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, 2013**

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).
YES [X] NO [ ]

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

[ ]	Large accelerated filer	[X]	Accelerated filer
[ ]	Non-accelerated filer (do not check if a smaller reporting company)	[ ]	Smaller reporting company

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

As of May 7, 2013 (the latest practicable date), 45,742,407 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.
Condensed Consolidated Balance Sheets

	Unaudited March 31, 2013	(A) June 30, 2012
	(In thousands, except share data)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 42,616	$ 39,123
Pre-funded social welfare grants receivable (Note 3)	6,954	9,684
Accounts receivable, net of allowances of – March: $3,272; June: $788	101,609	101,918
Finance loans receivable	8,773	8,141
Deferred expenditure on smart cards	3,915	4,587
Inventory (Note 4)	8,415	6,192
Deferred income taxes	6,927	5,591
Total current assets before settlement assets	179,209	175,236
Settlement assets (Note 5)	538,318	409,166
Total current assets	717,527	584,402
PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION OF – March: $85,318; June: $74,242	50,682	52,616
EQUITY-ACCOUNTED INVESTMENTS (Note 6)	1,112	1,508
GOODWILL (Note 7)	182,066	182,737
INTANGIBLE ASSETS, net (Note 7)	83,193	93,930
OTHER LONG-TERM ASSETS, including reinsurance assets (Note 8)	38,426	40,700
TOTAL ASSETS	1,073,006	955,893
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	18,681	13,172
Other payables (Note 1)	33,324	40,167
Current portion of long-term borrowings (Note 10)	14,502	14,019
Income taxes payable	5,879	6,019
Total current liabilities before settlement obligations	72,386	73,377
Settlement obligations (Note 5)	538,318	409,166
Total current liabilities	610,704	482,543
DEFERRED INCOME TAXES	20,033	20,988
LONG-TERM BORROWINGS (Note 10)	75,255	79,760
OTHER LONG-TERM LIABILITIES, including insurance policy liabilities (Note 8)	23,331	25,791
TOTAL LIABILITIES	729,323	609,082
COMMITMENTS AND CONTINGENCIES		
EQUITY		
NET1 EQUITY:		
COMMON STOCK		
Authorized: 200,000,000 with $0.001 par value;		
Issued and outstanding shares, net of treasury - March: 45,742,707; June: 45,548,902	59	59
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 (Note 1)	160,094	155,350
TREASURY SHARES, AT COST: March: 13,455,090; June: 13,455,090	(175,823)	(175,823)
ACCUMULATED OTHER COMPREHENSIVE LOSS	(88,275)	(75,722)
RETAINED EARNINGS	444,333	439,641
TOTAL NET1 EQUITY	340,388	343,505
NON-CONTROLLING INTEREST	3,295	3,306
TOTAL EQUITY	343,683	346,811
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,073,006	$ 955,893

(A) – Derived from audited financial statements (see 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, 2013	Three months ended March 31, 2012	Nine months ended March 31, 2013	Nine months ended March 31, 2012
	(In thousands, except per share data)		(In thousands, except per share data)	
REVENUE	$ 111,141	$ 90,664	$ 334,265	$ 282,648
EXPENSE				
Cost of goods sold, IT processing, servicing and support	51,461	32,493	143,789	99,605
Selling, general and administration	53,846	36,368	149,854	92,297
Depreciation and amortization	10,560	9,325	31,051	27,194
OPERATING (LOSS) INCOME	(4,726)	12,478	9,571	63,552
INTEREST INCOME	2,515	2,164	8,195	5,981
INTEREST EXPENSE	2,023	2,244	6,117	7,215
(LOSS) INCOME BEFORE INCOME TAX EXPENSE	(4,234)	12,398	11,649	62,318
INCOME TAX EXPENSE (note 16)	472	4,611	7,172	9,785
NET (LOSS) INCOME BEFORE EARNINGS (LOSS) FROM EQUITY-ACCOUNTED INVESTMENTS	(4,706)	7,787	4,477	52,533
EARNINGS (LOSS) FROM EQUITY- ACCOUNTED INVESTMENTS (note 6)	22	(4)	204	100
NET (LOSS) INCOME	(4,684)	7,783	4,681	52,633
(ADD) LESS NET (LOSS) INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST	(3)	17	(11)	5
NET (LOSS) INCOME ATTRIBUTABLE TO NET1	$ (4,681)	$ 7,766	$ 4,692	$ 52,628
Net (loss) income per share, in United States dollars (note 13)				
Basic (loss) earnings attributable to Net1 shareholders	$ (0.10)	$ 0.17	$ 0.10	$ 1.17
Diluted (loss) earnings attributable to Net1 shareholders	$ (0.10)	$ 0.17	$ 0.10	$ 1.17

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,		Nine months ended March 31,	
	2013	2012	2013	2012
	(In thousands)		(In thousands)	
Net (loss) income	$ (4,684)	$ 7,783	$ 4,681	$ 52,633
Other comprehensive (loss) income, net of taxes				
Movement in assets available for sale	-	-	258	
Movement in foreign currency translation reserve	(22,993)	14,002	(12,811)	(26,180)
Total other comprehensive (loss) income, net of taxes	(22,993)	14,002	(12,553)	(26,180)
Comprehensive (loss) income	(27,677)	21,785	(7,872)	26,453
Less (Add) comprehensive loss (income) attributable to non-controlling interest	3	(17)	11	122
Comprehensive (loss) income attributable to Net1	$ (27,674)	$ 21,768	$ (7,861)	$ 26,575

See Notes to Unaudited Condensed Consolidated Financial Statements

NET 1 UEPS TECHNOLOGIES, INC.
Unaudited Condensed Consolidated Statement of Changes in Equity (dollar amounts in thousands)

	Net 1 UEPS Technologies, Inc. Shareholders									
	Number of Shares	**Amount**	**Number of Treasury Shares**	**Treasury Shares**	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated other comprehensive (loss) income**	**Total Net1 Equity**	**Non-controlling Interest**	**Total**
Balance – July 1, 2012 (Note 1)	59,003,992	$ 59	(13,455,090)	$ (175,823)	$ 155,350	$ 439,641	$ (75,722)	$ 343,505	$ 3,306	$ 346,811
Restricted stock granted	21,569							-		-
Exercise of options by holders	30,000	-			240			240		240
Stock-based compensation charge					3,325			3,325		3,325
Utilization of APIC pool related to vested restricted stock					(5)			(5)		(5)
Pbel acquisition (Note 2)	142,236				1,184			1,184		1,184
Net income (loss)						4,692		4,692	(11)	4681
Other comprehensive loss							(12,553)	(12,553)		(12,553)
Balance – March 31, 2013	59,197,797	$ 59	(13,455,090)	$ (175,823)	$ 160,094	$ 444,333	$ (88,275)	$ 340,388	$ 3,295	$ 343,683

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, 2013	Three months ended March 31, 2012	Nine months ended March 31, 2013	Nine months ended March 31, 2012
	(In thousands)		(In thousands)	
Cash flows from operating activities				
Net (loss) income	$ (4,684)	$ 7,783	$ 4,681	$ 52,633
Depreciation and amortization	10,560	9,325	31,051	27,194
Earnings (Loss) from equity-accounted investments	(22)	4	(204)	(100)
Fair value adjustments	(299)	(1,211)	408	(1,983)
Interest payable	1,054	694	3,363	4,469
Loss (Profit) on disposal of plant and equipment	3	(23)	(83)	(57)
Net loss on sale of 10% of Smart Life	-	-	-	81
Profit on liquidation of SmartSwitch Nigeria	-	-	-	(3,994)
Realized loss on sale of Smart Life investments	-	-	-	25
Stock-based compensation charge	1,092	843	3,325	1,882
Facility fee amortized	71	316	235	515
(Increase) Decrease in accounts receivable, pre- funded social welfare grants receivable and finance loans receivable	(4,818)	474	(3,987)	(15,321)
Decrease (Increase) in deferred expenditure on smart cards	3,800	(56)	99	(70)
Decrease (Increase) in inventory	1,149	(862)	(2,359)	(261)
Increase (Decrease) in accounts payable and other payables	4,533	583	(1,755)	(1,765)
Increase (Decrease) in taxes payable	948	5,626	354	(5,336)
Decrease in deferred taxes	(1,201)	(1,532)	(4,133)	(14,928)
Net cash provided by operating activities	12,186	21,964	30,995	42,984
Cash flows from investing activities				
Capital expenditures	(5,053)	(13,879)	(17,103)	(23,465)
Proceeds from disposal of property, plant and equipment	31	117	387	385
Acquisitions, net of cash acquired (Note 2)	-	-	(2,143)	-
Acquisition of prepaid business, net of cash acquired	-	-	-	(4,481)
Acquisition of Smart Life, net of cash acquired	-	-	-	(1,673)
Acquisition of available for sale securities	-	(948)	-	(948)
Settlement from former shareholders of KSNET	-	-	-	4,945
Repayment of loan by equity-accounted investment	-	30	3	93
Purchase of investments related to insurance business	-	-	-	(2,320)
Proceeds from maturity of investments related to insurance business	-	-	545	2,321
Net change in settlement assets	(156,363)	95,165	(168,419)	128,961
Net cash (used in) provided by investing activities	(161,385)	80,485	(186,730)	103,818
Cash flows from financing activities				
Repayment of long-term borrowings	-	(4,842)	(7,307)	(12,027)
Proceeds from issue of common stock	-	-	240	-
Proceeds on sale of 10% of Smart Life	-	-	-	107
Acquisition of treasury stock	-	-	-	(1,129)
Net change in settlement obligations	156,363	(95,165)	168,419	(128,961)
Net cash provided by (used in) financing activities	156,363	(100,007)	161,352	(142,010)
Effect of exchange rate changes on cash	(2,664)	4,944	(2,124)	(11,805)
Net increase (decrease) in cash and cash equivalents	4,500	7,386	3,493	(7,013)
Cash and cash equivalents – beginning of period	38,116	80,864	39,123	95,263
Cash and cash equivalents – end of period	$ 42,616	$ 88,250	$ 42,616	$ 88,250

See Notes to Unaudited Condensed Consolidated Financial Statements

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 US generally accepted accounting principles ("GAAP") and the rules and regulations of the 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, 2013 and 2012, 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 for the fiscal year ended June 30, 2012. 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. During the three months ended December 31, 2012, the Company identified an immaterial balance sheet misclassification related to prior periods that involved an overstatement of other payables and an understatement of additional paid-in capital of $2.0 million, respectively. The Company has corrected its condensed consolidated balance sheet as of June 30, 2012, and the opening balance as of July 1, 2012, on its condensed consolidated statement of changes in equity included in this quarterly report on Form 10-Q for this misclassification. This reclassification has no impact on the Company's previously reported consolidated income, comprehensive income or cash flows.

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

Recent accounting pronouncements adopted

In September 2012, the Financial Accounting Standards Board ("FASB") issued guidance regarding *Testing Goodwill for Impairment*. The guidance allows an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under this guidance, an entity is not required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The guidance includes a number of events and circumstances for an entity to consider in conducting the qualitative assessment. The Company adopted this guidance beginning July 1, 2012. The adoption of this guidance did not have a significant impact on the Company's condensed consolidated financial statements.

Recent accounting pronouncements not yet adopted as of March 31, 2013

In February 2013, the FASB issued guidance regarding *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. This guidance requires entities to present (either on the face of the statement of operations or in the notes) the effects on the line items of the statement of operations for amounts reclassified out of accumulated other comprehensive income. The guidance is effective for the Company beginning July 1, 2013. Early adoption is permitted. Other than requiring additional disclosures, the Company does not anticipate a material impact on its financial statements upon adoption.

In March 2013, the FASB issued guidance regarding *Parent's Accounting for the Cumulative Translation Adjustment Upon Derecognition of Certain Subsidiaries or Group of Assets Within a Foreign Entity or of an Investment in a Foreign Entity*. This guidance requires that the parent release any related cumulative translation adjustment into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. The guidance is effective for the Company beginning July 1, 2014. Early adoption is permitted. The Company is currently evaluating the impact of this guidance on its financial statements on adoption.

2. Acquisitions

The net cash paid related to the Company's various acquisitions that are discussed below during the nine months ended March 31, 2013 are summarized in the table below:

		2013
Pbel (Proprietary) Limited ("Pbel")	$	1,913
SmartSwitch Botswana (Proprietary) Limited ("SmartSwitch Botswana")		230
Total cash paid, net of cash received	$	2,143

SmartSwitch Botswana (Proprietary) Limited

On December 7, 2012, the Company acquired 50% of the outstanding and issued ordinary shares in SmartSwitch Botswana, a Botswana private company, for BWP 6.3 million (approximately $0.8 million) in cash. As a result of this transaction, SmartSwitch Botswana is now a wholly-owned subsidiary and is consolidated in the Company's financial statements. SmartSwitch Botswana had previously been recorded as an equity-accounted investment (see Note 6).

The Company believes that the acquisition of the remaining 50% of SmartSwitch Botswana will allow it to directly pursue its growth strategy in Botswana, which includes the introduction of additional services in that country.

The preliminary purchase price allocation, translated at the foreign exchange rates applicable on the date of acquisition, is provided in the table below:

Cash and cash equivalents	$	584
Inventory		150
Property, plant and equipment, net		472
Goodwill (Note 7)		657
Other payables		(218)
Deferred tax liabilities		(17)
Fair value of SmartSwitch Botswana on acquisition		1,628
Less: gain on re-measurement of previously held interest in SmartSwitch Botswana		(328)
Less: carrying value of equity-accounted investment at the acquisition date (note 6)		(486)
Total purchase price	$	814

The preliminary purchase price allocation is based on management estimates as of March 31, 2013, and may be adjusted up to one year following the closing of the acquisition. The purchase price allocation has not been finalized, as management has not yet analyzed in detail the assets acquired and liabilities assumed. The Company expects to finalize the purchase price allocation on or before September 30, 2013.

Pbel (Proprietary) Limited

On September 14, 2012, the Company acquired all of the outstanding and issued ordinary shares in Pbel, a South African private company, for ZAR 33 million (approximately $3.8 million). ZAR 23 million of the purchase price was paid in cash and the remaining ZAR 10 million was paid by issuing 142,236 shares of the Company's common stock, which are earned by the sellers to the extent that Pbel achieves certain pre-defined financial performance milestones over the next three years. The 142,236 shares are divided into three equal tranches of 47,412 shares and the sellers earn the shares for each tranche only if the milestones for that particular tranche are achieved. However, the sellers will be entitled to earn all 142,236 shares if the cumulative pre-defined Pbel projected profit over the next three years is achieved or if the Company decides to abandon its Mobile Virtual Card initiative. During the three months ended March 31, 2013, Pbel achieved its predefined financial performance milestones for the first year and the sellers earned 47,412 shares of the Company's common stock.

The Company had historically engaged the services of Pbel to perform software development services, primarily software utilized on mobile phones and by cash-accepting kiosks. All software developed was the Company's property. Prior to the acquisition, Pbel was jointly owned by the Company's chief executive officer, Dr. Serge Belamant and his son, Mr. Philip Marc Belamant. Dr. Belamant is a non-employee director of Pbel and Mr. Philip Marc Belamant is its chief executive officer. Prior to the acquisition, Mr. Philip Marc Belamant was not employed by the Company.

The Company believes that the acquisition of Pbel is important in the execution of its strategy to commercialize and develop its world-wide virtual card patents and to supply secure, leading-edge technological solutions to the global payments market with particular focus on mobile-based payment solutions. Mr. Philip Marc Belamant, in his new position as Managing Director of Mobile Solutions, will oversee the Company's Mobile Virtual Card, Kiosk, Web and WAP application research and development activities as well as related global business development initiatives.

2. Acquisitions (continued)

Pbel (Proprietary) Limited (continued)

The preliminary purchase price allocation, translated at the foreign exchange rates applicable on the date of acquisition, is provided in the table below:

Cash and cash equivalents	$	731
Accounts receivable, net		152
Other current assets		10
Property, plant and equipment, net		92
Intangible assets (Note 7)		1,785
Goodwill (Note 7)		1,691
Other payables		(41)
Income taxes payable		(91)
Deferred tax liabilities		(500)
Total purchase price	$	3,829

The preliminary purchase price allocation is based on management estimates as of March 31, 2013, and may be adjusted up to one year following the closing of the acquisition. The purchase price allocation has not been finalized, as management has not yet analyzed in detail the assets acquired and liabilities assumed. The Company expects to finalize the purchase price allocation on or before June 30, 2013.

Pro forma results of operations have not been presented because the effect of the SmartSwitch and Pbel acquisitions, individually and in the aggregate, were not material to the Company. During the three and nine months ended March 31, 2013, the Company incurred acquisition-related expenditure of $0.03 million and $0.1 million, respectively, related to these acquisitions. Since the closing of the SmartSwitch Botswana acquisition, it has contributed revenue and incurred a net loss, after acquired intangible asset amortization, net of taxation, of $0.3 million and $0.01 million, respectively, for the three months ended March 31, 2013, and revenue and net income of $0.4 million and $0.01 million, respectively, for the nine months ended March 31, 2013. Since the closing of the Pbel acquisition, it has contributed revenue and incurred a net loss, after acquired intangible asset amortization, net of taxation, of $0.4 million and $0.1 million, respectively, for the three months ended March 31, 2013, and revenue and net loss of $0.7 million and $0.2 million, respectively, for the nine months ended March 31, 2013.

3. Pre-funded social welfare grants receivable

Pre-funded social welfare grants receivable represents amounts pre-funded by the Company to certain merchants participating in the merchant acquiring system. The April 2013 payment service commenced on April 1, 2013, but the Company pre-funded certain merchants participating in the merchant acquiring system during the last two days of March 2013.

4. Inventory

The Company's inventory comprised the following categories as of March 31, 2013 and June 30, 2012.

		March 31, 2013		June 30, 2012
Raw materials	$	14	$	30
Finished goods		8,401		6,162
	$	8,415	$	6,192

5. Settlement assets and settlement obligations

Settlement assets comprise (1) cash received from the South African government that the Company holds pending disbursement to beneficiaries of social welfare grants, (2) cash received from health care plans which the Company disburses to health care service providers once it adjudicates claims 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.

5. Settlement assets and settlement obligations (continued)

Settlement obligations comprise (1) amounts that the Company is obligated to disburse to beneficiaries of social welfare grants, (2) amounts which are due to health care service providers after claims have been adjudicated and reconciled, provided that the Company shall have previously received such funds from health care plan 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

6. Fair value of financial instruments and equity-accounted investments

Fair value of financial instruments

Risk management

The Company seeks to reduce its exposure to currencies other than the South African rand through a policy of matching, to the extent possible, assets and liabilities denominated in those currencies. In addition, the Company uses financial instruments in order to economically hedge its exposure to exchange rate and interest rate fluctuations arising from its operations. The Company is also exposed to equity price and liquidity risks as well as credit risks.

Currency exchange risk

The Company is subject to currency exchange risk because it generates the majority of its cash in South African rand and purchases inventories and services that it is required to settle in other currencies, primarily the euro and US dollar. The Company uses foreign exchange forward contracts in order to limit its exposure in these transactions to fluctuations in exchange rates between the South African rand, on the one hand, and the US dollar and the euro, on the other hand.

The Company had no outstanding foreign exchange contracts as of March 31, 2013, and June 30, 2012.

Translation risk

Translation risk relates to the risk that the Company's results of operations will vary significantly as the US dollar is its reporting currency, but it earns most of its revenues and incurs most of its expenses in ZAR. The US dollar to ZAR exchange rate has fluctuated significantly over the past two 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 leasing 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 investment in cash equivalents and has occasionally invested in marketable securities. The Company, through its insurance business, maintains investments in fixed maturity investments which are exposed to fluctuations in interest rates.

Credit risk

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 and European financial institutions that have a credit rating of BBB or better, as determined by credit rating agencies such as Standard & Poor's, Moody's and Fitch Ratings.

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. 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.

6. Fair value of financial instruments and equity-accounted investments (continued)

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 applies 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 are 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 Finbond Group Limited ("Finbond")

The Company's Level 3 asset represents an investment of 156,788,712 shares of common stock of Finbond, which are exchange-traded equity securities. Finbond's shares are traded on the JSE Limited ("JSE") and the Company has designated such shares as available for sale investments. The Company has concluded that the market for Finbond shares is not active and consequently has employed alternative valuation techniques in order to determine the fair value of such stock. Currently, the operations of Finbond relate primarily to the provision of microlending products. Finbond was recently issued a mutual banking licence and intends to offer financial products under this licence. In determining the fair value of Finbond, the Company has considered amongst other things Finbond's historical financial information (including its most recent public accounts), press releases issued by Finbond and its published net asset value. The Company believes that the best indicator of fair value of Finbond is its published net asset value and has used this value to determine the fair value.

The fair value of these securities as of March 31, 2013, represented approximately 1% of the Company's total assets, including these securities.

The following table presents the Company's assets and liabilities measured at fair value on a recurring basis as of March 31, 2013 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				
Related to insurance business (included in other long-term assets):				
Cash and cash equivalents	$ 1,938	$ -	$ -	$ 1,938
Investment in Finbond (available for sale assets included in other long-term assets)	-	-	8,027	8,027
Other	-	271	-	271
Total assets at fair value	$ 1,938	$ 271	$ 8,027	$ 10,236

6. Fair value of financial instruments and equity-accounted investments (continued)

The following table presents the Company's assets and liabilities measured at fair value on a recurring basis as of June 30, 2012, 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				
Related to insurance business (included in other long-term assets):				
Cash and cash equivalents	$ 2,628	$ -	$ -	$ 2,628
Investment in Finbond (available for sale assets included in other long-term assets)	-	-	8,679	8,679
Other	-	262	-	262
Total assets at fair value	$ 2,628	$ 262	$ 8,679	$ 11,569

Assets and liabilities measured at fair value on a nonrecurring basis

The Company measures its equity-accounted investments at fair value on a nonrecurring basis when they are deemed to be other-than-temporarily impaired. The Company has no liabilities that are measured at fair value on a nonrecurring basis.

The Company reviews the carrying values of its investments when events and circumstances warrant and considers all available evidence in evaluating when declines in fair value are other-than-temporary. The fair values of the Company's investments are determined using the best information available, and may include quoted market prices, market comparables, and discounted cash flow projections. An impairment charge is recorded when the cost of the investment exceeds its fair value and the excess is determined to be other-than-temporary. The Company has not recorded any impairment charges during the reporting periods presented herein.

Equity-accounted investments

During the nine months ended March 31, 2013, SmartSwitch Namibia repaid its final installment related to its outstanding loans and interest. The repayments received have been allocated to the equity-accounted investments presented in the Company's condensed consolidated balance sheet. The cash inflow from principal repayments have been allocated to cash flows from investing activities and the cash inflow from the interest repayments have been included in cash flow from operating activities in the Company's condensed consolidated statement of cash flows for the nine months ended March 31, 2013.

During the nine months ended March 31, 2013, the Company acquired the remaining 50% of SmartSwitch Botswana as described in Note 2. The Company was required to remeasure the carrying value of its investment in SmartSwitch Botswana to its fair value prior to consolidation and recognized a gain of approximately $0.3 million. In addition, during the nine months ended March 31, 2013, the Company acquired a 50% interest in the ordinary shares of Netpay Solutions Private Limited ("Netpay"), a private Indian company, for $0.08 million. The Company has accounted for this investment using the equity method.

