017 for these customers were \$1,620,717 and \$1,462,078, respectively. Accounts receivable at June 30, 2016 for these customers were \$5,306,166 and \$4,689,322, respectively. Revenue in excess of billing at June 30, 2017 for these customers was \$18,579,540 and \$nil, respectively. Included in this amount was \$5,173,538 shown as long term. Revenue in excess of billing at June 30, 2016 for these customers was \$2,801,354 and \$nil, respectively.

On December 21, 2015, the Company entered into a 10-year contract with Daimler Financial Services to provide license, maintenance and services for 12 countries in the Asia Pacific Region. The implementation phase is expected to be over a five-year period with maintenance and support over 10 years. The contract is a fixed fee arrangement with total license and maintenance fees of approximately €71,000,000 (approximately \$81,000,000) with services to be separately agreed upon and billed as they are performed. The customer will make fixed annual payments of €5,850,000 (approximately \$6,648,000) for years 1-5 and €8,350,000 (approximately \$9,489,000) for years 6-10. Under the terms of the contract, the customer has the right to withdraw from certain modules and terminate the agreement as to certain countries based on good cause or business reasons prior to the beginning of implementation.

NOTE 6 – CONVERTIBLE NOTE RECEIVABLE – RELATED PARTY

The Company entered into an agreement with WRLD3D, whereby the Company was issued a Convertible Promissory Note (the "Convertible Note") which was fully executed on May 25, 2017. The maximum principal amount of the Convertible Note is \$750,000, and as of June 30, 2017, the Company had disbursed \$200,000. The Convertible Note bears interest at 5% per annum and all unpaid interest and principal is due and payable upon the Company's request on or after February 1, 2018. The Convertible Note is convertible into Series BB Preferred shares at the lesser of (i) the price paid per share for the equity security by the investors in the qualified financing and (ii) \$0.6788 per share (adjusted for any stock dividends, combinations, splits, recapitalizations or the like with respect to WRLD3D's Series BB Preferred Stock after the date of the Convertible Note). The Convertible Note is convertible upon the occurrence of the following events:

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

1. Conversion upon a qualified financing which is an equity financing of at least \$2,000,000.
2. Optional conversion upon an equity financing less than \$2,000,000.
3. Optional conversion after the maturity date.
4. Change of control.

Subsequent to June 30, 2017, the Company loaned an additional \$500,000 to WRLD3D pursuant to the Convertible Promissory Note agreement. (See Note 21).

NOTE 7 – OTHER CURRENT ASSETS

Other current assets consisted of the following:

	As of June 30, 2017	As of June 30, 2016
Prepaid Expenses	\$ 597,687	\$ 386,578
Advance Income Tax	1,052,935	968,334
Employee Advances	128,100	83,978
Security Deposits	103,255	72,985
Other Receivables	252,590	486,562
Other Assets	329,319	216,191
Total	\$ 2,463,886	\$ 2,214,628

NOTE 8 – REVENUE IN EXCESS OF BILLINGS – LONG TERM

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

	As of June 30, 2017
Revenue in excess of billing - long term	\$ 5,483,869
Present value discount	(310,331)
Net Balance	\$ 5,173,538

Pursuant to revenue recognition for contract accounting, the Company has recorded revenue in excess of billings – long term for amounts billable after one year. The fair value of the payments to be received after one year has been estimated at \$5,173,538. The fair value adjustment of \$310,331 will be accreted in subsequent periods.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

NOTE 9 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	As of June 30, 2017	As of June 30, 2016
Office Furniture and Equipment	\$ 3,755,710	\$ 3,346,156
Computer Equipment	26,693,730	25,935,620
Assets Under Capital Leases	1,965,650	2,409,074
Building	9,243,866	9,185,570
Land	2,428,626	2,410,664
Autos	1,270,339	1,073,447
Improvements	592,652	385,135
Subtotal	<u>45,950,573</u>	<u>44,745,666</u>
Accumulated Depreciation	<u>(25,579,870)</u>	<u>(21,971,231)</u>
Property and Equipment, Net	<u>\$ 20,370,703</u>	<u>\$ 22,774,435</u>

For the years ended June 30, 2017 and 2016, depreciation expense totaled \$3,785,334 and \$4,387,121, respectively. Of these amounts, \$2,671,586 and \$3,161,951 are reflected as part of cost of revenues for the years ended June 30, 2017 and 2016, respectively.

