

NETSOL TECHNOLOGIES INC  
Form 10-K/A  
January 31, 2011

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K/A

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

or

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

Commission File Number 0-22773  
NETSOL TECHNOLOGIES, INC.

(Name of small business issuer as specified in its charter)

NEVADA	95-4627685
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

23901 Calabasas Road, Suite 2072,  
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, \$.001 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

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

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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 \$24,096,750 based upon the closing price of the stock as reported on NASDAQ Capital Market (\$0.73 per share) on June 30, 2010, the last business day of the registrant’s fiscal year. As of September 6, 2010, there were 40,205,421 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

EXPLANATORY NOTE

This Form 10-K/A amends the Annual Report on Form 10-K of NetSol Technologies, Inc. (the “Company”) for the year ended June 30, 2010 (the “Original Filing”), filed on September 9, 2010, and as amended in a Form 10-K/A filed on September 14, 2010.

Except where indicated in this amendment, this Form 10-K/A continues to describe the Company as of the date of the Original Filing, and does not update disclosures to reflect events that occurred after the date of the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing and with our other filings made with the Securities and Exchange Commission subsequent to the filing of the Original Filing, including any amendments to those filings.

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## PART I

This Form 10 contains forward looking statements 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.

### ITEM 1 - BUSINESS

#### GENERAL

NetSol Technologies, Inc. ("NetSol" or the "Company") (NasdaqCM: NTWK) (NasdaqDubai: NTWK) is a worldwide provider of IT solutions to the global financing and leasing industry, with world class enterprise software and services. As a CMMI level 5 company, a distinction shared by few companies worldwide, NetSol uses its BestShoring® practices and highly-experienced resources in analysis, development, quality assurance, and implementation to deliver high-quality, cost-effective solutions. The Company is organized into two main revenue areas, consisting of its enterprise solutions (NetSol Financial Solutions "NFS™") for the global financing and leasing industry and its portfolio of IT based global business services ("GBS"). NetSol's GBS offerings include portfolio management systems for the financial services industry and, consulting, custom development, systems integration, and technical services for the global healthcare, insurance, real estate and technology markets. NetSol's commitment to quality is demonstrated by its achievement of the ISO 9001, ISO 279001, and SEI (Software Engineering Institute, Carnegie Mellon University, USA) CMMI (Capability Maturity Model) Level 5 assessments, a distinction shared by fewer than 100 companies worldwide. NetSol's clients include Fortune 500 manufacturers, global automakers, financial institutions, technology providers, and governmental agencies.

Founded in 1996, NetSol is headquartered in Calabasas, California. NetSol also has operations and/or offices in: Horsham, United Kingdom; Alameda, California, USA; Beijing, China; Lahore, Islamabad and Karachi, Pakistan; Adelaide, Australia; and Bangkok, Thailand.

#### OUR BUSINESS

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

NetSol combines domain expertise, not only with lowest cost blended rates from its design centers and campuses located around the world, but also with the guarantee of localized program and project management while minimizing any implementation risk associated with a single service center. Our BestShoring® approach, which we consider a unique and cost effective global development model, is leading the way, providing value added solutions for Global Business Services™ through a win-win partnership, rather than the traditional outsourced vendor framework. Our focus on "Solutions" serves to ensure the most favorable pricing while delivering in-depth domain experience. NetSol

currently has locations in Bangkok, Beijing, Lahore, London, the San Francisco Bay Area, and Adelaide to best serve its clients and partners worldwide. This provides NetSol customers with the optimum balance of subject matter expertise, in-depth domain experience, and cost effective labor, all merged into a scalable solution. In this way, “BestShoring® delivers BestSolution™”.

Information technology services are valuable only if they fulfill the business strategy and project objectives set forth by the customer. NetSol’s expert consultants have the technical knowledge and business experience to ensure the optimization of the development process in alignment with basic business principles. The Company offers a broad array of professional services to clients in the global commercial markets and specializes in the application of advanced and complex IT enterprise solutions to achieve its customers' strategic objectives. Its service offerings include IT Consulting & Services; NetSol Defense Division; Business Intelligence, Information Security, Independent System Review, Outsourcing Services and Software Process Improvement Consulting; maintenance and support of existing systems; and, project management.

In addition to services, our product offerings are fashioned to provide a Best Product for Best Solution model. Our offerings include our flagship global solution, NetSol Financial Suite (NFS™). NFS™, a robust suite of five software applications, is an end-to-end solution for the lease and finance industry covering the complete leasing and finance cycle starting from quotation origination through end of contract. The five software applications under NFS™ have been designed and developed for a highly flexible setting and are capable of dealing with multinational, multi-company, multi-asset, multi-lingual, multi-distributor and multi-manufacturer environments. Each application is a complete system in itself and can be used independently to address specific sub-domains of the leasing/financing cycle. NFS™ is a result of more than eight years of effort resulting in over 60 modules grouped in five comprehensive applications. These five applications are complete systems in themselves and can be used independently to exhaustively address specific sub-domains of the leasing/financing cycle. When used together, they fully automate the entire leasing / financing cycle.

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

Our product offerings and services also include: LeaseSoft Portals and Modules through our European operations; LeasePak 6.0b of our NFS™ product suite; enterprise wide information systems, such as or LRMIS, MTMIS and Hospital Management Systems; Accounting Outsourcing Services, and, NetSol Technology Institute, our specialized career and technology program in Pakistan.

To further bolster NetSol's Solutions capabilities, in October 2008, NetSol acquired Ciena Solutions, a preferred SAP and Business Objects integration firm. The Ciena Solutions practice is now integrated into our wholly owned subsidiary, NetSol Technologies North America, Inc. This acquisition expanded NetSol's domain and subject matter expertise to include integration and consulting services for:

- SAP R/3 System deployments
- NetWeaver
- Exchange Infrastructure Portals
- MySAP Business Suite
- Supplier Relationship Management Module
- Client Relationship Management Module
- SAP/Business Objects Products and related Services

In addition to this expansion of SAP-centric integration consulting and services, this practice has developed proprietary intellectual property in the form of designs and source code focused on enhancing SAP-centric procurement activities.

The introduction of a major new product, smartOCI™, has emerged from this integration. smartOCI™ is a new search engine technology developed by NetSol which provides corporate buyers and shoppers a simple and intuitive user interface to search multiple supplier catalogs simultaneously within the SAP SRM application. The launch of smartOCI™ at the SAP SAPPHIRE Conference in Orlando, Florida, targeting approximately 1,000 SAP SRM platform customers has the strengthened NetSol's presence in the global SAP Services market.

The Company continues its efforts to reduce redundancy and cohesively present services and product operations on a global basis. This consolidation enables the Company to coordinate and streamline product, service and marketing while taking further advantage of the cost arbitrage offered by our highly trained, highly productive, Pakistani resources. This consolidation follows the successful integration of the operations acquired in the United Kingdom and the San Francisco Bay Area in California and facilitates the use of these regional offices as platforms for presenting an expanding services offering, relying on the experience and resources in Pakistan and our product offerings in North America and Europe.

While the Company follows a global strategy for sales and delivery of its portfolio of solutions and services, it continues to maintain regional offices in the San Francisco Bay area, California for North America and the parent headquarters in Calabasas, California; Horsham, United Kingdom, for Europe; and, our “center of excellence” operation in Lahore, Pakistan for Asia Pacific. The Company continues to maintain services or products and specific sales offices in Australia, China, Thailand and Pakistan and in any other country on an as needed basis.

## Our Services

### Global Business Services

Information technology services are valuable only if they fulfill the business strategy and project objectives set forth by the customer. NetSol’s expert consultants have the technical knowledge and business experience to ensure the optimization of the development process in alignment with basic business principles. The Company’s Global Business Services (GBS)<sup>™</sup> offers a broad array of professional services to clients in the global commercial markets and specializes in the application of advanced and complex IT enterprise solutions to achieve its customers' strategic objectives. GBS<sup>™</sup> includes IT Consulting & Services; NetSol Defense Division; Business Intelligence, Independent System Review (ISR); Information Security, Outsourcing Services and Software Process Improvement Consulting; maintenance and support of existing systems; and project management.

As part of the Company’s GBS<sup>™</sup> strategy, each subsidiary adheres to the BestShoring® provides BestSolutions<sup>™</sup> model. Each subsidiary expounds on that model by providing services unique to their client base. The development of solutions for clients has resulted in the development of vertical offerings catering to various industries and accordingly, diversifying NetSol’s offerings. As an example, these verticals have been used successfully in Pakistan to provide services for the Motor Transport Management System, Land Record Management System, Legislature, Healthcare, computer based trainings/e-Learning, E Government and Defense.

Business Intelligence (BI) solution providers must have both the capability to service BI customers using its own resources but also service the customers’ international affiliates. Typical BI projects run into several years of phased implementation and rely on expensive international resources with a very restricted and limited accessibility. As such, management believes, NetSol’s competitors compromise on quality by turning BI projects into IT projects, which is a recipe for failure. Our strategy is simple; we identify the business needs of our potential customer and involve our industry domain experts directly with business managers at the client side. This results in ownership of the project with the business group rather than the IT group which is involved in the overall initiative only from a support and facilitation standpoint.

Independent System Review (ISR) is a key emerging service area for NetSol. In delivering high quality independent review of software systems running, or under deployment, at client sites, NetSol leverages its rich quality assurance experience in customization and implementation, as well as application development in finance and other domains. It employs a range of automated quality assurance tools in providing independent assurance to customers regarding the reliability and performance of their new software systems. The actual testing may be performed both onsite and offsite for the clients.

An ever growing awareness of highly publicized IT Security problems, coupled with greater demands by international business partners, has led the movement of companies world-wide towards compliance with internationally recognized Information Security Systems standards. Information Systems Security or Information Assurance applies to all systems in all departments of an organization whether on a computer disk, paper or in the heads of employees. Information Security services is provided by NetSol’s INFOSEC Unit. This unit provides services to secure all corporate information and its supporting processes, systems and networks. NetSol’s Information Security Services is a group of vendor-neutral, dedicated security consultants with real-life field experience. The INFOSEC

group utilizes industry standard security best practices coupled with best-of-breed products to deliver proven and robust Information Security Management Systems (ISMS). INFOSEC services include: managed security services; BS-7799/ISO 27001 Consultancy, Information Security Assessment, Penetration Testing and Vulnerability Assessment; Disaster Recovery Planning; and, Secure Network Design. The INFOSEC group has launched a new project, Secure Pakistan. The project aims to secure critical information, while in storage or in transfer, from theft. Secure Pakistan is developing IT service labs for forensic investigation, CERT (Computer Emergency Response Team), 24/7 security surveillance, and cyber crime awareness training. INFOSEC is partnered with global giants including IBM Internet Security Systems and Kaspersky Labs. The Company hopes to extend its INFOSEC offerings to the Middle East through its Atheeb NetSol joint venture in Saudi Arabia.

