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

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND 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	**98-0171860**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

President Place, 4th Floor, Cnr. Jan Smuts Avenue and Bolton Road
Rosebank, Johannesburg 2196, South Africa
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **27-11-343-2000**

Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 [X] NO [ ]

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).
YES [X] NO [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act (check one):

[ ] Large accelerated filer	[X] Accelerated filer
[ ] Non-accelerated filer	[ ] Smaller reporting company
	[ ] Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES [ ] NO [X]

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.001 per share	UEPS	NASDAQ Global Select Market
Common stock, par value $0.001 per share	NT1	Johannesburg Stock Exchange

As of May 6, 2019 (the latest practicable date), 56,815,925 shares of the registrant’s common stock, par value $0.001 per share, net of treasury shares, were outstanding.

Form 10-Q

NET 1 UEPS TECHNOLOGIES, INC.

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Part I. Financial Information

Item 1. Financial Statements

NET 1 UEPS TECHNOLOGIES, INC.
Unaudited Condensed Consolidated Balance Sheets

	March 31, 2019	June 30, 2018(A)
	(In thousands, except share data)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 48,757	$ 87,075
Restricted cash (Note 11)	74,181	-
Pre-funded social welfare grants receivable (Note 3)	-	2,965
Accounts receivable, net and other receivables (Note 4)	80,150	93,448
Finance loans receivable, net (Note 4)	25,217	61,463
Inventory (Note 5)	7,861	10,361
Current assets of discontinued operation (Note 2)	-	22,482
Total current assets before settlement assets	236,166	277,794
Settlement assets (Note 6)	66,222	149,047
Total current assets	302,388	426,841
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of – March: $131,212; June: $126,026	19,889	25,737
EQUITY-ACCOUNTED INVESTMENTS (Note 2 and Note 8)	167,497	87,992
GOODWILL (Note 2 and Note 9)	156,499	169,079
INTANGIBLE ASSETS, net (Note 2 and Note 9)	15,719	27,129
DEFERRED INCOME TAXES	2,862	5,751
OTHER LONG-TERM ASSETS, including reinsurance assets (Note 8 and Note 10)	174,903	235,032
LONG-TERM ASSETS OF DISCONTINUED OPERATION (Note 2 and Note 8)	-	241,729
TOTAL ASSETS	839,757	1,219,290
LIABILITIES		
CURRENT LIABILITIES		
Short-term credit facilities for ATM funding (Note 11)	74,181	-
Short-term credit facilities (Note 11)	8,865	-
Accounts payable	14,743	21,106
Other payables	37,936	41,645
Current portion of long-term borrowings (Note 2 and Note 11)	15,823	44,079
Income taxes payable	4,958	5,742
Current liabilities of discontinued operation (Note 2)	-	20,914
Total current liabilities before settlement obligations	156,506	133,486
Settlement obligations (Note 6)	66,222	149,047
Total current liabilities	222,728	282,533
DEFERRED INCOME TAXES (Note 2)	6,299	17,485
LONG-TERM BORROWINGS (Note 11)	-	5,469
OTHER LONG-TERM LIABILITIES, including insurance policy liabilities (Note 10)	2,273	30,289
LONG-TERM LIABILITIES OF DISCONTINUED OPERATION (Note 2)	-	37,412
TOTAL LIABILITIES	231,300	373,188
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE COMMON STOCK	107,672	107,672
EQUITY		
COMMON STOCK (Note 12)		
Authorized: 200,000,000 with $0.001 par value;		
Issued and outstanding shares, net of treasury - March: 56,815,925; June: 56,685,925	80	80
PREFERRED STOCK		
Authorized shares: 50,000,000 with $0.001 par value;		
Issued and outstanding shares, net of treasury: March: -; June: -	-	-
ADDITIONAL PAID-IN-CAPITAL	277,950	276,201
TREASURY SHARES, AT COST: March: 24,891,292; June: 24,891,292	(286,951)	(286,951)
ACCUMULATED OTHER COMPREHENSIVE LOSS (Note 2 and Note 13)	(204,338)	(184,436)
RETAINED EARNINGS	713,701	837,625
TOTAL NET1 EQUITY	500,442	642,519
NON-CONTROLLING INTEREST	343	95,911
TOTAL EQUITY	500,785	738,430
TOTAL LIABILITIES, REDEEMABLE COMMON STOCK AND SHAREHOLDERS' EQUITY	$ 839,757	$ 1,219,290

(A) – Derived from audited financial statements filed on Form 10-K/A on December 6, 2018 (Note 1) See Notes to Unaudited Condensed Consolidated Financial Statements

NET 1 UEPS TECHNOLOGIES, INC.
Unaudited Condensed Consolidated Statements of Operations

	Three months ended March 31, 2019[A]	Three months ended March 31, 2018 (As restated[AB])	Nine months ended March 31, 2019[A]	Nine months ended March 31, 2018 (As restated[AB])
	(In thousands, except per share data)		(In thousands, except per share data)	
REVENUE	$ 86,484	$ 162,721	$ 309,518	$ 463,695
EXPENSE				
Cost of goods sold, IT processing, servicing and support	50,179	77,860	173,680	226,506
Selling, general and administration	42,802	48,091	155,676	141,417
Depreciation and amortization	9,881	9,341	30,528	27,030
Impairment loss (Note 9)	5,305	19,865	13,496	19,865
OPERATING (LOSS) INCOME	(21,683)	7,564	(63,862)	48,877
CHANGE IN FAIR VALUE OF EQUITY SECURITIES (Note 7 and 8)	(26,263)	37,843	(42,099)	37,843
LOSS ON DISPOSAL OF DNI (Note 2)	5,140	-	5,140	-
INTEREST INCOME, net of impairment (Note 8)	(959)	5,154	586	14,903
INTEREST EXPENSE	3,493	2,426	9,030	6,872
(LOSS) INCOME BEFORE INCOME TAX (BENEFIT) EXPENSE	(57,538)	48,135	(119,545)	94,751
INCOME TAX (BENEFIT) EXPENSE (Note 19)	(2,490)	19,418	1,702	39,757
NET (LOSS) INCOME BEFORE EARNINGS FROM EQUITY-ACCOUNTED INVESTMENTS	(55,048)	28,717	(121,247)	54,994
(LOSS) EARNINGS FROM EQUITY-ACCOUNTED INVESTMENTS	(464)	3,960	(338)	7,389
NET (LOSS) INCOME	(55,512)	32,677	(121,585)	62,383
Continuing	(50,784)	29,386	(124,275)	57,181
Discontinued	(4,728)	3,291	2,690	5,202
(ADD) LESS NET (LOSS) INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST	(728)	302	2,339	903
Continuing	(485)	302	(1,362)	903
Discontinued	(243)	-	3,701	-
NET (LOSS) INCOME ATTRIBUTABLE TO NET1	(54,784)	32,375	(123,924)	61,480
Continuing	(50,299)	29,084	(122,913)	56,278
Discontinued	$ (4,485)	$ 3,291	$ (1,011)	$ 5,202
Net (loss) income per share, in U.S. dollars (Note 15)				
Basic (loss) earnings attributable to Net1 shareholders	$ (0.96)	$ 0.57	$ (2.18)	$ 1.08
Continuing	$ (0.88)	$ 0.51	$ (2.16)	$ 1.02
Discontinued	$ (0.08)	$ 0.06	$ (0.02)	$ 0.06
Diluted (loss) earnings attributable to Net1 shareholders	$ (0.96)	$ 0.57	$ (2.18)	$ 1.08
Continuing	$ (0.88)	$ 0.51	$ (2.16)	$ 1.02
Discontinued	$ (0.08)	$ 0.06	$ (0.02)	$ 0.06

(A) Refer to Note 2 for discontinued operations disclosures.
(B) Refer to Note 1.

See Notes to Unaudited Condensed Consolidated Financial Statements

NET 1 UEPS TECHNOLOGIES, INC.
Unaudited Condensed Consolidated Statements of Comprehensive Income

	Three months ended March 31, 2019	Three months ended March 31, 2018 (As restated[A])	Nine months ended March 31, 2019	Nine months ended March 31, 2018 (As restated[A])
	(In thousands)		(In thousands)	
Net (loss) income	$ (55,512)	$ 32,677	$ (121,585)	$ 62,383
Other comprehensive (loss) income				
Movement in foreign currency translation reserve	(8,351)	20,683	(32,026)	60,320
Release of foreign currency translation reserve related to disposal of DNI (Note 2 and Note 13)	1,806	-	1,806	-
Movement in foreign currency translation reserve related to equity-accounted investments	-	-	5,430	(227)
Total other comprehensive (loss) income, net of taxes	(6,545)	20,683	(24,790)	60,093
Comprehensive (loss) income	(62,057)	53,360	(146,375)	122,476
Add (Less) comprehensive loss (income) attributable to non-controlling interest	1,207	(473)	2,549	(1,274)
Comprehensive (loss) income attributable to Net1	$ (60,850)	$ 52,887	$ (143,826)	$ 121,202

(A) Refer to Note 1.

See Notes to Unaudited Condensed Consolidated Financial Statements

NET 1 UEPS TECHNOLOGIES, INC.
Unaudited Condensed Consolidated Statement of Changes in Equity

	Net 1 UEPS Technologies, Inc. Shareholders											
	Number of Shares	Amount	Number of Treasury Shares	Treasury Shares	Number of Shares, Net of Treasury	Additional Paid-In Capital	Retained Earnings (As restated[A])	Accumulated Other Comprehensive (Loss) Income (As restated[A])	Total Net1 Equity (As restated[A])	Non-Controlling Interest	Total (As restated[A])	Redeemable Common Stock
	For the three months ended March 31, 2018 (dollar amounts in thousands)											
Balance – January 1, 2018	81,723,662	$ 80	(24,891,292)	$ (286,951)	56,832,370	$ 274,961	$ 802,381	$ (123,359)	$ 667,112	$ 3,567	$ 670,679	$ 107,672
Restricted stock granted (Note 14)	22,817				22,817				-			
Stock-based compensation charge (Note 14)						575			575		575	
Net income							32,375		32,375	302	32,677	
Other comprehensive income (Note 13)								20,512	20,512	171	20,683	
Balance – March 31, 2018	81,746,479	$ 80	(24,891,292)	$ (286,951)	56,855,187	$ 275,536	$ 834,756	$ (102,847)	$ 720,574	$ 4,040	$ 724,614	$ 107,672
	For the nine months ended March 31, 2018 (dollar amounts in thousands)											
Balance – July 1, 2017	81,261,029	$ 80	(24,891,292)	$ (286,951)	56,369,737	$ 273,733	$ 773,276	$ (162,569)	$ 597,569	$ 2,766	$ 600,335	$ 107,672
Restricted stock granted (Note 14)	611,411				611,411				-		-	
Stock-based compensation charge (Note 14)						2,052			2,052		2,052	
Reversal of stock compensation charge (Note 14)	(125,961)				(125,961)	(42)			(42)		(42)	
Reversal of stock based-compensation charge related to equity-accounted investment						(207)			(207)		(207)	
Net income							61,480		61,480	903	62,383	
Other comprehensive income (Note 13)								59,722	59,722	371	60,093	
Balance – March 31, 2018	81,746,479	$ 80	(24,891,292)	$ (286,951)	56,855,187	$ 275,536	$ 834,756	$ (102,847)	$ 720,574	$ 4,040	$ 724,614	$ 107,672

(A) Refer to Note 1.

See Notes to Unaudited Condensed Consolidated Financial Statements

NET 1 UEPS TECHNOLOGIES, INC.
Unaudited Condensed Consolidated Statement of Changes in Equity

Net 1 UEPS Technologies, Inc. Shareholders

	Number of Shares	Amount	Number of Treasury Shares	Treasury Shares	Number of Shares, Net of Treasury	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Net1 Equity	Non-Controlling Interest	Total	Redeemable Common Stock
	For the three months ended March 31, 2019 (dollar amounts in thousands)											
Balance – January 1, 2019	81,725,217	$ 80	(24,891,292)	$ (286,951)	56,833,925	$ 277,463	$ 768,485	$ (198,272)	$ 560,805	$ 91,632	$ 652,437	$ 107,672
Stock-based compensation charge (Note 14)						578			578		578	
Reversal of stock compensation charge (Note 14)	(18,000)				(18,000)	(91)			(91)		(91)	
Dividends paid to non-controlling interest									-	(1,148)	(1,148)	
Deconsolidation of DNI (Note 2)									-	(88,934)	(88,934)	
Net loss							(54,784)		(54,784)	(728)	(55,512)	
Other comprehensive loss (Note 13)								(6,066)	(6,066)	(479)	(6,545)	
Balance – March 31, 2019	81,707,217	$ 80	(24,891,292)	$ (286,951)	56,815,925	$ 277,950	$ 713,701	$ (204,338)	$ 500,442	$ 343	$ 500,785	$ 107,672
	For the nine months ended March 31, 2019 (dollar amounts in thousands)											
Balance – July 1, 2018	81,577,217	$ 80	(24,891,292)	$ (286,951)	56,685,925	$ 276,201	$ 837,625	$ (184,436)	$ 642,519	$ 95,911	$ 738,430	$ 107,672
Restricted stock granted (Note 14)	148,000				148,000				-		-	
Stock-based compensation charge (Note 14)						1,763			1,763		1,763	
Reversal of stock compensation charge (Note 14)	(18,000)				(18,000)	(91)			(91)		(91)	
Stock-based compensation charge related to equity-accounted investment (Note 8)						77			77		77	
Dividends paid to non-controlling interest									-	(4,085)	(4,085)	
Deconsolidation of DNI (Note 2)									-	(88,934)	(88,934)	
Net (loss) income							(123,924)		(123,924)	2,339	(121,585)	
Other comprehensive loss (Note 13)								(19,902)	(19,902)	(4,888)	(24,790)	
Balance – March 31, 2019	81,707,217	$ 80	(24,891,292)	$ (286,951)	56,815,925	$ 277,950	$ 713,701	$ (204,338)	$ 500,442	$ 343	$ 500,785	$ 107,672

See Notes to Unaudited Condensed Consolidated Financial Statements

NET 1 UEPS TECHNOLOGIES, INC.
Unaudited Condensed Consolidated Statements of Cash Flows

	Three months ended March 31,		Nine months ended March 31,	
	2019	2018 (as restated(A))	2019	2018 (as restated(A))
	(In thousands)		(In thousands)	
Cash flows from operating activities (Note 2)				
Net (loss) income	$ (55,512)	$ 32,677	$ (121,585)	$ 62,383
Depreciation and amortization	9,881	9,341	30,528	27,030
Impairment loss (Note 9)	5,305	19,865	13,496	19,865
Allowance for doubtful accounts receivable charged	396	579	31,638	11,560
Loss (Earnings) from equity-accounted investments	464	(3,960)	338	(7,389)
Interest on Cedar Cell note, net of impairment (Note 8)	2,044	(587)	3,404	(769)
Change in fair value of equity securities (Notes 7 and 8)	26,263	(37,843)	42,099	(37,843)
Fair value adjustments and foreign currency re-measurements	90	(110)	91	(209)
Interest payable	53	(17)	294	(264)
Facility fee amortized	51	120	206	467
(Profit) Loss on disposal of property, plant and equipment	(147)	(50)	(413)	71
Loss (Profit) on disposal of business (Note 2)	5,140	-	5,140	(463)
Stock-based compensation charge, net (Note 14)	487	575	1,672	2,010
Dividends received from equity accounted investments	-	1,946	454	4,111
Decrease (Increase) in accounts receivable, pre-funded social welfare grants receivable and finance loans receivable	(14,938)	41,679	6,533	(2,438)
Decrease (Increase) in inventory	1,451	1,072	3,612	(2,776)
Increase (Decrease) in accounts payable and other payables	8,196	2,827	(11,339)	5,775
Increase in taxes payable	795	9,007	2,142	8,091
(Decrease) Increase in deferred taxes	(4,153)	7,824	(11,223)	8,252
Net cash (used in) provided by operating activities	(14,134)	84,945	(2,913)	97,464
Cash flows from investing activities (Note 2)				
Capital expenditures	(1,615)	(4,225)	(7,280)	(7,801)
Proceeds from disposal of property, plant and equipment	295	160	781	575
Disposal of DNI (Note 2 and Note 16)	(2,114)	-	(2,114)	-
Investment in equity of equity-accounted investments (Note 8)	(489)	(18,597)	(2,989)	(132,335)
Acquisition of intangible assets	-	-	(1,384)	-
Investment in MobiKwik	-	-	(1,056)	-
Proceeds on return of investment (Note 8)	-	-	284	-
Investment in Cell C (Note 8)	-	-	-	(151,003)
Loans to equity-accounted investments	-	(10,635)	-	(10,635)
Acquisition of held to maturity investment (Note 8)	-	-	-	(9,000)
Other investing activities	-	300	-	146
Net change in settlement assets	(1,083)	43,222	76,879	280,390
Net cash (used in) provided by investing activities	(5,006)	10,225	63,121	(29,663)
Cash flows from financing activities				
Proceeds from bank overdraft (Note 11)	278,288	9,802	584,525	42,372
Repayment of bank overdraft (Note 11)	(257,097)	(42,650)	(502,823)	(56,993)
Repayment of long-term borrowings (Note 11)	(12,499)	(15,826)	(36,310)	(60,967)
Long-term borrowings utilized (Note 11)	3,609	17,726	14,613	113,157
Dividends paid to non-controlling interest	(1,148)	-	(4,085)	-
Payment of guarantee fee (Note 11)	-	(202)	(394)	(754)
Net change in settlement obligations	1,083	(43,222)	(76,879)	(280,390)
Net cash provided by (used in) financing activities	12,236	(74,372)	(21,353)	(243,575)
Effect of exchange rate changes on cash	(3,199)	1,478	(5,971)	4,489
Net (decrease) increase in cash, cash equivalents and restricted cash	(10,103)	22,276	32,884	(171,285)
Cash, cash equivalents and restricted cash – beginning	133,041	64,896	90,054	258,457
Cash, cash equivalents and restricted cash – end of period (1)	$ 122,938	$ 87,172	$ 122,938	$ 87,172

(A) Refer to Note 1.
See Notes to Unaudited Condensed Consolidated Financial Statements

(1) Cash, cash equivalents and restricted cash as of March 31, 2019, includes restricted cash of approximately $74.2 million related to cash withdrawn from the Company's various debt facilities to fund ATMs. This cash may only be used to fund ATMs and is considered restricted as to use and therefore is classified as restricted cash. Refer to Note 11 for additional information regarding the Company's facilities.

1. Basis of Presentation and Summary of Significant Accounting Policies

Unaudited Interim Financial Information

The accompanying unaudited condensed consolidated financial statements include all majority-owned subsidiaries over which the Company exercises control and have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and the rules and regulations of the United States Securities and Exchange Commission for Quarterly Reports on Form 10-Q and include all of the information and disclosures required for interim financial reporting. The results of operations for the three and nine months ended March 31, 2019 and 2018, are not necessarily indicative of the results for the full year. The Company believes that the disclosures are adequate to make the information presented not misleading.

These financial statements should be read in conjunction with the financial statements, accounting policies and financial notes thereto included in the Company's Annual Report on Form 10-K/A for the fiscal year ended June 30, 2018. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments), which are necessary for a fair representation of financial results for the interim periods presented.

References to the "Company" refer to Net1 and its consolidated subsidiaries, collectively, unless the context otherwise requires. References to "Net1" are references solely to Net 1 UEPS Technologies, Inc.

Restatement of prior year balances contained in financial statements and related notes for the three and nine months ended March 31, 2018

As previously reported and more fully described in Note 1 to the consolidated financial statements contained in the Form 10-K/A filed on December 6, 2018, the Company restated its 2018 consolidated financial statements, to correctly classify and record the change in fair value of its investment in Cell C in the statement of operations rather than in other comprehensive income as originally presented due to the election of the fair value option on acquisition. The Cell C investment was acquired in August 2017, and its fair value increased by $37,843 during the three and nine months ended March 31, 2018. Accordingly, the unaudited condensed consolidated financial statements for the three and nine months ended March 31, 2018, have also been restated with the effect of increasing income before tax by $37,843, income tax expense by $8,477 and net income by $29,366 and decreasing total comprehensive income by $29,366.

The Company also identified and corrected other insignificant misstatements in its consolidated statement of cash flows for the three and nine months ended March 31, 2018. This decreased net cash provided by operating activities by $300 with a corresponding increase in net cash provided by investing activities but had no effect on the net (decrease) increase in cash, cash equivalents and restricted cash for the three months and nine months ended March 31, 2018.

Recent accounting pronouncements adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued guidance regarding *Revenue from Contracts with Customers*. This guidance requires an entity to recognize revenue when a customer obtains control of promised goods or services in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance was originally set to be effective for the Company beginning July 1, 2017, however in August 2015, the FASB issued guidance regarding *Revenue from Contracts with Customers, Deferral of the Effective Date*. This guidance deferred the required implementation date specified in *Revenue from Contracts with Customers* to December 2017. Public companies were permitted to adopt the standard along the original timeline. The guidance became effective for the Company beginning July 1, 2018. The Company elected the modified retrospective transition method upon adoption of this guidance. The adoption of this guidance did not have a material impact on the Company's financial statements, except for the additional footnote disclosures provided.

In January 2016, the FASB issued guidance regarding *Recognition and Measurement of Financial Assets and Financial Liabilities*. The guidance primarily affects the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. The guidance requires changes in the fair value of the Company's equity investments, with certain exceptions, to be recognized through net income rather than other comprehensive income. In addition, the guidance clarifies the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. This guidance became effective for the Company beginning July 1, 2018. The amendments are required to be applied by means of a cumulative-effect adjustment on the balance sheet as of the beginning of the fiscal year of adoption. The adoption of this guidance did not have a material impact on the Company's financial statements.

1. Basis of Presentation and Summary of Significant Accounting Policies (continued)

Recent accounting pronouncements adopted (continued)

Equity securities are measured at fair value. The Company may elect to measure equity securities without readily determinable fair values at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. We perform a qualitative assessment on a quarterly basis and recognize an impairment loss if there are sufficient indicators that the fair value of the equity security is less than carrying value. There were no changes in the fair value of our equity securities recorded during the three and nine months ended March 31, 2019. Changes in fair value will be recorded in our condensed consolidated statement of operations in future periods within a caption titled "changes in fair value of equity securities".

In June 2016, the FASB issued guidance regarding *Classification of Certain Cash Receipts and Cash Payments*. The guidance is intended to reduce diversity in practice and explains how certain cash receipts and payments are presented and classified in the statement of cash flows, including beneficial interests in securitization, which would impact the presentation of the deferred purchase price from sales of receivables. This guidance became effective for the Company beginning July 1, 2018, and must be applied retrospectively. The Company has elected to classify distributions received from equity method investees using the nature of the distribution approach. This election requires the Company to evaluate each distribution received on the basis of the source of the payment and classify the distribution as either operating cash inflows or investing cash inflows. The adoption of this guidance did not have a material impact on the Company’s financial statements and the Company was not required to make any retrospective adjustments.

In January 2017, the FASB issued guidance regarding *Clarifying the Definition of a Business*. This guidance provides a more robust framework to use in determining when a set of assets and activities is a business. Because the current definition of a business is interpreted broadly and can be difficult to apply, stakeholders indicated that analyzing transactions is inefficient and costly and that the definition does not permit the use of reasonable judgment. The amendments provide more consistency in applying the guidance, reduce the costs of application, and make the definition of a business more operable. The guidance became effective for the Company beginning July 1, 2018. The adoption of this guidance did not have a material impact on the Company’s financial statements.

In January 2017, the FASB issued guidance regarding *Simplifying the Test for Goodwill Impairment*. This guidance removes the requirement for an entity to calculate the implied fair value of goodwill (as part of step 2 of the current goodwill impairment test) in measuring a goodwill impairment loss. The guidance is effective for the Company beginning July 1, 2020. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company has elected to early adopt this guidance beginning July 1, 2018. The adoption of this guidance did not have a material impact on the Company’s financial statements.

In May 2017, the FASB issued guidance regarding *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*. The guidance amends the scope of modification accounting for share-based payment arrangements and provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under Accounting Standards Codification 718. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. The guidance became effective for the Company beginning July 1, 2018. The adoption of this guidance did not have a material impact on the Company’s financial statements.

In June 2018, the FASB issued guidance regarding *Improvements to Non-employee Share-Based Payment Accounting*. The guidance simplifies the accounting for share-based payments granted to non-employees for goods and services and aligns the guidance for these share-based payments with guidance applicable to accounting for share-based payments granted to employees. The guidance is effective for the Company beginning July 1, 2019. Early adoption is permitted. The Company has elected to early adopt this guidance beginning July 1, 2018. The adoption of this guidance did not have a material impact on the Company’s financial statements.

Recent accounting pronouncements not yet adopted as of March 31, 2019

In February 2016, the FASB issued guidance regarding *Leases*. The guidance increases transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the balance sheet. The amendments to current lease guidance include the recognition of assets and liabilities by lessees for those leases currently classified as operating leases. The guidance also requires disclosures to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. This guidance is effective for the Company beginning July 1, 2019. Early adoption is permitted. The Company expects that this guidance may have a material impact on its financial statements and is currently evaluating the impact of this guidance on its financial statements on adoption.

1. Basis of Presentation and Summary of Significant Accounting Policies (continued)

Recent accounting pronouncements not yet adopted as of March 31, 2019 (continued)

In June 2016, the FASB issued guidance regarding *Measurement of Credit Losses on Financial Instruments*. The guidance replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For trade and other receivables, loans, and other financial instruments, an entity is required to use a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses, which reflects losses that are probable. Credit losses relating to available-for-sale debt securities will also be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. This guidance is effective for the Company beginning July 1, 2020. Early adoption is permitted beginning July 1, 2019. The Company is currently assessing the impact of this guidance on its financial statements and related disclosures.

In August 2018, the FASB issued guidance regarding *Disclosure Framework: Changes to the Disclosure Requirements for Fair Value Measurement.* The guidance modifies the disclosure requirements related to fair value measurement. This guidance is effective for the Company beginning July 1, 2020. Early adoption is permitted. The Company is currently assessing the impact of this guidance on its financial statements disclosure.

2. Acquisition and disposal of controlling interest in DNI

2018 acquisition

The Company's acquisition of a controlling interest in DNI-4PL Contracts Proprietary Limited ("DNI") is described in Note 3 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K/A for the year ended June 30, 2018. During the three and nine months ended March 31, 2019, the Company determined that certain customer relationships of $7.0 million should not have been separately identified and recorded as intangible assets because there were no separately identified cash flows related to these customer relationships. These customer relationships, net of deferred taxes of $2 million, should been recorded as a component of goodwill. During the three months ended March 31, 2019, the Company determined that DNI is a discontinued operation. The table below presents the DNI balances included on the Company's consolidated balance sheet as of June 30, 2018, as well as the amended preliminary purchase price allocation ("PPA") of the DNI acquisition, translated at the foreign exchange rates applicable on the date of acquisition:

	DNI – discontinued operation as of June 30, 2018		
	Initial DNI PPA	Amendment	Amended DNI PPA
Current assets of discontinued operation:	$ 22,482	$ -	$ 22,482
Cash and cash equivalents	2,979	-	2,979
Accounts receivable (Note 4)	16,235	-	16,235
Finance loans receivable (Note 4)	742	-	742
Inventory (Note 5)	2,526	-	2,526
Long-term assets of discontinued operation:	241,729	(1,951)	239,778
Property, plant and equipment	1,317	-	1,317
Equity-accounted investment (Note 8)	339	-	339
Goodwill (Note 9)	114,161	5,017	119,178
Intangible assets (Note 9)	104,003	(6,968)	97,035
Deferred tax assets	561	-	561
Other long-term assets (Note 8)	21,348	-	21,348
Current liabilities of discontinued operation:	(20,914)	-	(20,914)
Accounts payables	(13,949)	-	(13,949)
Other payables	(6,349)	-	(6,349)
Current portion of long-term borrowings (Note 11)	(616)	-	(616)
Long-term liabilities of discontinued operation:	(37,412)	1,951	(35,461)
Other long-term liabilities	(8,291)	-	(8,291)
Deferred tax liabilities	(29,121)	1,951	(27,170)
Fair value of assets and liabilities on acquisition	$ 205,885	$ -	$ 205,885

2. Acquisition and disposal of controlling interest in DNI (continued)

2018 acquisition (continued)

The Company recorded intangible asset amortization, deferred taxes and non-controlling interest entries related to these customer relationships that should have been included in goodwill during the six months ended December 31, 2018. The Company has reversed these entries during the three and nine months ended March 31, 2019. The table below presents the impact of reversal of these entries on the Company's unaudited condensed consolidated statement of operations for the three and nine months ended March 31, 2019 and the caption in which the impact is included:

	Three and nine months ended March 31, 2019
Reversal of intangible asset amortization - decrease depreciation and amortization	$ 506
Deferred tax impact related to reversal of intangible asset amortization - decrease income tax benefit	142
Increase in non-controlling interest	$ 164

2019 disposal of a controlling interest in DNI

Transaction to sell 17% during the three and nine months ended March 31, 2019

On February 28, 2019, the Company through its wholly owned subsidiary, Net1 Applied Technologies South Africa Proprietary Limited ("Net1 SA"), entered into a transaction with JAA Holdings Proprietary Limited, a limited liability private company duly incorporated in the Republic of South Africa, and PK Gain Investment Holdings Proprietary Limited, a limited liability private company duly incorporated in the Republic of South Africa, in terms of which Net1 SA reduced its shareholding in DNI from 55% to 38%. The transaction closed on March 31, 2019. The parties used a cashless settlement process on closing, refer to Note 16. Net1 SA used the proceeds from the sale of the DNI shares to settle its ZAR 400 million ($27.6 million, translated at exchange rates applicable as of March 31, 2019) obligation to DNI to subscribe for an additional share as part of the contingent consideration settlement process.

As of March 31, 2019, the Company owned 38% of the voting and economic rights of DNI. The Company accounted for its 38% investment in DNI using the equity method, refer to Note 8. The Company no longer controls DNI and deconsolidated its investment in DNI effective March 31, 2019. In April 2019, the Company's management approved and commenced a process to sell its retained interest in DNI, which includes the transactions described above.

Transaction to sell 8% in May 2019 (subsequent to March 31, 2019)

On May 3, 2019, Net1 SA entered into a transaction with FirstRand Bank Limited, acting through its Rand Merchant Bank division ("RMB"), in terms of which Net1 SA further reduced its shareholding in DNI from 38% to 30% through the sale of 7,605,235 ordinary "A" shares in DNI for a transaction consideration of ZAR 215.0 million ($14.8 million, translated at exchange rates applicable as of March 31, 2019) (the "RMB Disposal"). The parties used a cashless settlement process on closing. The transaction closed on May 3, 2019, and the Company used the proceeds from the sale of these DNI shares and ZAR 15.0 million of its existing cash reserves to settle its outstanding long-term borrowings of ZAR 230.0 million in full, refer to Note 11.

