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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

or

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

Commission File Number 0-22773

NETSOL TECHNOLOGIES, INC.

(Exact Name of Registrant specified in its charter)

NEVADA
(State or other jurisdiction of
incorporation or organization)

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

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

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

SECURITIES REGISTERED 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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

(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

The aggregate market value of the Common Stock held by non-affiliates of the registrant was approximately \$59,240,442 based upon the closing price of the stock as reported on NASDAQ Capital Market (\$5.89 per share) on December 31, 2018, the last business day of the registrant's second quarter. As of September 16, 2019, there were 11,664,239 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**

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NOTE ABOUT FORWARD-LOOKING STATEMENTS

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

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

PART 1

ITEM 1 - BUSINESS

GENERAL

NetSol Technologies, Inc. (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 NFSTM (NetSol Financial Suite) and NFS AscentTM 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, Shanghai, 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. 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

Our dual expertise in enterprise technology implementation and financial application development has helped us 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. This has helped in strengthening customer relationships and building a deeper understanding of local market dynamics. Simultaneously, the Company is able to extend services and support development 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
- Innovation Lab, developing new tools and technologies

Our global operation is broken down into three regions: North America, Europe and Asia Pacific. All 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.

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

NFS Digital

NFS Digital 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 which is now tailored to be an offering on the Microsoft Azure™ cloud. LeasePak streamlines the lease and loan management lifecycle, enabling superior portfolio management, flexible financial products (lease or loan terms) and sophisticated financial analysis and management to reduce operating costs, simplify accounting and improve profits. It is scalable from a basic offering to a collection of highly specialized add on modules for systems, portfolios and accounting methods for virtually all sizes and complexity of operations. It is the centerpiece of vehicle leasing infrastructure at leading Fortune 500 banks and Automotive Captives, 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 for asset disposition and remarketing.

LeasePak Cloud - 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 European 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 of our products can span from three to eighteen months depending upon the complexity and scope. The implementation process may also include related software services such as configuration, data migration, training, gaps development and any other additional third-party interfaces. Even after implementation, customers 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 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 in a single market can vary based on relatively low cost for a simple SaaS arrangement to a multi-million-dollar fee for 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; amount of customization required; complexity of data migration and branch network of the customer. The Company recognizes revenue from license contracts when the software has been delivered to the customer. Implementation related services, including configuration, data migration and third-party interfaces are recognized as the services are performed. 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 and time and materials-based contracts and is recognized as the services are performed.

Joint Venture

Virtual Lease Services

Virtual Lease Services (VLS), has operated as a joint venture between NTE and Investec Bank since 2011. Effective June 30, 2019, NTE acquired Investec's interest in VLS resulting in VLS becoming a wholly owned subsidiary of NTE and dissolving the joint 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+".

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 2020 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, Jakarta, Lahore, Shanghai and Sydney facilities. The marketing for our core offerings in the Americas and Europe is carried out from our Los Angeles Area, Horsham 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, our employee turnover was under 10% in 2019 with a goal to maintain the turnover level under 10% during the 2020 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 our illiterate employees, the main objective of this program is to enable these employees to acquire basic reading, writing and arithmetic skills.
- Higher Education and Science and Research Institutions – In order to support higher education in Pakistan, we have contributed endowments to NUST, Forman Christian College, and a few other universities who are focused on science and engineering.
- Noble Cause Fund—A noble cause fund has been established to meet medical and education expenses of the children of 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 children's day care facility has been created near NetSol's offices providing employees with peace of mind knowing their children are nearby and being taken care of by qualified staff in a child friendly facility.
- 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, 2019, we had approximately 1,360 employees; comprised of 90% software engineers, programmers, project managers, quality assurance, sales, pre-sales, business development, dedicated employees to core NFS and NFS Ascent and 10% non-IT personnel, and 100 plus 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 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 and solutions 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 Group, Cassiopae, LineData, FIS, 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 histories, 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. NetSol is a strategic business partner for Daimler and BMW (which consists of a group of many companies in different countries), which accounts for 35.3% and 18.5% of our revenue for our fiscal year ended June 30, 2019.

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

NTA is headed by Mr. Doug Jones, who was appointed Vice President, Operations in June 2019. Formerly, Head of Products for North America, Doug is a veteran, focused, and driven technology leader credited with shaping team performance to deliver best-in-class, leading web-based and embedded software applications for the finance and leasing industry.

Europe

NTE is overseen by Mr. Olle Murby, Director and NetSol Europe Ascent is co-managed by Mr. Johannes Riedl and Mr. Chris Tobey. The role of Group Managing Director of Europe is assigned to Mr. Asad Ghauri in addition to his role as head of APAC sales organization. Mr. Ghauri has 17 years of experience in the Company, including a tenure as a board of director member, and vast experience in leading our APAC region. His successful record for NFS Legacy and NSF Ascent business in APAC would be most helpful to build Ascent reference in the European markets

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

NetSol Beijing entity is headed by Mr. Hui Liang as President. A two-decade long veteran of the tech industry, Liang brings his vast expertise to the Company. He has previously worked at Abeam Consulting, a Japanese consulting company specializing in enterprise solutions in a vast range of industries as well as for IBM Japan.

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 30 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 supported and clients serviced from the APAC region offices located in Sydney, Beijing, Shanghai, Bangkok, Lahore and Karachi. While Lahore, Pakistan continues to be a nucleus 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 APAC Region accounted for approximately 81% of our revenues in 2019. Information regarding financial data by geographic areas is set forth in Item 7 and Item 8 of this Annual Report on form 10-K. See note 21 of Notes to Consolidated Financial Statements under Item 8.

Intellectual Property

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 “N” logo and name, as well as the NFS logo and product name have been copyrighted and trademark registered in Pakistan. The NetSol “N” logo has been registered with the U.S. Patent and Trademark Office. 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 2025. While foreign based companies may invest in Pakistan, repatriation of their investment, in the form of dividends or other methods, requires approval of the State Bank of Pakistan.

Available Information

Our website is located at www.netsoltech.com, 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 is not intended to be incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

ITEM 1A - RISK FACTORS

Not Applicable

ITEM 2 - PROPERTIES

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

ITEM 3 - LEGAL PROCEEDINGS

None

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

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

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

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

Fiscal Year 2019	High	Low
First Quarter	\$ 6.95	\$ 5.43
Second Quarter	\$ 10.53	\$ 5.16
Third Quarter	\$ 8.27	\$ 6.03
Fourth Quarter	\$ 7.63	\$ 5.12

Fiscal Year 2018	High	Low
First Quarter	\$ 4.88	\$ 3.30
Second Quarter	\$ 4.95	\$ 3.09
Third Quarter	\$ 5.48	\$ 4.25
Fourth Quarter	\$ 6.60	\$ 4.30

RECORD HOLDERS - As of September 16, 2019, the number of holders of record of the Company's common stock was 87.

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, 2019:

	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	40,386(1)	\$ 6.50(2)	554,972(3)
Equity Compensation Plans not approved by Security holders	None	None	None
Total	40,386	\$ 6.50	554,972

(1) Consists of 40,386 under the 2005 Incentive and Nonstatutory Stock Option Plan.

(2) The weighted average exercise price of the options is \$6.50.

(3) Represents 1,000 available for issuance under the 2003 Incentive and Nonstatutory Stock Option Plan, 7,723 under the 2011 Incentive and Nonstatutory Stock Option Plan, 249,746 under the 2013 Incentive and Nonstatutory Stock Option Plan and 296,503 under the 2015 Incentive and Nonstatutory Stock Option Plan.

(b) RECENT SALES OF UNREGISTERED SECURITIES

None.

(c) ISSUER PURCHASES OF EQUITY SECURITIES

On May 29, 2019, the Company's Board of Directors approved a stock repurchase program permitting the Company to repurchase up to \$2,500,000 in share repurchases during an initial six-month period beginning on May 30, 2019 and expiring on November 30, 2019. After the date of the initial expiration, management will have the option to approve a secondary phase, which will cover up to \$2,500,000 in additional share repurchases for another six-month period. The following table provides the repurchases made from May 30, 2019 through June 30, 2019.

Issuer Purchases of Equity Securities				
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 (1)
Jun-19	41,650	\$ 6.03	41,650	447,227

(1) Maximum number of shares that may be purchased under the plan have been calculated by dividing \$2,500,000 by the closing stock price at June 28, 2019.

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 understanding our financial position and results of operations for the year ended June 30, 2019. 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 fiscal year 2018-19 were:

- Our lead in the global asset finance and leasing space continued this fiscal year with several significant successful implementations, new major multimillion-dollar contract signings and a high number of potential leads.
- We had multiple successful implementations for our largest customer (Daimler Financial Services) across various markets in the Asia Pacific region.
- We secured a multimillion-dollar contract with a leading Asian auto finance company for the implementation of NFS Ascent's Retail Platform, which consists of NFS Ascent CAP (Credit Application Processing) and NFS Ascent Contract Management System (CMS). The client is an existing customer and an international tier-one finance business with a multibillion-dollar loan portfolio.
- A major contract for \$30 million was signed with another tier-one German auto captive (BMW Financial) to implement Ascent Retail and Wholesale Platforms in China. Our premier solution was selected by this client from a list of four potential vendors due to Ascent's unmatched reputation, unrivaled capabilities and due to our 100% successful implementation rate.
- A multimillion-dollar contract was secured with a major American automaker to implement Ascent's Retail Platform in China. This customer, another powerhouse in the automotive industry, has also grown into an important tier-one player in China over the last decade and a half.
- We entered into a multimillion-dollar contract with a large UK vehicle finance company (BCA) to implement the Ascent Wholesale Platform.
- We signed a multimillion-dollar contract with one of the subsidiaries of a Japanese equipment finance companies in New Zealand for the implementation of Ascent retail solution.
- In view of our innovation-focused brand philosophy, we officially launched our rebranded corporate website which offers a simplistic, intuitive modern interface with smart navigation and a superior overall user experience. Adaptive, the theme of the new corporate website, is designed to signify our primary principles alongside the philosophy we hold in maintaining ourselves as a leader in the asset finance and leasing sector worldwide.

Our success, in the near term, will depend 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 (d) exploring potential product and service diversity through business combinations and, (d) continue to increase sales and marketing efforts in every market where 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, groom and retain the next tier level management for leadership to navigate long term growth.
- Upgraded 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.
- 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.
- Pursue a well thought out strategy to diversify into complimentary verticals by way of organic expansion, partnerships and synergistic M&A.
- Continue to implement new tools, systems and processes, such as JIRA, and the Agile framework to further enhance productivity, efficiencies and operating margins.

Growth Prospects for NFS Ascent™

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

Growth in North America is expected to come from the potential market for replacement of legacy systems. NFS Ascent™ 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 opens the door for European expansion. This is designed to attract larger license and professional services revenues across a wider geography. In addition, leveraging the core strengths of NFS Ascent™ will increasingly provide opportunities in the automotive sector where NTE is currently underrepresented.

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

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

In Thailand, we established a sales headquarters, client service center, as well as a headquarters for OTOZ. The NetSol Thai operation is the hub for our 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:

- Latin American markets, primarily in Mexico, remain largely untapped.
- The GDP of Pakistan is projected to have grown at a rate of 5.79% during the fiscal year 2018-19 according to Trading Economics. The newly elected Government is focused in “good governance”, infrastructure, education, rid of geo political issues, law and order, with a progressive mandate to become a leading economy in South East Asia.
- US and Pakistan relations are more stable as both countries explore trade relations as well as considering Pakistan as a strong ally to end the US-Afghanistan occupation. (NPR, July 23, 2019)
- China investment or CPEC (China Pakistan Economic Corridor) has exceeded \$62 billion from an original commitment of \$46 billion in Pakistan on energy and infrastructure projects.
- New emerging markets and IT destinations in Thailand, Malaysia, Indonesia, Africa 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 us, globally.
- NetSol’s ability and vision to have built a new innovation lab to remain competitive and strong in the marketplace.

Negative trends:

- Regional tensions in Afghanistan and uncertainty caused in neighboring Kashmir and Indian territories.
- China – US Trade war could have negative ancillary effect on automobile lease industry.
- Geopolitical unrest in the Middle East, South East Asia and potential terrorism and the disruption risk it creates.
- General global market worries of recession and uncertainty due to Brexit in Europe and US China trade war.
- 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.
- Recent growing tensions between Pakistan and India.

CRITICAL ACCOUNTING POLICIES

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

REVENUE RECOGNITION

The Company determines revenue recognition through the following steps:

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

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

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

Core Revenue

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

Non-Core Revenue

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

Performance Obligations

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

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

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

Subscription

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

Software Licenses

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

Maintenance

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

Professional Services

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

BPO and Internet Services

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

Significant Judgments

More judgments and estimates are required under Topic 606 than were required under Topic 605. Due to the complexity of certain contracts, the actual revenue recognition treatment required under Topic 606 for the Company's arrangements may be dependent on contract-specific terms and may vary in some instances.

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

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

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

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

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

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

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

Contract Balances

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

Deferred Revenue

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

Practical Expedients and Exemptions

There are several practical expedients and exemptions allowed under Topic 606 that impact timing of revenue recognition and the Company's disclosures. Below is a list of practical expedients the Company applied in the adoption and application of Topic 606:

Application

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

Modified Retrospective Transition Adjustments

- For contract modifications, the Company reflected the aggregate effect of all modifications that occurred prior to the adoption date when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to satisfied and unsatisfied performance obligations for the modified contract at transition.

Costs to Obtain a Contract

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

INTANGIBLE ASSETS

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

SOFTWARE DEVELOPMENT COSTS

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

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

STOCK-BASED COMPENSATION

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

GOODWILL

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

Recent Accounting 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, 2019 COMPARED TO THE YEAR ENDED JUNE 30, 2018

The following table sets forth the items in our consolidated statement of operations for the years ended June 30, 2019 and 2018 as a percentage of revenues.

	For the Years Ended June 30,			
	2019	%	2018	%
Net Revenues:				
License fees	\$ 16,768,749	24.7%	\$ 6,598,254	10.8%
Maintenance fees	15,010,171	22.1%	14,382,309	23.6%
Services	34,185,992	50.4%	33,611,982	55.2%
License fees - related party	-	0.0%	261,513	0.4%
Maintenance fees - related party	511,242	0.8%	418,444	0.7%
Services - related party	1,343,029	2.0%	5,657,756	9.3%
Total net revenues	67,819,183	100.0%	60,930,258	100.0%
Cost of revenues:				
Salaries and consultants	19,253,364	28.4%	21,856,162	35.9%
Travel	6,527,868	9.6%	1,775,327	2.9%
Depreciation and amortization	3,525,857	5.2%	4,610,737	7.6%
Other	4,066,443	6.0%	3,481,115	5.7%
Total cost of revenues	33,373,532	49.2%	31,723,341	52.1%
Gross profit	34,445,651	50.8%	29,206,917	47.9%
Operating expenses:				
Selling and marketing	7,831,758	11.5%	7,620,476	12.5%
Depreciation and amortization	897,800	1.3%	962,737	1.6%
General and administrative	16,916,953	24.9%	16,714,797	27.4%
Research and development cost	1,971,228	2.9%	853,996	1.4%
Total operating expenses	27,617,739	40.7%	26,152,006	42.9%
Income (loss) from operations	6,827,912	10.1%	3,054,911	5.0%
Other income and (expenses)				
Gain (loss) on sale of assets	81,455	0.1%	7,594	0.0%
Interest expense	(311,798)	-0.5%	(422,327)	-0.7%
Interest income	955,061	1.4%	592,153	1.0%
Gain on foreign currency exchange transactions	6,345,859	9.4%	5,010,383	8.2%
Share of net loss from equity investment	(841,845)	-1.2%	(262,556)	-0.4%
Other income	18,680	0.0%	42,847	0.1%
Total other income (expenses)	6,247,412	9.2%	4,968,094	8.2%
Net income before income taxes	13,075,324	19.3%	8,023,005	13.2%
Income tax provision	(1,057,784)	-1.6%	(873,027)	-1.4%
Net income	12,017,540	17.7%	7,149,978	11.7%
Non-controlling interest	(3,434,141)	-5.1%	(2,843,090)	-4.7%
Net income attributable to NetSol	\$ 8,583,399	12.7%	\$ 4,306,888	7.1%

A significant portion of our business is conducted in currencies other than the U.S. dollar. We operate in several geographical regions as described in Note 21 “Segment Information and Geographic Areas” within the Notes to the Consolidated Financial Statements. Weakening of the value of the U.S. dollar compared to foreign currency exchange rates generally has the effect of increasing our revenues but also increasing our expenses denominated in currencies other than the U.S. dollar. Similarly, strengthening of the U.S. dollar compared to foreign currency exchange rates generally has the effect of reducing our revenues but also reducing our expenses denominated in currencies other than the U.S. dollar. We plan our business accordingly by deploying additional resources to areas of expansion, while continuing to monitor our overall expenditures given the economic uncertainties of our target markets. In order to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency fluctuations, we compare the changes in results from one period to another period using constant currency. In order to calculate our constant currency results, we apply the current period results to the prior period foreign currency exchange rates. In the table below, we present the change based on actual results in reported currency and in constant currency.