Software Process Improvement Consulting is provided by NetSol to companies in Pakistan through an independent division. The division provides quality engineering and related consulting services to technology companies. The services include: consultancy, facilitation services and implementation support for CMMI appraisal, all of these activities are broadly developed under the guidelines of SEI based CMMI processes as well as the information security consulting practices. Currently, NetSol is amongst the few companies authorized by Pakistan Software Export Board (PSEB) for CMMI and BS7799/ISO 27001 consulting practices in Pakistan.

Our most successful outsourcing model has been our joint venture with Innovation Group plc (previously referred to as “TiG”), known as NetSol Innovation Pvt. Ltd (“NetSol-Innovation). The Extended Innovation model is discussed on page 13 of this report. We are parlaying the success of NETSOL-INNOVATION into our new joint venture with Atheeb Group for the Middle Eastern market. The Atheeb joint venture is discussed on page 13.

The NetSol Defense Division (NDD) was founded in 2005 to take advantage of its coordination with the Pakistani Defense Sector. NDD specializes in providing solutions for improvement and optimization of operations of the defense and military forces. With a unique blend of experienced and highly skilled IT specialists and managers, and most importantly the domain experts from the Defense Sector itself, NDD has the critical task of ensuring that the solutions provided are focused and need-specific to the requirements, as well as the technological advancements, in the sector around the globe. Operating through the NDD R&D Lab, which is strategically located in Rawalpindi, for closer coordination with various defense organizations stakeholders and to establish an operations center and simulation lab, NDD is involved in R&D activities, as well as project management for various on-going and potential projects.

## Our Products

### NetSol Financial Suite™

The Company develops advanced software systems for the lease and finance industries. In addition to services, our product offerings are fashioned to provide a Best Product for Best Solution™ model. Our offerings include our flagship global solution, NetSol Financial Suite (“NFS”)™, a robust suite of five software applications, is an end-to-end solution for the lease and finance industry covering the complete leasing and finance cycle starting from quotation origination through end of contract. The Company’s over eight years of effort resulted in over 60 modules grouped in five comprehensive applications. The five software applications under NFS™ have been designed and developed for a highly flexible setting and are capable of dealing with multinational, multi-company, multi-asset, multi-lingual, multi-distributor and multi-manufacturer environments. Each application is a complete system in itself and can be used independently to address specific sub-domains of the leasing/financing cycle. When used together, they fully automate the entire leasing / financing cycle.

The constituent software applications are:

- 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 built-in loan calculation. POS includes a proposal module which gathers all the required information from the customer in order to create finance or leasing contracts. POS boasts a document management module which manages all the documents required in making the contract, such as bank statements and identity information. POS incorporates a workflow engine that ensures smooth transition of tasks and streamlines the processes. POS can work as an independent web-based system for all types of financial institutions including, but not limited to banks and finance companies.
- Credit Application Processing System (CAP). CAP provides companies in the financial sector an environment to handle the incoming credit applications from dealers, agents, brokers and the direct sales force. LeaseSoft.CAP

automatically gathers information from different interfaces like credit rating agencies, evaluation guides, and contract management systems and scores the applications against defined scorecards. This automated workflow permits the credit team members to make their decisions more quickly and accurately. Implementation of CAP dramatically reduces application-processing time in turn resulting in greater revenue through higher number of applications finalized in a given time. CAP reduces the probability of a wrong decision thus, again, providing a concrete business value through minimizing the bad debt portfolio. CAP is a database independent online system developed in Microsoft's .Net framework. Toyota Leasing Thailand and BMW Financial Services China are the first two clients of CAP. It can be run from any PC 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 company 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. Developed with the input of a number of leasing consultants, this product represents a complete lease and finance product. NetSol's CMS provides business functionality for all areas that are required to run an effective, efficient and customer oriented lease and finance business.

- 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. A separate online add-on module, Dealer & Auditor Access System (DAS), allows dealers to view their outstanding limits and current asset-wise balances through an interface with the finance company. WFS consists of the following four modules: Credit Request Management Module (CRM); Loan Management Module (LMS); Stock Auditing Module (SAS); and Billing & Settlement Module (B&S).
- Fleet Management System (FMS). FMS is designed to efficiently handle all fleet management needs. FMS is easily integrated with CMS and WFS as well as with any third party contract management system to ensure a single comprehensive system. FMS' key features include: a detailed tracking information on every driver and vehicle; customizable reports; periodic reporting on fleet related aspects; internet based access to information; integration with third party software; and, linkage to GPS for real time tracking.

### Implementation Process

The implementation process normally spans three to six months. NetSol derives its income both from selling the license to use the products, as well as from related software services. The related services include requirement study/gap analysis, customization on the basis of gaps development, testing, configuration, installation at the client site, data migration, training, user acceptance testing, supporting initial live operations and, finally, the long term maintenance of the system. Any changes or enhancement done is also charged to the customer. In the requirements study/gaps analysis, the NetSol team goes to the client site to study the client's business and functional requirements and maps them against the existing functionality available in NFS™. With the maturing of our products, free requirement studies tend to yield few, if any gaps. The development cycle that follows the gaps analysis takes place through our development facility in Lahore. The highly parameterized NFS™ solutions are configured to meet the clients' requirements. This is followed by thorough testing, which takes place at our development facility, although some of these steps may also be carried out at the clients' locations. Based on successful testing, the system is installed at the client's site. When required, this involves migration of data from an older system to the NFS™ database. Successful installation is followed by user and administration training. Both functional and business users are involved. After training, user acceptance testing is conducted, where client's nominated staff, along with NetSol consultants, tests the system against business requirements. Upon acceptance, the system is then considered ready for normal business use. NFS™ provides mission critical software solutions, and the entire business operations of our clients hinge on successful performance of the system. Hence in the early days after going live, NetSol consultants remain at the client site to assist the company in smooth operations. After this phase, the regular maintenance and support services phase for the implemented software begins. In addition to the daily rate paid by the customer for each consultant, the customer also pays for all the transportation related expenses, boarding of the consultants, and a living allowance. NetSol's involvement in all of the above steps is priced to bring value to our customers and increase our profitability from our interactions.

### Pricing and Revenue Streams

The company's NFS™ revenue streams occur through the following three main areas: product licensing, implementation related services, and maintenance and support related services. License fees can vary generally between \$500,000 to up to \$1,000,000 per license per module. 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; number of business users; and branch network of the customer. The Company recognizes revenue from license contracts without major customization when a non-cancelable, non-contingent license agreement has been signed, delivery of the software has occurred, the fee is fixed or determinable, and collectability is probable. However, revenue from sale of licenses with

major customization, modification, and development is recognized on a percent of completion basis. Implementation related services, including gap analysis, user acceptance testing (UAT) and data migration (where required) are recognized in accordance with the percentage of completion method. Maintenance and support related services are then provided on a continued basis. Revenue from software services includes fixed price contracts and is recognized in accordance with the percentage of completion method using the output measure of "Unit of Work Completed." The annual maintenance fee, which usually is an agreed upon percentage of overall monetary value of the implementation, then becomes an ongoing revenue stream realized on yearly basis.

## Growth Prospects for NFS™

As a marketing strategy, NetSol is developing lighter solutions with NFS™ to target companies with simpler business models. NFS™ is highly modular. Hence various sets of functionalities can be used against the restricted requirements of the client. NetSol has also provided the option of using NFS™ on subscription and pay per use bases to those organizations that are small in size or have small turnover.

An important component of the growth strategy for NFS™ is to extend its customer base to include newer geographic markets. Al Amthal Leasing provided an excellent entry into the Middle East market. The Company is planning to build on this step in a major way through its Saudi Arabia joint venture, Atheeb NetSol Ltd. After the completion of the entity formation in May 2010, the newly appointed management of the joint venture have started to market the business offerings in the Kingdom of Saudi Arabia (“KSA”). The company has a first year strategy to focus on NFS™ global customers that have a presence in, or are based in, KSA. This is a young market for leasing and financing market and NetSol is potentially the only IT company with expertise in this space.

In its existing markets, NFS™ is already establishing itself as a leading product catering to the business needs of major blue chip companies. Its current client base includes Mercedes Benz Financial Services (Australia, Japan, New Zealand, Singapore, South Korea, Thailand, China and Taiwan), Yamaha Motors Finance Australia, Toyota Motors Finance China, Toyota Leasing Thailand, Finlease Commercial Bank of Mauritius, CNH Capital Australia, Fiat Automotive Finance China, Dongfeng Nissan Auto Finance China, Nissan Financial Services Australia, BMW Financial Services in China, Volvo Automotive Finance China, EFG Euro Bank Greece and Al Amthal Leasing Saudi Arabia and Minsheng Bank Corp China.

In addition to the confidence of its customers, the product has also won a major regional award, the Asia Pacific ICT Alliance Award for the best financial application for the year 2007. This prestigious award is testimony to the maturity and quality of NFS™.

## Our Operations

### Asia Pacific

#### NETSOL PK

Our off-shore development center, and indeed the center of the Company’s services and software operations, is headed by Salim Ghauri, Director, former President of NetSol and current Chief Executive Officer of NetSol Technologies Limited (“NetSol PK”) (the Company’s Pakistan subsidiary). The Asian continent, Australia/New Zealand, and the Middle East, from the perspective of NFS™ marketing, are targeted by NetSol Technologies from its Lahore subsidiary, its offices in Thailand and Beijing, China. NetSol PK has continued to grow its service contracts within the local Pakistani public and defense sectors. An important aspect of these contracts is that not all of them focus solely on software development and engineering.

This year, NetSol PK has continued to provide both consultancy services to organizations so as to improve their quality of operations and services and, winning strategically important assignments with the E-Governance domains for organizations of national significance in Pakistan. Its clients include private as well as public sector enterprises.

### Global Business Services

As part of the Company’s Global Business Services™ strategy, each subsidiary adheres to the BestShoring® provides BestSolutions™ model. While NetSol PK is the center of the Company’s global services offerings, the services provided

by NetSol PK further expound on that model and other services unique to NetSol PK. IT Consulting & Services in Pakistan has included a first entrant advantage into the e-government sector for both provincial and federal governments and armed forces automation projects. Over the past four years, NetSol PK has been actively involved in the e-government domain helping federal and provincial governments of Pakistan and other public sector organizations. Major projects include: Electronic Credit Information Bureau; Office Automation of the National Assembly & Senate and Prime Minister's Secretariat; such turn-key solutions as the Automation of the Hajj wing, and, Automation of the Karachi Patent Office. The development of solutions for clients has resulted in the development of vertical offerings catering to various industries and accordingly, diversifying NetSol's offerings. These verticals have been used successfully in Pakistan to provide services for the Motor Transport Management System, Land Record Management System, Legislature, Healthcare, computer based trainings/e-Learning, E Government and Defense.