On May 3, 2019, Net1 SA entered into an agreement pursuant to which it granted a call option to DNI to acquire Net1 SA's remaining 30% interest in DNI. The option expires on December 31, 2019, but may be exercised at any time prior to expiration. The option strike price is calculated as ZAR 2.827 billion ($195.2 million, translated at exchange rates applicable as of March 31, 2019) less any special distribution made by DNI multiplied by Net1 SA's retained interest (i.e. assuming no special distribution, the strike price for the 30% retained interest is ZAR 859.3 million, or $59.3 million, translated at exchange rates applicable as of March 31, 2019). The call option may be split into smaller denominations, but Net1 SA cannot be left with less than 20% unless the whole remaining interest is disposed of. DNI may nominate another party to exercise the call option in the place of DNI, provided that the nominated party acquires call options representing at least 2.5% of DNI's voting and participation interests.

2. Acquisition and disposal of controlling interest in DNI (continued)

2019 disposal of a controlling interest in DNI (continued)

The table below presents the impact of the deconsolidation of DNI and the calculation of the net loss recognized on deconsolidation:

	Total	17% sold	Equity method investment as of March 31, 2019 (Refer also Note 8) 8% retained interest sold in May 2019	30% retained interest	Attributed to non-controlling interest
Fair value of consideration received	$ 27,626	$ 27,626	$ -	$ -	$ -
Fair value of retained interest of 30% in DNI(1)	74,195	-	14,849	59,346	-
Carrying value of non-controlling interest	88,934	-	-	-	88,934
Subtotal	190,755	27,626	14,849	59,346	88,934
Less: carrying value of DNI, comprising	195,895	34,311	14,540	58,110	88,934
Cash and cash equivalents	2,114	354	158	633	969
Accounts receivable, net	24,577	4,116	1,841	7,358	11,262
Finance loans receivable, net	1,030	173	77	308	472
Inventory	893	149	66	268	410
Property, plant and equipment, net	1,265	212	95	379	579
Equity-accounted investments (Note 8)	242	41	19	72	110
Goodwill (Note 9)	113,003	18,924	8,466	33,834	51,779
Intangible assets, net	80,769	13,526	6,051	24,183	37,009
Deferred income taxes	28	5	2	8	13
Other long-term assets	26,553	4,447	1,989	7,950	12,167
Accounts payable	(5,186)	(868)	(389)	(1,553)	(2,376)
Other payables(2)	(16,484)	(2,760)	(1,235)	(4,936)	(7,553)
Income taxes payable	(2,482)	(416)	(186)	(743)	(1,137)
Deferred income taxes	(22,083)	(3,698)	(1,654)	(6,612)	(10,119)
Long-term debt (Note 11)	(10,150)	(1,700)	(760)	(3,039)	(4,651)
Released from accumulated other comprehensive income – foreign currency translation reserve (Note 13)	1,806	1,806	-	-	-
Loss recognized on disposal, before tax, comprising	(5,140)	(6,685)	309	1,236	-
Related to sale of 17% of DNI	(6,685)	(6,685)	-	-	
Related to fair value adjustment of retained interest in 38% of DNI	1,545	-	309	1,236	
Taxes related to gain recognized on disposal(3)	-	505	(3,836)	3,331	
Loss recognized on disposal, after tax	$ (5,140)	$ (7,190)	$ 4,145	$ (2,095)	

(1) The fair value of the retained interest in 38% of DNI of $74.2 million ($14.9 million plus $59.3 million has been calculated using the implied fair value of DNI pursuant to the RMB Disposal and has been calculated as ZAR 215.0 million divided by 7. 605235% multiplied by 38%, translated to dollars at the March 31, 2019, rate of exchange. The fair value of the retained interest in DNI is included in equity-accounted investment on the unaudited condensed consolidated balance sheet as of March 31, 2019.
(2) Other payables include a short-term loan of ZAR 60.5 million ($4.2 million, translated at exchange rates applicable as of March 31, 2019) due to the Company and included in accounts receivable, net on the Company's unaudited condensed consolidated balance sheet as of March 31, 2019. The loan is repayable in full on or before June 30, 2019. Interest on the loan is charged at the South African prime rate.
(3) Amounts presented are net of a valuation allowance provided. The disposal of DNI results in a capital loss for tax purposes of approximately $1.5 million and the Company has provided a valuation allowance of $1.5 million against this capital loss because it does not have any capital gains to offset against this amount. On an individual basis, the transaction to dispose of 17% of DNI resulted in a capital gain of $0.5 million and the re-measurement of the retained 38% interest has resulted in a capital loss of $2.0 million ($5.3 million (8% transaction) less $3.3 million (30% transaction)). The valuation allowance of $1.5 million has been provided against the $5.3 million, for a net amount presented in the table above of $3.8 million ($5.3 million less $1.5 million).

2. Acquisition and disposal of controlling interest in DNI (continued)

Discontinued operation

The Company has determined that the disposal of its controlling interest in DNI represents a discontinued operation because it represents a strategic shift that will have a major effect on the Company's operations and financial results as a result of the sale of a significant portion of its investment in DNI. The facts and circumstances leading to the disposal of a controlling interest are described above. The loss related to the disposal of a controlling interest in DNI is presented above. DNI was allocated to the Company's financial inclusion and applied technologies operating segment and the amortization of intangible assets identified and recognized related to the DNI acquisition were allocate to corporate/eliminations. The impact of the disposal of a controlling interest on the Company's operating segments is presented in Note 18.

The Company retains a continuing involvement in DNI through its 38% interest in DNI (refer above and to Note 8). The Company expects to retain an interest in DNI for less than 12 months. As disclosed above, the Company sold an 8% interest in DNI in May 2019, and has entered into an agreement under which it has provided a call option to DNI to repurchase the remaining 30% interest in DNI. The Company did not record any earnings under the equity method related to its retained 38% investment in DNI during the three and nine months ended March 31, 2019. The Company has not presented revenues and expenses between the Company and DNI, and cash inflows or outflows from or to DNI after the disposal transaction because the Company closed the transaction to sell a controlling interest in DNI on March 31, 2019.

The table below presents the impact of the deconsolidation of DNI on certain major captions to the Company's unaudited condensed consolidated statement of operations and unaudited condensed consolidated statement of cash flows for three and nine months ended March 31, 2019 and 2018, that have not been separately presented on those statements:

	DNI			
	Three months ended March 31,		Nine months ended March 31,	
	2019	2018	2019	2018
Unaudited condensed consolidated statement of operations Discontinued:				
Revenue	$ 17,842	$ -	$ 56,337	$ -
Cost of goods sold, IT processing, servicing and support	7,502	-	27,667	-
Selling, general and administration	1,935	-	4,295	-
Depreciation and amortization	2,427	-	8,026	-
Impairment loss	5,305	-	5,305	-
Operating income	673	-	11,044	-
Interest income	208	-	707	-
Interest expense	396	-	812	-
Net income before tax	(4,655)	-	5,799	-
Income tax expense	146	-	3,124	-
Net income before earnings from equity-accounted investments	(4,801)	-	2,675	-
Earnings from equity-accounted investments(1)(2)	$ 73	$ 3,291	$ 15	$ 5,202
Unaudited condensed consolidated statement of cash flows Discontinued:				
Total net cash (used in) provided by operating activities(3)	$(393)	$ -	$ 6,635	$ 1,765
Total net cash (used in) provided by investing activities	$(319)	$ -	$(516)	$ -

(1) Earnings from equity-accounted investments for the three and nine months ended March 31, 2019, represents earnings attributed to equity-accounted investment owned by DNI and included in the Company's results as a result of the consolidation of DNI.

(2) Earnings from equity-accounted investments for the three and nine months ended March 31, 2018, represents DNI earnings (net of amortization of acquired intangibles and related deferred tax) attributed to the Company as a result of the Company using the equity method to account for its investment in DNI during the period.

(3) Total net cash (used in) provided by operating activities for the three and nine months ended March 31, 2018, represent dividends received from DNI during these periods.

3. Pre-funded social welfare grants receivable

Pre-funded social welfare grants receivable represents primarily amounts pre-funded by the Company to certain merchants participating in the merchant acquiring system. The Company's contract with the South African Social Security Agency expired on September 30, 2018, and therefore the Company no longer pre-funds social welfare grants. The July 2018 payment service commenced on July 1, 2018 but the Company pre-funded certain merchants participating in the merchant acquiring systems on the last day of June 2018.

4. Accounts receivable, net and other receivables and finance loans receivable, net Accounts receivable, net and other receivables

The Company's accounts receivable, net, and other receivables as of March 31, 2019, and June 30, 2018, is presented in the table below:

	March 31, 2019	June 30, 2018
Accounts receivable, trade, net	$ 25,098	$ 40,268
Accounts receivable, trade, gross	26,155	41,369
Allowance for doubtful accounts receivable, end of period	1,057	1,101
Beginning of year	1,101	1,255
Reversed to statement of operations	(2)	-
Charged to statement of operations	3,053	(47)
Utilized	(3,020)	642
Deconsolidated as a result of transaction in Note 2	(38)	(776)
Foreign currency adjustment	(37)	27
Current portion of payments to agents in South Korea amortized over the contract period	17,366	21,971
Payments to agents in South Korea amortized over the contract period.	29,080	39,553
Less: Payments to agents in South Korea amortized over the contract period included in other long-term assets (Note 8)	11,714	17,582
Loan provided to Finbond	1,036	1,107
Loan provided to DNI (Note 2)	4,180	-
Other receivables	32,470	30,102
Total accounts receivable, net	$ 80,150	$ 93,448

Finance loans receivable, net

The Company's finance loans receivable, net, as of March 31, 2019, and June 30, 2018, is presented in the table below:

	March 31, 2019	June 30, 2018
Microlending finance loans receivable, net	$ 19,735	$ 57,504
Microlending finance loans receivable, gross	22,964	61,743
Allowance for doubtful microlending finance loans receivable, end of period	3,229	4,239
Beginning of year	4,239	3,717
Charged to statement of operations	27,955	4,348
Utilized	(28,756)	(3,588)
Foreign currency adjustment	(209)	(238)
Working capital finance receivable, net	5,482	3,959
Working capital finance receivable, gross	18,274	16,123
Allowance for doubtful working capital finance receivable, end of period	12,792	12,164
Beginning of year	12,164	3,752
Charged to statement of operations	632	8,415
Foreign currency adjustment	(4)	(3)
Total finance loans receivable, net	$ 25,217	$ 61,463

(1) Other finance loans receivable have been deconsolidated as of March 31, 2019, pursuant to the DNI disposition described in Note 2.

During the three and nine months ended March 31, 2019, the Company recorded an increase in its allowance for doubtful microlending finance loans receivable of approximately $0.1 million and $27.9 million, respectively. This high level of allowance related to the non-funding of accounts for a portion of the EPE customer base as a result of the auto-migration of the customer base to the South Africa Post Office account offering during the three months ended December 31, 2018. During the three and nine months ended March 31, 2019, the Company utilized $24.2 million and $28.8 million, respectively, against the allowance for doubtful microlending finance loans receivable.

5. Inventory

The Company’s inventory comprised the following category as of March 31, 2019, and June 30, 2018.

	March 31, 2019	June 30, 2018
Finished goods	$ 7,861	$ 10,361
	$ 7,861	$ 10,361

6. Settlement assets and settlement obligations

Settlement assets comprise (1) cash received from the South African government that the Company holds pending disbursement to recipient cardholders of social welfare grants (2) cash received from credit card companies (as well as other types of payment services) which have business relationships with merchants selling goods and services via the internet that are the Company’s customers and on whose behalf it processes the transactions between various parties, and (3) cash received from customers on whose behalf the Company processes payroll payments that the Company will disburse to customer employees, payroll-related payees and other payees designated by the customer.

Settlement obligations comprise (1) amounts that the Company is obligated to disburse to recipient cardholders of social welfare grants, (2) amounts that the Company is obligated to disburse to merchants selling goods and services via the internet that are the Company’s customers and on whose behalf it processes the transactions between various parties and settles the funds from the credit card companies to the Company’s merchant customers, and (3) amounts that the Company is obligated to pay to customer employees, payroll-related payees and other payees designated by the customer.

The balances at each reporting date may vary widely depending on the timing of the receipts and payments of these assets and obligations.

7. Fair value of financial instruments

Initial recognition and measurement

Financial instruments are recognized when the Company becomes a party to the transaction. Initial measurements are at cost, which includes transaction costs.

Risk management

The Company manages its exposure to currency exchange, translation, interest rate, customer concentration, credit and equity price and liquidity risks as discussed below.

Currency exchange risk

The Company is subject to currency exchange risk because it purchases inventories that it is required to settle in other currencies, primarily the euro and U.S. dollar. The Company has used forward contracts in order to limit its exposure in these transactions to fluctuations in exchange rates between the South African rand ("ZAR"), on the one hand, and the U.S. dollar and the euro, on the other hand.

Translation risk

Translation risk relates to the risk that the Company’s results of operations will vary significantly as the U.S. dollar is its reporting currency, but it earns most of its revenues and incurs most of its expenses in ZAR. The U.S. dollar to ZAR exchange rate has fluctuated significantly over the past three years. As exchange rates are outside the Company’s control, there can be no assurance that future fluctuations will not adversely affect the Company’s results of operations and financial condition.

Interest rate risk

As a result of its normal borrowing and lending activities, the Company’s operating results are exposed to fluctuations in interest rates, which it manages primarily through regular financing activities. The Company generally maintains limited investments in cash equivalents and held to maturity investments and has occasionally invested in marketable securities.

7. Fair value of financial instruments (continued)

Risk management (continued)

Credit risk (continued)

Credit risk relates to the risk of loss that the Company would incur as a result of non-performance by counterparties. The Company maintains credit risk policies with regard to its counterparties to minimize overall credit risk. These policies include an evaluation of a potential counterparty's financial condition, credit rating, and other credit criteria and risk mitigation tools as the Company's management deems appropriate. With respect to credit risk on financial instruments, the Company maintains a policy of entering into such transactions only with South African, South Korean and European financial institutions that have a credit rating of "B" (or its equivalent) or better, as determined by credit rating agencies such as Standard & Poor's, Moody's and Fitch Ratings.

Microlending credit risk

The Company is exposed to credit risk in its microlending activities, which provide unsecured short-term loans to qualifying customers. The Company manages this risk by performing an affordability test for each prospective customer and assigning a "creditworthiness score", which takes into account a variety of factors such as other debts and total expenditures on normal household and lifestyle expenses.

Equity price and liquidity risk

Equity price risk relates to the risk of loss that the Company would incur as a result of the volatility in the exchange-traded price of equity securities that it holds and the risk that it may not be able to liquidate these securities. The market price of these securities may fluctuate for a variety of reasons and, consequently, the amount that the Company may obtain in a subsequent sale of these securities may significantly differ from the reported market value.

Liquidity risk relates to the risk of loss that the Company would incur as a result of the lack of liquidity on the exchange on which these securities are listed. The Company may not be able to sell some or all of these securities at one time, or over an extended period of time without influencing the exchange traded price, or at all.

Financial instruments

The following section describes the valuation methodologies the Company uses to measure its significant financial assets and liabilities at fair value.

In general, and where applicable, the Company uses quoted prices in active markets for identical assets or liabilities to determine fair value. This pricing methodology would apply to Level 1 investments. If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, then the Company uses quoted prices for similar assets and liabilities or inputs other than the quoted prices that are observable either directly or indirectly. These investments would be included in Level 2 investments. In circumstances in which inputs are generally unobservable, values typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques. Investments valued using such techniques are included in Level 3 investments.

Asset measured at fair value using significant unobservable inputs – investment in Cell C

The Company's Level 3 asset represents an investment of 75,000,000 class "A" shares in Cell C, a leading mobile telecoms provider in South Africa. The Company has developed an adjusted EV/EBITDA multiple valuation model in order to determine the fair value of its investment in the Cell C shares. The primary inputs to the valuation model as of March 31, 2019, were Cell C's adjusted EBITDA for the year ended December 31, 2018, of ZAR 3.5 billion ($242.6 million, translated at exchange rates applicable as of March 31, 2019), an EBITDA multiple of 6.40; Cell C's net adjusted external debt of ZAR 9.4 billion ($648.9 million, translated at exchange rates applicable as of March 31, 2019); and a marketability discount of 10% as Cell C is not currently listed, but has publicly stated its intention to list. The primary inputs to the valuation model as of June 30, 2018, were Cell C's annualized adjusted EBITDA for the 11 months ended June 30, 2018, of ZAR 3.9 billion ($284.8 million, translated at exchange rates applicable as of June 30, 2018), an EBITDA multiple of 6.75, Cell C's net external debt of ZAR 8.8 billion ($641.1 million, translated at exchange rates applicable as of June 30, 2018) and a marketability discount of 10%. The EBITDA multiple was determined based on an analysis of Cell C's peer group, which comprises eight African and emerging market mobile telecommunications operators.

The fair value of Cell C utilizing the adjusted EV/EBITDA valuation model developed by the Company is sensitive to the following inputs: (i) the Company's determination of adjusted EBITDA; (ii) the EBITDA multiple used; and (iii) the marketability discount used. Utilization of different inputs, or changes to these inputs, may result in significantly higher or lower fair value measurement.

Fair value of financial instruments (continued)

Financial instruments (continued)

Asset measured at fair value using significant unobservable inputs – investment in Cell C (continued)

The following table presents the impact of a 0.50 increase and 0.50 decrease to the EBITDA multiple used in the Cell C valuation on the March 31, 2019, carrying value of the Company's Cell C investment (all amounts translated at exchange rates applicable as of March 31, 2019):

	Sensitivity for fair value of Cell C investment
EBITDA multiple of 5.90 times	$ 105,601
EBITDA multiple of 6.40 times	121,941
EBITDA multiple of 6.90 times	$ 138,347

The fair value of the Cell C shares as of March 31, 2019, represented approximately 15% of the Company's total assets, including these shares. The Company expects to hold these shares for an extended period of time and it is not concerned with short-term equity price volatility with respect to these shares provided that the underlying business, economic and management characteristics of the company remain sound.

Liability measured at fair value using significant unobservable inputs – DNI contingent consideration

The salient terms of the Company's investment in DNI is described in Note 3 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K/A for the year ended June 30, 2018. Under the terms of its subscription agreements with DNI, the Company agreed to pay to DNI an additional amount of up to ZAR 400.0 million ($27.6 million, translated at exchange rates applicable as of March 31, 2019), in cash, subject to the achievement of certain performance targets by DNI. The Company expected to pay the additional amount during the first quarter of the year ended June 30, 2020, and recorded an amount of ZAR 373.6 million ($27.2 million), in long-term liabilities as of June 30, 2018, which amount represented the present value of the ZAR 400.0 million to be paid (amounts translated at the exchange rate applicable as of June 30, 2018, respectively).

As described in Note 2 and Note 16, the Company settled the ZAR 400 million due to DNI as of March 31, 2019. The Company recorded accreted interest during three and nine months ended March 31, 2019, of $1.0 million and $1.8 million (ZAR 14.4 million and ZAR 26.4 million, translated at the applicable average exchange rates during the periods specified), respectively.

Derivative transactions - Foreign exchange contracts

As part of the Company's risk management strategy, the Company enters into derivative transactions to mitigate exposures to foreign currencies using foreign exchange contracts. These foreign exchange contracts are over-the-counter derivative transactions. Substantially all of the Company's derivative exposures are with counterparties that have long-term credit ratings of "B" (or equivalent) or better. The Company uses quoted prices in active markets for similar assets and liabilities to determine fair value (Level 2). The Company has no derivatives that require fair value measurement under Level 1 or 3 of the fair value hierarchy.

The Company's outstanding foreign exchange contracts are as follows as of March 31, 2019:

Notional amount	Strike price	Fair market value price	Maturity
USD 420,000	ZAR 15.5704	ZAR 14.5150	April 26, 2019

The Company had no outstanding foreign exchange contracts as of June 30, 2018.

Fair value of financial instruments (continued)

Financial instruments (continued)

The following table presents the Company's assets and liabilities measured at fair value on a recurring basis as of March 31, 2019, according to the fair value hierarchy:

	Quoted price in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Investment in Cell C	$ -	$ -	$ 121,941	$ 121,941
Related to insurance business:				
Cash, cash equivalents and restricted cash (included in other long-term assets)	596	-	-	596
Fixed maturity investments (included in cash and cash equivalents)	4,620	-	-	4,620
Other	-	420	-	420
Total assets at fair value	$ 5,216	$ 420	$ 121,941	$ 127,577
Liabilities				
Foreign exchange contracts	-	31	-	31
Total liabilities at fair value	$ -	$ 31	$ -	$ 31

The following table presents the Company's assets and liabilities measured at fair value on a recurring basis as of June 30, 2018, according to the fair value hierarchy:

	Quoted price in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Investment in Cell C	$ -	$ -	$ 172,948	$ 172,948
Related to insurance business:				
Cash and cash equivalents (included in other long-term assets)	610	-	-	610
Fixed maturity investments (included in cash and cash equivalents)	8,304	-	-	8,304
Other	-	18	-	18
Total assets at fair value	$ 8,914	$ 18	$ 172,948	$ 181,880
Liabilities				
DNI contingent consideration	$ -	$ -	$ 27,222	$ 27,222
Total liabilities at fair value	$ -	$ -	$ 27,222	$ 27,222

There have been no transfers in or out of Level 3 during the three and nine months ended March 31, 2019 and 2018, respectively.

Fair value of financial instruments (continued)

Financial instruments (continued)

Summarized below is the movement in the carrying value of assets and liabilities measured at fair value on a recurring basis, and categorized within Level 3, during the nine months ended March 31, 2019:

		Carrying value
Assets		
Balance as at June 30, 2018	$	172,948
Loss on fair value re-measurements		(42,099)
Foreign currency adjustment(1)		(8,908)
Balance as of March 31, 2019	$	121,941
Liabilities		
Balance as at June 30, 2018	$	27,222
Accretion of interest		1,848
Settlement of contingent consideration (Note 2 and Note 16)		(27,626)
Foreign currency adjustment(1)		(1,444)
Balance as of March 31, 2019	$	-

(1) The foreign currency adjustment represents the effects of the fluctuations of the South African rand and the U.S. dollar on the carrying value.

Summarized below is the movement in the carrying value of assets and liabilities measured at fair value on a recurring basis, and categorized within Level 3, during the nine months ended March 31, 2018:

		Carrying value
Assets		
Acquisition of investment in Cell C	$	151,003
Gain on fair value re-measurements		37,843
Foreign currency adjustment(1)		18,124
Balance as of March 31, 2018	$	206,970

(1) The foreign currency adjustment represents the effects of the fluctuations of the South African rand and the U.S. dollar on the carrying value.

Assets measured at fair value on a nonrecurring basis

We measure equity investments without readily determinable fair values on a nonrecurring basis. The fair values of these investments are determined based on valuation techniques using the best information available, and may include quoted market prices, market comparables, and discounted cash flow projections.

8. Equity-accounted investments and other long-term assets

Refer to Note 9 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K/A for the year ended June 30, 2018, for additional information regarding its equity-accounted investments and other long-term assets.

Equity-accounted investments

The Company's ownership percentage in its equity-accounted investments as of March 31, 2019 and June 30, 2018, was as follows:

	March 31, 2019	June 30, 2018
Bank Frick & Co AG ("Bank Frick")	35%	35%
DNI	38%	-
Finbond Group Limited ("Finbond")	29%	29%
OneFi Limited (formerly KZ One) ("OneFi")	25%	25%
SmartSwitch Namibia (Pty) Ltd ("SmartSwitch Namibia")	50%	50%
V2 Limited ("V2")	50%	-
Walletdoc Proprietary Limited ("Walletdoc")	20%	20%

8. Equity-accounted investments and other long-term assets (continued)

Equity-accounted investments (continued)

DNI

The Company consolidated DNI up until March 31, 2019, as disclosed in Note 2. The Company has retained a 38% interest in DNI and uses the equity method to account for its interest in DNI because it has the ability to exert significant influence over the operations of DNI through its shareholding and board representation.

Finbond

As of March 31, 2019, the Company owned 267,672,032 shares in Finbond. Finbond is listed on the Johannesburg Stock Exchange and its closing price on March 31, 2019, the last trading day of the quarter, was R4.69 per share. The market value of the Company's holding in Finbond on March 31, 2019, was ZAR 1.3 billion ($86.7 million translated at exchange rates applicable as of March 31, 2019). On July 11, 2018, the Company, pursuant to its election, received an additional 6,602,551 shares in Finbond as a capitalization share issue in lieu of a dividend.

V2 Limited

On October 4, 2018, the Company acquired a 50% voting and economic interest in V2 Limited ("V2") for $2.5 million. The Company has committed to provide V2 with a further equity contribution of $2.5 million and a working capital facility of $5.0 million, which are both subject to the achievement of certain pre-defined objectives.

Summarized below is the movement in equity-accounted investments and loans provided to equity-accounted investments during the nine months ended March 31, 2019:

	DNI	Bank Frick	Finbond	Other(1)	Total
Investment in equity:					
Balance as of June 30, 2018	$ -	$ 48,129	$ 30,958	$ 6,092	$ 85,179
Re-measurement of 8% of DNI (Note 2)	14,849	-	-	-	14,849
Re-measurement of 30% of DNI (Note 2)	59,346	-	-	-	59,346
Acquisition of shares	-	-	1,920	2,989	4,909
Stock-based compensation	-	-	77	-	77
Comprehensive income (loss):	-	(1,895)	7,305	(318)	5,092
Other comprehensive income	-	-	5,430	-	5,430
Equity accounted earnings (loss)	-	(1,895)	1,875	(318)	(338)
Share of net income	-	616	1,852	(318)	2,150
Amortization of acquired intangible assets	-	(562)	-	-	(562)
Deferred taxes on acquired intangible assets	-	135	-	-	135
Dilution resulting from corporate transactions	-	-	23	-	23
Other	-	(2,084)	-	-	(2,084)
Dividends received	-	-	(1,920)	(454)	(2,374)
Return on investment	-	-	-	(284)	(284)
Deconsolidation of DNI (Note 2)	-	-	-	(242)	(242)
Foreign currency adjustment(2)	-	(228)	(1,921)	(50)	(2,199)
Balance as of March 31, 2019	$ 74,195	$ 46,006	$ 36,419	$ 7,733	$ 164,353
Investment in loans:					
Balance as of June 30, 2018	$ -	$ -	$ -	$ 3,152	$ 3,152
Foreign currency adjustment(2)	-	-	-	(8)	(8)
Balance as of March 31, 2019	$ -	$ -	$ -	$ 3,144	$ 3,144

	Equity	Loans	Total
Carrying amount as of:			
June 30, 2018	$ 85,179	$ 3,152	
Continuing	$ 84,840	$ 3,152	$ 87,992
Discontinued (Note 2)	$ 339	$ -	$ 339
March 31, 2019	$ 164,353	$ 3,144	$ 167,497

(1) Includes primarily OneFi, SmartSwitch Namibia, V2 and Walletdoc;
(2) The foreign currency adjustment represents the effects of the fluctuations of the South African rand, Swiss franc, Nigerian naira and Namibian dollar, and the U.S. dollar on the carrying value.

8. Equity-accounted investments and other long-term assets (continued)

Other long-term assets

Summarized below is the breakdown of other long-term assets as of March 31, 2019, and June 30, 2018:

	March 31, 2019	June 30, 2018
Total equity investments	$ 148,934	$ 199,865
Investment in 15% of Cell C, at fair value (Note 7)	121,941	172,948
Investment in 13% of MobiKwik(1)	26,993	26,917
Total held to maturity investments	6,992	10,395
Investment in 7.625% of Cedar Cellular Investment 1 (RF) (Pty) Ltd 8.625% notes	6,992	10,395
Long-term portion of payments to agents in South Korea amortized over the contract period	11,714	17,582
Policy holder assets under investment contracts (Note 10)	596	610
Reinsurance assets under insurance contracts (Note 10)	644	633
Other long-term assets	6,023	5,947
Total other long-term assets	$ 174,903	$ 235,032

(1) The Company has determined that MobiKwik does not have readily determinable fair value and has therefore elected to record this investment at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Company accounted for its investment in MobiKwik at cost as of June 30, 2018.

During the nine months ended March 31, 2019, the Company paid $1.1 million to subscribe for additional shares in MobiKwik. As of March 31, 2019, the Company owned approximately 13% of MobiKwik's issued share capital.

Summarized below are the components of the Company's equity securities without readily determinable fair value and held to maturity investments as of March 31, 2019:

	Cost basis	Unrealized holding gains	Unrealized holding losses	Carrying value
Equity securities:				
Investment in MobiKwik	$ 26,993	$ -	$ -	$ 26,993
Held to maturity:				
Investment in Cedar Cellular notes	6,992	-	-	6,992
Total	$ 33,985	$ -	$ -	$ 33,985

Summarized below are the components of the Company's held to maturity investments as of June 30, 2018:

	Cost basis(1)	Unrealized holding gains(1)	Unrealized holding losses	Carrying value
Held to maturity:				
Investment in Cedar Cellular notes	$ 10,395	$ -	$ -	$ 10,395
Total	$ 10,395	$ -	$ -	$ 10,395

(1) An amount of $1.4 million attributed to interest recognized under the Cedar Cellular note was incorrectly included in the unrealized holding gains column as of June 30, 2018, and has been reclassified to the cost basis column.

The Company recognized interest income of $0.6 million, related to the Cedar Cellular notes during each of the three months ended March 31, 2019 and 2018, respectively. The Company recognized interest income of $2.0 million and $0.8 million, related to the Cedar Cellular notes during the nine months ended March 31, 2019 and 2018, respectively. Interest on this investment will only be paid, at Cedar Cellular's election, on maturity in August 2022. The Company's effective interest rate on the Cedar Cellular note is 24.82% as of March 31, 2019.

8. Equity-accounted investments and other long-term assets (continued)

Other long-term assets (continued)

The Company does not expect to recover the entire amortized cost basis of the Cedar Cellular notes due to a reduction in the amount of future cash flows expected to be collected from the debt security. The Company does not expect to generate any cash flows from the debt security prior to the maturity date in August 2022, and expects to recover approximately $16.0 million at maturity. The Company has calculated the present value of the expected cash flows to be collected from the debt security by discounting these cash flows at the interest rate implicit in the security upon acquisition (at a rate of 24.82%). The present value of the expected cash flows of $7.0 million is less than the amortized cost basis recorded of $9.6 million (before the March 2019 impairment for the three months ended March 31, 2019) and $12.4 million (before the cumulative 2019 impairments for the nine months ended March 31, 2019). Accordingly, the Company recorded an other-than-temporary impairment related to a credit loss of $2.6 million and $5.4 million during the three and nine months ended March 31, 2019, respectively. The impairment of $2.6 million and $5.4 million is included in interest income, net of impairment in the unaudited condensed consolidated statement of operations for the three and nine months ended March 31, 2019, respectively.