	For the Year Ended June 30,				Favorable (Unfavorable) Change in Constant Currency	Favorable (Unfavorable) Change due to Currency Fluctuation	Total Favorable (Unfavorable) Change as Reported
	2019	%	2018	%			
Net Revenues:	67,819,183	100.0%	60,930,258	100.0%	17,504,078	(10,615,153)	6,888,925
Cost of revenues:	33,373,532	49.2%	31,723,341	52.1%	(7,906,912)	6,256,721	(1,650,191)
Gross profit	34,445,651	50.8%	29,206,917	47.9%	9,597,166	(4,358,432)	5,238,734
Operating expenses:	27,617,739	40.7%	26,152,006	42.9%	(4,995,343)	3,529,610	(1,465,733)
Income (loss) from operations	6,827,912	10.1%	3,054,911	5.0%	4,601,823	(828,822)	3,773,001

Net revenues for the years ended June 30, 2019 and 2018 by segment are as follows:

	2019		2018	
	Revenue	%	Revenue	%
North America	\$ 3,947,408	5.8%	\$ 4,036,626	6.6%
Europe	9,148,164	13.5%	8,879,160	14.6%
Asia-Pacific	54,723,611	80.7%	48,014,472	78.8%
Total	<u>\$ 67,819,183</u>	<u>100.0%</u>	<u>\$ 60,930,258</u>	<u>100.0%</u>

Revenues

License fees

License fees for the year ended June 30, 2019 were \$16,768,749 compared to \$6,598,254 for the year ended June 30, 2018 reflecting an increase of \$10,170,495 with a change in constant currency of \$13,034,626. The increase in license revenue for the fiscal year ended June 30, 2019 compared to 2018 is primarily due to the \$6,600,000 of license revenue recognized for the DFS, 12 country NFS Ascent™ contract in financial year 2019, \$8,000,000 related to the NFS Ascent™ contracts signed with a tier-one auto captive finance company and a major American multinational automaker to implement our product in China, and \$2,200,000 from license revenues through sales of our regional offerings in China, Australia, the U.S. and the U.K. During fiscal year 2018, we had NFS Ascent™ Digital license revenue of approximately \$2,600,000 and NFS Ascent™ CAP and CMS license revenue of approximately \$2,600,000. We also had license revenues through sales of our regional offerings in the U.S. and the U.K. for approximately \$1,300,000.

License fees – related party

License fees from related party for the year ended June 30, 2019 were \$Nil compared to \$261,513 for the year ended June 30, 2018 reflecting a decrease of \$261,513 with a change in constant currency of \$261,513.

Maintenance fees

Maintenance fees for the year ended June 30, 2019, were \$15,010,171 compared to \$14,382,309 for the year ended June 30, 2018 reflecting an increase of \$627,862 with a change in constant currency of \$2,712,883. 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 2018 and into fiscal year 2019. 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, 2019, were \$511,242 compared to \$418,444 for the year ended June 30, 2018, reflecting an increase of \$92,798 with a change in constant currency of \$116,694.

Services

Services income for the year ended June 30, 2019, was \$34,185,992 compared to \$33,611,982 for the year ended June 30, 2018, reflecting an increase of \$574,010 with a change in constant currency of \$6,025,805. The services revenue increase was due to an increase 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, 2019 was \$1,343,029 compared to \$5,657,756 for the year ended June 30, 2018 reflecting a decrease of \$4,314,727 with a change in constant currency of \$4,146,153. The decrease in related party service revenue is due to a decrease in revenue from our joint venture with Insurer of approximately \$3,220,000 or \$3,230,000 on a constant currency basis, a decrease of approximately \$303,000 or \$180,394 on a constant currency basis due to services performed for WRLD3D, and a decrease of approximately \$792,000 or \$758,000 on a constant currency basis related to services performed for Investec.

Gross Profit

The gross profit was \$34,445,651, for the year ended June 30, 2019 as compared with \$29,206,917 for the year ended June 30, 2018. This is an increase of \$5,238,734 with an increase in constant currency of \$9,597,166. The gross profit percentage for the year ended June 30, 2019 also increased to 50.8% from 47.9% for the year ended June 30, 2018. The cost of sales was \$33,373,532 for the year ended June 30, 2019 compared to \$31,723,341 for the year ended June 30, 2018 for an increase of \$1,650,191 and on a constant currency basis an increase of \$7,906,912. As a percentage of sales, cost of sales decreased from 52.1% for the year ended June 30, 2018 to 49.2% for the year ended June 30, 2019.

Salaries and consultant fees decreased by \$2,602,798 from \$21,856,162 for the year ended June 30, 2018 to \$19,253,364 for the year ended June 30, 2019 and on a constant currency basis increased by \$807,187. The decrease in salaries and consultant fees is due to the devaluation of the Pakistan Rupee (“PKR”) compared to the U.S. Dollar. We had 1,081,976 and 932 technical employees as of June 30, 2017, 2018 and 2019, respectively. As a percentage of sales, salaries and consultant expense decreased from 35.9% for the year ended June 30, 2018 to 28.4% for the year ended June 30, 2019.

Travel increased by \$4,752,541 from \$1,775,327 for the year ended June 30, 2018 to \$6,527,868 for the year ended June 30, 2019 and on a constant currency basis increased by \$6,084,526. The increase in travel is due to the continuing implementation costs related to the 12 country contract and the implementation of the five-year contract signed with a tier-one auto captive finance company to implement NFS Ascent™ in China. As a percentage of sales, travel expense increased from 2.9% for year ended June 30, 2018 to 9.6% for the year ended June 30, 2019.

Depreciation and amortization expense decreased to \$3,525,857 compared to \$4,610,737 for the year ended June 30, 2018 or a decrease of \$1,084,880 and on a constant currency basis a decrease of \$257,238. Depreciation and amortization expense decreased as some products became fully amortized.

Operating Expenses

Operating expenses were \$27,617,739 for the year ended June 30, 2019 compared to \$26,152,006, for the year ended June 30, 2018 for an increase of 5.6% or \$1,465,733 and on a constant currency basis an increase of 19.1% or \$4,995,343. As a percentage of sales, it decreased from 42.9% to 40.7%. The increase in operating expenses was primarily due to increases in selling and marketing expenses, salaries and wages and research and development cost.

Selling and marketing expenses increased \$211,282 or 2.8% and on a constant currency basis an increase of \$1,377,067 or 18.1%. The increase in selling and marketing expenses is due to increase in our salaries and commissions, travel expenses, and business development costs to market and sell NFS Ascent™ globally.

General and administrative expenses were \$16,916,953 for the year ended June 30, 2019 compared to \$16,714,797 at June 30, 2018 or an increase of \$202,156 or 1.2% and on a constant currency basis an increase of \$2,039,456 or 12.2%. During the year ended June 30, 2019, salaries increased by approximately \$936,624 or \$1,851,230 on a constant currency basis due to bonuses, annual raises, and grants of shares. Professional services decreased by approximately \$80,167 or \$49,453 on a constant currency basis and other general and administrative expenses decreased by approximately \$668,087 or increased approximately \$157,690 on a constant currency basis.

Research and development costs were \$1,971,228 for the year ended June 30, 2019 compared to \$853,996 at June 30, 2018 or an increase of \$1,117,232 or 130.8% and on constant currency basis an increase of \$1,523,863 or 178.4%. The increase in research and development costs is due to our innovation initiatives with Blockchain, AI, and IoT.

Income/Loss from Operations

Income from operations was \$6,827,912 for the year ended June 30, 2019 compared to \$3,054,911 for the year ended June 30, 2018. This represents an increase of \$3,773,001 with an increase of 4,601,823 on a constant currency basis for the year ended June 30, 2019 compared with the year ended June 30, 2018. As a percentage of sales, income from operations was 10.1% for the year ended June 30, 2019 compared to 5.0% for the year ended June 30, 2018.

Other Income and Expense

Other income was \$6,247,412 for the year ended June 30, 2019 compared to \$4,968,094 for the year ended June 30, 2018. This represents an increase of \$1,279,318 with an increase of \$3,119,892 on a constant currency basis. The increase is primarily due to the foreign currency exchange transactions. The majority of the contracts with NetSol PK are either in U.S. dollars or Euros; therefore, the currency fluctuations will lead to foreign currency exchange gains or losses depending on the value of the PKR compared to the U.S. Dollar and the Euro. During the year ended June 30, 2019, we recognized a gain of \$6,345,859 in foreign currency exchange transactions compared to a \$5,010,383 for the year ended June 30, 2018. During the year ended June 30, 2019, the value of the U.S. dollar and the Euro increased 33.9% and 30.8%, respectively, compared to the PKR. During year ended June 30, 2018, the value of the U.S. dollar and the Euro increased 16.3% and 18.9%, respectively, compared to the PKR.

Non-controlling Interest

For the year ended June 30, 2019 and 2018, the net income attributable to non-controlling interest was \$3,434,141 and \$2,843,090, respectively. The increase in non-controlling interest is primarily due to the increase in net income of NetSol PK offset by a decrease in net income of NetSol Innovation.

Net Income/Loss attributable to NetSol

Net income was \$8,583,399 for the year ended June 30, 2019 compared to \$4,306,888 for the year ended June 30, 2018. This is an increase of \$4,276,511 with an increase of \$5,934,990 on a constant currency basis, compared to the prior year. For the year ended June 30, 2019, net income per share was \$0.74 for basic and diluted shares. For the year ended June 30, 2018, net income per share was \$0.38 for basic and diluted shares.

Non-GAAP Financial Measures

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

We define the non-GAAP measures as follows:

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

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

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

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

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

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

Our reconciliation of the non-GAAP financial measures of adjusted EBITDA and non-GAAP earnings per basic and diluted share to the most comparable GAAP measures for the years ended June 30, 2019 and 2018 are as follows:

	Year Ended June 30, 2019	Year Ended June 30, 2018
Net Income (loss) before preferred dividend, per GAAP	\$ 8,583,399	\$ 4,306,888
Non-controlling interest	3,434,141	2,843,090
Income taxes	1,057,784	873,027
Depreciation and amortization	4,423,657	5,573,474
Interest expense	311,798	422,327
Interest (income)	(955,061)	(592,153)
EBITDA	<u>\$ 16,855,718</u>	<u>\$ 13,426,653</u>
Add back:		
Non-cash stock-based compensation	1,174,625	1,861,445
Adjusted EBITDA, gross	<u>\$ 18,030,343</u>	<u>\$ 15,288,098</u>
Less non-controlling interest (a)	<u>(5,140,004)</u>	<u>(4,947,498)</u>
Adjusted EBITDA, net	<u>\$ 12,890,339</u>	<u>\$ 10,340,600</u>
Weighted Average number of shares outstanding		
Basic	11,599,290	11,197,319
Diluted	<u>11,621,990</u>	<u>11,197,319</u>
Basic adjusted EBITDA	<u>\$ 1.11</u>	<u>\$ 0.92</u>
Diluted adjusted EBITDA	<u>\$ 1.11</u>	<u>\$ 0.92</u>

(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	\$ 3,434,141	\$ 2,843,090
Income Taxes	351,778	162,419
Depreciation and amortization	1,397,613	1,817,367
Interest expense	99,696	136,445
Interest (income)	(229,802)	(180,061)
EBITDA	<u>\$ 5,053,426</u>	<u>\$ 4,779,260</u>
Add back:		
Non-cash stock-based compensation	86,578	168,238
Adjusted EBITDA of non-controlling interest	<u>\$ 5,140,004</u>	<u>\$ 4,947,498</u>

LIQUIDITY AND CAPITAL RESOURCES

Our cash position was \$17,366,364 at June 30, 2019, compared to \$22,088,853 at June 30, 2018.

Net cash provided by operating activities was \$4,933,210 for the year ended June 30, 2019 compared to \$15,714,322 for the year ended June 30, 2018. At June 30, 2019, we had current assets of \$54,591,816 and current liabilities of \$20,448,217. We had accounts receivable of \$15,599,314 at June 30, 2019 compared to \$16,149,733 at June 30, 2018. We had revenues in excess of billings of \$16,111,366 at June 30, 2019 compared to \$15,492,447 at June 30, 2018 of which \$1,281,492 and \$1,206,669 are shown as long term as of June 30, 2019 and 2018, respectively. The long-term portion was discounted by \$99,139 and \$238,576 at June 30, 2019 and 2018, respectively, using the discounted cash flow method with interest rates ranging from 3.87% to 4.43%, during years ended June 30, 2019 and 2018. During the year ended June 30, 2019, 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 \$68,500 from \$31,642,180 at June 30, 2018 to \$31,710,680 at June 30, 2019. Accounts payable and accrued expenses, and current portions of loans and lease obligations amounted to \$7,476,560 and \$6,905,597, respectively at June 30, 2019. The average days sales outstanding for the years ended June 30, 2019 and 2018 were 171 and 192 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 \$3,649,680 for the year ended June 30, 2019, compared to \$3,693,684 for the year ended June 30, 2018. We had net purchases of property and equipment of \$1,555,680 compared to \$1,506,197 for the comparable period last fiscal year. For the year ended June 30, 2019 and 2018, we invested \$1,526,500 and \$1,923,500, respectively, in short-term convertible notes. For the year ended June 30, 2019, we purchased the remaining 49% share of VLS for \$927,100. We paid cash of \$317,500 at the closing date with \$317,500 due on December 31, 2019 and \$292,100 due June 30, 2020.

Net cash provided by financing activities was \$17,167 compared to \$1,016,766 used in financing activities, for the years ended June 30, 2019, and 2018, respectively. The year ended June 30, 2019 included the cash inflow of \$85,000 from the exercising of stock options compared to \$312,311 for the year ended June 30, 2018. During the year ended June 30, 2019, we purchased 41,650 shares of our common stock from the open market for \$250,945 compared to 171,074 shares of common stock for \$750,714 for the same period last year. The year ended June 30, 2019, included cash inflow of \$1,227,158 from bank proceeds compared to \$1,455,250 for the same period last year. During the year ended June 30, 2019, we had net payments for bank loans and capital leases of \$480,231 compared to \$1,626,109 for the year ended June 30, 2018. We are operating in various geographical regions of the world through our various subsidiaries. Those subsidiaries have financial arrangements from various financial institutions to meet both their short and long-term funding requirements. These loans will become due at different maturity dates as described in Note 15 of the financial statements. We are in compliance with the covenants of the financial arrangements and there is no default which may lead to early payment of these obligations. We anticipate paying back all these obligations on their respective due dates.

We typically fund the cash requirements for our operations in the U.S. through our license, services, and maintenance agreements, intercompany charges for corporate services, and through the exercise of options. As of June 30, 2019, we had approximately \$17.4 million of cash, cash equivalents and marketable securities of which approximately \$16.1 million is held by our foreign subsidiaries. As of June 30, 2018, we have approximately \$22.1 million of cash, cash equivalents and marketable securities of which approximately \$20.9 million is held by our foreign subsidiaries. The Tax Act, which was passed on December 22, 2017, imposed a one-time repatriation tax on deemed repatriation of historical earnings of foreign subsidiaries. At June 30, 2018, we calculated the deemed repatriation earnings to be \$14,130,337 which was fully offset with our net operating loss carry forwards.

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

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

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

Financial Covenants

Our UK based subsidiary, NTE, has an approved overdraft facility of £300,000 (\$379,747) which requires that the aggregate amount of invoiced trade debtors (net of provisions for bad and doubtful debts and excluding intra-group debtors) of NTE, not exceeding 90 days old, will not be less than an amount equal to 200% of the facility. The Pakistani subsidiary, NetSol PK has an approved facility for export refinance from Askari Bank Limited amounting to Rupees 500 million (\$3,066,355) and a running finance facility of Rupees 75 million (\$459,953) which requires NetSol PK to maintain a long-term debt equity ratio of 60:40 and the current ratio of 1:1. NetSol PK also has an approved export refinance facility of Rs. 380 million (\$2,330,431) and a running finance facility of Rs. 120 million (\$735,925) from Samba Bank Limited. During the tenure of loan, these two facilities require NetSol PK to maintain at a minimum a current ratio of 1:1, an interest coverage ratio of 4 times, a leverage ratio of 2 times, and a debt service coverage ratio of 4 times.

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

Dividends and Redemption

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

Contractual Obligations

Our contractual obligations are as follows:

Contractual Obligation	Payment due by period				
	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 years
Debt Obligations					
D&O Insurance	\$ 67,671	\$ 67,671	\$ -	\$ -	\$ -
Bank Overdraft Facility	-	-	-	-	-
Loan Payable Bank - Export Refinance	3,066,355	3,066,355	-	-	-
Loan Payable Bank - Export Refinance II	2,330,431	2,330,431	-	-	-
Loan Payable Bank - Running Finance	735,925	735,925	-	-	-
Related party note payable	82,969	15,838	53,777	13,354	-
Subsidiary Capital Leases	861,784	364,343	497,441	-	-
					-
Operating Lease Obligations					
Non-cancellable operating lease	1,873,220	744,549	783,618	233,916	111,137
					-
Total	\$ 9,018,355	\$ 7,325,112	\$ 1,334,836	\$ 247,270	\$ 111,137

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, 2019 and June 30, 2018, 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, 2019 and June 30, 2018, 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 effective.

Management's Report on Internal Control over Financial Reporting

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

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

Under the supervision and participation of management, including the Chief Executive Officer and Chief Financial Officer, we have performed an assessment of the effectiveness of our internal controls over financial reporting as of June 30, 2019. 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, 2019, the Company's internal control over financial reporting are effective.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting during the fourth quarter of fiscal year 2019, that have materially affected, or are reasonable likely to materially affect, the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)).

ITEM 9B. OTHER INFORMATION

NONE

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, 2019, 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 2018 Annual Shareholders Meeting held in June 2019, a seven-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. Naeem U. Ghauri, Ms. Malea Farsai, Mr. Shahid Javed Burki, Mr. Mark Caton, Mr. Kausar Kazmi and Mr. Henry Tolentino.

