

NET 1 UEPS TECHNOLOGIES INC  
Form 10QSB  
November 13, 2003

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

**FORM 10-QSB**

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2003

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 000-31203

**NET 1 UEPS TECHNOLOGIES, INC.**

(Exact name of Registrant as specified in its Charter)

**Florida**

(State or other jurisdiction of incorporation or organization)

**65-0903895**

(I.R.S. Employer Identification No.)

**Suite 325-744 West Hastings Street,  
Vancouver, British Columbia, Canada**

**V6C 1A5**

(Address of executive offices)

(Zip Code)

Registrant's telephone number, including area code: **(604) 669-4561**

\_\_\_\_\_  
Former Name, Former Address and Former Fiscal Year, if changed since last Report.

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Indicate by check mark whether the registrant (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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock Outstanding as of November 10, 2003: **15,852,856 Shares**

NET I UEPS TECHNOLOGIES, INC.  
(A development stage company)

Form 10-QSB  
For the Quarter Ended September 30, 2003

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying consolidated financial statements are prepared in accordance with the instructions to Form 10-QSB, are unaudited and do not include all the information and disclosures required by generally accepted accounting principles for complete financial statements. These financial statements should be read in conjunction with the Company's annual report on Form 10-KSB for the year ended December 31, 2002. All adjustments that, in the opinion of management, are necessary for a fair presentation of the results of operations for the interim periods have been made and are of a recurring nature unless otherwise disclosed herein. The results of operations for such interim periods are not necessarily indicative of results of operations for a full year.

Condensed Balance Sheet as of September 30, 2003 (unaudited) and as of December 31, 2002 (audited).

Condensed Statements of Operations (unaudited) for the three months ended September 30, 2003 and 2002, for the nine months ended September 30, 2003 and 2002, and from the Company's inception, May 8, 1997 through to September 30, 2003.

Condensed Statements of Cash Flows (unaudited) for the nine months ended September 30, 2003 and 2002 and from the Company's inception, May 8, 1997 through to September 20, 2003.

Notes to Financial Statements

**Net 1 UEPS Technologies, Inc.**  
**(A Development Stage Company)**  
**Balance Sheets**

	<b>September 30, 2003 (unaudited)</b>	<b>December 31, 2002 (audited)</b>
<b>Assets</b>		
Current Assets		
Cash	\$ 11,457	\$ 20,054
Accounts receivable	87,028	91,703
<b>Total Current Assets</b>	<b>98,485</b>	<b>111,757</b>
Property, Plant and Equipment (Note 3)	-	9
Intangible Assets (Note 4)	1,563	2,273
<b>Total Assets</b>	<b>\$ 100,048</b>	<b>\$ 114,039</b>
<b>Liabilities and Stockholders Deficit</b>		
Current Liabilities		
Accounts payable	\$ 462,417	\$ 337,503
Accrued liabilities	1,700	10,803
<b>Total Current Liabilities</b>	<b>464,117</b>	<b>348,306</b>
Stockholders Deficit		
Share capital		
Authorized		
3,000,000 preferred shares with \$0.10 par value		
100,000,000 common shares with \$0.001 par value		
Issued		
15,852,856 common shares	15,853	15,853
Additional paid-in capital	1,991,519	1,991,519
Deficit accumulated during the development stage	(2,371,441)	(2,241,639)
<b>Total Stockholders Deficit</b>	<b>(364,069)</b>	<b>(234,267)</b>
<b>Total Liabilities and Stockholders Deficit</b>	<b>\$ 100,048</b>	<b>\$ 114,039</b>
(See accompanying notes)		

**Net 1 UEPS Technologies, Inc.**  
**(A Development Stage Company)**  
**Statements of Operations**  
**(Unaudited)**

	<b>Nine months ended</b>		<b>Accumulation</b>
	<b>September 30,</b>		<b>from</b>
	<b>2003</b>		<b>May 8, 1997</b>
	<b>2002</b>		<b>(Inception)</b>
	<b>2003</b>		<b>to September 30,</b>
	<b>2002</b>		<b>2003</b>
Revenues	\$ 41,017	\$ 157,565	\$ 198,582
Expenses			
Amortization	719	1,030	9,919
Bank charges	260	587	7,941
Consulting (Note 5)	139,500	139,500	1,159,933
Foreign exchange	-	-	8,098
Investor relations	-	-	61,093
Office, rent and telephone	4,062	2,574	140,221
Professional fees	25,344	20,369	397,252
Subcontract (Note 5)	-	270,000	455,972
Transfer agent and regulatory fees	150	-	25,257
Travel	806	7,204	305,226
Less interest income	(22)	(87)	(889)
Total Expenses	170,819	441,177	2,570,023
Net Loss	\$ (129,802)	\$ (283,612)	\$ (2,371,441)
Net Loss Per Share	\$ (0.01)	\$ (0.02)	
Weighted Average Shares Outstanding	15,853,000	15,853,000	