Summarized below is the Company's equity-accounted (loss) earnings for the three months ended March 31, 2013:

	Loss	Elimination	Total
Earnings (Loss) from equity- accounted investments	$ 17	$ 5	$ 22
SmartSwitch Namibia	50	5	55
Netpay	$ (33)	$ -	$ (33)

6. Fair value of financial instruments and equity-accounted investments (continued)

Equity-accounted investments (continued)

Summarized below is the Company's interest in equity-accounted investments as of June 30, 2012 and March 31, 2013:

	Equity	Loans	Earnings (Loss)	Elimination	Total
Balance as of June 30, 2012	$ 3,518	$ 1,419	$ (3,411)	$ (18)	$ 1,508
Netpay contribution	80	-	-	-	80
Loan repaid	-	(3)	-	-	(3)
Interest repaid	-	-	-	(53)	(53)
Earnings (loss) from equity- accounted investments	-	-	189	15	204
SmartSwitch Namibia(1)	-	-	185	15	200
SmartSwitch Botswana(1)	-	-	37	-	37
Netpay(1)	-	-	(33)	-	(33)
Foreign currency adjustment(2)	(195)	1	49	7	(138)
Consolidation of SmartSwitch Botswana (Note 2)	(1,161)	-	675	-	(486)
Balance as of March 31, 2013	$ 2,242	$ 1,417	$ (2,498)	$ (49)	$ 1,112

(1) – includes the recognition of realized net income.
(2) – the foreign currency adjustment represents the effects of the combined net currency fluctuations between the functional currency of the equity-accounted investments and the US dollar.

There were no significant sales to these investees that require elimination during the three and nine months ended March 31, 2013 and 2012.

7. Goodwill and intangible assets

Goodwill

Summarized below is the movement in the carrying value of goodwill for the nine months ended March 31, 2013:

	Carrying value
Balance as of June 30, 2012	$ 182,737
Acquisition of Pbel (Note 2)	1,691
Acquisition of SmartSwitch Botswana (Note 2)	657
Foreign currency adjustment (1)	(3,019)
Balance as of March 31, 2013	$ 182,066

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

Goodwill associated with the acquisition of Pbel and SmartSwitch Botswana represents the excess of cost over the fair value of acquired net assets. The Pbel and SmartSwitch Botswana goodwill is not deductible for tax purposes. See Note 2 for the allocation of the purchase price to the fair value of acquired net assets. Pbel has been allocated to the Company's South African transaction-based activities operating segment and SmartSwitch Botswana to the international transaction-based activities operating segment.

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

	As of March 31, 2013	As of June 30, 2012
SA transaction-based activities	$ 32,665	$ 34,692
International transaction-based activities	116,304	111,798
Smart card accounts	-	-
Financial services	-	-
Hardware, software and related technology sales	33,097	36,247
Total	$ 182,066	$ 182,737

7. Goodwill and intangible assets (continued)

Intangible assets

Carrying value and amortization of intangible assets

Summarized below is the carrying value and accumulated amortization of the intangible assets as of March 31, 2013 and June 30, 2012:

	As of March 31, 2013			As of June 30, 2012		
	Gross carrying value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value
Finite-lived intangible assets:						
Customer relationships(1)	$ 93,182	$ (28,675)	$ 64,507	$ 91,692	$ (22,617)	$ 69,075
Software and unpatented technology(1)	36,216	(21,628)	14,588	36,082	(15,968)	20,114
FTS patent	4,144	(4,144)	-	4,623	(4,623)	-
Exclusive licenses	4,506	(4,506)	-	4,506	(4,506)	-
Trademarks	6,891	(2,793)	4,098	7,125	(2,507)	4,618
Customer database	657	(657)	-	734	(611)	123
Total finite-lived intangible assets	$ 145,596	$ (62,403)	$ 83,193	$ 144,762	$ (50,832)	$ 93,930

(1) Includes the customer relationships and software and unpatented technology acquired as part of the Pbel acquisition in September 2012.

Aggregate amortization expense on the finite-lived intangible assets for the three and nine months ended March 31, 2013, was approximately $4.4 million and $14.0 million, respectively (three and nine months ended March 31, 2012, was approximately $5.0 million and $14.1 million, respectively).

Future estimated annual amortization expense for the next five fiscal years and thereafter, assuming exchange rates prevailing on March 31, 2013, 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.

2013	$ 17,369
2014	15,412
2015	15,354
2016	11,019
2017	8,684
Thereafter	$ 28,868

8. Reinsurance assets and policy holder liabilities under insurance and investment contracts

Reinsurance assets and policy holder liabilities under insurance contracts

Summarized below is the movement in reinsurance assets and policy holder liabilities under insurance contracts during the nine months ended March 31, 2013:

	March 31, 2013	
	Reinsurance assets (1)	Insurance contracts (2)
Balance as of June 30, 2012	$ 23,595	($23,701)
Foreign currency adjustment (3)	(2,443)	2,454
Balance as of March 31, 2013	$ 21,152	($21,247)

(1) Included in other long-term assets.
(2) Included in other long-term liabilities.
(3) The foreign currency adjustment represents the effects of the fluctuations between the ZAR against the US dollar.

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

8. Reinsurance assets and policy holder liabilities under insurance and investment contracts (continued)

Reinsurance assets and policy holder liabilities under insurance contracts (continued)

The value of insurance contract liabilities is based on best estimates assumptions of future experience plus prescribed margins, as required in the markets in which these products are offered, namely South Africa. The process of deriving the best estimates assumptions plus prescribed margins includes assumptions related to future mortality and morbidity (an appropriate base table of standard mortality is chosen depending on the type of contract and class of business), withdrawals (based on recent withdrawal investigations and expected future trends), investment returns (based on government treasury rates adjusted by an applicable margin), expense inflation (based on a 10 year real return on CPI-linked government bonds from the risk-free rate and adding an allowance for salary inflation and book shrinkage of 1% per annum) and claim reporting delays (based on average industry experience).

Assets and policy holder liabilities under investment contracts

Summarized below is the movement in assets and policy holder liabilities under investment contracts during the nine months ended March 31, 2013:

	March 31, 2013	
	Assets (1)	**Investment contracts (2)**
Balances as of June 30, 2012	$ 1,109	($1,109)
Foreign currency adjustment [3]	(115)	115
Balance as of March 31, 2013	$ 994	($994)

(1) Included in other long-term assets.
(2) Included in other long-term liabilities.
(3) The foreign currency adjustment represents the effects of the fluctuations between the ZAR against the US dollar.

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

9. Short-term credit facility

The Company has a ZAR 250 million ($27 million, translated at exchange rates applicable as of March 31, 2013) short-term South African credit facility. As of March 31, 2013, the overdraft rate on this facility was 7.85%. The Company has ceded its investment in Cash Paymaster Services (Proprietary) Limited, a wholly-owned South African subsidiary, as security for the facility. As of March 31, 2013, and June 30, 2012, the Company had utilized none of its South African short-term facility.

Management believes that this facility is sufficient in order to meet the Company’s future obligations as they arise.

10. Long-term borrowings

The Company’s KRW 100.6 billion ($89.8 million, translated at exchange rates applicable as of March 31, 2013) Korean senior secured loan facility is described in Note 12 to the Company’s audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended June 30, 2012. The current carrying value as of March 31, 2013, is $89.8 million. As of March 31, 2013, the carrying amount of the long-term borrowings approximated fair value. The interest rate in effect on March 31, 2013, was 6.94%. Interest expense during the three and nine months ended March 31, 2013 and 2012, was $1.7 million and $5.3 million; and $2.1 million and $6.7 million, respectively.

The fourth and fifth scheduled principal repayments are $7.3 million each, translated at exchange rates applicable as of March 31, 2013, and have been classified as current in the Company’s condensed consolidated balance sheet. The third repayment of $7.3 million was paid on October 29, 2012 and the fourth repayment is due on April 29, 2013. The first repayment of $7.2 million was paid on November 1, 2011 and an unscheduled $4.8 million principal payment was paid in on January 30, 2012, with the proceeds of the net settlement received from the former shareholders of KSNET

11. Capital structure

Common stock repurchases

The Company did not repurchase any of its shares during the three and nine months ended March 31, 2013, and during the three months ended March 31, 2012, respectively. The Company repurchased 180,656 shares during the nine months ended March 31, 2012, for approximately $1.1 million.

12. Stock-based compensation

Stock option and restricted stock activity

Options

The following table summarizes stock option activity for the nine months ended March 31, 2013 and 2012:

	Number of shares	Weighted average exercise price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value ($'000)	Weighted Average Grant Date Fair Value ($'000)
Outstanding – June 30, 2012	2,247,583	$ 16.28	6.43	$ 602	
Granted under Plan: August 2012	431,000	8.75	10.00	1,249	$ 2.90
Exercised	(30,000)	7.98		24	
Outstanding – March 31, 2013	2,648,583	$ 15.15	6.23	$ 322	
Outstanding – June 30, 2011	2,120,656	$ 18.44	6.82	$ 243	
Granted under Plan: August 2011	165,000	6.59	10.00	297	$ 1.80
Granted under Plan: October 2011	202,000	7.98	10.00	442	$ 2.19
Outstanding – March 31, 2012	2,487,656	$ 16.81	6.55	$ 376	
These options have an exercise price range of $6.59 to $24.46.					
Exercisable	1,588,583	$ 18.00	5.09	$ 233	

During the nine months ended March 31, 2013 and 2012, respectively, 244,666 and 102,333 stock options became exercisable. No stock options became exercisable during the three months ended March 31, 2013 and 2012, respectively. Included in the 244,666 stock options are 30,000 stock options with respect to which the Remuneration Committee of the Board agreed to accelerate vesting, in August 2012, prior to the resignation of a non-employee director. During the nine months ended March 31, 2013, the Company received approximately $0.2 million from 30,000 stock options exercised by the non-employee director that resigned. No stock options were exercised during the three months ended March 31, 2013 or during the three and nine months ended March 31, 2012. 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, 2013 and 2012:

	Number of Shares of Restricted Stock	Weighted Average Grant Date Fair Value ($'000)
Non-vested – June 30, 2012	646,617	
Granted – August 2012	21,569	$ 189
Vested – August 2012	(19,715)	
Vested – February 2013	(183,333)	
Non-vested – March 31, 2013	465,138	
Non-vested – June 30, 2011	103,672	-
Granted – August 2011	30,155	$ 199
Granted – February 2012	550,000	$ 6,111
Vested – August 2011	(6,157)	-
Vested – November 2011	(27,667)	-
Non-vested – March 31, 2012	650,003	-

12. Stock-based compensation (continued)

Stock option and restricted stock activity (continued)

Restricted stock (continued)

The fair value of restricted stock vesting during the three and nine months ended March 31, 2013 and 2012, respectively, was $1.0 million and $1.2 million and $0.0 million and $0.3 million. Included in the 19,715 shares of restricted stock that vested in August 2012 are 8,547 shares with respect to which the Remuneration Committee of the Board agreed to accelerate vesting prior to the resignation of a non-employee director.

Stock-based compensation charge and unrecognized compensation cost

The Company has recorded a stock compensation charge of $1.1 million and $0.8 million for the three months ended March 31, 2013 and 2012, 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, 2013			
Stock-based compensation charge	$ 1,092	$ -	$ 1,092
Total – three months ended March 31, 2013	$ 1,092	$ -	$ 1,092
Three months ended March 31, 2012			
Stock-based compensation charge	$ 843	$ -	$ 843
Total – three months ended March 31, 2012	$ 843	$ -	$ 843

The Company has recorded a stock compensation charge of $3.3 million and $1.9 million for the nine months ended March 31, 2013 and 2012, 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, 2013			
Stock-based compensation charge	$ 3,325	$ -	$ 3,325
Total – nine months ended March 31, 2013	$ 3,325	$ -	$ 3,325
Nine months ended March 31, 2012			
Stock-based compensation charge	$ 1,882	$ -	$ 1,882
Total – nine months ended March 31, 2012	$ 1,882	$ -	$ 1,882

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

As of March 31, 2013, the total unrecognized compensation cost related to stock options was approximately $1.5 million, which the Company expects to recognize over approximately three years. As of March 31, 2013, the total unrecognized compensation cost related to restricted stock awards was approximately $4.2 million, which the Company expects to recognize over approximately two years.

As of March 31, 2013, the Company has recorded a deferred tax asset of approximately $1.3 million related to the stock-based compensation charge recognized related to employees and directors of Net1 as it is able to deduct the grant date fair value for taxation purposes in the United States.

13. Earnings per share

Basic earnings per share include restricted stock awards that meet the definition of a “participating security.” Restricted stock awards are eligible to receive non-forfeitable dividend equivalents at the same rate as common stock. Basic earnings per share have been calculated using the two-class method and basic earnings per share for the three and nine months ended March 31, 2013 and 2012, reflects only undistributed earnings.

13. Earnings per share (continued)

Diluted earnings per share have been calculated to give effect to the number of additional shares of common stock that would have been outstanding if the potential dilutive instruments had been issued in each period. The calculation of diluted earnings per share for the three and nine months ended March 31, 2013 and 2012, includes the dilutive effect of a portion of the restricted stock awards granted to employees as these restricted stock awards are considered contingently issuable shares. For the purposes of the diluted earnings per share calculation and as of March 31, 2013 and 2012, the vesting conditions in respect of a portion of the awards had not been satisfied.

Options to purchase 11,560,863 and 11,505,863 shares of the Company's common stock at prices ranging from $6.59 to $24.46 per share were outstanding during the three and nine months ended March 31, 2013, respectively, but have not been included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the Company's common stock during the period. The options, which expire at various dates through August 22, 2022, and include the 8,955,000 equity instrument issued pursuant to BBBEE transaction, remained outstanding as of March 31, 2013.

The following table details the weighted average number of outstanding shares used for the calculation of earnings per share for the three and nine months ended March 31, 2013 and 2012:

	Three months ended March 31,		Nine months ended March 31,	
	2013	2012	2013	2012
	'000	'000	'000	'000
Weighted average number of outstanding shares of common stock – basic	45,561	45,268	45,541	45,084
Weighted average effect of dilutive securities: equity instruments	48	107	47	56
Weighted average number of outstanding shares of common stock – diluted	45,609	45,375	45,588	45,140

14. Supplemental cash flow information

The following table presents the supplemental cash flow disclosures for the three and nine months ended March 31, 2013 and 2012:

	Three months ended March 31,		Nine months ended March 31,	
	2013	2012	2013	2012
Cash received from interest	$ 2,395	$ 2,169	$ 8,104	$ 6,658
Cash paid for interest	$ 2,020	$ 2,202	$ 6,073	$ 7,716
Cash paid for income taxes	$ 1,701	$ 503	$ 12,180	$ 21,258

15. 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 for the year ended June 30, 2012.

The following tables summarize segment information which is prepared in accordance with GAAP:

	Three months ended March 31,		Nine months ended March 31,	
	2013	2012	2013	2012
Revenues from external customers				
SA transaction-based activities	$ 59,009	$ 46,423	$ 181,137	$ 142,773
International transaction-based activities	33,119	28,188	97,881	87,278
Smart card accounts	8,657	7,558	25,240	23,074
Financial services	1,651	2,289	4,483	6,344
Hardware, software and related technology sales	8,705	6,206	25,524	23,179
Total	$ 111,141	$ 90,664	$ 334,265	$ 282,648

15. Operating segments (continued)

	Three months ended March 31,		Nine months ended March 31,	
	2013	2012	2013	2012
Inter-company revenues				
SA transaction-based activities	$ 1,492	$ 993	$ 9,360	$ 2,970
International transaction-based activities	-	-	-	-
Smart card accounts	308	390	1,095	671
Financial services	-	-	-	-
Hardware, software and related technology sales	135	362	722	1,145
Total	1,935	1,745	11,177	4,786
Operating (loss) income				
SA transaction-based activities	(4,197)	8,694	4,136	44,643
International transaction-based activities	(1,362)	195	(1,331)	1,120
Smart card accounts	2,467	3,435	7,194	10,487
Financial services	1,147	1,248	3,292	3,685
Hardware, software and related technology sales	1,699	(1,301)	4,478	1,545
Corporate/Eliminations	(4,480)	207	(8,198)	2,072
Total	(4,726)	12,478	9,571	63,552
Interest income				
SA transaction-based activities	-	-	-	-
International transaction-based activities	-	-	-	-
Smart card accounts	-	-	-	-
Financial services	-	-	-	-
Hardware, software and related technology sales	-	-	-	-
Corporate/Eliminations	2,515	2,164	8,195	5,981
Total	2,515	2,164	8,195	5,981
Interest expense				
SA transaction-based activities	244	125	589	313
International transaction-based activities	-	-	-	44
Smart card accounts	-	-	-	-
Financial services	-	-	-	2
Hardware, software and related technology sales	81	3	207	26
Corporate/Eliminations	1,698	2,116	5,321	6,830
Total	2,023	2,244	6,117	7,215
Depreciation and amortization				
SA transaction-based activities	3,198	2,172	9,628	6,423
International transaction-based activities	7,049	6,746	20,753	19,665
Smart card accounts	-	-	-	-
Financial services	163	78	347	269
Hardware, software and related technology sales	150	153	323	474
Corporate/Eliminations	-	176	-	363
Total	10,560	9,325	31,051	27,194
Income taxation (benefit) expense				
SA transaction-based activities	(1,245)	2,526	991	12,540
International transaction-based activities	(587)	(88)	(1,167)	538
Smart card accounts	691	962	2,014	2,937
Financial services	327	349	937	1,025
Hardware, software and related technology sales	409	(339)	1,039	317
Corporate/Eliminations	877	1,201	3,358	(7,572)
Total	472	4,611	7,172	9,785
Net (loss) income				
SA transaction-based activities	(3,199)	6,044	2,552	31,791
International transaction-based activities	(642)	405	193	958
Smart card accounts	1,776	2,473	5,178	7,550
Financial services	839	898	2,409	2,638
Hardware, software and related technology sales	1,210	(963)	3,239	1,201
Corporate/Eliminations	(4,665)	(1,091)	(8,879)	8,490
Total	$ (4,681)	$ 7,766	$ 4,692	$ 52,628

15. Operating segments (continued)

	Three months ended March 31, 2013	Three months ended March 31, 2012	Nine months ended March 31, 2013	Nine months ended March 31, 2012
Expenditures for long-lived assets				
SA transaction-based activities	$ 2,583	$ 10,185	$ 7,552	$ 11,969
International transaction-based activities	2,074	3,587	8,844	11,042
Smart card accounts	-	-	-	-
Financial services	357	97	629	314
Hardware, software and related technology sales	39	10	78	140
Corporate/Eliminations	-	-	-	-
Total	$ 5,053	$ 13,879	$ 17,103	$ 23,465

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.

16. 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 or extraordinary 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, 2013, the tax charge was calculated using the expected effective tax rate for the year. The Company's effective tax rate for the three months ended March 31, 2013, was (11.1%) and is negative as a result of the loss before income taxes and differed from the South African statutory rate primarily as a result of a valuation allowance for foreign tax credits, non-deductible expenses (including interest expense related to the Company's long-term Korean borrowings and stock-based compensation charges) and South African dividend withholding taxes. The Company's effective tax rate for the nine months ended March 31, 2013, was 61.6% and was higher than the South African statutory rate primarily as a result of a valuation allowance for foreign tax credits, non-deductible expenses (including interest expense related to the Company's long-term Korean borrowings and stock-based compensation charges) and South African dividend withholding taxes.

The Company's effective tax rate for the three months ended March 31, 2012, was 37.19% and was higher than the South African statutory rate as a result of non-deductible expenses (including interest expense related to the Company's long-term Korean borrowings and stock-based compensation charges). The Company's effective tax rate for the nine months ended March 31, 2012, was 15.7% and was lower than the South African statutory rate as a result of a change in South African tax law which resulted in a net deferred taxation benefit, a non-taxable profit on liquidation of SmartSwitch Nigeria, which was partially offset by non-deductible expenses (including interest expense related to the Company's long-term Korean borrowings and stock-based compensation charges) and the creation of a valuation allowance.

Uncertain tax positions

The Company decreased its unrecognized tax benefits by $0.2 million during the nine months ended March 31, 2013. There were no changes during the three months ended March 31, 2013. As of March 31, 2013, the Company had accrued interest related to uncertain tax positions of approximately $0.2 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.

16. Income tax (continued)

Uncertain tax positions (continued)

The Company files income tax returns mainly in South Africa, Korea, Austria, Botswana, the Russian Federation and in the US federal jurisdiction. As of March 31, 2013, the Company is no longer subject to any new income tax examination by the South African Revenue Service for years before March 31, 2009. In 2011, the Korea National Tax Service had completed the examination of the Company's returns in Korea related to years 2006 through 2010. The Company is subject to income tax in other jurisdictions outside South Africa and Korea, none of which are individually material to its financial position, cash flows, or results of operations.

17. Subsequent events

On April 19, 2013, the one-year option granted to a black economic empowerment consortium pursuant to a broad-based black economic empowerment transaction that the Company entered into on January 25, 2012, to purchase 8,955,000 shares of Company common stock at an exercise price of $8.96 per share expired unexercised. The fair value of the option was determined as approximately $14.2 million and was expensed in full during the year ended June 30, 2012 because the option vested immediately on the grant date. Accordingly, the expense recorded during the year ended June 30, 2012, will not be reversed during the year ended June 30, 2013, because the option had vested in full on the grant date.

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 for the year ended June 30, 2012, 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 for the year ended June 30, 2012 and in our Form 10-Q for the quarters ended September 30, 2012 and December 31, 2012, and Item 1A —"Risk Factors" and elsewhere in those Form 10-Qs. 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 which we have filed with the 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

South African Supreme Court of Appeal ruling

On March 27, 2013, a full bench of the South African Supreme Court of Appeal dismissed the appeal by AllPay Consolidated Investment Holdings (Pty) Ltd, or AllPay, against the earlier ruling by the North Gauteng High Court that the award to us of the tender by the South African Social Security Agency, or SASSA, would not be set aside. The Supreme Court also upheld our and SASSA's appeal against the High Court's orders that the process conducted in awarding the contract was illegal and invalid and that we and SASSA pay AllPay's costs occasioned by the court proceedings. The Supreme Court also ordered AllPay to pay our and SASSA's costs occasioned by the court proceedings, including the cost of three counsel. The judges presiding at the Supreme Court hearing unanimously ruled that there were no unlawful irregularities in the tender process followed by SASSA. Accordingly, our SASSA contract to distribute social welfare grants to ten million South Africans every month, for a period of five years, remains in full force and effect. On April 18, 2013, AllPay applied for leave to appeal to the South African Constitutional Court, the highest court in the country, against the judgment of the Supreme Court. We and SASSA have opposed AllPay's application. AllPay's previous approach to the Constitutional Court, before the Supreme Court hearing and ruling, was rejected at that time. We cannot predict if AllPay's leave to appeal will be granted or if it is granted, when or how the Constitutional Court would rule on the matter. See Part II, Item 1—"Legal Proceedings."