## Products

In addition to NFS™, which has a global reach, NetSol PK has developed several products for use in Pakistan for the purpose of automating the country's vital processes. While developed for this particular market, the products may be used in other countries or for other customers.

### LRMIS

In an agricultural country like Pakistan, land is the primary source of revenue. Land records are currently maintained manually so there is no consistency, accuracy and timely availability of the required record. According to a joint report by National Database and Registration Authority (NADRA), Pakistan and World Food Program (WFP), Pakistan, this existing land revenue management system is more than two hundred years old and is not fulfilling the changing demands of time and new local governance system of devolution properly.

A well planned solution requires easy identification, access, smooth data entry and complete tracking of the entered transactions. With the growth and usage of "e" in contemporary business practices, new challenges have emerged in managing secure access to the authentic data and e-resources, which are scattered across a wide range of internal and external computing systems. This challenge needs quick address in today's competitive economic scenario wherein intellectual and knowledge capital directly translates into exponential growth for the country.

NetSol's LRMIS is a thin, client web based solution and developed after thorough evaluations of existing manual system and client/user needs, detailed system analysis and process flow definition. It ensures that only authentic employees and individuals can access the application on the privileged areas assigned by the administrator over the internet/Intranet. NetSol has obtained the pilot project for LRMIS, a World Bank funded initiative. NetSol PK has been actively pursuing new projects in various provinces through public tendering process and will report when they become material.

NetSol understands the power of information and complexity of land record system and the user/client needs. For this purpose, NetSol provides its LRMIS by combining technical, operational and domain expertise with proven approaches of analysis, plan, design and implementation to provide an effective solution using IT-enablement in a field where its need its hugely felt.

### MTMIS

A few years ago, NetSol PK took the initiative to invest into the Motor Transport domain ("MTMIS"\_. Starting with a small implementation, today NetSol has multiple implementations in several parts of the country with ample opportunities available in the future. MTMIS is a customized application envisioned and developed wholly by NetSol as an end-to-end solution of citizens' vehicles security and information management. Project implementations include the Provinces of Punjab, AJK and NWFP alongside Islamabad Capital Territory. Future opportunities exist in Baluchistan and Sindh for this solution. The system has provision for onsite access to the traffic police records via PDAs and smart cards, onsite verification of any vehicle's environmental friendly status and road side authorization of driver licenses.

It is significant to note that while in developed countries the elements of the system lie in "islands of data" under various authorities and geographical domains and have been linked together to create the central data warehouse; the NetSol solution is the first concept and proven practical solution for the emerging and developing countries. It enables an approach, which seeks to introduce and implement the different elements or modules as an integrated and total solution, in which modules have been clearly designed to work independently but enmesh and provide the complete management and administration environment.

HOSPITAL MANAGEMENT INFORMATION SYSTEM.

The global healthcare industry is growing at a fast rate and is one of the areas that have the most urgent need of automation. NetSol understands this need and has developed a strategic collaboration with Shaukat Khanum Memorial Cancer Hospital & Research Center, Lahore as part of a long term commitment for IT development in the global Health Sector.

Our system is designed to provide the capability to overlay, analyze, design and reengineer the core of the healthcare processes with a business process management (BPM) suite, encompassing the rules and responsibilities in a manner which facilitates change, new rules, process variations, and scale of deployment, best summarize our combined approach.

NetSol regularly works to fulfill its role as a technology partner of the Shaukat Khanum Memorial Cancer Hospital & Research Centre for a solution that will act as an automated, secure and integrated solution for any hospitals' clinical, financial and management needs. First implementation is currently underway for a hospital for the armed forces. NetSol's system includes a clinical module (including outpatient and inpatient management, physician and order management, pharmacy management, radiology, nuclear medicine, pathology and operation theater management); an administrative module; a financial module; and, a research module.

### Corporate Social Responsibility

NetSol believes it should give back to the community and employees as much as possible. Therefore, approximately six programs have been established either in Pakistan or on a global basis to achieve this goal.

**Pakistan Flood Relief.** - - The devastation and long lasting effects of the recent Monsoon floods in Pakistan, the worse in 80 years, has resulted in the establishment of a fund raising effort both in Pakistan and by our employees worldwide. The program permits our employees to pledge up to 2% of their salary, through direct salary deduction each month, to relief efforts. NetSol has committed to matching these contributions up to the percentages stated and to commit all funds to relief and rescue agencies operating in affected areas. Most of the NetSol PK employees have signed up for this program. Senior company executives have committed as much as 10% of their salaries to this cause. Employees in countries which provide tax benefits for charitable contributions also have the opportunity to donate through recognized tax-exempt relief agencies with company matching contributions.

**Literacy Program--**NetSol has launched a "Literacy Program" to educate low paid illiterate employees of the organization. The main objective of this program is to enable these resources to acquire basic reading, writing and arithmetic skills. The first phase of the plan is nearing completion with astounding accomplishments; the people who could not even write a single word are now able to write complete letters within a span of 6 months. This initiative has been extremely successful and NetSol intends to further support this program.

**Noble Cause Fund--**A noble cause fund has been established to meet medical and education expenses of the children of the 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 amount contribution. A portion of this fund is 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. Recently, a Child Day Care facility has been created in close proximity to the work premises equipped with the necessary essential staff and equipment. Married female employees are offered the opportunity to entrust complete care of their young ones to a trained and experienced staff. Child day care allows female employees to pay unhindered focused attention to work requirements while their child remains safe and comfortable. The premises and environment are neat and clean with all basic needs fulfilled to ensure complete care of the children.

**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 Hepatitis – A/B, Tetanus, Typhoid and Flu, etc. This is a regular annual immunization program to keep employees healthy.

NetSol Corporate University-- NetSol Corporate University (“NCU”) was established for developing human resources at NetSol. A need was felt to further develop and retain the talent at hand through strategic learning interventions to respond to growing competition and challenges.

The mission of NCU is:

- § To discover, develop, and deploy the talent at NetSol
- § To nurture leadership in people and processes
- § To explore and develop capable backups for positions critical to organizational continuity

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#### NetSol office in Beijing, China

As part of our growth strategy and in view of the desire to better serve our markets, NetSol established a sales office in Beijing, China. This office is both a sales and marketing location and a liaison office for the Company's ongoing operations and implementation services for Daimler Financial Services, BMW and other clients in the country. The office is managed by NetSol PK. While western markets have suffered tremendously due to the severe recession, the Chinese markets have held up. Due to the growing demand for NetSol's NFS™ offering in China, we have hired local Chinese staff in addition to the Pakistani staff to support the demand surge.

#### NetSol Bangkok, Thailand

To further strengthen our presence in the Asia-Pacific market, and to provide exclusive services to our clients, the Company recently formed an Amity Treaty Company in Thailand with an office in Bangkok. This support office's core responsibilities are to enhance business through targeting potential customers and providing technical support to the Company's existing clients in Thailand.

#### The Americas

##### NETSOL TECHNOLOGIES NORTH AMERICA, INC.

The operational assets of NetSol Technologies North America, Inc. ("NTNA") were initially integrated into the Company in 2006 as a result of the acquisition of McCue Systems, Inc. The division has been restructured and reorganized both at the management and business levels with several new senior sales and marketing personnel replacing less senior personnel in the third and fourth quarters of 2009. The US subsidiary is headed by Mr. Imran Haider, COO. He has been with NetSol for over 8 years with an internationally proven track record in sales, marketing, and project and client relations management. Mr. Haider is a domain expert in NetSol core business offerings. NTNA is a very significant component of the global NetSol Group. In the wake of the recent recession, we embarked on strategic restructuring of NTNA. The successful concept of global delivery capabilities was implemented in NTNA to best leverage NetSol's BestShoring®. This integration coupled with the optimum utilization of technical teams in NTNA and globally, makes us better equipped to provide best results to our clients worldwide with improved gross margins.

The NTNA sales and marketing efforts have been combined with the global sales group. This approach has brought new dimension and business visibility to the entire sales and marketing organization. This further strengthens the cross selling and global resource mobilization to better serve our customers anywhere in the world.

NTNA provides client requirement-based solutions across multiple technology practices, in both the public and private sectors, with the largest practice being the leasing technology vertical. NTNA offers development of Web-enabled and Web-based tools to deliver superior customer service, reduce operating costs, streamline the lease management lifecycle, and support collaboration with origination channel and asset partners. NTNA's product, LeasePak, can be configured to run on HP-UX, SUN/Solaris or Linux, as well as for Oracle and Sybase users. For scalability, NTNA offers LeasePak Editions for systems and portfolios of virtually all sizes and complexities. These solutions provide the equipment and vehicle leasing infrastructure at leading Fortune 500 banks and manufacturers, as well as for some of the industry's leading independent lessors. NetSol customers include such companies as Nissan Motor Acceptance Corporation, Nissan Renault Finance Mexico, Hyundai Capital of America, JP Morgan/Chase Equipment Finance, Key Equipment Finance Group, City National Bank, Terex Financial Services, Provident National Corporation., IBM Global Finance, Cisco System Capital, Marshall & Ilsley Equipment Finance Company, Bank of Tokyo-Mitsubishi & UFJ Group, Baxter Health Care, Bank Of Hawaiian, Gordon Flesch Company, First Hawaiian Bank, Ford Motor Credit, Yamaha Motor Corporation, JK Capital and Volkswagen Credit.

## Global Business Services

NTNA has released a full suite of Global Business Services™ outsourcing services and customized development solutions, initially focused on the North American equipment finance technology market. The services offering leverage 30 plus years of equipment leasing and lending experience. While the division has long offered NTNA customers a range of business process engineering services, the new offering package expands the menu of available services to meet market needs. Offered services include customized application development, a full range of Quality Assurance (QA) services, customized strategic report design, and business intelligence tool development. Leveraging well-established relationships with users of the division's flagship application, the Global Business Services™ team will market to these existing customers, then to adjacent groups within customer organizations, eventually building out to a full, industry-wide sales and marketing strategy.

In leveraging the Company's global footprint, blue chip customer base and BestShoring® initiatives, we believe NTNA provides an integrated North American presence to our global offering of software and services based solutions to the lease and finance industry. Not only does this provide a U.S. base of operations and footprint for NetSol, but makes NetSol the only company focusing on the commercial and consumer lease/finance marketplace with actual live implementations within nearly every region of the globe, including, U.S., Canada, Europe, Asia-Pacific and the Far East.