(Diluted loss per share has not been presented as the result is anti-dilutive)

(See accompanying notes)

**Net 1 UEPS Technologies, Inc.**  
*(A Development Stage Company)*  
**Statements of Operations**  
*(Unaudited)*

**Three months ended**  
**September 30,**  
**2003**      **2002**

Revenues	\$	-	\$	-
<b>Expenses</b>				
Amortization		237		338
Bank charges		(88)		215
Consulting (Note 5)		46,500		46,500
Office, rent and telephone		1,776		152
Professional fees		3,332		8,635
Subcontract (Note 5)		-		90,000
Travel		-		1,000
Less interest income		-		(23)
<b>Total Expenses</b>		<b>51,757</b>		<b>146,817</b>
Net Loss	\$	(51,757)		(146,817)
Net Loss Per Share	\$	-	\$	(0.01)
Weighted Average Shares Outstanding		15,853,000		15,853,000
(Diluted loss per share has not been presented as the result is anti-dilutive)				

(See accompanying notes)

**Net 1 UEPS Technologies, Inc.**  
**(A Development Stage Company)**  
**Statements of Cash Flows**  
**(Unaudited)**

	<b>Nine months ended</b>		<b>Accumulation</b>
	<b>September 30,</b>		<b>from</b>
	<b><u>2003</u></b>	<b><u>2002</u></b>	<b>May 8, 1997</b>
			<b>(Inception)</b>
			<b>to September 30,</b>
			<b><u>2003</u></b>
<b>Cash Flows From Operating Activities</b>			
Net Loss	\$ (129,802)	\$ (283,612)	\$ (2,371,441)
Adjustments to reconcile net loss to cash			
Amortization	719	1,030	9,919
Changes in non-cash working capital items			
Increase in current liabilities	115,811	364,100	464,119
(Increase) decrease in accounts receivable (87,028)		4,675	(148,129)
Decrease in prepaid expenses	-	30,000	-
<b>Net Cash Used in Operating Activities</b>	<b>(8,597)</b>	<b>(36,611)</b>	<b>(1,984,431)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issuance of common stock	-	-	1,998,010
<b>Net Cash Provided by Financing Activities</b>	<b>-</b>	<b>-</b>	<b>1,998,010</b>
<b>Cash Flows to Investing Activities</b>			
(Increase) in property, plant and equipment	-	-	(2,122)
<b>Net Cash Used in Investing Activities</b>	<b>-</b>	<b>-</b>	<b>(2,122)</b>
<b>Increase (Decrease) in Cash in the Period</b>	<b>(8,597)</b>	<b>(36,611)</b>	<b>11,457</b>
Cash - Beginning of Period	20,054	57,289	-
Cash - End of Period	\$ 11,457	\$ 20,678	\$ 11,457
<b>Non-Cash Financing Activities</b>			
9,361,846 shares issued for			
a license (Note 4)	\$ -	\$ -	\$ 9,362
<b>Supplementary Disclosure</b>			
Interest paid	\$ -	\$ -	\$ -
Income tax paid	-	-	-

(See accompanying notes)



**Net 1 UEPS Technologies, Inc.**  
**(A Development Stage Company)**  
**Notes to the Financial Statements**  
**(Unaudited)**

**1. Development Stage Company**

Net 1 UEPS Technologies, Inc. herein (the Company) was incorporated in the State of Florida on May 8, 1997. The Company is a development stage company engaged in the business of commercializing the smart card technology based Universal Electronic Payment System ( UEPS ) and Funds Transfer System ( FTS ) through the development of strategic alliances with national and international bank and card service organizations. The patent rights (or applications for patents) of the UEPS/FTS technology for all worldwide territories (except South Africa and its surrounding territories) are held by Net 1 Holdings S.a.r.l., a company incorporated in Luxembourg ( Net 1 Holdings ). See Note 4 for a discussion on the FTS European patent being revoked.