Government investigations

We are continuing to cooperate with the investigations being conducted by the U.S. Department of Justice, or DOJ, and the Securities and Exchange Commission, or SEC, that we have previously disclosed. We have produced documents and information to the DOJ and the SEC relating to their investigations and expect to continue to produce documents over the coming months. We also expect that the DOJ and the SEC will conduct interviews of some of our personnel as part of their investigations. See also Part II, Item 1A—"Risk Factors."

In addition, on February 14, 2013, we filed an application pursuant to Section 34 of the South African Prevention of Corrupt Activities Act in South Africa with the South African Police Service. Section 34 deals with the reporting of suspected fraud, theft, extortion and forgery. Matters reported under Section 34 are usually referred for investigation to the South African Directorate for Priority Crime Investigation, known as the Hawks. We filed the Section 34 application to prompt the Hawks to conduct an investigation into who may have made corruption allegations that appeared in the South African media after we were awarded the SASSA tender in January 2012. The Hawks have confirmed to us that our Section 34 application has been accepted for investigation. We have provided certain electronic information to the Hawks at their request and we will cooperate with the Hawks in their investigation.

Suit against AllPay

We have sued AllPay alleging unlawful competition, and are seeking damages. See Part II, Item 1—"Legal Proceedings."

South Africa

SASSA

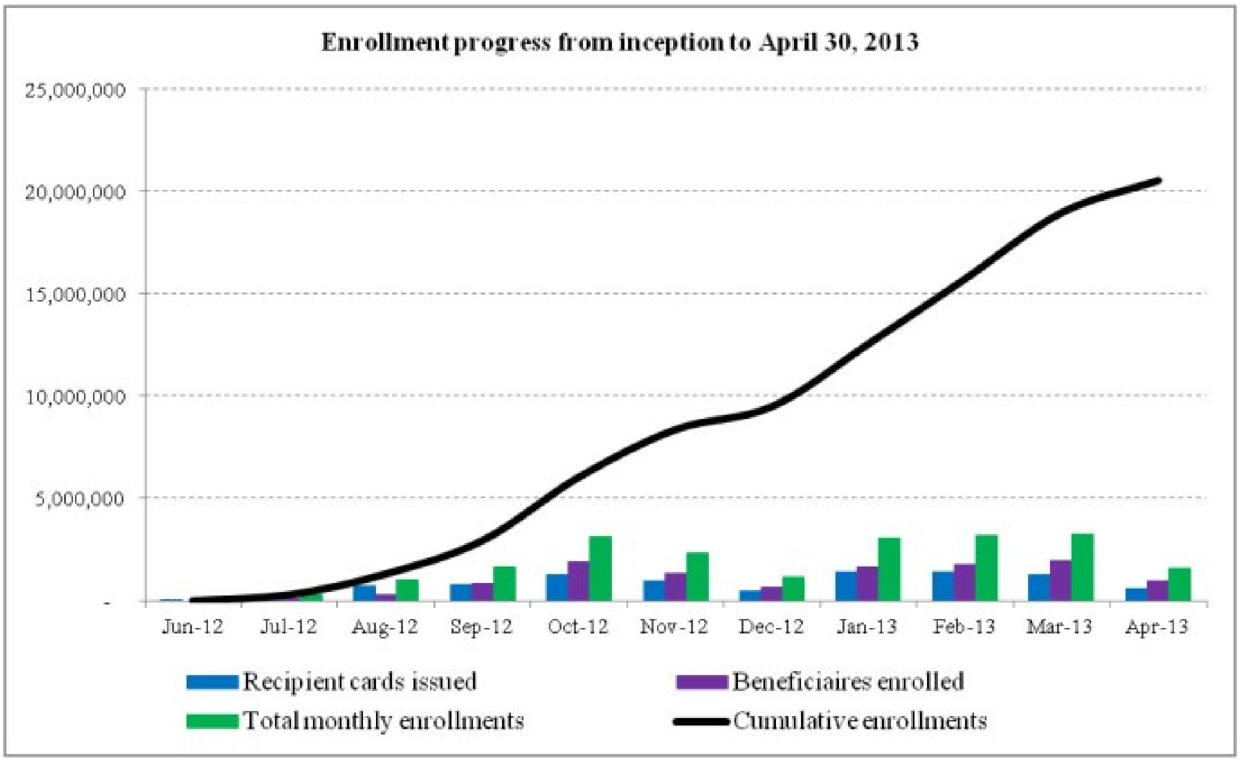
We commenced the second phase of the enrollment process in early July 2012 and substantially completed bulk enrollment by March 31, 2013, in accordance with the implementation plan agreed with SASSA. Under our agreement with SASSA, we have to enroll both the grant recipients (those individuals who receive the actual payment and are issued with our UEPS/EMV smart card), as well as the grant beneficiaries (those individuals who have qualified for the social grant, but are not necessarily the recipient of the grant). By way of example, a parent who has three children and receives a grant for all three children is the grant recipient, while the three children are each classified individually as grant beneficiaries. In this case, we capture the personal and biometric information of the parent and three children, but only the parent is issued with an UEPS/EMV smart card.

While the number of grant recipients on a national basis has consistently been quantified by SASSA at approximately 9.4 million individuals, the number of beneficiaries was revised higher by SASSA from an initial estimate of approximately 15.5 million, to the current estimate of approximately 21.6 million. In order to complete the second phase of the implementation on time, and given the significantly higher number of beneficiaries, we increased the number of temporary employees that we hired in the second quarter of fiscal 2013 from 2,500 to approximately 5,500 and retained the higher employee base through all of the third quarter of fiscal 2013. Having substantially concluded bulk enrollment by March 31, 2013, our temporary employee headcount has since declined to approximately 3,000 at April 30, 2013.

During the third quarter of fiscal 2013, we enrolled a further 5.8 million grant recipients and an additional 6.7 million beneficiaries. Accordingly, as of March 31, 2013, we had enrolled a total of 19.0 million people which comprises approximately 8.5 million grant recipients and 10.5 million beneficiaries associated with these recipients in accordance with our second phase enrollment schedule, and issued them our UEPS/EMV smart card.

During March 2013, the Minister of Social Development and SASSA announced that the deadline for the enrollment of grant recipients would be extended to April 30, 2013. We therefore continued with the enrollment process for the month of April 2013 and expect no further extensions to be granted by the Minister and SASSA. Those beneficiaries who have not presented themselves for enrollment at the end of April 2013 will receive grant cancellation notices. This may result in the final total number of enrolled grant recipients and cardholders being less than the numbers provided in the original database.

The graph below presents our enrollment progress from inception to April 30, 2013:



There is a time lag between when a current grant recipient is issued a UEPS/EMV card and when the recipient receives grants onto the UEPS/EMV smart card. For instance, recipients enrolled in March 2013 and issued a UEPS/EMV smart card were only paid onto that card in the April 2013 pay cycle. When a new grant recipient is approved by SASSA, the recipient is enrolled, issued a UEPS/EMV smart card and immediately paid on this card. We are paid by SASSA for each recipient paid by us, regardless of type of card or channel and therefore for the month of March 2013, we earned revenue from SASSA based on the distribution of grants to 9,602,639 recipients.

During the third quarter of fiscal 2013, we incurred direct implementation expenses of approximately $16.1 million (ZAR 140.5 million), including staff, travel, temporary infrastructure hire, fixed premises hire for enrollment and stationery costs. We are unable to quantify the value of time spent by our executives and pension and welfare operations managers and staff that service the five provinces in which we operated under the previous contract and that have assisted in the implementation of the national contract.

We also expensed $4.5 million (ZAR 39.3 million) related to the cost of the UEPS/EMV smart cards issued during the quarter, which is not included in the $16.1 million (ZAR 140.5 million) of direct implementation expenses described above. During the year to date fiscal 2013, we have incurred direct implementation expenses of $48.2 million (ZAR 414.2 million) and UEPS/EMV smart card expenses of $9.2 million (ZAR 79.9 million).

We also incurred approximately $1.4 million in capital expenditures related to the implementation during the third quarter of fiscal 2013. Since inception of the implementation we have incurred cumulative capital expenditures of $26.6 million. We have substantially completed the bulk enrollment of recipients and beneficiaries and do not expect any further significant capital expenditures related to this process and expect our cumulative capital expenditure to remain below our prior estimate of $30 million.

See Part II, Item 1—"Legal Proceedings" for an update on legal proceedings associated with our SASSA contract.

Smart Life life license

During January 2013, the South African Financial Services Board, or FSB, suspended Smart Life's life insurance license and prohibited it from writing any new long-term insurance policies in South Africa. We are currently preparing a submission to the FSB to uplift the suspension, but we cannot predict what the outcome will be.

Outside South Africa

XeoHealth

The commencement of the recovery audit contractor, or RAC, services and desk review recovery referrals identified through our XeoRules™ engine for Cognosante in North Dakota has been delivered and Cognosante has commenced issuing recovery letters to providers. Under our contract, we are compensated based on a percentage of the final recoveries identified by our XeoRules claim re-adjudicating service for the audit period of five years, as well as the desk review recovery referrals identified through our XeoRules engine. XeoHealth now expects to recognize revenues related to these activities in the fourth quarter of fiscal 2013. We are currently unable to quantify the value of RAC service revenues to be recognized during any particular future quarter.

XeoHealth has also been subcontracted by Cognosante to provide both the automated audit as well the analysis services as required by the RAC for the State of Missouri Medicaid. We have recently completed the business rules and audit findings and received approval from the State of Missouri Medicaid which enabled us to commence performing the required services in the third quarter of fiscal 2013. The results have been delivered to Cognosante for cycle 1 and recovery letters are being issued to providers. Similar to North Dakota, XeoHealth will be compensated based on a percentage of the final recoveries identified by our XeoRules claims re-adjudicating service for the audit period of three years, as well as the desk review recovery referrals identified through our XeoRules engine.

XeoHealth has been requested by the Department of Behavioral Health and Intellectual Disability Services of Philadelphia, or DBHIDS, to expand the current services offered to Community Behavioral Health, or CBH, to individual practices contracted to DBHIDS for delivery of Office of Mental Health services as a result of the impact that XeoRules has had on CBH. XeoHealth is currently engaging DBHIDS in this regard.

Mobile Virtual Card

During the second quarter of fiscal 2013, we integrated and combined some of our legacy business units with Pbel to create our Mobile Solutions business unit. The Mobile Solutions unit is responsible for the coordination, support and growth of our MVC activities globally. We continue to engage with a number of interested parties regarding our MVC technology and have commenced software and system development to introduce VCPay in Spain and, along with our partners, in India.

The African Continent and Iraq

During the third quarter of fiscal 2013, NUETS was informed in writing by International Smart Card LLC, or ISC, its customer in Iraq, that it would not renew its contracts with NUETS upon their expiration. As a result, NUETS stopped processing transactions for its Iraqi customer at the end of February 2013, but has some minor remaining contractual commitments over the next several months. In addition, ISC has not paid several outstanding invoices and we have provided an amount of $2.3 million as doubtful debts. We have instituted debt recovery procedures to recover the outstanding amounts but we cannot predict the outcome, or timing, of these procedures. NUETS continued to service its current customers on the African continent and continued its business development efforts, including responding to a number of tenders, in multiple countries on the African continent during the year.

Our partnership with MasterCard may also bring us additional business development opportunities for current or future MasterCard member banks who seek the offline and additional functionality incorporated in our new UEPS/EMV payment technology.

Critical Accounting Policies

Our unaudited condensed consolidated financial statements have been prepared in accordance with US 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. Management has identified the following critical accounting policies that are described in more detail in our Annual Report on Form 10-K for the year ended June 30, 2012:

- Deferred taxation;
- Stock-based compensation and equity instrument issued pursuant to BBBEE transaction;
- Intangible assets acquired through acquisitions;
- Business combinations and the recoverability of goodwill;
- Accounts receivable and provision for doubtful debts; and
- Research and development.

Recent accounting pronouncements adopted

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

Recent accounting pronouncements not yet adopted as of March 31, 2013

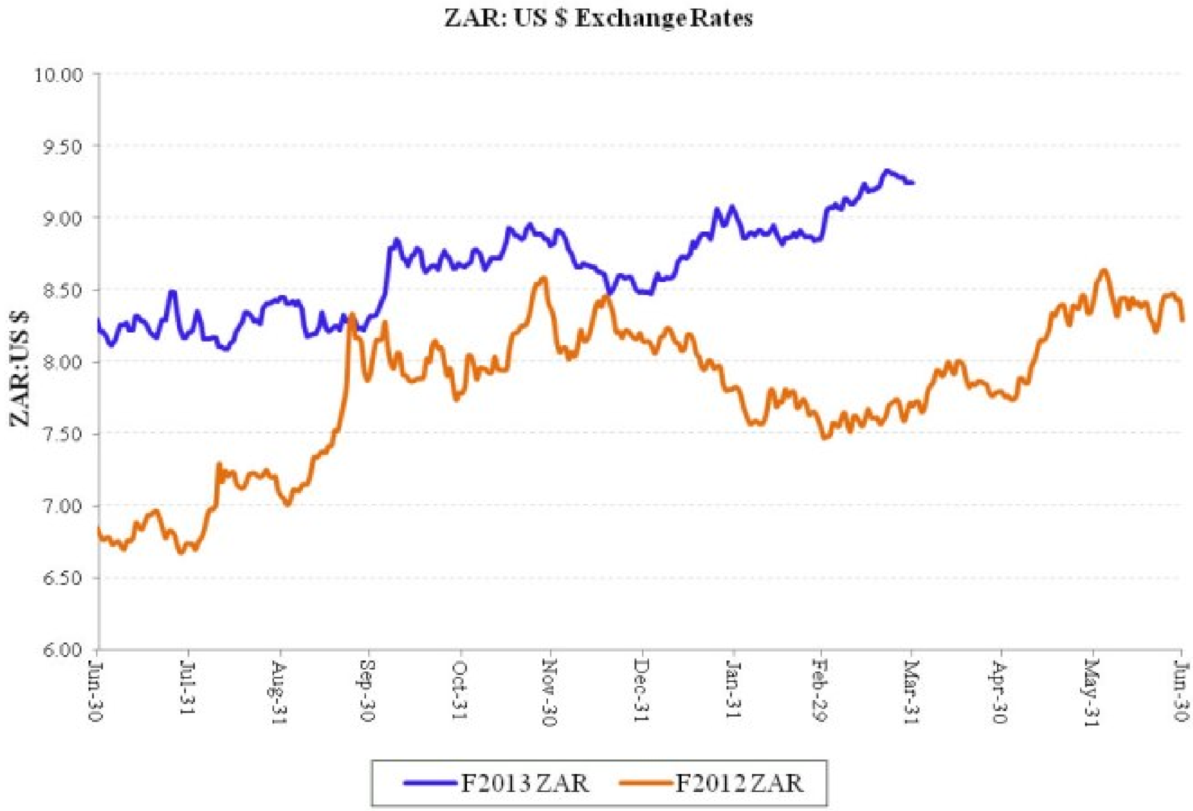
Refer to note 1 to the unaudited condensed consolidated financial statements for a full description of recent accounting pronouncements not yet adopted as of March 31, 2013, including the expected dates of adoption and effects on financial condition, results of operations and cash flows.

Currency Exchange Rate Information

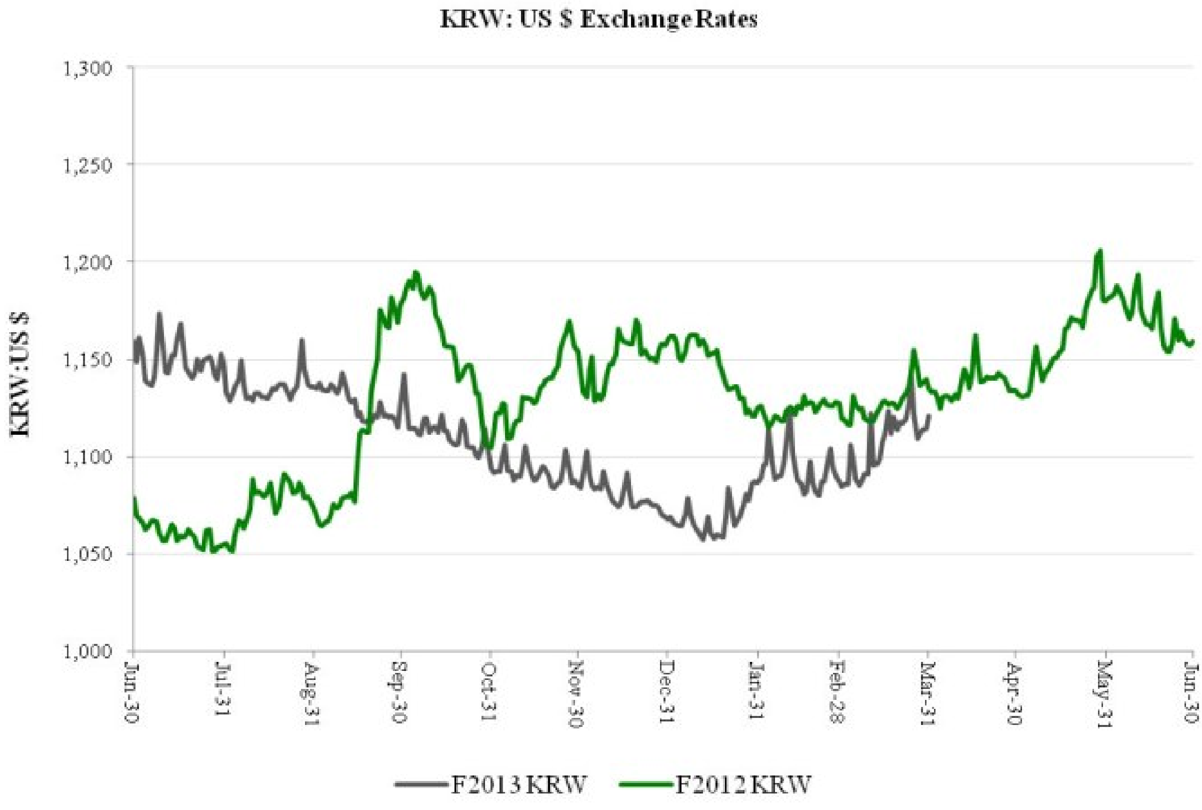
Actual exchange rates

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,**
	2013	**2012**	**2013**	**2012**	**2012**
ZAR : $ average exchange rate	8.9461	7.7822	8.6355	7.6771	7.7920
Highest ZAR : $ rate during period	9.3645	8.2333	9.3645	8.6005	8.6987
Lowest ZAR : $ rate during period	8.4067	7.4001	8.0444	6.6096	6.6096
Rate at end of period	9.2451	7.693	9.2451	7.693	8.2881
KRW : $ average exchange rate	1,090	1,133	1,107	1,121	1,130
Highest KRW : $ rate during period	1,126	1,165	1,156	1,202	1,202
Lowest KRW : $ rate during period	1,019	1,090	1,019	1,029	1,029
Rate at end of period	1,121	1,135	1,121	1,135	1,159



ZAR: US $ Exchange Rates
10.00
9.50
9.00
8.50
8.00
7.50
7.00
6.50
6.00
ZAR:US $
Jun-30
Jul-31
Aug-31
Sep-30
Oct-31
Nov-30
Dec-31
Jan-31
Feb-29
Mar-31
Apr-30
May-31
Jun-30
F2013 ZAR
F2012 ZAR



KRW: US $ Exchange Rates
1,300
1,250
1,200
1,150
1,100
1,050
1,000
KRW:US $
Jun-30
Jul-31
Aug-31
Sep-30
Oct-31
Nov-30
Dec-31
Jan-31
Feb-28
Mar-31
Apr-30
May-31
Jun-30
F2013 KRW
F2012 KRW

Translation exchange rates for financial reporting purposes

For financial reporting purposes we are required to translate our results of operations from ZAR and KRW to US dollars on a monthly basis. Thus, the average rates used to translate this data for the three and nine months ended March 31, 2013 and 2012, vary from the averages shown in the table above. The average rate for the three and nine months ended March 31, 2013, is significantly lower than the actual average exchange rate because we incurred a loss in one month at a higher actual rate which results in an overall lower average rate for financial reporting purposes. 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,
	2013	2012	2013	2012	2012
Income and expense items: $1 = ZAR	8.4662	7.8521	8.4578	7.8245	7.7186
Income and expense items: $1 = KRW	1,113	1,126	1,112	1,119	1,104
Balance sheet items: $1 = ZAR	9.2451	7.693	9.2451	7.693	8.2881
Balance sheet items: $1 = KRW	1,121	1,135	1,121	1,135	1,159

Results of operations

The discussion of our consolidated overall results of operations is based on amounts as reflected in our unaudited condensed consolidated financial statements which are prepared in accordance with US GAAP. We analyze our results of operations both in US 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 profits 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 US dollar and ZAR on our reported results and because we use the US 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.

Three months ended March 31, 2013, includes SmartSwitch Botswana, Pbel and Eason for the entire period. Nine months ended March 31, 2013, includes SmartSwitch Botswana from December 1, 2012, Pbel from September 1, 2012, and Eason for the entire period. Three and nine months ended March 31, 2012, do not include SmartSwitch Botswana or Pbel, and include Eason from October 1, 2011.

We analyze our business and operations in terms of five inter-related but independent operating segments: (1) South African transaction-based activities, (2) international transaction-based activities, (3) smart card accounts, (4) financial services, and (5) hardware, software and related technology sales. 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 2013 compared to third quarter of fiscal 2012

The following factors had an influence on our results of operations during the third quarter of fiscal 2013 as compared with the same period in the prior year:

- ***Unfavorable impact from the strengthening of the US dollar:*** The US dollar appreciated by 8% against the ZAR during the third quarter of fiscal 2013 which negatively impacted our reported results;
- ***SASSA implementation costs:*** We substantially completed the implementation of our SASSA contract during the third quarter of fiscal 2013 and incurred additional implementation and staff costs;
- ***DOJ and SEC investigation-related expenses:*** We incurred DOJ and SEC investigation-related expenses of $4.2 million; and
- ***Bad debt provision for amounts due under expired Iraqi contracts:*** We have provided $2.3 million related to the expired NUETS Iraqi customer contracts.

Consolidated overall results of operations

This discussion is based on the amounts which were prepared in accordance with US GAAP.