Following is a summary of fixed assets held under capital leases:

	As of June 30, 2017	As of June 30, 2016
Computers and Other Equipment	\$ 309,863	\$ 503,926
Furniture and Fixtures	227,914	408,200
Vehicles	1,427,873	1,496,948
Total	<u>1,965,650</u>	<u>2,409,074</u>
Less: Accumulated Depreciation - Net	<u>(711,622)</u>	<u>(713,248)</u>
	<u>\$ 1,254,028</u>	<u>\$ 1,695,826</u>

NOTE 10 – OTHER LONG TERM ASSETS

	As of June 30, 2017	As of June 30, 2016
Investment (1)	\$ 3,057,020	\$ 720,350
Long Term Security Deposits	154,275	122,203
Total	<u>\$ 3,211,295</u>	<u>\$ 842,553</u>

(1) INVESTMENT IN WRLD3D

On March 2, 2016, the Company purchased a 4.9% interest in WRLD3D, a non-public company, for \$1,111,111. The Company paid \$555,556 at the initial closing and \$555,555 on September 1, 2016. NetSol PK, the subsidiary of the Company, purchased a 12.2% investment in WRLD3D, for \$2,777,778 which will be earned over future periods by providing IT and enterprise software solutions. Per the agreement, NetSol PK is to provide a minimum of \$200,000 of services in each three-month period and the entire balance is required to be provided within three years of the date of the agreement. If NetSol PK fails to provide the future services, it may be required to forfeit the shares back to WRLD3D. As of June 30, 2017, the investment earned by NetSol PK is \$1,945,909.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

In connection with the investment, the Company and NetSol PK received a warrant to purchase preferred stock of WRLD3D which included the following key terms and features:

- The warrants are exercisable into shares of the “Next Round Preferred”, only if and when the Next Round Preferred is issued by WRLD3D in a “Qualified Financing”.
- The warrants expire on March 2, 2020.
- “Next Round Preferred” is defined as occurring if WRLD3D’s preferred stock (or securities convertible into preferred stock) are issued in a Qualified Financing that occurs after March 2, 2016.
- “Qualified Financing” is defined as financing with total proceeds of at least \$2 million.
- The total number of common stock shares to be issued is equal to \$1,250,000 divided by the per share price of the Next Round Preferred.
- The exercise price of the warrants is equal to the greater of
 - a) 70% of the per share price of the Next Round Preferred sold in a Qualified Financing, or
 - b) 25,000,000 divided by the total number of shares of common stock outstanding immediately prior to the Qualified Financing (on a fully-diluted basis, excluding the number of common stock shares issuable upon the exercise of any given warrant).

The Company had originally accounted for the investment under the cost method. On May 31, 2017, the Company determined that it met the significant influence criteria since the newly appointed CEO of WRLD3D is the son of the CEO, Najeeb Ghauri, and also an employee of the Company; therefore, the Company changed the accounting treatment from the cost method to the equity method.

During the years ended June 30, 2017 and 2016, NetSol PK provided services valued at \$1,225,434 and \$250,770, respectively, which is recorded as services-related party. These services are recorded as accounts receivable until approved by WRLD3D after which the shares are released from restriction. During the year ended June 30, 2017 and 2016, NetSol PK services valued at \$1,231,115 and \$164,794, respectively, were released from restriction. Revenue in excess of billing at June 30, 2017 and 2016 were \$80,705 and \$86,385, respectively. During the year ended June 30, 2017, NetSol PK paid \$550,000 to WRLD3D to buy out a portion of the services requirement.

At June 30, 2017, the Company has determined that there is no impairment.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

NOTE 11 – INTANGIBLE ASSETS

Intangible assets consisted of the following:

	As of June 30, 2017	As of June 30, 2016
Product Licenses - Cost	\$ 47,244,997	\$ 47,244,997
Effect of Translation Adjustment	(3,134,488)	(3,323,518)
Accumulated Amortization	(27,067,358)	(24,247,446)
Net Balance	\$ 17,043,151	\$ 19,674,033

(A) Product Licenses

Product licenses include internally-developed original license issues, renewals, enhancements, copyrights, trademarks, and trade names. Product licenses are amortized on a straight-line basis over their respective lives, and the unamortized amount of \$17,043,151 will be amortized over the next 6.75 years. Amortization expense for the years ended June 30, 2017 and 2016 was \$2,776,473 and \$2,765,018, respectively.

(B) Future Amortization

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

Year ended:			
June 30, 2018	\$	2,778,585	
June 30, 2019		2,778,585	
June 30, 2020		2,778,585	
June 30, 2021		2,778,585	
June 30, 2022		2,778,585	
Thereafter		3,150,226	
	\$	17,043,151	

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

NOTE 12 – GOODWILL

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

	As of June 30, 2017	As of June 30, 2016
NetSol PK	\$ 1,166,610	\$ 1,166,610
NTE	3,471,814	3,471,814
VLS	214,044	214,044
NTA	4,664,100	4,664,100
Total	<u>\$ 9,516,568</u>	<u>\$ 9,516,568</u>

The Company tests for goodwill impairment at each reporting unit. There was no goodwill impairment for the years ended June 30, 2017 and 2016.