To further bolster NetSol's Solutions capabilities, in October 2008, NetSol acquired Ciena Solutions, a preferred SAP and Business Objects integration firm. The Ciena Solutions practice is now integrated into our wholly owned subsidiary, NetSol Technologies North America, Inc. This acquisition expanded NetSol's domain and subject matter expertise to include integration and consulting services for:

- SAP R/3 System deployments
- NetWeaver
- Exchange Infrastructure Portals
- MySAP Business Suite
- Supplier Relationship Management Module
- Client Relationship Management Module
- SAP/Business Objects Products and related Services

In addition to this expansion of SAP-centric integration consulting and Services, this practice has developed proprietary intellectual property in the form of designs and source code focused on enhancing SAP-centric procurement activities.

#### smartOCI™

The introduction of a major new product, smartOCI™, has emerged from this SAP integration. smartOCI™ is a new search engine technology developed by NetSol which provides corporate buyers and shoppers a simple and intuitive user interface to search multiple supplier catalogs simultaneously within the SAP SRM application. The launch of smartOCI™ at the SAP SAPHIRE Conference in Orlando, Florida, targeted approximately 1,000 SAP SRM platform customers, strengthening NetSol's presence in the global markets for SAP Services.

#### NFS™ - LeasePak

As part of NetSol's Financial Suite (NFS)™ of products, NTNA has and continues to develop the LeasePak Productivity modules as an additional companion set of products to operate in conjunction with the LeasePak licensed software. LeasePak handles every aspect of the lease or loan lifecycle, origination, booking, payments, customer service, collections, midterm adjustments, and end-of-term options. LeasePak provides tracking modules to manage critical stages of the lifecycle, allowing users to process work using fully customizable queues. LeasePak includes an extensive collection of reports including origination and portfolio management; transaction, general ledger, and detail balance accounting; property, sales, and use tax; and asset financial management. This toolset enables the LeasePak user to leverage the power of the system to streamline originations, integrate the dealer/vendor network, automate documentation, enhance customer service, manage risk, and control infrastructure overhead.

In early 2010, LeasePak 6.2A was released for general availability and has gone into production. LeasePak has a toolkit of application interfaces to streamline the integration of the LeasePak lease portfolio management system with best-of-breed, third-party tools and enterprise applications. Designed to work with web services as well as with the client-server architecture, Link IT streamlines application integration and reduces version-maintenance overhead. The integrated document generation for LeasePak Doc IT auto-generates the letters and documents required to book and finalize a deal. Using customer private-label graphics and customer existing document formatting, LeasePak generates

letters and documents, delivers them, and archives them for instant access throughout the life of the contract, asset, and customer relationship. LeasePak's mPower module is a gateway that enables brokers, dealers, vendors and remote salespeople to utilize LeasePak's origination functionality via the web. mPower users can have web access to LeasePak functions, via specially designed screens.

With the release of LeasePak 6.2A, users have new options for navigation and reporting. New capabilities have been incorporated into the product: Business Development Module which streamlines the exchange of aggregated finance contract portfolios between LeasePak users; Commercial Lending Module which adds core functionality for the management of commercial loans; and, Asset Focus Module which provides new options for users to enhance asset accounting and reporting options.

New Functionality in LeasePak 6.2A can be categorized into 3 groups:

Enhancement Base System: LaunchPad for LeasePak, Customizable Lease/Lessee Summary Screen, LeasePak Password Security Enhancements, Tax Rate Override Enhancement, Historical General Ledger Names/Numbers, Asset Cost Recalculation, Increased Number of General Ledger Accounts, Remaining Payments Count, Prepayment of Suspended and Matured Leases, Multi-Asset Maintenance & Redesign Enhancement, Redesign UCC portion of U0230, Multi- Lease Insurance Maintenance, Leases accrual reversals utility, LP Utility to Generate Lease Level Forecasting Report, Lease Accrual Utility.

Enhancement - Modules: Interest Bearing Loan Module, Batch Application Module, Vertex Subscribers, Commercial Loan Module, Sales Tax on Assessments, Workflow Tracking Modules, Collections Module, Workflow Tracking Modules, Cost Per Use Module, Enhanced Payments, Batch Payments, Off Lease Billing Module, Base System, Electronic A/R (PAP/ACH), Recurring Charge Payment Schedule Module, Batch Assessments.

New Modules: Asset Focus Module, Client Based Billing, Unused Funds Fee, Like Kind Exchange and Relationship Tree.

NFS™ - Wholesale Finance System (WFS)

NFS™ - WFS - DAS is an excellent software solution for finance companies and dealer bodies to manage Floorplan Financing. This software has been doing very well in the Asia Pacific region and as a matter of fact is the market leader in the Floorplan financing space in People's Republic of China. In 2009-2010, NetSol successfully launched NFS-WFS software in North America. Its first implementation went live at Nissan Renault Finance Mexico in November 2009. The solution is successfully running the business of the organization. As part of the project, and after being put in production, NetSol also enhanced the software in many areas to address North American requirements. With the first NFS-WFS site up and successfully running, NetSol will be eagerly marketing and selling this new offering in North and South America.

NFS™ - WFS - WholeSale Finance System can be broken down into four modules.

Credit Request Management: The CRM module allows defining of credit limits for different asset categories for each dealer. CRM also allows monitoring the variation in credit limits. Loans are approved within the defined credit limits. These limits can be revised as per the change in requirements.

Loan Management System: LMS starts from capturing new stock (Asset) information and ends at the sale of a particular asset. Loan approval, payment to supplier, sale of the unit, discounts on dealer margins, tax, repayment, adjustment and cancellation are all a part of the LMS module.

Billing & Settlement: The billing process covers the processing of various types of invoices, such as daily invoices, monthly invoices and on demand billing. The settlement process provides the flexibility to settle receipt selectively or automatically. Accounts receivable is also managed through this module.

Stock Audit Scheduling: This module helps to maintain an up-to-date status of units on any given dealers floor plan. Auditors are provided the latest stock list through the system and are required to check each stock physically. SAS facilities exporting dealer stock list to MS excel and also uploading audit results to the system.

NFS™ - DAS - Dealer & Auditor Management System. DAS is a web based which can be used in conjunction with WFS or any third party wholesale finance system. The system can be broken down by the type of user accessing the system.

**Dealer Access:** The dealer access category allows dealers to perform a number of tasks including, viewing their Wholesale summary, Invoices, Stock List, Credit Status, Curtailments, Receipts, Settlement status, Asset Transfer Status and New Stock Status.

**Distributor Access:** The distributor access category facilitates distributors to view each dealers, Wholesale stock situation, Outstanding invoices, Credit limit status, Account receivable and Units on a dealer's Floor plan.

Auditor Access: The auditor access category facilitates auditors to: schedule, conduct and view audits, audit results can be entered in the system and accessed for viewing, cross- checking and editing purposes.

Europe

NETSOL TECHNOLOGIES EUROPE, LTD.

Headed by Naeem Ghauri as Director and President, NetSol Technologies Europe, Ltd (“NTE”) has been an integral part of the Company since February 2005 when NetSol acquired 100% of CQ Systems Ltd., an IT products and service company based in the UK. This acquisition provides NetSol with access to a broad European customer base using IT solutions complementary to NetSol’s LeaseSoft product. NetSol has leveraged NTE’s knowledge base and strong presence in the Asset Finance market to launch LeaseSoft in the UK and continental Europe. Under Mr. Ghauri’s leadership as head of Global Sales, NTE’s strong sales and marketing capability is being maximized as the coordinator of global sales.

Products

NTE’s recent LeaseSoft win with a major European bank is a strong vindication of our strategy to leverage our global expertise to develop and market regional solutions while successfully servicing our clients’ specific needs. Our LeaseSoft solutions, with enhanced business coverage for the European markets, are geared to provide a quick return on investment to our clients as well as generate a new revenue driver for the group. The new European LeaseSoft multi-product portfolio has gathered strong initial traction, in a relatively short time, and reflects the growing strength of our product and customer presence in Europe.

A part of NTE’s successful integration has included the continued leverage of the Company’s high quality but lower cost resources in its offshore development center in Lahore, Pakistan. This phase of the transition plan has been completed whereby a dedicated team of software engineers and testers have been trained on the NTE product suite and most of the quality assurance, documentation and some of the NTE products core software development activities have been transitioned to Lahore. NTE has been able to implement significant productivity and cost improvements which have included realizing the higher level of cost efficiencies of using the Lahore offshore facility for software development and quality assurance.

Like all NetSol companies, NTE has seen its sales and revenues focus increasingly on total client services rather than on a purely, one-off, product based model. Roughly two-thirds of the new sales for NTE came from products which did not exist when the company was purchased by NetSol. The total client services model has seen an expansion from a solely back office based product to a greater front office focus. This front office focus tends to be highly customized as the initial interface for the customer. NTE’s auto decision component was developed sooner than any competitors and together with its web-based portal, is one of the many front ends solutions that NTE has implemented.

In addition to offering all NetSol products, NTE products include: LeaseSoft Portal- introduced to support online access to proposals and for the foundation of web-based origination systems; LeaseSoft Document Manager- introduced to facilitate the automation production and distribution of proposal documentation, including indexation and branding of all outbound and inbound documents; LeaseSoft Auto-Decision Engine- developed to provide automation of credit checking and underwriting for standards based financial products; LeaseSoft EDI Manager- introduced to facilitate process automation between business introducers and funders; and, Evolve- launched to provide an entry level software package for own book brokerages and small to medium size funders.

NTE has recently performed significant updates on the core product and customer systems to ensure compliance with the onerous CCA2006 legislation. NTE has further implemented significant development enhancements, including a

major development for the collections module with significant automation of the arrears handling and collections.

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## Organic Growth, Alliances and Joint Ventures

### Outsourcing Services-NetSol-Innovation

In November 2004, the Company entered into a joint venture agreement with the Innovation Group (formerly referred to as TiG) NetSol-Innovation (Pvt) Ltd., (“NetSol-Innovation”), a Pakistani company, provides support services enabling the Innovation Group to scale solution delivery operations in key growth markets. NetSol-Innovation operations are centered in NetSol’s IT Village, Lahore, Pakistan. NetSol owns a majority of the venture. The entities share in the profits of the joint venture on the basis of their shareholding. The outsourcing model between the Innovation Group and NetSol involves services pertaining to business analyses, configuration, testing, software quality assurance (SQA), technical communication as well as project management for development software for the Innovation Group. Today, NetSol has developed extensive expertise across the insurance domain and has become a center of excellence.