The Company entered into a license agreement, dated May 19, 1997 (the License Agreement ), with Net 1 Holdings, Net 1 Operations S.a.r.l. and Net 1 Pty (collectively, the Licensors ), where the licensors granted a non-exclusive license to the Company for the UEPS technology for the issuance of 5,412,244 shares at a fair market value of \$0.001 per share. On October 1, 1997 an Amendment to the License Agreement was signed that provided for the transfer of the ownership of the UEPS technology and FTS and for the assignment of the Technology License Agreement between VISA International Service Association and Net 1 Holdings, dated July 31, 1997 (the Visa Agreement ) to the Company in consideration of 4,729,612 shares. The assignment of the Visa Agreement and the transfer of the ownership of the UEPS technology and FTS patents to the Company were never consummated because certain conditions precedent were never satisfied.

On May 3, 2000 an agreement entitled Patent and Technology Agreement was entered into between the Company and Net 1 Holdings that granted the Company an exclusive marketing license for the UEPS technology and the FTS patent for the world excluding South Africa and its surrounding territories under terms similar to those stipulated in the Amendment to the License Agreement. No conditions precedent were stipulated. The 4,729,612 shares of the Company previously issued into trust in consideration for the Amendment to the License Agreement were thus released to Net 1 Holdings. Effective July 1, 2002, the Company entered into a distribution agreement with Net 1 Investment Holdings (Pty) Ltd., which replaced the previous Patent and Technology Agreement. As a condition of this agreement, Net 1 Investment Holdings (Pty) Ltd. received \$50,000 in full settlement of \$154,953 of fees due as at June 30, 2002. The Company wrote off the remaining \$104,953 of the debt as a reduction of subcontract costs in that year.

Net 1 Holdings as at December 31, 2002 owns 8,520,578 common shares of 15,852,856 issued and outstanding common shares, or 54%.

In a development stage company, management devotes most of its activities to establishing a new business primarily, the development of a detailed business plan, marketing strategy and the raising of funds required to develop and operate the business successfully. Planned principal activities have not yet produced revenues and the Company has suffered recurring operating losses as is normal in development stage companies. These factors raise doubt about the Company's ability to continue as a going concern. The ability of the Company to emerge from the development stage with respect to its planned principal business activity is dependent upon its successful efforts to raise additional equity financing, receive funding from affiliates and controlling shareholders, and develop a market for its products.

In order to meet expenses over the next twelve months the Company is actively searching for additional equity financing. For fiscal 2003, the Company recorded as revenues \$41,017 from sales of licenses during 2002 in accordance with the Company's revenue recognition policy and the Patent and Technology Agreement.



See Note 6 regarding future financing and related acquisition of Net 1 Applied Technology Holdings Limited.

**2. Summary of Significant Accounting Policies**

(a) Comprehensive Income

SFAS No. 130, Reporting Comprehensive Income, establishes standards for the reporting and display of comprehensive income and its components in the financial statements. As at October 31, 2002, the Company has no items that represent comprehensive income and, therefore, has not included a schedule of comprehensive income in the financial statements.

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**Net 1 UEPS Technologies, Inc.**  
**(A Development Stage Company)**  
**Notes to the Financial Statements**  
**(Unaudited)**

**2. Summary of Significant Accounting Policies (continued)**

(b) Recent Accounting Pronouncements

FASB has issued SFAS No. 147, 148 and 149 but they will not have any relationship to the operations of the Company therefore a description of each and their respective impact on the Company's operations have not been disclosed.

In May 2003, the FASB issued SFAS No. 150 Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). The requirements of SFAS No. 150 apply to issuers' classification and measurement of freestanding financial instruments, including those that comprise more than one option or forward contract. SFAS No. 150 does not apply to features that are embedded in a financial instrument that is not a derivative in its entirety. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatory redeemable financial instruments of non-public entities. It is to be implemented by reporting the cumulative effect of a change in an accounting principal for financial instruments created before the issuance date of SFAS No. 150 and still existing at the beginning of the interim period of adoption. Restatement is not permitted. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

(c) Property, Plant and Equipment

Computer equipment is amortized over five years on a straight-line basis.

(d) Long-Lived Assets

Costs to acquire exclusive license rights to specific technology are considered Long-Lived assets and are capitalized as incurred. These costs are being amortized on a straight line basis over five years. Intangible assets are evaluated in each reporting period to determine if there were events or circumstances which would indicate a possible inability to recover the carrying amount. Such evaluation is based on various analyses including assessing the Company's ability to bring the commercial applications to market, related profitability projections and undiscounted cash flows relating to each application which necessarily involves significant management judgment.