NOTE 13 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following:

	As of June 30, 2017	As of June 30, 2016
Accounts Payable	\$ 1,466,265	\$ 1,346,532
Accrued Liabilities	4,498,958	4,171,058
Accrued Payroll & Taxes	520,719	231,881
Taxes Payable	174,485	66,437
Other Payable	219,767	146,862
Total	<u>\$ 6,880,194</u>	<u>\$ 5,962,770</u>

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

NOTE 14 – DEBTS

Notes and leases payable consisted of the following:

Name		As of June 30, 2017		
		Total	Current Maturities	Long-Term Maturities
D&O Insurance	(1)	\$ 87,485	\$ 87,485	\$ -
Bank Overdraft Facility	(2)	221,379	221,379	-
HSBC Loan	(3)	-	-	-
Loan Payable Bank - Export Refinance	(4)	4,776,461	4,776,461	-
Loan Payable Bank - Export Refinance II	(5)	1,910,585	1,910,585	-
Loan Payable Bank - Running Finance	(6)	2,865,877	2,865,877	-
		<u>9,861,787</u>	<u>9,861,787</u>	<u>-</u>
Subsidiary Capital Leases	(7)	727,770	361,008	366,762
		<u>\$ 10,589,557</u>	<u>\$ 10,222,795</u>	<u>\$ 366,762</u>

Name		As of June 30, 2016		
		Total	Current Maturities	Long-Term Maturities
D&O Insurance	(1)	\$ 65,114	\$ 65,114	\$ -
HSBC Loan	(3)	93,704	93,704	-
Loan Payable Bank	(4)	3,792,907	3,792,907	-
		<u>3,951,725</u>	<u>3,951,725</u>	<u>-</u>
Subsidiary Capital Leases	(7)	966,051	488,359	477,692
		<u>\$ 4,917,776</u>	<u>\$ 4,440,084</u>	<u>\$ 477,692</u>

(1) The Company finances Directors' and Officers' ("D&O") liability insurance as well as Errors and Omissions ("E&O") liability insurance, for which the total balances are renewed on an annual basis and as such are recorded in current maturities. The interest rate on these financings range from 4.8% to 7.69% and from 4.25% to 5.89% as of June 30, 2017 and 2016, 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 \$389,610. The annual interest rate was 4.75% as of June 30, 2017. Total outstanding balance as of June 30, 2017 was £170,462 or approximately \$221,379. Interest expense for year ended June 30, 2017 was \$9,077.

This overdraft facility requires that the aggregate amount of invoiced trade debtors (net of provisions for bad and doubtful debts and excluding intra-group debtors) of NTE, not exceeding 90 days old, will not be less than an amount equal to 200% of the facility. As of June 30, 2017, NTE was in compliance with this covenant.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

(3) In October 2011, the Company's subsidiary, NTE, entered into a loan agreement with HSBC Bank to finance the acquisition of 51% of a controlling interest in Virtual Leasing Services Limited. HSBC Bank guaranteed the loan up to a limit of £1,000,000, or approximately \$1,298,701 for a period of 5 years with monthly payments of £18,420, or approximately \$23,922. The interest rate was 4% which is 3.5% above the bank sterling base rate. The loan is securitized against debenture comprising of fixed and floating charges over all the assets and undertakings of NTE including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both present and future. Interest expense for the years ended June 30, 2017 and 2016 was \$2,243 and \$12,846, respectively. NTE paid this loan in full during the year ended June 30, 2017.

(4) The Company's subsidiary, NetSol PK, has an export refinance facility with Askari Bank Limited, secured by NetSol PK's assets. This is a revolving loan that matures every six months. Total facility amount is Rs. 500,000,000 or \$4,776,461 and Rs. 400,000,000 or \$3,792,907, respectively. The interest rate for the loans was 3% and 4.5% at June 30, 2017 and 2016, respectively. Interest expense for the year ended June 30, 2017 and 2016 was \$121,306 and \$148,475, respectively.

This facility requires NetSol PK to maintain a long term debt equity ratio of 60:40 and the current ratio of 1:1. As of June 30, 2017, NetSol PK was in compliance with this covenant.

(5) During the fiscal year, the Company's subsidiary, NetSol PK, availed an export refinance facility with Samba Bank Limited, of Rs. 200,000,000 or \$1,910,585, secured by NetSol PK's assets. This is a revolving loan that matures every six months. The interest rate for the loans was 3% at June 30, 2017. Interest expense for the year ended June 30, 2017 was \$2,511.

(6) During the fiscal year, the Company's subsidiary, NetSol PK, availed a running finance facility of Rs. 300,000,000 or \$2,865,877 from Samba Bank Limited. The interest rate for the loans was 8.13% at June 30, 2017. Interest expense for the year ended June 30, 2017 was \$78,251.

The facilities from Samba Bank Limited require NetSol PK to maintain at minimum of current ratio of 1:1, Interest coverage ratio 4 times, Leverage 2 times and Debt Service Coverage Ratio 4 times during the tenure of loan. As of June 30, 2017, NetSol PK was in compliance with these covenants.