Contractual maturities of held to maturity investments

Summarized below is the contractual maturity of the Company's held to maturity investment as of March 31, 2019:

	Cost basis	Estimated fair value(1)
Due in one year or less	$ -	$ -
Due in one year through five years	6,992	6,992
Due in five years through ten years	-	-
Due after ten years	-	-
Total	$ 6,992	$ 6,992

(1) The estimated fair value of the Cedar Cellular note has been calculated utilizing the Company's portion of the security provided to the Company by Cedar Cellular, namely, Cedar Cellular's investment in Cell C.

9. Goodwill and intangible assets, net

Goodwill

Impairment loss

Three and nine months ended March 31, 2019

The Company assesses the carrying value of goodwill for impairment annually, or more frequently, whenever events occur and circumstances change indicating potential impairment. The Company performs its annual impairment test as of June 30 of each year. The Company did not recognize an impairment loss during the three months ended March 31, 2019. During the second quarter of fiscal 2019, the Company performed an impairment analysis and during the nine months ended March 31, 2019, the Company recognized an impairment loss of approximately $8.2 million, of which approximately $7.0 million related to goodwill allocated to its International Payment Group ("IPG") business within its international transaction processing operating segment and $1.2 million related to goodwill within its South African transaction processing operating segment.

Given the consolidation and restructuring of IPG over the period to December 31, 2018, several business lines were terminated or meaningfully reduced, resulting in lower than expected revenues, profits and cash flows. IPG's new business initiatives are still in their infancy, and it is expected to generate lower cash flows than initially forecast.

In order to determine the amount of goodwill impairment, the estimated fair value of the Company's IPG business assets and liabilities were compared to the carrying value of the IPG's assets and liabilities. The Company used a discounted cash flow model in order to determine the fair value of IPG. The allocation of the fair value of IPG required the Company to make a number of assumptions and estimates about the fair value of assets and liabilities where the fair values were not readily available or observable. Based on this analysis, the Company determined that the carrying value of IPG's assets and liabilities exceeded their fair value at the reporting date.

In the event that there is a deterioration in the South African transaction processing and the international transaction processing operating segment, or in any other of the Company's businesses, this may lead to additional impairments in future periods.

9. Goodwill and intangible assets, net (continued)

Goodwill (continued)

Impairment loss (continued)

Three and nine months ended March 31, 2018

During the three and nine months ended March 31, 2018, the Company recognized an impairment loss of approximately $19.9 million related to goodwill allocated to the Masterpayment business within its international transaction processing operating segment as a result of changes to the operating model of Masterpayment. During the second quarter of fiscal 2018, the Company re-evaluated the operating performance and ongoing viability of Masterpayment's working capital financing and supply chain solutions offering and determined to exit this portion of its business. While the Company believed that it could scale this offering in the medium to long-term by focusing on customers and industries outside Masterpayment's initial target market, this standalone offering did not fit the Company's strategy of providing payment solutions and working capital to small and medium-sized merchants. In order to focus on the Company's stated international strategy, the Company decided to wind-down the traditional working capital finance book issued to non-payment solutions customers. During the third quarter of fiscal 2018, the Company evaluated Masterpayment's business strategy and following the wind-down referred to above, it has determined that Masterpayment is unlikely to deliver the financial results or cash flows previously anticipated. The Company and two of Masterpayment's senior managers agreed, by mutual consent, that with effect from the end of March 2018, the managers terminated their employment with Masterpayment in order to dedicate themselves to new professional tasks.

In order to determine the amount of goodwill impairment, the estimated fair value of the Company's Masterpayment business was allocated to the individual fair value of the assets and liabilities of Masterpayment as if it had been acquired in a business combination, which resulted in the implied fair value of the goodwill. The Company used a discounted cash flow model in order to determine the fair value of Masterpayment. The allocation of the fair value of Masterpayment required the Company to make a number of assumptions and estimates about the fair value of assets and liabilities where the fair values were not readily available or observable.

Summarized below is the movement in the carrying value of goodwill for the nine months ended March 31, 2019:

	Gross value	Accumulated impairment	Carrying value
Balance as of June 30, 2018	$ 304,013	$ (20,773)	$ 283,240
Continuing	189,852	(20,773)	169,079
Discontinued (Note 2)	114,161	-	114,161
Impairment of goodwill	-	(8,191)	(8,191)
Amendment to DNI preliminary purchase price allocation (Note 2)	5,017	-	5,017
Deconsolidation of DNI (Note 2)	(113,003)	-	(113,003)
Foreign currency adjustment(1)	(10,730)	166	(10,564)
Balance as of March 31, 2019	$ 185,297	$ (28,798)	$ 156,499

(1) – the foreign currency adjustment represents the effects of the fluctuations between the South African rand, the Euro and the Korean won, and the U.S. dollar on the carrying value.

Goodwill has been allocated to the Company's reportable segments as follows:

	South African transaction processing	International transaction processing	Financial inclusion and applied technologies	Carrying value
Balance as of June 30, 2018	$ 20,946	$ 123,948	$ 138,346	$ 283,240
Continuing	20,946	123,948	24,185	169,079
Discontinued (Note 2)	-	-	114,161	114,161
Impairment of goodwill	(1,180)	(7,011)	-	(8,191)
Amendment to DNI preliminary purchase price allocation (Note 2)	-	-	5,017	5,017
Deconsolidation of DNI (Note 2)	-	-	(113,003)	(113,003)
Foreign currency adjustment(1)	(1,083)	(2,349)	(7,132)	(10,564)
Balance as of March 31, 2019	$ 18,683	$ 114,588	$ 23,228	$ 156,499

(1) – the foreign currency adjustment represents the effects of the fluctuations between the South African rand, the Euro and the Korean won, and the U.S. dollar on the carrying value.

9. Goodwill and intangible assets, net (continued)

Intangible assets

Impairment loss

The Company identified and recognized certain customer relationships as part of its acquisition of DNI, which included relationships related to an agreement with Cell C under which DNI shared in revenues earned by Cell C from other mobile telecommunications network renting ("tenant rentals") certain Cell C infrastructure that was constructed utilizing funding provided by DNI. Cell C expected to utilize the funding provided by DNI to construct 1,000 towers. Cell C recently entered into a roaming arrangement with another South African mobile telecommunications network provider which will extend its network coverage. Cell C utilized funding from DNI to construct approximately 22% of the towers that it had originally estimated to complete, however, the conclusion of the roaming arrangement has resulted in Cell C halting the construction of further network infrastructure.

The Company expects DNI to earn fewer tenant rentals than initially planned due to the lower number of towers constructed. During the three and nine months ended March 31, 2019, the Company updated the discounted cash flow model used to calculate the fair value of the customer relationships acquired on acquisition of DNI to assess the impact of the lower number of towers on its projected cash flows from the tenant rentals customer relationship. The lower number of towers has significantly reduced the projected cash flows earned from tenant rentals which resulted in a lower fair value attributed to the customer relationship. The Company compared the updated fair value of the customer relationship to the carrying amount and determined that the customer relationship is impaired. The Company has recorded an impairment loss of $5.3 million in the impairment loss caption on its unaudited condensed consolidated statement of operations for the three and nine months ended March 31, 2019. The customer relationship was not allocated to an operating segment and the impairment loss is included in corporate/eliminations.

The economics of the tenant rentals arrangement between DNI and Cell C was excluded from the performance targets agreed between DNI and the Company because the arrangement was outside of DNI's core business. DNI continues to perform above expectations and as of March 31, 2019, the Company believes that there are no other impairment indicators related to any of the other DNI intangible assets identified.

Carrying value and amortization of intangible assets

Summarized below is the carrying value and accumulated amortization of the intangible assets as of March 31, 2019 and June 30, 2018:

	As of March 31, 2019			As of June 30, 2018		
	Gross carrying value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value
Finite-lived intangible assets:						
Customer relationships[1]	$ 97,481	($83,377)	$ 14,104	$ 100,421	$ (76,237)	$ 24,184
Software and unpatented technology[1]	32,272	(32,076)	196	33,121	(32,342)	779
FTS patent	2,646	(2,646)	-	2,792	(2,792)	-
Exclusive licenses	4,506	(4,506)	-	4,506	(4,506)	-
Trademarks and brands[1]	6,776	(6,119)	657	6,962	(5,589)	1,373
Total finite-lived intangible assets	143,681	(128,724)	14,957	147,802	(121,466)	26,336
Indefinite-lived intangible assets:						
Financial institution license	762	-	762	793	-	793
Total indefinite-lived intangible assets	762	-	762	793	-	793
Total intangible assets	$ 144,443	$ (128,724)	$ 15,719	$ 148,595	$ (121,466)	$ 27,129

(1) Intangible assets acquired as part of the DNI acquisition in June 2018 have been deconsolidated and are excluded from the March 31, 2019, balances, refer to Note 2.

Aggregate amortization expense on the finite-lived intangible assets for the three months ended March 31, 2019 and 2018, was approximately $6.1 million and $3.0 million, respectively. Aggregate amortization expense on the finite-lived intangible assets for the nine months ended March 31, 2019 and 2018, was approximately $18.3 million and $8.8 million, respectively.

9. Goodwill and intangible assets, net (continued)

Intangible assets (continued)

Carrying value and amortization of intangible assets (continued)

Future estimated annual amortization expense for the next five fiscal years and thereafter, assuming exchange rates that prevailed on March 31, 2019, is presented in the table below. Actual amortization expense in future periods could differ from this estimate as a result of acquisitions, changes in useful lives, exchange rate fluctuations and other relevant factors.

Fiscal 2019[(1)]	$	21,631
Fiscal 2020		7,810
Fiscal 2021		2,833
Fiscal 2022		69
Fiscal 2023		69
Thereafter		211
Total future estimated annual amortization expense	$	32,623

(1) Estimated annual amortization expense for fiscal 2019 includes amortization of DNI acquired intangible assets from July 1, 2018, until deconsolidation on March 31, 2019.

10. Reinsurance assets and policyholder liabilities under insurance and investment contracts

Reinsurance assets and policyholder liabilities under insurance contracts

Summarized below is the movement in reinsurance assets and policyholder liabilities under insurance contracts during the nine months ended March 31, 2019:

		Reinsurance assets[(1)]		Insurance contracts[(2)]
Balance as of June 30, 2018	$	633	$	(2,032)
Increase in policyholder benefits under insurance contracts		67		(5,940)
Claims and policyholders' benefits under insurance contracts.		(22)		6,427
Foreign currency adjustment[(3)]		(34)		106
Balance as of March 31, 2019	$	644	$	(1,439)

(1) Included in other long-term assets.
(2) Included in other long-term liabilities.
(3) Represents the effects of the fluctuations between the ZAR and the U.S. dollar.

The Company has agreements with reinsurance companies in order to limit its losses from certain insurance contracts, however, if the reinsurer is unable to meet its obligations, the Company retains the liability.

The Company determines its reserves for policyholder benefits under its life insurance products using a model which estimates claims incurred that have not been reported and total present value of disability claims-in-payment at the balance sheet date. This model allows for best estimate assumptions based on experience (where sufficient) plus prescribed margins, as required in the markets in which these products are offered, namely South Africa. The best estimate assumptions include (i) mortality and morbidity assumptions reflecting the company's most recent experience and (ii) claim reporting delays reflecting Company specific and industry experience. Most of the disability claims-in-payment reserve is reinsured and the reported values were based on the reserve held by the relevant reinsurer.

Assets and policyholder liabilities under investment contracts

Summarized below is the movement in assets and policyholder liabilities under investment contracts during the nine months ended March 31, 2019:

		Assets[(1)]		Investment contracts[(2)]
Balance as of June 30, 2018	$	610	$	(610)
Increase in policyholder benefits under investment contracts		18		(18)
Foreign currency adjustment[(3)]		(32)		32
Balance as of March 31, 2019	$	596	$	(596)

(1) Included in other long-term assets.
(2) Included in other long-term liabilities.
(3) Represents the effects of the fluctuations between the ZAR and the U.S. dollar.

The Company does not offer any investment products with guarantees related to capital or returns.

11. Borrowings

South Africa

The amounts below have been translated at exchange rates applicable as of the dates specified.

July 2017 Facilities, as amended, comprising a short-term facility and long-term borrowings

Long-term borrowings – Facilities A, B, C and D

The Company's South African amended July 2017 Facilities agreement is described in Note 14 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K/A for the year ended June 30, 2018. The carrying value of these long-term borrowings as of March 31, 2019, was ZAR 229.1 million ($15.8 million), net of deferred fees of ZAR 0.9 million ($0.1 million), and the carrying amount approximated its fair value. Interest on these term loans was payable on the last business day of March, June, September and December of each year and on the final maturity date based on the Johannesburg Interbank Agreed Rate ("JIBAR") in effect from time to time plus a margin of 2.75%. The JIBAR has been set at 7.15% for the period to June 29, 2019, in respect of the loans provided under the South African long-term facilities agreement. The next principal repayment of ZAR 151.3 million ($10.6 million, translated at exchange rates applicable as of March 31, 2019) was scheduled to be paid on June 29, 2019, however the Company settled the outstanding amount of ZAR 230.0 million ($15.9 million, translated at exchange rates applicable as of March 31, 2019) in full on May 3, 2019, utilizing a combination of existing cash reserves and through the sale of DNI shares as discussed in Note 2.

Short-term facility - Facility E

On September 26, 2018, Net1 SA further amended its amended July 2017 Facilities agreement with RMB to include an overdraft facility ("Facility E") of up to ZAR 1.5 billion ($103.6 million) to fund the Company's ATMs. Interest on the overdraft facility is payable on the last day of each month and on the final maturity date based on the South African prime rate less a margin of 1.00%. The overdraft facility is up for review on September 26, 2019. The overdraft facility amount utilized must be repaid in full within one month of utilization and at least 90% of the amount utilized must be repaid with 25 days. The overdraft facility is secured by a pledge by Net1 SA of, among other things, cash and certain bank accounts utilized in the Company's ATM funding process, the cession of an insurance policy with Senate Transit Underwriters Managers Proprietary Limited, any rights and claims Net1 SA has against Grindrod Bank Limited, and, in March 2019, the Company also agreed to provide RMB with the cession of a Company U.S. dollar denominated bank account. The Company paid a non-refundable origination fee of approximately ZAR 3.8 million ($0.3 million) in October 2018. As at March 31, 2019, the Company had utilized approximately ZAR 1.1 billion ($72.8 million translated at exchange rates applicable as of March 31, 2019) of this overdraft facility. This ZAR 1.5 billion overdraft facility may only be used to fund ATMs and therefore the overdraft utilized and converted to cash to fund the Company's ATMs is considered restricted cash. The prime rate on March 31, 2019, was 10.25%.

Nedbank facility, comprising short-term facilities

On February 28, 2019, the aggregate amount of the Company's short-term facility with Nedbank Limited was reduced from ZAR 700 million to ZAR 450 million, as a result of the reduction of the general banking facility from ZAR 300 million to ZAR 50 million. As of March 31, 2019, the aggregate amount of the Company's short-term South African credit facility with Nedbank was ZAR 450.0 million ($31.1 million) and consists of (i) a primary amount of up to ZAR 450 million ($31.1 million) and (ii) a secondary amount, which has been temporarily withdrawn as discussed below. The primary amount comprises an overdraft facility of (i) up to ZAR 300 million ($20.7 million), which is further split into (a) a ZAR 250.0 million ($17.3 million) overdraft facility which may only be used to fund ATMs used at pay points and (b) a ZAR 50 million ($3.4 million) general banking facility and (ii) indirect and derivative facilities of up to ZAR 150 million ($10.4 million), which include letters of guarantees, letters of credit and forward exchange contracts. The ZAR 250.0 million component of the primary amount may only be used to fund ATMs and therefore this component of the primary amount utilized and converted to cash to fund our ATMs is considered restricted cash. The short-term facility provides Nedbank with the right to set off funds held in certain identified Company bank accounts with Nedbank against any amounts owed to Nedbank under the facility. As of March 31, 2019, the Company had total funds of $4.2 million in bank accounts with Nedbank which have been set off against $5.6 million drawn under the Nedbank facility, for a net amount drawn under the facility of $1.4 million.

As of March 31, 2019, the interest rate on the overdraft facility was 9.10%. The Company has ceded its investment in Cash Paymaster Services Proprietary Limited ("CPS"), a South African subsidiary, as well as all of its rights, title and interest in an insurance policy issued by Fidelity Risk Proprietary Limited as security for its repayment obligations under the facility. A commitment fee of 0.35% per annum is payable on the monthly unutilized amount of the overdraft portion of the short-term facility. The Company is required to comply with customary non-financial covenants, including, without limitation, covenants that restrict its ability to dispose of or encumber its assets, incur additional indebtedness or engage in certain business combinations.

11. Borrowings (continued)

Nedbank facility, comprising short-term facilities (continued)

As of March 31, 2019, the Company has utilized approximately ZAR 81.4 million ($5.6 million) of its ZAR 250 million overdraft facility to fund ATMs and utilized none of its ZAR 50 million general banking facility and temporary facility. As of March 31, 2019 and June 30, 2018, the Company had utilized approximately ZAR 96.7 million ($6.7 million) and ZAR 108.0 million ($7.9 million), respectively, of its indirect and derivative facilities of ZAR 150 million to enable the bank to issue guarantees, letters of credit and forward exchange contracts, in order for the Company to honor its obligations to third parties requiring such guarantees (refer to Note 20).

June 2018 Facility, a long-term borrowing (a DNI facility)

The Company's South African long-term facility agreement is described in Note 14 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K/A for the year ended June 30, 2018. DNI is the primary party to this facility and these long-term borrowings have been deconsolidated as of March 31, 2019, following the transaction referred to in Note 2. Interest on the revolving credit facility is payable quarterly based on JIBAR in effect from time to time plus a margin of 2.75%. The Company paid a non-refundable origination fee of approximately ZAR 2.0 million ($0.1 million) during the three and nine months ended March 31, 2019.

United States, a short-term facility

On September 14, 2018, the Company renewed its $10.0 million overdraft facility from Bank Frick and on February 4, 2019, the Company increased the overdraft facility to $20.0 million. The interest rate on the facilities is 4.50% plus 3-month US dollar LIBOR and interest is payable on a quarterly basis. The 3-month US dollar LIBOR rate was 2.59975% on March 31, 2019. The facility has no fixed term, however, it may be terminated by either party with six weeks written notice. The facility is secured by a pledge of the Company's investment in Bank Frick. As of March 31, 2019, the Company had utilized approximately $8.9 million of this facility.

South Korea, comprising long-term borrowings

The Company's South Korean senior secured loan facility is described in Note 14 to its audited consolidated financial statements included in its Annual Report on Form 10-K/A for the year ended June 30, 2018. On July 29, 2017, the Company utilized approximately KRW 0.3 billion ($0.3 million) of its Facility C revolving credit facility to pay interest due on the Company's South Korean senior secured loan facility. On October 20, 2017, the Company made an unscheduled repayment of $16.6 million and settled the full outstanding balance, including interest, related to these borrowings. This facility is no longer available.

South Korea, a short-term facility

The Company obtained a one year KRW 10 billion ($10.0 million) short-term overdraft facility from Hana Bank, a South Korean bank, in January 2019. The interest rate on the facilities is 1.984% plus the 3-month CD rate. The CD rate as of March 31, 2019 was 1.87%. The facility expires in January 2020, however can be renewed. The facility is unsecured with no fixed repayment terms. As of March 31, 2019, the Company had not utilized this facility.

11. Borrowings (continued)

Movement in short-term credit facilities

Summarized below are the Company's short-term facilities as of March 31, 2019, and the movement in the Company's short-term facilities from as of June 30, 2018 to as of March 31, 2019:

	South Africa		United States	South Korea	
	Amended July 2017	Nedbank	Bank Frick	Hana	Total
Short-term facilities as of March 31, 2019:	$ 103,599	$ 31,080	$ 20,000	$ 8,792	$ 163,471
Overdraft	-	3,453	20,000	8,792	32,245
Overdraft restricted as to use for ATM funding only	103,599	17,267	-	-	120,866
Indirect and derivative facilities	-	10,360	-	-	10,360
Movement in utilized overdraft facilities:					
Balance as of June 30, 2018	-	-	-	-	-
Utilized	506,472	64,196	13,857	-	584,525
Repaid	(434,629)	(63,202)	(4,992)	-	(502,823)
Foreign currency adjustment(1)	945	399	-	-	1,344
Balance as of March 31, 2019(2)	72,788	1,393	8,865	-	83,046
Restricted as to use for ATM funding only	72,788	1,393	-	-	74,181
No restrictions as to use	-	-	8,865	-	8,865
Movement in utilized indirect and derivative facilities:					
Balance as of June 30, 2018	-	7,871	-	-	7,871
Guarantees cancelled	-	(829)	-	-	(829)
Utilized	-	47	-	-	47
Foreign currency adjustment(1)	-	(411)	-	-	(411)
Balance as of March 31, 2019	$ -	$ 6,678	$ -	$ -	$ 6,678

(1) Represents the effects of the fluctuations between the ZAR and the U.S. dollar.

(2) Nedbank balance as of March 31, 2019, of $1.4 million comprises the net of total overdraft facilities withdrawn of $5.6 million offset against funds in bank accounts with Nedbank of $4.2 million.

Movement in long-term borrowings

Summarized below is the movement in the Company's long term borrowing from as of June 30, 2018 to as of March 31, 2019:

	South Africa			
	Continuing	Discontinued		
	Amended July 2017	June 2018 Facility	Other (Note 2)	Total
Included in current portion of long-term borrowings	$ 44,079	$ -	$ 616	$ 44,695
Included in long-term borrowings	5,469	-	-	5,469
Balance as of June 30, 2018	49,548	-	616	50,164
Utilized	-	14,613	-	14,613
Repaid	(30,797)	(4,944)	(569)	(36,310)
Deconsolidated (Note 2)	-	(10,150)	-	(10,150)
Foreign currency adjustment(1)	(2,928)	481	(47)	(2,494)
Balance as of March 31, 2019, included in current portion of long-term borrowings	$ 15,823	$ -	$ -	$ 15,823

(1) Represents the effects of the fluctuations between the ZAR and the U.S. dollar.

The Company paid a non-refundable deal origination fee of approximately ZAR 6.3 million ($0.6 million) in August 2017. Interest expense incurred under the Company's South African long-term borrowing during the three months ended March 31, 2019 and 2018, was $0.6 million and $1.9 million, respectively. Interest expense incurred during the nine months ended March 31, 2019 and 2018, was $2.7 million and $5.5 million, respectively. Prepaid facility fees amortized during each of the three months ended March 31, 2019 and 2018, was $0.1 million, respectively. Prepaid facility fees amortized during the nine months ended March 31, 2019 and 2018, was $0.2 million and $0.3 million, respectively.

11. Borrowings (continued)

Movement in long-term borrowings (continued)

Interest expense incurred in respect of the Company's South Korean debt facilities during the nine months ended March 31, 2018, was $0.4 million. Prepaid facility fees amortized during the three months ended March 31, 2018, was $0.1 million.

12. Capital structure

The following table presents a reconciliation between the number of shares, net of treasury, presented in the unaudited condensed consolidated statement of changes in equity during the nine months ended March 31, 2019 and 2018, respectively, and the number of shares, net of treasury, excluding non-vested equity shares that have not vested during the nine months ended March 31, 2019 and 2018, respectively:

	March 31, 2019	March 31, 2018
Number of shares, net of treasury:		
Statement of changes in equity	56,815,925	56,855,187
Less: Non-vested equity shares that have not vested (Note 14)	(831,408)	(934,673)
Number of shares, net of treasury excluding non-vested equity shares that have not vested	55,984,517	55,920,514

13. Accumulated other comprehensive loss

The table below presents the change in accumulated other comprehensive (loss) income per component during the three months ended March 31, 2019:

	Three months ended March 31, 2019	
	Accumulated foreign currency translation reserve	Total
Balance as of January 1, 2019	$ (198,272)	$ (198,272)
Release of foreign currency translation reserve related to disposal of DNI (Note 2).	1,806	1,806
Movement in foreign currency translation reserve	(7,872)	(7,872)
Balance as of March 31, 2019	$ (204,338)	$ (204,338)

The table below presents the change in accumulated other comprehensive (loss) income per component during the three months ended March 31, 2018:

	Three months ended March 31, 2018		
	Accumulated foreign currency translation reserve	Accumulated net unrealized income on asset available for sale, net of tax (As restated[A])	Total
Balance as of January 1, 2018	$ (123,359)	$ -	$ (123,359)
Movement in foreign currency translation reserve	20,512	-	20,512
Balance as of March 31, 2018	$ (102,847)	$ -	$ (102,847)

(A) Refer to Note 1.

13. Accumulated other comprehensive loss (continued)

The table below presents the change in accumulated other comprehensive (loss) income per component during the nine months ended March 31, 2019:

	Nine months ended March 31, 2019	
	Accumulated foreign currency translation reserve	Total
Balance as of June 30, 2018	$ (184,436)	$ (184,436)
Release of foreign currency translation reserve related to disposal of DNI (Note 2).	1,806	1,806
Movement in foreign currency translation reserve related to equity-accounted investment	5,430	5,430
Movement in foreign currency translation reserve	(27,138)	(27,138)
Balance as of March 31, 2019	$ (204,338)	$ (204,338)

The table below presents the change in accumulated other comprehensive (loss) income per component during the nine months ended March 31, 2018:

	Nine months ended March 31, 2018		
	Accumulated foreign currency translation reserve	Accumulated net unrealized income on asset available for sale, net of tax (As restated[A])	Total
Balance as of June 30, 2017	$ (162,569)	$ -	$ (162,569)
Movement in foreign currency translation reserve related to equity accounted investment	(227)	-	(227)
Movement in foreign currency translation reserve	59,949	-	59,949
Balance as of March 31, 2018	$ (102,847)	$ -	$ (102,847)

(A) Refer to Note 1.

During the three and nine months ended March 31, 2019, the Company reclassified $1.8 million from accumulated other comprehensive loss (accumulated foreign currency translation reserve) to net (loss) income related to the DNI disposal (refer to Note 2). There were no reclassifications from accumulated other comprehensive loss to net (loss) income during the three and nine months ended March 31, 2018.

14. Stock-based compensation

Stock option and restricted stock activity

Options

The following table summarizes stock option activity for the nine months ended March 31, 2019 and 2018:

	Number of shares	Weighted average exercise price ($)	Weighted average remaining contractual term (in years)	Aggregate intrinsic value ($'000)	Weighted average grant date fair value ($)
Outstanding – June 30, 2018	809,274	13.99	2.67	370	4.20
Granted – September 2018	600,000	6.20	10.00	1,212	2.02
Forfeitures	(278,386)	19.16			5.00
Outstanding – March 31, 2019	1,130,888	8.60	6.33	-	2.70
Outstanding – June 30, 2017	846,607	13.87	3.80	486	4.21
Forfeitures	(37,333)	11.23			4.55
Outstanding – March 31, 2018	809,274	13.99	2.92	427	4.20

During the nine months ended March 31, 2019, 600,000 stock options were awarded to executive officers and employees. No stock options were awarded during the three months ended March 31, 2019, or during the three and nine months ended March 31, 2018, respectively. During the three months ended March 31, 2019, employees forfeited 78,386 stock options. No stock options were forfeited during the three months ended March 31, 2018. During the nine months ended March 31, 2019, employees and executive officers forfeited 278,386 stock options, including 200,000 stock options granted in August 2008, with a strike price of $24.46 per share, as these stock options expired unexercised. During the nine months ended March 31, 2018, employees forfeited 37,333 stock options.

The fair value of each option is estimated on the date of grant using the Cox Ross Rubinstein binomial model that uses the assumptions noted in the following table. The estimated expected volatility is calculated based on the Company's 750 day volatility. The estimated expected life of the option was determined based on historical behavior of employees who were granted options with similar terms.

The table below presents the range of assumptions used to value options granted during the nine months ended March 31, 2019:

	Nine months ended March 31, 2019
Expected volatility	44%
Expected dividends	0%
Expected life (in years)	3
Risk-free rate	2.75%

The following table presents stock options vested and expected to vest as of March 31, 2019:

	Number of shares	Weighted average exercise price ($)	Weighted average remaining contractual term (in years)	Aggregate intrinsic value ($'000)
Vested and expected to vest – March 31, 2019	1,130,888	8.60	6.33	-

These options have an exercise price range of $6.20 to $13.16.

14. Stock-based compensation (continued)

Stock option and restricted stock activity (continued)

Options (continued)

The following table presents stock options that are exercisable as of March 31, 2019:

	Number of shares	Weighted average exercise price ($)	Weighted average remaining contractual term (in years)	Aggregate intrinsic value ($'000)
Exercisable – March 31, 2019	547,888	11.13	2.97	-

No stock options became exercisable during the three and nine months ended March 31, 2019, or during the three months ended March 31, 2018, respectively. However, during the nine months ended March 31, 2018, 105,982 stock options became exercisable. The Company issues new shares to satisfy stock option exercises.

Restricted stock

The following table summarizes restricted stock activity for the nine months ended March 31, 2019 and 2018:

	Number of shares of restricted stock	Weighted average grant date fair value ($'000)
Non-vested – June 30, 2018	765,411	6,162
Granted – September 2018	148,000	114
Total Vested	(64,003)	503
Vested – August 2018	(52,594)	459
Vested – March 2019	(11,409)	44
Forfeitures	(18,000)	70
Non-vested – March 31, 2019	831,408	5,496
Non-vested – June 30, 2017	505,473	11,173
Total Granted	611,411	4,522
Granted – August 2017	588,594	4,288
Granted – March 2018	22,817	234
Vested – August 2017	(56,250)	527
Total Forfeitures	(125,961)	1,491
Forfeitures	(30,635)	358
Forfeitures – August and November 2014 awards with market conditions	(95,326)	1,133
Non-vested – March 31, 2018	934,673	9,608

The September 2018 grants comprise 148,000 shares of restricted stock awarded to executive officers that are subject to market and time-based vesting. The August 2017 grants comprise (i) 326,000 shares of restricted stock awarded to executive officers and employees that are subject to time-based vesting, (ii) 210,000 shares of restricted stock awarded to executive officers that are subject to market and time-based vesting, and (iii) 52,594 shares of restricted stock awarded to non-employee directors.

The 326,000 shares of restricted stock will only vest if the recipient is employed by the Company on a full-time basis on August 23, 2020. The 52,594 shares of restricted stock awarded to non-employee directors in August 2017 vested on August 23, 2018, and 11,409 shares of restricted stock, representing half of the 22,817 shares granted to our Chief Financial Officer on March 1, 2018, vested on March 1, 2019. During the three and nine months ended March 31, 2019, 18,000 shares of restricted stock with time-based vesting conditions were forfeited by employees upon their termination from the Company. During the nine months ended March 31, 2018, 56,250 shares of restricted stock granted to non-employee directors vested and employees forfeited 30,635 shares of restricted stock with either market or performance conditions upon their termination from the Company.