Committees

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

The table below provides the membership for each of the committees during Fiscal Year 2019.

Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Najeeb Ghauri			
Naeem Ghauri			
Malea Farsai			
Eugen Beckert * (I)	X	X	X (C)
Shahid J. Burki (I)	X (C)	X	X
Mark Caton (I)	X	X (C)	X
Kausar Kazmi ** (I)			
Henry Tolentino (I) (N)	X	X	X

* Mr. Beckert was replaced by Mr. Kazmi in June 2019.

** Mr. Kazmi was elected to the Board in June 2019 but did not join as a committee member until August 2019.

(I) Denotes an Independent Director.

(C) Denotes the Chairperson of the Committee.

(N) Mr. Tolentino became the Nominating Committee Chairman in August 2019.

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	65	Chief Executive Officer, Chairman and Director	Brother to Naeem Ghauri
Roger Almond	2013	54	Chief Financial Officer	None
Patti L. W. McGlasson	2004	54	Sr. V.P., Legal and Corporate Affairs; Secretary, General Counsel	None
Naeem Ghauri	1999	62	Director	Brother to Najeeb Ghauri
Malea Farsai	2018	50	Director	None
Shahid Javed Burki	2000	81	Director	None
Mark Caton	2002	70	Director	None
Syed Kausar Kazmi	2019	66	Director	None
Henry Tolentino	2018	70	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.

Prior to joining the Company, Mr. Ghauri was part of the marketing team of Atlantic Richfield Company (ARCO) (now acquired by BP), a Fortune 500 company, from 1987-1997. Prior to ARCO, he spent nearly five years with Unilever as brand and sales managers. Mr. Ghauri attended Eastern Illinois University in 1977-78 for B.S Degree. He earned 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. Recently Mr. Ghauri was elected as Director custodian at NUST (National University of Science and Technology) in Islamabad, Pakistan. Mr. Ghauri is a frequent speaker at Anderson Business School at UCLA and keynote speaker in several US and Pakistan based organizations and charitable institutions.

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

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

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

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

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

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 is the Chairman of the Shahid Javed Burki Institute of Public Policy located in Lahore, Pakistan. Mr. Burki has authored several books and articles on development issues including *Rising Powers*, Global Governance, in 2017; *Changing Perceptions, Altered Reality: Pakistan's Economy Under Musharraf, 1999-2006* (Oxford University Press, 2007); *Pakistan Under Bhutto* (Macmillan, 1990); and *Study of Chinese Communes* (Harvard University Press, 1969). Mr. Burki's latest book is a collection of essays, *Pakistan at 70* and he is also finishing another book called *Pakistan's Foreign Relations* to be published by Fall of 2019 by Oxford University Press.

Mr. Burki is a 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 2006. 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 1994 to 2002 as Senior Vice President-Business Development. He was a member of the UCLA Alumni Association Board of Directors and served on the Board of Directors of NetSol from 2002-2003. Mr. Caton is a Chairman of the Compensation Committee and a member of the Audit and Nominating and Corporate Governance Committees. Mr. Caton received his BA from UCLA in psychology in 1971.

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

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

SYED KAUSAR KAZMI was elected to the Board of Directors in 2019. Mr. Kazmi brings over 40 years of expertise in the banking industry and is currently the Head of Commercial Banking and Business Development at Habib Bank Zurich PLC, located in London, where he has served in this capacity since 2016. Prior to this position, Mr. Kazmi served as the Head of Business Development for UK and Europe at Habib Bank AG Zurich in London from 2012-2016, before which Mr. Kazmi was the CEO of the UK operations of Habib Bank AG Zurich from 2009-2012. In 2018, Mr. Kazmi was awarded by Power 100, Parliamentary Review in association with The British Publishing Company a "Lifetime Achievement Award" for his significant and lasting impact on the banking sector. In addition, Mr. Kazmi has been awarded by the Asian Media Group the "GG2 Power List" celebrating Britain's 101 most influential Asians from 2016-2018. Mr. Kazmi received his BSc in Chemical Engineering with II Class Honors from Habib Institute of Technology in 1974. He sits on the board of many charitable organizations, with a focus on helping raise funds. Mr. Kazmi is a member of the Audit, Compensation and Nominating and Corporate Governance Committees.

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. Burki, Mr. Caton, Mr. Kazmi and Mr. Tolentino. 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

Introduction

Our Compensation Committee is responsible for establishing and overseeing compensation programs that comply with NetSol's executive compensation philosophy. As described in this Compensation Discussion and Analysis ("CD&A"), the Compensation Committee follows a disciplined process for setting executive compensation. This process involves analyzing factors such as company performance, individual performance, strategic goals and competitive market data to arrive at each element of compensation. The Compensation Committee approves compensation decisions for all executive officers. An independent compensation consultant helps the Compensation Committee by providing advice, information, and an objective opinion. This CD&A will focus on the compensation awarded to NetSol's "named executive officers"—the Chief Executive Officer, Chief Financial Officer, and General Counsel, Corporate Secretary. You can find more complete information about all elements of compensation for the named executive officers in the following discussion and in the Summary Compensation table that appears on page 43.

Fiscal 2019 Executive Compensation Highlights and Governance

This section identifies the most significant decisions and changes made regarding NetSol's executive compensation in fiscal year 2019.

Shareholder Approval of Compensation

At the last annual general meeting held on June 10, 2019, shareholders expressed support for our executive compensation programs, with 78% of votes cast at the meeting voting to ratify the compensation of our named executive officers. Although the advisory shareholder vote on executive compensation is non-binding, the Compensation Committee has considered, and will continue to consider, the outcome of the vote and the sentiments of our shareholders when making future compensation decisions for the named executive officers. Based on the results from our last annual general meeting, the Compensation Committee believes shareholders support the Company's executive compensation philosophy and the compensation paid to the named executive officers.

Taking into account the marked increase in support of this plan at the June 10, 2019 Annual Shareholders Meeting, the Compensation Committee believes the compensation program meaningfully explains the Compensation Committee's compensation decisions and its determination to tie long term incentives of the Chief Executive Officer to performance criteria. The Compensation Committee continues to reach out to its shareholders regarding their positions on the Company's compensation program. In connection with the proxy solicitations, the executive compensation was discussed with certain of our top shareholders and their general acceptance of the compensation structure is reflected in the proxy vote results. Accordingly, the Compensation Committee will continue to provide the CEO with a bonus criterion that is based on total revenues and income from operations on a graduated basis. Bonuses would be paid 60% in cash and 40% in stock valued at the date in which the bonus is earned or June 30, 2019.

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

Governance and Evolving Compensation Practices

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

- The Compensation Committee engages an independent compensation consultant to evaluate our chief executive officer's executive compensation practices in comparison to a peer group.
- We do not provide excessive executive perquisites to our named executive officers.
- Our incentive plans expressly prohibit repricing of options (directly or indirectly) without prior shareholder approval.
- Our policy on the prevention of insider trading prohibits various types of transactions involving Company stock or securities, including short sales, options trading, hedging, margin purchases and pledges.
- Our stock ownership guidelines require our executive officers to align their long-term interests with those of our stockholders.
- Our policy prohibits the named executive officers from selling any newly issued shares for a period of three months, in an open market transaction.
- Beginning with our fiscal year 2018-2019, we modified our compensation practices for our CEO to tie a significant portion to financial results both on a top line and bottom-line basis.

General Compensation Overview

For 2019, compensation designed for our executive officers consisted of:

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

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

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

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

Independent Compensation Consultant

The Compensation Committee retained Compensation Resources, Inc. as its independent compensation consultant. Compensation Resources provided chief executive officer and director compensation consulting services to the Compensation Committee, including a competitive market analysis of peers and the base salary, total cash compensation and total direct compensation. Interactions with Compensation Resources was limited to the Compensation Committee Chair and interaction with executives was generally limited to discussions as required to compile information at the Compensation Committee's direction. During fiscal year 2019, Compensation Resources did not provide services to the Company. Based on these factors and its own evaluation of Compensation Resources independence pursuant to the requirements approved and adopted by the SEC, the Compensation Committee has determined that the work performed by Compensation Resources does not raise any conflicts of interest.

Compensation Philosophy and Objectives

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

Executive Compensation Principles

- | | |
|--|--|
| Shareholder Alignment | <ul style="list-style-type: none">● Our executive compensation programs are designed to create shareholder value.● Long-term incentive awards, delivered in the form of equity, make up a portion of our executives' total compensation and closely align the interests of executives with the long-term interests of our shareholders. Our policy prohibits the named executive officers from selling any newly issued shares for a period of three months, on an open market transaction. |
| Performance based | <ul style="list-style-type: none">● Long-term incentive awards are designed to reward our executive officers for creating long-term shareholder value. Long-term incentive awards are granted primarily in the form of stock options and/or shares. |
| Appropriate Risk | <ul style="list-style-type: none">● Our executive compensation programs are designed to encourage executive officers to take appropriate risks in managing their businesses to achieve optimal performance. |
| Competitive with external talent markets | <ul style="list-style-type: none">● Our executive compensation programs are designed to be competitive within the relevant markets. |
| Simple and transparent | <ul style="list-style-type: none">● Our executive compensation programs are designed to be readily understood by our executives, and transparent to our investors. |

Compensation Analysis Peer Group

After consideration of business models, company revenue and market capitalization of other companies in the Company's technology industry segment, and with the input from Compensation Resources, Inc., the compensation consultant used by the Company at the time the study was last conducted, the Compensation Committee established the following list of peer companies to provide a comparative framework for use in setting executive compensation for 2019:

Amber Road, Inc.	B Square Corp.
Cass Information Systems	Data Watch Corp.
Digital Turbine, Inc.	Everbridge, Inc.
Mitek Systems, Inc.	SPS Commerce Inc.
USA Technologies, Inc.	Zix Corp.

Executive Officer Base Salaries and Compensation Comparisons

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

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

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

2019 Executive Compensation Components

Base Salary

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

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

We provided a 4% increase in base salary for Mr. Almond and Ms. McGlasson in fiscal 2019. Effective in 2020, Mr. Almond and Ms. McGlasson received a 5% and 3% increase in base salary. In fiscal year 2019, Mr. Ghauri's base salary was increased by 16.7%, due in part, to the peer analysis provided by our compensation consultant. Mr. Ghauri did not seek an increase in his salary for fiscal 2020 and the Compensation Committee determined that the base salary remained appropriate. The Compensation Committee set the salaries of the remaining named executive officers for 2020 based on the relative compensation of the executive team, the contributions, maturity and tenure of the executive team. The Compensation Committee determined that salary alone was an adequate basis for short term compensation, and that equity incentives would be used for the long-term elements of incentive programs for Ms. McGlasson and Mr. Almond.

Annual Bonus

Our compensation program includes eligibility for bonuses as rewarded by the Compensation Committee. All executives are eligible for annual performance-based cash bonuses in accordance with Company policies. The Compensation Committee takes into consideration the executive's performance during the previous year to determine eligibility for discretionary bonuses. Further, the compensation committee will review, if applicable, the performance criteria set forth in an executive's previous year's agreement and will determine if the executive has met such criteria in order to achieve the bonus. The Company's bonus criteria at the executive management level, is typically based on a gross revenue and income from operations targets. Cash bonuses, if any for 2019 are reflected in the summary of compensation discussed below starting on page 43. For 2019, based on structured KPI's by the compensation committee, Mr. Ghauri earned \$432,488 of which \$110,325 is based on incremental revenue and \$322,163 is based on income from operations. The bonus is split into \$259,493 amount in cash and \$172,995 amount in shares. See bonus structure as discussed below on page 41. The Compensation Committee determined that Gross Revenue and Income from Operations structure used in fiscal 2019 continues to be a proper measure for measuring Mr. Ghauri's performance in that it encourages his participation in revenue generating activities and continues to incentivize him to monitor and maximize cost efficiency. The Compensation Committee elected to grant Mr. Ghauri a \$300,000 cash award in fiscal 2019 based on his initiative that saved the Company in excess of \$7 million in fiscal year 2018.

Long-Term Equity Incentive Compensation

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

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

In fiscal 2019, Mr. Almond received a grant of 10,000 shares of common stock vesting quarterly over a three-year period and Ms. McGlasson received a grant of 7,500 shares of common stock vesting quarterly over a two-year period. Mr. Ghauri was eligible to receive grants of shares based on the performance criteria connected to gross revenues and net income from operations as discussed below.

Effective for fiscal 2020, Mr. Almond will receive a grant of 10,000 shares of common stock vesting quarterly over a two-year period and Ms. McGlasson will receive a grant of 7,500 shares of common stock vesting quarterly over a two-year period. Mr. Ghauri is eligible to receive grants of shares based on the performance criteria connected to gross revenues and net income from operations as discussed below. The total compensation including equity grants is designed to bring the Chief Executive Officer to the mean market average.

Mr. Ghauri's bonus for fiscal year 2019 is based on the total revenues and income from operations on a graduated basis. The following table demonstrates the graduated percentage of bonus that Mr. Ghauri will be eligible to earn based on the percentage of the goal achieved. Bonuses will be paid 60% in cash and 40% in shares of common stock valued on the date in which the bonus is earned, or June 30, 2019. Total net revenues and income from operations are based on those values reported for the year ending June 30, 2019 excluding any adjustments relating to changes in revenue recognition policy.

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

Mr. Ghauri's bonus for the fiscal year 2020 will be based on the same criteria stated above.

Perquisites and Other Personal Benefits

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

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

Termination Based Compensation

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

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

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

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

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

Tax and Accounting Implications

Deductibility of Executive Compensation

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

Accounting for Stock-Based Compensation

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

Summary Compensation

The following table shows the compensation for the fiscal year ended June 30, 2019, 2018, and 2017, 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	2019	\$ 675,000	\$ 432,488	\$ -	\$ 21,598 ⁽³⁾	\$ 200,000 ⁽⁴⁾	\$ 1,329,086
	2018	\$ 600,000	\$ 300,000 ⁽²⁾	\$ -	\$ -(3)	\$ 200,000 ⁽⁴⁾	\$ 1,100,000
	2017	\$ 600,000	\$ 200,000	\$ 500,000	\$ 76,723 ⁽³⁾	\$ 200,000 ⁽⁴⁾	\$ 1,576,723
Roger K Almond Chief Financial Officer	2019	\$ 221,520	\$ 20,000	\$ 55,500		\$ 10,191 ⁽⁵⁾	\$ 307,211
	2018	\$ 213,000	\$ 10,000	\$ -		\$ 9,952 ⁽⁵⁾	\$ 232,952
	2017	\$ 189,263	\$ 10,000	\$ -		\$ 16,360 ⁽⁵⁾	\$ 215,623
Patti L. W. McGlasson Secretary, General Counsel	2019	\$ 226,113	\$ -	\$ 55,500		\$ 10,378 ⁽⁶⁾	\$ 291,991
	2018	\$ 217,420	\$ -	\$ -		\$ 9,935 ⁽⁶⁾	\$ 227,355
	2017	\$ 211,087	\$ -	\$ -		\$ 9,795 ⁽⁶⁾	\$ 220,882

(1) The stock was awarded as compensation to the officers. See also Grants of Plan Based Awards. These amounts do not reflect compensation actually received by the named executive officer. These amounts represent the aggregate grant date fair value of the stock awards granted during the relevant time period, computed in accordance with FASB ASC 718, excluding the effect of any estimated forfeitures based on vesting conditions. A summary of the assumptions we applied in calculating these estimates is set forth in the Notes to Consolidated Financial Statements included in Note 18. The awards for which the aggregate grant date fair value is shown in this column include awards described under the Grants of Plan-Based Awards Table and in the Outstanding Equity Awards at Fiscal Year-End Table.

(2) Bonus was awarded by the Compensation Committee in late September 2018 for the results of his cost saving initiatives in fiscal 2018. The expense was accounted for in fiscal year 2019.

(3) The life of 20,000 outstanding options, granted in February 2009, was extended for one year for the year ended June 30, 2019. The life of 150,671 and 155,671 outstanding options, granted in June 2014, was extended for one year for the years ended June 30, 2017 and 2016, respectively.

(4) 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, \$14,994, \$14,731 and \$12,987 paid for medical and dental insurance premiums, \$24,000, \$24,000 and \$24,000 paid for housing allowance and \$108,248, \$108,514 and \$nil paid for temporary relocation paid by the Company.

(5) Consists of \$10,191, \$9,952 and \$16,360 paid for medical and dental insurance premiums for participation in the health insurance program for the fiscal year ended June 30, 2019, 2018 and 2017, respectively.

(6) Consists of \$9,935, \$9,795 and \$8,765 paid for medical and dental insurance premiums for participation in the health insurance program for the fiscal year ended June 30, 2019, 2018 and 2017, 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 from June 2017 to June 2021. The shares were approved by the Compensation Committee as an incentive for the named officer.

In July 2018, Mr. Roger Almond was granted 10,000 shares of the Company's common stock, which vest quarterly over the period of three years. The shares were approved by the Compensation Committee as an incentive for the named officer.

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

In July 2018, Ms. McGlasson was granted 7,500 shares of the Company's common stock, which vest quarterly over the period of two years. The shares were approved by the Compensation Committee as an incentive for the named officer.