(e) Basic and Diluted Net Income (Loss) per Share

The Company computes net income (loss) per share in accordance with SFAS No. 128, Earnings per Share (SFAS 128). SFAS 128 requires presentation of both basic and diluted earnings per shares (EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of common shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period including stock options, using the treasury stock method, and convertible preferred stock, using the if-converted method. In computing Diluted EPS, the average stock price for the

period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential common shares if their effect is antidilutive.

(f) Foreign Currency Transactions/Balances

Transactions in currencies other than the U.S. dollar are translated at the rate in effect on the transaction date. Any balance sheet items denominated in foreign currencies are translated into U.S. dollars using the rate in effect on the balance sheet date.

(g) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods. Actual results could differ from those estimates.

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**Net 1 UEPS Technologies, Inc.**  
**(A Development Stage Company)**  
**Notes to the Financial Statements**  
**(Unaudited)**

**2. Summary of Significant Accounting Policies (continued)**

(h) Interim Financial Data

These interim unaudited financial statements have been prepared on the same basis as the annual financial statements and in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position, results of operations and cash flows for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for a full year or for any future period.

(j) Revenue Recognition

The Company recognizes revenue when a license agreement has been signed and the rights have been passed to the licensee. The Company recognizes revenue in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 101 ( SAB 101 ), Revenue Recognition in Financial Statements. Revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed, and collectibility is reasonably assured.

**3. Property, Plant and Equipment**

Property and equipment are stated at cost less accumulated depreciation and amortization.

		September 30, 2003 (unaudited)		December 31, 2002 (audited)	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value	
Computer equipment and software	\$ 2,181	\$ 2,181	\$ -	\$ 9	

**4. Intangible Assets**

	September 30, 2003 (unaudited)		December 31, 2002 (audited)	
Cost	Accumulated Depreciation	Net Book Value	Net Book Value	
Exclusive License	\$ 9,361	\$ 7,798	\$ 1,563	\$ 2,273

See Note 1 for description of the license.

The Funds Transfer System was first patented in South Africa in 1989. The European patent was granted on December 28, 1994, with effect in Austria, Belgium, Switzerland, Germany, Denmark, Spain, France, Great Britain, Greece, Italy, Liechtenstein, Luxembourg, Netherlands and Sweden. The European Patent Convention provides for an opposition period immediately following the grant of a European patent, and six parties filed an opposition to the grant of the patent on the grounds that the invention was not patentable. The case was heard before a Board of the Opposition Division in March 1998, when the patent was upheld in a form slightly different than the original

application. Following the issue of the formal decision, a number of the opponents filed an appeal. The appeal proceedings were heard on October 10, 2002 whereby the appeal board reversed its earlier decision. Consequently, the European patent has been revoked and there is no possibility of any further appeal. As a result, the Company will be unable to collect royalties or fees for patent infringement in Europe.

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**Net 1 UEPS Technologies, Inc.**  
**(A Development Stage Company)**  
**Notes to the Financial Statements**  
**(Unaudited)**

**5. Related Party Transactions**

- (a) Consulting fees include \$112,500 (2002 - \$112,500) paid or payable to the CEO of the Company.
- (b) Pursuant to a Directors Resolution of January 29, 2002, \$250,000 of consulting fees have been postponed until the Company has sufficient funds.
- (c) Pursuant to the previous outsourcing agreement contained within the Patent and Technology Agreement, subcontract costs include \$nil (2002 - \$270,000) paid to Net 1 Investment Holdings (Pty) Ltd., a company with a common director.
- (d) Under the terms of the previous distribution agreement contained within the Patent and Technology Agreement dated July 1, 2002, the Company recorded revenues of \$41,017 from Net 1 Holdings for sales made during 2002.

**6. Subsequent Events**

The Company is completing financial arrangements for the securing of approximately US\$ 150 million through Brait SA ( Brait ) on behalf of funds under its management. The financing, comprising the capital raising of US\$ 53 million and a share exchange of US\$ 97 million, will enable Net 1 to make an offer to acquire Net 1 Applied Technology Holdings Limited ( Aplitec ), a public Johannesburg Stock Exchange (JSE) listed company, as well as providing working capital to enable Net 1 to expand its operations and develop its internal infrastructure on an international basis. The Company, through Brait, will raise the capital through sales of its common stock at US\$ 0.50 per common share.