Initiated with a 10 person outsourcing team in Lahore in February 2005, this arrangement has extended to 100 persons with the additional resources catering to the increased influx of outsourcing of configuration and testing assignments from the Innovation Group. Prominent Innovation Group’s customers being serviced from Lahore include JM Family Enterprises USA, Avis Budget Car Rental Group USA, Norwich Union UK, Hertz UK, Aviva Canada, Erinaceous UK and many others. Backed up by a dedicated 4Mbps fiber optic link and an additional 2Mbps wireless backup link for communication and teleconferencing, this arrangement allows NetSol’s human resources to efficiently and effectively respond to additional outsourcing and offshore configuration work.

### NetSol Atheeb Group, Ltd.

NetSol has forged a new joint venture with the Atheeb Group, a very established and diversified business conglomerate based in Riyadh, Saudi Arabia whereby NetSol owns 51% and Atheeb own 49% of the joint venture. Atheeb Group was established in 1985 in Kingdom of Saudi Arabia and is operating in several business sectors in the Middle East. The Atheeb NetSol Limited joint venture focuses on market development opportunities around penetrating the software engineering arena in key business sectors such as telecommunications, defense, and finance, among others. Atheeb NetSol Limited will leverage the strength of Atheeb’s local presence in key geographies where Atheeb is operating as well as supporting private, public and governmental customer business activities. NetSol will provide best practices project management and the comprehensive delivery capabilities of its CMMI Level 5 certified Center of Excellence for software engineering, research and development, as well as customer support and training.

### Growth through Establishing Partner Networks

NetSol is well aware that market reach is essential to effectively market IT products and services around the globe. For this purpose, the Company is looking forward to establishing a network of partners worldwide. These companies will represent NetSol in their respective countries and will develop business for NetSol. Keeping these strategic objectives in view, NetSol has entered into a mutually non-exclusive agreement with Singapore Computer Systems (“SCS”) that allows SCS to market LeaseSoft in the entire Asia Pacific region.

NetSol is a member of the world’s largest equipment leasing association, the Equipment Leasing and Finance Association of North America, or ELFA. Boasting more than 1,000 members, the ELFA is a strong presence in the \$250 billion North American market.

While not a current focus, the Company will explore mergers and acquisition opportunities with a focus on strategic acquisitions that provide immediate, strong, bottom line benefits. Management believes that an ideal target will fulfill one or many of these criteria: geographic synergy/providing a foot print in a market; unique and/or complimentary

product lines; provide additional, and cost effective development hubs, or complimentary or target customers in a previously untapped market. While there is no guaranty that an acquisition which appears to be sound will ultimately benefit the Company, management continues to analyze the price, value and market of any potential target. The model of targeting well established, profitable product companies, within NetSol's domain, management believes, has proven successful with our recent acquisitions. Management believes this model can be replicated over the next three years.

## Strategic Alliances

With its leadership position in technology and software development in Pakistan, NetSol has been actively involved in a number of partnerships with multiple international entities and corporations. These include joint ventures, systems integration, local services, as well as consulting for large enterprises. Some of NetSol's partners in Pakistan are:

- Oracle Microsoft Gold Partner
- IBM Business Partner
- Sun Microsystems
- HP DSPP Partner
- Daimler Financial Services
- Innovation Group PLC UK
- GE
- Software Engineering Institute
- Kaspersky Lab
- SAP
- Business Objects
- IBM-Internet Security System
- REAL Consulting
- Intel Solutions Blueprint

U.S. and UK partners include Neptune Software, plc; Real Consulting; Field Solutions; Group 88 and Lease Dimensions.

Daimler Financial Services (“DFS”) Asia Pacific has established an “Application Support Center (ASC)” in Singapore to facilitate the regional companies in LeaseSoft related matters. This support center is powered by highly qualified technical and business personnel. ASC LeaseSoft in conjunction with NetSol PK are supporting DFS companies in seven different countries in Asia and this list can increase as other DFS companies from other countries may also opt for LeaseSoft. In July 2008, the Company entered into a new Frame Agreement with Daimler Financial Services AG (“DFS”) for the Asia Pacific and Africa region. This agreement, which serves as a base line agreement for use of the LeaseSoft products by DFS companies and affiliated companies, represents an endorsement of the LeaseSoft product line and the capabilities of NetSol to worldwide DFS entities. This continued endorsement has had a tremendous impact on our perspective customers, it has helped our sales and Business Development personnel to market and sell our LeaseSoft solution to blue chip customers around the world. This relationship has resulted in new agreements with DFS and has served as a marketing source which has resulted in agreements with companies such as Toyota and BMW.

NTE's strategic relationship with Field Solutions provided the Company with the opportunity to increase product sales of Evolve, particularly for brokers looking to start their own book. The Field Solutions strategic relationship has now been expanded through collaboration on Sales Pricing Tools to facilitate tax based leasing operations in the middle to big ticket market segment, further extending the regions' product and market reach.

## Technical Affiliations

The Company currently has technical affiliations such as: a Microsoft Certified GOLD Partner; a member of the Intel Solution blueprint Program; IBM Business Partner and, an Oracle Certified Partner.

## Marketing and Selling

### The Marketing Program

NetSol management continues its optimism that the Company will experience ever increasing opportunities for its product and services offerings in 2010 and beyond. The Company is aggressively growing the marketing and sales organizations in the United Kingdom, in conjunction with NTE, in Pakistan with NetSol PK and, with NTNA in the Americas. The calendar year 2009 was the most turbulent year for the US and global economies due to the severe recession. NetSol plans to invest in its marketing efforts to make the most of renewed prospects emerging from last year's recession. The Company has used this downturn to its advantage by expanding sales and marketing operations in the US, China, Middle East and Asia. Significant progress has been made in branding NetSol as one company worldwide with a uniform image and recognition. The objective of the Company's marketing program is to create and sustain preference and loyalty for NetSol as a leading provider of enterprise solutions, e-services consulting, software solutions and business process outsourcing. 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 and, also engineers and oversees central marketing and communications programs for use by each of the business units.

Although a few planned initiatives were abandoned due to decline in sales, selective new marketing initiatives have either been launched or are in the pipeline. These programs are designed to create brand awareness and to deliver our message directly to our target group. As the Company has evolved in the past few years, the number of solutions and service offerings has grown manifold. The depth and breadth of our products and services would be more effectively marketed by participation in more industry events, advertising, holding seminars, delivering keynote addresses and creating more channel distribution. Our key marketing initiatives have been designed to transition the brand equity built by the NTNA and NTE brands to the Company as a whole.

Our dedicated marketing personnel, within the geographical units, 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, chemical, textiles, Internet marketing, software, medical, banks, higher education and telecommunication associations, and, financial services.

Geographically, NetSol has operations on the West Coast of the United States, Central Asia, Europe, and the Asia Pacific region. NetSol took the initiative as the first US NASDAQ listed company to dual list on the NASDAQ Dubai exchange in Dubai. Although UAE markets suffered the impact of recession, this move was primarily to introduce NetSol to the potential of the most capitalized Middle Eastern countries. By design, NetSol has increased its brand recognition in one of the most vibrant and dynamically growing regions.

NetSol will continue to manage LeaseSoft pre-sales support and deliveries by having two specialized pools of resources for each of the five products under LeaseSoft. One group focuses on software development required for customization and enhancements. The second group comprises of LeaseSoft consultants concentrating on implementation and onsite support. Both groups are continually trained in the domain of finance and leasing, system functionality, communication skills, organizational behavior and client management.

The Asian continent, Australia and New Zealand, from the perspective of LeaseSoft marketing, are targeted by NetSol Technologies from its Lahore subsidiary, its offices in Beijing, and its newly opened business and technical support office in Bangkok, Thailand. NetSol UK through its base in Horsham, United Kingdom, focuses on the European market. The marketing for LeasePak and LeaseSoft in USA and Canada is carried out directly by the North American division.

NetSol has established a strategy to aggressively market NFS™ in various regions of the world. As part of the strategy, NetSol has forged alliances with reputable IT companies and has already appointed distributors in Singapore and Greece. NetSol has entered into a mutually non-exclusive agreement with Singapore Computer Systems (SCS) that allows SCS to market NFS™ in the entire Asia Pacific Region. Furthermore, NetSol is looking forward to developing partner networks all across the world with reputable companies.

During the last two fiscal years, the Company's revenue mix by major markets was as follows:

	2010	2009
Asia Pacific Region (NetSol PK, NetSol-Innovation, Connect, Thailand, Abraxas)	70.82%	64.90%
Europe (NTE, UK Ltd.)	13.88%	14.69%
North America (NetSol Technologies, Inc., NTNA)	15.30%	20.41%
Total Revenues	100.00%	100.00%

#### Fiscal Year 2009-2010 Performance Overview

The Company has effectively expanded its development base and technical capabilities by training its programmers to provide customized IT solutions in many other sectors and not limiting itself to the lease and finance industry.

#### NetSol Technologies Ltd. ("NetSol PK")

Our off-shore development facility continues to perform strongly and has enhanced its capabilities and expanded its sales and marketing activities. The Lahore operation supports the worldwide customer base of the NFS™ suite of products and all other product offerings. NetSol has continued to lend support to the Lahore subsidiary to further develop its quality initiatives and infrastructure. The programming and development facility in Pakistan, being the engine which drives NetSol worldwide, continues to be the major source of revenue generation. NetSol PK contributed \$21.40 million in revenues for the current year with a net profit of \$11.14 million before adjusting the minority interest. This was accomplished primarily through export of IT services and product licensed to both the domestic and overseas markets.

While available to support its product and services base on a world-wide basis, NetSol PK's selling and marketing efforts are focused on Asia Pacific, China and the Middle East. In China, the company has established a business office in the capital city of Beijing from which it expects to have more business in the future. Business offices in Bangkok, Thailand and Australia have been added in order to provide business and technical support for the Company's customers.

NetSol PK has signed on new customers for NFS™ as well as for bespoke development services. For NFS™ the following new projects were earned by the Company:

- 10 new implementation contracts signed during the year.
- New names in the customer list also include Minsheng Bank, China, Volvo Automotive Finance China, SANY Corporation China, GMAC China and GAC-Sofinco China.

Its current client base includes, but is not limited to, Mercedes Benz Financial Services (Australia, Japan, New Zealand, Singapore, South Korea, Thailand, China and Taiwan), Yamaha Motors Finance Australia, Toyota Motors Finance China, Toyota Leasing Thailand, Finlease Commercial Bank of Mauritius, CNH Capital Australia, Fiat Automotive Finance China, Dongfeng Nissan Auto Finance China, Nissan Financial Services Australia, BMW Financial Services in China, BMW Japan, Volvo Automotive Finance China, EFG Eurobank Greece, Al Amthal Leasing Saudi Arabia, GAC-Sofinco China, SANY Corporation China, GMAC China and Minsheng Bank Corp. China.

