

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.

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
(Do not check if a smaller reporting company)

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 SAPHIRE 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)[™] 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[™] 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[™] strategy, each subsidiary adheres to the BestShoring® provides BestSolutions[™] 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