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

Discussion of Summary Compensation Table

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

Employment Agreement with Najeeb Ghauri

Effective January 1, 2007, the Company entered into an Employment Agreement with our Chief Executive Officer, Najeeb Ghauri (the "CEO Agreement"). The CEO Agreement was amended effective January 1, 2008, January 1, 2010, July 25, 2013 and again on June 30, 2014. Changes made in the June 30, 2014 amendment are effective July 1, 2014. Pursuant to the CEO Agreement, as amended, between Mr. Ghauri and the Company (the "CEO Agreement"), the Company agreed to employ Mr. Ghauri as its Chief Executive Officer for a five-year term. The term of employment automatically renews for 12 additional months unless notice of intent to terminate is received by either party at least 6 months prior to the end of the term. For the fiscal year 2019, Mr. Ghauri is entitled to an annualized base salary of \$900,000 consisting of salary, allowances, perquisites and benefits, and is eligible for annual bonuses based on the bonus structure adopted by the Compensation Committee as described in Item 11 under Executive Compensation beginning on page 36. Mr. Ghauri is entitled to six weeks of paid vacation per calendar year.

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

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

Employment Agreement with Roger K. Almond

Effective March 1, 2015, the Company entered into an Employment Agreement with our Chief Financial Officer, Mr. Roger K. Almond. Pursuant to the Employment Agreement, between Mr. Almond and the Company (the "CFO Agreement"), the Company agreed to employ Mr. Almond as its Chief Financial Officer from the date of the CFO Agreement through February 28, 2017. According to the terms of the CFO Agreement, the term of the agreement automatically extends for an additional one-year period unless notice of intent to terminate is received by either party at least 6 months prior to the end of the term. For the fiscal year 2019, Mr. Almond is entitled to an annualized base salary of \$221,500 per annum, a \$1,000 per month car allowance, 10,000 shares of common stock to be granted equally on a quarterly basis over 3 years issued after each quarter of service through June 30, 2021 and is eligible for annual bonuses at the discretion of the Chief Executive Officer. In addition, Mr. Almond is entitled to participate in the Company's equity incentive plans and is entitled to four weeks of paid vacation per calendar year.

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

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

Employment Agreement with Patti L. W. McGlasson

Effective May 1, 2006, the Company entered into an Employment Agreement with our Secretary, General Counsel and Sr. Vice President, Legal and Corporate Affairs, Ms. Patti L. W. McGlasson. Pursuant to the Employment Agreement and its related amendments, between Ms. McGlasson and the Company (the "General Counsel Agreement"), the Company agreed to employ Ms. McGlasson as its Secretary and General Counsel from the date of the General Counsel Agreement through June 30, 2017. According to the terms of the General Counsel Agreement, the term of the agreement automatically extends for an additional one-year period unless notice of intent to terminate is received by either party at least 6 months prior to the end of the term. The General Counsel Agreement was amended on July 25, 2013 and again on June 30, 2014 (the General Counsel Agreement and all amendments referred to as the "GC Agreement"). Changes made in the June 30, 2014 amendment are effective July 1, 2014. Under the GC Agreement, Ms. McGlasson is entitled to an annualized base salary of \$226,113 per annum, 7,500 shares of common stock to be granted equally on a quarterly basis over 2 years issued after each quarter of service through June 30, 2020 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 equity incentive plans and, is entitled to six weeks of paid vacation per calendar year.

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

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

Outstanding Equity Awards at Fiscal Year-End

The following table shows grants of stock options and grants of unvested stock awards outstanding on June 30, 2019, the last day of our fiscal year, to each of the individuals named in the Summary Compensation Table.

NAME	OPTION AWARDS				STOCK AWARDS			
	NUMBER OF SECURITIES UNDERLYING OPTIONS (#) EXERCISABLE	NUMBER OF SECURITIES UNDERLYING OPTIONS (#) UNEXERCISABLE	OPTION EXERCISE PRICE (\$)	OPTION EXPIRATION DATE	NUMBER OF SHARES OF COMMON STOCK THAT HAVE NOT VESTED	MARKET VALUE OF SHARES THAT HAVE NOT VESTED (\$)	EQUITY INCENTIVE PLAN AWARDS: NUMBER OF UNEARNED SHARES THAT HAVE NOT VESTED	EQUITY INCENTIVE PLAN AWARDS: MARKET OR PAYOUT VALUE OF SHARES THAT HAVE NOT VESTED (\$)
Najeeb Ghauri	20,000	-	6.50	2/12/20	16,530	150,000	-	-
Roger K Almond	-	-	-	-	6,668	37,007	-	-
Patti L. W. McGlasson	-	-	-	-	3,752	20,824	-	-

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, 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, 2019, 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	\$ 2,800,000	\$ 116,667	\$ 2,800,000
Health Related Benefits	60,000	-	60,000
Bonus	-	-	-
Salary Multiple Pay-out	2,093,000	-	-
Bonus or Revenue One-time Pay-Out	678,192	-	-
Net Cash Value of Options	130,000	-	-
Total	<u>\$ 5,761,192</u>	<u>\$ 116,667</u>	<u>\$ 2,860,000</u>

Roger Almond, Chief Financial Officer

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

The following table summarizes the potential payments to Mr. Almond assuming his employment with us was terminated or a change of control occurred on June 30, 2019, 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	\$ 221,520	\$ 36,920	\$ 221,520
Health related benefits	10,188	-	10,188
Bonus	-	-	-
Salary Multiple Pay-out	662,345	-	-
Bonus or Revenue One-time Pay-Out	339,096	-	-
Net Cash Value of Options	-	-	-
Total	\$ 1,233,149	\$ 36,920	\$ 231,708

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

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

The following table summarizes the potential payments to Ms. McGlasson assuming her employment with us was terminated or a change of control occurred on June 30, 2019, 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	\$ 452,226	\$ 37,686	\$ 452,226
Health related benefits	20,760	-	20,760
Bonus	-	-	-
Salary Multiple Pay-out	676,078	-	-
Bonus or Revenue One-time Pay-Out	339,096	-	-
Net Cash Value of Options	-	-	-
Total	\$ 1,488,160	\$ 37,686	\$ 472,986

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, 2019, 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.

NAME	FEEs EARNED OR PAID IN CASH (\$)	SHARES AWARDS (\$) ⁽¹⁾	TOTAL (\$)
Eugen Beckert	61,430	52,950	114,380
Shahid Javed Burki	65,774	55,848	121,622
Mark Caton	63,600	54,399	117,999
Henry Tolentino	57,085	38,056	95,141
	<u>247,889</u>	<u>201,253</u>	<u>449,142</u>

(1) In fiscal 2019, the Directors' fee structure was 60% cash and 40% common stock. During the fiscal year ended June 30, 2019, there were 9,362 shares issued to Mr. Eugen Beckert, 9,884 shares issued to Mr. Shahid Javed Burki, 9,623 shares issued to Mr. Mark Caton and 6,857 shares issued to Mr. Henry Tolentino.

Director Compensation Policy

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

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

The non-employee members of our Board of Directors received as compensation for services as directors as well as reimbursement for documented reasonable expenses incurred in connection with attendance at meetings of our Board of Directors and the committees thereof. The Company paid the following amounts to members of the Board of Directors for the activities shown during the fiscal year ended June 30, 2019.

BOARD ACTIVITY	CASH PAYMENTS
Board Member Fee	\$ 228,340
Chairperson for Audit Committee	\$ 8,689
Chairperson for Compensation Committee	\$ 6,515
Chairperson for Nominating and Corporate Governance Committee	\$ 4,345
	<u>\$ 247,889</u>

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

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

On June 29, 2018, the Compensation Committee granted independent board members 9,171 shares of common stock vesting immediately.

Compensation Committee Interlocks and Insider Participation

The current members of the Compensation Committee are Mr. Caton (Chairman), Mr. Burki, and Mr. Tolentino. All current members of the Compensation Committee are “independent directors” as defined under the NASDAQ Listing Rules. None of these individuals were at any time during the fiscal year ended June 30, 2019, or at any other relevant time, an officer or employee of the Company.

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

Employee Equity Plans

OPTIONS:

	Number of Options Authorized	Options Grants Issued	Options Grants Cancelled / Expired	Available for Issue	Options Issued but Outstanding
The 2003 stock option plan	200,000	200,000	(1,000)	1,000	-
The 2005 stock option plan	500,000	500,000	-	-	40,386
The 2011 stock option plan	500,000	492,277	-	7,723	-
The 2013 stock option plan	1,250,000	1,247,405	(247,151)	249,746	-
The 2015 stock option plan	<u>1,250,000</u>	<u>955,997</u>	<u>(2,500)</u>	<u>296,503</u>	<u>-</u>
	<u>3,700,000</u>	<u>3,395,679</u>	<u>(250,651)</u>	<u>554,972</u>	<u>40,386</u>

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

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock, its only class of outstanding voting securities as of September 16, 2019, 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)	Number of Shares Beneficially Owned (2)	Percentage
Najeeb Ghauri (3)	728,410	5.88%
Naeem Ghauri (3)	495,776	4.08%
Shahid Javed Burki (3)	114,931	*
Mark Caton (3)	84,863	*
Patti McGlasson (3)	69,798	*
Roger Almond (3)	23,332	*
Henry Tolentino (3)	14,357	*
Malea Farsai (3)	19,811	*
Moab Capital Partners LLC (5)	871,612	6.95%
All officers and directors as a group (eight persons)	1,551,278	12.74%

* 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 16, 2019, 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. Includes 20,000 and 7,886 shares issuable upon exercise of options exercisable within 60 days for Mr. Najeeb Ghauri and Mr. Naeem Ghauri, respectively.

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

(4) Shares issued and outstanding as of September 16, 2019 were 11,664,239.

(5) 5% or greater shareholder based on Schedule 13G filing on February 14, 2019.

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

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

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

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

The Company entered into an agreement with WRLD3D, whereby the Company was issued a Convertible Promissory Note (the “April 1, 2019 Note”) which was fully executed on April 1, 2019. The maximum principal amount of the April 1, 2019 Note is \$600,000, and as of June 30, 2019, the Company had disbursed \$400,000. The April 1, 2019 Note bears interest at 10% per annum and all unpaid interest and principal is due and payable upon the Company’s request on or after March 31, 2020. Subsequent to June 30, 2019, the Company disbursed an additional \$35,000.

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

Najeeb Ghauri, CEO and Chairman of the Board, and 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, 2019 and June 30, 2018. 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, 2019 was \$280,000 and for the year ended June 30, 2018 was \$250,000. The 2019 balances are comprised of audit and review services of \$280,000 for KSP Group, Inc. The 2018 balances were comprised of audit and review services of \$250,000 for KSP Group, Inc.

Tax Fees

Tax fees for fiscal year 2019 were \$15,000 and consisted of the preparation of the Company’s federal and state tax returns for the fiscal years 2018. Tax fees for fiscal year 2018 were \$15,000 and consisted of the preparation of the Company’s federal and state tax returns for the fiscal year 2017.

All Other Fees

No other fees were paid to principal accountant during the fiscal year 2019 and 2018.

Pre-Approval Procedures

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

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

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

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

PART IV

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

(a) Exhibits

- 3.1 [Articles of Incorporation of Mirage Holdings, Inc., a Nevada corporation, dated March 18, 1997, incorporated by reference as Exhibit 3.1 to NetSol's Registration Statement No. 333-28861 filed on Form SB-2 filed June 10, 1997. *](#)
- 3.2 [Amendment to Articles of Incorporation dated May 21, 1999, incorporated by reference as Exhibit 3.2 to NetSol's Annual Report for the fiscal year ended June 30, 1999 on Form 10K-SB filed September 28, 1999. *](#)
- 3.3 [Amendment to the Articles of Incorporation of NetSol International, Inc. dated March 20, 2002 incorporated by reference as Exhibit 3.3 to NetSol's Annual Report on Form 10-KSB/A filed on February 2, 2001. *](#)
- 3.4 [Amendment to the Articles of Incorporation of NetSol Technologies, Inc. dated August 20, 2003 filed as Exhibit A to NetSol's Definitive Proxy Statement filed June 27, 2003. *](#)
- 3.5 [Amendment to the Articles of Incorporation of NetSol Technologies, Inc. dated March 14, 2005 filed as Exhibit 3.0 to NetSol's quarterly report filed on Form 10-QSB for the period ended March 31, 2005. *](#)
- 3.6 [Amendment to the Articles of Incorporation dated October 18, 2006 filed as Exhibit 3.5 to NetSol's Annual Report for the fiscal year ended June 30, 2007 on Form 10-KSB. *](#)
- 3.7 [Amendment to Articles of Incorporation dated May 12, 2008. *](#)
- 3.8 [Amendment to the Articles of Incorporation dated August 6, 2012, filed as Appendix A to NetSol's Definitive Proxy Statement filed June 14, 2012. *](#)
- 3.9 [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. *](#)
- 3.10 [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. *](#)
- 10.1 [Company 2003 Incentive and Nonstatutory incorporated by reference as Exhibit 99.1 to NetSol's Definitive Proxy Statement filed February 6, 2004. *](#)
- 10.2 [Stock Purchase Agreement dated May 6, 2006 by and between the Company, McCue Systems, Inc. and the shareholders of McCue Systems, Inc. incorporated by reference as Exhibit 2.1 to NetSol's Current Report filed on form 8-K on May 8, 2006. *](#)
- 10.3 [Employment Agreement by and between NetSol Technologies, Inc. and Patti L. W. McGlasson dated May 1, 2006 incorporated by reference as Exhibit 10.20 to NetSol's Annual Report on form 10-KSB dated September 18, 2006. *](#)
- 10.4 [Employment Agreement by and between the Company and Najeeb Ghauri dated January 1, 2007 filed as Exhibit 10.11 to the Company's Annual Report filed on Form 10-KSB for the year ended June 30, 2007. *](#)
- 10.5 [Employment Agreement by and between the Company and Naeem Ghauri dated January 1, 2007 filed as Exhibit 10.11 to the Company's Annual Report filed on Form 10-KSB for the year ended June 30, 2007. *](#)
- 10.6 [Amendment to Employment Agreement by and between Company and Najeeb Ghauri dated effective January 1, 2007. *](#)
- 10.7 [Amendment to Employment Agreement by and between Company and Naeem Ghauri dated effective January 1, 2007. *](#)
- 10.8 [Company 2005 Stock Option Plan incorporated by reference as Exhibit 1.1 to NetSol's Definitive Proxy Statement filed on March 3, 2006. *](#)
- 10.9 [Amendment to Employment Agreement by and between Company and Najeeb Ghauri dated effective January 1, 2010. *](#)
- 10.10 [Amendment to Employment Agreement by and between Company and Naeem Ghauri dated effective January 1, 2010. *](#)
- 10.11 [Amendment to Employment Agreement by and between Company and Patti L. W. McGlasson dated effective April 1, 2010. *](#)
- 10.12 [Company's 2011 Equity Incentive and Nonstatutory Plan incorporated by reference as Appendix A to NetSol's Proxy Statement filed on April 11, 2011. *](#)

- 10.13 [Company's 2013 Equity Incentive Plan incorporated by reference as Appendix A to NetSol's Definitive Proxy Statement filed on May 29, 2013.](#) *
- 10.14 [Amendment to Employment Agreement between NetSol Technologies, Inc. and Najeeb Ghauri dated effective July 25, 2013.](#) *
- 10.15 [Amendment to Employment Agreement between NetSol Technologies, Inc. and Patti L.W. McGlasson dated effective July 25, 2013.](#) *
- 10.16 [Restated Charter of the Compensation Committee dated effective September 10, 2013.](#) *
- 10.17 [Restated Charter of the Nominating and Corporate Governance Committee dated effective September 10, 2013.](#) *
- 10.18 [Restated Charter of the Audit Committee dated effective September 10, 2013.](#) *
- 10.19 [Restated Code of Business Conduct & Ethics dated effective September 10, 2013.](#) *
- 10.20 [Company's 2015 Equity Incentive Plan incorporated by reference as Appendix A to NetSol's Definitive Proxy Statement filed on April 15, 2015.](#) *
- 21.1 [A list of all subsidiaries of the Company \(1\)](#)
- 31.1 [Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(CEO\) \(1\)](#)
- 31.2 [Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(CFO\) \(1\)](#)
- 32.1 [Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(CEO\) \(1\)](#)
- 32.2 [Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley act of 2002 \(CFO\) \(1\)](#)

*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 23, 2019

BY: /S/NAJEEB GHAURI

Najeeb Ghauri
Chief Executive Officer

Date: September 23, 2019

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 23, 2019

BY: /S/ NAJEEB U. GHAURI

Najeeb U. Ghauri
Chief Executive Officer
Director, Chairman

Date: September 23, 2019

BY: /S/ ROGER K. ALMOND

Roger K. Almond
Chief Financial Officer
Principal Accounting Officer

Date: September 23, 2019

BY: /S/ NAEEM GHAURI

Naeem Ghauri
Director

Date: September 23, 2019

BY: /S/ SHAHID JAVED BURKI

Shahid Javed Burki
Director

Date: September 23, 2019

BY: /S/ MARK CATON

Mark Caton
Director

Date: September 23, 2019

BY: /S/ MALEA FARSAI

Malea Farsai
Director

Date: September 23, 2019

BY: /S/ HENRY TOLENTINO

Henry Tolentino
Director

Date: September 23, 2019

BY: /S/ KAUSAR KAZMI

Kausar Kazmi
Director

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

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of NetSol Technologies, Inc. and subsidiaries (the "Company") as of June 30, 2019 and 2018, 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. In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial positions of NetSol Technologies, Inc. and subsidiaries as of June 30, 2019 and 2018 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.

Basis for Opinion

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

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

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

/s/ KSP Group, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

We have served as the Company's auditor since 2017.

