

NETSOL TECHNOLOGIES INC
Form 10-Q
May 09, 2013
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 March 31, 2013

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.)

24025 Park Sorrento, Suite 410, 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 8,929,523 shares of its \$.01 par value Common Stock and no shares of Series A 7% Cumulative Convertible Preferred Stock issued and outstanding as of May 7, 2013.

NETSOL TECHNOLOGIES, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

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

	As of March 31, 2013	As of June 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,706,158	\$ 7,599,607
Restricted cash	2,066,575	141,231
Accounts receivable, net	17,623,594	13,757,637
Revenues in excess of billings	11,650,654	12,131,329
Other current assets	2,763,495	2,648,302
Total current assets	41,810,476	36,278,106
Investment under equity method	530,914	-
Property and equipment, net	20,160,872	16,912,795
Intangible assets, net	28,993,679	28,502,983
Goodwill	9,653,330	9,653,330
Total intangibles	38,647,009	38,156,313
Total assets	\$ 101,149,271	\$ 91,347,214
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 4,558,686	\$ 3,869,355
Current portion of loans and obligations under capitalized leases	3,385,997	1,896,238
Other payables - acquisitions	103,226	103,226
Unearned revenues	3,798,612	2,704,661
Convertible notes payable, current portion	379,512	2,809,093
Loans payable, bank	2,008,435	2,116,402
Common stock to be issued	88,325	105,575
Total current liabilities	14,322,793	13,604,550
Obligations under capitalized leases, less current maturities	240,268	260,107
Convertible notes payable less current maturities	-	936,364
Long term loans; less current maturities	1,160,186	1,551,541
Total liabilities	15,723,247	16,352,562
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$.01 par value; 15,000,000 shares authorized; 8,779,560 & 7,513,745 issued and outstanding as of March 31, 2013 and June 30, 2012	87,796	75,137
Additional paid-in-capital	113,086,441	106,101,165
Treasury stock	(415,425)	(415,425)
Accumulated deficit	(26,969,456)	(31,684,399)
Stock subscription receivable	(2,020,488)	(2,119,488)
Other comprehensive loss	(14,742,035)	(12,361,759)
Total NetSol shareholders' equity	69,026,833	59,595,231
Non-controlling interest	16,399,191	15,399,421

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Total stockholders' equity	85,426,024	74,994,652
Total liabilities and stockholders' equity	\$ 101,149,271	\$ 91,347,214

See accompanying notes to these unaudited consolidated financial statements.

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

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2013	2012	2013	2012
Net Revenues:				
License fees	4,790,015	2,968,498	11,537,363	6,092,203
Maintenance fees	2,488,774	1,824,585	7,199,293	5,983,073
Services	5,535,188	5,817,465	16,956,890	13,370,032
Total net revenues	12,813,977	10,610,548	35,693,546	25,445,308
Cost of revenues:				
Salaries and consultants	3,386,543	2,741,717	9,720,744	7,412,931
Travel	499,990	372,578	1,211,478	912,420
Repairs and maintenance	92,405	109,868	344,124	280,785
Insurance	48,193	40,103	126,919	107,319
Depreciation and amortization	1,033,023	830,646	3,015,181	2,432,261
Other	1,259,067	818,804	2,739,702	1,756,629
Total cost of revenues	6,319,221	4,913,716	17,158,148	12,902,345
Gross profit	6,494,756	5,696,832	18,535,398	12,542,963
Operating expenses:				
Selling and marketing	806,569	835,153	2,500,742	2,270,566
Depreciation and amortization	437,700	403,177	1,113,136	883,881
Bad debt expense	(445)	-	54,444	-
Salaries and wages	1,375,930	1,099,503	3,722,590	3,058,090
Professional services, including non-cash compensation	181,808	138,094	544,978	561,754
General and administrative	1,044,699	1,056,725	3,529,419	3,214,430
Total operating expenses	3,846,261	3,532,652	11,465,309	9,988,721
Income from operations	2,648,495	2,164,180	7,070,089	2,554,242
Other income and (expenses)				
Gain (loss) on sale of assets	15,097	(666)	29,118	(3,940)
Interest expense	(115,614)	(167,972)	(587,935)	(587,136)
Interest income	86,018	26,672	141,802	66,741
Gain on foreign currency exchange transactions	97,831	421,098	997,725	460,317
Share of net income (loss) from equity investment	(16,392)	(140,554)	468,095	(240,554)
Beneficial conversion feature	(173,266)	(52,665)	(615,394)	