

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 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

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 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 June 30, 2001: 15,852,856 Shares

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

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FORM 10-QSB FOR THE QUARTER ENDED JUNE 30, 2001

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Condensed Balance Sheet as of June 30, 2001 (unaudited) and as of December 31, 2000.

Condensed Statements of Operations (Unaudited) for the three months ended June 30, 2001 and 2000, for the six months ended June 30, 2001 and 2000, and from the Company's inception, May 8, 1997 through June 30, 2001.

Condensed Statements of Cash Flows (Unaudited) for the six months ended June 30, 2001 and 2000.

Notes to Financial Statements.

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

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2001 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2000, AND THE SIX MONTHS ENDED JUNE 30, 2001 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 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. A national switching and smart card system is currently being installed by the Company's UEPS integrator, with a launch date of October 2001. 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. Initial income is expected in the third or fourth calendar quarter of 2001.

ADMINISTRATIVE EXPENSES: Administrative expenses increased from \$66,228 for the three months ended June 30, 2000 to \$146,184 for the three months ended June 30, 2001, an increase of \$79,956; and increased from \$150,469 for the six months ended June 30, 2000 to \$314,012 for the six months ended June 30, 2001, an increase of \$163,543. The increases resulted primarily from 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.

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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

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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: August 13, 2001

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FINANCIAL STATEMENTS

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

	June 30, 2001	December 31, 2000
	----- \$	----- \$
	(unaudited)	(audited)

Assets

Current Asset
Cash

441,983 789,613

Property, Plant and Equipment (Note 3)	612	831
Intangible Assets (Note 4)	4,199	5,179
	-----	-----
Total Assets	446,794	795,623
	=====	=====
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable (Note 5)	150,536	182,003
Accrued liabilities	--	3,350
	-----	-----
Total Current Liabilities	150,536	185,353
	-----	-----
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
	-----	-----
	2,007,372	2,007,372
	-----	-----
Preferred Stock, 3,000,000 shares authorized, par value		
\$.10 per share, none issued	--	--
	-----	-----
Deficit Accumulated During the Development Stage	(1,711,114)	(1,397,102)
	-----	-----
Total Stockholders' Equity	296,258	610,270
	-----	-----
Total Liabilities and Stockholders' Equity	446,794	795,623
	=====	=====

(See accompanying notes)

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

	Accumulated	Three months		Six months	
	from May 8, 1997 (Inception) to June 30, 2001	ended June 30,		ended June 30,	
		2001	2000	2001	2000
	\$	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues	--	--	--	--	--
	-----	-----	-----	-----	-----
Administrative Expenses					
Amortization	6,671	599	363	1,198	725
Bank charges	5,359	715	232	1,406	431
Consulting (Note 5)	733,371	43,438	46,500	89,938	113,000
Foreign exchange	8,098	--	228	--	750
Investor relations - advertising	22,907	--	--	--	--
Investor relations - consulting	37,574	--	--	--	--
Office, rent and telephone	128,132	3,367	3,877	3,367	8,048
Professional fees	313,448	3,762	14,478	14,617	17,304
Subcontract	203,987	90,000	--	180,000	--
Transfer agent and regulatory fees	24,856	--	550	127	2,245
Travel	227,353	4,383	--	23,526	7,966
Less interest income	(642)	(80)	--	(167)	--
	-----	-----	-----	-----	-----
	1,711,114	146,184	66,228	314,012	150,469
	-----	-----	-----	-----	-----
Net Loss	(1,711,114)	(146,184)	(66,228)	(314,012)	(150,469)
	=====	=====	=====	=====	=====
Net Loss Per Share		(.01)	(.05)	(.02)	(.01)
	=====	=====	=====	=====	=====
Weighted Average Shares Outstanding		15,853,000	12,450,000	15,853,000	12,450,000
	=====	=====	=====	=====	=====

(See accompanying notes)

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

	Six months ended June 30,	
	2001	2000
	\$	\$
	(unaudited)	(unaudited)
Cash Flows to Operating Activities		
Net loss	(314,012)	(150,469)
Adjustment to reconcile net loss to cash		
Amortization	1,198	725
Change in non-cash working capital items		
Increase (decrease) in accounts payable	(34,816)	87,851
and accrued liabilities	--	12,540
Decrease in prepaid expenses	--	--
Net Cash Used in Operating Activities	(347,630)	(49,353)
Cash Flows from Financing Activities	--	--
Cash Flows to Investing Activities	--	--
Decrease in cash	(347,630)	(49,353)
Cash - beginning of period	789,613	71,635
Cash - end of period	441,983	22,282
Non-Cash Financing Activities	--	--
Supplemental Disclosures		
Interest paid	--	--
Income tax paid	--	--

(See accompanying notes)

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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.

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

2. Summary of Significant Accounting Policies

(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.

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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	June 30, 2001 Net Book Value	December 31, 2000 Net Book Value
	-----	-----	-----	-----
	\$	\$	\$	\$
			(unaudited)	(audited)
Computer equipment and software	2,181	1,569	612	831
	=====	=====	=====	=====

4. Intangible Assets

	Cost	Accumulated Depreciation and Amortization	June 30, 2001 Net Book Value	December 31, 2000 Net Book Value
	-----	-----	-----	-----
	\$	\$	\$	\$
			(unaudited)	(audited)
Exclusive License	9,361	5,162	4,199	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 for the six months ended June 30, 2001 include \$75,000 (2000 - \$75,000) paid or payable to a director. \$12,500 of these fees are included in accounts payable at June 30, 2001. Subcontract costs include \$180,000 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.