**Los Angeles, CA
September 23, 2019**

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

	As of June 30, 2019	As of June 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,366,364	\$ 22,088,853
Accounts receivable, net of allowance of \$192,786 and \$610,061	12,332,714	12,775,461
Accounts receivable, net of allowance of \$166,075 and \$0 - related party	3,266,600	3,374,272
Revenues in excess of billings, net of allowance of \$194,684 and \$0	14,719,047	14,285,778
Revenues in excess of billings - related party	110,827	-
Convertible note receivable - related party	3,650,000	2,123,500
Other current assets	3,146,264	2,703,032
Total current assets	54,591,816	57,350,896
Revenues in excess of billings, net - long term	1,281,492	1,206,669
Property and equipment, net	12,096,855	16,165,491
Long term investment	2,653,769	3,217,162
Other assets	23,569	70,299
Intangible assets, net	7,332,950	12,247,196
Goodwill	9,516,568	9,516,568
Total assets	\$ 87,497,019	\$ 99,774,281
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 7,476,560	\$ 7,873,809
Current portion of loans and obligations under capitalized leases	6,905,597	8,595,919
Unearned revenues	5,977,736	5,949,581
Common stock to be issued	88,324	88,324
Total current liabilities	20,448,217	22,507,633
Loans and obligations under capitalized leases; less current maturities	564,572	330,596
Total liabilities	21,012,789	22,838,229
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value; 500,000 shares authorized;	-	-
Common stock, \$.01 par value; 14,500,000 shares authorized; 11,911,742 shares issued and 11,664,239 outstanding as of June 30, 2019 and 11,708,469 shares issued and 11,502,616 outstanding as of June 30, 2018	119,117	117,085
Additional paid-in-capital	127,737,999	126,479,147
Treasury stock (At cost, 247,503 shares and 205,853 shares as of June 30, 2019 and June 30, 2018, respectively)	(1,455,969)	(1,205,024)
Accumulated deficit	(35,206,898)	(37,994,502)
Stock subscription receivable	-	(221,000)
Other comprehensive loss	(33,125,006)	(24,386,071)
Total NetSol stockholders' equity	58,069,243	62,789,635
Non-controlling interest	8,414,987	14,146,417
Total stockholders' equity	66,484,230	76,936,052
Total liabilities and stockholders' equity	\$ 87,497,019	\$ 99,774,281

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,	
	2019	2018
Net Revenues:		
License fees	\$ 16,768,749	\$ 6,598,254
Maintenance fees	15,010,171	14,382,309
Services	34,185,992	33,611,982
License fees - related party	-	261,513
Maintenance fees - related party	511,242	418,444
Services - related party	1,343,029	5,657,756
Total net revenues	<u>67,819,183</u>	<u>60,930,258</u>
Cost of revenues:		
Salaries and consultants	19,253,364	21,856,162
Travel	6,527,868	1,775,327
Depreciation and amortization	3,525,857	4,610,737
Other	4,066,443	3,481,115
Total cost of revenues	<u>33,373,532</u>	<u>31,723,341</u>
Gross profit	34,445,651	29,206,917
Operating expenses:		
Selling and marketing	7,831,758	7,620,476
Depreciation and amortization	897,800	962,737
General and administrative	16,916,953	16,714,797
Research and development cost	1,971,228	853,996
Total operating expenses	<u>27,617,739</u>	<u>26,152,006</u>
Income (loss) from operations	6,827,912	3,054,911
Other income and (expenses)		
Gain (loss) on sale of assets	81,455	7,594
Interest expense	(311,798)	(422,327)
Interest income	955,061	592,153
Gain on foreign currency exchange transactions	6,345,859	5,010,383
Share of net loss from equity investment	(841,845)	(262,556)
Other income	18,680	42,847
Total other income (expenses)	<u>6,247,412</u>	<u>4,968,094</u>
Net income before income taxes	13,075,324	8,023,005
Income tax provision	(1,057,784)	(873,027)
Net income	12,017,540	7,149,978
Non-controlling interest	(3,434,141)	(2,843,090)
Net income attributable to NetSol	<u>\$ 8,583,399</u>	<u>\$ 4,306,888</u>
Net income per share:		
Net income per common share		
Basic	\$ 0.74	\$ 0.38
Diluted	\$ 0.74	\$ 0.38
Weighted average number of shares outstanding		
Basic	<u>11,599,290</u>	<u>11,197,319</u>
Diluted	<u>11,621,990</u>	<u>11,197,319</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,	
	2019	2018
Net income	\$ 8,583,399	\$ 4,306,888
Other comprehensive income (loss):		
Translation adjustment	(13,463,469)	(9,386,033)
Translation adjustment attributable to non-controlling interest	4,724,534	3,074,532
Net translation adjustment	<u>(8,738,935)</u>	<u>(6,311,501)</u>
Comprehensive loss attributable to NetSol	<u>\$ (155,536)</u>	<u>\$ (2,004,613)</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, 2019 and 2018

	Common Stock		Additional	Treasury	Accumulated	Stock	Shares to	Other	Non	Total
	Shares	Amount	Paid-in Capital	Shares	Deficit	Sub- scriptions Receivable	be Issued	Compre- hensive Loss	Controlling Interest	Stockholders' Equity
Balance at June 30, 2017	11,225,385	\$ 112,254	\$ 124,409,998	\$ (454,310)	\$ (42,301,390)	\$ (297,511)	\$ -	\$ (18,074,570)	\$ 14,799,082	\$ 78,193,553
Exercise of common stock options	173,520	1,735	234,065	-	-	-	-	-	-	235,800
Exercise of subsidiary common stock options	-	-	(22,160)	-	-	-	-	-	32,509	10,349
Common stock issued for:										
Services	309,564	3,096	1,855,352	-	-	-	-	-	-	1,858,448
Purchase of treasury shares	-	-	-	(750,714)	-	-	-	-	-	(750,714)
Equity component shown as current liability at										
June 30, 2017	-	-	-	-	-	-	88,324	-	-	88,324
June 30, 2018	-	-	-	-	-	-	(88,324)	-	-	(88,324)
Acquisition of non-controlling interest in subsidiary	-	-	1,892	-	-	-	-	-	(35,879)	(33,987)
Dividend to non-controlling interest	-	-	-	-	-	-	-	-	(417,853)	(417,853)
Payment received for stock subscription	-	-	-	-	-	76,511	-	-	-	76,511
Foreign currency translation adjustment	-	-	-	-	-	-	-	(6,311,501)	(3,074,532)	(9,386,033)
Net income for the year	-	-	-	-	4,306,888	-	-	-	2,843,090	7,149,978
Balance at June 30, 2018	<u>11,708,469</u>	<u>\$ 117,085</u>	<u>\$ 126,479,147</u>	<u>\$ (1,205,024)</u>	<u>\$ (37,994,502)</u>	<u>\$ (221,000)</u>	<u>\$ -</u>	<u>\$ (24,386,071)</u>	<u>\$ 14,146,417</u>	<u>\$ 76,936,052</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, 2019 and 2018

	Common Stock		Additional Paid-in Capital	Treasury Shares	Accumulated Deficit	Stock Sub- scriptions Receivable	Shares to be Issued	Other Compre- hensive Loss	Non Controlling Interest	Total Stockholders' Equity
	Shares	Amount								
Balance at June 30, 2018	11,708,469	\$ 117,085	\$ 126,479,147	\$ (1,205,024)	\$ (37,994,502)	\$ (221,000)	\$ -	\$ (24,386,071)	\$ 14,146,417	76,936,052
Adjustment in retained earnings on adoption of ASC 606					\$ (5,795,795)				\$ (2,957,860)	(8,753,655)
Exercise of common stock options	13,076	131	84,869	-	-	-	-	-	-	85,000
Exercise of subsidiary common stock options	-	-	(6,629)	-	-	-	-	-	9,279	2,650
Common stock issued for:										
Services	190,197	1,901	1,138,109	-	-	-	-	-	-	1,140,010
Purchase of treasury shares	-	-	-	(250,945)	-	-	-	-	-	(250,945)
Equity component shown as current liability at										
June 30, 2018	-	-	-	-	-	-	88,324	-	-	88,324
June 30, 2019	-	-	-	-	-	-	(88,324)	-	-	(88,324)
Fair value of options extended	-	-	43,612	-	-	-	-	-	-	43,612
Acquisition of non-controlling interest in subsidiary	-	-	(1,109)	-	-	-	-	-	(925,991)	(927,100)
Dividend to non-controlling interest	-	-	-	-	-	-	-	-	(566,465)	(566,465)
Adjustment in subscription receivable	-	-	-	-	-	221,000	-	-	-	221,000
Foreign currency translation adjustment	-	-	-	-	-	-	-	(8,738,935)	(4,724,534)	(13,463,469)
Net income for the year	-	-	-	-	8,583,399	-	-	-	3,434,141	12,017,540
Balance at June 30, 2019	<u>11,911,742</u>	<u>\$ 119,117</u>	<u>\$ 127,737,999</u>	<u>\$ (1,455,969)</u>	<u>\$ (35,206,898)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (33,125,006)</u>	<u>\$ 8,414,987</u>	<u>\$ 66,484,230</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,	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 12,017,540	\$ 7,149,978
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,423,657	5,573,474
Provision for bad debts	474,516	460,730
Impairment of assets	-	172,505
Share of net loss from investment under equity method	841,845	262,556
Gain on sale of assets	(80,470)	(7,594)
Stock based compensation	1,131,013	1,861,445
Fair market value of stock options	43,612	-
Changes in operating assets and liabilities:		
Accounts receivable	(1,836,962)	(7,735,582)
Accounts receivable - related party	(977,445)	(2,735,846)
Revenues in excess of billing	(10,764,428)	6,788,580
Revenues in excess of billing - related party	(122,810)	77,128
Other current assets	(861,128)	(195,529)
Accounts payable and accrued expenses	(47,819)	1,653,778
Unearned revenue	692,089	2,388,699
Net cash provided by operating activities	4,933,210	15,714,322
Cash flows from investing activities:		
Purchases of property and equipment	(2,726,558)	(2,449,449)
Sales of property and equipment	1,170,878	943,252
Convertible note receivable - related party	(1,526,500)	(1,923,500)
Investment in associates	(250,000)	(230,000)
Purchase of subsidiary shares	(317,500)	(33,987)
Net cash used in investing activities	(3,649,680)	(3,693,684)
Cash flows from financing activities:		
Proceeds from the exercise of stock options and warrants	85,000	312,311
Proceeds from exercise of subsidiary options	2,650	10,349
Purchase of treasury stock	(250,945)	(750,714)
Dividend paid by subsidiary to non-controlling interest	(566,465)	(417,853)
Proceeds from bank loans	1,227,158	1,455,250
Payments on capital lease obligations and loans - net	(480,231)	(1,626,109)
Net cash provided by (used in) financing activities	17,167	(1,016,766)
Effect of exchange rate changes	(6,023,186)	(3,087,973)
Net increase (decrease) in cash and cash equivalents	(4,722,489)	7,915,899
Cash and cash equivalents at beginning of the period	22,088,853	14,172,954
Cash and cash equivalents at end of period	\$ 17,366,364	\$ 22,088,853

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

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

	For the Years Ended June 30,	
	2019	2018
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the period for:		
Interest	\$ 293,969	\$ 390,649
Taxes	\$ 848,497	\$ 700,127
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Provided services for investment in WRLD3D	\$ -	\$ 601,869
Assets acquired under capital lease	\$ 268,276	\$ 507,865
Amount accrued for the purchase of VLS	\$ 609,600	\$ -

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

NETSOL TECHNOLOGIES, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

Wholly owned Subsidiaries

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

Majority-owned Subsidiaries

NetSol Technologies, Ltd. ("NetSol PK")
NetSol Innovation (Private) Limited ("NetSol Innovation")
NetSol Technologies Thailand Limited ("NetSol Thai")

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

Basis of Presentation

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

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.

NETSOL TECHNOLOGIES, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Cash and Cash Equivalents

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

Concentration of Credit Risk

Cash includes cash on hand and demand deposits in accounts maintained within the United States as well as in foreign countries. Certain financial instruments, which subject the Company to concentration of credit risk, consist of cash and restricted cash. The Company maintains balances at financial institutions which, from time to time, may exceed Federal Deposit Insurance Corporation insured limits for the banks located in the United States. Balances at financial institutions within certain foreign countries are not covered by insurance. As of June 30, 2019 and 2018, the Company had uninsured deposits related to cash deposits in accounts maintained within foreign entities of approximately \$16,124,339 and \$20,933,224, respectively. The Company has not experienced any losses in such accounts.

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

Accounts Receivable and Allowance for Doubtful Accounts

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

Notes Receivable

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

Revenues in Excess of Billings

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

NETSOL TECHNOLOGIES, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

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.

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

Property and Equipment

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

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

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

Impairment of Long-Lived Assets

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

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.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Software Development Costs

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

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

Research and Development Costs

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

Goodwill

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a purchase business combination. Goodwill is reviewed for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying amount of goodwill may be impaired. 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.

Fair Value of Financial Instruments

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

The three levels of valuation hierarchy are defined as follows:

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

NETSOL TECHNOLOGIES, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Our financial assets that are measured at fair value on a recurring basis as of June 30, 2019 are as follows:

	Level 1	Level 2	Level 3	Total Assets
Revenues in excess of billing - long term	\$ -	\$ -	\$ 1,281,492	\$ 1,281,492
Total	\$ -	\$ -	\$ 1,281,492	\$ 1,281,492

Our financial assets that are measured at fair value on a recurring basis as of June 30, 2018, are as follows:

	Level 1	Level 2	Level 3	Total Assets
Revenues in excess of billing - long term	\$ -	\$ -	\$ 1,206,669	\$ 1,206,669
Total	\$ -	\$ -	\$ 1,206,669	\$ 1,206,669

The reconciliation from June 30, 2018 to June 30, 2019 is as follows:

	Revenues in excess of billing - long term	Fair value discount	Total
Balance at June 30, 2017	\$ 5,483,869	\$ (310,331)	\$ 5,173,538
Additions	2,432,244	(180,526)	2,251,718
Transfers to short term	(6,470,868)	-	(6,470,868)
Amortization during the period	-	252,281	252,281
Balance at June 30, 2018	1,445,245	(238,576)	1,206,669
Effect of ASC 606 adoption	(1,445,245)	238,576	(1,206,669)
Additions	1,380,631	(99,139)	1,281,492
Balance at June 30, 2019	\$ 1,380,631	\$ (99,139)	\$ 1,281,492

The Company used the discounted cash flow method with interest rates ranging from 3.87% to 4.43% during the years ended June 30, 2019 and 2018.

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

Unearned Revenue

Unearned revenue represents billings in excess of revenue earned on contracts and are recognized on a pro-rata basis over the life of the contract. Unearned revenue was \$5,977,736 and \$5,949,581 as of June 30, 2019 and 2018, respectively.

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.

NETSOL TECHNOLOGIES, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Advertising Costs

The Company expenses the cost of advertising as incurred. Advertising costs for the years ended June 30, 2019 and 2018 were \$282,354 and \$176,019, respectively.

Share-Based Compensation

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

Income Taxes

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

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

Foreign Currency Translation

The Company transacts business in various foreign currencies. The accounts of NetSol UK, NTE, AEL, VLSH and VLS use the British Pound; VLSIL uses the Euro; NetSol PK, Connect, Omni and NetSol Innovation use Pakistan Rupees; NTPK Thailand 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 \$33,125,006 and \$24,386,071 as of June 30, 2019 and 2018, respectively. During the years ended June 30, 2019 and 2018, comprehensive income (loss) in the consolidated statements of operations included NetSol's share of translation loss of \$8,738,935 and \$6,311,501, respectively.

Net foreign exchange transaction gains (losses) included in non-operating income (expense) in the accompanying consolidated statements of operations were gains of \$6,345,859 and \$5,010,383 for the years ended June 30, 2019 and 2018, respectively.

NETSOL TECHNOLOGIES, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Statement of Cash Flows

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

Segment Reporting

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

Recent Accounting Standards Adopted by the Company:

In August 2018, the Securities and Exchange Commission issued Release No. 33-10532 that amends and clarifies certain financial reporting requirements. The principal change to the Company's financial reporting is the inclusion of the annual disclosure requirement of changes in stockholders' equity in Rule 3-04 of Regulation S-X to interim periods. The Company adopted this new rule beginning the quarter ended September 30, 2018.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which supersedes the revenue recognition requirements in *Revenue Recognition* (Topic 605) and Subtopic 985-605 *Software - Revenue Recognition*. Topic 605 and Subtopic 985-605 are collectively referred to as "Topic 605" or "prior GAAP." Under Topic 606, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, Topic 606 requires enhanced disclosures, including disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Company adopted Topic 606 on the first day of fiscal 2019 using the modified retrospective transition method. Under this method, the Company evaluated contracts that were in effect at the beginning of fiscal 2019 as if those contracts had been accounted for under Topic 606. The Company did not evaluate individual modifications for those periods prior to the adoption date, but the aggregate effect of all modifications as of the adoption date and such effects are provided below. Under the modified retrospective transition method, periods prior to the adoption date were not adjusted and continue to be reported in accordance with historical, pre-Topic 606 accounting. A cumulative catch-up adjustment was recorded to beginning accumulated deficit to reflect the impact of all existing arrangements under Topic 606.

As a result of adopting ASC 606, the Company recorded a net decrease of \$5,795,795 to opening accumulated deficit and \$2,957,860 to non-controlling interest as of July 1, 2018 as a cumulative catch-up adjustment for all open contracts as of the date of adoption. The most significant drivers of this adjustment related to the allocation of revenue to certain performance obligations on a stand-alone selling price basis. Specifically, contracts with one customer were required to be aggregated under the guidance of ASC 606, resulting in additional revenue allocated to the maintenance services under these contracts. Under the guidance of ASC 605, the Company had recognized one of these contracts as a stand-alone and separate contract with this customer, which resulted in additional revenue allocated to the license and services that had previously been delivered to this customer.