(7) The Company leases various fixed assets under capital lease arrangements expiring in various years through 2022. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lesser of their related lease terms or their estimated useful lives and are secured by the assets themselves. Depreciation of assets under capital leases is included in depreciation expense for the years ended June 30, 2017 and 2016.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

Following is the aggregate minimum future lease payments under capital leases for the year ended June 30, 2017:

	Amount
Minimum Lease Payments	
Due FYE 6/30/18	\$ 401,605
Due FYE 6/30/19	294,536
Due FYE 6/30/20	84,419
Due FYE 6/30/21	6,570
Due FYE 6/30/22	2,190
Total Minimum Lease Payments	<u>789,320</u>
Interest Expense relating to future periods	(61,550)
Present Value of minimum lease payments	<u>727,770</u>
Less: Current portion	(361,008)
Non-Current portion	<u>\$ 366,762</u>

NOTE 15 – INCOME TAXES

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

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

	Years Ended June 30,	
	2017	2016
US operations	\$ (5,255,124)	\$ (2,527,545)
Foreign operations	4,450,639	8,237,232
	<u>\$ (804,485)</u>	<u>\$ 5,709,687</u>

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

	Years Ended June 30,	
	2017	2016
Current:		
Federal	\$ -	\$ -
State and Local	-	-
Foreign	931,951	652,546
Deferred:		
Federal	-	-
State and Local	-	-
Foreign	-	-
Provision for income taxes	<u>\$ 931,951</u>	<u>\$ 652,546</u>

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

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

	Years Ended June 30,			
	2017		2016	
Income tax (benefit) provision at statutory rate	\$ (281,570)	35.0%	\$ 1,998,390	35.0%
State income (benefit) taxes, net of federal tax benefit	(46,258)	5.8%	328,307	5.7%
Foreign earnings taxed at different rates	(625,773)	77.8%	(2,026,031)	-35.5%
Change in valuation allowance for deferred tax assets	1,340,938	-167%	476,646	8.3%
Other	544,614	-67.7%	(124,766)	-2.2%
Provision for income taxes	<u>\$ 931,951</u>	-115.8%	<u>\$ 652,546</u>	11.4%

Deferred income tax assets and liabilities as of June 30, 2016 and 2015 consist of tax effects of temporary differences related to the following:

	Years Ended June 30,	
	2017	2016
Net operating loss carry forwards	\$ 16,365,908	\$ 14,862,607
Other	397,429	559,792
Net deferred tax assets	16,763,337	15,422,399
Valuation allowance for deferred tax assets	(16,763,337)	(15,422,399)
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

The Company has established a full valuation allowance as management believes it is more likely than not that these assets will not be realized in the future. The valuation allowance increased by 1,340,938 for the year ended June 30, 2017 mainly due to adjusting the Company's net operating loss carry forwards for the current year operating losses in certain subsidiaries.

At June 30, 2017, federal and state net operating loss carry forwards in the United States of America were \$40,582,869 and \$4,556,581, respectively. Federal net operating loss carry forwards begin to expire in 2020, while state net operating loss carry forwards are expiring each year. Due to both historical and recent changes in the capitalization structure of the Company, the utilization of net operating losses may be limited pursuant to section 382 of the Internal Revenue Code. Net operating losses related to foreign entities were \$6,701,192 at June 30, 2017.

As of June 30, 2017, the Company does not have any unrecognized tax benefits related to various federal and state income tax matters. The Company will recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

The Company is subject to U.S. federal income tax, as well as various state and foreign jurisdictions. The Company is currently open to audit under the statute of limitations by the federal and state jurisdictions for the years ending June 30, 2014 through 2016. The Company does not anticipate any material amount of unrecognized tax benefits within the next 12 months.

The cumulative amount of undistributed earnings of foreign subsidiaries that the Company intends to permanently invest and upon which no deferred US income taxes have been provided is \$29,645,863 as of June 30, 2017. The additional US income tax on unremitted foreign earnings, if repatriated, would be offset in part by foreign tax credits. The extent of this offset would depend on many factors, including the method of distribution, and specific earnings distributed. The Company determined that it is not practicable to determine unrecognized deferred tax liability associated with the unremitted earnings attributable to the foreign subsidiaries.

Income from the export of computer software and its related services developed in Pakistan is exempt from tax through June 30, 2018. The aggregate effect of the tax holiday for June 30, 2017 and 2016 is \$876,058 and \$1,096,200, respectively. The effect on basic and diluted earnings per share is \$0.08 for June 30, 2017 and \$0.11 and \$0.10, respectively for June 30, 2016.

NOTE 16 – STOCKHOLDERS' EQUITY

During the years ended June 30, 2017 and 2016, the Company issued 121,858 and 54,318 shares of common stock, respectively, for services rendered by officers of the Company. These shares were valued at the fair market value of \$727,095 and \$304,138, respectively, and recorded as compensation expense in the accompanying consolidated financial statements.

During the years ended June 30, 2017 and 2016, the Company issued 52,251 and 33,000 shares of common stock respectively, for services rendered by the independent members of the Board of Directors as part of their board compensation. These shares were valued at the fair market value of \$294,531 and \$167,974, respectively, and recorded as compensation expense in the accompanying consolidated financial statements.

During the years ended June 30, 2017 and 2016, the Company issued 253,066 and 141,204 shares of common stock, respectively, to employees pursuant to the terms of their employment agreements. These shares were valued at the fair market value of \$1,500,532 and \$792,506, respectively, and recorded as compensation expense in the accompanying consolidated financial statements.

During the years ended June 30, 2017 and 2016, the Company collected subscription receivable of \$485,661 and \$356,500, respectively, related to the exercise of stock options in previous years.