The Company, through Brait, has provided the Board of Directors of Aplitec with an offer to acquire all the assets and liabilities of Aplitec (excluding ZAR 300 million of cash) for approximately US\$ 129 million through a combination of cash and share exchange offer to Aplitec shareholders also at a purchase price of US\$ 0.50. Aplitec is engaged in the sales, maintenance and development of UEPS smart card based products in South Africa and its surrounding territories with revenues of approximately US\$ 100 million. Aplitec has approximately 2,400 employees. Completion of the financing is subject to compliance with regulatory requirements in South Africa and in the United States, including an increase in the authorized capitalization of the Company to permit the common shares to be issued.

Item 2. Management's Discussion and Analysis or Plan of Operations

General

Management's discussion and analysis contains various forward looking statements within the meaning of the Securities and Exchange Act of 1934. These statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward looking terminology such as "may," "expect," "anticipate," "estimates" or "continue" or use of negative or other variations of comparable terminology. Management cautions that these statements are further qualified by important factors that could cause actual results to differ materially from those contained in forward looking statements, that these forward looking statements are necessarily speculative, and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in forward looking statements.

The following discussion and analysis should be read in conjunction with the financial statements of the Company and the notes thereto appearing elsewhere.

Results of Operations

Three months ended September 30, 2003 compared to the three months ended September 30, 2002, and the nine months ended September 30, 2003 compared to the nine months ended September 30, 2002.

Management continues to be actively involved in negotiations to secure sufficient equity and/or debt financing to fund the Company's business plans.

On April 30, 2003, the Company retained Brait Advisory Services ( Brait ), a division of an international merchant banking group, to provide corporate finance services and assistance in order to raise equity and/or debt funding for the Company. On October 27, 2003, the Company announced that it is completing financial arrangements for the securing of approximately US\$150 million through Brait ( Brait ) on behalf of funds under its management. The financing, comprising the capital raising of US\$53 million and a share exchange of US\$97 million will enable Net 1 to make an offer to acquire Net 1 Applied Technology Holdings Limited ( Aplitec ), a public Johannesburg Stock Exchange (JSE) listed company, as well as providing working capital to enable Net 1 to expand its operations and develop its internal infrastructure on an international basis. The Company, through Brait, will raise the capital through sales of its common stock at US\$0.50 per common share.

The Company, through Brait, has provided the Board of Directors of Aplitec with an offer to acquire all the assets and liabilities of Aplitec (excluding ZAR 300 million of cash) for approximately US\$129 million through a combination of cash and share exchange offer to Aplitec shareholders also at a purchase price of US\$0.50. Aplitec is engaged in the sales, maintenance and development of UEPS smart card based products

in South Africa and its surrounding territories with revenues of approximately US\$100 million. Aplitec has approximately 2,400 employees. Completion of the financing is subject to compliance with regulatory requirements in South Africa and in the United States, including an increase in the authorized capitalization of the Company to permit the common shares to be issued.

In the short term, management has continued the suspension of various expenses including the Consulting Agreement with its CEO, Claude Guerard.

Management continues to be actively involved in negotiations with potential clients in view of reaching two main targets required for the future of the Company:

- To establish partnership agreements with IT services and financial services entities which would provide the total technical support required by NUEP's licensees to launch and develop their own applications based on the FTS patent and the related UEPS technologies and services.
- The Company's first partnerships agreement is the Distribution Agreement which became effective July 1, 2002 with Net 1 Investment Holdings (Pty) Ltd., a South African company, for any country in the world at the discretion of the Company except South Africa and its surrounding territories (Namibia, Botswana, Lesotho, Swaziland, Mozambique and Zimbabwe).
- To develop NUEP's licensee network on a worldwide basis. We have granted licenses in Latvia, Burundi, Ghana, Rwanda and Malawi, and are currently in negotiations with potential licensees in various countries of Africa. An Australian organization has approached NUEP for an FTS license for Australia and New Zealand. Negotiations continue with various entities with the possibility to grant licenses for territories in the Pacific Rim.

Revenue: The Company produced revenues of \$41,017 which represent license fees collected by Net 1 Holdings during calendar year 2002 from licensees in Burundi, Latvia, Ghana, CIS, and Malawi.

Net 1 receives revenue from Net 1 Holdings from all sales of licenses equal to Net 1 Holdings annual net profit before amortization as certified by its auditors in its annual financial statement. Net 1 recognized the revenue in the period when the audited financial statements of Net 1 Holdings become available and will report the revenue on a net basis as the Company is acting as an agent for Net 1 Holdings as per the Patent and Technology agreement dated May 3, 2000. Effective July 1, 2002, the Company entered into a new distribution agreement with Net 1 Investment Holdings (Pty) Ltd., which replaced the previous Outsourcing Agreement. The Company now will receive 9½% of any new Licensee fees charged.