14. Stock-based compensation (continued)

Stock option and restricted stock activity (continued)

Restricted stock (continued)

Market Conditions - Restricted Stock Granted in September 2018

The 148,000 shares of restricted stock awarded to executive officers in September 2018 are subject to time-based and performance-based (a market condition) vesting conditions and vest in full only on the date, if any, that the following conditions are satisfied: (1) the price of the Company's common stock must equal or exceed certain agreed VWAP levels (as described below) during a measurement period commencing on the date that it files its Annual Report on Form 10-K for the fiscal year ended 2021 and ending on December 31, 2021 and (2) the recipient is employed by the Company on a full-time basis when the condition in (1) is met. If either of these conditions is not satisfied, then none of the shares of restricted stock will vest and they will be forfeited. The $23.00 price target represents an approximate 55% increase, compounded annually, in the price of the Company's common stock on Nasdaq over the $6.20 closing price on September 7, 2018. The VWAP levels and vesting percentages related to such levels are as follows:

- Below $15.00 (threshold)—0%
- At or above $15.00 and below $19.00—33%
- At or above $19.00 and below $23.00—66%
- At or above $23.00—100%

The fair value of these shares of restricted stock was calculated using a Monte Carlo simulation of a stochastic volatility process. The choice of a stochastic volatility process as an extension to the standard Black Scholes process was driven by both observations of larger than expected moves in the daily time series for the Company's VWAP price, but also the observation of the strike structure of volatility (i.e. skew and smile) for out-of-the money calls and out-of-the money puts versus at-the-money options for both the Company's stock and NASDAQ futures.

In scenarios where the shares do not vest, the final vested value at maturity is zero. In scenarios where vesting occurs, the final vested value on maturity is the share price on vesting date. In its calculation of the fair value of the restricted stock, the Company used an average volatility of 37.4% for the VWAP price, a discounting based on USD overnight indexed swap rates for the grant date, and no future dividends. The average volatility was extracted from the time series for VWAP prices as the standard deviation of log prices for the three years preceding the grant date. The mean reversion of volatility and the volatility of volatility parameters of the stochastic volatility process were extracted by regressing log differences against log levels of volatility from the time series for at-the-money options 30 day volatility quotes, which were available from January 2, 2018 onwards.

Market Conditions - Restricted Stock Granted in August 2017

The 210,000 shares of restricted stock awarded to executive officers in August 2017 are subject to time-based and performance-based (a market condition) vesting conditions and vest in full only on the date, if any, that the following conditions are satisfied: (1) the price of the Company's common stock must equal or exceed certain agreed VWAP levels (as described below) during a measurement period commencing on the date that it files its Annual Report on Form 10-K for the fiscal year ended 2020 and ending on December 31, 2020 and (2) the recipient is employed by the Company on a full-time basis when the condition in (1) is met. If either of these conditions is not satisfied, then none of the shares of restricted stock will vest and they will be forfeited. The $23.00 price target represents an approximate 35% increase, compounded annually, in the price of the Company's common stock on Nasdaq over the $9.38 closing price on August 23, 2017. The VWAP levels and vesting percentages related to such levels are as follows:

- Below $15.00 (threshold)—0%
- At or above $15.00 and below $19.00—33%
- At or above $19.00 and below $23.00—66%
- At or above $23.00—100%

These 210,000 shares of restricted stock are effectively forward starting knock-in barrier options with multi-strike prices of zero. The fair value of these shares of restricted stock was calculated utilizing a Monte Carlo simulation model which was developed for the purpose of the valuation of these shares. For each simulated share price path, the market share price condition was evaluated to determine whether or not the shares would vest under that simulation. A standard Geometric Brownian motion process was used in the forecasting of the share price instead of a "jump diffusion" model, as the share price volatility was more stable compared to the highly volatile regime of previous years. Therefore, the simulated share price paths capture the idiosyncrasies of the observed Company share price movements.

14. Stock-based compensation (continued)

Stock option and restricted stock activity (continued)

Restricted stock (continued)

In scenarios where the shares do not vest, the final vested value at maturity is zero. In scenarios where vesting occurs, the final vested value on maturity is the share price on vesting date. The value of the grant is the average of the discounted vested values. The Company used an expected volatility of 44.0%, an expected life of approximately three years, a risk-free rate ranging between 1.275% to 1.657% and no future dividends in its calculation of the fair value of the restricted stock. The estimated expected volatility was calculated based on the Company's 30 day VWAP share price using the exponentially weighted moving average of returns.

Performance Conditions - Restricted Stock Granted in August 2016

In August 2016 the Company awarded 350,000 shares of restricted stock to executive officers. In May 2017, the Company agreed to accelerate the vesting of 200,000 of these shares of restricted stock granted to the Company's former Chief Executive Officer. The remaining 150,000 shares continue to be subject to time-based and performance-based vesting conditions. In order for any of the shares to vest, the recipient must remain employed by the Company on a full-time basis on the date that it files its Annual Report on Form 10-K for the fiscal year ended June 30, 2019. If that condition is satisfied, then the shares will vest based on the level of Fundamental EPS the Company achieves for the fiscal year ended June 30, 2019 ("2019 Fundamental EPS"), as follows:

- One-third of the shares will vest if the Company achieves 2019 Fundamental EPS of $2.60;
- Two-thirds of the shares will vest if the Company achieves 2019 Fundamental EPS of $2.80; and
- All of the shares will vest if the Company achieves 2019 Fundamental EPS of $3.00.

At levels of 2019 Fundamental EPS greater than $2.60 and less than $3.00, the number of shares that will vest will be determined by linear interpolation relative to 2019 Fundamental EPS of $2.80. Any shares that do not vest in accordance with the above-described conditions will be forfeited. All shares of restricted stock have been valued utilizing the closing price of shares of the Company's common stock quoted on The Nasdaq Global Select Market on the date of grant.

Forfeiture of restricted stock awarded in August and November 2014 that did not achieve targeted market conditions

During the nine months ended March 31, 2018, restricted stock with market conditions awarded in August and November 2014, were forfeited, because the target market conditions were not achieved. The stock-based compensation charge related to these awards was not reversed upon forfeiture because these awards contained market conditions.

The fair value of restricted stock vesting during each of the nine months ended March 31, 2019 and 2018, respectively, was $0.5 million.

Stock-based compensation charge and unrecognized compensation cost

The Company recorded a stock-based compensation charge, net during the three months ended March 31, 2019 and 2018 of $0.5 million and $0.6 million respectively, which comprised:

	Total charge	Allocated to cost of goods sold, IT processing, servicing and support	Allocated to selling, general and administration
Three months ended March 31, 2019			
Stock-based compensation charge	$ 578	$ -	$ 578
Reversal of stock compensation charge related to restricted stock and stock options forfeited	$ (91)	-	$ (91)
Total – three months ended March 31, 2019	$ 487	$ -	$ 487
Three months ended March 31, 2018			
Stock-based compensation charge	$ 575	$ -	$ 575
Total – three months ended March 31, 2018	$ 575	$ -	$ 575

14. Stock-based compensation (continued)

Stock option and restricted stock activity (continued)

Restricted stock (continued)

The Company recorded a stock-based compensation charge, net during the nine months ended March 31, 2019 and 2018 of $1.7 million and $2.0 million respectively, which comprised:

	Total charge	Allocated to cost of goods sold, IT processing, servicing and support	Allocated to selling, general and administration
Nine months ended March 31, 2019			
Stock-based compensation charge	$ 1,763	$ -	$ 1,763
Reversal of stock compensation charge related to restricted stock and stock options forfeited	(91)	-	(91)
Total – nine months ended March 31, 2019	$ 1,672	$ -	$ 1,672
Nine months ended March 31, 2018			
Stock-based compensation charge	$ 2,052	$ -	$ 2,052
Reversal of stock compensation charge related to stock options forfeited	(42)	-	(42)
Total – nine months ended March 31, 2018	$ 2,010	$ -	$ 2,010

The stock-based compensation charges have been allocated to selling, general and administration based on the allocation of the cash compensation paid to the relevant employees.

As of March 31, 2019, the total unrecognized compensation cost related to stock options was approximately $1.0 million, which the Company expects to recognize over approximately three years. As of March 31, 2019, the total unrecognized compensation cost related to restricted stock awards was approximately $2.0 million, which the Company expects to recognize over approximately two years.

As of March 31, 2019 and June 30, 2018, respectively, the Company recorded a deferred tax asset of approximately $0.8 million and $0.7 million, related to the stock-based compensation charge recognized related to employees of Net1. As of March 31, 2019, and June 30, 2018, respectively, the Company recorded a valuation allowance of approximately $0.8 million and $0.7 million, related to the deferred tax asset because it does not believe that the stock-based compensation deduction would be utilized as it does not anticipate generating sufficient taxable income in the United States. The Company deducts the difference between the market value on date of exercise by the option recipient and the exercise price from income subject to taxation in the United States.

15. (Loss) Earnings per share

The Company has issued redeemable common stock which is redeemable at an amount other than fair value. Redemption of a class of common stock at other than fair value increases or decreases the carrying amount of the redeemable common stock and is reflected in basic earnings per share using the two-class method. There were no redemptions of common stock, or adjustments to the carrying value of the redeemable common stock during the three and nine months ended March 31, 2019 or 2018. Accordingly, the two-class method presented below does not include the impact of any redemption. The Company's redeemable common stock is described in Note 15 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K/A for the year ended June 30, 2018.

Basic (loss) earnings per share include shares of restricted stock that meet the definition of a participating security because these shares are eligible to receive non-forfeitable dividend equivalents at the same rate as common stock. Basic (loss) earnings per share have been calculated using the two-class method and basic (loss) earnings per share for the three and nine months ended March 31, 2019 and 2018, reflects only undistributed earnings. The computation below of basic (loss) earnings per share excludes the net (loss) income attributable to shares of unvested restricted stock (participating non-vested restricted stock) from the numerator and excludes the dilutive impact of these unvested shares of restricted stock from the denominator.

Diluted (loss) earnings per share have been calculated to give effect to the number of shares of additional common stock that would have been outstanding if the potential dilutive instruments had been issued in each period. Stock options are included in the calculation of diluted (loss) earnings per share utilizing the treasury stock method and are not considered to be participating securities, as the stock options do not contain non-forfeitable dividend rights.

15. (Loss) Earnings per share (continued)

The calculation of diluted (loss) earnings per share includes the dilutive effect of a portion of the restricted stock granted to employees in August 2016, August 2017, March 2018, May 2018 and September 2018 as these shares of restricted stock are considered contingently returnable shares for the purposes of the diluted earnings per share calculation and the vesting conditions in respect of a portion of the restricted stock had been satisfied. The vesting conditions for awards made in September 2018, March 2018, August 2017 and August 2016 are discussed in Note 14 above and the vesting conditions for all other awards are discussed in Note 18 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K/A for the year ended June 30, 2018.

The following table presents net (loss) income attributable to Net1 ((loss) income from continuing operations) and the share data used in the basic and diluted (loss) earnings per share computations using the two-class method:

	Three months ended March 31,		Nine months ended December 31,	
	2019	2018 (As restated[A])	2019	2018 (As restated[A])
	(in thousands except percent and per share data)		(in thousands except percent and per share data)	
Numerator:				
Net (loss) income attributable to Net1	$ (54,784)	$ 32,375	$ (123,924)	$ 61,480
Undistributed (loss) earnings	(54,784)	32,375	(123,924)	61,480
Continuing	(50,299)	29,084	(122,913)	58,189
Discontinued	$ (4,485)	$ 3,291	$ (1,011)	$ 3,291
Percent allocated to common shareholders (Calculation 1)	98%	98%	99%	98%
Numerator for (loss) earnings per share: basic and diluted.	$(53,958)	$ 31,868	$(122,113)	$ 60,490
Continuing	(49,540)	28,629	(121,117)	57,252
Discontinued	$(4,417)	$3,239	$(996)	$3,238
Denominator:				
Denominator for basic (loss) earnings per share: weighted- average common shares outstanding	55,971	55,828	55,965	55,874
Effect of dilutive securities:				-
Stock options	-	61	24	54
Denominator for diluted (loss) earnings per share: adjusted weighted average common shares outstanding and assumed conversion	55,971	55,889	55,989	55,928
(Loss) Earnings per share:				
Basic	$ (0.96)	$ 0.57	$ (2.18)	$ 1.08
Continuing	$ (0.88)	$ 0.51	$ (2.16)	$ 1.02
Discontinued	$ (0.08)	$ 0.06	$ (0.02)	$ 0.06
Diluted	$ (0.96)	$ 0.57	$ (2.18)	$ 1.08
Continuing	$ (0.88)	$ 0.51	$ (2.16)	$ 1.02
Discontinued	$ (0.08)	$ 0.06	$ (0.02)	$ 0.06
(Calculation 1)				
Basic weighted-average common shares outstanding (A)	55,971	55,828	55,965	55,874
Basic weighted-average common shares outstanding and unvested restricted shares expected to vest (B)	56,828	56,716	56,795	56,788
Percent allocated to common shareholders (A) / (B)	98%	98%	99%	98%
(A) Refer to Note 1.				

Options to purchase 1,166,554 and 503,698 shares of the Company's common stock at prices ranging from $6.20 to $13.16 per share and $8.75 to $13.16 per share were outstanding during the three and nine months ended March 31, 2019, respectively, but were not included in the computation of diluted (loss) earnings per share because the options' exercise price was greater than the average market price of the Company's common stock. The options, which expire at various dates through September 7, 2028, were still outstanding as of March 31, 2019.

16. Supplemental cash flow information

The following table presents supplemental cash flow disclosures for the three and nine months ended March 31, 2019, and 2018:

	Three months ended March 31,		Nine months ended March 31,	
	2019	2018	2019	2018
Cash received from interest	$ 1,403	$ 4,561	$ 4,765	$ 14,409
Cash paid for interest	$ 3,373	$ 2,298	$ 9,027	$ 6,716
Cash paid for income taxes	$ 2,411	$ 2,276	$ 12,533	$ 22,925

Investing activities

The transaction referred to in Note 2 under which the Company reduced its shareholding in DNI from 55% to 38% and used the proceeds, of $27.6 million, from the sale to settle its obligation, of $27.6 million, to subscribe for additional shares in DNI was closed using a cashless settlement process. Therefore, the proceeds from sale and the settlement of the obligation to subscribe for additional shares in DNI were not included in net cash (used in) provided by investing activities in the Company's unaudited condensed consolidated statement of cash flows for the three and nine months ended March 31, 2019.

17. Revenue recognition

The Company is a leading provider of transaction processing services, financial inclusion products and services and secure payment technology. The Company operates market-leading payment processors in South Africa and internationally. The Company offers debit, credit and prepaid processing and issuing services for all major payment networks. In South Africa, The Company provides innovative low-cost financial inclusion products, including banking, lending and insurance, and is a leading distributor of mobile subscriber starter packs for Cell C, a South African mobile network operator.

Disaggregation of revenue

The following table represents our revenue disaggregated by major revenue streams, including reconciliation to operating segments for the three months ended March 31, 2019:

	South Africa	Korea	Rest of the world	Total
South African transaction processing				
Processing fees	$ 14,166	$ -	$ -	$ 14,166
Other	1,908	-	-	1,908
Sub-total	16,074	-	-	16,074
International transaction processing				
Processing fees	-	30,895	2,125	33,020
Other	-	1,161	177	1,338
Sub-total	-	32,056	2,302	34,358
Financial inclusion and applied technologies				
Telecom products and services	17,409	-	-	17,409
Account holder fees	2,445	-	-	2,445
Lending revenue	6,075	-	-	6,075
Technology products	5,357	-	-	5,357
Insurance revenue	755	-	-	755
Other	4,011	-	-	4,011
Sub-total	36,052	-	-	36,052
	$ 52,126	$ 32,056	$ 2,302	$ 86,484

17. Revenue recognition (continued)

Disaggregation of revenue (continued)

The following table represents our revenue disaggregated by major revenue streams, including reconciliation to operating segments for the nine months ended March 31, 2019:

	South Africa	Korea	Rest of the world	Total
South African transaction processing				
Processing fees	$ 63,426	$ -	$ -	$ 63,426
Welfare benefit distribution fees	3,086	-	-	3,086
Other	4,828	-	-	4,828
Sub-total	71,340	-	-	71,340
International transaction processing				
Processing fees	-	99,866	7,323	107,189
Other	-	4,141	539	4,680
Sub-total	-	104,007	7,862	111,869
Financial inclusion and applied technologies				
Telecom products and services	54,576	-	-	54,576
Account holder fees	16,190	-	-	16,190
Lending revenue	22,021	-	-	22,021
Technology products	15,396	-	-	15,396
Insurance revenue	4,580	-	-	4,580
Other	13,546	-	-	13,546
Sub-total	126,309	-	-	126,309
	$ 197,649	$ 104,007	$ 7,862	$ 309,518

Nature of goods and services

Processing fees

The Company earns processing fees from transactions processed for its customers. The Company provides its customers with transaction processing services that involve the collection, transmittal and retrieval of all transaction data in exchange for consideration upon completion of the transaction. In certain instances, the Company also provides a funds collection and settlement service for its customers. The Company considers these services as a single performance obligation. The Company's contracts specify a transaction price for services provided. Processing revenue fluctuates based on the type and the volume of transactions processed. Revenue is recognized on the completion of the processed transaction.

Customers that have a bank account managed by the Company are issued cards that can be utilized to withdraw funds at an ATM or to transact at a merchant point of sale device ("POS"). The Company earns processing fees from transactions processed for these customers. The Company's contracts specify a transaction price for each service provided (for instance, ATM withdrawal, balance enquiry, etc.). Processing revenue fluctuates based on the type and the volume of transactions performed by the customer. Revenue is recognized on the completion of the processed transaction.

Welfare benefit distribution fees

The Company provided a welfare benefits distribution service in South Africa to a customer under a contract which expired on September 30, 2018. The Company was required to distribute social welfare grants to identified recipients using an internally developed payment platform at designated distribution points (pay points) which enabled the recipients to access their grants. The contract specified a fixed fee per account for one or more grants received by a recipient. The Company recognized revenue for each grant recipient paid at the fixed fee.

Telecom products and services

The Company has entered into contracts with mobile networks in South Africa to distribute subscriber identity modules ("SIM") cards on their behalf. The Company is entitled to receive consideration based on the activation of each SIM as well as from a percentage of the value loaded onto each SIM. The Company recognizes revenue from these services once the criteria specified for activation have been met as well as when it is entitled to its consideration related to the value loaded onto the SIM. Revenue from contracts with mobile networks fluctuates based on the number of SIMs activated as well as on the value loaded onto the SIM.

17. Revenue recognition (continued)

Nature of goods and services (continued)

Telecom products and services (continued)

The Company purchases airtime for resale to customers. The Company recognizes revenue as the airtime is delivered to the customer. Revenue from the resale of airtime to customers fluctuates based on the volume of airtime sold.

Account holder fees

The Company provides bank accounts to customers and this service is underwritten by a regulated banking institution because the Company is not a bank. The Company charges its customers a fixed monthly bank account administration fee for all active bank accounts regardless of whether the account holder has transacted or not. The Company recognizes account holder fees on a monthly basis on all active bank accounts. Revenue from account holder's fees fluctuates based on the number of active bank accounts.

Lending revenue

The Company provides short-term loans to customers in South Africa and charges up-front initiation fees and monthly service fees. Initiation fees are recognized using the effective interest rate method, which requires the utilization of the rate of return implicit in the loan, that is, the contractual interest rate adjusted for any net deferred loan fees or costs, premium, or discount existing at the origination or acquisition of the loan. Monthly service fee revenue is recognized under the contractual terms of the loan. The monthly service fee amount is fixed upon initiation and does not change over the term of the loan.

Technology products

The Company supplies hardware and licenses for its customers to use the Company's technology. Hardware includes the sale of POS devices, SIM cards and other consumables which can occur on an ad hoc basis. The Company recognizes revenue from hardware at the transaction price specified in the contract as the hardware is delivered to the customer. Licenses include right to use certain technology developed by the Company and is recognized ratably over the license period.

Insurance revenue

The Company writes life insurance contracts, and policy holders pay the Company a monthly insurance premium at the beginning of each month. Premium revenue is recognized on a monthly basis net of policy lapses. Policy lapses are provided for on the basis of expected non-payment of policy premiums.

Significant judgments and estimates

The Company was subject to a court process regarding the determination of the price to be charged for welfare benefit distribution services provided from April 1, 2018 to September 30, 2018. In December 2018, the Constitutional Court of South Africa clarified that it was not required to ratify the price and stated that the parties should reach an agreement on the price, failing which they should approach the lower courts in South Africa. The Company has initiated discussions with SASSA, but the parties had not reached an agreement as of March 31, 2019, regarding the pricing for services provided through September 30, 2018. Management determined, under previous revenue guidance, that there was no evidence of an arrangement at a fixed and determinable price other than that noted in the court ordered extension provided in March 2018 and did not record any additional revenue related to the services provided from April 1, 2018 to June 30, 2018, and recorded revenue at the rate specified in the contract. Upon adoption of the new revenue guidance on July 1, 2018, the Company determined that it was unable to estimate the amount of revenue that it is entitled to receive because the court had not yet confirmed the amount at that date. Accordingly, the Company has not recorded any additional revenue during the nine months ended March 31, 2019, related to the price to be charged for welfare benefit distribution services provided through September 30, 2018. The Company recorded revenue at the rate specified in the contract. The Company expects to record any additional revenue once there is agreement between the Company and SASSA on the fee.

Accounts Receivable, Contract Assets and Contract Liabilities

The Company recognizes accounts receivable when its right to consideration under its contracts with customers becomes unconditional. The Company has no contract assets or contract liabilities.

18. Operating segments

The Company discloses segment information as reflected in the management information systems reports that its chief operating decision maker uses in making decisions and to report certain entity-wide disclosures about products and services, major customers, and the countries in which the entity holds material assets or reports material revenues. A description of the Company's operating segments is contained in Note 22 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K/A for the year ended June 30, 2018. As discussed in Note 2, the Company has presented DNI as a discontinued operation.

The reconciliation of the reportable segment's revenue to revenue from external customers for the three months ended March 31, 2019 and 2018, is as follows:

	Revenue		
	Reportable Segment	Inter-segment	From external customers
South African transaction processing	$ 17,374	$ 1,300	$ 16,074
International transaction processing	34,358	-	34,358
Financial inclusion and applied technologies	36,650	598	36,052
Total for the three months ended March 31, 2019	$ 88,382	$ 1,898	$ 86,484
South African transaction processing	$ 73,508	$ 7,429	$ 66,079
International transaction processing	46,240	-	46,240
Financial inclusion and applied technologies	59,574	9,172	50,402
Total for the three months ended March 31, 2018	$ 179,322	$ 16,601	$ 162,721

The reconciliation of the reportable segment's revenue to revenue from external customers for the nine months ended March 31, 2019 and 2018, is as follows:

	Revenue		
	Reportable Segment	Inter-segment	From external customers
South African transaction processing	$ 77,093	$ 5,753	$ 71,340
International transaction processing	111,869	-	111,869
Financial inclusion and applied technologies	128,611	2,302	126,309
Total for the nine months ended March 31, 2019	$ 317,573	$ 8,055	$ 309,518
South African transaction processing	$ 204,093	$ 19,755	$ 184,338
International transaction processing	136,447	-	136,447
Financial inclusion and applied technologies	168,018	25,108	142,910
Total for the nine months ended March 31, 2018	$ 508,558	$ 44,863	$ 463,695

The Company does not allocate interest income, interest expense or income tax expense to its reportable segments. The Company evaluates segment performance based on segment operating income before acquisition-related intangible asset amortization which represents operating income before acquisition-related intangible asset amortization and allocation of expenses allocated to Corporate/Eliminations, all under GAAP.

The reconciliation of the reportable segments measures of profit or loss to income before income taxes for the three and nine months ended March 31, 2019 and 2018, is as follows:

	Three months ended March 31,		Nine months ended March 31,	
	2019	2018	2019	2018
Reportable segments measure of profit or loss	$ (7,818)	$ 12,795	$ (31,678)	$ 65,579
Operating income: Corporate/Eliminations	(13,865)	(5,231)	(32,184)	(16,702)
Change in fair value of equity securities	(26,263)	37,843	(42,099)	37,843
Loss on disposal of DNI	(5,140)	-	(5,140)	-
Interest income, net of impairment	(959)	5,154	586	14,903
Interest expense	(3,493)	(2,426)	(9,030)	(6,872)
(Loss) Income before income taxes	$ (57,538)	$ 48,135	$ (119,545)	$ 94,751

18. Operating segments (continued)

The following tables summarize segment information that is prepared in accordance with GAAP for the three and nine months ended March 31, 2019 and 2018, with the impact of the deconsolidation of DNI included in discontinued operations:

	Three months ended March 31,		Nine months ended March 31,	
	2019	2018	2019	2018
Revenues				
South African transaction processing	$ 17,374	$ 73,508	$ 77,093	$ 204,093
International transaction processing	34,358	46,240	111,869	136,447
Financial inclusion and applied technologies	36,650	59,574	128,611	168,018
Continuing	18,808	59,574	72,274	168,018
Discontinued	17,842	-	56,337	-
Total	**88,382**	**179,322**	**317,573**	**508,558**
Continuing	70,540	179,322	261,236	508,558
Discontinued	17,842	-	56,337	-
Operating income (loss)				
South African transaction processing(1)	(12,954)	12,719	(28,297)	38,521
International transaction processing	1,909	(14,892)	628	(14,567)
Financial inclusion and applied technologies(1)	3,227	14,968	(4,009)	41,625
Continuing(1)	(4,911)	14,968	(28,409)	41,625
Discontinued	8,138	-	24,400	-
Subtotal: Operating segments	(7,818)	12,795	(31,678)	65,579
Corporate/Eliminations	(13,865)	(5,231)	(32,184)	(16,702)
Continuing	(6,399)	(5,231)	(19,465)	(16,702)
Discontinued	(7,466)	-	(12,719)	-
Total(1)	**(21,683)**	**7,564**	**(63,862)**	**48,877**
Continuing(1)	(22,355)	7,564	(75,543)	48,877
Discontinued	672	-	11,681	-
Depreciation and amortization				
South African transaction processing	914	1,236	2,776	3,476
International transaction processing	2,367	4,668	7,937	13,681
Financial inclusion and applied technologies	616	398	1,657	1,062
Continuing	349	398	1,044	1,062
Discontinued	267	-	613	-
Subtotal: Operating segments	3,897	6,302	12,370	18,219
Corporate/Eliminations	5,984	3,039	18,158	8,811
Continuing	3,824	3,039	10,745	8,811
Discontinued	2,160	-	7,413	-
Total	**9,881**	**9,341**	**30,528**	**27,030**
Continuing	7,454	9,341	22,502	27,030
Discontinued	2,427	-	8,026	-
Expenditures for long-lived assets				
South African transaction processing	434	1,794	2,767	3,171
International transaction processing	712	1,990	2,353	3,788
Financial inclusion and applied technologies	469	441	2,160	842
Continuing	61	441	1,429	842
Discontinued	408	-	731	-
Subtotal: Operating segments	1,615	4,225	7,280	7,801
Corporate/Eliminations	-	-	-	-
Total	**1,615**	**4,225**	**7,280**	**7,801**
Continuing	1,207	4,225	6,549	7,801
Discontinued	$ 408	$ -	$ 731	$ -

(1) South African transaction processing and Financial inclusion and applies technologies include retrenchment costs for the three months ended March 31, 2019 of: $2,972 (nine months: $3,673) and $1,570 (nine months: $1,570), respectively, for total retrenchment costs for the three months of $4,542 (nine months: $5,243). The retrenchment costs are included in selling, general and administration expense on the unaudited condensed consolidated statement of operations for the three and nine months ended March 31, 2019.

18. Operating segments (continued)

The segment information as reviewed by the chief operating decision maker does not include a measure of segment assets per segment as all of the significant assets are used in the operations of all, rather than any one, of the segments. The Company does not have dedicated assets assigned to a particular operating segment. Accordingly, it is not meaningful to attempt an arbitrary allocation and segment asset allocation is therefore not presented.

It is impractical to disclose revenues from external customers for each product and service or each group of similar products and services.

19. Income tax

Income tax in interim periods

For the purposes of interim financial reporting, the Company determines the appropriate income tax provision by first applying the effective tax rate expected to be applicable for the full fiscal year to ordinary income. This amount is then adjusted for the tax effect of significant unusual items, for instance, changes in tax law, valuation allowances and non-deductible transaction-related expenses that are reported separately, and have an impact on the tax charge. The cumulative effect of any change in the enacted tax rate, if and when applicable, on the opening balance of deferred tax assets and liabilities is also included in the tax charge as a discrete event in the interim period in which the enactment date occurs.

For the three and nine months ended March 31, 2019, the Company's effective tax rate was adversely impacted by the valuation allowances created related to the deferred tax assets recognized regarding net operating losses incurred by the Company's South African businesses, the non-deductible impairment losses, the DNI disposal loss, and non-deductible expenses, including transaction-related expenditure and non-deductible interest on its South African long-term debt facility, which was partially offset by tax expense recorded by the Company's profitable businesses in South Africa and South Korea. The deferred tax impact of the change in the fair value of the Company's investment in Cell C also impacted the Company's effective rate for fiscal 2019, as this amount is recorded at a lower rate (at a capital gains rate) than the South African statutory rate. The March 31, 2019, carrying value of the Company's investment in Cell C is less than its initial cost and therefore it has a capital gains benefit for tax purposes, however, the Company does not expect to generate any significant capital gains in the foreseeable future and has provided a valuation allowance of $3.6 million related to this capital gains benefit deferred tax asset.

The Company's effective tax rate for the three and nine months ended March 31, 2018, was 40.3% and 42.0%, respectively, and was higher than the South African statutory rate as a result of an impairment loss, non-deductible expenses (including transaction-related expenditure and non-deductible interest on our South African long-term facility), the impact of the changes in U.S. federal statutory tax rates described below and for the nine months ended March 31, 2018, a valuation allowance provided related to an allowance for doubtful working capital finance receivables created. The deferred tax impact of the change in the fair value of the Company's investment in Cell C also impacted the Company's effective rate for fiscal 2018, as this amount is recorded at a lower rate (at a capital gains rate) than the South African statutory rate.

Recent Tax Legislation

On December 22, 2017, the Tax Cuts and Jobs Act (the "TCJA"), was enacted into law, which significantly changes existing U.S. tax law and includes numerous provisions that affect the Company's business, such as imposing a one-time transition tax on deemed repatriation of deferred foreign income, reducing the U.S. federal statutory tax rate, and adopting a territorial tax system. During the year ended June 30, 2018, the TCJA required the Company to incur a transition tax on deferred foreign income not previously subject to U.S. income tax at a rate of 15.5% for foreign cash and certain other net current assets, and 8% on the remaining income. The TCJA also reduced the U.S. federal statutory tax rate from 35% to 21% effective January 1, 2018. The TCJA includes a provision to tax global intangible low taxed income ("GILTI") of foreign subsidiaries which is effective for the Company beginning July 1, 2018.