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

Table 3

	In United States Dollars (US GAAP)		
	Three months ended March 31,		
	2013 $ ’000	**2012 $ ’000**	**$ % change**
Revenue	111,141	90,664	23%
Cost of goods sold, IT processing, servicing and support	51,461	32,493	58%
Selling, general and administration	53,846	36,368	48%
Depreciation and amortization	10,560	9,325	13%
Operating (loss) income	(4,726)	12,478	nm
Interest income	2,515	2,164	16%
Interest expense	2,023	2,244	(10%)
(Loss) Income before income tax expense	(4,234)	12,398	nm
Income tax expense	472	4,611	(90%)
Net (loss) income before earnings (loss) from equity-accounted investments	(4,706)	7,787	nm
Earnings (Loss) from equity-accounted investments	22	(4)	nm
Net (loss) income	(4,684)	7,783	nm
(Add) Less net (loss) income attributable to non-controlling interest	(3)	17	nm
Net (loss) income attributable to us	(4,681)	7,766	nm

Table 4

	In South African Rand (US GAAP)		
	Three months ended March 31,		
	2013 ZAR ’000	**2012 ZAR ’000**	**ZAR % change**
Revenue	940,942	711,902	32%
Cost of goods sold, IT processing, servicing and support	435,680	255,139	71%
Selling, general and administration	455,871	285,566	60%
Depreciation and amortization	89,403	73,220	22%
Operating (loss) income	(40,012)	97,977	nm
Interest income	21,292	16,992	25%
Interest expense	17,127	17,620	(3%)
(Loss) Income before income tax expense	(35,847)	97,349	nm
Income tax expense	3,996	36,206	(89%)
Net (loss) income before earnings (loss) from equity-accounted investments	(39,843)	61,143	nm
Earnings (Loss) from equity-accounted investments	186	(31)	nm
Net (loss) income	(39,657)	61,112	nm
(Add) Less net (loss) income attributable to non-controlling interest	(25)	133	nm
Net (loss) income attributable to us	(39,632)	60,979	nm

The increase in revenue was primarily due to incremental revenue resulting from our new SASSA contract and a higher contribution from KSNET.

The increase in cost of goods sold, IT processing, servicing and support was primarily due to higher expenses related to the implementation of our new SASSA contract which includes the UEPS/EMV smart cards issued to recipients during the third quarter of fiscal 2013.

Our selling, general and administration expense increased primarily due to the SASSA contract implementation costs described above, legal fees of approximately $4.2 million (ZAR 35.7 million) in connection with the government investigations and the bad debt provision for amounts owed to NUETS by ISC, its Iraqi customer. As of March 31, 2013, ISC owed NUETS $2.3 million, primarily for transaction processing fees. NUETS’ attempts to contact the Iraqi consortium have failed and we believe that a provision is required for the full amount outstanding. We have instituted debt recovery procedures and fully intend to pursue the recovery of the outstanding amounts, but believe that a full provision is required because we have been unable to contact the Iraqi consortium members and due to the difficulty of recovering funds from a foreign jurisdiction in which we do not have a presence. Our selling, general and administration expense for fiscal 2012 included SASSA contract implementation costs of $1.3 million and cash bonuses of $5.4 million related to our SASSA tender award.

Our operating (loss) income margin for the third quarter of fiscal 2013 and 2012, was (4)% and 14%, respectively. We discuss the components of operating income margin under "—Results of operations by operating segment." The decrease is primarily attributable to higher implementation costs related to the SASSA contract, DOJ and SEC investigation costs and the provision for the amount owed by ISC, NUETS' Iraqi customer, in fiscal 2013.

In ZAR, depreciation and amortization increased primarily as a result of an increase in depreciation related to assets used to service our obligations under our SASSA contract, partially offset by no MediKredit intangible asset amortization as the MediKredit intangible assets were fully amortized at the end of December 2012. The intangible asset amortization related to our various acquisitions has been allocated to our operating segments as presented in the tables below:

Table 5	**Three months ended March 31,**	
	2013 $'000	**2012 $ '000**
Amortization included in depreciation and amortization expense:	4,384	5,042
South African transaction-based activities	1,070	1,758
International transaction-based activities	3,228	3,192
Hardware, software and related technology sales	86	92

Table 6	**Three months ended March 31,**	
	2013 ZAR '000	**2012 ZAR '000**
Amortization included in depreciation and amortization expense:	37,113	39,594
South African transaction-based activities	9,067	13,813
International transaction-based activities	27,329	25,064
Hardware, software and related technology sales	717	717

Interest on surplus cash increased to $2.5 million (ZAR 21.3 million) from $2.2 million (ZAR 17.0 million). The increase resulted primarily from higher average daily ZAR cash balances.

Interest expense decreased to $2.0 million (ZAR 17.1 million) from $2.2 million (ZAR 17.6 million) due to a lower average long-term debt balance.

Total fiscal 2013 tax expense was $0.5 million (ZAR 4.0 million) compared to $4.6 million (ZAR 36.2 million) in fiscal 2012. Our effective tax rate for the three months ended March 31, 2013, was (11.1)% and is negative as a result of the loss before income taxes and differed from the South African statutory rate primarily as a result of a valuation allowance for foreign tax credits, non-deductible expenses (including interest expense related to our long-term Korean borrowings and stock-based compensation charges) and South African dividend withholding taxes. Our effective tax rate for the three months ended March 31, 2012, was 37% and was higher than the South African statutory rate as a result of non-deductible expenses (including interest expense related to our long-term Korean borrowings and stock-based compensation charges).

Results of operations by operating segment

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

Table 7

Operating Segment	2013 $'000	% of total	2012 $'000	% of total	% change
	In United States Dollars (US GAAP) — Three months ended March 31,				
Consolidated revenue:					
SA transaction-based activities	59,009	53%	46,423	51%	27%
International transaction-based activities	33,119	30%	28,188	31%	17%
Smart card accounts	8,657	8%	7,558	8%	15%
Financial services	1,651	1%	2,289	3%	(28%)
Hardware, software and related technology sales	8,705	8%	6,206	7%	40%
Total consolidated revenue	111,141	100%	90,664	100%	23%
Consolidated operating (loss) income:					
SA transaction-based activities	(4,197)	89%	8,694	70%	nm
Operating (loss) income before amortization	(3,127)		10,452		
Amortization of intangible assets	(1,070)		(1,758)		
International transaction-based activities	(1,362)	29%	195	2%	nm
Operating income before amortization	1,866		3,387		
Amortization of intangible assets	(3,228)		(3,192)		
Smart card accounts	2,467	(52%)	3,435	28%	(28%)
Financial services	1,147	(24%)	1,248	10%	(8%)
Hardware, software and related technology sales	1,699	(36%)	(1,301)	(10%)	nm
Operating income (loss) before amortization	1,785		(1,209)		
Amortization of intangible assets	(86)		(92)		
Corporate/eliminations	(4,480)	94%	207	-%	nm
Total consolidated operating (loss) income	(4,726)	100%	12,478	100%	(138%)

Table 8

Operating Segment	2013 ZAR '000	% of total	2012 ZAR '000	% of total	% change
	In South African Rand (US GAAP) — Three months ended March 31,				
Consolidated revenue:					
SA transaction-based activities	499,582	53%	364,518	51%	37%
International transaction-based activities	280,392	30%	221,335	31%	27%
Smart card accounts	73,292	8%	59,346	8%	23%
Financial services	13,978	1%	17,973	3%	(22%)
Hardware, software and related technology sales	73,698	8%	48,730	7%	51%
Total consolidated revenue	940,942	100%	711,902	100%	32%
Consolidated operating (loss) income:					
SA transaction-based activities	(35,533)	89%	68,266	70%	nm
Operating (loss) income before amortization	(26,466)		82,079		
Amortization of intangible assets	(9,067)		(13,813)		
International transaction-based activities	(11,531)	29%	1,531	2%	nm
Operating income before amortization	15,798		26,595		
Amortization of intangible assets	(27,329)		(25,064)		
Smart card accounts	20,886	(52%)	26,972	28%	(23%)
Financial services	9,711	(24%)	9,799	10%	(1%)
Hardware, software and related technology sales	14,384	(36%)	(10,216)	(10%)	nm
Operating income (loss) before amortization	15,101		(9,499)		
Amortization of intangible assets	(717)		(717)		
Corporate/eliminations	(37,929)	94%	1,625	-%	nm
Total consolidated operating (loss) income	(40,012)	100%	97,977	100%	(141%)

South African transaction-based activities

In ZAR, the increases in segment revenue were primarily due to higher revenues earned under our new SASSA contract. Segment revenues include the transaction fees we earn through our merchant acquiring system and reflect the elimination of inter-company transactions.

Our operating (loss) income margin for 2013 and 2012 was (7)% and 19%, respectively, and has declined primarily due to the higher SASSA implementation costs.

Pension and welfare operations:

Our pension and welfare operations continue to generate the majority of our revenues and operating income in this segment. See discussion under "—Recent Developments—South Africa—SASSA" for a discussion of the implementation status of our SASSA contract.

South African transaction processors:

The table below presents the total volume and value processed during the third quarter of fiscal 2013 and 2012:

Table 9

Transaction processor	Total volume ('000s)		Total value $ ('000)		Total value ZAR ('000)	
	2013	2012	2013	2012	2013	2012
CPS	28,727	9,460	3,031,625	1,139,595	25,666,342	8,948,214
EasyPay	105,708	96,139	2,815,953	2,519,319	23,840,425	19,781,946
MediKredit	2,706	2,733	175,651	147,120	1,487,096	1,155,201
FIHRST	5,933	5,951	2,381,514	2,411,275	20,162,374	18,933,574

EasyPay has recently signed agreements with two large retailers in South Africa and commenced processing transactions for one of them during the second quarter of fiscal 2013 which resulted in an increase in transaction volumes this quarter. EasyPay values processed have increased primarily due to inflationary increases in the underlying average transaction values and the new retailer.

MediKredit's total volumes processed decreased moderately due to the on-going consolidation in the medical scheme industry in South Africa which has resulted in MediKredit losing adjudication and processing business as its providers are obligated to outsource these services to their parent's processor. This moderate decrease in volumes has been offset by commencing adjudication and processing activities for new providers, including public hospitals, private hospitals and specialist doctors. MediKredit's total value processed has increased due to the significant increase in the underlying cost of medical services and products in the South African medical scheme industry.

FIHRST volumes modestly decreased due to on-going labor strikes in the South African mining industry during the quarter. As a result of the on-going strikes, some of FIHRST's mining industry customers temporarily suspended wage payments which resulted in a lower number of transactions processed during the third quarter of fiscal 2013. However, as and when the strikes were settled, FIHRST's customers requested FIHRST to process one transaction which included a catch up payment of all missed wages and any other benefits. While volumes have decreased due to the strikes, total transaction values have increased due to a higher number of customers and inflationary-related increases to the underlying transaction values. Strike activity has continued through to the fourth quarter of fiscal 2013 and we expect a similar reduction in our transaction volumes as a result of the practice of processing one transaction to catch up payment of all missed wages and any other benefits.

International transaction-based activities

KSNET continues to contribute the majority of our revenues and operating income in this operating segment. Revenue was modestly impacted by ISC notifying NUETS that it would not renew its contracts upon their expiration. Operating margin for the segment is lower than most of our South African transaction-based businesses and was negatively impacted by the expiration of the Iraqi contracts with ISC and the related bad debt provision required as well as on-going competition in the Korean marketplace, but was partially offset by increased revenue contributions from KSNET.

Smart card accounts

In ZAR, our revenue from this operating segment was higher because the number of smart card-based accounts has increased as a result of the new SASSA contract, however, our revenue per account has decreased in fiscal 2013. We reduced our pricing for smart card accounts after taking into consideration the lower price and higher volumes under the new contract.

The new pricing, effective from April 1, 2012, reduced the average monthly revenue per smart card from ZAR5.50 to ZAR4.00 and the operating income margin from 45% to 28%. Operating income margin from providing smart card accounts for the third quarter of fiscal 2013 and 2012 was 28% and 45%, respectively.

In ZAR, revenue from the provision of smart card-based accounts increased in proportion to the increased number of recipients serviced through our SASSA contract. Approximately 6.6 million smart card-based accounts were active at March 31, 2013 compared to approximately 3.5 million active accounts as at March 31, 2012.

Financial services

UEPS-based lending contributes the majority of the revenue and operating income in this operating segment. Our current UEPS-based lending portfolio comprises loans made to qualifying old age grant recipients in some of the provinces where we distribute social welfare grants. We no longer insure our UEPS-based lending book. Revenue decreased primarily due to a decrease in the number of loans granted. Operating income decreased primarily as a result of on-going start-up expenditure incurred to establish our Smart Life insurance business and a lower contribution from our UEPS-based lending business. Smart Life did not contribute to operating income in the third quarter of fiscal 2013 and is currently unable to issue new insurance policies as a result of the suspension of its license.

Operating income margin for the financial services segment increased to 69% from 55%, primarily as a result of an improved margin in our UEPS-based lending book resulting from a better loss experience, offset by start-up expenditures related to Smart Life and other financial services offerings. We are not able to accurately quantify the corporate administration and overhead expenses related to this segment and therefore do not allocate such costs to this segment.

Hardware, software and related technology sales

In ZAR, the increase in revenue resulted primarily from an increase in royalty fees and ad hoc hardware sales, offset by a lower contribution from most other major contributors to hardware and software sales. Operating income increased due the higher royalty fees and ad hoc hardware sales, offset by the lower contribution from most key contributors to the operating segment. Significant quarter over quarter fluctuations in revenue, operating income and operating margin are expected due to ad hoc orders in this operating segment.

As we expand internationally, whether through traditional selling arrangements to provide products and services (such as in Ghana or through joint ventures (such as with SmartSwitch Namibia), we expect to receive revenues from sales of hardware and from software customization and licensing to establish the infrastructure of POS terminals and smart cards necessary to enable utilization of the UEPS technology in a particular country. To the extent that we enter into joint ventures and account for the investment as an equity investment, we are required to eliminate our portion of the sale of hardware, software and licenses to the investees. The sale of hardware, software and licenses under these arrangements occur on an ad hoc basis as new arrangements are established, which can materially affect our revenues and operating income in this segment from period to period.

Corporate/eliminations

The increase in our corporate expenses resulted primarily from legal fees we incurred in connection with the DOJ and SEC investigations, stock-based compensation and other corporate head office-related expenses.

Our corporate expenses also include expenditure related to compliance with Sarbanes; non-executive directors’ fees; employee and executive salaries and bonuses; stock-based compensation; legal and audit fees; directors and officers insurance premiums; telecommunications expenses; property-related expenditures including utilities, rental, security and maintenance; and elimination entries.

Year to date fiscal 2013 compared to year to date fiscal 2012

The following factors had an influence on our results of operations during the year to date fiscal 2013 as compared with the same period in the prior year:

- ***Unfavorable impact from the strengthening of the US dollar:*** The US dollar appreciated by 8% against the ZAR during the year to date fiscal 2013 which negatively impacted our reported results;
- ***SASSA implementation costs:*** We continued implementing our SASSA contract during the year to date fiscal 2013 and incurred higher implementation and staff costs compared with fiscal 2012;
- ***DOJ and SEC investigation-related expenses:*** We incurred DOJ and SEC investigation-related expenses of $4.8 million; and
- ***Bad debt provision for amounts due under expired Iraqi contracts:*** We have provided $2.3 million related to the expired NUETS Iraqi customer contracts;
- ***Fiscal 2012 impacted by change in South African tax law:*** As a result of the change in South African tax law that replaced STC with a dividends withholding tax, fiscal 2012 tax expense included a net taxation benefit of $10.1 million, as we recorded a $18.3 million deferred tax benefit which was offset by an $8.2 million foreign tax credit valuation allowance; and
- ***Profit on liquidation of SmartSwitch Nigeria***: In fiscal 2012, we recorded a non-cash profit of $4.0 million on the liquidation of SmartSwitch Nigeria.

Consolidated overall results of operations

This discussion is based on the amounts which were prepared in accordance with US GAAP.

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

Table 10	**In United States Dollars (US GAAP)**		
	Nine months ended March 31,		
	2013 $'000	**2012 $ '000**	**$ % change**
Revenue	334,265	282,648	18%
Cost of goods sold, IT processing, servicing and support	143,789	99,605	44%
Selling, general and administration	149,854	92,297	62%
Depreciation and amortization	31,051	27,194	14%
Operating income	9,571	63,552	(85%)
Interest income	8,195	5,981	37%
Interest expense	6,117	7,215	(15%)
Income before income tax expense	11,649	62,318	(81%)
Income tax expense	7,172	9,785	(27%)
Net income before earnings from equity-accounted investments	4,477	52,533	(91%)
Earnings from equity-accounted investments	204	100	104%
Net income	4,681	52,633	(91%)
(Add) Less net (loss) income attributable to non-controlling interest	(11)	5	nm
Net income attributable to us	4,692	52,628	(91%)

Table 11

	In South African Rand (US GAAP)		
	Nine months ended March 31,		
	2013 ZAR ’000	2012 ZAR ’000	ZAR % change
Revenue	2,827,147	2,211,580	28%
Cost of goods sold, IT processing, servicing and support	1,216,139	779,360	56%
Selling, general and administration	1,267,435	722,178	76%
Depreciation and amortization	262,624	212,780	23%
Operating income	80,949	497,262	(84%)
Interest income	69,312	46,799	48%
Interest expense	51,736	56,454	(8%)
Income before income tax expense	98,525	487,607	(80%)
Income tax expense	60,659	76,563	(21%)
Net income before earnings from equity-accounted investments	37,866	411,044	(91%)
Earnings from equity-accounted investments	1,725	782	121%
Net income	39,591	411,826	(90%)
(Add) Less net (loss) income attributable to non-controlling interest	(93)	39	nm
Net income attributable to us	39,684	411,787	(90%)

The increase in revenue was primarily due to incremental revenue resulting from our new SASSA contract and a higher contribution from KSNET.

The increase in cost of goods sold, IT processing, servicing and support was primarily due to higher expenses related to the implementation of our new SASSA contract which includes the UEPS/EMV smart cards issued to recipients during fiscal 2013.

Our selling, general and administration expense increased primarily due to the SASSA contract implementation costs described above, legal fees of approximately $4.8 million (ZAR 40.4 million) in connection with the government investigations and the bad debt provision bad debt provision for amounts owed to NUETS by ISC, its Iraqi customer. Our selling, general and administration expense for fiscal 2012 included SASSA contract implementation costs of $1.3 million and cash bonuses of $5.4 million related to our SASSA tender award and a non-cash profit related to the liquidation of SmartSwitch Nigeria of $4.0 million.

Our operating income margin for the year to date fiscal 2013 and 2012, was 3% and 22%, respectively. We discuss the components of operating income margin under “—Results of operations by operating segment.” The decrease is primarily attributable to higher implementation costs related to the SASSA contract, DOJ and SEC investigation costs and the provision for the amount owed by ISC, NUETS’ Iraqi customer, in fiscal 2013.

In ZAR, depreciation and amortization increased primarily as a result of an increase in depreciation related to assets used to service our obligations under our SASSA. The intangible asset amortization related to our various acquisitions has been allocated to our operating segments as presented in the tables below:

Table 12

	Nine months ended March 31,	
	2013 $ ’000	2012 $ ’000
Amortization included in depreciation and amortization expense:	13,954	14,709
South African transaction-based activities	4,003	4,805
International transaction-based activities	9,697	9,630
Hardware, software and related technology sales	254	274

Table 13

	Nine months ended March 31,	
	2013 ZAR ’000	2012 ZAR ’000
Amortization included in depreciation and amortization expense:	118,024	115,096
South African transaction-based activities	33,857	37,594
International transaction-based activities	82,015	75,350
Hardware, software and related technology sales	2,152	2,152

Interest on surplus cash increased to $8.2 million (ZAR 69.3 million) from $6.0 million (ZAR 46.8 million). The increase resulted primarily from higher average daily ZAR cash balances.

Interest expense decreased to $6.1 million (ZAR 51.7 million) from $7.2 million (ZAR 56.5 million) due to a lower average long-term debt balance.

Total fiscal 2013 tax expense was $7.2 million (ZAR 60.7 million) compared to $9.8 million (ZAR 76.6 million) in fiscal 2013. Our fiscal 2012 tax expense includes $18.3 million related to a change in South African tax law and the creation of a valuation allowance of $8.2 million related to foreign tax credits. Our effective tax rate for fiscal 2013, was 61.6% and was higher than the South African statutory rate primarily as a result of a valuation allowance for foreign tax credits, non-deductible expenses (including interest expense related to our long-term Korean borrowings and stock-based compensation charges) and South African dividend withholding taxes. Our effective tax rate for fiscal 2012, was 15.7% and was lower than the South African statutory rate as a result of a change in South African tax law which resulted in a net deferred taxation benefit and a non-taxable profit on liquidation of SmartSwitch Nigeria, which was partially offset by non-deductible expenses (including interest expense related to our long-term Korean borrowings and stock-based compensation charges) and the creation of a valuation allowance.

Results of operations by operating segment

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

Table 14

	In United States Dollars (US GAAP)				
	Nine months ended March 31,				
Operating Segment	**2013 $'000**	**% of total**	**2012 $'000**	**% of total**	**% change**
Consolidated revenue:					
SA transaction-based activities	181,137	54%	142,773	51%	27%
International transaction-based activities	97,881	29%	87,278	31%	12%
Smart card accounts	25,240	8%	23,074	8%	9%
Financial services	4,483	1%	6,344	2%	(29%)
Hardware, software and related technology sales	25,524	8%	23,179	8%	10%
Total consolidated revenue	334,265	100%	282,648	100%	18%
Consolidated operating income:					
SA transaction-based activities	4,136	43%	44,643	70%	(91%)
Operating income before amortization	8,139		49,448		
Amortization of intangible assets	(4,003)		(4,805)		
International transaction-based activities	(1,331)	(14%)	1,120	2%	(219%)
Operating income before amortization	8,366		10,750		
Amortization of intangible assets	(9,697)		(9,630)		
Smart card accounts	7,194	75%	10,487	17%	(31%)
Financial services	3,292	34%	3,685	6%	(11%)
Hardware, software and related technology sales	4,478	47%	1,545	2%	190%
Operating (loss) income before amortization	4,732		1,819		
Amortization of intangible assets	(254)		(274)		
Corporate/eliminations	(8,198)	(85%)	2,072	3%	nm
Total consolidated operating income	9,571	100%	63,552	100%	(85%)

Table 15

Operating Segment	In South African Rand (US GAAP) Nine months ended March 31, 2013 ZAR ’000	% of total	2012 ZAR ’000	% of total	% change
Consolidated revenue:					
SA transaction-based activities	1,532,021	54%	1,117,127	51%	37%
International transaction-based activities	827,858	29%	682,907	31%	21%
Smart card accounts	213,475	8%	180,543	8%	18%
Financial services	37,916	1%	49,639	2%	(24%)
Hardware, software and related technology sales	215,877	8%	181,364	8%	19%
Total consolidated revenue	2,827,147	100%	2,211,580	100%	28%
Consolidated operating income:					
SA transaction-based activities	34,981	43%	349,309	70%	(90%)
Operating income before amortization	68,838		386,903		
Amortization of intangible assets	(33,857)		(37,594)		
International transaction-based activities	(11,257)	(14%)	8,763	2%	(228%)
Operating income before amortization	70,758		84,113		
Amortization of intangible assets	(82,015)		(75,350)		
Smart card accounts	60,845	75%	82,056	17%	(26%)
Financial services	27,843	34%	28,833	6%	(3%)
Hardware, software and related technology sales	37,874	47%	12,089	2%	213%
Operating (loss) income before amortization	40,026		14,241		
Amortization of intangible assets	(2,152)		(2,152)		
Corporate/eliminations	(69,337)	(85%)	16,212	3%	nm
Total consolidated operating income	80,949	100%	497,262	100%	(84%)

South African transaction-based activities

In ZAR, the increases in segment revenue were primarily due to higher revenues earned under our new SASSA contract. Segment revenues include the transaction fees we earn through our merchant acquiring system and reflect the elimination of inter-company transactions.