During the year ended June 30, 2017 and 2016, the Company received \$380,770 and \$780,980, respectively pursuant to a stock option agreement for the exercise of 84,838 and 177,024 shares of common stock, respectively at prices ranging from \$3.88 to \$4.75 and \$3.88 to \$4.92 per share, respectively.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

During the year ended June 30, 2017, the Company purchased 7,500 shares of its common stock from the open market at an average price of \$5.18 per share pursuant to the Company's buy-back plan.

NOTE 17 – STOCK BASED COMPENSATION

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

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

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

Options granted under the Plans are not generally transferable and must be exercised within 10 years, subject to earlier termination upon termination of the option holder's employment, but in no event later than the expiration of the option's term. The exercise price of each option may not be less than the fair market value of a share of the Company's common stock on the date of grant (except in connection with the assumption or substitution for another option in a manner qualifying under Section 424(a) of the Internal Revenue Code of 1986, as amended. Incentive stock options granted to any participant who owns 10% or more of the Company's outstanding common stock (a "Ten Percent Shareholder") must have an exercise price equal to or exceeding 110% of the fair market value of a share of our common stock on the date of the grant and must not be exercisable for longer than five years. Options become vested and exercisable at such times or upon such events and subject to such terms, conditions, performance criteria or restrictions as specified by the Committee. The maximum term of any option granted under the Plans is ten years, provided that an incentive stock option granted to a Ten Percent Shareholder must have a term not exceeding five years.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

Under the Plans, a participant may also be awarded a “performance award,” which means that the participant may receive cash, stock or other awards contingent upon achieving performance goals established by the Committee. The Committee may also make “deferred share” awards, which entitle the participant to receive the Company’s stock in the future for services performed between the date of the award and the date the participant may receive the stock. The vesting of deferred share awards may be based on performance criteria and/or continued service with the Company. A participant who is granted a “stock appreciation right” under the Plan has the right to receive all or a percentage of the fair market value of a share of stock on the date of exercise of the stock appreciation right minus the grant price of the stock appreciation right determined by the Committee (but in no event less than the fair market value of the stock on the date of grant). Finally, the Committee may make “restricted stock” awards under the Plans, which are subject to such terms and conditions as the Committee determines and as are set forth in the award agreement related to the restricted stock. As of June 30, 2017, the remaining shares to be granted are 130,000 under the 2011 Plan, 2,595 under the 2013 Plan and 341,516 under the 2015 Plan.

Options and Warrants

A summary of option and warrant activity for the years ended June 30, 2017 and 2016 is presented below:

OPTIONS:

	# of shares	Weighted Ave Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregated Intrinsic Value
Outstanding and exercisable, June 30, 2015	708,133	\$ 6.84	1.22	\$ 572,352
Granted	152,024	\$ 4.50		
Exercised	(177,024)	\$ 4.37		368,808
Expired / Cancelled	(73,000)	\$ 24.08		
Outstanding and exercisable, June 30, 2016	610,133	\$ 4.90	0.99	\$ 799,030
Granted	79,838	\$ 4.53		
Exercised	(84,838)	\$ 4.49		33,474
Expired / Cancelled	(130,000)	\$ 7.50		
Outstanding and exercisable, June 30, 2017	475,133	\$ 4.20	1.05	\$ 8,413

WARRANTS:

Outstanding and exercisable, June 30, 2016	163,124	\$ 7.29	0.23	\$ 9,303
Granted / adjusted	-	-		
Exercised	-	-		
Expired	(163,124)	\$ 7.29		
Outstanding and exercisable, June 30, 2017	-	-	-	\$ -

The aggregate intrinsic value at each fiscal year end represents the difference between the Company’s closing stock price of \$3.9 and \$5.84 on July 30, 2017 and 2016 and the exercise price of the options, respectively. The Aggregate intrinsic value for exercised options represents the difference between the Company’s stock price at the date of exercise and the exercise price.

The following table summarizes information about stock options and warrants outstanding and exercisable at June 30, 2017:

Exercise Price	Number Outstanding and Exercisable	Weighted Average Remaining Contractual Life	Weighted Ave Exercise Price
\$3.88- \$6.50	474,133	1.05	\$ 4.18
\$16.00	1,000	0.06	\$ 16.00
Totals	475,133	1.05	\$ 4.20

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

During the years ended June 30, 2017 and 2016, the Company granted 79,838 and 152,024 options to employees. The assumptions used in calculating the fair value of options granted using the Black-Scholes option-pricing model for options granted during the year ended June 30, 2017 and 2016 are as follows:

	June 30, 2017	June 30, 2016
Risk-free interest rate	0.01% - 0.51%	0.01% - 0.02%
Expected life	1 month - 3 months	3 months - 5 months
Expected volatility	16.71% - 19.27%	41.65% - 47.89%
Expected dividend	0%	0%

The weighted average grant-date fair value for the options granted during the year ended June 30, 2017 and 2016, was \$0.34 and \$0.96, respectively. The Company recorded compensation expense of \$26,956 and \$145,716 for the years ended June 30, 2017 and 2016, respectively.

During 2017, the Company extended the contractual life for one year for 420,671 fully vested share options held by 2 officers and an employee. As a result of that modification, the Company recognized additional compensation expense of \$214,209.