NETSOL TECHNOLOGIES, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

The following table presents the cumulative effect adjustments, net of income tax effects, to beginning consolidated balance sheet accounts for the new accounting standards adopted by the Company on the first day of fiscal 2019:

ASSETS	As of June 30, 2018	Topic 606 Adjustments	As of July 1, 2018
Current assets:			
Cash and cash equivalents	\$ 22,088,853		\$ 22,088,853
Accounts receivable, net of allowance of \$610,061 and \$571,511	12,775,461		12,775,461
Accounts receivable, net - related party	3,374,272		3,374,272
Revenues in excess of billings	14,285,778	(7,328,812)	6,956,966
Convertible note receivable - related party	2,123,500		2,123,500
Other current assets	2,703,032		2,703,032
Total current assets	57,350,896	(7,328,812)	50,022,084
Revenues in excess of billings, net - long term	1,206,669	(1,206,669)	-
Property and equipment, net	16,165,491		16,165,491
Long term investment	3,217,162		3,217,162
Other assets	70,299		70,299
Intangible assets, net	12,247,196		12,247,196
Goodwill	9,516,568		9,516,568
Total assets	\$ 99,774,281	\$ (8,535,481)	\$ 91,238,800
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued expenses	\$ 7,873,809		\$ 7,873,809
Current portion of loans and obligations under capitalized leases	8,595,919		8,595,919
Unearned revenues	5,949,581	218,174	6,167,755
Common stock to be issued	88,324		88,324
Total current liabilities	22,507,633	218,174	22,725,807
Loans and obligations under capitalized leases; less current maturities	330,596		330,596
Total liabilities	22,838,229	218,174	23,056,403
Commitments and contingencies			
Stockholders' equity:			
Preferred stock, \$.01 par value; 500,000 shares authorized;	-	-	-
Common stock, \$.01 par value; 14,500,000 shares authorized; 11,708,469 shares issued and 11,502,616 outstanding as of June 30, 2018 and 11,225,385 shares issued and 11,190,606 outstanding as of June 30, 2017	117,085		117,085
Additional paid-in-capital	126,479,147		126,479,147
Treasury stock (At cost, 205,853 shares and 34,779 shares as of June 30, 2018 and June 30, 2017, respectively)	(1,205,024)		(1,205,024)
Accumulated deficit	(37,994,502)	(5,795,795)	(43,790,297)
Stock subscription receivable	(221,000)		(221,000)
Other comprehensive loss	(24,386,071)		(24,386,071)
Total NetSol stockholders' equity	62,789,635	(5,795,795)	56,993,840
Non-controlling interest	14,146,417	(2,957,860)	11,188,557
Total stockholders' equity	76,936,052	(8,753,655)	68,182,397
Total liabilities and stockholders' equity	\$ 99,774,281	\$ (8,535,481)	\$ 91,238,800

NETSOL TECHNOLOGIES, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

The following table presents the cumulative effect adjustments, net of income tax effects, to beginning consolidated balance sheet accounts for the new accounting standards adopted by the Company as of June 30, 2019:

	As reported under Topic 606 June 30, 2019	Adjustments	Balances under Prior GAAP June 30, 2019
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 17,366,364		\$ 17,366,364
Accounts receivable, net of allowance of \$192,786 and \$610,061	12,332,714		12,332,714
Accounts receivable, net of allowance of \$166,075 and \$0 - related party	3,266,600		3,266,600
Revenues in excess of billings, net of allowance of \$194,684 and \$0	14,719,047	9,324,173	24,043,220
Revenues in excess of billings - related party	110,827		110,827
Convertible note receivable - related party	3,650,000		3,650,000
Other current assets	3,146,264		3,146,264
Total current assets	54,591,816	9,324,173	63,915,989
Revenues in excess of billings, net - long term	1,281,492	1,383,585	2,665,077
Property and equipment, net	12,096,855		12,096,855
Long term investment	2,653,769		2,653,769
Other assets	23,569		23,569
Intangible assets, net	7,332,950		7,332,950
Goodwill	9,516,568		9,516,568
Total assets	\$ 87,497,019	\$ 10,707,758	\$ 98,204,777
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued expenses	\$ 7,476,560		\$ 7,476,560
Current portion of loans and obligations under capitalized leases	6,905,597		6,905,597
Unearned revenues	5,977,736	(908,100)	5,069,636
Common stock to be issued	88,324		88,324
Total current liabilities	20,448,217	(908,100)	19,540,117
Loans and obligations under capitalized leases; less current maturities	564,572		564,572
Total liabilities	21,012,789	(908,100)	20,104,689
Commitments and contingencies			
Stockholders' equity:			
Preferred stock, \$.01 par value; 500,000 shares authorized;	-	-	-
Common stock, \$.01 par value; 14,500,000 shares authorized; 11,911,742 shares issued and 11,664,239 outstanding as of June 30, 2019 and 11,708,469 shares issued and 11,502,616 outstanding as of June 30, 2018	119,117		119,117
Additional paid-in-capital	127,737,999		127,737,999
Treasury stock (At cost, 247,503 shares and 205,853 shares as of June 30, 2019 and June 30, 2018, respectively)	(1,455,969)		(1,455,969)
Accumulated deficit	(35,206,898)	7,690,573	(27,516,325)
Stock subscription receivable	-		-
Other comprehensive loss	(33,125,006)		(33,125,006)
Total NetSol stockholders' equity	58,069,243	7,690,573	65,759,816
Non-controlling interest	8,414,987	3,925,285	12,340,272
Total stockholders' equity	66,484,230	11,615,858	78,100,088
Total liabilities and stockholders' equity	\$ 87,497,019	\$ 10,707,758	\$ 98,204,777

NETSOL TECHNOLOGIES, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

The following table summarizes the effects of adopting Topic 606 on the Company's Consolidated Statement of Income for the year ended June 30, 2019:

	For the Year Ended June 30, 2019		
	As reported under Topic 606	Adjustments	Under prior GAAP
Net Revenues:			
License fees	\$ 16,768,749	\$ 357,259	\$ 17,126,008
Maintenance fees	15,010,171	587,194	15,597,365
Services	34,185,992	-	34,185,992
License fees - related party	-	-	-
Maintenance fees - related party	511,242	-	511,242
Services - related party	1,343,029	-	1,343,029
Total net revenues	<u>67,819,183</u>	<u>944,453</u>	<u>68,763,636</u>
Cost of revenues:			
Salaries and consultants	19,253,364	-	19,253,364
Travel	6,527,868	-	6,527,868
Depreciation and amortization	3,525,857	-	3,525,857
Other	4,066,443	-	4,066,443
Total cost of revenues	<u>33,373,532</u>	<u>-</u>	<u>33,373,532</u>
Gross profit	34,445,651	944,453	35,390,104
Operating expenses:			
Selling and marketing	7,831,758	-	7,831,758
Depreciation and amortization	897,800	-	897,800
General and administrative	16,916,953	-	16,916,953
Research and development cost	1,971,228	-	1,971,228
Total operating expenses	<u>27,617,739</u>	<u>-</u>	<u>27,617,739</u>
Income from operations	6,827,912	944,453	7,772,365
Other income and (expenses)			
Gain (loss) on sale of assets	81,455	-	81,455
Interest expense	(311,798)	-	(311,798)
Interest income	955,061	176,916	1,131,977
Gain on foreign currency exchange transactions	6,345,859	1,740,834	8,086,693
Share of net loss from equity investment	(841,845)	-	(841,845)
Other income	18,680	-	18,680
Total other income (expenses)	<u>6,247,412</u>	<u>1,917,750</u>	<u>8,165,162</u>
Net income before income taxes	13,075,324	2,862,203	15,937,527
Income tax provision	(1,057,784)	-	(1,057,784)
Net income	12,017,540	2,862,203	14,879,743
Non-controlling interest	(3,434,141)	(967,425)	(4,401,566)
Net income attributable to NetSol	\$ 8,583,399	\$ 1,894,778	\$ 10,478,177
Net income per share:			
Net income per common share			
Basic	\$ 0.74	\$ 0.16	\$ 0.90
Diluted	\$ 0.74	\$ 0.16	\$ 0.90
Weighted average number of shares outstanding			
Basic	<u>11,599,290</u>	<u>11,599,290</u>	<u>11,599,290</u>
Diluted	<u>11,621,990</u>	<u>11,621,990</u>	<u>11,621,990</u>

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The following table summarizes the effects of adopting Topic 606 on the financial statement line items of the Company's Consolidated Statement of Cash Flows for the year ended June 30, 2019:

	For the Year Ended June 30, 2019		
	As reported under Topic 606	Adjustments	Under prior GAAP
Cash flows from operating activities:			
Net income	\$ 12,017,540	\$ 2,862,203	\$ 14,879,743
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,423,657		4,423,657
Provision for bad debts	474,516		474,516
Share of net loss from investment under equity method	841,845		841,845
Loss on sale of assets	(80,470)		(80,470)
Stock based compensation	1,131,013		1,131,013
Fair market value of stock options	43,612		43,612
Accounts receivable	(1,836,962)		(1,836,962)
Accounts receivable - related party	(977,445)		(977,445)
Revenues in excess of billing	(10,764,428)	(2,172,277)	(12,936,705)
Revenues in excess of billing - related party	(122,810)		(122,810)
Other current assets	(861,128)		(861,128)
Accounts payable and accrued expenses	(47,819)		(47,819)
Unearned revenue	692,089	(689,926)	2,163
Net cash provided by operating activities	4,933,210	-	4,933,210
Cash flows from investing activities:			
Purchases of property and equipment	(2,726,558)		(2,726,558)
Sales of property and equipment	1,170,878		1,170,878
Convertible note receivable - related party	(1,526,500)		(1,526,500)
Investment in associates	(250,000)		(250,000)
Purchase of subsidiary shares from open market	(317,500)		(317,500)
Net cash used in investing activities	(3,649,680)	-	(3,649,680)
Cash flows from financing activities:			
Proceeds from the exercise of stock options and warrants	85,000		85,000
Proceeds from exercise of subsidiary options	2,650		2,650
Purchase of treasury stock	(250,945)		(250,945)
Dividend paid by subsidiary to non-controlling interest	(566,465)		(566,465)
Proceeds from bank loans	1,227,158		1,227,158
Payments on capital lease obligations and loans - net	(480,231)		(480,231)
Net cash provided by financing activities	17,167	-	17,167
Effect of exchange rate changes	(6,023,186)	-	(6,023,186)
Net decrease in cash and cash equivalents	(4,722,489)	-	(4,722,489)
Cash and cash equivalents at beginning of the period	22,088,853		22,088,853
Cash and cash equivalents at end of period	\$ 17,366,364	\$ -	\$ 17,366,364

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

In February 2016, the FASB issued ASU 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 its lease portfolio; assessing system needs to support adoption of the new lease standard; and analyzing procedural changes, including updating our lease accounting policy as needed to reflect the new requirements of this standard. The Company continues to evaluate the impact that these changes in methodology will have on its financial condition, results of operations and disclosures.

In January 2017, the FASB issued ASU 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 July 2017, the FASB issued ASU 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 is currently in the process of evaluating the impact of the adoption of this standard on its consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, *"Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income."* This ASU allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Act. Consequently, the amendments eliminate the stranded tax effects resulting from the Tax Act and will improve the usefulness of information reported to financial statement users. However, because the amendments only relate to the reclassification of the income tax effects of the Tax Act, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. The amendments in this ASU also require certain disclosures about stranded tax effects. The amendments in this ASU should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Act is recognized. The amendments in this ASU are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company is currently in the process of evaluating the impact of adoption of this standard on its consolidated financial statements.

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In June 2018, the FASB issued ASU 2018-07 “*Compensation — Stock compensation — Improvements to Nonemployee Share-Based Payment Accounting*”. This update aims to simplify the accounting for share-based payments awarded to non-employees for goods or services acquired. The update specifies that the measurement date is the grant date and that awards are required to be measured at fair value. The amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently in the process of evaluating the impact of adoption of this standard on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, “*Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*,” which is designed to improve the effectiveness of disclosures by removing, modifying and adding disclosures related to fair value measurements. The update is effective for the Company on July 1, 2020, with early adoption permitted. The Company is currently assessing the impact this update will have on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, “*Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*.” The amendments in this update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments in this update. The amendments in this update are effective for the Company on July 1, 2020, with early adoption permitted. The amendments in this update should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is in the process of assessing the impact of the amendments in this update but does not expect it to have a material impact on the Company’s consolidated financial statements.

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

NOTE 3 – REVENUE RECOGNITION

The Company determines revenue recognition through the following steps:

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

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

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

Core Revenue

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

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Non-Core Revenue

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

Performance Obligations

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

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

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

Subscription

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

Software Licenses

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

Maintenance

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

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Professional Services

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

BPO and Internet Services

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

Disaggregated Revenue

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

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

	For the Years Ended June 30,	
	2019	2018
Core:		
License	\$ 16,768,749	\$ 6,598,254
Maintenance	15,010,171	14,382,309
Services	28,338,793	28,187,168
License - related party	-	261,513
Maintenance fees - related party	511,242	418,444
Services - related party	981,406	1,842,524
Total core revenue, net	<u>61,610,361</u>	<u>51,690,212</u>
Non-Core:		
Services	5,847,199	5,424,814
Services - related party	361,623	3,815,232
Total non-core revenue, net	<u>6,208,822</u>	<u>9,240,046</u>
Total net revenue	<u>\$ 67,819,183</u>	<u>\$ 60,930,258</u>

NETSOL TECHNOLOGIES, INC.
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Significant Judgments

More judgments and estimates are required under Topic 606 than were required under Topic 605. Due to the complexity of certain contracts, the actual revenue recognition treatment required under Topic 606 for the Company's arrangements may be dependent on contract-specific terms and may vary in some instances.

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

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

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

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

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

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

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

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Contract Balances

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

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

The Company's revenues in excess of billings and deferred revenue are as follows:

	<u>As of</u> <u>June 30, 2019</u>	<u>As of</u> <u>July 1, 2018</u>
Revenues in excess of billings	\$ 16,111,366	\$ 6,956,966
Deferred Revenue	\$ 5,977,736	\$ 6,167,755

During the year ended June 30, 2019, the Company recognized revenue of \$5,777,456, which was included in the deferred revenue balance, as adjusted for Topic 606, at the beginning of the period. All other activity in deferred revenue is due to the timing of invoicing in relation to the timing of revenue recognition.

Revenue allocated to remaining performance obligations represents the transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, which includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods. Contracted but unsatisfied performance obligations were approximately \$69,728,234 as of June 30, 2019, of which the Company estimates to recognize approximately \$10,327,806 in revenue over the next 12 months and the remainder over an estimated 6 years thereafter. Actual revenue recognition depends in part on the timing of software modules installed at various customer sites. Accordingly, some factors that affect the Company's revenue, such as the availability and demand for modules within customer geographic locations, is not entirely within the Company's control. In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined that its contracts generally do not include a significant financing component. The primary purpose of invoicing terms is to provide customers with simplified and predictable ways of purchasing the Company's products and services, and not to facilitate financing arrangements.

Deferred Revenue

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

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Practical Expedients and Exemptions

There are several practical expedients and exemptions allowed under Topic 606 that impact timing of revenue recognition and the Company's disclosures. Below is a list of practical expedients the Company applied in the adoption and application of Topic 606:

Application

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

Modified Retrospective Transition Adjustments

- For contract modifications, the Company reflected the aggregate effect of all modifications that occurred prior to the adoption date when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to satisfied and unsatisfied performance obligations for the modified contract at transition.

Costs to Obtain a Contract

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

NOTE 4 – EARNINGS PER SHARE

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

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

	For the year ended June 30, 2019		
	Net Income	Shares	Per Share
Basic income per share:			
Net income available to common shareholders	\$ 8,583,399	11,599,290	\$ 0.74
Effect of dilutive securities			
Stock options	-	4,418	-
Share grants	-	18,282	-
Diluted income per share	<u>\$ 8,583,399</u>	<u>11,621,990</u>	<u>\$ 0.74</u>
	For the year ended June 30, 2018		
	Net Income	Shares	Per Share
Basic income per share:			
Net income available to common shareholders	\$ 4,306,888	11,197,319	\$ 0.38
Effect of dilutive securities			
Stock options	-	-	-
Share grants	-	-	-
Diluted income per share	<u>\$ 4,306,888</u>	<u>11,197,319</u>	<u>\$ 0.38</u>

NOTE 5 – RELATED PARTY TRANSACTIONS

NetSol-Innovation

In November 2004, the Company entered into a joint venture agreement called NetSol Innovation with 1insurer, formerly *Innovation Group*. NetSol-Innovation provides support services to 1insurer. During the years ended June 30, 2019 and 2018, NetSol Innovation provided services of \$67,286 and \$3,286,649, respectively. Accounts receivable, net of allowance at June 30, 2019 and 2018 were \$2,130,041 and \$2,521,533, respectively.

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 years ended June 30, 2019 and 2018, NTE and VLS provided maintenance and services of \$1,150,254 and \$2,111,315, respectively. Accounts receivable at June 30, 2019 and 2018 were \$115,970 and \$379,521, respectively.

