

NETSOL TECHNOLOGIES INC  
Form 10-Q  
February 11, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended December 31, 2010

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-22773

NETSOL TECHNOLOGIES, INC.  
(Exact name of small business issuer as specified in its charter)

NEVADA  
(State or other Jurisdiction of  
Incorporation or Organization)

95-4627685  
(I.R.S. Employer NO.)

23901 Calabasas Road, Suite 2072, Calabasas, CA 91302  
(Address of principal executive offices) (Zip Code)

(818) 222-9195 / (818) 222-9197  
(Issuer's telephone/facsimile numbers, including area code)

Indicate by check mark whether the issuer: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

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

Large Accelerated Filer  Accelerated Filer   
Non-Accelerated Filer  Small Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes  No

The issuer had 51,083,285 shares of its \$.001 par value Common Stock and no shares of Series A 7% Cumulative Convertible Preferred Stock issued and outstanding as of February 8, 2011.

NETSOL TECHNOLOGIES, INC.  
INDEX

	Page No.
<b>PART I. FINANCIAL INFORMATION</b>	
Item 1. Financial Statements	
Consolidated Unaudited Balance Sheet as of December 31, 2010 and as of June 30, 2010	2
Comparative Unaudited Consolidated Statements of Operations for the Six Months Ended December 31, 2010 and 2009	3
Comparative Unaudited Consolidated Statements of Cash Flow for the Six Months Ended December 31, 2010 and 2009	4
Notes to the Unaudited Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis or Plan of Operation	23
Item 3. Quantitative and Qualitative Disclosures about Market Risk	36
Item 4. Controls and Procedures	36
<b>PART II. OTHER INFORMATION</b>	
Item 1. Legal Proceedings	37
Item 2. Unregistered Sales of Equity and Use of Proceeds	37
Item 3. Defaults Upon Senior Securities	38
Item 4. Submission of Matters to a Vote of Security Holders	38
Item 5. Other Information	38
Item 6. Exhibits	38

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

	As of December 31, 2010	As of June 30, 2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,856,152	\$ 4,075,546
Restricted Cash	5,700,000	5,700,000
Accounts receivable, net of allowance for doubtful accounts	15,059,935	12,280,331
Revenues in excess of billings	11,001,000	9,477,278
Other current assets	1,762,098	1,821,661
Total current assets	39,379,185	33,354,816
Investment under equity method	58,269	200,506
Property and equipment, net of accumulated depreciation	10,950,969	9,472,917
Intangibles:		
Product licenses, renewals, enhancements, copyrights, trademarks, and tradenames, net	21,320,814	19,002,081
Customer lists, net	415,645	666,575
Goodwill	9,439,285	9,439,285
Total intangibles	31,175,745	29,107,941
Total assets	\$ 81,564,168	\$ 72,136,180
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 4,752,181	\$ 4,890,921
Due to officers	-	10,911
Current portion of loans and obligations under capitalized leases	6,509,412	7,285,773
Other payables - acquisitions	103,226	103,226
Unearned revenues	3,616,186	2,545,314
Deferred liability	32,066	47,066
Convertible notes payable , current portion	4,087,109	3,017,096
Loans payable, bank	2,321,047	2,327,476
Common stock to be issued	263,825	239,525
Total current liabilities	21,685,053	20,467,308
Obligations under capitalized leases, less current maturities	483,221	204,620
Convertible notes payable less current maturities	-	4,066,109
Long term loans; less current maturities	580,262	727,336
Lease abandonment liability; long term	867,583	867,583
Total liabilities	23,616,118	26,332,956
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$.001 par value; 95,000,000 shares authorized; 49,685,342 & 37,103,396 issued and outstanding	49,686	37,104
Additional paid-in-capital	93,244,355	86,002,648
Treasury stock	(396,008)	(396,008)
Accumulated deficit	(36,356,313)	(39,859,030)

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Stock subscription receivable	(2,105,960)	(2,007,960)
Other comprehensive loss	(7,880,946)	(8,396,086)
Non-controlling interest	11,393,236	10,422,557
Total stockholders' equity	57,948,049	45,803,224
Total liabilities and stockholders' equity	\$ 81,564,168	\$ 72,136,180

See accompanying notes to these unaudited consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF OPERATIONS  
 (UNAUDITED)

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2010	2009	2010	2009
Net Revenues:				
License fees	\$ 3,129,063	\$ 3,318,936	\$ 6,606,856	\$ 5,870,529
Maintenance fees	2,023,509	1,780,336	3,693,428	