Administrative Expenses: Administrative expenses decreased from \$146,817 for the three months ended September 30, 2002 to \$51,757 for the three months ended September 30,



2003, a decrease of \$95,060; and decreased from \$441,177 for the nine months ended September 30, 2002 to \$170,819 for the nine months ended September 30, 2003, a decrease of \$270,358. The decreases resulted primarily from the cancellation of subcontract costs associated with the Company's Outsourcing Agreement, and a reduction in travel costs. Management intends to keep operating expenses at the lowest possible level by developing outsourcing policies.

Management has suspended payments to Claude Guerard under his Consulting Agreement which in the nine months ending September 30, 2003 accounted for \$112,500 and \$112,500 respectively for the nine months ending September 30, 2002.

**Liquidity and Capital Resources:** The primary source of the Company's cash has been through the sale of equity. Currently, the Company does not have available any established lines of credit with banking facilities.

The Company recognized revenue of \$41,017 on September 30, 2003 from license fees collected up to December 31, 2002, by Net 1 Holdings. Accounts receivable of \$87,028 as at September 30, 2003 are due from Net 1 Holdings. Additional fees from the sale of new licenses and recurring annual license fees from existing licensees will accrue to the Company during 2003.

Our cash decreased \$8,597 from \$20,054 at December 31, 2002 to an ending balance of \$11,457 at September 30, 2003. The cash was used to fund our operating expenses.

The Company anticipates raising additional funds from the sale of equity and/or debt financing during the current fiscal year. Such funds will be used for working capital.

The Company believes its current available cash position and revenues due from Net 1 Holdings is sufficient to meet its cash needs on a short-term basis, but the Company will need additional capital to aggressively pursue its business plans.

The Company's ability to continue as a going concern is dependent upon the Company's ability in the near future to (i) raise additional funds through equity financings involving affiliates, controlling shareholders, and unrelated parties, and (ii) further develop markets for its products.

### Item 3. Controls and Procedures

#### Changes in internal controls

There were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls since the most recent evaluation of such controls.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits required by Item 601 of Regulation S-B

31.1 Section 302 Certification of Principal Executive Officer

31.2 Section 302 Certification of Principal Accounting Officer

32.1 Section 906 Certification of Principal Executive Officer

32.2 Section 906 Certification of Principal Accounting Officer

(b) Reports on Form 8-K

The Company (Net 1) is completing financial arrangements for the securing of approximately US\$ 150 million through Brait SA (Brait) on behalf of funds under its management. The financing, comprising the capital raising of US\$ 53 million and a share exchange of US\$ 97 million, will enable Net 1 to make an offer to acquire Net 1 Applied Technology Holdings Limited (Aplitec), a public Johannesburg Stock Exchange (JSE) listed company, as well as providing working capital to enable Net 1 to expand its operations and develop its internal infrastructure on an international basis. The Company holds exclusive licensing rights to the proprietary Smart Card technology based Universal Electronic Payment System (UEPS) and Funds Transfer Systems (FTS) on a worldwide basis, excluding South Africa and surrounding territories, but lacks financial resources, personnel and infrastructure to market and expand these operations. Net 1, through Brait, will raise the capital through sales of its common stock at US\$ 0.50 per common share.

The Company, through Brait, has provided the Board of Directors of Aplitec with an offer to acquire all the assets and liabilities of Aplitec (excluding ZAR 300 million of cash) for approximately US\$ 129 million through a combination of cash and share exchange offer to Aplitec shareholders also at a purchase price of US\$ 0.50. Aplitec is engaged in the sales, maintenance and development of UEPS smart card based products in South Africa and its surrounding territories with revenues of approximately US\$ 100 million. Aplitec has approximately 2,400 employees. Completion of the financing is subject to compliance with regulatory requirements in South Africa and in the United States, including an increase in the authorized capitalization of Net 1 to permit the common shares to be issued.

Inasmuch as the principal shareholders and members of management of the Company also have interests in Aplitec and will be participating in the share exchange, Net 1 will obtain approval of the majority of its minority shareholders for the increase in its capitalization. Net 1 is seeking to complete the transaction in early 2004.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATED: November 13, 2003

NET 1 UEPS TECHNOLOGIES, INC.

By: /s/ Claude Guerard  
Claude Guerard, CEO