Information technology services are valuable only if they fulfill the business strategy and project objectives set forth by the customer. NetSol's expert consultants have the technical knowledge and business experience to ensure the optimization of the development process in alignment with basic business principles. The Company offers a broad array of professional services to clients in the global commercial markets and specializes in the application of advanced and complex IT enterprise solutions to achieve its customers' strategic objectives.

NetSol Technologies Europe, Ltd. ("NTE")

In February 2005, NetSol acquired 100% of CQ Systems Ltd., (now NetSol Technologies Europe, Ltd. "NTE") an IT products and service company based in the UK. As a result of this acquisition, NetSol has access to a broad European customer base using IT solutions complementary to NetSol's LeaseSoft product.

NTE's integration has included the continued leverage of the Company's high quality but lower cost resources in its offshore development center in Lahore, Pakistan. This phase of the transition plan has been completed whereby a dedicated team of software engineers and testers have been trained on the NTE product suite and most of the quality assurance, documentation and some of the company's products core software development activities have been transitioned to Lahore. NTE has been able to implement significant productivity and cost improvements which have included realizing the higher level of cost efficiencies of using the Lahore offshore facility for software development and quality assurance.

The combined NTE group contributed approximately \$5.11 million in revenues during the current fiscal year or 13.88% of the Company's revenues. The total net profit was, approximately, \$804,350.

A few of NTE's recent accomplishments include:

- Delivery of a rapid implementation solution of the LeaseSoft product to Aldemore Bank plc, a private equity backed new UK bank focused on servicing the UK SME market with a wide range of financial solutions
- Went live at Centenary Rural Development Bank in Uganda with our Evolve product, this being the first live client of the collaboration between NTE and Neptune Software plc in the African region.
  - Implemented the Contract Management System with a major bank in Thailand.
  - Implemented the Wholesale Finance System with Channel Finance in the Netherlands.

NetSol Technologies North America ("NTNA")

NTNA provides the leasing technology industry in the development of Web-enabled and Web-based tools to deliver superior customer service, reduce operating costs, streamline the lease management lifecycle, and support collaboration with origination channel and asset partners. NTNA customers include such companies as Hyundai, Nissan Motors Acceptance Corp, Nissan Renault Finance Mexico, JP Morgan/Chase, KeyCorp Leasing, City National Bank, Terex Corp., National City Capital Corp., ORIX, and Volkswagen Credit.

NTNA contributed approximately \$5.63 million in revenues during the current fiscal year or 15.30% of the Company's revenues. The total net profit was, approximately, \$35,174.

NetSol-Innovation

In November 2004, the Company entered into a joint venture agreement with the Innovation Group (formerly referred to as TiG), NetSol-Innovation (Pvt) Ltd. ("NetSol-Innovation"), a Pakistani company, provides support services enabling the Innovation Group to scale solution delivery operations in key growth markets. NetSol-Innovation operations are centered in NetSol's IT Village, Lahore, Pakistan. NetSol owns a majority of the venture. The entities

share in the profits of the joint venture on the basis of their shareholding. The outsourcing model between the Innovation Group and NetSol involves services pertaining to business analyses, configuration, testing, software quality assurance (SQA), technical communication as well as project management for development software for the Innovation Group. Today, NetSol has developed extensive expertise across the insurance domain and has become a center of excellence.

NetSol-Innovation contributed approximately \$2.21 million in revenue during the current fiscal year or 6.01% of the Company's revenues. The total net profit was, approximately, \$498,799 before adjusting for the 49.9% minority interest in earnings.

#### NetSol Connect (Pvt) Limited

In August 2003, NetSol entered into an agreement with United Kingdom based Akhter Group PLC (Akhter). Under the terms of the agreement, Akhter Group acquired 49.9% of the Company's subsidiary; Pakistan based NetSol Connect (Pvt) Ltd., an Internet service provider (ISP) in Pakistan. In fiscal year 2004, NetSol Connect steadily grew its presence in three cities (Karachi, Lahore and Islamabad) by acquiring a small Internet online company called Raabta Online. This created a national presence for wireless broadband business in key markets that have experienced explosive growth. NetSol Connect with its new laser and wireless technologies has a potential to become a major brand in Pakistan. The partnership with Akhter Computers is designed to rollout the services of connectivity and wireless to the Pakistani national market. Following the end of this fiscal year, NetSol acquired Akhter Group's 49.9% interest for \$180,000 cash, resulting in NetSol Connect becoming a wholly owned subsidiary of NetSol. With this move, management expects to expand our business offering to participate in the local public sector and to further rebuild the telecom business. As a cost saving step, we have now closed down NetSol's Karachi, Pakistan office and combined the operations with the NetSol Connect operation and premises.

NetSol Connect (Pvt) Ltd. will continue to seek to grow revenues. The revenue contribution for NetSol Connect during the current fiscal year was \$542,521 or about 1.48% of revenues. The total net loss was \$17,752 before adjusting the minority interest in losses.

#### NTPK (Thailand) Co. Limited

NetSol formed a company under the laws of Thailand, NTPK (Thailand) Company Limited, as an Amity Treaty Company. While formally completed during the quarter ended March 31, 2010, registration of the Company was recorded retroactively to the date of submission of all final documents, or December 18, 2009. The Company was formed with an initial contribution of 4 million baht or \$123,258.

NTPK Thailand contributed approximately \$1.8 million in revenue during the current fiscal year or 4.89% of the Company's revenues. The total net profit was, approximately, \$1.71 million.

#### Technology Campus

Due to the Company's global growth, the NetSol development infrastructure has required expansion. Management and the Board have approved the construction of a new structure behind the current NetSol tower in Lahore. To date, the initial piling work has been completed with construction expected to be completed within two years.

The original Technology Campus was completed in May 2004 and the Lahore operations relocated to the facilities in May 2004. The facility was formally inaugurated by the former Prime Minister of Pakistan H.E. Shaukat Aziz on March 4, 2005. The campus has been declared a Software Technology Park by the Government of Pakistan. The Government has also financed the linking of the campus with the high speed fiber optic backbone capable of providing 155 MB internet bandwidth. The Internet bandwidth is effectively utilized to offer state of the art video conferencing and VOIP (Voice over IP) facilities for effective and seamless communication with our global customer base. Encompassing a covered area of more than 55,000 square feet and housing over 600 professionals, this is one of the largest such facilities for IT services in the region. During the current fiscal year, NetSol PK needed to expand its space due to its growth. It has made arrangements with the owner of the adjacent land to build an office to the Company's specifications and the Company agreed to help pay for the development of the land in exchange for discounted rent for the next three years. In addition, NetSol PK has begun work on building a new building behind the current one. The enhancement of infra-structure is necessary to meet the company's growth in local and international business. In addition to being the headquarters for NetSol's subsidiaries in Pakistan, it also serves the NetSol group's global services and products development facility. The CMMI Level 5 rated facility ensures quality engineering

practices to its clients across the globe. The campus site is located in Pakistan's second largest city, Lahore, with a population of six million. An educational and cultural center, the city is home to most of the leading technology oriented academia of Pakistan including names like LUMS, NU-FAST & UET. These institutions are also the source of quality IT resources for the Company. Lahore is a modern city with high-quality communication, solid infrastructure and a well-laid out road network. The Technology campus is located a very short distance from the newly constructed advanced and modern Lahore International Airport. This campus is the first purpose built software building with state of the art technology and communications infrastructure in Pakistan. The investment made by the company in developing this technology campus is proving to be highly effective in attracting new business not only from global blue chip customers but also from the fast developing Pakistan market.

## 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, communication and presentation skills. Every one of our software developers is proficient in the English language. English is the second most spoken language in Pakistan and is mandatory in middle and high schools.

To encourage all employees to build on our core values, we reward teamwork and promote individuals who demonstrate these values. NetSol offers all of its employees the opportunity to participate in its stock option program. Also, the Company has an intensive orientation program for new employees to introduce our core values and a number of internal communications and training initiatives defining and promoting these core 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. NetSol worldwide is an equal opportunity employer. NetSol attracts professionals not just from Pakistan, where it is very well known, but also IT professionals living overseas.

Management believes it has been successful in capitalizing on the “Reverse Brain Drain” phenomenon whereby it has been able to attract and retain highly qualified and suitably experienced IT and management professionals working overseas and returning to Pakistan. These include senior management as well as software development professionals that directly contribute to the organization’s improvement of various engineering processes and procedures at NetSol.

NetSol believes it has gathered, over the course of many years, a team of very loyal, dedicated and committed employees. Their continuous support and belief in the management has been demonstrated by their further investment of cash. Most of these employees have exercised their millions of stock options. Management believes that its employees are the most invaluable asset of NetSol.

Overall, NetSol as a global IT company has over 20% female employees with the biggest concentration in our development facility in Lahore and in the U.S. headquarters. The Company is an equal opportunity employer. Being a successful company with a well respected name in the business community, NetSol encourages its employees to actively participate and contribute to charitable contributions for catastrophic tragedies anywhere in the globe.

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 ranging from technical knowledge, business domains 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 this vision.

As of June 30, 2010, we had 732 full-time employees and 11 part-time employees; comprised of 572 IT project and technical personnel in Pakistan, UK, Australia, China, Thailand and US; and 171 non-IT personnel in Pakistan, UK, Australia and US. The non-IT personnel include 16 employees in management, 47 employees in sales and marketing, 29 employees in accounting, 16 in customer support, and 63 in general and administration. None of our employees are subject to a collective bargaining agreement. Our telecom subsidiary, NetSol Connect, has 48 full time employees based in Karachi, Pakistan, which are included in the total full-time employee count.

## Competition

Neither a single company, nor a small number of companies, dominates 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 industrial firms, including 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 LeaseSoft business space, the barriers to entry are getting higher. The products are getting 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 Fimasys, International Decision Systems (IDS), Data Scan, CHP Consulting, 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).

Our competition is based primarily in high cost locations in the US, UK and Europe as opposed to NetSol with its facility in Lahore. NetSol is now the only company in the leasing and finance solution space that provides regional solutions in North America, Europe and Asia Pacific. In addition, it is the only company in this space that is publicly listed and provides an offshore development infrastructure with CMMI level 5 accreditation.