Our operating income margin for 2013 and 2012 was 2% and 31%, respectively, and has declined primarily due to SASSA implementation costs.

Pension and welfare operations:

Our pension and welfare operations continue to generate the majority of our revenues and operating income in this segment. See also discussion under “—Recent Developments—South Africa—SASSA” for a discussion of the implementation status of our SASSA contract.

South African transaction processors:

The table below presents the total volume and value processed during the year to date fiscal 2013 and 2012:

Table 16

Transaction processor	Total volume (‘000s) 2013	2012	Total value $ (‘000) 2013	2012	Total value ZAR (‘000) 2013	2012
CPS	85,669	28,400	9,184,743	3,428,106	77,682,718	26,823,214
EasyPay(1)	319,508	347,161	8,525,275	9,460,086	72,105,069	74,020,446
Remaining core	319,508	322,765	8,525,275	8,682,822	72,105,069	67,938,741
Discontinued	-	24,396	-	777,264	-	6,081,705
MediKredit	7,684	7,913	508,863	443,550	4,303,865	3,470,559
FIHRST	18,098	18,046	7,289,395	7,348,474	61,652,241	57,498,134

(1) – includes Eason prepaid airtime and electricity volume and value from October 1, 2012 and reclassified to reflect the consolidation of value-added services through EasyPay and to reflect the remaining core processing activities.

During the year to date fiscal 2012, one of EasyPay's large customers decided to perform its EFT/switching activities in-house, which had an adverse impact on our volumes in the year to date fiscal 2012. EasyPay has retained its value-added services relationship with this customer and therefore the overall impact to revenue and profitability is modest. EasyPay volumes and values were impacted by its focus on higher-margin value-added services and termination of certain inefficient activities such as the hosting of processing servers for financial institutions. EasyPay has signed contracts with two large retailers and commenced processing transaction for one of them, with a modest impact on transaction volumes and values.

MediKredit's total volumes processed decreased moderately due to the on-going consolidation in the medical scheme industry in South Africa which has resulted in MediKredit losing adjudication and processing business as its providers are obligated to outsource these services to their parent's processor. This moderate decrease in volumes has been offset by commencing adjudication and processing activities for new providers, including public hospitals, private hospitals and specialist doctors. MediKredit's total value processed has increased due to the significant increase in the underlying cost of medical services and products in the South African medical scheme industry.

FIHRST volumes modestly increased due to labor strikes in the South African mining industry. As a result of the strikes, some of FIHRST's mining industry customers temporarily suspended wage payments which resulted in a lower number of transactions processed during fiscal 2013. However, as and when the strikes were settled, FIHRST's customers requested FIHRST to process one transaction which included a catch up payment of all missed wages and any other benefits. While volumes are flat due to the strikes, total transaction values have increased due to a higher number of customers and inflationary-related increases to the underlying transaction values.

International transaction-based activities

KSNET continues to contribute the majority of our revenues and operating income in this operating segment. Operating margin for the segment is lower than most of our South African transaction-based businesses and was negatively impacted by the expiration of the Iraqi contracts with ISC and the related bad debt provision required as well as on-going competition in the Korean marketplace, but was partially offset by increased revenue contributions from KSNET.

Smart card accounts

In ZAR, our revenue from this operating segment was higher because the number of smart card-based accounts has increased as a result of the new SASSA contract. Operating income margin from providing smart card accounts for the year to date fiscal 2013 and 2012 was 29% and 45%, respectively.

In ZAR, revenue from the provision of smart card-based accounts increased in proportion to the increased number of recipients serviced through our SASSA contract. Approximately 6.6 million smart card-based accounts were active at March 31, 2013 compared to approximately 3.5 million active accounts as at March 31, 2012.

Financial services

UEPS-based lending contributes the majority of the revenue and operating income in this operating segment. Revenue decreased primarily due to a decrease in the number of loans granted. Operating income decreased primarily as a result of on-going start-up expenditure incurred to establish our Smart Life insurance business and as a result of lower UEPS-based lending activity. Smart Life did not contribute to operating income in the year to date fiscal 2013.

Operating income margin for the financial services segment increased to 73% from 58%, primarily as a result of an improved margin in our UEPS-based lending book resulting from a better loss experience, offset by start-up expenditures related to Smart Life and other financial services offerings.

Hardware, software and related technology sales

In ZAR, the increase in revenue and operating income resulted primarily from higher royalty fees, offset by a lower contribution from most other contributors to hardware and software sales. Significant quarter over quarter fluctuations in revenue, operating income and operating margin are expected due to ad hoc orders in this operating segment.

Corporate/eliminations

Our year to date fiscal 2012 includes a non-cash profit related to the liquidation of SmartSwitch Nigeria of $4.0 million. Excluding this non-cash profit, the increase in our corporate expenses resulted primarily from an increase in expenses including legal fees we incurred in connection with the DOJ and SEC investigations, stock-based compensation and other corporate head office-related expenses.

Liquidity and Capital Resources

At March 31, 2013, our cash balances were $42.6 million, which comprised mainly ZAR-denominated balances of ZAR 110.1 million ($11.9 million), KRW-denominated balances of KRW 31.1 billion ($27.8 million) and US dollar-denominated balances of $2.1 million and other currency deposits, primarily euro, of $0.9 million. The increase in our cash balances from June 30, 2012 was primarily from cash generated from operations, offset by implementation costs and capital expenditures incurred to implement our SASSA contract, a scheduled repayment of our Korean debt and the acquisition of Pbel and SmartSwitch Botswana.

We currently believe that our cash and credit facilities are sufficient to fund our operations for at least the next four quarters, including completion of the SASSA contract implementation. However, substantially all of our business is conducted through our South African and Korean subsidiaries and most of our cash reserves are in the form of ZAR or KRW held by our South African and Korean subsidiaries. Most of the legal costs relating to the DOJ and SEC investigations are incurred by us in US dollars in the U.S. The majority of these legal costs had not yet been paid as of March 31, 2013. Subsequently, we upstreamed cash from our South African operations to fund a portion of these expenses, notwithstanding currency conversion at adverse rates and the incurrence of dividend withholding taxes that we would not have to pay absent such expenses.

We generally invest the surplus cash held by our South African operations in overnight call accounts that we maintain at South African banking institutions, and surplus cash held by our non-South African companies in the US and European money markets. We have invested surplus cash in Korea in short-term investment accounts at Korean banking institutions. In addition, we are required to invest the interest payable under our Korean debt facilities due in the next nine months in an interest reserve account in Korea.

Historically, we have financed most of our operations, research and development, working capital, capital expenditures and acquisitions through our internally generated cash. 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.

We have a South African short-term credit facility of approximately ZAR 250 million (approximately $27 million translated at exchange rates applicable as of March 31, 2013) which remained fully undrawn as of March 31, 2013.

As of March 31, 2013, we had outstanding long-term debt of KRW 100.6 billion (approximately $89.8 million translated at exchange rates applicable as of March 31, 2013) under credit facilities with a group of Korean banks. The loans bear interest at the Korean CD rate in effect from time to time (2.84% as of March 31, 2013) plus a margin of 4.10%. Semi-annual principal payments of approximately $7.3 million (translated at exchange rates applicable as of March 31, 2013) were due starting in October 2011, with final maturity scheduled for October 2015.

Cash flows from operating activities

Third quarter

Net cash provided by operating activities for the third quarter of fiscal 2013 was $12.2 million (ZAR 103.2 million) compared to $22.0 million (ZAR 172.7 million) for the third quarter of fiscal 2012. Excluding the impact of interest received, interest paid under our Korean debt and taxes presented in the table below, the decrease in cash provided by operating activities resulted from significant implementation costs related to our SASSA contract, partially offset by cash generated from operations.

During the third quarter of fiscal 2013, we paid first and second provisional South African taxes of $0.5 million (ZAR 4.3 million) and $0.1 million (ZAR 0.7 million), respectively, related to our 2013 tax year and dividend withholding tax of $0.2 million (ZAR 1.9 million). We also paid provisional Korean taxes of $0.9 million related to our tax year ended December 31, 2012. During the third quarter of fiscal 2012, we paid secondary taxation on companies of $0.3 million (ZAR 2.5 million). We also paid provisional Korean taxes of $0.2 million related to our tax year ended December 31, 2011.

Taxes paid during the third quarter of fiscal 2013 and 2012 were as follows:

Table 17

	Three months ended March 31,			
	2013	**2012**	**2013**	**2012**
	$	**$**	**ZAR**	**ZAR**
	'000	**'000**	**'000**	**'000**
First provisional payments	473	-	4,339	-
Second provisional payments	82	-	728	-
Taxation refunds received	-	-	(4)	-
Dividend withholding taxation	213	-	1,871	-
Secondary taxation on companies	-	326	-	2,500
Total South African taxes paid	768	326	6,934	2,500
Foreign taxes paid: primarily Korea	933	177	8,180	1,424
Total tax paid	1,701	503	15,114	3,924

We expect to pay our second provisional payments in South Africa related to our 2013 tax year in the fourth quarter of fiscal 2013.

Year to date

Net cash provided by operating activities for the year to date fiscal 2013 was $31.0 million (ZAR 262.1 million) compared to $43 million (ZAR 336.5 million) for the year to date fiscal 2012. Excluding the impact of interest received, interest paid under our Korean debt and taxes presented in the table below, the decrease in cash provided by operating activities resulted from significant implementation costs related to our SASSA contract, partially offset by cash generated from operations.

During the year to date fiscal 2013, we paid first and second provisional South African taxes of $6.8 million (ZAR 58.7 million) and $0.1 million (ZAR 0.7 million), respectively, related to our 2013 tax year, $3.1 million (ZAR 27.0 million) related to prior tax years and dividend withholding taxes of $0.6 million (ZAR 5.4 million). We also paid provisional Korean taxes of $1.7 million related to our tax year ended December 31, 2012. During the year to date fiscal 2012, we paid South African tax of $15.0 million (ZAR 123.3 million) related to our 2012 tax year, $3.5 million (ZAR 26.3 million) related to our 2011 tax year and STC of $1.8 million (ZAR 14.6 million). We also paid provisional Korean taxes of $1.2 million.

Taxes paid during the year to date fiscal 2013 and 2012 were as follows:

Table 18

	Nine months ended March 31,			
	2013	**2012**	**2013**	**2012**
	$	**$**	**ZAR**	**ZAR**
	'000	**'000**	**'000**	**'000**
First provisional payments	6,757	15,014	58,693	123,271
Second provisional payments	82	-	728	-
Taxation paid related to prior years	3,110	3,504	26,978	26,303
Taxation refunds received	(118)	(284)	(1,010)	(2,096)
Dividend withholding taxation	611	-	5,371	-
Secondary taxation on companies	-	1,811	-	14,615
Total South African taxes paid	10,442	20,045	90,760	162,093
Foreign taxes paid: primarily Korea	1,738	1,213	14,992	9,217
Total tax paid	12,180	21,258	105,752	171,310

Cash flows from investing activities

Third quarter

Cash used in investing activities for the third quarter of fiscal 2013 includes capital expenditure of $5.1 million (ZAR 46.7 million), primarily for computer equipment for our SASSA contract and acquisition of payment processing terminals in Korea.

Cash used in investing activities for the third quarter of fiscal 2012 includes capital expenditure of $13.9 million (ZAR 109.1 million), primarily for payment vehicles for of our new SASSA contract, acquisition of payment processing terminals in Korea and POS devices to service our merchant acquiring system in South Africa.

Year to date

Cash used in investing activities for the year to date fiscal 2013 includes capital expenditure of $17.1 million (ZAR 144.7 million), primarily for computer equipment, payment vehicles and related equipment for our SASSA contract and acquisition of payment processing terminals in Korea.

During the year to date fiscal 2013 we paid, net of cash acquired, $1.9 million (ZAR 16.2 million) for Pbel and $0.2 million for SmartSwitch Botswana.

Cash used in investing activities for the year to date fiscal 2012 includes capital expenditure of $23.5 million (ZAR 183.9 million), primarily for payment vehicles for our SASSA contracts, acquisition of payment processing terminals in Korea and POS devices to service our merchant acquiring system in South Africa.

During the year to date fiscal 2012, we received a net settlement of $4.9 million from the former shareholders of KSNET. We also paid $4.5 million (ZAR 36.4 million) for the Eason prepaid electricity and airtime business.

Cash flows from financing activities

Third quarter

There were no cash flows from financing activities during the third quarter of fiscal 2013.

During the third quarter of fiscal 2012, we made an unscheduled $4.8 million long-term debt repayment.

Year to date

During the year to date fiscal 2013, we made long-term debt repayments of $7.3 million and received $0.2 million from the exercise of stock options.

During the year to date fiscal 2012, we made long-term debt repayments of $12.0 million and acquired 180,656 shares of our common stock for $1.1 million.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Capital Expenditures

We expect that capital spending for the fourth quarter of fiscal 2013 will include computer equipment for our SASSA contract and payment terminals for the expansion of our operations in Korea.

Our historical capital expenditures for the third quarter of fiscal 2013 and 2012 are discussed under "—Liquidity and Capital Resources—Cash flows from investing activities and—"Recent Developments—South Africa—SASSA"." 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, 2013, of $1.2 million related mainly to computer equipment implement our new SASSA contract. 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, 2013:

Table 19	**Payments due by Period, as of March 31, 2013 (in $ '000s)**				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt obligations (A)	101,272	20,620	80,652	-	-
Operating lease obligations	9,923	4,093	4,752	1,078	-
Purchase obligations	2,088	2,088	-	-	-
Other long-term obligations (B)	23,331	-	-	-	23,331
Total	136,614	26,801	85,404	1,078	23,331

(A) – Includes $89.8 million of long-term debt discussed under "—Liquidity and capital resources" and includes interest payable at the rate applicable as of March 31, 2013.

(B) – Includes policy holder liabilities of $22.3 million related to our insurance business.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In addition to the tables below, see note 6 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, 2013, as a result of a change in the Korean CD rate. The effects of a hypothetical 1% increase and a 1% decrease in the Korean CD rate as of March 31, 2013, is shown. The selected 1% hypothetical change does not reflect what could be considered the best or worst case scenarios.

Table 20	As of March 31, 2013		
	Annual expected interest charge ($ ’000)	Hypothetical change in Korean CD rate	Estimated annual expected interest charge after hypothetical change in Korean CD rate ($ ’000)
Interest on Korean long-term debt	6,229	1%	7,127
		(1%)	5,332

The following table summarizes our exchange-traded equity securities with equity price risk as of March 31, 2013. The effects of a hypothetical 10% increase and a 10% decrease in market prices as of March 31, 2013, is also shown. The selected 10% hypothetical change does not reflect what could be considered the best or worst case scenarios. Indeed, results could be far worse due both to the nature of equity markets and the aforementioned liquidity risk.

Table 21	As of March 31, 2013			
	Fair value ($ ’000)	Hypothetical price change	Estimated fair value after hypothetical change in price ($ ’000)	Hypothetical Percentage Increase (Decrease) in Shareholders’ Equity
Exchange-traded equity securities	8,027	10%	8,830	0.23%
		(10%)	7,224	(0.23%)

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, as of March 31, 2013. 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, the chief executive officer and the chief financial officer concluded that our disclosure controls and procedures were effective as of March 31, 2013.

Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting during the fiscal quarter ended March 31, 2013, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

AllPay Challenge to Tender Award

On March 27, 2013, a full bench of the South African Supreme Court of Appeal dismissed AllPay's appeal against the earlier ruling by the North Gauteng High Court that SASSA's award of the tender to us would not be set aside. The Supreme Court also upheld our and SASSA's appeal against the High Court's orders that the process conducted in awarding the contract was illegal and invalid and that we and SASSA pay AllPay's costs occasioned by the court proceedings. The Supreme Court also ordered AllPay to pay our and SASSA's costs occasioned by the court proceedings, including the cost of three counsel. The judges presiding at the Supreme Court hearing unanimously ruled that there were no unlawful irregularities in the tender process followed by the South African Social Security Agency. Accordingly, our SASSA contract to distribute social welfare grants to ten million South Africans every month, for a period of five years, remains in full force and effect. On April 18, 2013, AllPay applied for leave to appeal to the South African Constitutional Court, the highest court in the country, against the judgment of the Supreme Court. We and SASSA have opposed AllPay's application. AllPay's previous approach to the Constitutional Court, before the Supreme Court hearing and ruling, was rejected at that time. As described below, AllPay's previous approach to the Constitutional Court was rejected at that time. We cannot predict if AllPay's leave to appeal will be granted or if it is granted, when or how the Constitutional Court would rule on the matter.

The background of this lawsuit is that on February 8, 2012, AllPay filed an application in the High Court seeking to set aside the award of the SASSA tender to us. AllPay was one of the unsuccessful bidders during the SASSA tender process and was a former contractor to SASSA. We and SASSA were included among the respondents in this proceeding. We and SASSA both opposed AllPay's application. When SASSA publicly announced the award of the tender to us in January 2012, it stated that it had conducted the tender in accordance with all relevant legislation. The High Court heard the matter in May 2012. We applied to the High Court to strike the allegations of corruption contained in AllPay's court papers, as well as the newspaper articles relied upon by AllPay, from the court record. At the outset of the hearing, the High Court ordered that all these allegations and newspaper articles be struck from the court record, with a cost order against AllPay. The High Court issued its ruling, in relation to the application to set aside the award, on August 28, 2012. The result of the ruling was that our contract with SASSA remained valid and was not set aside. Specifically, the High Court ruled that the tender process conducted by SASSA was illegal and invalid but that the award of the tender to us was not set aside. The court also ordered the CEO of SASSA, SASSA and us to pay costs. SASSA and we appealed the ruling that the tender process was illegal and invalid as well as the cost order. AllPay appealed the ruling that the award of the tender by SASSA to us should not be set aside. The appeal was heard on February 15, 2013 before the Supreme Court, which issued its ruling on March 27, 2013.

After the High Court ruling, AllPay approached the Constitutional Court for leave to appeal the High Court ruling directly to the Constitutional Court. We and SASSA opposed AllPay's application. On November 1, 2012, the Constitutional Court concluded that the AllPay application should be dismissed as it was not in the interest of justice to hear the matter at that stage. The leave to appeal filed by AllPay on April 18, 2013 is thus AllPay's second approach to the Constitutional Court in this matter.

Suit Against AllPay

On December 11, 2012, we commenced a lawsuit in the South Gauteng High Court in South Africa against AllPay. In our lawsuit, we have alleged that AllPay, wrongfully and unlawfully and with the intention of injuring our reputation, infringing our goodwill and reducing our share price, competed unlawfully with us, by

- directly or indirectly making false reports and providing false information to members of the South African media which AllPay orchestrated thereby creating the basis for false media reports which alleged or implied that the SASSA tender process was tainted by corruption through bribes by or on behalf of our subsidiary, Cash Paymaster Services;
- introducing the media reports and allegations of corruption by or on behalf of us in connection with the SASSA tender process into the court proceedings in South Africa instituted by AllPay which sought to set aside the award of the tender to us;
- causing an unfounded report to be made to the JSE Limited, or JSE, regarding disclosure that we made in relation to the SASSA contract;
- making a report to the DOJ, bringing to the attention of the DOJ the corruption allegations and the South African media reports and repeating the allegations made in the report to the JSE; and
- falsely seeking to create the impression in media reports and radio interviews that it had been found in the South African court proceedings described above that the tender process was tainted by corruption.

In the lawsuit, we are seeking damages in the aggregate amount of ZAR 478 million (approximately US$55 million based on the ZAR/US dollar exchange rate on December 11, 2012) plus interest and costs. The damages claimed may increase as we quantify the continued impact of AllPay's actions.

A trial date will be applied for after the exchange of the required pleadings and finalization of any interlocutory issues which may arise. It is unlikely that the matter will go to trial before June 30, 2013, the end of our current financial year.

Item 1A. Risk Factors

See "Item 1A RISK FACTORS" in Part I of our Annual Report on Form 10-K for the fiscal year ended June 30, 2012, 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 for the fiscal year ended June 30, 2012, and our Quarterly Report on Form 10-Q for the quarters ended September 30, 2012 and December 31, 2012.

The DOJ and the SEC are investigating whether we have violated the Foreign Corrupt Practices Act and other federal criminal laws, which has adversely impacted our business and reputation.

On November 30, 2012, we received a letter from the DOJ, Criminal Division informing us that the DOJ and the Federal Bureau of Investigation have begun an investigation into whether we and our subsidiaries, including our officers, directors, employees, and agents and other persons and entities possibly affiliated with us violated provisions of the Foreign Corrupt Practices Act and other U.S. federal criminal laws by engaging in a scheme to make corrupt payments to officials of the Government of South Africa in connection with securing our SASSA contract and also engaged in violations of the federal securities laws in connection with statements made by us in our SEC filings regarding this contract. On the same date, we received a letter from the Division of Enforcement of the SEC advising us that it is also conducting an investigation concerning our company. The SEC letter states that the investigation is a non-public, fact-finding inquiry and that the SEC investigation does not mean that the SEC has concluded that we or anyone else has broken the law or that the SEC has a negative opinion of any person, entity or security. We are continuing to cooperate with the DOJ and the SEC regarding these investigations.

We have been, and will continue to be, exposed to a variety of negative consequences as a result of these investigations. There could be one or more enforcement actions in respect of the matters that are the subject of one or both of the investigations, and such actions, if brought, may result in judgments, settlements, fines, penalties, injunctions, cease and desist orders or other relief, criminal convictions and/or penalties. We cannot predict accurately at this time the outcome or impact of the investigations. In addition, we have incurred and will continue to incur significant legal and other costs in responding to requests for information seeking documents, testimony and other information in connection with the investigations and cannot predict at this time the ultimate amount of all such costs. These matters have required the involvement of certain members of our senior management that has materially and adversely affected their ability to devote their time to other matters relating to our business. The investigations have negatively impacted our ability to maintain our existing business relationships and to obtain new business, as our business reputation has already suffered significant damage due to the perceptions created by an investigation of this nature. We believe that this damage to our reputation has, and will continue, to have a significant impact on our ability to execute certain aspects of our business strategy effectively. For example, the South African Financial Services Board has suspended Smart Life's license and prohibited it from writing any new long-term insurance policies in South Africa. We believe that the suspension was triggered by the adverse publicity we have received as a result of the DOJ and SEC investigations. Although we are appealing this decision, we cannot predict whether our appeal will be successful. While Smart Life's operations are not currently material, providing a variety of financial products, such as insurance, to our cardholder base is an important part of our future business strategy. We have also been unable to conclude our BEE transaction, as described below. In addition, in order to continue to fund the costs of the investigations, we have had to upstream our ZAR cash reserves to the U.S., which has resulted in unfavorable currency conversion rates and the incurrence of dividend withholding taxes that we would not otherwise have had to pay.

AllPay has filed leave to appeal the recent ruling of the South African Supreme Court of Appeal that the award of the SASSA tender to us should not be set aside. If AllPay's leave to appeal is granted and if its appeal is successful, we could lose our SASSA contract.