The TCJA was effective in the third quarter of fiscal year 2018. As of March 31, 2019, the Company has not completed its accounting for the estimated tax effects of the TCJA. Due to the timing of the enactment and the complexity in applying the provisions of the TCJA, the provisional net charge is subject to revisions as the Company continues to complete its analysis of the TCJA, collect and prepare necessary data, and interpret additional guidance issued by standard-setting and regulatory bodies. Adjustments may materially impact the Company's provision for income taxes and effective tax rate in the period in which the adjustments are made.

The Company has calculated its Transition Tax liability as of June 30, 2018, and recorded a Transition Tax, before the application of any foreign tax credits, of $56.9 million, and has no liability after the application of generated foreign tax credits. In fact, the Company believes that it may generate excess foreign tax credits based on its preliminary calculations.

19. Income tax (continued)

Recent Tax Legislation (continued)

The Company re-measured its deferred taxes to reflect the reduced rate that will apply when these deferred taxes are settled or realized in future periods. The TCJA subjects a U.S. corporation to tax on its GILTI. Due to the complexity of the new GILTI tax rules, the Company continues to evaluate this provision of the TCJA and the application of GAAP. Under GAAP, the Company has the option to make an accounting policy election of either (i) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the "period cost method") or (ii) factoring such amounts into a company's measurement of its deferred taxes (the "deferred method"). The Company has elected the period cost method and will record U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred. The Company is not yet able to reasonably estimate the effect of this provision of the TCJA on it because whether it expects to have future U.S. inclusions in taxable income related to GILTI depends on a number of different aspects of the Company's estimated future results of global operations. Therefore, the Company has not made any adjustments related to potential GILTI tax in its financial statements.

Uncertain tax positions

There were no significant changes in the Company's uncertain tax positions during the three and nine months ended March 31, 2019. As of March 31, 2019, the Company had accrued interest related to uncertain tax positions of approximately $0.1 million on its balance sheet.

The Company does not expect changes related to its unrecognized tax benefits will have a significant impact on its results of operations or financial position in the next 12 months.

As of March 31, 2019 and June 30, 2018, the Company had unrecognized tax benefits of $1.0 million and $0.8 million, respectively, all of which would impact the Company's effective tax rate. The Company files income tax returns mainly in South Africa, South Korea, Germany, Hong Kong, India, the United Kingdom, Botswana and in the U.S. federal jurisdiction. As of March 31, 2019, the Company's South African subsidiaries are no longer subject to income tax examination by the South African Revenue Service for periods before June 30, 2014. The Company is subject to income tax in other jurisdictions outside South Africa, none of which are individually material to its financial position, statement of cash flows, or results of operations.

20. Commitments and contingencies

Guarantees

The South African Revenue Service and certain of the Company's customers, suppliers and other business partners have asked the Company to provide them with guarantees, including standby letters of credit, issued by a South African bank. The Company is required to procure these guarantees for these third parties to operate its business.

Nedbank has issued guarantees to these third parties amounting to ZAR 96.0 million ($6.6 million, translated at exchange rates applicable as of March 31, 2019) and thereby utilizing part of the Company's short-term facility. The Company in turn has provided nonrecourse, unsecured counter-guarantees to Nedbank for ZAR 96.0 million ($6.6 million, translated at exchange rates applicable as of March 31, 2019). The Company pays commission of between 0.4% per annum to 1.94% per annum of the face value of these guarantees and does not recover any of the commission from third parties.

The Company has not recognized any obligation related to these counter-guarantees in its consolidated balance sheet as of March 31, 2019. The maximum potential amount that the Company could pay under these guarantees is ZAR 96.0 million ($6.6 million, translated at exchange rates applicable as of March 31, 2019). The guarantees have reduced the amount available for borrowings under the Company's short-term credit facility described in Note 11.

Contingencies

Challenge to Payment by SASSA of Additional Implementation Costs

On March 23, 2018, the High Court ordered that the June 15, 2012 variation agreement between SASSA and CPS be reviewed and set aside. CPS was ordered to refund ZAR 317.0 million, including VAT, to SASSA, plus interest from June 2014 to date of payment. On April 4, 2018, CPS filed an application seeking leave to appeal the whole order and judgment of the High Court with the High Court because its believes that the High Court erred in its application of the law and/or in fact in its findings. On April 25, 2018, the High Court refused the application seeking leave to appeal.

In May 2018, CPS delivered its petition seeking leave to appeal the whole order and judgment of the High Court with the Supreme Court of Appeal. In September 2018, CPS received notification from the Supreme Court that its petition seeking leave to appeal had been granted. The matter is expected to be heard during the first half of calendar 2019. The Company cannot predict how the Supreme Court will rule on the matter.

20. Commitments and contingencies (continued)

The Company is subject to a variety of other insignificant claims and suits that arise from time to time in the ordinary course of business. Management currently believes that the resolution of these other matters, individually or in the aggregate, will not have a material adverse impact on the Company's financial position, results of operations or cash flows.

21. Related party transactions

DNI leased a building that was owned by a company in which Mr. A.J. Dunn, DNI's Chief Executive Officer, has a direct shareholding of 16%. The property was sold in November 2018. During the nine months ended March 31, 2019, DNI paid rental of approximately $1.0 million. On April 2, 2019, the Company's board of directors determined that Mr. A.J. Dunn no longer performs a policy-making function by virtue of the change in the importance of his position within the Net1 group and is, therefore, no longer an executive officer.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our Annual Report on Form 10-K/A for the year ended June 30, 2018, and the unaudited condensed consolidated financial statements and the accompanying notes included in this Form 10-Q.

Forward-looking statements

Some of the statements in this Form 10-Q constitute forward-looking statements. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed, implied or inferred by these forward-looking statements. Such factors include, among other things, those listed under Item 1A.—"Risk Factors" and elsewhere in our Annual Report on Form 10-K/A for the year ended June 30, 2018. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "would," "expects," "plans," "intends," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of such terms and other comparable terminology.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we do not know whether we can achieve positive future results, levels of activity, performance, or goals. Actual events or results may differ materially. We undertake no obligation to update any of the forward-looking statements after the date of this Form 10-Q to conform those statements to reflect the occurrence of unanticipated events, except as required by applicable law.

You should read this Form 10-Q and the documents that we reference herein and the documents we have filed as exhibits hereto and thereto and which we have filed with the United States Securities and Exchange Commission completely and with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

Recent Developments

Restructuring of South African operations and strategy for financial inclusion initiatives in South Africa

Following the auto-migration of a substantial portion of our EPE customers, we faced a significant reduction in the number of accounts, transactions, fees, and consumption of financial and value-added services. In addition, customers who had loans or insurance policies and had been migrated, unwittingly defaulted on their regular payments. Our rural-South Africa distribution business has a high-fixed cost structure with physical locations, assets and employees. The decline in revenue coupled with the high-fixed costs resulted in significant operating losses for the company over the past six months. Beginning in late January, we commenced an aggressive restructuring initiative to reduce our physical infrastructure and headcount in order to right size the business given the current level of business activity. We have made meaningful progress in this regard and remain on track to reaching a breakeven EBITDA on a monthly basis by the end of the last quarter of fiscal 2019.

<u>Restructuring of South African operations</u> – In late January, we commenced with an extensive cost reduction exercise, which included a reduction of over 2,500 employees (being close to 50% of our original staff complement), reducing the availability of our mobile ATM infrastructure, and terminating certain leases. During the third quarter of 2019, we incurred retrenchment costs of $4.5 million related to the reduction of personnel in the field and at the head office level.

<u>Increasing collaboration with Finbond</u> - We have actively worked with the Finbond teams to identify synergies between our organizations in order to address the market opportunity for the millions of unbanked and under-banked South Africans. Finbond has been certified to become an issuer of UEPS/EMV cards, and in early Q4 2019, we initiated a pilot using our biometrically-enabled UEPS/EMV cards. We expect to commercially launch this initiative on a larger scale during Q1 2020, at which point we believe we can once again start growing our customer base.

<u>Stabilization of financial services</u> - Our lending and insurance businesses have stabilized in the third quarter of fiscal 2019 due to a more steady base of active EPE accounts. This stability now provides us with the opportunity to re-direct our efforts to growing these business lines, although this will be done cautiously to manage the risk of any potential future auto-migration of customers. We have begun discussions with other financial services providers, including Finbond, to use our EPE base as a distribution channel for their own lending products, but these discussions are still at an early stage.

Our loan book under Moneyline has increased slightly in the third quarter of fiscal 2019 and, following the write off of the loans that were provided against in Q2 2019, we have seen the level of non-performing loans return broadly to historical levels. Within Smartlife, the number of policies paid up has also stabilized and while the lapses related to the increased non-payment continued in the third quarter of fiscal 2019, the lapse-rate is now also returning to more normal levels.

SASSA contract exit and summary of legal proceedings

Although we have not been involved operationally with SASSA since September 30, 2018, we have been actively trying to resolve all legal and legacy outstanding items that would allow us to focus on our core business. An update on the key topics follow:

Settlement of payment of fees due for the last six months of the SASSA contract – Following the March 23, 2018 Constitutional Court order for a six-month extension of our contract with SASSA for payment of grants in cash at pay points only, we were allowed to charge our monthly fee based on the previously contracted rate of ZAR 16.44 (including VAT) per cash pay point recipient. Given that we serviced the highest-cost beneficiaries, the Constitutional Court allowed us to approach the National Treasury in order for them to make a fair determination of the price we should be paid for services rendered. National Treasury recommended a rate of ZAR 51.00 (including VAT) per cash pay point recipient per month to the Constitutional Court. Contrary to SASSA's stance, the Constitutional Court on December 5, 2018, ruled that they are not required to ratify the Treasury recommended rate, and that CPS and SASSA must agree on the pricing. To date we have not reached an agreement on SASSA for the pricing and have instituted a dispute resolution process. We believe it may be necessary for this matter to go through a legal process for resolution.

Auto-migration of EPE customers to SAPO – As part of SASSA's migration to SAPO, a number of EPE customers were auto-migrated by SASSA during August and October 2018, where post office accounts were unilaterally opened for beneficiaries by SASSA, often without the customer's consent. We initiated a legal process to halt this migration and to try and recover some of our EPE customers who had been migrated despite completing the mandatory documentation for electing to be paid in a private bank account. On January 29, 2019, we received an adverse order in that it was unlikely that those EPE customers, who had provided biometric consent prior to regulations being effected, would be required to be returned to us. Following this order, we followed a multi-faceted approach to try and address the auto-migration issue. First, we were granted leave to appeal the order, which we are pursuing. Second, the court granted an order requiring SASSA to account for the process to auto-migrate approximately 700,000 of the EPE accounts who had submitted Annexure C forms to SAPO. Third, we are considering taking the decision of the minister for administrative review. While the first and third actions are longer processes, we believe SASSA's response to the second action should provide valuable insights into their Annexure C acceptance and processing policies, and will guide our future efforts to bank the unbanked in South Africa. The risk of our remaining EPE customers being auto-migrated still exists, but there has been no further auto-migration since November 2018. Refer to discussion under "Part II—Item 1—Legal Proceedings— Legal proceedings against SASSA in respect of transfer of grant payments from EPE to SAPO accounts."

Progress on various corporate activities

As part of the extensive strategic review of all of our businesses and investments, we have made progress on multiple fronts:

Disposal of DNI – We have concluded two transactions to reduce our investment in DNI. First, in March 2019, we reduced our holding in DNI from 55% to 38% through the sale of 17% in DNI for ZAR 400 million. We utilized the proceeds from this sale to settle the contingent purchase consideration of R400 million, which related to the achievement of certain performance targets by DNI. Second, in May 2019, we sold an additional 8% of DNI to RMB, and used the proceeds to early-settle the majority of our outstanding long-term borrowings. Third, also in May 2019, we granted DNI a call option to acquire our remaining 30% interest in DNI at a strike price of ZAR 859 million, or $59.3 million in order to monetize our remaining investment in DNI. We expect the call option to be exercised within the next eight months.

Early repayment of long-term debt – We utilized ZAR 15.0 million of our cash reserves and the proceeds from the sale of an 8% interest in DNI to early-settle our ZAR 230.0 million long-term borrowings in full. reserves. This has strengthened our balance sheet and improved our liquidity profile in South Africa as we reposition the business.

Progress in Korea – Our advisors assisting with improving the growth and profitability in Korea have completed the first phase of their project, which consisted of the identification of actionable items. In phase two, they will work with management to implement the near-term action items identified in the first phase. We expect the overall exercise to take another 6-12 months before we see meaningful improvements in operating performance. In parallel, our board is reviewing the strategic alternatives for this business.

Cell C – During the third quarter of fiscal 2019, Cell C signed a binding term sheet with the Buffet consortium which, once concluded, is expected to substantially improve Cell C's liquidity position and meaningfully reduce its debt servicing costs. Cell C has also appointed a new chief executive officer, whose focus is on executing the Buffet transaction, managing liquidity and lifting the operational performance of the business.

International activities

IPG – The restructuring and re-organization of IPG is now complete with Malta having become the centralized operation of our international activities. IPG's new card issuing and merchant acquiring platforms have been certified. As part of Visa's merger with Visa Europe, Bank Frick is required to undergo recertification with Visa, which is currently underway and expected to be completed during the calendar 2019.

Once completed, IPG is expected to begin the deployment of its new products to the European SME market. During the third quarter of fiscal 2019, IPG also secured approval from the Mauritian regulators to become a principal member of China UnionPay for international issuing and acquiring. This approval has been shared with UnionPay and we are awaiting their acceptance of the same. Our beta prototype crypto-asset storage product is now ready, and we believe we will begin commercially rolling out this market-leading product with Bank Frick in early fiscal 2020.

Bank Frick – Bank Frick continues to develop its capacity and expertise in relation to cryptocurrency and blockchain technology. It has expanded its headcount; however, its calendar 2018 performance was slightly lower than anticipated, which was largely due to investments in expanding headcount and improving systems. Bank Frick continues to work closely with IPG regarding our acquiring, processing and cryptocurrency storage solution initiatives.

ZappGroup – Our new Africa-focused investment, ZappGroup made significant strides in its second quarter of existence. During Q2 2019, ZappGroup had signed up the largest bank in Ghana and went live with a beta product. During the third quarter of fiscal 2019, ZappGroup progressed live testing and has also signed up two of the three largest mobile operators in Ghana. ZappGroup has also integrated with the largest merchant network, (allowing it to reach many more merchants) and is expecting to achieve commercial launch in the first quarter of fiscal 2020. ZappGroup also commenced activities to sign customer contracts in Nigeria and is working closely with us and OneFi.

OneFi – Given the success of it digital lending product, Pay-Later, in the third quarter of fiscal 2019, OneFi has rebranded as Carbon, expanding its offering as a full-fledged digital financial services platform that offers bill payments, fund transfers and savings, in addition to loans. OneFi is currently disbursing approximately 50,000 new loans per month.

India – Our virtual card project with MobiKwik has continued to demonstrate steady growth given the constraints applied by our current issuing bank partner. However, as a result of new regulatory guidelines, MobiKwik has applied for direct membership with Visa and once finalized, is expected to allow MobiKwik to expand issuances to its millions of customers. MobiKwik has performed well in advance of expectations, primarily due to its successful transition to being a digital financial services provider. During the year ended March 31, 2019, MobiKwik has more than doubled its revenue and halved its loss, keeping its momentum to reach breakeven in its current fiscal year. Digital financial services now account for approximately 25% of MobiKwik's total monthly revenue compared to zero during the previous fiscal year.

Critical Accounting Policies

Our unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP, which requires management to make estimates and assumptions about future events that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities. As future events and their effects cannot be determined with absolute certainty, the determination of estimates requires management's judgment based on a variety of assumptions and other determinants such as historical experience, current and expected market conditions and certain scientific evaluation techniques.

Critical accounting policies are those that reflect significant judgments or uncertainties, and potentially may result in materially different results under different assumptions and conditions. We have identified the following critical accounting policies that are described in more detail in our Annual Report on Form 10-K/A for the year ended June 30, 2018:

- Business combinations and the recoverability of goodwill;
- Intangible assets acquired through acquisitions;
- Valuation of investment in Cell C;
- Deferred taxation;
- Stock-based compensation; and
- Accounts receivable and allowance for doubtful accounts receivable.

Recent accounting pronouncements adopted

Refer to Note 1 to our unaudited condensed consolidated financial statements for a full description of recent accounting pronouncements adopted, including the dates of adoption and the effects on our unaudited condensed consolidated financial statements.

Recent accounting pronouncements not yet adopted as of March 31, 2019

Refer to Note 1 to our unaudited condensed consolidated financial statements for a full description of recent accounting pronouncements not yet adopted as of March 31, 2019, including the expected dates of adoption and effects on our financial condition, results of operations and cash flows.

Currency Exchange Rate Information

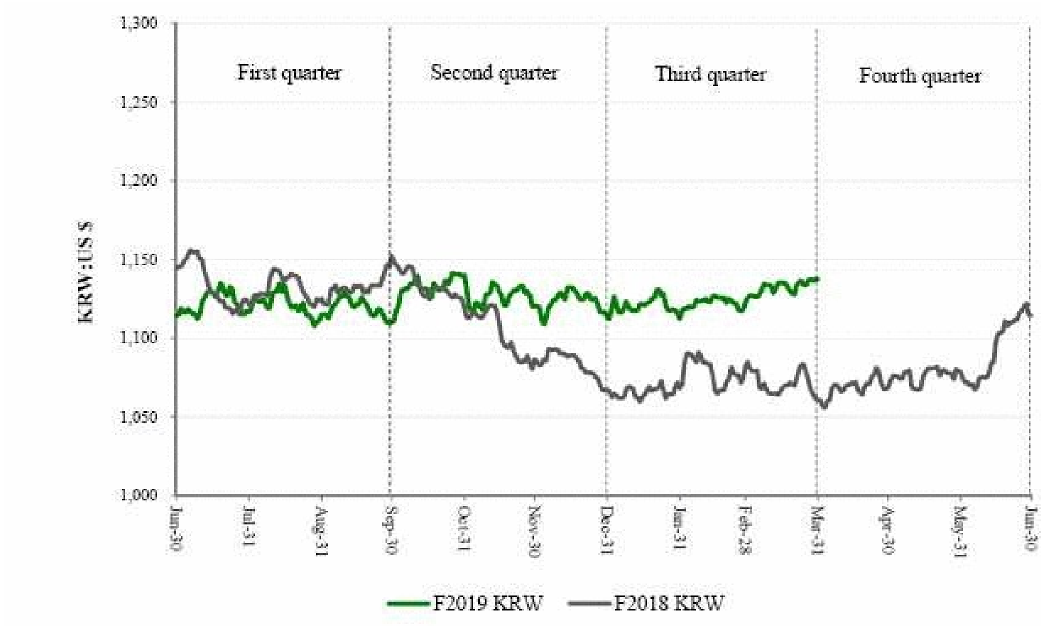
Actual exchange rates

The actual exchange rates for and at the end of the periods presented were as follows:

Table 1	Three months ended March 31,		Nine months ended March 31,		Year ended June 30,
	2019	2018	2019	2018	2018
ZAR : $ average exchange rate	14.0207	11.9614	14.1319	12.9291	12.8557
Highest ZAR : $ rate during period	14.6337	12.4308	15.4335	14.4645	14.4645
Lowest ZAR : $ rate during period	13.3064	11.5526	13.1528	11.5526	11.5526
Rate at end of period	14.4789	11.8255	14.4789	11.8255	13.7255
KRW : $ average exchange rate	1,125	1,072	1,125	1,104	1,098
Highest KRW : $ rate during period	1,137	1,091	1,141	1,156	1,156
Lowest KRW : $ rate during period	1,112	1,059	1,108	1,059	1,056
Rate at end of period	1,137	1,061	1,137	1,061	1,114

ZAR: US $ Exchange Rates

KRW: US $ Exchange Rates



Translation exchange rates for financial reporting purposes

We are required to translate our results of operations from ZAR and KRW to U.S. dollars on a monthly basis. Thus, the average rates used to translate this data for the three and nine months ended March 31, 2019 and 2018, vary slightly from the averages shown in the table above. The translation rates we use in presenting our results of operations are the rates shown in the following table:

Table 2	Three months ended March 31,		Nine months ended March 31,		Year ended June 30,
	2019	2018	2019	2018	2018
Income and expense items: $1 = ZAR.	14.1703	11.9479	14.2665	12.8934	12.6951
Income and expense items: $1 = KRW	1,131	1,067	1,124	1,099	1,095
Balance sheet items: $1 = ZAR	14.4789	11.8255	14.4789	11.8255	13.7255
Balance sheet items: $1 = KRW	1,137	1,061	1,137	1,061	1,114

Results of operations

The discussion of our consolidated results of operations is based on amounts as reflected in our unaudited condensed consolidated financial statements which are prepared in accordance with U.S. GAAP. We analyze our results of operations both in U.S. dollars, as presented in the consolidated financial statements, and supplementally in ZAR, because ZAR is the functional currency of the entities which contribute the majority of our results and is the currency in which the majority of our transactions are initially incurred and measured. Due to the significant impact of currency fluctuations between the U.S. dollar and ZAR on our reported results and because we use the U.S. dollar as our reporting currency, we believe that the supplemental presentation of our results of operations in ZAR is useful to investors to understand the changes in the underlying trends of our business.

DNI was accounted for using the equity method from August 1, 2017, until June 30, 2018, the date upon which we obtained control of DNI through the acquisition of an additional voting and economic interest. Accordingly, the three and nine months ended March 31, 2019, included DNI for the entire period as a consolidated subsidiary. DNI was included as an equity-accounted investment for the entire third quarter of fiscal 2018 and for eight of the nine months ended March 31, 2018. Except for the loss recognized on disposal of DNI, the deconsolidation of DNI on March 31, 2019, did not have an impact on the analysis presented below for the three and nine months ended March 31, 2019.

Our operating segment revenue presented in "—Results of operations by operating segment" represents total revenue per operating segment before inter-segment eliminations. Reconciliation between total operating segment revenue and revenue presented in our unaudited condensed consolidated financial statements is included in Note 18 to those statements.

We analyze our business and operations in terms of three inter-related but independent operating segments: (1) South African transaction processing, (2) International transaction processing and (3) Financial inclusion and applied technologies. In addition, corporate and corporate office activities that are impracticable to ascribe directly to any of the other operating segments, as well as any inter-segment eliminations, are included in corporate/eliminations.

Third quarter of fiscal 2019 compared to third quarter of fiscal 2018

The following factors had a significant influence on our results of operations during the third quarter of fiscal 2019 as compared with the same period in the prior year:

- ***Decline in revenue:*** Our revenues declined 37% in ZAR primarily due to the expiration of our SASSA contract, significant decline in EPE account numbers driven by SASSA's auto-migration of accounts to SAPO, and a reduction in EPE-related financial and value-added services and transaction fees due to a smaller customer base, but partially offset by the inclusion of DNI;
- ***Increase in operating losses:*** Lower revenue, coupled with a high-fixed cost infrastructure, resulted in an operating loss. During the third quarter of fiscal 2019, we commenced with a restructuring of our South African operations to bring our cost structure in-line with our current customer base, and expect to reach break-even on a cash basis by the end of the fourth quarter of fiscal 2019. We incurred $4.5 million in retrenchment costs during the third quarter of 2019;
- ***Non-cash losses, impairments and fair-value adjustments:*** We incurred a $5.1 million non-cash loss on disposal of DNI, an impairment loss of $5.3 million related to DNI intangibles, a fair value adjustment loss of $26.3 million for Cell C and a $2.6 million impairment of our Cedar Cellular note; and
- ***Adverse foreign exchange movements:*** The U.S. dollar appreciated 19% against the ZAR and 6% against the KRW during the third quarter of fiscal 2019, which adversely impacted our reported results.

Consolidated overall results of operations

This discussion is based on the amounts prepared in accordance with U.S. GAAP.

The following tables show the changes in the items comprising our statements of operations, both in U.S. dollars and in ZAR:

Table 3	**In U.S. Dollars (U.S. GAAP)**		
	Three months ended March 31,		
	2019[(A)]	**2018 As restated[(A)] (B)**	**$ % change**
	$ '000	**$ '000**	
Revenue	86,484	162,721	(47%)
Cost of goods sold, IT processing, servicing and support	50,179	77,860	(36%)
Selling, general and administration	42,802	48,091	(11%)
Depreciation and amortization	9,881	9,341	6%
Impairment loss	5,305	19,865	(73%)
Operating (loss) income	(21,683)	7,564	nm
Change in fair value of equity securities	(26,263)	37,843	nm
Loss on disposal of DNI	5,140	-	nm
Interest income, net of impairment loss	(959)	5,154	nm
Interest expense	3,493	2,426	44%
(Loss) income before income tax (benefit) expense	(57,538)	48,135	nm
Income tax (benefit) expense	(2,490)	19,418	nm
Net (loss) income before (loss) earnings from equity-accounted investments	(55,048)	28,717	nm
(Loss) earnings from equity-accounted investments	(464)	3,960	nm
Net (loss) income	(55,512)	32,677	nm
Continuing	(50,784)	29,386	nm
Discontinued	(4,728)	3,291	nm
(Add) Less net (loss) income attributable to non-controlling interest	(728)	302	nm
Continuing	(485)	302	nm
Discontinued	(243)	-	nm
Net (loss) income attributable to us	(54,784)	32,375	nm
Continuing	(50,299)	29,084	nm
Discontinued	(4,485)	3,291	nm

(A) Refer to Note 2 to the unaudited condensed consolidated financial statements for discontinued operations disclosures.
(B) Refer to Notes 1 to the unaudited condensed consolidated financial statements for additional information regarding the restatement.

Table 4

	In South African Rand (U.S. GAAP)		
	Three months ended March 31,		
	2019(A)	2018 As restated(A) (B)	ZAR %
	ZAR ’000	ZAR ’000	change
Revenue	1,225,669	1,944,174	(37%)
Cost of goods sold, IT processing, servicing and support	711,146	930,263	(24%)
Selling, general and administration	606,599	574,586	6%
Depreciation and amortization	140,036	111,606	25%
Impairment loss	75,184	237,345	(68%)
Operating (loss) income	(307,296)	90,374	nm
Change in fair value of equity securities	(372,204)	452,144	nm
Loss on disposal of DNI	72,845	-	nm
Interest income	(13,591)	61,579	nm
Interest expense	49,503	28,986	71%
(Loss) income before income tax expense	(815,439)	575,111	nm
Income tax expense	(35,289)	232,004	nm
Net (loss) income before (loss) earnings from equity-accounted investments	(780,150)	343,107	nm
(Loss) earnings from equity-accounted investments	(6,576)	47,314	nm
Net (loss) income	(786,726)	390,421	nm
Continuing	(719,720)	351,100	nm
Discontinued	(67,006)	39,321	nm
(Add) Less net (loss) income attributable to non-controlling interest	(10,317)	3,608	nm
Continuing	(6,873)	3,608	nm
Discontinued	(3,444)	-	nm
Net (loss) income attributable to us	(776,409)	386,813	nm
Continuing	(712,847)	347,492	nm
Discontinued	(63,562)	39,321	nm

(A) Refer to Note 2 to the unaudited condensed consolidated financial statements for discontinued operations disclosures.
(B) Refer to Notes 1 to the unaudited condensed consolidated financial statements for additional information regarding the restatement.

The decrease in revenue was primarily due to the expiration of our SASSA contract, elimination of fees earned on SASSA-Grindrod accounts and the effect of fewer EPE accounts due to the auto-migration and its knock-on effect on related fees, financial and value-added services, partially offset by the inclusion of DNI.

The decrease in cost of goods sold, IT processing, servicing and support was primarily due to fewer SASSA Grindrod-account grant recipients utilizing the South African National Payment System which resulted in lower transactions costs incurred by us and fewer prepaid airtime sales, which was partially offset by the inclusion of DNI. Our third quarter of fiscal 2019 expenses also included certain committed fixed and variable costs (including security, vehicle-related expenditures, banking fees and other transaction costs) that relate to the maintenance and expansion of our financial inclusion initiatives.

In ZAR, the increase in selling, general and administration expense was primarily due to the inclusion of DNI, payment of $4.5 million (ZAR 63.8 million) of retrenchment packages and an increase in costs at the international payments group as part of its restructuring and re-establishment initiatives, which was partially offset by the elimination of some operating costs related to our expired SASSA contract. Our third quarter of fiscal 2019 expense also includes certain committed fixed and variable costs (including premises and staff costs) that relate to the maintenance and expansion of our financial inclusion initiatives.

Depreciation and amortization increased primarily due to the amortization of acquired intangible assets related to the DNI acquisition, partially offset by an increase in the number of tangible assets that became fully depreciated.

During the third quarter of fiscal 2019, we reviewed certain customer relationships identified as part of our acquisition of DNI for impairment because Cell C recently entered into a roaming arrangement with another South African mobile telecommunications network provider which will extend Cell C's network coverage and this arrangement impacted the identified customer relationship recognized. As a consequence of the review, we recorded an impairment loss of $5.3 million related to a portion of the customer relationship during the third quarter of fiscal 2019. Refer to Note 9 of our unaudited condensed consolidated financial statements for additional information regarding the impairment loss.

During the third quarter of fiscal 2018, we reviewed for impairment the goodwill identified and recognized pursuant to the Masterpayment and Masterpayment Financial Services acquisitions in April 2016 and November 2017, respectively, due to uncertainty surrounding the timing and amount of future net cash inflows following changes in the business strategy. As a consequence of this review, we recognized an impairment loss of approximately $19.9 million related to the entire carrying value of goodwill acquired.

Our operating (loss) income margin for the third quarter of fiscal 2019 and 2018 was (25.1%) and 4.6%, respectively. Operating (loss) income margin excluding the impairment losses incurred during the respective periods would have been (18.9%) and 16.9%, respectively. We discuss the components of operating income margin under "—Results of operations by operating segment."

The change in fair value of equity securities represents a non-cash fair value adjustment (loss) gain of $(26.3 million) related to Cell C and caused by reduced EBITDA levels in Cell C. Refer to Note 7 of our unaudited condensed consolidated financial statements for the methodology and inputs used in the fair value calculation for the third quarter of fiscal 2019.

We recognized a non-cash loss of $5.1 million related to the sale of DNI on March 31, 2019.

Excluding the impact of the impairment of $2.6 million discussed in Note 8 of our unaudited condensed consolidated financial statements, interest on surplus cash decreased to $1.6 million (ZAR 23.3 million) from $5.2 million (ZAR 61.6 million), due primarily to the lower average daily ZAR cash balances resulting from our significant investments over the last 21 months and the cash used to fund the operating losses of the last quarter in the South African operations.