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, 2017, 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 was earned by providing IT and enterprise software solutions. (See Note 7 "Convertible Note Receivable – Related Party" and Note 11 "Long Term Investment")

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 11 "Long Term Investment")

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NOTE 6 – MAJOR CUSTOMERS

During the year ended June 30, 2019, revenues from two customers were \$23,912,605 and \$12,522,867 representing 35.3% and 18.5% of revenues. During the year ended June 30, 2018, revenues from one customer was \$22,129,568 representing 36.3% of revenues. The revenue from these customers are shown in the Asia – Pacific segment.

Accounts receivable from the two customers at June 30, 2019, were \$7,917,814 and \$159,322, respectively. Accounts receivable at June 30, 2018, were \$4,417,709 and \$nil, respectively. Revenues in excess of billings at June 30, 2019, were \$4,371,081 and \$5,472,043, respectively. Revenues in excess of billings at June 30, 2018, were \$12,508,815 and \$nil, respectively. Included in this amount was \$1,281,492 and \$1,206,669 shown as long term at June 30, 2019 and 2018, respectively.

NOTE 7 – CONVERTIBLE NOTE RECEIVABLE – RELATED PARTY

Convertible Note Receivable - May 25, 2017

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, 2019, the Company had disbursed \$750,000. The Convertible Note bears interest at 5% per annum and all unpaid interest and principal is due and payable upon the Company’s request on or after February 1, 2018. The Company has a security interest in all of WRLD3D’s personal property, inventory, equipment, general intangibles, financial assets, investment property, securities, deposit accounts, and the proceeds thereof.

The Convertible Note is convertible upon the occurrence of the following events:

1. Upon a qualified financing which is an equity financing of at least \$2,000,000.
2. Optionally, upon an equity financing less than \$2,000,000.
3. Optionally after the maturity date.
4. Upon a change of control.

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).

Convertible Note Receivable – February 9, 2018

The Company’s subsidiary NetSol Thai entered into an agreement with WRLD3D, whereby NetSol Thai was issued a Convertible Promissory Note (the “Thai Convertible Note”) which was fully executed on February 9, 2018. The maximum principal amount of the Thai Convertible Note is \$2,500,000, and as of June 30, 2019, NetSol Thai had disbursed \$2,500,000. The Thai Convertible Note bears interest at 10% per annum and all unpaid interest and principal is due and payable upon request on or after March 31, 2019. The Company has a security interest in all of WRLD3D’s personal property, inventory, equipment, general intangibles, financial assets, investment property, securities, deposit accounts, and the proceeds thereof.

The Thai Convertible Note is convertible upon the occurrence of the following events:

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

If the Company converts the Thai Convertible Note upon the occurrence of a financing, then the conversion price will be equal to the product of: (A) the price paid per share for the equity securities by the investors multiplied by (B) 70%.

If the Company converts the Thai Convertible Note either as an optional conversion after the maturity date or due to a change of control, then the conversion price is equal to \$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 Thai Convertible Note).

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Convertible Note Receivable – April 1, 2019

The Company entered into an agreement with WRLD3D, whereby the Company was issued a Convertible Promissory Note (the “April 1, 2019 Note”) which was fully executed on April 1, 2019. The maximum principal amount is \$600,000, and as of June 30, 2019, the Company had disbursed \$400,000. The April 1, 2019 Note bears interest at 10% per annum and all unpaid interest and principal is due and payable upon request on or after March 31, 2020. The Company has a security interest in all of WRLD3D’s personal property, inventory, equipment, general intangibles, financial assets, investment property, securities, deposit accounts, and the proceeds thereof.

The April 1, 2019 Note is convertible upon the occurrence of the following events:

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

If the Company converts the April 1, 2019 Note upon the occurrence of a financing, then the conversion price will be equal to the product of: (A) the price paid per share for the equity securities by the investors multiplied by (B) a calculated conversion rate which is determined based on the amount of the principal and interest outstanding and the Company’s ownership percentage.

If the Company converts the April 1, 2019 Note either as an optional conversion after the maturity date or due to a change of control, then the conversion price is equal to \$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 April 1, 2019 Note).

The Company has accrued interest of \$328,748 and \$58,692 at June 30, 2019 and 2018, respectively, which is included in “Other current assets.

NOTE 8 - OTHER CURRENT ASSETS

Other current assets consisted of the following:

	<u>As of</u> <u>June 30, 2019</u>	<u>As of</u> <u>June 30, 2018</u>
Prepaid Expenses	\$ 991,528	\$ 662,431
Advance Income Tax	800,798	838,799
Employee Advances	33,778	48,096
Security Deposits	147,668	85,249
Other Receivables	733,826	497,632
Other Assets	438,666	570,825
Total	\$ 3,146,264	\$ 2,703,032

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NOTE 9 – REVENUES IN EXCESS OF BILLINGS – LONG TERM

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

	As of June 30, 2019	As of June 30, 2018
Revenues in excess of billing - long term	\$ 1,380,631	\$ 1,445,245
Present value discount	(99,139)	(238,576)
Net Balance	<u>\$ 1,281,492</u>	<u>\$ 1,206,669</u>

Pursuant to revenue recognition for contract accounting, the Company had recorded revenues in excess of billings long-term for amounts billable after one year. During the years ended June 30, 2019 and 2018, the Company accreted \$0 and \$252,281, respectively, which was recorded in interest income for that period. The Company used the discounted cash flow method with interest rates ranging from 3.87% to 4.43% during the years ended June 30, 2019 and 2018.

NOTE 10 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	As of June 30, 2019	As of June 30, 2018
Office Furniture and Equipment	\$ 3,125,382	\$ 3,496,653
Computer Equipment	18,905,603	23,708,034
Assets Under Capital Leases	1,720,490	1,479,976
Building	6,021,939	8,005,351
Land	1,559,111	2,088,463
Autos	1,024,754	1,053,749
Improvements	111,165	324,023
Subtotal	<u>32,468,444</u>	<u>40,156,249</u>
Accumulated Depreciation	<u>(20,371,589)</u>	<u>(23,990,758)</u>
Property and Equipment, Net	<u>\$ 12,096,855</u>	<u>\$ 16,165,491</u>

For the years ended June 30, 2019 and 2018, depreciation expense totaled \$2,285,225 and \$2,927,573, respectively. Of these amounts, \$1,387,425 and \$1,964,836, respectively, are reflected in cost of revenues.

Following is a summary of fixed assets held under capital leases as of June 30, 2019 and 2018:

	As of June 30, 2019	As of June 30, 2018
Computers and Other Equipment	\$ 324,466	\$ 228,581
Furniture and Fixtures	65,084	65,084
Vehicles	1,330,940	1,186,311
Total	<u>1,720,490</u>	<u>1,479,976</u>
Less: Accumulated Depreciation - Net	<u>(538,564)</u>	<u>(477,620)</u>
	<u>\$ 1,181,926</u>	<u>\$ 1,002,356</u>

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NOTE 11 – LONG-TERM INVESTMENT

Drivemate

The Company and Drivemate Co., Ltd. (“Drivemate”) entered into a subscription agreement (“Drivemate Agreement”) whereby the Company will purchase an equity interest of 30% in Drivemate. Per the Drivemate Agreement, the Company will purchase 5,469 preferred shares for \$1,800,000 consisting of \$500,000 cash and \$1,300,000 in services. The Company paid \$250,000 on May 2, 2019 and received 760 shares for a 5.27% holding in Drivemate. The remaining \$250,000 will be paid in \$62,500 increments beginning 15 months from the date of the Drivemate Agreement signing with the final payment due 24 months from the date of the Drivemate Agreement signing. Per the Drivemate Agreement, the Company appointed two directors to the Drivemate board. The Company determined that it met the significant influence criteria since two of the four directors are appointed by the Company and the Company is to own 30% of Drivemate at the final payment date; therefore, the Company accounts for the investment using the equity method of accounting.

During the year ended June 30, 2019, the Company performed \$245,280 of services.

Under the equity method of accounting, the Company recorded its share of net loss of \$3,235 for the year ended June 30, 2019.

WRLD3D-Related Party

On March 2, 2017, the Company purchased a 4.9% interest in WRLD3D, a non-public company, for \$1,111,111. The Company paid \$555,556 at the initial closing and \$555,555 on September 1, 2017. NetSol PK, the subsidiary of the Company, purchased a 12.2% investment in WRLD3D, for \$2,777,778 which was earned by providing IT and enterprise software solutions. As of June 30, 2019, the investment earned by NetSol PK was \$2,777,778.

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

During the years ended June 30, 2019 and 2018, NetSol PK provided services valued at \$636,731 and \$939,749, respectively, which is recorded as services-related party. Accounts receivable at June 30, 2019 and 2018 were \$1,020,589 and \$473,218, respectively. Revenue in excess of billing at June 30, 2019 and 2018 were \$110,827 and \$Nil, respectively. Under the equity method of accounting, the Company recorded its share of net loss of \$838,610 and \$262,556 for the years ended June 30, 2019 and 2018, respectively.

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NOTE 12 - INTANGIBLE ASSETS

Intangible assets consisted of the following:

	As of June 30, 2019	As of June 30, 2018
Product Licenses - Cost	\$ 47,244,997	\$ 47,244,997
Effect of Translation Adjustment	(15,343,727)	(7,857,270)
Accumulated Amortization	(24,568,320)	(27,140,531)
Net Balance	<u>\$ 7,332,950</u>	<u>\$ 12,247,196</u>

(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 \$7,332,950 will be amortized over the next 4.25 years. Amortization expense for the years ended June 30, 2019 and 2018 was \$2,138,432 and \$2,645,901, respectively.

(B) Future Amortization

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

Year ended:	
June 30, 2020	\$ 1,783,775
June 30, 2021	1,783,775
June 30, 2022	1,783,775
June 30, 2023	1,783,775
June 30, 2024	197,850
	<u>\$ 7,332,950</u>

NOTE 13 – GOODWILL

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

	As of June 30, 2019	As of June 30, 2018
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>

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NOTE 14 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following:

	As of June 30, 2019	As of June 30, 2018
Accounts Payable	\$ 1,156,498	\$ 1,665,865
Accrued Liabilities	5,055,358	5,505,312
Accrued Payroll & Taxes	793,503	302,640
Taxes Payable	326,386	233,959
Other Payable	144,815	166,033
Total	<u>\$ 7,476,560</u>	<u>\$ 7,873,809</u>

NOTE 15 – DEBTS

Notes payable and capital leases consisted of the following:

Name		As of June 30, 2019		
		Total	Current Maturities	Long-Term Maturities
D&O Insurance	(1)	\$ 67,671	\$ 67,671	\$ -
Bank Overdraft Facility	(2)	-	-	-
Loan Payable Bank - Export Refinance	(3)	3,066,355	3,066,355	-
Loan Payable Bank - Running Finance	(4)	325,034	325,034	-
Loan Payable Bank - Export Refinance II	(5)	2,330,431	2,330,431	-
Loan Payable Bank - Running Finance II	(6)	735,925	735,925	-
Related Party Loan	(7)	82,969	15,838	67,131
		<u>6,608,385</u>	<u>6,541,254</u>	<u>67,131</u>
Subsidiary Capital Leases	(8)	861,784	364,343	497,441
		<u>\$ 7,470,169</u>	<u>\$ 6,905,597</u>	<u>\$ 564,572</u>
		As of June 30, 2018		
Name		Total	Current Maturities	Long-Term Maturities
D&O Insurance	(1)	\$ 69,578	\$ 69,578	\$ -
Bank Overdraft Facility	(2)	-	-	-
Loan Payable Bank - Export Refinance	(3)	4,107,451	4,107,451	-
Loan Payable Bank - Running Finance	(4)	-	-	-
Loan Payable Bank - Export Refinance II	(5)	2,875,216	2,875,216	-
Loan Payable Bank - Running Finance II	(6)	1,232,235	1,232,235	-
Related Party Loan	(7)	-	-	-
		<u>8,284,480</u>	<u>8,284,480</u>	<u>-</u>
Subsidiary Capital Leases	(8)	642,035	311,439	330,596
		<u>\$ 8,926,515</u>	<u>\$ 8,595,919</u>	<u>\$ 330,596</u>

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(1) The Company finances Directors' and Officers' ("D&O") liability insurance and Errors and Omissions ("E&O") liability insurance, for which the D&O and E&O balances are renewed on an annual basis and, as such, are recorded in current maturities. The interest rate on these financings range from 6.0% to 7.0% as of June 30, 2019 and 5.3% and 6.5% as of June 30, 2018.

(2) The Company's subsidiary, NTE, has an overdraft facility with HSBC Bank plc whereby the bank would cover any overdrafts up to £300,000, or approximately \$379,747. The annual interest rate was 5.1% as of June 30, 2019. Total outstanding balance as of June 30, 2019 and 2018 was £nil.

This overdraft facility requires that the aggregate amount of invoiced trade debtors (net of provisions for bad and doubtful debts and excluding intra-group debtors) of NTE, not exceeding 90 days old, will not be less than an amount equal to 200% of the facility. As of June 30, 2019, NTE was in compliance with this covenant.

(3) The Company's subsidiary, NetSol PK, has an export refinance facility with Askari Bank Limited, secured by NetSol PK's assets. This is a revolving loan that matures every six months. Total facility amount is Rs. 500,000,000 or \$3,066,355 and Rs. 500,000,000 or \$4,107,451 at June 30, 2019 and 2018, respectively. The interest rate for the loan was 3% at June 30, 2019 and 2018.

(4) The Company's subsidiary, NetSol PK, has a running finance facility with Askari Bank Limited, secured by NetSol PK's assets. Total facility amount is Rs. 75,000,000 or \$459,953, at June 30, 2019. NetSol PK used Rs. 53,000,000 or \$325,034, at June 30, 2019. The interest rate for the loan was 13.0% and 8.2% at June 30, 2019 and 2018, 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, 2019, NetSol PK was in compliance with this covenant.

(5) The Company's subsidiary, NetSol PK, has an export refinance facility with Samba Bank Limited, secured by NetSol PK's assets. This is a revolving loan that matures every six months. Total facility amount is Rs. 380,000,000 or \$2,330,431 and Rs. 350,000,000 or \$2,875,216, at June 30, 2019 and 2018, respectively. The interest rate for the loan was 3% at June 30, 2019 and 2018.

(6) The Company's subsidiary, NetSol PK, has a running finance facility with Samba Bank Limited, secured by NetSol PK's assets. Total facility amount is Rs. 120,000,000 or \$735,925 and Rs. 150,000,000 or \$1,232,235, at June 30, 2019 and 2018, respectively. The interest rate for the loan was 14.3% and 8.1% at June 30, 2019 and 2018, respectively.

During the tenure of loan, the facilities from Samba Bank Limited require NetSol PK to maintain at a minimum a current ratio of 1:1, an interest coverage ratio of 4 times, a leverage ratio of 2 times, and a debt service coverage ratio of 4 times. As of June 30, 2019, NetSol PK was in compliance with these covenants.

(7) In March 2019, the Company's subsidiary, VLS, entered into a loan agreement with Investec a related party. The loan amount was £69,549, or \$88,037, for a period of 5 years with monthly payment of £1,349, or \$1,708. As of June 30, 2019, the subsidiary has used this facility up to \$82,969, of which \$67,131 was shown as long-term and \$15,838 as current. The interest rate was 6.14% at June 30, 2019.

(8) The Company leases various fixed assets under capital lease arrangements expiring in various years through 2024. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are secured by the assets themselves. Depreciation of assets under capital leases is included in depreciation expense for the years ended June 30, 2019 and 2018.

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Following is the aggregate minimum future lease payments under capital leases as of June 30, 2019:

	Amount
Minimum Lease Payments	
Due FYE 6/30/20	\$ 435,756
Due FYE 6/30/21	348,969
Due FYE 6/30/22	157,824
Due FYE 6/30/23	20,354
Due FYE 6/30/24	13,570
Total Minimum Lease Payments	976,473
Interest Expense relating to future periods	(114,689)
Present Value of minimum lease payments	861,784
Less: Current portion	(364,343)
Non-Current portion	\$ 497,441

NOTE 16 – INCOME TAXES

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

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

	Years Ended June 30,	
	2019	2018
US operations	\$ (1,941,611)	\$ (1,319,680)
Foreign operations	15,016,935	9,342,685
	\$ 13,075,324	\$ 8,023,005

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

	Years Ended June 30,	
	2019	2018
Current:		
Federal	\$ -	\$ -
State and Local	-	-
Foreign	1,057,784	873,027
Deferred:		
Federal	-	-
State and Local	-	-
Foreign	-	-
Provision for income taxes	\$ 1,057,784	\$ 873,027

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

	Years Ended June 30,			
	2019		2018	
Income tax (benefit) provision at statutory rate	\$ 2,745,818	21.0%	\$ 2,246,441	28.0%
State income (benefit) taxes, net of federal tax benefit	912,658	7.0%	510,263	6.4%
Foreign earnings taxed at different rates	(3,143,954)	-24.0%	(2,337,120)	-29.1%
Change in valuation allowance for deferred tax assets	356,905	3%	414,850	5.2%
Other	186,357	1.4%	38,593	0.5%
Provision for income taxes	<u>\$ 1,057,784</u>	<u>8.1%</u>	<u>\$ 873,027</u>	<u>10.9%</u>

Deferred income tax assets and liabilities as of June 30, 2019 and 2018 consist of tax effects of temporary differences related to the following:

	Years Ended June 30,	
	2019	2018
Net operating loss carry forwards	\$ 6,994,268	\$ 6,936,896
Other	257,337	249,808
Net deferred tax assets	7,251,605	7,186,704
Valuation allowance for deferred tax assets	(7,251,605)	(7,186,704)
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 64,901 for the year ended June 30, 2019.