As described above in "Item 1. Legal Proceedings," on March 27, 2013, a full bench of the South African Supreme Court of Appeal dismissed AllPay's appeal against the earlier ruling by the North Gauteng High Court that the award of the SASSA tender to us would not be set aside. The Supreme Court also upheld our and SASSA's appeal against the High Court's order that the process conducted in awarding the contract was illegal and invalid. On April 18, 2013, AllPay filed leave to appeal with the South African Constitutional Court, the highest court in the country, against the judgment of the Supreme Court of Appeal.

We cannot predict if AllPay's leave to appeal will be granted or if it is granted, when or how the Constitutional Court would rule on the matter. If AllPay is successful in its appeal, it is possible that our SASSA contract could be set aside.

If that were to occur, SASSA may be required to conduct a new tender process, which would consume a substantial portion of management's time and attention as well as create uncertainty regarding the timing and ultimate outcome. We may be required to continue providing our payment service to SASSA during such a tender period. In addition, since we were awarded the tender in January 2012, we have made major capital investments in order to perform under the contract and provide payment distribution services throughout all of South Africa. If our contract were to be set aside, it is likely that we would suffer a significant loss.

Our Black Economic Empowerment transaction has been jeopardized as a result of the drop in our stock price after our announcement of the DOJ and SEC investigations.

We entered into a Black Economic Empowerment, or BEE, transaction in 2012 pursuant to which, among other things, we granted a BEE consortium a one-year option to purchase 8,955,000 shares of our common stock at an exercise price of $8.96 per share. We entered into the BEE transaction to facilitate sustainable economic growth and social development in South Africa by adhering to the principles of broad-based BEE, to strengthen the development of our business plan and to comply with South African regulation and business practice. When we entered into the BEE transaction, we expected that the exercise of the option by the BEE consortium would also substantially improve our BEE rating, which we anticipated would significantly enhance our ability to execute our longer-term strategy in South Africa and elsewhere in Africa and strengthen our business credentials that we believe are essential to maintain and accelerate the growth of our business. However, our stock price decreased materially when we announced the existence of the DOJ and SEC investigations and the option expired unexercised on April 19, 2013, as our stock price continued to remain substantially below the exercise price of the option through the expiration date of the option. As a result, the option expired unexercised in April 2013 and we have therefore not succeeded in achieving the envisaged objectives of the BEE transaction. Although we and the BEE consortium are evaluating various alternatives to ensure that our BEE objectives will be met, we cannot assure you that these efforts will be successful. Failure to achieve applicable BEE objectives could materially and adversely affect our South African businesses. For more information, please refer to the risk factor on page 23 of our Annual Report on Form 10-K for the year ended June 30, 2012, entitled "If we do not achieve applicable black economic empowerment objectives in our South African businesses, we risk losing our government and private contracts. In addition, it is possible that we may be required to achieve black shareholding of our company in a manner that could dilute your ownership."

In addition, under US generally accepted accounting principles, or GAAP, we recorded a non-cash charge of approximately $14.2 million during fiscal 2012 in respect of the grant of the option pursuant to our BEE transaction in January 2012. The $14.2 million charge was determined under GAAP as the fair value of the option on the date of grant and was expensed in full during fiscal 2012. Even though the option expired unexercised, GAAP does not permit the reversal of the prior charge. If we were to grant a new option to the BEE consortium, we would have to record another non-cash charge which would adversely affect our reported results of operations in the period during which we would be required to record such charge.

Our KSNET operations may be adversely affected by tension in the Korean peninsula

Our KSNET operations contributed approximately 25% of our revenue and operating income for the nine months to March 31, 2013. Over the past several months, there has been increased tension on the Korean peninsula and a concern about potential acts of military aggression or cyber-attacks. This tension may have started to adversely impact the Korean economy as is evidenced by the weakening of the KRW against the USD during calendar 2013. Because KSNET is a transaction processor, its operations are dependent on continuing high levels of consumer activity and the availability of data communication infrastructure. Acts of military aggression in the Korean peninsula, other hostile acts or economic weakness that reduces spending by South Korean consumers is likely to materially and adversely impact our KSNET operations. If this were to occur, we might be unable to comply with the debt covenants contained in our Korean debt facility, which could result in default and acceleration of our indebtedness. If this were to occur, we might not be able to obtain waivers of default or to refinance the debt with another lender and as a result, our business and financial condition would suffer.

Item 5. Other Information

On May 7, 2013, we signed an agreement of lease for our 83,000 square foot corporate headquarters facility in Johannesburg, South Africa. The lease effectively commenced on December 1, 2011, however, we have only now finalized the written agreement. The agreement expires on November 30, 2016 and, at our option, includes a one-year extension.

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
10.25	Agreement of Lease, Memorandum of an agreement entered into by and between Buzz Trading 199 (Pty) Ltd and Net 1 Applied Technologies South Africa (Pty) Ltd dated May 7, 2013	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, 2013.

NET 1 UEPS TECHNOLOGIES, INC.

By: /s/ Dr. Serge C.P. Belamant\

Dr. Serge C.P. Belamant
Chief Executive Officer, Chairman of the Board and Director

By: /s/ Herman Gideon Kotzé

Herman Gideon Kotzé
Chief Financial Officer, Treasurer and Secretary, Director

AGREEMENT OF LEASE

MEMORANDUM OF AN AGREEMENT ENTERED INTO BY AND BETWEEN:

BUZZ TRADING 199 (PTY) LTD
Registration Number: 2007/021617/07
VAT Registration Number: 4260246410

herein represented by **LANCE MANNING SEYMOUR CHALWIN-MILTON**
in his capacity as **DIRECTOR OF THE COMPANY**, duly authorised thereto;
(hereinafter referred to as "the Lessor")

and

NET 1 APPLIED TECHNOLOGIES SOUTH AFRICA (PTY) LTD
Registration No: 2002/031446/07
VAT Registration Number: 4780209849

herein represented by **HERMAN KOTZÉ**
ID Number : ___________________________________

in his capacity as **DIRECTOR OF THE COMPANY**
duly authorised thereto;
(hereinafter referred to as "the Lessee")

The Lessor hereby lets to the Lessee who hereby hires the Leased Premises described herein on the terms and conditions as set out in the Schedule, Terms and Conditions of the Agreement of Lease and Annexures.

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ANNEXURES TO THIS AGREEMENT

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SCHEDULE

1. **Particulars**

1.1	**The Lessor**	:	**Buzz Trading 199 (Pty) Ltd** Registration number: **2007/021617/07** Domicilium: 81 – 8th Avenue Parktown North Johannesburg 2001
1.2	**The Lessee**	:	**NET 1 Applied Technologies South Africa (Pty) Ltd** Registration Number :**2002/031446/07** Domicilium: **3rd Floor** **North Wing,** **President Place,** **Cnr Hood and Bolton Roads,** **Rosebank, 2193**
1.3	**Lessee's Trading name**	:	**NET 1 Applied Technologies** **South Africa (Pty) Ltd**
1.4	**Use of Leased Premises**	:	**Office facilities and related activities as currently used** for and for no other purpose whatsoever
1.5	**Leased Premises**	:	President Place, 7 Hood Avenue, Rosebank and measuring approximately : **Third Floor (North Wing) 938.72m²** **Third Floor (West Wing) 938.72m²** **Fourth Floor (North Wing) 938.70m²** **Fourth Floor (West Wing) 938.70m²** **Fifth Floor (North Wing) 938.70m²** **Fifth Floor (West Wing) 938.70m²** **Sixth Floor (North Wing) 722.73m²** **Sixth Floor (West Wing) 716.73m²** **Basement 1 620.00m²** **7 691.70m²(Seven thousand six hundred and Ninety one comma seven zero square meters) rentable area;**

as demarcated on the plan attached hereto marked Annexure C. The plan only serves to identify the Leased Premises and no warranties are given in regard thereto.

1.6 **Building** : That Building upon the Property in which the Leased Premises are situated, known as **President Place**

1.7 **Property** : **ERF 208 ROSEBANK**

1.8 **Lease Dates**

1.8.1 **Lease Period** : **5 (five)** years from the commencement date

1.8.2 **Commencement Date** : **01 December 2011**

1.8.3 **Termination Date** : **30 November 2016**

1.8.4 **Option to Renew** : Option to renew for **1**(One) year (hereinafter "Renewal Period") to be exercised in writing as stipulated in clause 4 of the Terms and Conditions of the Agreement of Lease

1.9 **Monthly Rental** :

EXISTING AREA –

Third Floor	-	North Wing	938.72m²	West Wing	938.72m²
Forth Floor	-	North Wing	938.70m²	West Wing	938.70m²
Fifth Floor	-	North Wing	938.70m²	West Wing	938.70m²
Sixth Floor	-			West Wing	716.73m²
Basement 1			620.00m²		
TOTAL			**6 968.97m²**		

YEAR	PERIOD	MONTHLY BASIC RENTAL	OP COSTS	BASEMENT PARKING – 234 BAYS	SHADED PARKING 16 BAYS	VAT	TOTAL
YEAR 1	01 DEC 2011 – 30 NOV 2012	R391 656.11	R121 956.98	R112 320.00	R4 480.00	R88 257.83	**R718 670.92**
YEAR	**PERIOD**	**MONTHLY BASIC RENTAL**	**OP COSTS**	**BASEMENT PARKING – 250 BAYS**	**SHADED PARKING 0 BAYS**	**VAT**	**TOTAL**
YEAR 2	01 DEC 2012 – 30 NOV 2013	R430 821.73	R134 152.67	R132 000.00	R0.00	R97 576.42	**R794 550.81**
YEAR 3	01 DEC 2013 – 30 NOV 2014	R473 903.90	R147 567.94	R145 200.00	R0.00	R107 334.06	**R874 005.90**
YEAR 4	01 DEC 2014 – 30 NOV 2015	R530 772.37	R165 276.09	R162 624.00	R0.00	R120 214.14	**R978 886.60**
YEAR 5	01 DEC 2015– 30 NOV 2016	R594 465.05	R185 109.22	R182 138.88	R0.00	R134 639.84	**R1 096 353.00**

NEW AREA –

Sixth Floor - North Wing 722.73m²

TOTAL **722.73m²**

YEAR	PERIOD	MONTHLY BASIC RENTAL	OP COSTS	VAT	TOTAL
YEAR 1	01 NOV 2011 – 30 NOV 2011	R0.00	R12 647.78	R1 770.69	**R14 418.46**
	01 DEC 2011 – 31 JUL 2012	R0.00	R12 647.78	R1 770.69	**R14 418.46**
	01 AUG 2012 – 30 NOV 2012	R40 617.43	R12 647.78	R7 457.13	**R60 722.33**
YEAR 2	01 DEC 2012 – 30 NOV 2013	R44 679.17	R13 912.55	R8 202.84	**R66 794.56**
YEAR 3	01 DEC 2013 – 30 NOV 2014	R49 147.09	R15 303.81	R9 023.13	**R73 474.02**
YEAR 4	01 DEC 2014 – 30 NOV 2015	R55 044.74	R17 140.26	R10 105.90	**R82 290.90**
YEAR 5	01 DEC 2015– 30 NOV 2016	R61 650.10	R19 197.10	R11 318.61	**R92 165.81**

STORAGE AREA –

Basement 1 3 parking bays converted – **Generator room**

Basement 3 18 parking bays converted - **Storerooms**

TOTAL **21 basement bays converted into storage**

YEAR	PERIOD	MONTHLY BASIC RENTAL	VAT	TOTAL
YEAR 1	01 DEC 2011 – 30 NOV 2012	R5 400.00	R756.00	**R6 156.00**
YEAR 2	01 DEC 2012 – 30 NOV 2013	R5 940.00	R831.60	**R6 771.60**
YEAR 3	01 DEC 2013 – 30 NOV 2014	R6 534.00	R914.76	**R7 448.76**
YEAR 4	01 DEC 2014 – 30 NOV 2015	R7 318.08	R1 024.53	**R8 342.61**
YEAR 5	01 DEC 2015 – 30 NOV 2016	R8 196.25	R1 147.47	**R9 343.72**

1.10 **Escalations**

Rental: **10%** (Ten percent) on years 2 and 3 and **12%** (Twelve percent) on years 4 and 5 compounded per annum on the anniversary of the Commencement Date

Operating Costs: **10%** (Ten percent) on years 2 and 3 and **12%** (Twelve percent) on years 4 and 5 compounded per annum on the anniversary of the Commencement Date

		Parking/storage:	**10%** (Ten percent) on years 2 and 3 and **12%** (Twelve percent) on years 4 and 5 compounded per annum on the anniversary of the Commencement Date
1.11	**Parking Rental**	:	**Basement bays – R480** (excluding VAT) per parking bay per month **Shaded bays – R280** (excluding VAT) per parking bay per month
1.12	**Parking Bay/s**	:	: **250 Basement bays – As per Annexure C(5-7) attached.** Level 1 – 30 bays Level 2 – 59 bays Level 3 – 161 bays
1.13	**Lessee's pro rata share**	:	**63.36%** calculated in terms of clause of the Terms and Conditions of the Agreement of Lease
1.14	**Other Charges**		
1.14.1	**Rates and Taxes**	:	The Lessee is responsible for their pro rata share of rates and taxes levied on the property and building that make up the development, which is equal to: **R99 656.27 per month (Existing Area)** The Lessee is responsible for their pro rata share of rates and taxes levied on the property and building that make up the development, which is equal to: **R10 335.04 per month (New Area)** Lessee's pro rata share of increases (as recorded in clause 6.2 of the Terms and Conditions of the Agreement of Lease)
1.14.2	**Other charges**	:	As recorded in clause 10 of the Terms and Conditions of the Agreement of Lease
1.15	**Lease Fee**	:	**R2 500.00 (Five Hundred Rand)** (excluding VAT)
1.16	**Deposit (Cash / Bank Guarantee)**	:	**NIL** (NIL rand)
1.17	**Personal Suretyship by**	:	**NIL** as recorded in the attached Annexure D
1.18	**VAT Rate**	:	All amounts are exclusive of 14% or such other rate as promulgated from time to time

1.19 **Special Term** :

The tenant will be granted a period of **30(thirty) days** beneficial occupation and an additional **240 (Two Hundred and forty days)** rent-free period in lieu of a tenant installation allowance granted by the Landlord to the Tenant on the new area of **722.73m² (6th Floor North Wing)**. The beneficial occupation period is to allow the tenant, inter alia, to prepare the premises to commence trading on the lease commencement date. **No rent will be payable during the beneficial occupation and rent-free period but services such as water, electricity, sewerage, refuse removal, rates and taxes and operating costs at R17.50/m² will be billed and payable monthly by the Tenant**. It is specifically recorded that the Landlord shall use its best endeavours to grant the tenant timeous access to the premises. Should the Tenant not be granted access to the premises on the day specified above for reasons beyond the control of the Landlord or its agents, the Tenant shall have no claim against either of them and neither will the commencement date of the lease be affected by the delay.

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TERMS AND CONDITIONS OF THE AGREEMENT OF LEASE

2. **Interpretation**

In the interpretation of this Agreement of Lease (including Schedules and Annexures hereto), unless the context clearly otherwise indicates:

2.1 “the Building” means the Building in which the Leased Premises are located and as described in clause 1.6 of the Schedule.

2.2 “the Commencement Date” and “Termination Date” means the date as recorded in clauses 1.8.2 and 1.8.3 of the Schedule.

2.3 “Common Area” or “Common Areas” or “Common Amenities” means those portions of the Building and the Property not designed to form part of the gross lettable area of the Building or the Property of the Leased Premises including, but without derogating from the generality of the aforegoing, lifts (if applicable), staircases, toilet conveniences, loading zones, all parking, service roads, passages, service corridors and yards. Nothing contained in this definition shall be construed as imposing any obligation on the Lessor to provide any such conveniences as are specifically mentioned above, unless stipulated otherwise in this Agreement.

2.4 the Common Amenities” means those facilities, Common Area and services in the Building and/or Property available for use by, or supplied to the tenants on a non- exclusive basis and include *inter alia*, airconditioning, security services, Common Areas, visitor’s parking and such like.

2.5 “the Land” means the Land on which the Building is located;

2.6 “the Leased Premises” means the Leased Premises let in terms of this Agreement of Lease as described in clause 1.5 of the Schedule and as depicted in the plan attached hereto marked Annexure C, which only serves to identify the Leased Premises and no warranties are given in regard thereto.

2.7 “the Lessee” includes its principals, directors, agents, employees, contractors, licensees and invitees and similar categories of persons.

2.8 “the Lessee’s pro rata share” shall be calculated as the lettable area of the Leased Premises, expressed as a percentage of the total lettable area of the Property from time to time. At the date of signature the Lessee’s pro rata share is described in clause 1.13 of the Schedule.

2.9 “the Lessor” includes its directors, agents, employees and shall include any manager or other person appointed by the Lessor in writing from time to time to *inter alia* administer the Building or any other agent appointed by the Lessor from time to time.

2.10 “the Lessor’s Architect” means the architect appointed by the Lessor from time to time.

2.11 "Operating Costs" means the monthly operating cost payable by the Lessee to the Lessor as recorded in clause 1.9 of the schedule - in respect of maintaning and running the building and/or property for which the tenant is not otherwise liable in terms of this lease, including (but not limited to) :

Cleaning

Security expenses

Lift and escalator maintenance costs Insurance premiums Rent collecting expenses and fees

Cost of repairs and general maintenanace, painting, salaries and wages of all employees engaged in the operation and maintenance of the building and the property,

Air conditioning maintenance and running costs in respect of the common area

Administrative costs

Accounting, audit and secretarial fees

Pest control

The above services are provided by President Place Body Corporate.

2.12 "Prime Rate of interest" shall mean the prime rate of interest percent per annum compounded monthly from time to time of the Lessor's bankers and as determined by any of the said banker's manager, whose authority and certification will not have to be proved. Furthermore a certificate issued by such manager shall constitute *prima facie* proof of such rate.

2.13 "the Property" means the Property consisting of the Land upon which the Building is situated, and as described in clause 1.7 of the Schedule.

2.14 "in writing" shall mean a written communication and shall include and be limited to a letter forwarded by registered post or hand-delivered or a facsimile transmission.

2.15 Words importing any one gender shall include the other and words importing the singular shall include the plural and vice versa.

2.16 The headings are used for reference only and are in no way to be deemed to modify, amplify or aid in the interpretation of this Agreement of Lease.

2.17 All terms referred to in the Schedule shall have the meanings as are assigned to them therein.

2.18 Any clauses which are deleted in this Agreement of Lease and which remain legible thereafter shall be regarded as *pro non scripto* in the interpretation and implementation of this Agreement of Lease.

2.19 In the interpretation of this Agreement of Lease, the *contra proferentem* rule of construction shall not apply (this Agreement of Lease being the product of negotiations between the Parties), nor shall this Agreement of Lease be construed in favour of or against any party by reason of the extent to which any Party or its professional advisors participated in the preparation of this Agreement of Lease.

2.20 The terms and conditions of this Agreement are severable, therefore should any law or enactment render one or more of the provisions of this Agreement be unenforceable or unlawful then such provision(s) shall be severed from this Agreement and will be regarded as *pro non scripto* and the remaining provisions of this Agreement shall be of full force and effect.

3. **Lease Period**

The lease shall commence on the Commencement Date as recorded in clause 1.8.2 of the Schedule and terminate on the Termination Date as recorded in clause 1.8.3 (“the Initial period”)

4. **Option to Renew**

4.1 The Lessee has an option to renew this lease for a further period as recorded in clause 1.8.4 of the Schedule subject to the same terms and conditions of this lease, except that the Rental and Operating Costs may be reviewed by the Lessor so as to be equivalent to such rental as the Lessor can obtain for the Leased Premises at that time, from any *bona fide* Lessee notwithstanding which, subject to the rental, operating costs and escalation for the renewal period not being less than the rental and operating costs of the current lease and that there shall be no further option to renew.

4.2 If the Lessee shall desire to exercise the option herein granted to it, it shall give written notice to the Lessor to that effect at least **6 (Six) months prior** to the expiration of the Initial Period of this Agreement, failing which this option shall lapse and be of no further force or effect and this Agreement shall terminate on the Termination Date.

4.3 The option is granted on condition that the Lessee does not commit any breach of any term of this Agreement during the Initial Period of the Agreement and the Lessee does not rectify such breach within 7 (Seven) days after receipt of a written notice from the Lessor. Should the condition not be fulfilled in other words the Lessee commits a breach and does not rectify such breach as aforesaid, the Lessee’s option to renew this Agreement shall lapse and be of no further force or effect. This condition is for the benefit of the Lessor and may be waived by the Lessor in writing at any time.

5. **Leased Premises**

5.1 The Leased Premises are described in clause 1.5 of the Schedule.

5.2 Upon completion of the Leased Premises, an architect's certificate shall be issued by the Lessor's Architect in respect of the rentable area of the Leased Premises and should such measurement vary by 5% (Five Percent) or more from the area stipulated in clause 1.5 of the Schedule, then an adjustment shall be made to clause 1.9 of the Schedule and thereafter recorded in an Addendum to this Agreement.

5.3 The Lessee confirms that the Leased Premises have been identified to it.

5.4 The Leased Premises hereby let may only be used for the purposes as recorded in clause 1.4 of the Schedule and for no other purpose whatsoever without the prior written consent of the Lessor, which consent shall not be unreasonably withheld. The Lessee acknowledges and agrees that under no circumstances may the Leased Premises be used for residential purposes or the sleeping over of any person or persons.

5.5 The Leased Premises will be deemed to be in good order and condition at the commencement of the Lease Period, unless and to the extent that the Lessee has notified the Lessor of any defects or damage therein in writing within 7 (Seven) days after the taking occupation of the Leased Premises.

5.6 The Lessee must satisfy himself that the Leased Premises are suitable for the purpose for which they are let and notwithstanding clause 4.1 above, the Lessor is giving no warranties or undertakings in this regard. The Lessee is to obtain all authorisations and licenses necessary to lawfully use the Leased Premises for the purposes for which they are rented by him.

5.7 Appurtenances, fixtures and fittings provided by the Lessor on the Leased Premises form part of the Leased Premises.

6. **Rental and Other Charges**

6.1 The Monthly Rental payable by the Lessee comprises of the monthly rental referred to in clause 1.9 and 1.11 of the Schedule and the pro-rata contribution of increases for municipal rates, services and taxes referred to in clause 10 below. The Lessee will be liable for payment of all Value Added Tax ("VAT") on the said amounts referred to in this clause.

6.2 Should the Property rates and taxes increase during the currency of the lease the Lessee will be liable for the Lessee's pro-rata share of such increase. The Lessee will be liable for such increases from the 01st July 2012.

6.3 The Lessee shall be liable for the Lessee's pro-rata share of any new tax or levy introduced by any local or other authority in respect of and/or relating to the Leased Premises, the Property or signage thereon.

7. **Payment**

7.1 The Lessee will pay, without deduction or set-off for any reason whatsoever via Electronic Fund Transfer into such account as may be nominated by the Lessor from time to time: -

7.1.1 the Monthly Rental as recorded in clause 1.9 of the Schedule monthly in advance on or before the first day (which is not a Saturday, Sunday or public holiday) of each month;

7.1.2 the Lease Fee (as recorded in clause 1.15 of the Schedule) on the date on which the Lessee signs this Agreement;

7.1.3 any other amount owing within 7 days of demand.