Interest expense increased to $3.5 million (ZAR 49.5 million) from $2.4 million (ZAR 29.0 million), due to increased borrowings which we obtained to fund our ATMs, which was partially offset by a reduction in our long-term South African debt.

Fiscal 2019 tax benefit was $2.5 million (ZAR 35.3 million) compared to a tax expense of $19.4 million (ZAR 232.0 million) in fiscal 2018. Our effective tax rate was adversely impacted by the valuation allowances created related to the deferred tax assets recognized regarding net operating losses incurred by our South African businesses, the non-deductible impairment losses, the DNI disposal loss, and non-deductible expenses, including transaction-related expenditure and non-deductible interest on our South African long-term debt facility, which was partially offset by tax expense recorded by our profitable businesses in South Africa and South Korea. The deferred tax impact of the change in the fair value of our investment in Cell C also impacted the effective rate for fiscal 2019, as this amount is recorded at a lower rate (at a capital gains rate) than the South African statutory rate. The March 31, 2019, carrying value of our investment in Cell C is less than its initial cost and therefore it has a capital gains benefit for tax purposes, however, we do not expect to generate any significant capital gains in the foreseeable future and have provided a valuation allowance of $3.6 million related to this capital gains benefit deferred tax asset. Our effective tax rate for fiscal 2018, was 40.3% and was higher than the South African statutory rate as a result of the deferred tax impact of the increase in the fair value of our investment in Cell C, the impairment loss, non-deductible expenses (including transaction-related expenditure and non-deductible interest on our South African long-term facility).

DNI was consolidated into our results for the third quarter of fiscal 2019. The consolidation of DNI has adversely impacted the comparability of our (loss) earnings from equity-accounted investments during the third quarter of fiscal 2019 because it was accounted for using the equity method during the third quarter of fiscal 2018. Finbond is listed on the Johannesburg Stock Exchange and reports its six-month results during our first quarter and its annual results during our fourth quarter. The table below presents the relative (loss) earnings from our equity accounted investments:

Table 5	**Three months ended March 31,**		
	2019 $ '000	**2018 $ '000**	**$ % change**
Bank Frick	(90)	653	nm
Share of net income	52	747	(93%)
Amortization of intangible assets, net of deferred tax	(142)	(94)	51%
DNI	-	3,291	nm
Share of net income	-	3,628	nm
Amortization of intangible assets, net of deferred tax	-	(337)	nm
Other	(374)	16	nm
(Loss) earnings from equity accounted investments	(464)	3,960	Nm

Results of operations by operating segment

The composition of revenue and the contributions of our business activities to operating income are illustrated below:

Table 6

	In U.S. Dollars (U.S. GAAP)				
	Three months ended March 31,				
Operating Segment	**2019 $ ’000**	**% of total**	**2018 $ ’000**	**% of total**	**% change**
Revenue:					
South African transaction processing	17,374	20%	73,508	45%	(76%)
International transaction processing	34,358	40%	46,240	28%	(26%)
Financial inclusion and applied technologies	36,650	42%	59,574	37%	(38%)
Continuing	18,808	21%	59,574	37%	(68%)
Discontinued	17,842	21%	-	-	nm
Subtotal: Operating segments	88,382	102%	179,322	110%	(51%)
Intersegment eliminations	(1,898)	(2%)	(16,601)	(10%)	(89%)
Consolidated revenue	**86,484**	**100%**	**162,721**	**100%**	**(47%)**
Continuing	68,642	79%	162,721	100%	(58%)
Discontinued	17,842	21%	-	-	nm
Operating (loss) income:					
South African transaction processing	(12,954)	60%	12,719	168%	nm
International transaction processing	1,909	(9%)	(14,892)	(197%)	nm
Financial inclusion and applied technologies	3,227	(15%)	14,968	198%	(78%)
Continuing	(4,911)	23%	14,968	198%	nm
Discontinued	8,138	(38%)	-	-	nm
Subtotal: Operating segments	(7,818)	36%	12,795	169%	nm
Corporate/Eliminations	(13,865)	64%	(5,231)	(69%)	165%
Continuing	(6,399)	30%	(5,231)	(69%)	22%
Discontinued	(7,466)	34%	-	-	nm
Consolidated operating (loss) income	**(21,683)**	**100%**	**7,564**	**100%**	**nm**
Continuing	(22,355)	103%	7,564	100%	nm
Discontinued	672	(3%)	-	-	nm

Table 7	In South African Rand (U.S. GAAP)				
	Three months ended March 31,				
	2019		2018		
Operating Segment	**ZAR '000**	**% of total**	**ZAR '000**	**% of total**	**% change**
Revenue:					
South African transaction processing	246,228	20%	878,266	45%	(72%)
International transaction processing	486,928	40%	552,471	28%	(12%)
Financial inclusion and applied technologies	519,411	42%	711,784	37%	(27%)
Continuing	266,551	21%	711,784	37%	(63%)
Discontinued	252,860	21%	-	-	nm
Subtotal: Operating segments	1,252,567	102%	2,142,521	110%	(42%)
Intersegment eliminations	(26,898)	(2%)	(198,347)	(10%)	(86%)
Consolidated revenue	**1,225,669**	**100%**	**1,944,174**	**100%**	**(37%)**
Continuing	972,809	79%	1,944,174	100%	(50%)
Discontinued	252,860	21%	-	-	nm
Operating (loss) income:					
South African transaction processing	(183,587)	60%	151,965	168%	nm
International transaction processing	27,055	(9%)	(177,928)	(197%)	nm
Financial inclusion and applied technologies	45,734	(15%)	178,836	198%	(74%)
Continuing	(69,599)	23%	178,836	198%	nm
Discontinued	115,333	(38%)	-	-	nm
Subtotal: Operating segments	(110,798)	36%	152,873	169%	nm
Corporate/Eliminations	(196,498)	64%	(62,499)	(69%)	214%
Continuing	(90,688)	30%	(62,499)	(69%)	45%
Discontinued	(105,810)	34%	-	-	nm
Consolidated operating (loss) income	**(307,296)**	**100%**	**90,374**	**100%**	**nm**
Continuing	(316,819)	103%	90,374	100%	nm
Discontinued	9,523	(3%)	-	-	nm

South African transaction processing

The decrease in segment revenue and operating income was primarily due to the substantial decrease in the number of SASSA grant recipients paid under our SASSA contract as the contract ended at the end of the first quarter of fiscal 2019. Our revenue and operating income was also adversely impacted by the significant reduction in the number of SASSA grant recipients with SASSA-branded Grindrod cards linked to Grindrod bank accounts as well as a lower number of EPE accounts. These decreases in revenue and operating income were partially offset by higher transaction revenue as a result of increased usage of our ATMs. Our South African transaction processing operating segment activities have been adversely impacted by the loss of EPE customers as a result of the events discussed under "Recent Developments—SASSA contract exit and summary of legal proceedings— Auto-migration of EPE customers to SAPO". Operating income for this operating segment for the third quarter of fiscal 2019 included retrenchment costs of $3.0 million (ZAR 41.7 million).

Our operating (loss) income margin for the third quarter of fiscal 2019 and 2018 was (74.6%) and 17.3%, respectively. Excluding restructuring costs, the operating loss margin for the third quarter of fiscal 2019 was (57.5%).

International transaction-based activities

Segment revenue was lower during the third quarter of fiscal 2019, primarily due to a contraction in IPG transactions processed, specifically meaningfully lower crypto-exchange and China processing activity, and modestly lower KSNET revenue as a result of lower transaction values processed. Operating income during the third quarter of fiscal 2018 was adversely impacted by a $19.9 million impairment loss and positively impacted by an ad hoc refund of indirect taxes of $2.5 million in Korea. Excluding the impact of the impairment loss and the ad hoc tax refund, operating income during the third quarter of fiscal 2019 was lower compared to fiscal 2018 due to the decrease in IPG revenues and resulting from these lower revenues, and partially offset by an improved contribution from KSNET, primarily as a result of a lower depreciation expense.

IPG continues to work in close collaboration with Bank Frick and our other specialist departments to develop bespoke blockchain-based solutions, including a highly secure but easily accessible crypto-asset storage solution for crypto-asset investors and exchanges and incurred expenses of approximately $0.3 million during the third quarter of fiscal 2019 related to this project.

Operating income (loss) margin for the third quarter of fiscal 2019 and 2018 was 5.6% and (32.2%), respectively. Excluding the goodwill impairment and ad hoc tax refund, segment operating income and margin for fiscal 2018 were $2.4 million and 5.2%, respectively.

Financial inclusion and applied technologies

Segment revenue decreased primarily due to fewer prepaid airtime and value-added services sales, lower lending and insurance revenue, and a decrease in inter-segment revenues, partially offset by the inclusion of DNI. Operating income was significantly lower than third quarter of fiscal 2018, primarily due to lower revenue generation and higher expenses incurred to maintain and expand our financial service infrastructure, partially offset by the contribution from DNI. Operating income for this operating segment for the third quarter of fiscal 2019 included retrenchment costs of \$1.6 million (ZAR 22.1 million).

Operating income margin for the Financial inclusion and applied technologies segment was 8.8% and 25.1% during the third quarter of fiscal 2019 and 2018, respectively. Excluding restructuring costs, the operating income margin for the third quarter of fiscal 2019 was 13.1%.

Corporate/Eliminations

Our corporate expenses generally include acquisition-related intangible asset amortization; expenses incurred related to acquisitions and investments pursued; expenditure related to compliance with the Sarbanes-Oxley Act of 2002; non-employee directors' fees; employee and executive bonuses; stock-based compensation; legal fees; audit fees; directors and officer's insurance premiums; telecommunications expenses; and elimination entries.

Our corporate expenses increased primarily due to a \$5.3 million impairment loss as well as higher acquired intangible asset amortization, non-employee director expenses, transaction-related expenditures and external service provider fees.

Year to date fiscal 2019 compared to year to date fiscal 2018

The following factors had a significant influence on our results of operations during the year to date fiscal 2019 as compared with the same period in the prior year:

- ***Decline in revenue:*** Our revenues declined 26% in ZAR primarily due to the expiration of our SASSA contract, significant decline in EPE account numbers driven by SASSA's auto-migration of accounts to SAPO, and a reduction in EPE-related financial and value-added services and transaction fees due to a smaller customer base, but partially offset by the inclusion of DNI;
- ***Increase in operating losses:*** Lower revenue, coupled with a high-fixed cost infrastructure and write-downs due to limited recoverability of dues from customers, resulted in an operating loss. During the first half of fiscal 2019, we commenced with a restructuring of our South African operations to bring our cost structure in-line with our current customer base, and expect to reach break-even on a cash basis by the end of the fourth quarter of fiscal 2019. We incurred \$5.2 million in retrenchment costs during the fourth quarter of fiscal 2019;
- ***Non-cash losses, impairments and fair-value adjustments:*** We incurred a \$5.1 million non-cash loss on disposal of DNI, intangible impairment losses of \$13.5 million, a fair value adjustment loss of \$42.1 million for Cell C and a \$5.4 million impairment of our Cedar Cellular note; and
- ***Adverse foreign exchange movements:*** The U.S. dollar appreciated 6% against the ZAR during year to date of fiscal 2019, which adversely impacted our reported results.

Consolidated overall results of operations

This discussion is based on the amounts prepared in accordance with U.S. GAAP.

The following tables show the changes in the items comprising our statements of operations, both in U.S. dollars and in ZAR:

Table 8

	In U.S. Dollars (U.S. GAAP)		
	Nine months ended March 31,		
	2019(A)	2018 As restated(A) (B)	$ %
	$ '000	$ '000	change
Revenue	309,518	463,695	(33%)
Cost of goods sold, IT processing, servicing and support	173,680	226,506	(23%)
Selling, general and administration	155,676	141,417	10%
Depreciation and amortization	30,528	27,030	13%
Impairment loss	13,496	19,865	(32%)
Operating (loss) income	(63,862)	48,877	nm
Change in fair value of equity securities	(42,099)	37,843	nm
Loss on disposal of DNI	5,140	-	nm
Interest income, net of impairment	586	14,903	(96%)
Interest expense	9,030	6,872	31%
(Loss) income before income tax expense	(119,545)	94,751	nm
Income tax expense	1,702	39,757	(96%)
Net (loss) income before (loss) earnings from equity-accounted investments	(121,247)	54,994	nm
(Loss) earnings from equity-accounted investments	(338)	7,389	nm
Net (loss) income	(121,585)	62,383	nm
Continuing	(124,275)	57,181	nm
Discontinued	2,690	5,202	(48%)
Less net income attributable to non-controlling interest	2,339	903	159%
Continuing	(1,362)	903	nm
Discontinued	3,701	-	nm
Net (loss) income attributable to us	(123,924)	61,480	nm
Continuing	(122,913)	56,278	nm
Discontinued	(1,011)	5,202	(119%)

(A) Refer to Note 2 to the unaudited condensed consolidated financial statements for discontinued operations disclosures.
(B) Refer to Notes 1 to the unaudited condensed consolidated financial statements for additional information regarding the restatement.

Table 9

	In South African Rand (U.S. GAAP)		
	Nine months ended March 31,		
	2019[(A)]	2018 As restated[(A)] (B)	ZAR %
	ZAR '000	ZAR '000	change
Revenue	4,415,955	5,978,605	(26%)
Cost of goods sold, IT processing, servicing and support	2,477,927	2,920,432	(15%)
Selling, general and administration	2,221,060	1,823,346	22%
Depreciation and amortization	435,549	348,509	25%
Impairment loss	192,551	256,127	(25%)
Operating (loss) income	(911,132)	630,191	nm
Change in fair value of equity securities	(600,635)	487,925	nm
Loss on disposal of DNI	73,333	-	nm
Interest income, net of impairment	8,361	192,150	(96%)
Interest expense	128,833	88,603	45%
(Loss) income before income tax expense	(1,705,572)	1,221,663	nm
Income tax expense	24,283	512,603	(95%)
Net (loss) income before (loss) earnings from equity-accounted investments	(1,729,855)	709,060	nm
(Loss) earnings from equity-accounted investments	(4,822)	95,269	nm
Net (loss) income	(1,734,677)	804,329	nm
Continuing	(1,773,056)	737,258	nm
Discontinued	38,379	67,071	(43%)
Less net income attributable to non-controlling interest	33,371	11,643	187%
Continuing	(19,432)	11,643	nm
Discontinued	52,803	-	nm
Net (loss) income attributable to us	(1,768,048)	792,686	nm
Continuing	(1,753,624)	725,615	nm
Discontinued	(14,424)	67,071	nm

(A) Refer to Note 2 to the unaudited condensed consolidated financial statements for discontinued operations disclosures.
(B) Refer to Notes 1 to the unaudited condensed consolidated financial statements for additional information regarding the restatement.

The decrease in revenue was primarily due to lower contributions received from our South African operations as a result of the end of our CPS contract with SASSA, which also resulted in fewer SASSA Grindrod-account grant recipients using the South African National Payment System to access their grants; the loss of our EPE account holders resulting in lower transaction fees; fewer prepaid airtime and value-added services sales; decreases in our insurance and lending activities and lower revenue contributions from South Korea and IPG; which was partially offset by the inclusion of DNI and higher fee and transaction income from our EPE and ATM offerings.

The decrease in cost of goods sold, IT processing, servicing and support was primarily due to fewer SASSA Grindrod-account grant recipients utilizing the South African National Payment System which resulted in lower transaction costs incurred by us and fewer prepaid airtime sales, which was partially offset by the inclusion of DNI, and expenses to support and expand our EPE and ATM offerings. Our year to date fiscal 2019 expense also included certain committed fixed and variable costs (including security, vehicle-related expenditures, banking fees and other transaction costs) that relate to the maintenance and expansion of our financial inclusion initiatives. SASSA's initiatives to convert grant recipients to the new SAPO account, often unilaterally and without the recipient's consent, have resulted in us incurring certain expenses without any associated significant revenue generated from these activities.

For instance, we have deployed our mobile payment infrastructure into areas in which we believed that EPE accountholders would utilize our infrastructure, however these individuals did not use the infrastructure because they were auto-migrated to new SAPO accounts.

The increase in selling, general and administration expense was primarily due to an increase in our allowance for doubtful finance loans receivable of approximately $23.4 million, the inclusion of DNI, payment of $5.2 million (ZAR 73.7 million) of retrenchment packages, an increase in costs at the international payments group as part of its restructuring and re-establishment initiatives and higher staff costs. Our year to date fiscal 2019 expenses also include committed fixed and variable costs (including premises and staff costs) that relate to the maintenance and expansion of our financial inclusion initiatives. Our year to date fiscal 2018 includes the impact of an allowance for doubtful Mastertrading working capital finance receivables of $7.8 million.

Depreciation and amortization increased primarily due to the amortization of acquired intangible assets related to the DNI acquisition, partially offset by an increase in the number of tangible assets that became fully depreciated.

During the year to date fiscal 2019, we recognized an impairment loss of approximately $13.5 million, which included $7.0 million related to entire amount of IPG goodwill and $5.3 million related to DNI customer relationships. Given the consolidation and restructuring of IPG over the period through December 2018, several business lines were terminated or meaningfully reduced, resulting in lower than expected revenues, profits and cash flows we reviewed and impaired the goodwill. We also reviewed reviewed certain customer relationships identified as part of our acquisition of DNI for impairment because Cell C recently entered into a roaming arrangement with another South African mobile telecommunications network provider which will extend Cell C's network coverage and this arrangement impacted the identified customer relationship recognized. As a consequence, we recorded an impairment loss of $5.3 million related to a portion of the customer relationship. Refer to Note 9 of our unaudited condensed consolidated financial statements for additional information regarding the impairment losses.

During the year to date fiscal 2018, we reviewed for impairment the goodwill identified and recognized pursuant to the Masterpayment and Masterpayment Financial Services acquisitions in April 2016 and November 2017, respectively, due to uncertainty surrounding the timing and amount of future net cash inflows following changes in the business strategy. As a consequence of this review, we recognized an impairment loss of approximately $19.9 million related to the entire carrying value of goodwill acquired.

Our operating (loss) income margin for year to date fiscal 2019 and 2018 was (20.6%) and 10.5% respectively. We discuss the components of operating income margin under "—Results of operations by operating segment." Our operating margin declined primarily due to an increase in our allowance for doubtful finance loans receivable of approximately $23.4 million, impairment losses and losses incurred running our financial inclusion infrastructure.

The change in fair value of equity securities represents a non-cash fair value adjustment (loss) gain related of $(42 million) related to Cell C caused by a combination of lower EBITDA levels in Cell C as well as reduced market multiples. Refer to Note 7 for the methodology and inputs used in the fair value calculation.

We recognized a non-cash loss of $5.1 million related to the sale of DNI on March 31, 2019.

Excluding the impact of the impairment of $5.4 million discussed in Note 8 of our unaudited condensed consolidated financial statements, interest on surplus cash decreased to $6.0 million (ZAR 85.4 million) from $14.9 million (ZAR 192.2 million), due primarily to the lower average daily ZAR cash balances resulting from our significant investments over the last 21 months as well as cash utilized to fund operating losses in the South African operations.

Interest expense increased to $9.0 million (ZAR 129.0 million) from $6.9 million (ZAR 88.6 million), due to increased borrowings which we obtained to partially fund our strategic investments and fund our ATMs, which was partially offset by a reduction in our long-term South African debt. Interest expense for the year to date fiscal 2018 included interest on our South Korean debt, which was fully repaid in October 2017.

Fiscal 2019 tax expense was $1.7 million (ZAR 24.3 million) compared to $39.7 million (ZAR 512.6 million) in fiscal 2018. Our effective tax rate was adversely impacted by the valuation allowances created related to the deferred tax assets recognized in respect of net operating losses incurred by our South African businesses, the non-deductible impairment losses, the DNI disposal loss, and non-deductible expenses, including transaction-related expenditure and non-deductible interest on our South African long-term debt facility, which was partially offset by tax expense recorded by our profitable businesses in South Africa and South Korea. The deferred tax impact of the change in the fair value of our investment in Cell C also impacted the effective rate for fiscal 2019, as this amount is recorded at a lower rate (at a capital gains rate) than the South African statutory rate. The March 31, 2019, carrying value of our investment in Cell C is less than its initial cost and therefore it has a capital gains benefit for tax purposes, however, we do not expect to generate any significant capital gains in the foreseeable future and have provided a valuation allowance of $3.6 million related to this capital gains benefit deferred tax asset. Our effective tax rate for fiscal 2018, was 42.0% and was higher than the South African statutory rate as a result of the deferred tax impact of the increase in the fair value of our investment in Cell C, the impairment loss, a valuation allowance provided related to an allowance for doubtful working capital finance receivables created, non-deductible expenses (including transaction-related expenditure and non-deductible interest on our South African long-term facility) and the impact of the changes in U.S. federal statutory tax law.

DNI was not accounted for using the equity method during the third quarter of fiscal 2019 because it is consolidated. The consolidation of DNI has adversely impacted our (loss) earnings from equity-accounted investments during the third quarter of fiscal 2019. Finbond is listed on the Johannesburg Stock Exchange and reports its six-month results during our first quarter and its annual results during our fourth quarter.

The table below presents the relative (loss) earnings from our equity accounted investments:

Table 10	Nine months ended March 31, 2019 $ '000	2018 $ '000	$ % change
Bank Frick	(1,895)	975	nm
Share of net income	616	1,234	nm
Amortization of intangible assets, net of deferred tax	(427)	(259)	65%
Other	(2,084)	-	nm
DNI	-	5,202	nm
Share of net income	-	6,868	nm
Amortization of intangible assets, net of deferred tax	-	(1,666)	nm
Finbond	1,875	1,101	70%
Other	(318)	111	nm
(Loss) earnings from equity accounted investments	(338)	7,389	nm

Results of operations by operating segment

The composition of revenue and the contributions of our business activities to operating income are illustrated below:

Table 11

	In U.S. Dollars (U.S. GAAP) Nine months ended March 31,				
Operating Segment	**2019 $ '000**	**% of total**	**2018 $ '000**	**% of total**	**% change**
Revenue:					
South African transaction processing	77,093	25%	204,093	44%	(62%)
International transaction processing	111,869	36%	136,447	29%	(18%)
Financial inclusion and applied technologies	128,611	42%	168,018	36%	(23%)
Continuing	72,274	24%	168,018	36%	(57%)
Discontinued	56,337	18%	-	-	nm
Subtotal: Operating segments	317,573	103%	508,558	109%	(38%)
Intersegment eliminations	(8,055)	(3%)	(44,863)	(9%)	(82%)
Consolidated revenue	**309,518**	**100%**	**463,695**	**100%**	**(33%)**
Continuing	253,181	82%	463,695	100%	(45%)
Discontinued	56,337	18%	-	-	nm
Operating (loss) income:					
South African transaction processing	(28,297)	44%	38,521	79%	nm
International transaction processing	628	(1%)	(14,567)	(30%)	nm
Financial inclusion and applied technologies	(4,009)	6%	41,625	85%	nm
Continuing	(28,409)	44%	41,625	85%	nm
Discontinued	24,400	(38%)		-	nm
Subtotal: Operating segments	(31,678)	49%	65,579	134%	nm
Corporate/Eliminations	(32,184)	51%	(16,702)	(34%)	93%
Continuing	(19,465)	31%	(16,702)	(34%)	17%
Discontinued	(12,719)	20%	-	-	nm
Consolidated operating (loss) income	**(63,862)**	**100%**	**48,877**	**100%**	**nm**
Continuing	(75,543)	118%	48,877	100%	nm
Discontinued	11,681	(18%)	-	-	nm

Table 12

Operating Segment	2019 ZAR '000	% of total	2018 ZAR '000	% of total	% change
	In South African Rand (U.S. GAAP) Nine months ended March 31,				
Revenue:					
South African transaction processing	1,099,901	25%	2,631,453	44%	(58%)
International transaction processing	1,596,057	36%	1,759,266	29%	(9%)
Financial inclusion and applied technologies	1,834,919	42%	2,166,323	36%	(15%)
Continuing	1,031,148	24%	2,166,323	36%	(52%)
Discontinued	803,771	18%	-	-	nm
Subtotal: Operating segments	4,530,877	103%	6,557,042	109%	(31%)
Intersegment eliminations	(114,922)	(3%)	(578,437)	(9%)	(80%)
Consolidated revenue	**4,415,955**	**100%**	**5,978,605**	**100%**	**(26%)**
Continuing	3,612,184	82%	5,978,605	100%	(40%)
Discontinued	803,771	18%	-	-	nm
Operating (loss) income:					
South African transaction processing	(403,719)	44%	496,667	79%	nm
International transaction processing	8,960	(1%)	(187,818)	(30%)	nm
Financial inclusion and applied technologies	(57,197)	6%	536,688	85%	nm
Continuing	(405,317)	44%	536,688	85%	nm
Discontinued	348,120	(38%)	-	-	nm
Subtotal: Operating segments	(451,956)	49%	845,537	134%	nm
Corporate/Eliminations	(459,176)	51%	(215,346)	(34%)	113%
Continuing	(277,711)	31%	(215,346)	(34%)	29%
Discontinued	(181,465)	20%	-	-	nm
Consolidated operating (loss) income	**(911,132)**	**100%**	**630,191**	**100%**	**nm**
Continuing	(1,077,787)	118%	630,191	100%	nm
Discontinued	166,655	(18%)	-	-	nm

South African transaction processing

The decrease in segment revenue and operating income was primarily due to the substantial decrease in the number of SASSA grant recipients paid under our SASSA contract as the contract expired at the end of the first quarter of fiscal 2019. Our revenue and operating income was also adversely impacted by the significant reduction in the number of SASSA grant recipients with SASSA-branded Grindrod cards linked to Grindrod bank accounts as well as a lower number of EPE accounts. These decreases in revenue and operating income were partially offset by higher transaction revenue as a result of increased usage of our ATMs. Operating income for this operating segment for the year to date fiscal 2019 included retrenchment costs of $3.7 million (ZAR 51.6 million).

Our operating (loss) income margin for the year to date fiscal 2019 and 2018 was (36.7%) and 18.9%, respectively. Excluding restructuring costs, the operating loss margin for the year to date fiscal 2019 was (31.9%).

International transaction-based activities

Segment revenue was lower during the year to date fiscal 2019, primarily due to a contraction in IPG transactions processed, specifically meaningfully lower crypto-exchange and China processing activity, and lower KSNET revenue as a result of lower transaction values processed. Operating income during the year to date fiscal 2019 was adversely impacted by a $7.0 million impairment loss. Operating income during the year to date fiscal 2018 was adversely impacted by a $19.9 million impairment loss, a Mastertrading allowance for doubtful working capital finance receivable of $7.8 million, and was positively impacted by an ad hoc refund of indirect taxes of $2.5 million in Korea. Excluding the combined impact of the impairment losses, the allowance for doubtful finance loans receivable and the ad hoc tax refund, operating income during the year to date fiscal 2019 was lower compared to fiscal 2018 due to a decrease in IPG revenues and ongoing losses at Masterpayment during the year to date fiscal 2019, but such decrease was partially offset by an improved contribution from KSNET primarily as a result of lower depreciation expense.

IPG continues to work in close collaboration with Bank Frick and our other specialist departments to develop bespoke blockchain-based solutions, including a highly secure but easily accessible crypto-asset storage solution for crypto-asset investors and exchanges and incurred expenses of approximately $0.7 million during the year to date fiscal 2019 related to this project.

Operating (loss) income margin for the year to date fiscal 2019 and 2018 was 0.6% and (10.7%), respectively. Excluding the goodwill impairment, segment operating income and margin for fiscal 2019 were $7.6 million and 6.8%, respectively. Excluding the impairment loss, the Mastertrading allowance for doubtful working capital finance receivables and the adhoc tax refund, segment operating income and margin for fiscal 2018 were $10.6 million and 7.7% respectively.

Financial inclusion and applied technologies

Segment revenue decreased primarily due to fewer prepaid airtime and value-added services sales, lower lending and insurance revenues, and a decrease in inter-segment revenues, partially offset by the inclusion of DNI. Operating income was significantly lower than year to date fiscal 2018, primarily due to the allowance for doubtful finance loans receivable of $23.4 million recognized in the second quarter and expenses incurred to maintain and expand our financial service infrastructure, partially offset by the contribution from DNI. Operating income for this operating segment for the year to date fiscal 2019 included retrenchment costs of $1.6 million (ZAR 22.1 million).

Operating (loss) income margin for the Financial inclusion and applied technologies segment was (3.1%) and 24.8% during the year to date fiscal 2019 and 2018, respectively. Excluding restructuring costs, the operating income margin for the year to date fiscal 2019 was (1.9%).

Corporate/Eliminations

Our corporate expenses increased primarily due to a $5.3 million impairment loss as well as higher acquired intangible asset amortization, non-employee director expenses, transaction-related expenditures and external service provider fees.

Liquidity and Capital Resources

At March 31, 2019, our cash and cash equivalents were $48.8 million and comprised ZAR-denominated balances of ZAR 263.0 million ($18.2 million), KRW-denominated balances of KRW 17.2 billion ($15.1 million), U.S. dollar-denominated balances of $10.7 million, and other currency deposits, primarily Botswana pula, of $4.7 million, all amounts translated at exchange rates applicable as of March 31, 2019. The decrease in our unrestricted cash balances from June 30, 2018, was primarily due to significantly weaker trading activities, scheduled debt repayments, dividend payments to non-controlling interests and capital expenditures, which was partially offset by the contribution from the inclusion of DNI, and a decrease in our South African lending book.

We generally invest any surplus cash held by our South African operations in overnight call accounts that we maintain at South African banking institutions, and any surplus cash held by our non-South African companies in U.S. dollar denominated money market accounts. We have invested surplus cash in Korea in KRW-dominated short-term investment accounts at Korean banking institutions.

Historically, we have financed most of our operations, research and development, working capital, and capital expenditures, as well as acquisitions and strategic investments, through internally generated cash and our financing facilities. When considering whether to borrow under our financing facilities, we consider the cost of capital, cost of financing, opportunity cost of utilizing surplus cash and availability of tax efficient structures to moderate financing costs. Recently, we have been required to utilize our short-term financing facilities to fund our daily cash requirements as we adapt to the expiration of the SASSA contract in September 2018 and the transition of our business model. We The board is actively managing our liquidity in the light of the significant changes underway in our business and we currently believe that our cash and credit facilities are sufficient to fund our future operations for at least the next four quarters.