Some of the competitors of the Company are International Decisions Systems, EDW, Data Scan, AIPAC, CHP, KPMG, LMK Resources, Systems Innovation (Si3), Bearing Point, Kalsoft, Systems Limited, Oratech Pakistan, TechAccess Pakistan a few others. These companies are scattered worldwide geographically. In terms of offshore development, we are in competition with some of the Indian companies such as Wipro, HCL, TCS, InfoSys, Satyam Infoway and others. Many of the competitors of NetSol have longer operating history, larger client bases, and longer relationships with clients, greater brand or name recognition and significantly greater financial, technical, and public relations resources than NetSol. Existing or future competitors may develop or offer services that are comparable or superior to ours at a lower price, which could have a material adverse effect on our business, financial condition and results of operations.

#### Customers

Some of the customers of NetSol include: Mercedes Benz Financial Services (Australia, Japan, New Zealand, Singapore, South Korea, Thailand, China and Taiwan), Yamaha Motors Finance Australia, Toyota Motors Finance China, Toyota Leasing Thailand, Finlease Commercial Bank Mauritius, CNH Capital Australia, Fiat Automotive Finance China, Dongfeng Nissan Auto Finance China, BMW Financial Services China, BMW Japan, Al Amthal Leasing Saudi Arabia, GMAC China, SANY Corporation China, GAC Sofinco, China and Minsheng Bank Corp China. Volkswagen Credit U.S. & Canada; Hyundai Motor Finance; Keycorp Leasing; Chase Equipment Finance; National City Commercial Credit; City National Bank; and, Terex Corporation. In addition, NetSol provides offshore development and testing services to The Innovation Group Plc UK and their blue chip global insurance giants like Allstate, Cendant, etc. NetSol-Innovation contributes to about 6.01% of NetSol's revenues. NetSol is also a strategic business partner for Daimler (which consists of a group of many companies), which accounts for approximately 8.57% of our revenue. Toyota Motors (which consists of a group of many companies) accounts for approximately 4.51% of our revenues. Nissan Auto Finance (which consists of a group of many companies) accounts for approximately 7.21% of our revenues. However no single client represents more than 10% of the revenue for the fiscal year ended June 30, 2010.

As compared to the previous year, NetSol PK has gone a step further by providing consultancy services to private and public sector organizations so as to improve their quality of operations and services in addition to winning strategically important assignments within the E-Governance domain for organizations of national significance in Pakistan, including the Officer of the Prime Minister Secretariat, Ministry of Health and Establishment Division. As compared to the previous year, NetSol PK was able to execute a number of services contracts within the local Pakistani public and defense sectors. In 2009, NetSol PK continued to make strides in the land recording sector by winning two pilot projects in different cities of Pakistan. This year also, NetSol was able to secure a major defense sector hospital for its HMIS solution. Our clients include private as well as public sector enterprises. The NetSol service portfolio has now diversified into a comprehensive supply chain management solution, video security & surveillance initiative, HR solutions, financial management system, BPR services, consultancy services, application

development turnkey project offerings, solutions engineering and systems integration initiatives. An example of recent services projects by NetSol PK include:

Armed Forces Institute of Cardiology (AFIC) with HMIS  
State Bank e-CIB Project renewal  
Grievance Management System for the Prime Minister Secretariat  
Khyber-Pakhtoonkhwa (KPK) Transport Departments Management System  
Khyber-Pakhtoonkhwa (KPK) Legislative & Assembly Automation

## Web Presence

The Company is committed to regaining and extending the advantages of its direct model approach by moving even greater volumes of product sales, service and support to the Internet. The Internet provides greater convenience and efficiency to customers and, in turn, to the Company. The company maintains two corporate websites, [www.NetSoltech.com](http://www.NetSoltech.com) and [www.NetSolpk.com](http://www.NetSolpk.com) for its Global and Pakistani audience, respectively. NetSol's software development and SQA team as well as its clients use its web based customer relationship management solution (HelpDesk) for timely and direct communication, as part of providing ongoing support and maintenance services. More details can be found on <http://www.netsolhelp.com>.

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

## Corporate Structure

The Company's corporate headquarters are in Calabasas, California. Nearly 70% of the programming and development is carried out at NetSol's technology campus in Lahore, Pakistan. The other 30% of development is conducted in the Proximity Development Center or "PDC" in Horsham, UK, Beijing, China and the U.S. development facility located in the San Francisco Bay Area of California. This signifies the 'BestShoring®' model by providing the best services at the most efficient pricing model. The marketing effort is shared and coordinated between the primary divisions operating at NetSol PK. in Lahore, Pakistan; NetSol UK, NTE in the UK; and NTNA in the U.S. US marketing operations are conducted through the parent and NTNA. These are the core operating companies engaged in developing and marketing IT solutions and software development and marketing. An initiative is underway to unify the look and feel of all advertising, branding and marketing material.

NetSol UK, together with NTE, services and supports the clients in the UK and Europe. NetSol PK services and supports the customers in the Asia Pacific and South Asia regions. NTNA, together with the parent, supports all of the North American customers.

While political unrest continues to challenge Pakistan, World Bank reports rank Pakistan as the 60th country in the ease of doing business ahead of both China and India. According to the A.T. Kearney, Global Service Location Index 2009, Pakistan remains among the top 20 Off-Shoring IT destinations.

The IT and telecommunication sector is the fastest growing sector in Pakistan mostly due to growing privatization, relaxed policies and a 15 year tax holiday on IT exports of services and products. These policies have strongly encouraged companies, like NetSol, to enhance its infrastructure and develop a solid and formidable team of IT professionals.

The Company has seen noticeable demand from APAC and UAE region to use NetSol PK development infrastructure that offers competitive price and technology advantage to serve its customers.

A few of NetSol's major successes achieved in 2009-2010 were:

- Executing a successful joint venture agreement with Atheeb Group
- Further expansion in the China market by adding new customers
- Certification of our smartOCI™ by SAP for integration into SAP applications
- First Chinese Bank customer, Minsheng Bank Corp.

Recertification of CMMi Level 5 accreditation by the successful completion of an audit commenced in the 4th quarter by Carnegie Mellon University certified consultants.

- Completely restructured the management and infrastructure of NTNA
  - Launched NetSol Thai, a new subsidiary in Thailand
- Globally integrated the delivery capabilities with NetSol PK, while streamlining and securing the data in UK location as an emergency response plan.

From the point of view of the interests of our foreign partners and customers in NetSol, Pakistan remains a safe place to do business. The specific successes achieved from the acquisitions of CQ Systems (NTE) and McCue Systems (NTNA) endorses the fact that Pakistan is a safe place to do business when compared to many other troubled spots in the globe. Our best and proven business case is the NetSol - Innovation Group joint venture. This represents the best example of not only NetSol's capabilities but the ability of a Pakistan based company to achieve off shore business model success for a Western based company. This joint venture provides the major US and UK customers of Innovation Group in the UK with world class service from NetSol Pakistan, enhancing the client's productivity at much more attractive prices. Under any geo-political challenges, the Company is quite prepared in any contingency to use alternate development facilities located in Beijing (China), Horsham (UK) and Alameda, California (USA).

## Organization

NetSol Technologies, Inc. (formerly NetSol International, Inc.) was founded in 1997 and is organized as a Nevada corporation. The Company amended its Articles of Incorporation on March 20, 2002 to change its name to NetSol Technologies, Inc.

The success of the Company, in the near term, will depend, in large part, on the Company's ability to: (a) continue to grow revenues and improve profits, (b) raise funds for continued operations and growth; (c) make a major entry in the US market and, (d) streamline sales and marketing efforts in the Asia Pacific region, Europe, China and the Middle East, Japan and Australia. However, management's outlook for the continuing operations, which has been consolidated and has been streamlined, remains optimistic and bullish. With continued emphasis on a shift in product mix towards the higher margin consulting services, the Company anticipates to be able to continue to improve operating results at its core by reducing costs and improving gross margins. Management has effectively achieved a seamless transition and integration of NTE and NTNA with NetSol's front end and back end operations.

## Intellectual Property

The Company relies upon a combination of nondisclosure and other contractual arrangements, as well as common law trade secret, copyright and trademark laws to protect its proprietary rights. The Company enters into confidentiality agreements with its employees, generally requires its consultants and clients to enter into these agreements, and limits access to and distribution of its proprietary information. The NetSol logo and name, as well as the NFS logo and product name have been copyrighted and trademark registered in Pakistan. The NetSol logo and BestShoring® name has been registered with the U.S. Patent and Trademark Office. 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 2016. 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. The present Pakistani government has effectively reformed the policies and regulations effecting foreign investors and multinational companies thus, making Pakistan an attractive and friendly country in which to do business.

## ITEM 2 - PROPERTIES

## Company Facilities

The Company's corporate headquarters have been located at 23901 Calabasas Road, Suite 2072, Calabasas, CA 91302 since 2003. It is located in approximately 1,919 rentable square feet, with a monthly rent of \$4,317.75. The lease is a two-year lease expiring in December 2011.

Other leased properties as of the date of this report are as follows:

Location/Approximate	Square Feet	Purpose/Use	Monthly Rental Expense
Alameda, CA	4,298	Computer & General Office	\$ 6,876
Beijing, China	1,413	General Office	\$ 4,210
Horsham, UK (NetSol Europe)	6,570	Computer and General Office	\$ 12,528
NetSol PK (Karachi Office)	1,883	General Office	\$ 1,474
NetSol PK (Islamabad Office)	4,502	General Office & Guest House	\$ 2,513
Bangkok, Thailand	634	Computer and General Office	\$ 2,610

The Beijing lease is a two year lease that expires in August 2011. The monthly rent is approximately \$4,210 (RMB 29,050) per month. The Bangkok lease is a one year lease with monthly rent of \$765 (THB 26,100). The NetSol Europe facilities, located in Horsham, United Kingdom, are leased until June 23, 2011 for an annual rent of £75,000 (approximately \$123,750). NTNA recently relocated to the Alameda, California location. The Alameda lease is a three year lease with monthly rent of \$6,876. The NetSol Karachi lease is a 3 year lease and is rented at the rate of \$1,474 per month approximately. The NetSol Islamabad lease is a 15 year lease that expires on August 31, 2016 and currently is rented at the rate of \$2,513 per month approximately.

Upon expiration of its leases, the Company does not anticipate any difficulty in obtaining renewals or alternative space.