7.2 The Lessor may appropriate any payment received from or for the benefit of the Lessee in reduction of any amount payable by the Lessee to the Lessor in terms of this Agreement.

7.3 If the Lessee fails to make payment to the Lessor of any amount payable by him in terms of this Agreement, then the Lessor may (without prejudice to any other rights and remedies which it may have) recover interest from the Lessee on the amount outstanding at the Prime Rate of interest charged by the Lessor's bankers from time to time plus 2% (two percent).

7.4 Without prejudice to any rights and remedies of the Lessor and notwithstanding any legal rule to the contrary, payments made by post will only have been validly made when the payment is received by the Lessor and if made in terms of any instrument, other than cash, when such instrument has been honoured. Furthermore the Lessee bears the risk of such payment not being delivered by post timeously or at all, whether as a result of loss, theft, delay or any other reason.

7.5 The Lessee acknowledges that the bank account detail of the Lessor is not likely to change. The Lessee will be informed of a change in bank account detail of the Lessor in writing and on a letterhead from the Lessor or its agent and such letter will be sent by registered mail. Prior to the Lessee acting on such letter, the Lessee shall verify the purported change in bank account detail by calling the Financial Director of Lessor or its agent and confirm such change whereafter the Lessee shall further confirm and/or verify any change in bank account detail in writing, on an official letterhead of the Lessee addressed to the Financial Director of the Lessor or its agent and referring to such telephone call and the content thereof. Prior to making payment into the new bank account, the Lessee shall confirm that the Financial Director of the Lessor has received such letter. Should payment of gross monthly rent and all other payments be made in any manner than as set out above, the risk and liability to ensure that payment of gross monthly rent and other payments due in terms of this Agreement shall remain vested with the Lessee. The Lessee hereby accepts the full risk and liability should any payment be lost, stolen or misappropriated and the Lessee shall immediately make a proper payment in replacement thereof.

8. **Maintenance and Alterations**

8.1 The Lessee is liable for -

8.1.1 any damage caused to the Property by himself or for which the Lessee is vicariously liable;

8.1.2 any damage to the interior of the Leased Premises as well as to the inside and outside of its doors, door mechanisms and windows (including but not limited to frames, burglar - proofing, fluorescent tubes, light bulbs, choking coils and power points) save and except for damage caused by the Lessor or for which the Lessor is vicariously liable;

8.1.3 maintaining at its cost the interior of the Leased Premises in good order and condition.

In the event of a dispute as to whether the Lessee is liable in terms of clauses 8.1.1,

8.1.2 or 8.1.3 hereof, the onus is on the Lessee to prove that he is not so liable.

8.2 The Lessee will at his cost, keep the interior of the Leased Premises clean and hygienic at all times, free of all pests and vermin.

8.3 On vacating the Leased Premises, the Lessee will at its cost, reinstate and restore the Leased Premises as recorded in Annexure E.

8.4 The Lessee may not make any alterations, additions or improvements to the Leased Premises without the prior written consent of the Lessor whose consent shall not be unreasonably withheld.

8.5 Without derogating from the other provisions of this Agreement, the Lessor is not liable to compensate the Lessee for any alterations, additions or improvements made to the Leased Premises and the Lessee waives any lien in respect of such alterations, additions or improvements.

8.6 No contractors may be employed by the Lessee to do any work in the Leased Premises other than contractors approved by the Lessor in writing, which approval will not be unreasonably withheld.

8.7 The Lessee will at all reasonable times permit the Lessor to have access to the Leased Premises for the purpose of carrying-out inspections or to carry out any repairs which the Lessor deems necessary.

9. **Management and use of the Property**

9.1 The Lessee will abide by all rules made by the Lessor from time to time in respect of the management and use of the Property as advised by the Lessor to the Lessee in writing from time to time. Such rules may amongst other things, be in respect of security, safety, fire, access, parking, common areas, the keeping or attaching of anything (also name boards and signage) visible from outside the Leased Premises, delivery, refuse removal and other services. Such rules are to be reasonable and according to trade usage. A breach of such rules will be deemed a breach of this Agreement.

9.2 The Lessor may reasonably control, restrict or deny access to the Property in the interest of security of safety and may secure the Property as it sees fit. The Lessee is responsible for the security of the Leased Premises at its own cost. Such security shall abide by the rules and regulations implemented by the Lessor from time to time and shall comply with the directives of the Lessor's appointed security service provider (if any). The Lessor is responsible to secure all common areas up to the Leased Premises; thereafter it is the Lessee's responsibility.

9.3 The Lessee will use the Leased Premises for the purpose referred to in clause 1.4 of the Schedule and may not use it for any other purpose. The Lessee may not permit any unlawful use of the Leased Premises or any use which is contrary to the conditions of title, registered servitudes and the provisions of the town planning scheme applicable in respect of the Property.

9.4 Save for the gross negligence and/or willful misconduct, the Lessor is not liable for any inconvenience or damage suffered by the Lessee on account of the interruption or temporary restriction of services to the Leased Premises, restriction or denial of access to the Property, the application of security or safety measures, maintenance and repair work to effect alterations, additions or removals. Access will not be unreasonably withheld.

9.5 The Lessee will not permit any object to be placed in the Leased Premises which exceeds the floor design load of the Building or of the Leased Premises.

9.6 The Lessee may not overload the electricity supply to the Leased Premises.

9.7 The Lessor may at any time place any license or business notice on the exterior of the Leased Premises. "To Let" signs may, unless agreed otherwise in writing, only be placed on the exterior of the Leased Premises during the last 3 (Three) months of the Lease Period and/or upon cancellation of this Agreement in the event of breach.

9.8 The Lessee shall ensure that the common areas and facilities are not used as eating- places or general resting places by its invitees and the Lessee shall procure that its invitees do not misuse the areas and facilities in any other way; this will not apply to the common area in front of the coffee shop.

9.9 Common conveniences and facilities are used at the user's own risk, and the Lessor shall not be liable for injury to any person or for any damage or loss, however caused.

9.10 The Lessee will ensure that its employees are advised and instructed to utilize the dedicated smoking area. As indicated on Annexure C(8)

10. **Services and other Charges payable by Lessee**

10.1 In addition to the monthly rental, the Lessee shall be liable for and shall pay the Lessor on a monthly basis to the Lessor or the local authority or body concerned, as the Lessor may from time to time require:

10.1.1 the cost of all electricity, including but not limited to the electrical maximum demand charges, basic electrical charges, connection fees and all other electrical consumption by the Lessee on or about the Leased Premises;

10.1.2 Gas and water consumed by the Lessee on or about the Leased Premises;

10.1.3 the Lessee's pro-rata share of industrial effluent charges and sewerage charges calculated at the applicable rate specified by the local authority,

10.1.4 the Lessee's pro-rata share of refuse removal charges for the Leased Premises or its direct costs of actual refuse removal generated by the Lessee whichever is applicable;

10.1.5 the Lessee's pro-rata share of Common Amenity Costs

10.1.6 the Lessee's pro-rata share all costs incurred by the Lessor for the reading of meters situated at the Property relating to water, electricity and gas consumption on the Property and/or the Leased Premises.

10.2 Should a meter metering the electricity and water consumption be shared between lessees, the charges will be shared on a pro rata basis calculated as the percentage which the area of the Leased Premises bears to the total area metered.

10.3 Should at any time such meters fail, then the Lessee will be liable for its average electricity and water charges, calculated over the preceding 6 (Six) months. A certificate issued by the Lessor and/or its agent shall constitute prima facie proof of such calculation. The Lessee shall be notified immediately upon the discovery of such a metering defect.

10.4 Should the Lessee fail to pay the charges for electricity and/or water within 7 (Seven) days of written demand, then, without prejudice to any other rights it may have, the Lessor shall be entitled to terminate the supply of utility services to the Lessee without further notice, and shall not be liable for any damages, including consequential damages, that may be sustained by the Lessee.

10.5 If water, gas or electricity is not metered separately for the Leased Premises, then the Lessee's liability for charges for electricity, water and gas shall be the Lessee's pro-rata share (as recorded in clause 1.13 of the Schedule) thereof calculated at the same rate as the Lessee would pay to that authority or supplier, had such services been supplied directly to the Lessee.

10.6 No heating or air-conditioning appliances (other than as supplied by the Lessor, if any) may be used in the Leased Premises, unless the Lessor consents thereto in writing.

10.7 Any additional services required by the Lessee in respect of the Leased Premises must be expressly agreed to in writing.

10.8 Any electrical charges, refuse removal, water or any other such charges shall be paid for by the Lessee from the fixturing occupation date, whether or not the Lessee trades from the Leased Premises.

10.9 The Lessee shall furthermore be liable for the costs of servicing and maintaining any dedicated air-conditioning unit, alternatively in case of a shared unit, the costs divided by the area of the Leased Premises expressed as a percentage of the total area which the air conditioning unit serve, excluding common areas.

10.10 The Lessee shall furthermore be liable for the costs of purchase, installation, maintenance and repair of any and all hand held firefighting equipment and hose reels in the Leased Premises.

10.11 The Lessee shall be responsible for the replacement cost of any bins or containers used by or in connection with the Leased Premises which may be stolen, lost or unlawfully removed.

10.12 Should any future legislation introduce a penalty or an extra charge or levy on electricity and/or water consumption based on usage of electricity and/or water or as directed in such legislation, the Lessor shall be entitled to recover such penalty or extra charge or levy from the Lessee if such Lessee's usage of electricity and/or water results in a penalty or extra charge or levy. A certificate issued by the Lessor shall constitute *prima facie* proof of the Lessee's liability and the amount stated therein.

11. **Defects**

11.1 Should the Lessee, on taking occupation of the new Leased Premises on the 6th floor North Wing, find any of the keys, locks, doors, door mechanisms, windows, washbasins, taps, toilets, sanitary ware, drains or downpipes, electrical, other equipment or any other finishes relating to the premises not in good order, the Lessee shall notify the Lessor in writing of all defects within 7 (Seven) days of taking occupation and the Lessor shall take all reasonable steps to repair such defects as soon as possible. Should the Lessee not give such notice within the specified time, it shall be regarded as an acknowledgement that the Leased Premises and items were received in good order and repair.

11.2 The provisions of this clause shall not be applicable in the event of a renewal of any Agreement of Lease.

12. **Cession, subletting and sale of business**

12.1 The Lessee may not cede any of his rights or delegate any of his obligations in terms of this Agreement or sublet or give up occupation of the Leased Premises (or part thereof to any person other than its subsidiaries or affiliate entities without the prior written consent of the Lessor, which consent shall not unreasonably be withheld. The onus is on the Lessee to prove unreasonableness.

~~12.2 If the Lessee is a private company or close corporation and it intends to change the holding of its members so that the members who held the controlling interest when this Agreement was entered into, will no longer do so, then -~~

~~12.2.1 the Lessee will inform the Lessor in writing of such intended change; and~~

~~12.2.2 obtain the Lessor's prior written consent to such change, which consent shall not unreasonably be withheld by the Lessor. The onus is on the Lessee to prove unreasonableness.~~

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~~provided that should the Lessee fail to inform the Lessor of an intended change as contemplated in clause 12.2.1 or should the Lessor withhold its consent to any such change and the Lessee nevertheless proceeds to change the holding of its members, the Lessor may terminate this Agreement by 1 (One) calendar month's written notice given to the Lessee within 30 (Thirty) days after the Lessor becomes aware of the change in members' holding.~~

~~12.3~~ ~~The Lessee shall not be entitled to sell its business conducted from the Leased Premises without the prior written consent of the Lessor, which consent shall be granted in the sole and absolute discretion of the Lessor and on conditions determined by the Lessor at the time;~~

12.3.1 ~~Should the Lessee anticipate the possible sale of its business or any portion thereof, and prior to entering into or concluding any Agreement with a potential purchaser, the Lessee shall notify the Lessor in writing, which notice shall contain the following minimum information:-~~

~~12.3.1.1 the name and identity number of the potential purchaser;~~

~~12.3.1.2 the name and registration number of the proposed purchaser in the event of a juristic person;~~

~~12.3.1.3 the proposed sureties and their identity numbers;~~

~~12.3.1.4 the experience, curriculum vitae and résumé of the potential purchaser and of any individuals that will conduct the business;~~

~~12.3.1.5 the business plan;~~

~~12.3.1.6 the amount of Lessee installation allowances that was granted to the Lessee by the Lessor;~~

~~12.3.1.7 a copy of the proposed Agreement of Sale;~~

~~12.3.1.8 confirmation that no amounts are payable to the Lessor by the Lessee at the time of making such request. Should monies be outstanding and the Lessee would request the Lessor to accept payment from the purchaser of the business conducted from the Leased Premises, the Lessor shall be under no obligation to accept such proposal and shall be at liberty to enforce its rights in terms of this Agreement at any time alternatively accept such proposal upon terms and conditions acceptable to the Lessor.~~

~~12.3.2 The surety(ies) to this Agreement shall remain liable, and where necessary shall be re-signed to record their liability for the duration of the unexpired portion of the Agreement, despite and notwithstanding an approval of the sale of the business;~~

~~12.3.3 In the event of the Lessee having received an installation allowance from the Lessor, the installation allowance will be repaid to the Lessor, prior to the purchaser of the business taking occupation of the Leased Premises alternatively at signing an assignment of this Agreement or upon the signing a new agreement of lease in respect of the Leased Premises by such purchaser, on the following formula:~~

~~Amount of Allowance x Unexpired Period of The Initial Period~~
~~The Initial Period~~

~~= Amount to be repaid by the Lessee to the Lessor~~

~~12.3.4 Such repayment shall be payable upon demand from the Lessor;~~

~~12.3.5 The Lessee shall notify the "prospective purchaser" of the content of this Agreement and specifically but not limited to the usage clause and shall furthermore make no representation that such usage clause or any other term of this Agreement may alter or be amended or that such amendment shall be favourably considered by the Lessor.~~

~~12.3.6 For the avoidance of doubt, the parties record that if the business conducted from the Leased Premises is sold by the Lessee, then and unless the purchaser of the new business takes assignment of this lease, all rentals remaining under this lease until Termination Date will become due for payment by the Lessee to the Lessor at their then present value using the Prime Rate of interest of Nedbank Ltd. A certificate issued by the Lessor shall constitute *prima facie* proof of the present value of the rentals remaining under this lease until Termination Date.~~

13. **Breach**

13.1 If:

13.1.1 the Lessee fail to pay any amount due by the Lessee in terms of this Agreement on the due date thereof; and/or

13.1.2 the Lessee breaches any term of this Agreement and does not remedy such breach within 7 (Seven) days after having been required in writing by the Lessor to do so.

13.1.3 the Lessee being a company or close corporation, be placed under provisional or final judicial management or provisional or final winding-up, whether voluntary or compulsory; and/or

13.1.4 the Lessee be a franchise and its franchise agreement is cancelled or terminated or is interdicted on a temporary or permanent basis from trading as a franchisee in any respect; and/or

13.1.5 the Lessee holds any license to conduct its business or part thereof and such license is revoked or not renewed or extended;

then the Lessor may (without prejudice to its other rights and remedies) forthwith cancel this Agreement by written notice to that effect given to the Lessee; or at the election of the Lessor, amend this Agreement by written notice given to the Lessee, to the effect that this Agreement may thereafter be terminated by the Lessor before the expiry of the Lease Period, by giving 1 (One) calendar month's written notice.

13.2 If the Lessee breaches any term of this Agreement and the Lessor has already in terms of clause 13.1 hereof in writing required the Lessee three or more times to remedy a breach (whether the same breach or a different breach), then the Lessor may (without prejudice to its other rights and remedies) immediately and without first requiring the Lessee to remedy such breach -

13.2.1 cancel this Agreement by written notice to that effect given to the Lessee; or

13.2.2 at the election of the Lessor, by written notice to that effect given to the Lessee change the Lease Period so that this Agreement may thereafter be terminated by the Lessor by 1 (One) calendar month's written notice.

13.3 If the Lessee disputes any termination of this Agreement and remains in possession of the Leased Premises, the Lessee will continue paying the Monthly Rental and other monies payable in terms of this Agreement and will continue to fulfill its other obligations in terms of this Agreement pending the determination of such dispute. The Lessor will be entitled to accept such payments without prejudice to its rights or remedies. If such dispute is resolved in favour of the Lessor, then any such payments will be deemed to have been paid on account of damages suffered by the Lessor as a result of the unlawful holding over by the Lessee of the Leased Premises.

14. **Re-Building**

14.1 Notwithstanding anything contained to the contrary in this Agreement, if the Lessor intends to renovate and/or demolish and/or re-develop the Building in which the Leased Premises are situated, the Lessor may cancel this lease by giving the Lessee at least 3 (Three) calendar months' written notice of cancellation.

14.2 The Lessor may extend or change the Building at any time without giving the Lessee notice to such effect. The Lessee may under no circumstances object to the proposed extension or any rezoning application or other application by the Lessor to extend or change the building.

14.3 The Lessor will ensure access to the Leased Premises will always be available and any disruption will have no material impact to the Lessee's business.

15. **Insurance, damage and destruction**

15.1 The Lessee may not do or permit anything to be done which invalidates the Lessor's insurance policies in respect of the Property or which causes insurance claims to be unenforceable or which increases the premiums of such insurance. The policies are to be made available by the Lessor for perusal on written request by the Lessee.

15.2 If the Leased Premises or the Building is damaged or destroyed to such an extent that it becomes substantially untenantable, the Lessor may, at its option, and in addition to any other rights which it may have -

15.2.1 by written notice terminate this Agreement from date of such damage or destruction, or

15.2.2 rebuild or restore the Leased Premises or the Building, provided that during such rebuilding or restoration the Monthly Rental will be abated in accordance with the extent of loss of beneficial occupation suffered by the Lessee, as certified the Lessor’s architect or

15.2.3 Provided that in the event that such rebuilding or restoration is likely to take more than 3(three) months to complete, the Lessee may elect to terminate this Agreement.

15.2.4 Should the Lessee do so, the Lessee indemnifies the Lessor against any loss incurred as a result of this and/or pay for any increase in the insurance premium required to accommodate such business.

16. **Lessee’s General Obligations**

16.1 The Lessee:

16.1.1 shall comply with all laws, by-laws and regulations relating to lessees or occupiers of business premises for the conduct of any business carried on in the premises, including but not limited to obtaining an occupation certificate from the local authority at its cost;

16.1.2 shall not do or permit or cause anything to be done in or about the Leased Premises anything which, in the reasonable opinion of the Lessor, constitutes a nuisance or disturbance or may cause inconvenience to, or in any way disturb the peace of the Lessor or other lessees in the Building or on the Property, or occupiers of neighbouring premises or which may detract from the general neat appearance of the Property or the Leased Premises. Nothing in this Agreement shall entitle any lessee or person or other party to demand from the Lessor to take action in terms of this clause, nor shall any lessee or other party derive any rights from the provision of this clause;

16.1.3 will, if the Lessee is a restaurant or fast food outlet at its cost, install and maintain an extraction system in the food preparation area with filters, and shall maintain and regularly service, at its cost, these filters, to reduce odours and smoke to a minimum, together with a grease trap or similar equipment leading to the drainage in the Leased Premises, and the Lessor will have the right to order the Lessee, at the Lessee's cost, to change any system to meet the requirement of the Lessor or of any authority, including but not limited to the Department of Agriculture, Conservation and Environment;

16.1.4 undertakes not to do or permit any act or deed, which may or shall obstruct the sewerage pipes, water pipes, storm water drainage system and/or drains. Should such an incident occur, the Lessor will be entitled to recover the cost of unblocking same and/or any damages resulting from such blockage from the Lessee and should the Lessor's contractor find that more than one lessee has attributed to the blockage, the costs and damages will be recovered from the responsible parties on an equal basis;

16.1.5 shall ensure that the Leased Premises are adequately stocked and properly staffed and shall not obscure windows in any manner;

16.1.6 shall pay for the replacement and repair of any lamps, starters, ballast and any lamps used in the Leased Premises and shall not interfere with the electrical installation or any other installation or equipment belonging to the Lessor and shall not overload the electrical system or any other service;

16.1.7 shall not attach to the walls, ceilings and/or place on any part of the Leased Premises fittings or equipment which may be too heavy load therefore;

16.1.8 shall be responsible for maintenance and repair of electrical installations in the Leased Premises, including but not limited to the distribution board and further more furnish the Lessor with an electrical compliance certificate if requested in writing by the Lessor from time to time, and should the Lessee fail to do so the Lessor shall be entitled but not obliged to instruct its agents to obtain such certificate and the Lessee shall be liable for all costs relating thereto including but not limited to costs in respect of work to be performed.

16.1.9 shall provide and use bins or containers for refuse removal at its costs as may be necessary or specified by the local authority or the Lessor and keep the bins and containers in a neat and tidy condition and replace them from time to time;

16.1.10 shall not hold or permit to be held, any auction in or upon the Leased Premises without the Lessor's prior written consent;

16.1.11 shall expedite the loading and unloading of vehicles to ensure that vehicles do not wait in the unloading area for unreasonably long periods;

16.1.12 ~~shall not be entitled to encumber, pledge, hypothecate or bond the content of the Leased Premises without the Lessor’s prior written consent. Failure by the Lessee to abide herewith shall constitute a material breach of the terms and conditions of this Agreement~~;

16.1.13 ~~shall, and it is a material term of this Agreement, keep the Leased Premises open continuously during business hours and carry on its business during the whole term of this Agreement or any extension or renewal thereof, subject to its right to close the Leased Premises on special occasions or when general conditions render it reasonably appropriate to do and then with the written consent of the Lessor~~;

16.1.14 shall ensure that all activities on the Leased Premises comply in all respects with the Occupational Health and Safety Act No. 85 of 1993, as amended (or its successor) and the regulations (as amended) found thereunder. The Lessee confirms that with effect from the fixturing occupation date it has acquired full control in respect of the use of the Leased Premises for purpose of the Occupational Health and Safety Act No. 85 of 1993, as amended, and the Lessee hereby indemnifies the Lessor or any duly appointed agent against any claims arising from the Lessee’s non-compliance with the provisions of this Act in respect of the Leased Premises;

16.1.15 shall not contravene or allow the contravention of the Tobacco Products Control Act 83 of 1993 (including regulations as amended thereunder) by members of its staff or any person on the Leased Premises. The Lessee further indemnifies and holds the Lessor harmless against any penalty imposed by any local, provincial, national or other authority as a result of the Lessee's failure to comply with the provisions of such Act and/or the regulations.

16.2 The Lessee indemnifies and holds the Lessor harmless against any protest, picketing, strike, unlawful occupancy, nuisance and disturbance carried out by any employees and/or third party/parties on the Leased Premises and/or in the building directed to or relating to the Lessee.

16.3 The Lessee undertakes to immediately inform the Lessor in writing of any industrial action and/or process where an order is sought or applied for in terms of which industrial action would be allowed in any location other than the premises for example on the property or in the building. The Lessee shall not willfully agree to and shall oppose any application in terms of which any industrial action would be allowed in any location other than the Leased Premises for example on the Property or in the Building.

16.4 The Lessee undertakes to use its best endeavours to limit the noise levels and nuisance caused by any industrial action by its employees or directed at the Lessee.

17. **General**

17.1 Any letting or reservation of parking space on the Property, if available, for the benefit of the Lessee will be expressly agreed upon in writing separately from this Agreement.