Available short-term borrowings

We also have a short-term South African credit facility with Nedbank of ZAR 450.0 million ($31.1 million), which consists of (i) a primary amount of up to ZAR 450 million, ($31.1 million) and (ii) a secondary amount, which his currently not available as discussed below. The primary amount comprises an overdraft facility of (i) up to ZAR 300 million ($20.7 million), which is further split into (a) a ZAR 250.0 million ($17.3 million) overdraft facility which may only be used to fund ATMs used at pay points and (b) a ZAR 50 million ($3.4 million) general banking facility and (ii) indirect and derivative facilities of up to ZAR 150 million ($10.4 million), which include letters of guarantee, letters of credit and forward exchange contracts. The temporary amount of ZAR 250.0 million was made available until February 28, 2019 and while utilized at that date was withdrawn. We are in discussions with Nedbank around the reinsatement of the normal secondary amount of R200 million ($13.8 million). As of March 31, 2019, the interest rate on the overdraft facility was 9.10%. As of March 31, 2019, we had utilized approximately ZAR 20.2 million ($1.4 million) of the ZAR 250 million overdraft facility to fund ATMs and none of the R50 million general banking facility. As of March 31, 2019, we had utilized approximately ZAR 96.7 million ($6.7 million) of the indirect and derivative facilities to support guarantees issued by Nedbank to various third parties on our behalf.

We also have a short-term South African credit facility with Rand Merchant Bank, a division of FirstRand Bank Limited, or RMB, of ZAR 1.5 billion ($103.6 million) which may only be used to fund our ATMs in South Africa. As of March 31, 2019, the interest rate on the overdraft facility was 9.25% (South African prime less a margin of 1%). As of March 31, 2019, we had utilized approximately ZAR 1.1 billion ($72.8 million) of this facility.

We have a short-term U.S. dollar-denominated overdraft facility with Bank Frick of $20.0 million. As of March 31, 2019, we had utilized approximately $8.9 million of this facility. The interest rate on the facility is 4.50% plus 3 month US dollar LIBOR and interest is payable on a quarterly basis. The 3 month US dollar LIBOR rate was 2.59975%% on March 31, 2019. The facility has no fixed term, however, it may be terminated by either party with six weeks written notice.

We also have a one year KRW 10 billion ($8.8 million) short-term overdraft facility from Hana Bank, a South Korean bank. The interest rate on the facilities is 1.984% plus 3-month CD rate. The CD rate as of March 31, 2019 was 1.87%. The facility expires in January 2020, however can be renewed. The facility is unsecured with no fixed repayment terms. As of March 31, 2019, we had not utilized this facility.

Available long-term borrowings

As of March 31, 2019, we also had outstanding long-term debt, net of deferred fees, of ZAR 229.1 million ($15.8 million), translated at exchange rates applicable as of March 31, 2019) under our South African facilities, comprising (i) ZAR 75 million under Facility A, (ii) ZAR 50 million under Facility B and ZAR 105.0 million under Facility D. Interest due on the facility is based on the Johannesburg Interbank Agreed Rate, or JIBAR, in effect from time to time plus a margin of (i) 2.25% for the Facility A loan, (ii) 3.5% for the Facility B loan, and (iii) 2.75% for the Facility D loan. The JIBAR rate has been set at 7.15% for the period to June 29, 2019. The Facility A, B and D loans were settled in full on May 3, 2019. The final principal repayments totaling ZAR 125.0 million related to the outstanding Facility A and Facility B loans were due on June 29, 2019. Principal repayments on the Facility D loan were due in four quarterly installments, of ZAR 26.3 million each, commencing on June 29, 2019. Voluntary prepayments are permitted without early repayment fees or penalties.

Cash flows from operating activities

Third quarter

Net cash used in operating activities during the third quarter of fiscal 2019 was $14.1 million (ZAR 220.3 million) compared to net cash provided by operating activities of $85.2 million (ZAR 1.0 billion) during the third quarter of fiscal 2018. The decrease in cash provided is primarily due to significantly weaker trading activity during fiscal 2019 compared to 2018.

During the third quarter of fiscal 2019, we paid South African tax of $0.2 million (ZAR 2.9 million) related to our 2019 tax year. We also paid taxes totaling $2.2 million in other tax jurisdictions, primarily South Korea. During the third quarter of fiscal 2018, we paid South African tax of $1.2 million (ZAR 14.5 million) related to our 2018 tax year in South Africa. We also paid taxes totaling $1.2 million in other tax jurisdictions, primarily South Korea.

Taxes paid during the third quarter of fiscal 2019 and 2018 were as follows:

Table 13	Three months ended March 31,			
	2019 $ '000	2018 $ '000	2019 ZAR '000	2018 ZAR '000
First provisional payments	205	1,228	2,850	14,546
Taxation paid related to prior years	-	2	-	29
Taxation refunds received	(6)	(158)	(68)	(1,919)
Total South African taxes paid	199	1,072	2,782	12,656
Foreign taxes paid	2,212	1,204	30,536	14,234
Total tax paid	2,411	2,276	33,318	26,890

Year to date

Net cash used in operating activities during the year to date fiscal 2019 was $2.9 million (ZAR 41.6 million) compared to $97.8 million (ZAR 1.3 billion) provided by operating activities during the year to date fiscal 2018. The decrease in cash provided is primarily due to significantly weaker trading activity during fiscal 2019 compared to 2018.

During the year to date fiscal 2019, we paid South African tax of $6.5 million (ZAR 92.0 million) related to our 2019 tax year. During the year to date fiscal 2019, we made an additional tax payment of $1.4 million (ZAR 20.5 million) related to our 2018 tax year in South Africa. We also paid taxes totaling $4.8 million in other tax jurisdictions, primarily South Korea. During the year to date fiscal 2018, we paid South African tax of $17.7 million (ZAR 231.2 million) related to our 2018 tax year in South Africa. During the year to date fiscal 2018, we made an additional tax payment of $1.9 million (ZAR 25.3 million) related to our 2017 tax year in South Africa and received a refund of approximately $0.4 million (ZAR 5.2 million) related to taxes overpaid in previous tax years in South Africa. We also paid taxes totaling $3.7 million in other tax jurisdictions, primarily South Korea.

Taxes paid during the year to date fiscal 2019 and 2018 were as follows:

Table 14	Nine months ended March 31,			
	2019 $ '000	2018 $ '000	2019 ZAR '000	2018 ZAR '000
First provisional payments	6,453	17,739	91,994	231,200
Taxation paid related to prior years	1,399	1,921	20,488	25,256
Taxation refunds received	(102)	(409)	(1,445)	(5,211)
Total South African taxes paid	7,750	19,251	111,037	251,245
Foreign taxes paid	4,783	3,674	67,248	48,510
Total tax paid	12,533	22,925	178,285	299,755

Cash flows from investing activities

Third quarter

Cash used in investing activities for the third quarter of fiscal 2019 includes capital expenditures of $1.6 million (ZAR22.9 million), primarily due to the acquisition of ATMs in South Africa and the expansion of our branch network.

Cash used in investing activities for the third quarter of fiscal 2018 includes capital expenditure of $4.2 million (ZAR 50.5 million), primarily for the acquisition of data processing computer equipment and payment processing terminals in Korea and ATMs in South Africa. We also paid approximately $11.1 million for an additional 5% interest in Bank Frick, provided a $10.6 million (ZAR 126.0 million) loan to DNI and paid $7.5 million (ZAR 89.3 million) for an additional 4% interest in DNI.

Year to date

Cash used in investing activities for the year to date fiscal 2019 includes capital expenditures of $7.3 million (ZAR 104.0 million), primarily due to the acquisition of ATMs in South Africa and the expansion of our branch network. We also paid $2.5 million for a 50% interest in V2 Limited, acquired customer bases in DNI for $1.4 million, and made a further equity contribution of $1.1 million to MobiKwik.

Cash used in investing activities for the year to date of fiscal 2018 includes capital expenditure of $7.8 million (ZAR 100.6 million), primarily for the acquisition of data processing computer equipment and payment processing terminals in Korea and ATMs in South Africa. We also paid approximately $151.0 million (ZAR 2.0 billion) for a 15% interest in Cell C, $79.5 million (ZAR 1.0 billion) for a 49% interest in DNI, $51.9 million for a 35% interest in Bank Frick, provided a $10.6 million (ZAR 126.0 million) loan to DNI and paid $9.0 million for a 7.625% interest in a listed note.

Cash flows from financing activities

Third quarter

During the third quarter of fiscal 2019, we utilized approximately $278.3 million from our overdraft facilities, primarily to fund our ATMs, and repaid $257.1 million of these facilities, including amounts utilized in December 2018. We also utilized $8.9 million of our Bank Frick overdraft to fund our operations. We also made a scheduled South African debt facility payment of $10.5 million.

During the third quarter of fiscal 2018, we made a scheduled South African debt facility payment of $17.7 million (ZAR 187.5 million) and also utilized this facility to partially fund our additional investment in DNI. We also utilized $9.8 million of our overdraft facilities and repaid $42.6 million of these facilities.

Year to date

During the year to date fiscal 2019, we utilized approximately $584.5 million from our overdraft facilities, primarily to fund our ATMs, and repaid $502.8 million of these facilities. We also utilized approximately $14.6 million of our revolving credit facility to lend funds to Cell C to finance the acquisition and/or requisition of telecommunication towers and other specific uses pre-approved by the lender. We also made scheduled South African debt facility payments of $31.4 million, repaid $4.9 million under our revolving credit facility and paid non-refundable origination fees of approximately $0.4 million related to the credit facilities.

During the year to date fiscal 2018, we utilized approximately $113.2 million (ZAR 1.46 billion) of our South African facility to partially fund our investments in Cell C and DNI and utilized approximately $0.3 million of our Korean facility to pay a portion of our quarterly interest due. We made accumulated scheduled South African debt facility payments of $44.4 million (ZAR 562.5 million) and made a $16.6 million payment to settle our outstanding South Korean debt facility in full. We also utilized $42.4 million of our overdraft facilities and repaid $57.0 million of these facilities.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Capital Expenditures

We expect capital spending for the fourth quarter of fiscal 2019 to primarily include the investments into our ATM infrastructure and branch network in South Africa.

Our capital expenditures for the third quarter of fiscal 2019 and 2018 are discussed under "—Liquidity and Capital Resources—Cash flows from investing activities." All of our capital expenditures for the past three fiscal years were funded through internally generated funds. We had outstanding capital commitments as of March 31, 2019, of $0.1 million related mainly to the procurement of ATMs. We expect to fund these expenditures through internally generated funds.

Contingent Liabilities, Commitments and Contractual Obligations

The following table sets forth our contractual obligations as of March 31, 2019:

Table 15	Payments due by Period, as of March 31, 2019 (in $ '000s)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
South African long-term debt obligations (A)	16,548	16,548	-	-	-
Short-term credit facilities	74,181	74,181	-	-	-
Operating lease obligations	9,265	5,333	3,428	504	-
Purchase obligations	2,957	2,957	-	-	-
Capital commitments	77	77	-	-	-
Other long-term obligations (B)(C)	2,273	-	-	-	2,273
Total	105,301	99,096	3,428	504	2,273

(A) – Includes $15.8 million of long-term debt and interest payable at the rate applicable on March 31, 2019, under our South Africa debt facilities.

(B) – Includes policyholder liabilities of $2.0 million related to our insurance business. All amounts are translated at exchange rates applicable as of March 31, 2019.

(C) – We have excluded cross-guarantees in the aggregate amount of $6.6 million issued as of March 31, 2019, to Nedbank to secure guarantees it has issued to third parties on our behalf as the amounts that will be settled in cash are not known and the timing of any payments is uncertain. We have also excluded contractual commitments to invest approximately $7.5 million in V2 Limited, subject to the achievement of certain contractual conditions.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In addition to the tables below, see Note 7 to the unaudited condensed consolidated financial statements for a discussion of market risk.

The following table illustrates the effect on our annual expected interest charge, translated at exchange rates applicable as of March 31, 2019, as a result of changes in the JIBAR rate. The effect of a hypothetical 1% (i.e. 100 basis points) increase and a 1% decrease in the JIBAR rate as of March 31, 2019, are shown. The selected 1% hypothetical change does not reflect what could be considered the best or worst case scenarios.

	As of March 31, 2019		
Table 16	**Annual expected interest charge ($ ’000)**	**Hypothetical change in JIBAR**	**Estimated annual expected interest charge after hypothetical change in JIBAR ($ ’000)**
Interest on South Africa long-term debt (JIBAR)	1,573	1%	1,731
		(1%)	1,414

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of March 31, 2019. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, and in light of the insufficient time to assess the effectiveness of the procedures we adopted to remediate the material weakness discussed below, our chief executive officer and the chief financial officer concluded that our disclosure controls and procedures were not effective as of March 31, 2019.

Changes in Internal Control over Financial Reporting

As previously disclosed, we identified a material weakness in our internal control over financial reporting where the control over review of the accounting for non-routine complex transactions was not appropriately designed. The material weakness resulted in (1) the misapplication of GAAP to the recognition of revenue from our SASSA contract extension, which resulted in recognition of revenue at an incorrect rate, and (2) the restatement of our financial statements as of and for the fiscal year ended June 30, 2018 as a result of the misapplication of GAAP to the accounting treatment for our investment in Cell C Proprietary Limited.

In order to remediate the material weakness, we appointed a technical resource to review the accounting for non-routine transactions and established an in-house accounting technical committee, which has been assisting in the review of the accounting for all non-routine transactions, including assessing the appropriateness of the accounting treatment adopted. This technical committee has also been assessing the need to consult external experts on the accounting of non-routine transactions. We initiated the aforementioned remediation plan during the nine-month period ended March 31, 2019, but it has not been in place for a sufficient period of time to assess its effectiveness. We believe the foregoing efforts will effectively remediate the material weakness but, as we continue to evaluate and work to improve our internal control over financial reporting, we may modify the remediation plan.

Part II. Other Information

Item 1. Legal Proceedings

Challenge to Payment by SASSA of Additional Implementation Costs

In March 2018, the High Court ordered that the June 2012 variation agreement between SASSA and CPS be reviewed and set aside. CPS was ordered to refund ZAR 317.0 million, including VAT, to SASSA, plus interest from June 2014 to the date of payment. In April 2018, we filed an application seeking leave to appeal the whole order and judgment of the High Court with the High Court because we believe that the High Court erred in its application of the law and/or in fact in its findings. The High Court refused our application. We appealed the High Court's decision to the Supreme Court of Appeal, which has granted our leave to appeal. We expect the case to be heard during 2019. We cannot predict how the Supreme Court will rule on the matter.

Constitutional Court order regarding extension of contract with SASSA for six months for cash payments

As described in more detail under "Recent Developments—SASSA contract exit and summary of legal proceedings— Auto-migration of EPE customers to SAPO," we urgently applied to the Constitutional Court to order SASSA to pay us in respect of amounts owed to us. In December 2018, we received correspondence from the Constitutional Court informing the parties that it believes that "nothing prevents the parties from coming to an agreement on increased payments without court sanction, and if they do not, normal legal processes in other courts must be filed to determine the effects." We have engaged SASSA directly in order to resolve this matter, but we will approach the courts if the matter is not resolved to our satisfaction within a reasonable period of time.

Legal proceedings against SASSA in respect of transfer of grant payments from EPE to SAPO accounts

On November 13, 2018, a number of grant beneficiaries and Moneyline Financial Service Proprietary Limited, or Moneyline, one of our subsidiaries, filed an urgent application with the Gauteng Division of the High Court of South Africa seeking among other things, an order (1) declaring that biometric consent for the transfer of grant payments to EPE accounts conforms with the requirements of the Social Assistance Regulations, (2) prohibiting SASSA from stopping the payment of social grants into EPE accounts that were opened with biometric consent prior to January 1, 2018, when SASSA issued a new directive that completion by recipients of a SASSA-prescribed "Annexure C" form would be required in order for those recipients to have their grant payments deposited into their private bank accounts (as opposed to SAPO bank accounts), (3) directing SASSA to process all Annexure C forms within two weeks of submission and (4) directing SASSA to make all grant payments in accordance with duly completed and submitted Annexure C forms.

On November 28, 2018, the High Court issued an interim order directing SASSA to pay the social grants of those EPE clients who had previously provided biometric consent and elected to receive their social grants into their EPE accounts, pending the issuance of a final judgment. SASSA was also ordered to process any Annexure C forms within two weeks of the submission of such forms.

On January 29, 2019, the High Court handed down its final judgment, reversing the portion of its November 28, 2018, interim order that directed SASSA to pay grants into the EPE accounts of recipients who made those biometric elections without submitting the Annexure C forms. The effect of the final judgment is that while SASSA is required to promptly pay social grants into EPE accounts of those recipients who have signed the Annexure C forms electing to have their grants paid that way, SASSA is not required to pay grants into the EPE accounts of those recipients who have not submitted the Annexure C forms, despite having provided their previous biometric consent and may continue to auto-migrate those grants to SAPO accounts. The court did not award costs.

We applied for leave to appeal the order granted on January 29, 2019 and were granted leave on March 12, 2019. The Supreme Court directed us to file the record by no later than July 10, 2019 and directed the parties to file their respective heads of argument. Once the directive has been complied with, the Supreme Court will allocate a hearing date for the appeal. We cannot predict how the Supreme Court will rule on the matter.

On February 8, 2019, Moneyline launched an application to interdict SASSA from taking any steps of its own volition to direct payment of the social grants of the grants recipients, who received payment of their grants into their EPE accounts in January, 2019, into any accounts other than their EPE accounts into which SASSA had made payments in January 2019. The application was heard on February 28, 2019 and the High Court handed down an order directing Moneyline to provide SASSA with a list of the 696,246 individuals who opened EPE accounts in 2018 and who were not paid by SASSA into those accounts in January 2019. SASSA was ordered to verify the information provided by Moneyline within 14 days and to file an affidavit, within a further 15 days, with the outcome of the verification process and detailing procedures followed by it, including a description of how SASSA administered the migration of beneficiaries to SAPO. The High Court furthermore ordered that any party is entitled to approach it for appropriate relief thereafter. SASSA filed its affidavit on April 23, 2019. Moneyline is considering the affidavit filed by SASSA and will, after consultation with its legal counsel, decide whether to file any further affidavits or seek further relief from the High Court.

NCR application for the cancelation of Moneyline's registration as a credit provider

Regarding the NCR's application to cancel the registration of Moneyline, we raised a number of procedural points in defense and argument on these points was heard on November 27, 2015, before three tribunal members. Two ruled against us and one upheld our points. We are appealing the majority ruling to the High Court. This matter was heard on December 4, 2018, by a full bench of the Pretoria High Court. If we are successful, it will dispose of the application. If we do not prevail, then the NCR's application will be set down before the Consumer Tribunal for argument on the main issues raised by the NCR, as dealt with above. We cannot predict the outcome of this litigation.

Initiation of legal proceedings against a PG Purchasing customer regarding non-payment of working capital finance loans receivable

In January 2019, we filed a Petition with the District Court of Dallas County, Texas, naming Permian Crude Transport, LP, f/k/a Permian Crude Transport, LLC, d/b/a Permian Transport & Trading ("PCT"), and Centurion Marketing, LLC d/b/a Jupiter Marketing & Trading, LLC ("Centurion"), (collectively with PCT, "PCT/Centurion") as defendants regarding the recovery of working capital finance loans receivable made to PCT/ Centurion by our wholly owned subsidiary, PG Purchasing. This lawsuit is still in its initial stages, and discovery is ongoing. Trial is currently set for December 2, 2019.

We cannot predict when this matter will be heard or how the Court will rule on the matter.

Item 1A. Risk Factors

See "Item 1A RISK FACTORS" in Part I of our Annual Report on Form 10-K/A for the fiscal year ended June 30, 2018, for a discussion of risk factors relating to (i) our business, (ii) operating in South Africa and other foreign markets, (iii) government regulation, and (iv) our common stock. Except as set forth below, there have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K/A for the fiscal year ended June 30, 2018.

SASSA's previous migration of EPE customers to the SAPO account has resulted in the loss of a significant portion of our EPE customer base. Unless we are able to maintain our EPE customer base, our South African financial services business will likely become unsustainable and result in the closure of most or all of that business.

During September and October 2018, SASSA migrated those of our EPE customers who had not submitted to SASSA a signed Annexure C form and failed to process many of the Annexure C forms submitted by our potential customers. As a result, we have experienced a decline in the EPE customer base to under 1.1 million EPE accounts receiving grants during December 2018 and January 2019. These same factors have had an adverse impact on our ability to sign up new customers to the EPE product and, as a result, we have experienced very low levels of gross new EPE accounts. As described under "Item 1.—Legal Proceedings—Legal proceedings against SASSA in respect of transfer of grant payments from EPE to SAPO accounts", we commenced legal proceedings against SASSA challenging its actions but, in late January 2019, the High Court ruled that SASSA may pay grants into SAPO accounts unless the grant recipient has delivered a signed Annexure C form to SASSA.

While our EPE customer base has been stable since November 2018, any decision of SASSA to migrate more of our EPE customers to the SAPO account would threaten our entire South African financial services business and materially and adversely affect our business, results of operations, financial condition and cash flows.

In addition, as described in "Recent Developments—SASSA contract exit and summary of legal proceedings— Auto-migration of EPE customers to SAPO," we are currently in discussions with SASSA about fees payable to us in excess of the amounts due under the original contract. While we remain in litigation with SASSA, it may make it more difficult for us to reach agreement in regard to such payment.

Even if we are able to maintain a sufficient EPE customer base, we may still face challenges in transforming our South African operations to a business-to-consumer model through our EPE bank account and ATM infrastructure.

Following the conclusion of the SASSA contract on September 30, 2018, we refocused our resources and technology on the provision of financial inclusion services to our target market. In particular we enabled our mobile ATM payment infrastructure to become part of the South African National Payment System and concentrated on taking our ATMs to the rural populations of South Africa so that they have the same access to financial inclusion as they had during the tenure of our contract, without the many inconveniences and inefficiencies of SASSA's new payment model.

While we believe that our financial services offerings are convenient and cost-effective, the success of our strategy will depend on the extent to which South African customers continue to use our financial products and services on a widespread basis.

As discussed in the risk factor immediately above, SASSA's unilateral decision to move EPE customers to the SASSA account and the recent judgment preventing us from opposing SASSA's actions, will likely make it difficult for us to attract and retain as many EPE customers as we had previously planned.

Even if we continue to maintain our current EPE customer base,, to the extent where such business remains viable, other factors may prevent us from successfully operating and growing our South African financial services business include, but are not limited to:

- reduced adoption and utilization of our EPE accounts and related products and services;
- insufficient utilization of our ATM infrastructure, especially our mobile ATM infrastructure;
- inability to access sufficient funding for our ATM infrastructure;
- competition in the marketplace;
- restrictions imposed by SASSA or government on the manner in which recipients may transact;
- additional and/ or protracted legal proceedings with SASSA or other parties;
- political interference;

- changes in the regulatory environment;
- dependence on existing suppliers to provide the hardware (such as ATMs, cards and POS devices) we require to execute our rollout as anticipated;
- logistical and communications challenges; and
- loss of key technical and operations staff.

Item 6. Exhibits

The following exhibits are filed as part of this Form 10-Q:

Exhibit No.	Description of Exhibit	Included Herewith	Incorporated by Reference Herein	
			Form Exhibit	Filing Date
10.102	Share Sale and Subscription Agreement dated February 28, 2019, among JAA Holdings Proprietary Limited and PK Gain Investment Holdings Proprietary Limited and Net1 Applied Technologies South Africa Proprietary Limited and, in relation to and including as a party DNI – 4PL Contracts Proprietary Limited	X		
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) under the Exchange Act	X		
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) under the Exchange Act	X		
32	Certification pursuant to 18 USC Section 1350	X		
101.INS	XBRL Instance Document	X		
101.SCH	XBRL Taxonomy Extension Schema	X		
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	X		
101.DEF	XBRL Taxonomy Extension Definition Linkbase	X		
101.LAB	XBRL Taxonomy Extension Label Linkbase	X		
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	X		

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on May 9, 2019.

NET 1 UEPS TECHNOLOGIES, INC.

By: /s/ Herman G. Kotzé

Herman G. Kotzé
Chief Executive Officer

By: /s/ Alex M.R. Smith

Alex M.R. Smith
Chief Financial Officer, Treasurer and Secretary

Exhibit 10.102

SHARE SALE AND SUBSCRIPTION AGREEMENT

between

JAA HOLDINGS PROPRIETARY LIMITED

PK GAIN INVESTMENT HOLDINGS PROPRIETARY LIMITED

NET1 APPLIED TECHNOLOGIES SOUTH AFRICA PROPRIETARY LIMITED

AJD HOLDINGS PROPRIETARY LIMITED

RICHMARK HOLDINGS PROPRIETARY LIMITED

and

DNI-4PL CONTRACTS PROPRIETARY LIMITED

CLIFFE DEKKER HOFMEYR

26 February 2019

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PART 1 - PRELIMINARY MATTERS

1 **PARTIES**

1.1 The Parties to this Agreement are -

1.1.1 JAA Holdings Proprietary Limited;

1.1.2 PK Gain Investment Holdings Proprietary Limited;

1.1.3 Net1 Applied Technologies South Africa Proprietary Limited;

1.1.4 AJD Holdings Proprietary Limited;

1.1.5 Richmark Holdings Proprietary Limited; and

1.1.6 DNI-4PL Contracts Proprietary Limited.

1.2 The Parties agree as set out below.

2 **INTERPRETATION**

2.1 In this Agreement, unless the context indicates a contrary intention, the following words and expressions bear the meanings assigned to them and cognate expressions bear corresponding meanings -

2.1.1 "**Additional Subscription Agreement**" means an agreement headed "*Additional Subscription Agreement*" entered into between Net1, AJD, Richmark and the Company on 23 June 2017, as amended by a first addendum thereto on or about 8 March 2018, a second addendum thereto on or about 29 October 2018 and the Third Addendum to the Additional Subscription Agreement;

2.1.2 "**Agreement**" means the agreement contained in this document, including all annexures (if any) hereto;

2.1.3 "**AJD**" means AJD Holdings Proprietary Limited, registration number 1975/004328/07, a limited liability private company duly incorporated in the Republic of South Africa;

2.1.4 "**Company**" means DNI-4PL Contracts Proprietary Limited, registration number 2005/040937/07, a limited liability private company duly incorporated in the Republic of South Africa;

2.1.5 "**Companies Act**" means the Companies Act, No 71 of 2008;

2.1.6 "**Conditions Precedent**" means the suspensive conditions set out in clause 4;

2.1.7 "**Closing Date**" means the first business day after all of the Conditions Precedent have been fulfilled or waived in accordance with clause 4;

2.1.8 "**CTA**" means an agreement headed "*Common Terms Agreement*" entered into between, *inter alia*, Net1, FirstRand Bank Limited (acting through its Rand Merchant Bank Division) as Lender, Lead Arranger and Facility Agent, Nedbank Limited (acting through its Corporate and Investment Banking Division) in terms of which, *inter alia,* the parties agree the terms common to the Senior A Facility Agreement, Senior B Facility Agreement and Senior C Facility Agreement (all as defined therein);

2.1.9 "**Distribution**" means any distribution whatsoever to shareholders, including distribution by way of dividends (including dividends in specie), capital reduction, share repurchases, fees, interest payments, royalties, repayment of loan accounts and the like;

2.1.10 "**JAA**" means JAA Holdings Proprietary Limited, registration number 2018/223075/07, a limited liability private company duly incorporated in the Republic of South Africa;

2.1.11 "**JAA Closing**" means the completion of all matters set out in clause 7;

2.1.12 "**JAA Purchase Consideration**" shall have the meaning given to such term at clause 7.1;

2.1.13 "**JAA Sale Claim**" shall have the meaning given to such term at clause 7.2;

2.1.14 "**JAA Sale Shares**" means 13,192,000 ordinary "A" no par value shares in the issued ordinary "A" shares of the Company, constituting an approximate Participation Interest of 13.19% and an approximate Voting Interest 13.19% as at the Signature Date and at the Closing Date;

2.1.15 "**JAA Subscription Price**" means 77.6% of the value of the TSPC Debt;

2.1.16 "**JAA Subscription Shares**" means 776 ordinary "A" no par value shares in the issued ordinary "A" shares of the Company, constituting an approximate Participation Interest of 0.000776% and an approximate Voting Interest of 0.000776%;

2.1.17 "**JAA Transaction**" means the transaction contemplated at clauses 6, 7 and 8;

2.1.18 "**Net1**" means Net1 Applied Technologies South Africa Proprietary Limited, registration number 2002/031446/07, a limited liability private company duly incorporated in the Republic of South Africa;

2.1.19 "**Participation Interest**" means the rights which a shareholder in the Company has to generally participate in Distributions made by the Company (on account of the shares held by that shareholder in the Company from time to time and having regard to all shares in the Company then in issue) expressed as a percentage;

2.1.20 "**Parties**" means the parties to this Agreement;

2.1.21 "**PKG**" means PK Gain Investment Holdings Proprietary Limited, registration number 2006/005036/07, a limited liability private company duly incorporated in the Republic of South Africa;

2.1.22 "**PKG Closing**" means the completion of all matters set out in clause 11;

2.1.23 "**PKG Purchase Consideration**" shall have the meaning given to such term at clause 10.1;

2.1.24 "**PKG Sale Claim**" shall have the meaning given to such term at clause 10.2;

2.1.25 "**PKG Sale Shares**" means 3,808,000 ordinary "A" no par value shares in the issued ordinary "A" shares of the Company, constituting an approximate Participation Interest of 3.81% and an approximate Voting Interest of 3.81% as at the Signature Date and at the Closing Date;

2.1.26 "**PKG Subscription Price**" means 22.4% of the value of the TSPC Debt;

2.1.27 "**PKG Subscription Shares**" means 224 ordinary "A" no par value shares in the issued ordinary "A" shares of the Company, constituting an approximate Participation Interest of 0.000224% and an approximate Voting Interest of 0.000224%;

2.1.28 "**PKG Transaction**" means the transaction contemplated at clauses 9, 10 and 11;

2.1.29 "**Richmark**" means Richmark Holdings Proprietary Limited, registration number 2000/013818/07, a limited liability private company duly incorporated in the Republic of South Africa;

2.1.30 "**Second Addendum to Share Sale Agreement**" means an agreement headed "*Second Addendum to Share Sale Agreement*" between JAA, Richmark, Sabvest Finance and Guarantee Corporation Proprietary Limited, AJD, PKG, Net1 and the Company, to be entered into contemporaneously with this Agreement;

2.1.31 "**Signature Date**" means the date of signature of this Agreement by the Party last signing;

2.1.32 "**Subscription Agreement**" means an agreement headed "*Subscription Agreement*" entered into between Net1, AJD, Richmark and the Company on 23 June 2017;

2.1.33 "**Subscription Date**" means the first business day immediately prior to the date on which the TSPC Debt becomes due and payable by the Company to Graeme Bryson in accordance with the provisions of the TSPC Agreement;

2.1.34 "**Third Addendum to the Additional Subscription Agreement**" means an agreement headed "*Third Addendum to the Additional Subscription Agreement*" between the Company, AJD, Richmark and Net1, to be entered into contemporaneously with this Agreement;

2.1.35 "**TSPC Agreement**" means an agreement headed "*Sale of Shares Agreement*" entered into between The Starter Pack Company Proprietary Limited, Graeme Bryson and the Company on or about 11 August 2017;

2.1.36 "**TSPC Debt**" means the upward adjustment amount payable by the Company to Graeme Bryson in terms of clause 8.3.3(ii) of the TSPC Agreement; and

2.1.37 "**Voting Interest**" means rights which a shareholder in the Company has to vote on any matter put to shareholders (on account of the shares held by that shareholder in the Company from time to time and having regard to all shares in the Company then in issue) expressed as a percentage.