During 2016, the Company extended the contractual life for one year for 425,671 fully vested share options held by 2 officers and an employee. As a result of that modification, the Company recognized additional compensation expense of \$122,875.

Stock Grants

The following table summarizes stock grants awarded as compensation:

	<u># of shares</u>	<u>Weighted Average Grant Date Fair Value (\$)</u>
Unvested, June 30, 2015	6,667	\$ 6.00
Granted	864,500	\$ 5.91
Vested	(240,939)	\$ 5.51
Unvested, June 30, 2016	630,228	\$ 6.07
Granted	222,146	\$ 5.92
Cancelled	(5,000)	\$ 5.55
Vested	(427,175)	\$ 5.89
Unvested, June 30, 2017	420,199	\$ 6.15

For the years ended June 30, 2017 and 2016, the Company recorded compensation expense of \$2,522,158 and \$1,264,618, respectively. The compensation expense related to the unvested stock grants as of June 30, 2017 was \$2,565,438 which will be recognized during the fiscal years of 2018 to 2019.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

NOTE 18 – COMMITMENTS AND CONTINGENCIES

(A) Non-cancellable operating leases

- The Company's headquarters is located in Calabasas California with approximately 7,210 rentable square feet for \$23,812 per month. The term of the lease is for five years and five months and expires October 31, 2017. A \$23,821 security deposit is included in other assets in the accompanying consolidated financial statements.
- The Australia lease is a three-year lease that expires in June 2018 with a monthly rent of approximately \$5,296.
- The Beijing lease is a three-year lease that expires in August 2019 with a monthly rent of approximately \$32,427.
- The Bangkok lease is a three years lease expiring in May 2020 with a monthly rent of approximately \$9,303.
- The NetSol Europe facilities, located in Horsham, United Kingdom, are leased until June 23, 2021 with a monthly rent of approximately \$10,353.
- VLS facilities, located in Chester, United Kingdom, are leased until July 2026 with a monthly rent of approximately \$3,082.

Upon expiration of the leases, the Company does not anticipate any difficulty in obtaining renewals or alternative space. Rent expense amounted to \$1,887,840 and \$1,529,618 for the years ended June 30, 2017 and 2016, respectively.

The total annual lease commitment for the next five years is as follows:

FYE 6/30/18	\$ 1,121,034
FYE 6/30/19	660,466
FYE 6/30/20	285,563
FYE 6/30/21	175,391
FYE 6/30/22	50,770

(B) Litigation

On October 27, 2015, a shareholder derivative lawsuit was filed in the California state court entitled *McArthur v Ghauri, et al.*, Case No. BC599020 (Los Angeles, Cty.), naming current and former members of the Company's board of directors as defendants. The complaint alleges that the defendants breached their fiduciary duties. The Company was named as a nominal defendant only and no damages are sought from it. On March 16, 2016, the parties in the California lawsuit reached an agreement-in-principle providing for the settlement of that case.

On December 30, 2015, a virtually identical shareholder derivative lawsuit was filed in Nevada state court, *Paulovits v. Ghauri, et al.*, Case No. CV15-02470 (Washoe Cty.). The Nevada complaint named the same defendants and was based on the same alleged facts as the earlier-filed California case. On April 29, 2016, the Company filed a motion to dismiss or stay the Nevada proceeding on multiple grounds, including that is it duplicative of the first-filed California action. On May 23, 2016, pursuant to the parties' stipulation, the Nevada court ordered that matter to be stayed for a period of one year.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

On June 15, 2016, the parties in the California and the Nevada cases jointly executed a Stipulation and Agreement of Settlement of Derivative Claims, which is intended to fully resolve both cases. Pursuant to the stipulation and subject to the court's approval, the Company has agreed to adopt or maintain certain corporate governance measures, and has agreed to cause its insurers to pay plaintiff counsel's fees and expenses in an aggregate amount not to exceed \$175,000. On June 16, 2016, the California plaintiff filed a motion for preliminary approval of the derivative settlement.

On May 30, 2017, Los Angeles Superior Court Judge Kenneth R. Freeman signed the Final Judgment and Order approving settlement and dismissing with prejudice the shareholder derivative litigation involving the Company. The order became effective on June 29, 2017.

On April 7, 2017, Conister Bank Limited filed a complaint in the High Court of Justice Chancery Division, as claim no HC-2017-001045 against our subsidiary, Virtual Lease Services Limited ("VLS"). The complaint alleges that VLS was in willful default of their agreements with Conister Bank Limited by failing to fulfill its obligations under the agreements with Conister. The complaint alleges damages in excess of £200,000 (approximately \$260,000). VLS has responded to the complaint and its expenses are currently covered by available insurance. VLS denies all claims and intends to vigorously defend the action.