## Lahore Technology Campus

The Technology Campus was inaugurated in Lahore, Pakistan in May 2004. This facility consists of 50,000 square feet of computer and general office space. This facility is state of the art, purpose-built and fully dedicated for IT and software development; the first of its kind in Pakistan. Title to this facility is held by NetSol Technologies Ltd. and is not subject to any mortgages. The Company also signed a strategic alliance agreement with the IT ministry of Pakistan to convert the technology campus into a technology park. By this agreement, the IT ministry has invested nearly 10 million Rupees (approximately \$150,000) to install fiber optic lines and improve the bandwidth for the facility. In order to cater for future business expansion and taking advantage of depressing real estate market, the company purchased two new cottages adjacent to its main building. Total covered area of these cottages is 4,900 sq feet and it cost was approximately \$250,000. The management has moved its accounts, finance, internal audit, company secretariat, costing and budgeting, graphics, technical communication & procurement departments into these cottages.

ITEM 3 - LEGAL PROCEEDINGS

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

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## PART II

## ITEM 4 - MARKET FOR REGISTRANT'S COMMON EQUITY AND 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 Quarter	2009-2010		2008-2009	
	High	Low	High	Low
1st (ended September 30)	1.17	.56	3.40	1.70
2nd (ended December 31)	1.23	.75	1.86	.57
3rd (ended March 31)	1.09	.80	1.08	.22
4th (ended June 30)	.95	.70	.75	.29

Common stock of NetSol Technologies, Inc. is also listed and traded on the NasdaqDubai Market under the ticker symbol "NTWK" since June 16, 2008.

RECORD HOLDERS - As of September 6, 2010, the number of holders of record of the Company's common stock was 233. As of September 6, 2010, there were 40,205,421 shares of common stock issued and outstanding and no shares of preferred stock issued and outstanding.

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, 2010:

	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	12,470,236(1)	\$ 1.54(2)	1,869,413(3)

Equity Compensation Plans not approved by Security holders	None	None	None
<b>Total</b>	<b>12,470,236</b>	<b>\$ 1.54</b>	<b>1,869,413</b>

(1) Consists of 8,000 under the 2001 Incentive and Nonstatutory Stock Option Plan; 872,000 under the 2002 Incentive and Nonstatutory Stock Option Plan; 475,000 under the 2003 Incentive and Nonstatutory Stock Option Plan; 3,030,275 under the 2004 Incentive and Nonstatutory Stock Option Plan; and 3,321,642 under the 2005 Incentive and Nonstatutory Stock Option Plan.

(2) The weighted average of the options is \$2.16.

(3) Represents 344,659 available for issuance under the 2003 Incentive and Nonstatutory Stock Option Plan; 51,754 available for issuance under the 2004 Incentive and Nonstatutory Stock Option Plan; 1,075,000 available for issuance under the 2005 Incentive and Nonstatutory Stock Option Plan and 398,000 available for issuance under the 2008 Incentive and Nonstatutory Stock Option Plan.

(b) RECENT SALES OF UNREGISTERED SECURITIES

In April 2010, the Company issued 80,000 rule 144 shares to consultants as part of their compensation in exchange for their services and not for resale to the public. The valuation was determined on the date the Agreement was signed. These shares were issued in reliance on an exemption from registration available under section 4(2) of the Securities Act of 1933, as amended. The consultant is a public relations company for technology companies and has been operating in the same business for a number of years and would be considered a sophisticated investor. The consultant had direct access to NetSol's financial and business materials and is able to assess any risks that may related to the Company's securities.

In April 2010, the Company issued 30,000 rule 144 shares to outside board members as part of the their compensation for serving on the board of directors for the 2009-2010 term. The shares were issued in reliance on an exemption from registration available under section 4(2) of the Securities Act of 1933, as amended. All board members have direct and continuous access to the Company's financial and business materials and filings and are able to identify any risks that may be related to the shares. In addition, the board members have continuous and direct contact with the senior executives of the Company and may clarify any questions that they may have surrounding the shares issued as part of the compensation.

In April 2010, the Company issued 187,500 rule 144 shares to three named executive officers as part of their executive compensation package approved by the Company's compensation committee. The shares were issued in reliance on an exemption from registration available under section 4(2) of the Securities Act of 1933, as amended. All of the executive employees in this transaction have direct knowledge, experience and access to the Company's financial and business information. The executives are all accredited investors and can bear the economic risk of the issued securities, if any.

In June 2010, the Company issued 322,788 shares as part of a conversion of Note issued in 2009 to Solomon Strategic Holdings, Ltd. The shares underlying the note were held over six months and are exempt from registration as available under Regulation S of the Securities Act of 1933, as amended. The investor is a sophisticated, accredited and non-US investor and otherwise qualifies under the exemption.

In June 2010, the Company issued 322,778 shares as part of a conversion of Note issued in 2009 to the Tail Wind Fund Ltd. The shares underlying the note were held over six months and are exempt from registration as available under Regulation S of the Securities Act of 1933, as amended. The investor is a sophisticated accredited and non-US investor, and otherwise qualifies under the exemption.

In June 2010, the Company issued 163,576 shares as part of a conversion of Note issued in 2009 to Tail Wind Advisory Management Ltd. The shares underlying the note were held over six months and are exempt from registration as available under Regulation S of the Securities Act of 1933, as amended. The investor is a sophisticated accredited and non-US investor, and otherwise qualifies under the exemption.

In June 2010, the Company issued 14,881 rule 144 shares to an employee as part of his compensation package. The shares were issued in reliance on an exemption from registration available under section 4(2) of the Securities Act of 1933, as amended. The employee has direct access to the Company's business plans as well as all senior executives of the Company who may clarify any questions he may have surrounding any financial or business issues of the Company. Finally, the employee is an accredited investor and can bear the economic risk of the issued securities, if any.

ITEM 5 – SELECTED FINANCIAL DATA

The Company, as a Smaller Reporting Company, is not required to provide the information required by this section.

## ITEM 6- MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATIONS

The following discussion is intended to assist in an understanding of NetSol's financial position and results of operations for the year ended June 30, 2010.

### Forward Looking Information

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

Management undertook major steps to counter the deep effect of global recession, such as:

- o In 2009-2010, to enhance productivity and cost efficiencies, the concept of Global Delivery Model has been implemented. Without moving the source codes of US products or UK products to Lahore, Pakistan, we have integrated the local developers / engineers / programming resources with PK technology group teams. This model would eventually create much stronger band width for customers worldwide but also have the same interfacing local management available for regional clients. In essence, the concept of BestShoring® model is effectively being executed.
- o The global delivery model would further streamline the cost base as well as optimum utilization of NetSol Center of Excellence, CMMI Level 5 technology campus and translate into better and more competitive pricing modules for our customers.
- o Revamped sales organization from several departments into one group. The newly created global sales organization under one president of global sales, centrally headquartered in the UK, would provide much improved visibility and traction in all key markets worldwide. In addition to achieving critical mass and visibility the regional sales heads have been created to directly report to President Group Sales.
- o Key senior and middle management personnel were relocated in China, USA and UK to best leverage the talent across the globe and cost rationalization.
- o Substantially reduced office costs by relocating NTNA staff from Emeryville, California to Alameda, California by entering a new office lease that will save nearly \$1.0 million in annual rent and maintenance expenses.
- o Engaged RedChip Companies, Inc. to lead its investor relations programs. RedChip's highly professional team, who specialize in the capital market space, was engaged to strengthen our public relations and assist in building strong relationships with current and prospective investors.

oSome marketing and new project activities had to be slowed down due to the poor economy but the most strategic new product development and research and development activities has increased. Management's vision is that a one product global solution is the key initiative that will place NetSol in the next level of critical mass solutions providers.

Business Development Activities:

- NetSol launched a long term strategy in 2008 to get NetSol brand and name recognition in UAE and GCC States by a dual listing on DIFX (now the NASDAQ DUBAI exchange). Management believes that the signing of a joint venture agreement with a very well established Saudi Arabian business conglomerate represents a major break-through for the Company. The joint venture is a relationship between NetSol Technologies, Inc. and the Atheeb Group of the Kingdom of Saudi Arabia (“KSA”). NetSol owns 51% and Atheeb owns 49% of the newly created Atheeb NetSol, Ltd. to be based in Riyadh, Saudi Arabia. Atheeb has been in operation since 1985 and has major businesses in defense, public works, telecom, financial, transportation and agriculture. By partnering with Atheeb through a joint venture, NetSol gains access to not only major local projects in key sectors but also to regional economies in GCC states, Central Asia and Africa. The influence and reputation of Atheeb in the KSA and regional markets is compelling, and NetSol expects to benefit handsomely in coming years. The joint venture will fully utilize NetSol PK’s Lahore based center of excellence, CMMI Level 5 technology campus.
- The acquisition of Ciena Solutions for SAP services has been effectively integrated with NetSol’s operation. Our new SAP services and offerings are being marketed to our existing US based clients and new markets to establish a key new vertical. The US clients list includes a major energy utility company in California. Additionally, we believe a majority of NetSol global clients could benefit from SAP services and solutions. The Company is beta testing its product, SMART OCI, a search engine to expand its SAP product portfolio. The practice was recently awarded SAP PartnerEdge status as an SAP services partner.
- By expanding into the Americas, NetSol sees a strong opportunity to establish its brand recognition and create critical mass in the Americas. Despite the recession and consolidations in the U.S., NetSol has embarked on an aggressive strategy to reposition and rebrand NetSol for the U.S markets. For example, NetSol is strategically rolling out offerings of the NetSol Financial Suite™ to our global auto manufacturers, whether captive or non-captive, in the North and South American markets. NetSol sees a new market in Mexico, Brazil, Costa Rica and many countries in Latin America as both mature and emerging markets are ripe for our flagship NFS™ applications. NetSol added two new global customers to the Americas in Nissan’s North America and Mexican operations. In addition, NTNA is experiencing new enhancement and orders from a few existing clients in North America, reflecting confidence in our US team.
- Management envisions a major growth in the Chinese market as China continues to have strong economic indicators amongst the major industrial countries. Auto sales in China have surpassed that of the US in numbers of unit sold. China continues to maintain a GDP rate of 8-9% in 2010, while some of the western markets are struggling with their economy. China’s market offers a tremendous opportunity to NetSol as being the leader in leasing and finance soft ware applications space. China is now the globe’s second largest economic power and its auto and banking sectors are growing at a dynamic pace, unlike the western markets. We are expanding the Beijing office and adding local staff. Our current ten multi-national customers in China have begun to expand their relationship with NetSol. We recently signed a few new deals with a few multinational auto companies and Minsheng Bank, one of the largest in China Management anticipates that the NFS™ products will demonstrate a noted break through with Chinese companies in coming months.
- The European economy has shown serious decline and the severe impact of consolidation and budget cuts have started to intensely affect our business there. The European markets are expected to remain sluggish and we will hold off any further investment until next year. However, it appears that decisions made by some European nations signal economic recovery in the major European economies.