2.2 In this Agreement -

2.2.1 clause headings and the heading of the Agreement are for convenience only and are not to be used in its interpretation;

2.2.2 an expression which denotes -

2.2.2.1 any gender includes the other genders;

2.2.2.2 a natural person includes a juristic person and *vice versa*;

2.2.2.3 the singular includes the plural and *vice versa*;

2.2.2.4 a Party includes a reference to that Party's successors in title and assigns allowed at law; and

2.2.2.5 a reference to a consecutive series of two or more clauses is deemed to be inclusive of both the first and last mentioned clauses.

2.3 Any reference in this Agreement to -

2.3.1 "**business hours**" shall be construed as being the hours between 08h30 and 17h00 on any business day. Any reference to time shall be based upon South African Standard Time;

2.3.2 "**days**" shall be construed as calendar days unless qualified by the word "business", in which instance a "business day" will be any day other than a Saturday, Sunday or public holiday as gazetted by the government of the Republic of South Africa from time to time;

2.3.3 "**laws**" means all constitutions; statutes; regulations; by-laws; codes; ordinances; decrees; rules; judicial, arbitral, administrative, ministerial, departmental or regulatory judgements, orders, decisions, rulings, or awards; policies; voluntary restraints; guidelines; directives; compliance notices; abatement notices; agreements with, requirements of, or instructions by any governmental body; and the common law, and "**law**" shall have a similar meaning; and

2.3.4 "**person**" means any person, company, close corporation, trust, partnership or other entity whether or not having separate legal personality.

2.4 The words "**include**" and "**including**" mean "include without limitation" and "including without limitation". The use of the words "**include**" and "**including**" followed by a specific example or examples shall not be construed as limiting the meaning of the general wording preceding it.

2.5 Any substantive provision, conferring rights or imposing obligations on a Party and appearing in any of the definitions in this clause 2 or elsewhere in this Agreement, shall be given effect to as if it were a substantive provision in the body of the Agreement.

2.6 Words and expressions defined in any clause shall, unless the application of any such word or expression is specifically limited to that clause, bear the meaning assigned to such word or expression throughout this Agreement.

2.7 Unless otherwise provided, defined terms appearing in this Agreement in title case shall be given their meaning as defined, while the same terms appearing in lower case shall be interpreted in accordance with their plain English meaning.

2.8 A reference to any statutory enactment shall be construed as a reference to that enactment as at the Signature Date and as amended or substituted from time to time.

2.9 Unless specifically otherwise provided, any number of days prescribed shall be determined by excluding the first and including the last day or, where the last day falls on a day that is not a business day, the next succeeding business day.

2.10 If the due date for performance of any obligation in terms of this Agreement is a day which is not a business day then (unless otherwise stipulated) the due date for performance of the relevant obligation shall be the immediately preceding business day.

2.11 The rule of construction that this Agreement shall be interpreted against the Party responsible for the drafting of this Agreement, shall not apply.

2.12 No provision of this Agreement shall (unless otherwise stipulated) constitute a stipulation for the benefit of any person (*stipulatio alteri*) who is not a Party to this Agreement.

2.13 The use of any expression in this Agreement covering a process available under South African law, such as winding-up, shall, if either of the Parties to this Agreement is subject to the law of any other jurisdiction, be construed as including any equivalent or analogous proceedings under the law of such other jurisdiction.

2.14 Any reference in this Agreement to "**this Agreement**" or any other agreement or document shall be construed as a reference to this Agreement or, as the case may be, such other agreement or document, as amended, varied, novated or supplemented from time to time.

2.15 In this Agreement the words "**clause**" or "**clauses**" refer to clauses of this Agreement.

3 **INTRODUCTION**

3.1 Net1 is the registered holder and beneficial owner of the JAA Sale Shares and the PKG Sale Shares.

3.2 Net1 wishes to sell the JAA Sale Shares and the PKG Sale Shares to each of JAA and PKG, respectively, who wish to purchase such shares, on the terms and subject to the conditions herein contained.

3.3 The Parties wish to record in writing their agreement in respect of the above and matters ancillary thereto.

4 **CONDITIONS PRECEDENT**

4.1 Save for clauses 1 to 4, and clauses 19 to 28 all of which will become effective immediately, this Agreement is subject to the fulfilment of the following Conditions Precedent by no later than 5 April 2019 -

4.1.1 the Third Addendum to the Additional Subscription Agreement has been entered into and has become unconditional in accordance with its terms, save for any conditions requiring this Agreement to become unconditional;

4.1.2 the Second Addendum to Share Sale Agreement has been entered into and has become unconditional in accordance with its terms, save for any conditions requiring this Agreement to become unconditional;

4.1.3 the Facility Agent (as such term is defined in the CTA) has, to the extent necessary, consented to -

4.1.3.1 Net1 entering into this Agreement, the Third Addendum to the Additional Subscription Agreement and the Second Addendum to Share Sale Agreement as well as the implementation of the transactions contemplated in the aforegoing agreements;

4.1.3.2 the release of JAA Sale Shares and the PKG Sales Shares under any security held by the Facility Agent over those shares;

4.1.4 to the extent necessary, FirstRand Bank Limited (acting through its Rand Merchant Bank division) in its capacity as lender to and/or holder of preferences shares in JAA, PKG and/or the Company has, to the extent applicable, consented to JAA, PKG and the Company, as the case may be, entering into this Agreement, the Third Addendum to the Additional Subscription Agreement and the Second Addendum to Share Sale Agreement as well as the implementation of the transactions contemplated in the aforegoing agreements; and

4.1.5 the shareholders of the Company have waived in writing JAA's obligation to make a mandatory offer to the remaining shareholders of the Company in terms of section 123 of the Companies Act pursuant to the implementation of the transactions contemplated in this Agreement.

4.2 Unless all the Conditions Precedent have been fulfilled or waived by not later than 5 April 2019 (or such later date as may be agreed in writing between the Parties) the provisions of this Agreement, save for clauses 1 to 4, and clauses 19 to 28, which will remain of full force and effect, will never become of any force or effect and the *status quo ante* will be restored as near as may be and neither of the Parties will have any claim against the other in terms hereof or arising from the failure of any of the Conditions Precedent.

PART 2 - SALE PROVISIONS

5 **TRANSACTION STEPS**

The JAA Transaction and the PKG Transaction shall be implemented contemporaneously, immediately prior to the -

5.1 subscription by Net1 for 1 ordinary "A" share in the Company, in terms of clause 4 (*Subscription and Settlement by Net1*); and

5.2 declaration and settlement of the dividend by the Company to the holders of the ordinary shares in the Company, in terms of clause 8 (*Closing*),

of the Additional Subscription Agreement.

6 **JAA SALE**

6.1 Net1 hereby sells to JAA, which hereby purchases, the JAA Sale Shares, as one indivisible transaction.

6.2 Notwithstanding the Signature Date, all risk in and all benefit attaching to the JAA Sale Shares will, against settlement of the JAA Purchase Consideration, pass to JAA on completion of the JAA Closing.

6.3 Possession and effective control of the JAA Sale Shares will be given to JAA on the Closing Date. Net1 will accordingly retain the right to exercise all voting rights attaching to the JAA Sale Shares until completion of the JAA Closing.

7 **PURCHASE CONSIDERATION AND SETTLEMENT**

7.1 The JAA Purchase Consideration is an amount of R310,400,000.

7.2 The JAA Purchase Consideration will be settled by JAA, on the Closing Date, against compliance by Net1 with clause 8.1, by way of JAA crediting an interest-free loan account in its books of account in the name of Net1 in the sum of R310,400,000 ("**JAA Sale Claim**").

8 **JAA CLOSING**

8.1 On the Closing Date representatives of the Parties shall meet at 10h00 at the Johannesburg offices of Net1 or such other place as the Parties may agree, at which meeting Net1 will deliver to JAA -

8.1.1 original share certificates in respect of the JAA Sale Shares;

8.1.2 share transfer forms in respect of the JAA Sale Shares duly completed by the registered holders thereof and dated not more than 3 business days earlier than the Closing Date, but in blank as to the transferee; and

8.1.3 a copy of the securities register of the Company, together with the relevant original share certificates reflecting JAA as the holder of the JAA Sale Shares.

8.2 The Parties may, by agreement in writing, dispense with a meeting on the Closing Date and may instead ensure delivery of the documents referred to in clause 8.1, and/or settlement of the JAA Purchase Consideration, in such other manner as they agree to be convenient.

9 **PKG SALE**

9.1 Net1 hereby sells to PKG, which hereby purchases, the PKG Sale Shares, as one indivisible transaction.

9.2 Notwithstanding the Signature Date, all risk in and all benefit attaching to the PKG Sale Shares will, against settlement of the PKG Purchase Consideration, pass to PKG on completion of the PKG Closing.

9.3 Possession and effective control of the PKG Sale Shares will be given to PKG on the Closing Date. Net1 will accordingly retain the right to exercise all voting rights attaching to the PKG Sale Shares until completion of the PGK Closing.

10 **PURCHASE CONSIDERATION AND SETTLEMENT**

10.1 The PKG Purchase Consideration is an amount of R89,600,000.

10.2 The PKG Purchase Consideration will be settled by PKG, on the Closing Date, against compliance by Net1 with clause 11.1, by way of PKG crediting an interest-free loan account in its books of account in the name of Net1 in the sum of R89,600,000 ("**PKG Sale Claim**").

11 **PKG CLOSING**

11.1 On the Closing Date representatives of the Parties shall meet at 10h00 at the Johannesburg offices of Net1 or such other place as the Parties may agree, at which meeting Net1 will deliver to PKG -

11.1.1 original share certificates in respect of the PKG Sale Shares;

11.1.2 share transfer forms in respect of the PKG Sale Shares duly completed by the registered holders thereof and dated not more than 3 business days earlier than the Closing Date, but in blank as to the transferee; and

11.1.3 a copy of the securities register of the Company, together with the relevant original share certificates reflecting PKG as the holder of the PKG Sale Shares.

11.2 The Parties may, by agreement in writing, dispense with a meeting on the Closing Date and may instead ensure delivery of the documents referred to in clause 11.1, and/or settlement of the PKG Purchase Consideration, in such other manner as they agree to be convenient.

PART 3 - SUBSCRIPTION PROVISIONS

12 **JAA SUBSCRIPTION**

12.1 JAA hereby subscribes for the JAA Subscription Shares, with effect from the Subscription Date, at the JAA Subscription Price.

12.2 JAA shall pay the JAA Subscription Price to the Company on the Subscription Date.

12.3 The Company shall, upon subscription by JAA for the JAA Subscription Shares pursuant to clause 12.1 and against payment by JAA of the JAA Subscription Price in accordance with the provisions of clause 12.2, on the Subscription Date allot and issue the JAA Subscription Shares to JAA and deliver to JAA -

12.3.1 original share certificates in respect of the JAA Subscription Shares;

12.3.2 copies of resolutions of the directors of the Company approving the allotment and issue of the JAA Subscription Shares to JAA.

12.4 The Company hereby gives to and in favour of JAA only the warranties set out below as at the Subscription Date. Save for these warranties and the warranties set out in clause 19, the issue of the JAA Subscription Shares is on a *voetstoots* basis, with no further warranties or representations, or term as to fitness for any purpose, express or implied, being given by the Company to JAA. The warranties are -

12.4.1 the JAA Subscription Shares will be validly issued; and

12.4.2 the JAA Subscription Shares will, upon issue, constitute an approximate Participation Interest of 0.000776% and an approximate Voting Interest of 0.000776%.

13 **PKG SUBSCRIPTION**

13.1 PKG hereby subscribes for the PKG Subscription Shares, with effect from the Subscription Date, at the PKG Subscription Price.

13.2 PKG shall pay the PKG Subscription Price to the Company on the Subscription Date.

13.3 The Company shall, upon subscription by PKG for the PKG Subscription Shares pursuant to clause 13.1 and against payment by PKG of the PKG Subscription Price in accordance with the provisions of clause 13.2, on the Subscription Date allot and issue the PKG Subscription Shares to PKG and deliver to PKG -

13.3.1 original share certificates in respect of the PKG Subscription Shares;

13.3.2 copies of resolutions of the directors of the Company approving the allotment and issue of the PKG Subscription Shares to PKG.

13.4 The Company hereby gives to and in favour of PKG only the warranties set out below as at the Subscription Date. Save for these warranties and the warranties set out in clause 19, the issue of the PKG Subscription Shares is on a *voetstoots* basis, with no further warranties or representations, or term as to fitness for any purpose, express or implied, being given by the Company to PKG. The warranties are -

13.4.1 the PKG Subscription Shares will be validly issued; and

13.4.2 the PKG Subscription Shares will, upon issue, constitute an approximate Participation Interest of 0.000224% and an approximate Voting Interest of 0.000224%.

14 **TSPC DEBT**

For the sake of good order, the Parties record that the Company shall apply the proceeds of the subscriptions in clauses 12 and 13 towards the settlement of the TSPC Debt, in accordance with the provisions of the TSPC Agreement.

15 **CESSION**

15.1 With effect from the Closing Date, Net1 hereby cedes to each of JAA and PKG, in proportion to their shareholding in the Company *inter se*, that portion of any damages claim which Net1 would have had (but for the cession contemplated in this clause 15) on account of it holding the JAA Sale Shares and PKG Sale Shares.

15.2 AJD and Richmark, in their capacity as Warrantors (as such term is defined in the Subscription Agreement) consent to the cession in clause 15.1.

PART 4 - GENERAL MATTERS

16 **CONSENT**

JAA and PKG hereby irrevocably and unconditionally consent to the cession by Net1 of the JAA Sale Claim and the PKG Sale Claim to the Company in accordance with the provisions of the Third Addendum to the Additional Subscription Agreement.

17 **WAIVER**

Net1, JAA and PKG hereby irrevocably and unconditionally waive any and all pre-emptive rights, tag-along rights, come along rights and rights of first refusal, or any similar rights, which they may have in respect of the JAA Sale Shares or the PKG Sale Shares in terms of any shareholders agreement, the memorandum of incorporation of the Company or otherwise.

18 **WARRANTIES BY NET1**

18.1 Net1 hereby gives to and in favour of JAA only the warranties set out below as at the Closing Date. Save for these warranties and the warranties set out in clause 19, the sale under the JAA Transaction is on a *voetstoots* basis, with no further warranties or representations, or term as to fitness for any purpose, express or implied, being given by Net1 to JAA. The warranties are -

18.1.1 Net1 is the beneficial owner of the JAA Sale Shares and entitled to dispose of the same;

18.1.2 no other party has any claim to or over or in respect of the JAA Sale Shares, nor are they encumbered in any way;

18.1.3 the JAA Sale Shares confer an approximate Participation Interest of 13.19% and an approximate Voting Interest of 13.19%.

18.2 Net1 hereby gives to and in favour of PKG only the warranties set out below as at the Closing Date. Save for these warranties and the warranties set out in clause 19, the sale under the PKG Transaction is on a *voetstoots* basis, with no further warranties or representations, or term as to fitness for any purpose, express or implied, being given by Net1 to PKG. The warranties are -

18.2.1 Net1 is the beneficial owner of the PKG Sale Shares and entitled to dispose of the same;

18.2.2 no other party has any claim to or over or in respect of the PKG Sale Shares, nor are they encumbered in any way;

18.2.3 the PKG Sale Shares confer an approximate Participation Interest of 3.81% and an approximate Voting Interest of 3.81%.

19 **GENERAL WARRANTIES**

19.1 Each of the Parties hereby warrants to and in favour of the other that -

19.1.1 it has the legal capacity and has taken all necessary corporate action required to empower and authorise it to enter into this Agreement;

19.1.2 this Agreement constitutes an agreement valid and binding on it and enforceable against it in accordance with its terms;

19.1.3 the execution of this Agreement and the performance of its obligations hereunder does not and shall not -

19.1.3.1 contravene any law or regulation to which that Party is subject;

19.1.3.2 contravene any provision of that Party's constitutional documents; or

19.1.3.3 conflict with or constitute a breach of any of the provisions of any other agreement, obligation, restriction or undertaking which is binding on it; and

19.1.4 to the best of its knowledge and belief, it is not aware of the existence of any fact or circumstance that may impair its ability to comply with all of its obligations in terms of this Agreement;

19.1.5 it is entering into this Agreement as principal (and not as agent or in any other capacity);

19.1.6 the natural person who signs and executes this Agreement on its behalf is validly and duly authorised to do so;

19.1.7 no other party is acting as a fiduciary for it; and

19.1.8 it is not relying upon any statement or representation by or on behalf of any other Party, except those expressly set forth in this Agreement.

19.2 Each of the representations and warranties given by the Parties in terms of clause 19.1 shall -

19.2.1 be a separate warranty and will in no way be limited or restricted by inference from the terms of any other warranty or by any other words in this Agreement;

19.2.2 continue and remain in force notwithstanding the completion of any or all the transactions contemplated in this Agreement; and

19.2.3 *prima facie* be deemed to be material and to be a material representation inducing the other Party to enter into this Agreement.

20 SUPPORT

The Parties undertake at all times to do all such things, perform all such actions and take all such steps and to procure the doing of all such things, the performance of all such actions and the taking of all such steps as may be open to them and necessary for or incidental to the putting into effect or maintenance of the terms, conditions and/or import of this Agreement, including, without limitation -

20.1 procuring the requisite dispensation from the Takeover Regulation Panel, established in terms of section 196 of the Companies Act, in respect of JAA's obligation to make a mandatory offer to the remaining shareholders of the Company in terms of section 123 of the Companies Act pursuant to the implementation of the transactions contemplated in this Agreement; and

20.2 providing PKG and/or the Company with all information reasonably required by PKG and/or the Company in respect of the "non-resident" endorsement of the new share certificates issued to PKG as the holder of the PKG Sale Shares.

21 BREACH

21.1 If a Party ("**Defaulting Party**") commits any breach of this Agreement and fails to remedy such breach within 10 business days ("**Notice Period**") of written notice requiring the breach to be remedied, then the Party giving the notice ("**Aggrieved Party**") will be entitled, at its option -

21.1.1 to claim immediate specific performance of all or any of the Defaulting Party's obligations under this Agreement, with or without claiming damages, whether or not such obligation has fallen due for performance; or

21.1.2 to cancel this Agreement, with or without claiming damages, in which case written notice of the cancellation shall be given to the Defaulting Party, and the cancellation shall take effect on the giving of the notice. No Party shall be entitled to cancel this Agreement unless the breach is a material breach. A breach will be deemed to be a material breach if -

21.1.2.1 it is capable of being remedied, but is not so remedied within the Notice Period; or

21.1.2.2 it is incapable of being remedied and payment in money will compensate for such breach but such payment is not made within the Notice Period.

21.2 The Parties agree that any costs awarded will be recoverable on an attorney-and-own-client scale unless the Court specifically determines that such scale shall not apply, in which event the costs will be recoverable in accordance with the High Court tariff, determined on an attorney-and-client scale.

21.3 The Aggrieved Party's remedies in terms of this clause 21 are without prejudice to any other remedies to which the Aggrieved Party may be entitled in law.

21.4 Notwithstanding the aforegoing, after the Closing Date, none of the Parties will have the right to cancel this Agreement as a result of a breach thereof, and the Parties' only remedies thereafter will be to claim specific performance of all the Defaulting Party's obligations, together with damages, if any.

22 DISPUTE RESOLUTION

22.1 In the event of there being any dispute or difference between the Parties arising out of this Agreement (including but not limited to any dispute or difference as to the validity or otherwise of this Agreement, or as to the enforceability of this Agreement), the said dispute or difference shall on written demand by either Party be submitted to arbitration in Johannesburg in accordance with the AFSA rules, which arbitration shall be administered by AFSA.

22.2 Should AFSA, as an institution, not be operating at that time or not be accepting requests for arbitration for any reason, or should AFSA refuse to accept the particular request for arbitration for whatever reason, then the arbitration shall be conducted in accordance with the AFSA rules for commercial arbitration (as last applied by AFSA) before an arbitrator appointed by agreement between the parties to the dispute or failing agreement within 10 business days of the demand for arbitration, then any party to the dispute shall be entitled to forthwith call upon the chairperson of the Johannesburg Bar Council to nominate the arbitrator, provided that the person so nominated shall be an advocate of not less than 10 years standing as such. The person so nominated shall be the duly appointed arbitrator in respect of the dispute. In the event of the attorneys of the parties to the dispute failing to agree on any matter relating to the administration of the arbitration, such matter shall be referred to and decided by the arbitrator whose decision shall be final and binding on the parties to the dispute.

22.3 Any party to the arbitration may appeal the decision of the arbitrator or arbitrators in terms of the AFSA rules for commercial arbitration.

22.4 Nothing herein contained shall be deemed to prevent or prohibit a party to the arbitration from applying to the appropriate court for urgent relief or for judgment in relation to a liquidated claim.

22.5 Any arbitration in terms of this clause 22 (including any appeal proceedings) shall be conducted *in camera* and the Parties shall treat as confidential details of the dispute submitted to arbitration, the conduct of the arbitration proceedings and the outcome of the arbitration.

22.6 This clause 22 will continue to be binding on the Parties notwithstanding any termination or cancellation of the Agreement.

22.7 The Parties declare that it is their intention that this clause 22 will regulate the manner in which they will resolve any dispute or difference regarding the validity or otherwise of this Agreement, regardless of the fact that one of the parties may dispute the validity or enforceability of the Agreement.

22.8 The Parties agree that the written demand by a party to the dispute in terms of clause 22.1 that the dispute or difference be submitted to arbitration, is to be deemed to be a legal process for the purpose of interrupting extinctive prescription in terms of the Prescription Act, 1969.

23 NOTICES AND DOMICILIA

23.1 The Parties select as their respective *domicilia citandi et executandi* the following physical addresses, and for the purposes of giving or sending any notice provided for or required under this Agreement, the said physical addresses as well as the following email addresses -

Name	Physical Address	Email Address
JAA	23/25 Commerce Crescent Kramerville 2031	ad@dninvest.co.za

Marked for the attention of: Andrew Dunn

Name	Physical Address	Email Address
PKG	c/o Michael Honiball Werksmans Attorneys 96 Rivonia Road Sandton 2196	petergain@me.com

Marked for the attention of: Peter Gain

Name	Physical Address	Email Address
Company	23/25 Commerce Crescent Kramerville 2031	xxx

Marked for the attention of: Andrew Dunn

Name	Physical Address	Email Address
Net1	6th Floor President Place Corner of Jan Smuts and Bolton Road Rosebank 2121	xxx

Marked for the attention of: Herman Kotze

Name	Physical Address	Email Address
AJD	23/25 Commerce Crescent Kramerville 2031	Xxx

Marked for the attention of: Andrew Dunn

Name	Physical Address	Email Address
Richmark	5th Floor, Capital Hill Building 6 Benmore Road Sandton 2057	xxx

Marked for the attention of: Ebrahim Karolia

provided that a Party may change its *domicilium* to another physical address in the Republic of South Africa (provided that such physical address is not a post office box or *poste restante*), or may change its address for the purposes of notices to any other physical address or email address by written notice to the other Party to that effect. Such change of address will be effective 5 business days after receipt of the notice of the change.

23.2 All notices to be given in terms of this Agreement will be given in writing and will -

23.2.1 be delivered by hand or sent by email;

23.2.2 if delivered by hand during business hours, be presumed to have been received on the date of delivery. Any notice delivered after business hours or on a day which is not a business day will be presumed to have been received on the following business day; and

23.2.3 if sent by email during business hours, be presumed to have been received on the date of successful transmission of the email. Any email sent after business hours or on a day which is not a business day will be presumed to have been received on the following business day.

23.3 Notwithstanding the above, any notice given in writing, and actually received by the Party to whom the notice is addressed, will be deemed to have been properly given and received, notwithstanding that such notice has not been given in accordance with this clause 21.

24 **BENEFIT OF THE AGREEMENT**

This Agreement will also be for the benefit of and be binding upon the successors in title and permitted assigns of the Parties or either of them.

25 **APPLICABLE LAW AND JURISDICTION**

25.1 This Agreement will in all respects be governed by and construed under the laws of the Republic of South Africa.

25.2 Subject to clause 22, the Parties hereby consent and submit to the non-exclusive jurisdiction of the High Court of South Africa, Gauteng Local Division, (Johannesburg) in any dispute arising from or in connection with this Agreement.

26 **GENERAL**

26.1 **Whole Agreement**

26.1.1 This Agreement constitutes the whole of the agreement between the Parties relating to the matters dealt with herein and, save to the extent otherwise provided herein, no undertaking, representation, term or condition relating to the subject matter of this Agreement not incorporated in this Agreement shall be binding on either of the Parties.

26.1.2 This Agreement supersedes and replaces any and all agreements between the Parties (and other persons, as may be applicable) and undertakings given to or on behalf of the Parties (and other persons, as may be applicable) in relation to the subject matter hereof.

26.2 **Variations to be in Writing**

No addition to or variation, deletion, or agreed cancellation of all or any clauses or provisions of this Agreement will be of any force or effect unless in writing and signed by the Parties.

26.3 **No Indulgences**

No latitude, extension of time or other indulgence which may be given or allowed by either Party to the other in respect of the performance of any obligation hereunder, and no delay or forbearance in the enforcement of any right of either Party arising from this Agreement and no single or partial exercise of any right by either Party under this Agreement, shall in any circumstances be construed to be an implied consent or election by that Party or operate as a waiver or a novation of or otherwise affect any of its rights in terms of or arising from this Agreement or estop or preclude it from enforcing at any time and without notice, strict and punctual compliance with each and every provision or term hereof. Failure or delay on the part of either Party in exercising any right, power or privilege under this Agreement will not constitute or be deemed to be a waiver thereof, nor will any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

26.4 **No Waiver or Suspension of Rights**

No waiver, suspension or postponement by either Party of any right arising out of or in connection with this Agreement shall be of any force or effect unless in writing and signed by that Party. Any such waiver, suspension or postponement will be effective only in the specific instance and for the purpose given.

26.5 **Continuing Effectiveness of Certain Provisions**

The expiration or termination of this Agreement shall not affect such of the provisions of this Agreement as expressly provide that they will operate after any such expiration or termination or which of necessity must continue to have effect after such expiration or termination, notwithstanding that the clauses themselves do not expressly provide for this.

26.6 **No Assignment**

Neither this Agreement nor any part, share or interest herein nor any rights or obligations hereunder may be ceded, delegated or assigned by either Party without the prior signed written consent of the other, save as otherwise provided herein.

26.7 **Exclusion of Electronic Signature**

The reference in clauses 26.2, 26.4 and 26.6 to writing signed by a Party shall, notwithstanding anything to the contrary in this Agreement, be read and construed as excluding any form of electronic signature.

27 **COSTS**

Except as otherwise specifically provided herein, each Party will bear and pay its own legal costs and expenses of and incidental to the negotiation, drafting, preparation and implementation of this Agreement.

28 **SIGNATURE**

28.1 This Agreement is signed by the Parties on the dates and at the places indicated below.

28.2 This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same Agreement as at the date of signature of the Party last signing one of the counterparts.

28.3 The persons signing this Agreement in a representative capacity warrant their authority to do so.

28.4 The Parties record that it is not required for this Agreement to be valid and enforceable that a Party shall initial the pages of this Agreement and/or have its signature of this Agreement verified by a witness.

SIGNED at Johannesburg on 28 February 2019

For and on behalf of
JAA HOLDINGS PROPRIETARY LIMITED

/s/ Andrew Dunn
Signature

Andrew Dunn
Name of Signatory

Director
Designation of Signatory

SIGNED at Stellenbosch on 28 February 2019

For and on behalf of
PK GAIN INVESTMENT HOLDINGS PROPRIETARY LIMITED

/s/ J.K. van Zyl
Signature

J.K. van Zyl
Name of Signatory

Director
Designation of Signatory

SIGNED at Rosebank on 28 February 2019

For and on behalf of
NET1 APPLIED TECHNOLOGIES SOUTH AFRICA PROPRIETARY LIMITED

/s/ A.M.R. Smith
Signature

A.M.R. Smith
Name of Signatory

Director
Designation of Signatory

SIGNED at Johannesburg on 28 February 2019

For and on behalf of
AJD HOLDINGS PROPRIETARY LIMITED

/s/ Andrew Dunn
Signature

Andrew Dunn
Name of Signatory

Director
Designation of Signatory

SIGNED at Johannesburg on 28 February 2019

For and on behalf of
RICHMARK HOLDINGS PROPRIETARY LIMITED

/s/ Ebrahim Karolia
Signature

Ebrahim Karolia
Name of Signatory

Director
Designation of Signatory

SIGNED at Johannesburg on 28 February 2019

For and on behalf of
DNI-4PL CONTRACTS PROPRIETARY LIMITED

/s/ David Smaldon
Signature

David Smaldon
Name of Signatory

Director
Designation of Signatory

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULES 13A-14(A) AND 15D-14(A)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Herman G. Kotzé, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Net 1 UEPS Technologies, Inc. ("Net1") for the quarter ended March 31, 2019;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Net1 as of, and for, the periods presented in this report;

4. Net1's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Net1 and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Net1, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of Net1's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in Net1's internal control over financial reporting that occurred during Net1's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Net1's internal control over financial reporting; and

5. Net1's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Net1's auditors and the Audit Committee of Net1's Board of Directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Net1's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Net1's internal control over financial reporting.

Date: May 9, 2019

/s/ Herman G. Kotzé
Herman G. Kotzé
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULES 13A-14(A) AND 15D-14(A)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Alex M.R. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Net 1 UEPS Technologies, Inc. ("Net1") for the quarter ended March 31, 2019;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Net1 as of, and for, the periods presented in this report;

4. Net1's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Net1 and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Net1, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of Net1's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in Net1's internal control over financial reporting that occurred during Net1's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Net1's internal control over financial reporting; and

5. Net1's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Net1's auditors and the Audit Committee of Net1's Board of Directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Net1's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Net1's internal control over financial reporting.

Date: May 9, 2019

/s/ Alex M.R. Smith
Alex M.R. Smith
Chief Financial Officer

Exhibit 32

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Net 1 UEPS Technologies, Inc. ("Net1") on Form 10-Q for the quarter ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Herman G. Kotzé and Alex M.R. Smith, Chief Executive Officer and Chief Financial Officer, respectively, of Net1, certify, pursuant to 18 U.S.C. § 1350, that to their knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Net1.

Date: May 9, 2019

/s/: Herman Kotzé
Name: Herman Kotzé
Chief Executive Officer

Date: May 9, 2019

/s/: Alex M.R. Smith
Name: Alex M.R. Smith
Chief Financial Officer