

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

OR

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

For the transition period from _____ to _____

Commission File Number: 65-0903895

NET 1 UEPS TECHNOLOGIES, INC.-----
(Exact name of Registrant as specified in its Charter)

FLORIDA

65-0903895

(State or other jurisdiction of
incorporation or organization)

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

325744 West Hastings Street, Vancouver, British Columbia, Canada

V6C1A5

(Address of executive offices)

(Zip Code)

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

507-700 West Pender Street, Vancouver, British Columbia, Canada V6C1G8

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 No

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

Common Stock Outstanding as of March 31, 2001: 15,852,856 Shares

NET 1 UEPS TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE COMPANY)

TABLE OF CONTENTS

FORM 10-QSB
FOR THE QUARTER ENDED MARCH 31, 2001

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Condensed Balance Sheet as of March 31, 2001 (unaudited) and as of

December 31, 2000.

Condensed Statements of Operations (Unaudited) for the three months ended March 31, 2001 and 2000.

Condensed Statements of Cash Flows (Unaudited) for the three months ended March 31, 2001 and 2000.

Notes to Financial Statements.

3

Financial Statements

Balance Sheets	F2
Statements of Operations	F3
Statements of Cash Flows	F4
Statement of Stockholders' Equity.....	F5
Notes to the Financial Statements	F6-F8

4

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

	March 31, 2001 \$ (unaudited)	December 31, 2000 \$ (audited)
Assets		
Current Asset		
Cash	612,289	789,613
Property, Plant and Equipment (Note 3)	721	831
Intangible Assets (Note 4)	4,689	5,179
<u>Total Assets</u>	<u>617,699</u>	<u>795,623</u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable (Note 5)	175,257	182,003
Accrued liabilities	-	3,350
<u>Total Current Liabilities</u>	<u>175,257</u>	<u>185,353</u>
Contingent Liabilities (Notes 1 and 6)		
Stockholders' Equity		
Common Stock, 100,000,000 shares authorized, par value \$.001 per share, 15,852,856 issued and outstanding	15,853	15,853
Additional Paid in Capital	1,991,519	1,991,519
<u>Total Common Stock and Additional Paid in Capital</u>	<u>2,007,372</u>	<u>2,007,372</u>
Preferred Stock, 3,000,000 shares authorized, par value \$.10 per share, none issued	--	--
Deficit Accumulated During the Development Stage	(1,564,930)	(1,397,102)
<u>Total Stockholders' Equity</u>	<u>442,442</u>	<u>610,270</u>
<u>Total Liabilities and Stockholders' Equity</u>	<u>617,699</u>	<u>795,623</u>

(See accompanying notes)

5

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

	Accumulated from May 8, 1997 (Inception) to March 31, 2001 \$ (unaudited)	2001 \$ (unaudited)	Three months ended March 31, 2000 \$ (unaudited)
Revenues	--	--	--
Administrative Expenses			
Amortization	6,072	599	362
Bank charges	4,644	691	199
Consulting (Note 5)	689,933	46,500	66,500
Foreign exchange	8,098	--	522
Investor relations - advertising	22,907	--	--
Investor relations - consulting	37,574	--	--
Office, rent and telephone	124,765	--	4,171
Professional fees	309,686	10,855	2,826
Subcontract	113,987	90,000	--
Transfer agent and regulatory fees	24,856	127	1,695
Travel	222,970	19,143	7,966
Less interest income	(562)	(87)	--
	1,564,930	167,828	84,241
Net Loss		(1,564,930)	(167,828)
		(84,241)	
Net Loss Per Share		(0.01)	(0.01)
Weighted Average Shares Outstanding		15,853,000	10,873,000

(See accompanying notes)