NOTE 19 – SEGMENT INFORMATION AND GEOGRAPHIC AREAS

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

The following table presents a summary of identifiable assets as of June 30, 2017 and 2016:

	2017	2016
Identifiable assets:		
Corporate headquarters	\$ 2,922,514	\$ 3,646,160
North America	6,717,366	6,845,444
Europe	6,056,514	7,857,427
Asia - Pacific	83,980,936	75,000,384
Consolidated	<u>\$ 99,677,330</u>	<u>\$ 93,349,415</u>

The following table presents a summary of investment under equity method as of June 30, 2017 and 2016:

	As of June 30, 2017	As of June 30, 2016
Investment in WRLD3D:		
Corporate headquarters	\$ 1,111,111	\$ 555,556
Asia - Pacific	1,945,909	164,794
Consolidated	<u>\$ 3,057,020</u>	<u>\$ 720,350</u>

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

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

	For the Year Ended June 30,	
	2017	2016
Revenues from unaffiliated customers:		
North America	\$ 5,624,434	\$ 5,464,740
Europe	5,550,536	5,981,430
Asia - Pacific	46,000,208	40,254,321
	<u>57,175,178</u>	<u>51,700,491</u>
Revenue from affiliated customers		
Europe	1,299,784	4,688,687
Asia - Pacific	6,891,306	8,161,015
	<u>8,191,090</u>	<u>12,849,702</u>
Consolidated	<u>\$ 65,366,268</u>	<u>\$ 64,550,193</u>
Intercompany revenue		
Europe	\$ 509,328	\$ 558,645
Asia - Pacific	2,599,243	4,807,276
Eliminated	<u>\$ 3,108,571</u>	<u>\$ 5,365,921</u>
Net income (loss) after taxes and before non-controlling interest:		
Corporate headquarters	\$ (5,084,078)	\$ (2,611,696)
North America	(454,297)	171,628
Europe	(1,956,137)	1,081,057
Asia - Pacific	5,758,076	6,416,152
Consolidated	<u>\$ (1,736,436)</u>	<u>\$ 5,057,141</u>
Depreciation and amortization:		
North America	\$ 47,583	\$ 35,268
Europe	206,407	172,755
Asia - Pacific	6,308,344	6,944,116
Consolidated	<u>\$ 6,562,334</u>	<u>\$ 7,152,139</u>
Interest expense:		
Corporate headquarters	\$ 8,576	\$ 6,236
North America	138	117
Europe	17,462	40,302
Asia - Pacific	283,868	217,856
Consolidated	<u>\$ 310,044</u>	<u>\$ 264,511</u>
Income tax expense:		
Europe	\$ -	\$ 46,691
Asia - Pacific	931,951	605,855
Consolidated	<u>\$ 931,951</u>	<u>\$ 652,546</u>

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

	2017	2016
Capital expenditures:		
Corporate headquarters	\$ -	\$ -
North America	41,340	66,764
Europe	520,920	417,861
Asia - Pacific	1,640,943	2,851,296
Consolidated	<u>\$ 2,203,203</u>	<u>\$ 3,335,921</u>

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

Geographic Information

Disclosed in the table below is geographic information for each country that comprised greater than five percent of total revenues for the years ended June 30 2017 and 2016.

	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	<u>Revenue</u>	<u>Long-lived Assets</u>	<u>Revenue</u>	<u>Long-lived Assets</u>
China	\$ 22,737,967	\$ 341,238	\$ 17,276,250	\$ 19,851
Thailand	3,887,089	211,892	6,428,041	309,498
USA	4,378,433	5,975,412	5,843,204	5,450,684
UK	13,152,380	4,350,199	16,894,973	4,036,925
Pakistan & India	1,653,393	44,501,157	1,842,046	43,047,590
Australia & New Zealand	6,618,930	25,357	4,308,784	30,259
Mexico	1,835,251	-	1,542,530	-
Indonesia	3,265,412	-	6,201,642	-
South Africa	3,451,931	-	387,220	-
Other Countries	4,385,482	-	3,825,503	2,782
Total	\$ 65,366,268	\$ 55,405,255	\$ 64,550,193	\$ 52,897,589

Disclosed in the table below is the reconciliation of revenue by each entity and country disclosed above for the years ended June 30 2017 and 2016.

	<u>Revenues 2017</u>										
	<u>Total</u>	<u>China</u>	<u>Thailand</u>	<u>USA</u>	<u>UK</u>	<u>Pakistan & India</u>	<u>Australia & New Zealand</u>	<u>Mexico</u>	<u>Indonesia</u>	<u>South Africa</u>	<u>Other Countries</u>
North America:	\$ 5,624,434	\$ -	\$ -	\$ 3,789,183	\$ -	\$ -	\$ -	\$ 1,835,251	\$ -	\$ -	\$ -
Europe:	6,850,320	-	-	-	6,850,320	-	-	-	-	-	-
Asia-Pacific:	52,891,514	27,170,305	3,524,911	589,250	6,302,060	1,653,393	4,796,631	-	3,020,990	3,176,885	2,657,089
Total	\$ 65,366,268	\$ 27,170,305	\$ 3,524,911	\$ 4,378,433	\$ 13,152,380	\$ 1,653,393	\$ 4,796,631	\$ 1,835,251	\$ 3,020,990	\$ 3,176,885	\$ 2,657,089