At June 30, 2019, federal and state net operating loss carry forwards in the United States of America were \$29,097,662 and \$5,483,258 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 \$1,650,165 at June 30, 2019.

As of June 30, 2019, the Company does not have any unrecognized tax benefits related to various federal and state income tax matters. The Company will recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense.

The Company is subject to U.S. federal income tax, as well as various state and foreign jurisdictions. The Company is currently open to audit under the statute of limitations by the federal and state jurisdictions for the years ending June 30, 2016 through 2018. The Company does not anticipate any material amount of unrecognized tax benefits within the next 12 months.

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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 \$25,451,770 as of June 30, 2019. The additional US income tax on unremitted foreign earnings, if repatriated, would be offset in part by foreign tax credits. The extent of this offset would depend on many factors, including the method of distribution, and specific earnings distributed. The Company determined that it is not practicable to determine unrecognized deferred tax liability associated with the unremitted earnings attributable to the foreign subsidiaries.

Income from the export of computer software and its related services developed in Pakistan is exempt from tax through June 30, 2025. The aggregate effect of the tax holiday for June 30, 2019 and 2018 is \$2,147,473 and \$2,771,078, respectively. The effect on basic and diluted earnings per share is \$0.19 and \$0.18, respectively, for June 30, 2019 and \$0.25 for June 30, 2018.

NOTE 17 - STOCKHOLDERS' EQUITY

During the years ended June 30, 2019 and 2018, the Company issued 41,482 and 60,536 shares of common stock, respectively, for services rendered by officers of the Company. These shares were valued at the fair market value of \$252,655 and \$376,697, respectively, and recorded as compensation expense in the accompanying consolidated financial statements.

During the years ended June 30, 2019 and 2018, the Company issued 35,723 and 37,212 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 \$201,246 and \$207,783, respectively, and recorded as compensation expense in the accompanying consolidated financial statements.

During the years ended June 30, 2019 and 2018, the Company issued 112,992 and 211,816 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 \$686,109 and \$1,273,965, respectively, and recorded as compensation expense in the accompanying consolidated financial statements.

During the years ended June 30, 2019 and 2018, the Company collected subscription receivable of \$0 and \$76,511, respectively, related to the exercise of stock options in previous years.

During the years ended June 30, 2019 and 2018, the Company received \$85,000 and \$235,800, respectively pursuant to a stock option agreement for the exercise of 13,076 and 60,773 shares of common stock, respectively at \$6.50 and \$3.88 per share, respectively.

During the year ended June 30, 2018, the Company issued 112,747 shares of common stock for the cashless exercise of options pursuant to stock option agreements, and canceled 247,151 options which will be available for re-issuance in the future.

During the years ended June 30, 2019 and 2018, the Company purchased 41,650 and 171,074 shares of its common stock from the open market at an average price of \$6.03 and \$4.39 per share pursuant to the Company's stock buy-back plan.

NOTE 18 - INCENTIVE AND NON-STATUTORY STOCK OPTION PLAN

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

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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 Plan are nontransferable and subject to forfeiture.

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

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

Under the Plans, a participant may also be awarded a "performance award," which means that the participant may receive cash, stock or other awards contingent upon achieving performance goals established by the Board of Directors. The Board of Directors may also make "deferred share" awards, which entitle the participant to receive the Company's stock in the future for services performed between the date of the award and the date the participant may receive the stock. The vesting of deferred share awards may be based on performance criteria and/or continued service with the Company. A participant who is granted a "stock appreciation right" under the Plan has the right to receive all or a percentage of the fair market value of a share of stock on the date of exercise of the stock appreciation right minus the grant price of the stock appreciation right determined by the Board of Directors (but in no event less than the fair market value of the stock on the date of grant). Finally, the Board of Directors may make "restricted stock" awards under the Plans, which are subject to such terms and conditions as the Board of Directors determines and as are set forth in the award agreement related to the restricted stock. As of June 30, 2019, the remaining shares to be granted are 1,000 under 2003 Plan, 7,723 under the 2011 Plan, 249,746 under the 2013 Plan and 296,503 under the 2015 Plan.

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Options and Warrants

A summary of option and warrant activity for the years ended June 30, 2019 and 2018 is presented below:

OPTIONS:

	# of shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregated Intrinsic Value
Outstanding and exercisable, June 30, 2017	475,133	\$ 4.20	1.05	\$ 8,413
Granted	-	\$ 0.00		
Exercised	(420,671)	\$ 3.88		
Expired / Cancelled	(1,000)	\$ 16.00		
Outstanding and exercisable, June 30, 2018	53,462	\$ 6.50	0.61	\$ -
Granted	-	-		
Exercised	(13,076)	\$ 6.50		
Expired / Cancelled	-	-		
Outstanding and exercisable, June 30, 2019	40,386	\$ 6.50	0.61	\$ -

The aggregate intrinsic value at June 30, 2019 represents the difference between the Company's closing stock price of \$5.59 and the exercise price of the options. The aggregate intrinsic value at June 30, 2018 represents the difference between the Company's closing stock price of \$5.55 and the exercise price of the options.

The following table summarizes information about stock options outstanding and exercisable at June 30, 2019.

Exercise Price	Number Outstanding and Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
<u>OPTIONS:</u>			
\$6.50	40,386	0.61	\$ 6.50
Totals	40,386	0.61	\$ 6.50

NETSOL TECHNOLOGIES, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

During the year ended June 30, 2019, the Company extended the life of 40,386 options with an exercise price of \$6.50, for a period of one year. The Company recorded \$43,612 in compensation expense for the extension of these options in the accompanying consolidated financial statements. The fair market value was calculated using the Black-Scholes option pricing model with the following assumptions:

	<u>June 30, 2019</u>
Risk-free interest rate	2.56%
Expected life	1 year
Expected volatility	45%
Expected dividend	0%

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, 2017	420,199	\$ 6.07
Granted	47,513	\$ 5.00
Vested	(309,564)	\$ 6.00
Forfeited / Cancelled	(2,500)	\$ 5.55
Unvested, June 30, 2018	155,648	\$ 6.07
Granted	122,277	\$ 5.71
Vested	(191,450)	\$ 5.99
Forefieted / Cancelled	(4,960)	\$ 6.05
Unvested, June 30, 2019	<u>81,515</u>	<u>\$ 5.88</u>

For the years ended June 30, 2019 and 2018, the Company recorded compensation expense of \$1,131,013 and \$1,861,445, respectively. The compensation expense related to the unvested stock grants as of June 30, 2019 was \$455,505 which will be recognized during the fiscal years 2020 through 2022.

NETSOL TECHNOLOGIES, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

NOTE 19 – CONTINGENCIES

(A) Non-cancellable operating leases

- The Company's headquarters is located in Calabasas California with approximately 5,000 rentable square feet for \$16,828 per month. The term of the lease is for five years and five months and expires April 30, 2023.
- The Australia lease is a three-year lease that expires in June 2021 with a monthly rent of approximately \$4,848.
- The Beijing lease is a three-year lease that expires in August 2019 with a monthly rent of approximately \$33,756.
- The Bangkok lease is a three years lease expiring in May 2020 with a monthly rent of approximately \$10,728.
- The NetSol Europe facilities, located in Horsham, United Kingdom, are leased until June 23, 2021 with a monthly rent of approximately \$17,173.
- VLS facilities, located in Chester, United Kingdom, are leased until July 2026 with a monthly rent of approximately \$3,004.

Upon expiration of the leases, the Company does not anticipate any difficulty in obtaining renewals or alternative space. Rent expense amounted to \$1,941,310 and \$1,722,019 for the years ended June 30, 2019 and 2018, respectively.

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

FYE 6/30/20	\$	744,549
FYE 6/30/21		514,243
FYE 6/30/22		269,375
FYE 6/30/23		197,872
FYE 6/30/24		36,044

(B) Litigation

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

NOTE 20 – RETIREMENT PLANS

The Company and its subsidiaries have varying defined contribution plans based on country specific laws. Employer contributions vary by subsidiary from 0% up to 8% taking the form in some jurisdictions of employee matching contributions and in others direct employer contributions mandated by local law. During the years ended June 30, 2019 and 2018, the Company contributed \$1,072,106 and \$820,476, respectively, to these plans.

NETSOL TECHNOLOGIES, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

NOTE 21 – SEGMENT INFORMATION AND GEOGRAPHIC AREAS

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

The following table presents a summary of identifiable assets as of June 30, 2019 and 2018:

	2019	2018
Identifiable assets:		
Corporate headquarters	\$ 2,947,727	\$ 2,839,049
North America	5,730,928	5,764,042
Europe	8,399,033	7,242,080
Asia - Pacific	70,419,331	83,929,110
Consolidated	<u>\$ 87,497,019</u>	<u>\$ 99,774,281</u>

The following table presents a summary of investment under equity method as of June 30, 2019 and 2018:

	2019	2018
Investment in associates under equity method:		
Corporate headquarters	\$ 686,504	\$ 918,628
Asia - Pacific	1,967,265	2,298,534
Consolidated	<u>\$ 2,653,769</u>	<u>\$ 3,217,162</u>

NETSOL TECHNOLOGIES, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

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

	2019	2018
Revenues from unaffiliated customers:		
North America	\$ 3,947,407	\$ 4,036,626
Europe	8,084,761	6,767,845
Asia - Pacific	54,019,594	43,788,074
	<u>66,051,762</u>	<u>54,592,545</u>
Revenue from affiliated customers		
Europe	1,063,404	2,111,315
Asia - Pacific	704,017	4,226,398
	<u>1,767,421</u>	<u>6,337,713</u>
Consolidated	<u>\$ 67,819,183</u>	<u>\$ 60,930,258</u>
Intercompany revenue		
Europe	\$ 574,517	\$ 545,330
Asia - Pacific	7,511,236	2,729,173
Eliminated	<u>\$ 8,085,753</u>	<u>\$ 3,274,503</u>
Net income (loss) after taxes and before non-controlling interest:		
Corporate headquarters	\$ (2,296,409)	\$ (1,899,110)
North America	(756,510)	(237,708)
Europe	1,473,274	1,059,823
Asia - Pacific	13,597,185	8,226,973
Consolidated	<u>\$ 12,017,540</u>	<u>\$ 7,149,978</u>
Depreciation and amortization:		
North America	\$ 26,275	\$ 43,049
Europe	329,671	249,256
Asia - Pacific	4,067,711	5,281,169
Consolidated	<u>\$ 4,423,657</u>	<u>\$ 5,573,474</u>
Interest expense:		
Corporate headquarters	\$ 14,074	\$ 10,402
North America	-	113
Europe	6,876	15,628
Asia - Pacific	290,848	396,184
Consolidated	<u>\$ 311,798</u>	<u>\$ 422,327</u>
Income tax expense:		
Corporate headquarters	\$ 1,837	\$ -
Europe	320,263	(8,435)
Asia - Pacific	735,684	881,462
Consolidated	<u>\$ 1,057,784</u>	<u>\$ 873,027</u>

NETSOL TECHNOLOGIES, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

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

	2019	2018
Capital expenditures:		
North America	\$ 1,384	\$ 5,184
Europe	502,823	336,908
Asia - Pacific	2,222,351	2,107,357
Consolidated	<u>\$ 2,726,558</u>	<u>\$ 2,449,449</u>

Geographic Information

Disclosed in the table below is geographic information for each country that comprised greater than five percent of total revenues for the years ended June 30, 2019 and 2018.

	2019		2018	
	Revenue	Long-lived Assets	Revenue	Long-lived Assets
China	\$ 31,622,024	\$ 58,058	\$ 18,443,294	\$ 256,156
Thailand	3,304,119	771,992	7,049,581	241,284
USA	2,911,195	5,385,230	2,932,884	5,642,245
UK	9,852,180	4,549,676	12,972,855	4,444,416
Pakistan & India	2,006,934	22,125,464	2,095,734	31,815,109
Australia & New Zealand	5,684,487	14,783	3,553,136	24,175
Mexico	1,036,213	-	1,236,454	-
Indonesia	3,909,304	-	8,294,934	-
South Africa	2,135,027	-	2,279,331	-
Other Countries	5,357,700	-	2,072,055	-
Total	<u>\$ 67,819,183</u>	<u>\$ 32,905,203</u>	<u>\$ 60,930,258</u>	<u>\$ 42,423,385</u>

NETSOL TECHNOLOGIES, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Disclosed in the table below is the reconciliation of revenue by each entity and country disclosed above for the years ended June 30, 2019 and 2018.

Revenues 2019											
	Total	China	Thailand	USA	UK	Pakistan & India	Australia & New Zealand	Mexico	Indonesia	South Africa	Other Countries
North America:	\$ 3,947,408	\$ -	\$ -	\$ 2,911,195	\$ -	\$ -	\$ -	\$ 1,036,213	\$ -	\$ -	\$ -
Europe:	9,148,164	-	-	-	9,148,164	-	-	-	-	-	-
Asia-Pacific:	54,723,611	31,622,024	3,304,119	-	704,016	2,006,934	5,684,487	-	3,909,304	2,135,027	5,357,700
Total	\$ 67,819,183	\$ 31,622,024	\$ 3,304,119	\$ 2,911,195	\$ 9,852,180	\$ 2,006,934	\$ 5,684,487	\$ 1,036,213	\$ 3,909,304	\$ 2,135,027	\$ 5,357,700

Revenues 2018											
	Total	China	Thailand	USA	UK	Pakistan & India	Australia & New Zealand	Mexico	Indonesia	South Africa	Other Countries
North America:	\$ 4,036,626	\$ -	\$ -	\$ 2,800,172	\$ -	\$ -	\$ -	\$ 1,236,454	\$ -	\$ -	\$ -
Europe:	8,879,160	-	-	-	8,879,160	-	-	-	-	-	-
Asia-Pacific:	48,014,472	18,443,294	7,049,581	132,712	4,093,695	2,095,734	3,553,136	-	8,294,934	2,279,331	2,072,055
Total	\$ 60,930,258	\$ 18,443,294	\$ 7,049,581	\$ 2,932,884	\$ 12,972,855	\$ 2,095,734	\$ 3,553,136	\$ 1,236,454	\$ 8,294,934	\$ 2,279,331	\$ 2,072,055

NOTE 22 – NON-CONTROLLING INTEREST IN SUBSIDIARY

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

SUBSIDIARY	Non-Controlling Interest %	Non-Controlling Interest at June 30, 2019
NetSol PK	33.80%	\$ 6,993,491
NetSol-Innovation	49.90%	1,421,528
VLS, VLSH & VLSIL Combined	0.00%	-
NetSol Thai	0.006%	(32)
Total		\$ 8,414,987

SUBSIDIARY	Non-Controlling Interest %	Non-Controlling Interest at June 30, 2018
NetSol PK	33.79%	\$ 11,873,029
NetSol-Innovation	49.90%	1,699,661
VLS, VLHS & VLSIL Combined	49.00%	573,742
NetSol Thai	0.006%	(15)
Total		\$ 14,146,417

NETSOL TECHNOLOGIES, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

NetSol PK

During the years ended June 30, 2019 and 2018, employees of NetSol PK exercised 20,000 and 67,000 options of common stock and NetSol PK received cash of \$2,650 and \$10,349, respectively. During the year ended June 30, 2018, the Company purchased 55,500 shares of common stock of NetSol PK from the open market for \$33,987. Due to the exercise of options, the non-controlling interest increased from 33.79% at June 30, 2018 to 33.80% at June 30, 2019.

During the years ended June 30, 2019 and 2018, NetSol PK paid a cash dividend of \$1,675,936 and \$1,234,991, respectively.

VLS

On June 30, 2019, NTE entered into a share purchase agreement with Investec (“Investec Agreement”) to acquire the remaining 49% from Investec whereby VLS would become a wholly owned subsidiary. The Company purchased the remaining shares in an effort to consolidate minority interests and streamline operations. The purchase price was \$500,000 (\$635,000) with £250,000 being paid on June 30, 2019 and £250,000 (\$317,500) due on December 31, 2019. The purchase price includes a contingency payment based on VLS achieving certain revenues. The maximum amount due under the contingency formula is £230,000 (\$292,100). The Company determined the fair value of the contingency to be £230,000 (\$292,100) at June 30, 2019 which is recorded in “Other Payables”.

NOTE 23 - SUBSEQUENT EVENTS

Convertible Note Receivable – August 2019

The Company entered into an agreement with WRLD3D, whereby the Company was issued a Convertible Promissory Note (the “August 2019 Note”) which was fully executed on August 19, 2019. The maximum principal amount of \$400,000 was paid on September 9, 2019. The August 2019 Note bears interest at 10% per annum and all unpaid interest and principal is due and payable upon request on or after March 31, 2020. The Company has a security interest in all of WRLD3D’s personal property, inventory, equipment, general intangibles, financial assets, investment property, securities, deposit accounts, and the proceeds thereof.

The August 2019 Note is convertible upon the occurrence of the following events:

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

If the Company converts the August 2019 Note upon the occurrence of a financing, then the conversion price will be equal to the product of: (A) the price paid per share for the equity securities by the investors multiplied by (B) a calculated conversion rate which is determined based on the amount of the principal and interest outstanding and the Company’s ownership percentage.

If the Company converts the August 2019 Note either as an optional conversion after the maturity date or due to a change of control, then the conversion price is equal to \$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 August 2019 Note).

Wholly-owned Subsidiaries

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

Majority-owned Subsidiaries

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

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, 2019 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 23, 2019

/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, 2019 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 23, 2019

/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, 2019, 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 23, 2019

/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, 2019, 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 23, 2019

/s/ Roger K. Almond

Roger K. Almond
Chief Financial Officer
Principal Accounting Officer