6

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

	Accumulated from May 8, 1997 (Inception) to March 31, 2001 \$ (unaudited)	2001 \$ (unaudited)	Three months ended March 31, 2000 \$ (unaudited)
Cash Flows to Operating Activities			
Net loss	(1,564,930)	(167,828)	(84,241)
Adjustment to reconcile net loss to cash			
Amortization	6,072	599	362
Change in non-cash working capital items			
Increase (decrease) in accounts payable and accrued liabilities	175,259	(10,095)	36,367
Decrease (increase) in prepaid expenses	--	--	7,536
Net Cash Used in Operating Activities	(1,383,599)	(177,324)	(39,976)
Cash Flows from Financing Activities			
Increase in capital stock	1,998,010	--	--
Net Cash Provided by Financing Activities	1,998,010	--	--
Cash Flows to Investing Activities			
(Increase) in property, plant and equipment	(2,122)	--	--
Net Cash Used in Investing Activities	(2,122)	--	--
Increase (decrease) in cash	612,289	(177,324)	(39,976)
Cash - beginning of period	--	789,613	71,635
Cash - end of period	612,289	612,289	31,659
Non-Cash Financing Activities			
9,361,846 shares were issued for a license (Note 4)	9,362	--	--
Supplemental Disclosures			
Interest paid	--	--	--
Income tax paid	--	--	--

(See accompanying notes)

7

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

1. Development Stage Company

Net 1 UEPS Technologies, Inc. herein ("the Company") was incorporated in the State of Florida on May 8, 1997.

The Company is a development stage company engaged in the business of commercializing the smart card technology based Universal Electronic Payment System ("UEPS") and Funds Transfer System ("FTS") through the development of strategic alliances with national and international bank and card service organizations. The patent rights (or applications for patents) of the UEPS/FTS technology are for all worldwide territories (except South Africa and its surrounding territories) are held by Net 1 Holdings S.a.r.l., a company incorporated in Luxembourg ("Net 1 Holdings").

The Company entered into a license agreement, dated May 19, 1997 (the "License Agreement"), with Net 1 Holdings, Net 1 Operations S.a.r.l. and Net 1 Pty (collectively, the "Licensors"), where the licensors granted a non-exclusive license to the Company for the UEPS technology for the issuance of 2,706,122 shares at a fair market value of \$0.001 per share. A total of 5,412,244 shares were issued as the Company split the stock on a two new for one old basis. On October 1, 1997 an Amendment to the License Agreement was signed that provided for the transfer of the ownership of the UEPS technology and FTS patents and for the assignment of the Technology License Agreement between VISA International Service Association and Net 1 Holdings, dated July 31, 1997 (the "Visa Agreement") to the Company in consideration for 2,364,806 shares on a pre-split basis, 4,729,612 on a post-split basis. The assignment of the Visa Agreement and the transfer of the ownership of the UEPS technology and FTS patents to the Company were never consummated because certain conditions precedent were never satisfied.

On May 3, 2000 an agreement entitled "Patent and Technology Agreement" was entered into between the Company and Net 1 Holdings that granted the Company an exclusive marketing license for the UEPS technology and the FTS patent for the world excluding South Africa and its surrounding territories under terms similar to those stipulated in the Amendment to the License Agreement. No conditions precedent were stipulated. The 4,729,612 shares of Net 1 previously issued into trust in consideration for the Amendment to the License Agreement were thus released to Net 1 Holdings.

The above issuances of shares were on a pre-split basis. Net 1 Holdings as at June 30, 2000 owns 10,141,856 common shares of 15,602,856 issued and outstanding common shares, or 65%.

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

On December 8, 2000, the Company announced that it granted an option, valid for 120 days, to a corporate management firm, Sandon Overseas Corporation Limited ("Sandon"), to acquire 8,750,000 shares of the Company at \$3.50 per share. The purchase price would consist of \$7 million in cash and the balance by a combination of cash and capital stock of Net 1 Applied Technology Holdings Ltd., the patent rights holder for South Africa and its surrounding territories, ("Aplitec") equal to 20.1% of the total issued share capital of Aplitec. On February 28, 2001 the Company announced that Sandon had cancelled their option.

2. Summary of Significant Accounting Policies

(a) Property, Plant and Equipment

Computer equipment is amortized over five years on a

straight-line basis.

8

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

(b) Intangible Assets

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

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

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

(d) Foreign Currency Transactions/Balances

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

(e) Use of Estimates

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

(f) Adjustments

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

(g) Revenue Recognition

The Company receives revenue from Net1 Holdings SARL from all sales of licenses equal to the Net1 Holdings SARL annual after

tax net profit as certified by its auditors in its annual financial statement. The Company will recognize the revenue in the period when the audited financial statements of Net1 Holdings SARL become available. The Company will report the revenue on a net basis as the Company is acting as an agent for Net1 Holdings SARL as per the Patent and Technology agreement date May 3, 2000.