17.2 The fitting-out of the Leased Premises will be expressly agreed upon in writing separately from this Agreement.

17.3 The Lessor may assign its rights and obligations in terms of this Agreement to any other person by written notice to that effect given to the Lessee. The Lessee hereby consents to such assignment.

17.4 If the Lessee comprises more than one person, such persons are jointly and severally liable and entitled in terms of this Agreement.

17.5 The Lessee is to ensure that its visitors and its employees do not act in contravention of this Agreement.

17.6 If the Lessor provides services to the Leased Premises or makes concessions which it is not obliged to provide or make, then the Lessee does not acquire rights in respect thereof and the Lessor is not obliged to continue providing such services or making such concessions.

17.7 This Agreement supersedes all prior agreements in respect of the matters referred to herein and is the whole agreement in respect thereof. No amendment, renewal or consensual cancellation of this Agreement is binding on the parties unless expressly contained in a written document signed by the Lessor. The Lessor will not be bound by any representation or warranty not expressly recorded in this Agreement.

17.8 Where necessary, in the Agreement, a reference to the masculine gender includes the feminine and neuter.

INITIAL HERE

18. **Change of Building Name**

The Lessor shall have the right to change the name of the Building. The Lessor shall not be liable for any losses or damages suffered by the Lessee from or incidental to such change of name.

19. **Cash Deposit**

~~19.1 The Deposit will be security for the Lessee’s obligations in terms of this Agreement (including any cancellation thereof).~~

~~19.2 The Deposit, without interest but after deduction of all amounts owing by the Lessee to the Lessor, will be repaid by the Lessor to the Lessee within 3 (Three) months after this Agreement terminates for any reason whatsoever. If the Lessee provides a Bank Guarantee, such Bank Guarantee shall expire 3 (Three) months after the Termination Date of this Agreement after which such Bank Guarantee shall be revoked.~~

~~19.3 Should the Lessee not furnish such acceptable Bank Guarantee at the date of signature of this Agreement, the Deposit shall thereafter, notwithstanding what is recorded elsewhere, be payable in cash. This provision is for the benefit of the Lessor and may be waived by it in writing at any time.~~

20. **Suretyships**

~~The person or persons named in clause~~ 1.17 ~~of the Schedule shall furnish personal suretyships together with the signing of this Agreement of Lease. Should such person or persons fail to sign such suretyships, then it shall be deemed that the Lessee shall be in breach of the terms and conditions of this Agreement of Lease, and the Lessor shall be entitled to exercise all its rights hereunder, consequent upon a breach by the Lessee of its obligations, provided that the Lessor may, in its discretion, waive its right to the suretyship of any one or more of the sureties named in the Schedule without affecting its right in respect of the remaining sureties or their several obligations as such.~~

21. **Advertising Signs**

21.1 The Lessee shall not affix to or place, hang or erect on any part of the Leased Premises or the Property, any sign, nameplate, notice-board, advertising sign, flagpole, antenna or sun-blind, not do or cause to be done any painting, writing or printing on any part of the Leased Premises or of the Property without the Lessor's prior written consent. If the Lessor consents, the work shall be done strictly in accordance with the Lessor’s specifications. If the Lessee commits a breach of this provision, the Lessor shall be entitled, without notice or order of court, to remove the offending matter at the Lessee’s expense;

21.2 The Lessee shall be required to provide a sign in compliance with the provisions of the Lessor’s sign and shopfront specifications. The Lessee shall be obliged to obtain the prior written approval of the Lessor for any signage it wishes to erect in or on the Leased Premises and, provided such signage is in keeping with the general standard and finish of the building, such consent shall not be unreasonably withheld;

21.3 If the signage is approved by the Lessor in terms of clause 21.2, the Lessee’s right to place a sign on a portion of the Leased Premises and/or Building and/or Property, shall be by virtue of a license and such license may be revoked at any time;

21.4 During this Agreement or any renewal therefore, the Lessee shall maintain the good appearance of any advertising sign and keep it in proper working order and shall, at the expiration or earlier termination of this Agreement, remove any sign so placed and reinstate the relevant part of the Leased Premises and/or Building and/or Property to the same good order and conditions as it was at the commencement date or as it was when the Leased Premises were first occupied by the Lessee.

22. **FICA requirements**

The Lessee acknowledges the Lessor's duty to comply with the Financial Intelligence Centre Act, 38 of 2001, as amended, and agrees to provide the Lessor with the relevant documents as required by law.

23. **Consent to credit verification**

23.1 The Lessee irrevocably consent to the Lessor and/or its agents requesting any information available on any credit bureau regarding the Lessee stipulated herein from time to time.

23.2 This consent includes (but is not limited to) that the Lessor and/or its agents, as the case may be:

23.2.1 perform a credit search on the Lessee's credit profile with more than one registered credit bureau at any time during the currency of this Agreement.

23.2.2 should the Lessee fail to meet its commitments in terms of this Agreement, the Lessor and/or its agents may record the Lessee's non-performance to any credit bureau.

23.2.3 to request a report where the Lessor and/or its agents are monitoring the Lessee's payment behaviour by researching the Lessee's profile.

23.2.4 use any new information and data obtained from any registered credit bureau in respect of future applications to lease (if applicable).

23.2.5 may record the details in respect of the Lessee's account with any registered credit bureau.

23.2.6 may record and transmit details of the Lessee's performance in terms of this Agreement and how the account is conducted by the Lessee in meeting its obligations in terms of this Agreement.

23.3 The Lessor will give the Lessee 20 (Twenty) business days' written notice prior to forwarding of the details as set out above to any registered credit bureau.

24. **Exercise of rights**

24.1 The Lessee chooses the their Head Office address as stated in clause 1.2 of the schedule as his address for the service of any process of court and for all purposes (including the giving of notices) in terms of this Agreement (including any cancellation thereof); provided that a process or notice actually served on or received by the Lessee will be adequately served or given notwithstanding the fact that it was not served on or received by the Lessee at the Leased Premises.

24.2 Each party hereby consents to the jurisdiction of the Magistrates' Court should either party institute legal proceedings out of that court, even if the amount claimed exceeds the jurisdiction of the Magistrates' Court.

24.3 The costs which either party may be obliged to pay to the other party pursuant to the other party enforcing its rights in terms of this Agreement (including any cancellation thereof) include legal costs (as between attorney-and-own-client), collection commission and tracing costs.

INITIAL HERE

25. **Signature**

Any signature for the Lessee hereby warrants that he is authorised to sign this Agreement on behalf of the Lessee and that the Lessee is empowered to enter into this Agreement -

---

25.1 SIGNATURE OF / FOR LESSEE

SIGNED at ROSEBANK on 7th day of MAY 2013____

/s/ Herman Kotzé____________________

Duly authorized (THE LESSEE)

25.2 DETAILS OF SIGNATORY OF / FOR LESSEE (S)

FULL NAME	HERMAN KOTZÉ
CAPACITY	DIRECTOR
IDENTITY NUMBER	____________________

____________________	____________________
AS WITNESS	PRINT NAME (WITNESS)

INITIAL HERE

25.3 SIGNATURE FOR LESSOR

SIGNED at ROSEBANK on 7TH day of MAY 2013____

/s/ Lance Manning Seymour Chalwin-Milton__________________

Duly authorized (THE LESSOR)

25.4 DETAILS OF SIGNATORY OF / FOR LESSOR (S)

FULL NAME	LANCE MANNING SEYMOUR CHALWIN- MILTON
CAPACITY	DIRECTOR ____________________________________
IDENTITY NUMBER	____

____ AS WITNESS

____ PRINT NAME (WITNESS)

ANNEXURE A

LESSEE COMPANY RESOLUTION

CERTIFIED COPY OF A RESOLUTION OF
NET 1 APPLIED TECHNOLOGIES SOUTH AFRICA LIMITED

PASSED AT: ____

ON: ____

IT WAS RESOLVED THAT:

NET 1 APPLIED TECHNOLOGIES SOUTH AFRICA LIMITED

1. enter into an Agreement of Lease with **BUZZ TRADING 199 (PTY) LTD** to which this Resolution is attached”;

2. **HERMAN KOTZÉ** in his capacity as ________________________________is hereby authorised to sign such Agreement on behalf of **NET 1 APPLIED TECHNOLOGIES SOUTH AFRICA LIMITED**

THE AFOREGOING IS CERTIFIED TO BE A TRUE COPY

________________________	________________________
(Name in print)	**(Full Signature)**
	________________________
	(Designation)
________________________	________________________
(Designation AND Signature)	DATE
________________________	________________________
(Designation AND Signature)	DATE
________________________	________________________
(Designation AND Signature)	DATE

INITIAL HERE

ANNEXURE B

~~BANK GUARANTEE FORMAT~~

LEASE GUARANTEE NUMBER: ____________________

~~DATE:~~ ______________________

~~LEASE GUARANTEE BETWEEN~~ ___________________ **~~AND~~** _________________________

~~We, __________________________ Bank of South Africa Limited, Registration Number ______________________ ("the Bank"), advise that we are holding the sum of R _____________ (________________ Rand) ("the Guaranteed Amount") on behalf of ___________________ (hereinafter referred to as "the Lessee") at the disposal of ___________________ (hereinafter referred to as "the Lessor") for the Agreement of Lease of Shop ____ situated at ________________(hereinafter referred to as "the Lease Agreement"). The Bank will pay on receipt of a first written demand from the Lessor, stating that the amount is due and payable and that the Lessee is in breach of the Lessee's obligations under the Lease Agreement, provided that the claimed amount does not exceed the Guaranteed Amount.~~

~~The Bank's liability under this Guarantee is principle in nature and is not subject to any agreement. The Bank's liability shall not be reduced or in any way be affected by any alteration of any agreements entered into, or to be entered into, with the Lessor.~~

~~The Bank will pay upon demand and will not determine the validity of the demand or the correctness of the amount demanded, or become party to any claim or dispute of any nature, which any party may allege.~~

~~This Guarantee is neither negotiable nor transferable, is restricted to the payment of a sum of money only and is limited to the Guaranteed Amount.~~

~~This Guarantee will expire on ____________________being 3 (Three) calendar months after the termination of the Lease Agreement or upon payment of the Guaranteed Amount in full by the Bank, whichever event occurs first, and no further claims will then be considered.~~

~~The Bank may at any time withdraw from this Guarantee by giving 3 (three) months written notice and make payment of the Guaranteed Amount by way of Electronic Fund Transfer into the account directed in writing by the Lessor from time to time.~~

~~Payment will only be made at the ________________branch of the Bank and against return of this original Guarantee by the Lessor or the Lessor's duly authorised agent.~~

~~The original Guarantee must be returned to the Bank, either against payment of the Guaranteed Amount, or expiry thereof.~~

~~This Guarantee is issued in favour of ___________[the Lessor]. This Guarantee is neither negotiable nor transferable, save in the event that the property which is the subject of this Guarantee it sold, in which event the Lessor may, in terms of the Lease Agreement referred to herein, request the Bank in writing to transfer this Guarantee to the Lessor's successor/s in title. The Bank undertakes to do all things necessary to procure such a transfer to such a third party.~~

INITIAL HERE

~~Notwithstanding anything contained in this Guarantee, the Lessor shall be entitled to call on payment in terms of this Guarantee in the event of the Lessee remaining in occupation of the premises beyond the expiry date of the Lease Agreement referred to herein.~~

~~Any change to the terms and/or conditions of this Guarantee, must first be agreed to in writing by the Lessor, the Lessee and the Bank.~~

~~**FOR: _______________ BANK OF SOUTH AFRICA LIMITED at ________________________**~~

~~**on ________________**~~

___________________________________	___________________________________
~~**(Authorised Signatory)**~~	~~**(Authorised Signatory)**~~

INITIAL HERE

ANNEXURE C

PLAN

INITIAL HERE

ANNEXURE D

~~DEED OF SURETYSHIP~~

~~I/We the undersigned,~~

~~__________________________________identity number: ______________________________~~

~~of ____(address)~~

~~do hereby bind myself/ourselves as Surety(ies) and Co-Principal Debtors(s) jointly and severally to:~~

~~BUZZ TRADING 199 (PTY) LTD~~
(Registration Number)
~~(hereinafter called "the Lessor")~~

~~for the due and proper fulfilment of all the obligations of, and for the punctual payment of all sums which are or may become due by:~~

~~NET 1 APPLIED TECHNOLOGIES SOUTH AFRICA LIMITED~~
(Registration Number)

~~(hereinafter called "the Lessee")~~

~~or its successors in title or assigns, to the Lessor, from whatsoever nature and howsoever arising, including but not limited to the Agreement of Lease to which this Deed is annexed, its cancellation or termination, in respect of premises in the Property known as PRESIDENT PLACE. We acknowledge ourselves to be fully acquired with all the terms and conditions of the said Lease.~~

~~I/We agree and declare that:~~

1. ~~No act of indulgence, relaxation or grace granted by the Lessor to the Lessee or any amendment of the obligations existing between the Lessee and the Lessor shall prejudice or affect the Lessor's rights in terms hereof, and if any action by the Lessor results in a novation of any debt or liability between the Lessor and the Lessee or if any transaction between the Lessee and Lessor is terminated in terms of any statute or law in force from time to time, and a new transaction concluded in place thereof, or occupancy of the premises continues, or the Lessee holds over after cancellation, then without limitation to the aforegoing, I/we undertake and agree to be similarly bound as Surety(ies) and Co- Principal Debtor(s) in favour of the Lessor for such novated debt or liability or such newly concluded transaction;~~

2. ~~The Lessor shall be entitled, in writing, without prejudice to its rights and without detracting from my/our liability hereunder, to release any securities or other sureties given to it or to give time to or compound with or make any arrangements with the Lessee in regard to the fulfilment of any of the Lessee's obligations as the Lessor in its absolute discretion deems fit;~~

INITIAL HERE

~~3. If there is provision in this document for signature by more than one person of this Suretyship and one or more of those persons do not sign the Suretyship, that fact shall not affect the liability of the person(s) who does/do sign this document;~~

~~This Suretyship shall establish a continuing covering liability on my/our part for whatever amount(s) and whatever other obligation(s) will be owing by the Lessee to the Lessor for the time being, notwithstanding any intermediate discharge or settlement of or fluctuations in the account and notwithstanding the death, insolvency (which term shall for all the intents and purposes of these presents include sequestration, surrender, winding up and judicial management, whether provisional or final) or legal incapacity of the Lessee or any other Surety(ies) for and/or co-principal debtor(s) with the Lessee,~~

~~4. This Suretyship shall be in addition to and without prejudice to any other Suretyship of securities now held or hereafter held by the Lessor from or on behalf of the Lessee;~~

~~5. (a) The amount of my/our indebtedness hereunder and that of the Lessee to the Lessor at any time, shall be determined and proved by a certificate signed by the Lessor(or by one of the Lessor's officials whose appointment, qualification and/or authority need not be proved);~~

~~(b) A certificate in terms of sub-clause (a) hereof shall be binding on me/us, shall be *prima facie*of the amount of my/our indebtedness hereunder, and shall be valid as a liquid document against me/us in any competent court for the purpose of obtaining provisional sentence or judgement against me/us thereon;~~

~~6. Should the Lessor cede its claim against the Lessee to any third party, then the Surety/Sureties hereby irrevocably consent to such cession, whereafter this Deed of Suretyship shall be deemed to have been given by me/us to such cessionary who shall be entitled to exercise all his rights in terms of this Deed of Suretyship as if such cessionary were the Lessor. The aforegoing shall in no way limit the operation of law in the event of a sale and transfer of the property to any third party/parties;~~

~~7. I/We renounce the benefits of *excussion, non numeratae pecuniae, errore calculis, non causa debiti*, division and cession of action, the full meaning and effect whereof I/we know and understand;~~

~~8. I/we choose *domicilium citandi et executandi* at the Premises let by the Lessor to the Lessee in terms of the Agreement of Lease to which this Suretyship is an annexure;~~

~~9. If a signatory hereof is a company, close corporation (or other juristic person) (hereinafter referred to as “the estate”), that entity does hereby warrant and represent to the Lessor that it has authority for the granting of this Deed of Suretyship in terms of its statutory documents and has a material interest in securing the indebtedness covered by this Suretyship, which is entered into for its direct or indirect benefit. The person signing this Suretyship on behalf of the Company shall be deemed by virtue of such signature to be party to the aforegoing warranty and representation in his personal capacity jointly and severally with the Company.~~

~~10. If the estate of the Lessee is provisionally or finally sequestrated or (if the Lessee is a Company or Closed Corporation or other juristic person) it is placed under provisional or final winding up, my/our liability hereunder shall not be affected in any way.~~

INITIAL HERE

~~11.~~ ~~This Suretyship constitutes the entire agreement between me/us and the Lessor, and no variation or consensual cancellation thereof shall be of any force or effect unless it is in writing and signed by both the Lessor and me/us.~~

~~12.~~ ~~I/we acknowledge that no representations whatever have been made to me/us in order to induce me/us to sign this Suretyship.~~

~~13.~~ ~~I/We acknowledge that the Lessor shall be entitled to conduct enquiries at credit bureaus and/or financial institutions from time to time.~~

~~14.~~ ~~Any costs incurred by the Lessor in enforcing the terms of this Suretyship against me/us will be borne by me/us on the scale as between attorney and own client including collection commission and tracing fees. I/we furthermore consent to the jurisdiction of the Magistrate's Court having jurisdiction over my/our person in respect of all legal steps, which the Lessor may take against me/us, notwithstanding that the amount claimed or cause of action would otherwise be beyond the jurisdiction of the Magistrate's Court.~~

~~15.~~ ~~The Lessor may during the currency of this Deed of Suretyship, obtain one or more further sureties. I/We hereby agree that such further suretyship shall in no way prejudice any rights that the Lessor may have against me/us.~~

~~16.~~ **~~CONSENT TO CREDIT VERIFICATION~~**

16.1. ~~I/we irrevocably consent to the Lessor and / or his agents requesting any information available on any credit bureau regarding me/us stipulated herein from time to time.~~

16.2. ~~This consent includes (but is not limited to) that the Lessor and/or its agents, as the case may be:~~

16.2.1. ~~perform a credit search on my/our credit profile with more than one registered credit bureau at any time during the currency of this Agreement.~~

16.2.2. ~~should I/we fail to meet its commitments in terms of this Deed of Suretyship, the Lessor and/or its agents may record my/our non-performance to any credit bureau.~~

16.2.3. ~~to request a report where the Lessor and/or its agents are monitoring my/our payment behaviour by researching my/our profile.~~

16.2.4. ~~use any new information and data obtained from any registered credit bureau in respect of future applications to lease (if applicable).~~

16.2.5. ~~may record the details in respect of my/our account with any registered credit bureau.~~

16.2.6. ~~may record and transmit details of my/our performance in terms of this Deed of Suretyship and how the account is conducted by me/us in meeting my/our obligations in terms of the Deed of Suretyship.~~

16.3. ~~The Lessor will give me/us 20 (twenty) business days written notice prior to forwarding of the details as set out above to any registered credit bureau.~~

INITIAL HERE

~~**SIGNED at**~~ ______________________________ ~~**on**~~ ______________ ~~**day of**~~ ____________________ ~~**20**~~____

____

~~**SURETY (Full Signature)**~~

______________________________ ______________________________

~~AS WITNESS~~ ~~PRINT NAME (WITNESS)~~

~~**IF APPLICABLE, TO BE FILLED IN BY SPOUSE:**~~

~~**By my signature hereto, I**~~ ______________________________________

~~**(ID number:**~~ ______________________________ ~~**) (spouse) married in community of property to**~~ ________________ ~~**hereby give my consent in the presence of the undersigned witnesses to**~~ ____________________ ~~**binding himself/herself as surety to**~~ ________________ ~~**for and on behalf of**~~ ________________ ~~**trading as**~~ ______________________

~~***See NOTE below, if applicable Surety's wife/husband and two witnesses must sign below.**~~

~~**AS WITNESSES:**~~

~~1.~~ ______________________________

~~2.~~ ______________________________ ______________________________

~~**(FULL SIGNATURE) (Spouse)**~~

<STRIKE>If not applicable, please state reason: ______________________________
(For example: married by A.N.C. or unmarried etc.)

~~**NOTE: If the surety is married in community of property his/her spouse must consent the Suretyship in terms of Section 15 of the Matrimonial Property Act No. 88 of 1984.**~~

INITIAL HERE

ANNEXURE E

REINSTATEMENT OF LEASED PREMISES

1. The Lessee shall on cancellation, or prior to termination or expiry of this lease, at the Lessee's cost and expense reinstate the Leased Premises in:

1.1 the same good order and condition, as at the Commencement Date; alternatively

1.2 a basic condition consisting of a screed floor, white painted walls, standard ceiling; alternatively

1.3 any combination of the conditions described in clauses 1.1 and 1.2 as directed by the Lessor in writing;

in all instances, fair wear and tear excepted, and to make good and repair at the Lessee's cost and expense any disrepair, damage or breakage, or at the Lessor's written option, to reimburse the Lessor for the cost of so doing and/or the cost of replacing any broken or damaged articles.

2. In addition to the above, the Lessee shall:

2.1 arrange for a skip to be provided for the building rubble which includes tiles, ceiling boards, any plumbing and building material. No waste bins that belong to the Building may be used to transport rubble. Any damage to the bins will be billed to the Lessee's account.

2.2 advise his contractors / sub-contractors that the Common Areas and facilities are used at the user's own risk, and the Lessor shall not be liable for injury to any person or for any damage or loss, however caused.

2.3 ensure that his contractors / sub-contractors do not obstruct to the entrances to parking areas, lifts, loading zones, driveways, passages or arcades in any way whatsoever.

2.4 not do or permit or cause anything to be done which, in the reasonable opinion of the Lessor, constitutes a nuisance or may cause inconvenience to, or in any way disturb the peace of the Lessor or other lessees in the Property or which may detract from the general neat appearance of the Property or the Leased Premises.

2.5 complete a take back inspection with a representative of the Lessor or its agent (including a handover of all keys, duplicate keys and panic buttons in good, working order).

2.6 obtain at its own cost and provide the Lessor with a Certificate of Electrical Compliance and Occupancy Certificate upon demand.

2.7 The Lessor shall notify the Lessee of any disrepair, damage or breakage, which require repairs within 30 days of the termination of this Agreement. Failing which the premises shall be deemed to have been left by the Lessee in the same good order and condition as on the commencement date and the Lessor shall have no further claim against the Lessee in the relation to any required repairs.

INITIAL HERE

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, Serge Belamant, 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, 2013;

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, 2013

/s/ Dr. Serge C. P. Belamant
Dr. Serge C. P. Belamant
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, Herman 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, 2013;

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, 2013

/s/ Herman Gideon Kotzé
Herman Gideon Kotzé
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, 2013, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Dr. Serge Belamant and Herman Kotzé, Chief Executive Officer and Chief Financial Officer, respectively, of Net1, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, 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, 2013	/s/: Dr. Serge C. P. Belamant Name: Dr. Serge C. P. Belamant Chief Executive Officer and Chairman of the Board
Date: May 9, 2013	/s/: Herman Kotzé Name: Herman Kotzé Chief Financial Officer, Treasurer and Secretary