	<u>Revenues 2016</u>										
	<u>Total</u>	<u>China</u>	<u>Thailand</u>	<u>USA</u>	<u>UK</u>	<u>Pakistan & India</u>	<u>Australia & New Zealand</u>	<u>Mexico</u>	<u>Indonesia</u>	<u>South Africa</u>	<u>Other Countries</u>
North America:	\$ 5,464,740	\$ -	\$ -	\$ 3,922,210	\$ -	\$ -	\$ -	\$ 1,542,530	\$ -	\$ -	\$ -
Europe:	10,670,117	-	-	-	10,446,098	-	-	-	-	-	224,019
Asia-Pacific:	48,415,336	17,276,250	6,428,041	1,920,994	6,448,875	1,842,046	4,308,784	-	6,201,642	387,220	3,601,484
Total	\$ 64,550,193	\$ 17,276,250	\$ 6,428,041	\$ 5,843,204	\$ 16,894,973	\$ 1,842,046	\$ 4,308,784	\$ 1,542,530	\$ 6,201,642	\$ 387,220	\$ 3,825,503

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

NOTE 20 – NON-CONTROLLING INTEREST IN SUBSIDIARY

The Company had non-controlling interests in several of its subsidiaries. The balance of non-controlling interest as of June 30, 2017 and 2016 was as follows:

SUBSIDIARY	Non-Controlling Interest %	Non-Controlling Interest at June 30, 2017
NetSol PK	33.80%	\$ 12,887,938
NetSol-Innovation	49.90%	1,599,734
VLS, VLHS & VLSIL Combined	49.00%	311,502
NetSol Thai	0.006%	(92)
Total		\$ 14,799,082

SUBSIDIARY	Non-Controlling Interest %	Non-Controlling Interest at June 30, 2016
NetSol PK	33.40%	\$ 10,292,495
NetSol-Innovation	49.90%	2,735,998
VLS, VLHS & VLSIL Combined	49.00%	309,213
NetSol Thai	0.006%	(4)
Total		\$ 13,337,702

NetSol PK

During the year ended June 30, 2017, employees of NetSol PK exercised 481,500 of options of common stock pursuant to employees exercising stock options and NetSol PK received cash of \$75,382 resulting in an increase in non-controlling interest from 33.40% to 33.80%.

During the year ended June 30, 2017, NetSol PK paid a cash dividend of \$425,988.

NetSol-Innovation

During the year ended June 30, 2017 and 2016, NetSol-Innovation paid a cash dividend of \$4,061,943 and \$2,028,805, respectively.

NOTE 21 – SUBSEQUENT EVENTS

Subsequent to June 30, 2017, the Company loaned an additional \$500,000 to WRLD3D pursuant to the Convertible Promissory Note agreement. (See Note 6)

Pursuant to the Company's stock buyback plan, the Company repurchased 111,780 shares of our common stock from the open market at an average price of \$4.48 per share.

Wholly-owned Subsidiaries

NetSol Technologies Americas, Inc. (“NTA”)
NetSol Technologies Limited (“NetSol UK”)
NetSol Technologies Australia Pty Limited (“NetSol Australia”)
NetSol Technologies Europe Limited (“NTE”)
NTPK (Thailand) Co. Limited (“NTPK Thailand”)
NetSol Connect (Private), Ltd. (“Connect”)
NetSol Technologies (Beijing) Co. Ltd. (NetSol Beijing)
NetSol Omni (Private) Ltd. (“Omni”)
NetSol Technologies (GmbH) (“NTG”)

Majority-owned Subsidiaries

NetSol Technologies, Ltd. (“NetSol PK”)
NetSol Innovation (Private) Limited (“NetSol Innovation”)
NetSol Technologies Thailand Limited (“NetSol Thai”)
Virtual Lease Services Holdings Limited (“VLSH”)
Virtual Lease Services Limited (“VLS”)
Virtual Lease Services (Ireland) Limited (VLSIL)

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

I, Najeeb Ghauri, certify that:

- (1) I have reviewed this annual report on Form 10-K for the year ended June 30, 2017 of NetSol Technologies, Inc., (“Registrant”).
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
- (3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedure, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any changes in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
- (5) The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: September 28, 2017

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

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

I, Roger K. Almond, certify that:

- (1) I have reviewed this annual report on Form 10-K for the fiscal year ended June 30, 2017 of NetSol Technologies, Inc., (“Registrant”).
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
- (3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
- (a) designed such disclosure controls and procedure, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) disclosed in this report any changes in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and;
- (5) The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
- (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: September 28, 2017

/s/ Roger K. Almond

Roger K. Almond
Chief Financial Officer
Principal Accounting Officer

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

In connection with the Annual Report of NetSol Technologies, Inc. on Form 10-K for the period ending June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Najeeb Ghauri, Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and,
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: September 28, 2017

/s/ Najeeb Ghauri

Najeeb Ghauri,
Chief Executive Officer
Principal Executive Officer

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

In connection with the Annual Report of NetSol Technologies, Inc. on Form 10-K for the period ending June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Roger K. Almond, Chief Financial Officer, and Principal Accounting Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and,
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: September 28, 2017

/s/ Roger K. Almond

Roger K. Almond
Chief Financial Officer
Principal Accounting Officer