9

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

3. Property, Plant and Equipment

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

	Cost \$	Accumulated Depreciation and Amortization \$	March 31, 2001 Net Book Value \$ (unaudited)	December 31, 2000 Net Book Value \$ (audited)
Computer equipment and software	2,181	1,460	721	831

4. Intangible Assets

	Cost \$	Accumulated Depreciation and Amortization \$	March 31, 2001 Net Book Value \$ (unaudited)	December 31, 2000 Net Book Value \$ (audited)
Exclusive License	9,361	4,672	4,689	5,179

See Note 1 for the description of the license and Note 6 for status of the underlying patents.

5. Related Party Transactions

- (a) Consulting fees include \$37,500 (2000 - \$37,500) paid or payable to a director. \$25,000 of these fees are included in accounts payable at March 31, 2001. Subcontract costs include \$90,000 paid or payable to a company with a common director.
- (b) See Note 1 for an exclusive license purchased from a related party.

6. Legal Proceedings

(a) Status of FTS Patents

FTS was first patented in South Africa in 1989. The European patent was granted on December 28, 1994, with effect in Austria, Belgium, Switzerland, Germany, Denmark, Spain, France, Great Britain, Greece, Italy, Liechtenstein, Luxembourg, Netherlands and Sweden. The European Patent Convention provides for an opposition period immediately following the grant of a European patent, and six parties filed an opposition to the grant of the patent on the grounds that the invention was not patentable. The case was heard before a Board of the Opposition Division in March 1998, when the patent was upheld in a form slightly different than the original application. Following the issue of the formal decision, a number of the opponents filed an appeal. The appeal proceedings will be heard in two to three years before the Board of Appeal of the European Patent Office. Currently, the granted patent remains effective in each of the designated states and is currently in force.

(b) Potential lawsuit

Serge Belamant, the estate of Andre Mansvelt and Net I Canada Ltd. (a British Columbia corporation whose three shareholders are Serge Belamant, the estate of Andre Mansvelt and John Drove), have been served by John Drove, with a claim to the rights for UEPS for Canada in an action brought before the Supreme Court of Canada in February, 2000. The Company, as the exclusive licensee for UEPS for the world except South Africa, was served by John Drove with a notice of claim in February, 2000. The Company, as the exclusive licensee to the UEPS technology, can potentially expect to be joined as a defendant to this statement of claim. The Company plans to defend any and all claims brought against it.

10

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2001 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2000.

OPERATIONS: Management is actively involved in negotiations with established entities in IT services, financial services and wireless applications for partnership agreements to market the FTS patent and the related UEPS technologies and services. On April 6, 2001, the Company issued the Reserve Bank of Malawi, Malawi's central bank, with a license to distribute the Company's FTS/UEPS technology. The Company is currently engaged in advanced stage negotiations with potential licensees of the FTS/UEPS technology in Nigeria, Kenya, Ghana, Congo, Uganda, Chile, Syria and Australia.

REVENUES: The Company is still in its development stage and planned principal activities have not commenced or produced revenues. First income is expected in the second calendar quarter of 2001.

Administrative expenses increased from \$84,241 for the three months ended March 31, 2000 to \$167,828 for the three months ended March 31, 2001, an increase of \$83,587. The increase resulted primarily from professional fees associated with operating the company as a public corporation and subcontract fees paid pursuant to an outsourcing agreement with Net 1 Investment Holdings, Ltd., the Company's UEPS integrator for the Central Europe, Middle East and African regions. The expenses for the periods represented the Company's net loss for each of the periods.

LIQUIDITY AND CAPITAL RESOURCES: The primary source of the Company's cash has been through the sale of equity. Currently, the Company does not have available any established lines of credit with banking facilities.

The Company will utilize capital raised in private placements to fund ongoing administrative expenses until such time that revenues commence from the commercialization of the Company's products.

The Company believes its current available cash position is sufficient to meet its cash needs on a short-term basis. Management is not aware of any known trends or demands, commitments, events, or uncertainties, as they relate to liquidity which could negatively affect the Company's ability to develop its business as planned. Management is exploring all avenues to reach a larger and profitable business volume and asset value than originally planned.

11

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

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

None

(b) Reports on Form 8-K

None

12

SIGNATURE

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

NET 1 UEPS TECHNOLOGIES, INC.

By:/s/ Claude Guerard

Claude Guerard, CEO

DATED: May 14, 2001