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 September 30, 2010

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 [ ] 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):

[X] Large accelerated filer	[ ] 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 October 31, 2010 (the latest practicable date), 45,392,353 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 September 30, 2010	(A) June 30, 2010
	(In thousands, except share data)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 200,161	$ 153,742
Pre-funded social welfare grants receivable (Note 2)	4,597	6,660
Accounts receivable, net of allowances of – September: $885; June: $807	37,225	41,854
Finance loans receivable, net of allowances of – September: $-; June: $-	5,523	4,221
Deferred expenditure on smart cards	2	-
Inventory (Note 3)	6,144	3,622
Deferred income taxes	18,546	16,330
Total current assets before settlement assets	272,198	226,429
Settlement assets	107,407	83,661
Total current assets	379,605	310,090
OTHER LONG-TERM ASSETS, including available for sale securities (Note 4)	8,130	7,423
PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION OF – September: $39,683; June: $35,271	7,637	7,286
EQUITY-ACCOUNTED INVESTMENTS (Note 4)	2,376	2,598
GOODWILL (Note 6)	83,203	76,346
INTANGIBLE ASSETS, NET OF ACCUMULATED AMORTIZATION OF – September: $41,477; June: $34,226 (Note 5)	71,646	68,347
TOTAL ASSETS	552,597	472,090
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	5,175	3,596
Other payables	58,847	50,855
Income taxes payable	9,330	3,476
Total current liabilities before settlement obligations	73,352	57,927
Settlement obligations	107,407	83,661
Total current liabilities	180,759	141,588
DEFERRED INCOME TAXES	43,766	38,858
OTHER LONG-TERM LIABILITIES, including non-controlling interest loans	4,413	4,343
TOTAL LIABILITIES	228,938	184,789
COMMITMENTS AND CONTINGENCIES	-	-
EQUITY		
NET1 EQUITY:		
COMMON STOCK (Note 7)		
Authorized: 200,000,000 with $0.001 par value;		
Issued and outstanding shares, net of treasury - September: 45,392,353; June: 45,378,397	59	59
PREFERRED STOCK		
Authorized shares: 50,000,000 with $0.001 par value;		
Issued and outstanding shares, net of treasury: 2010: -; 2009: -	-	-
ADDITIONAL PAID-IN-CAPITAL	134,841	133,543
TREASURY SHARES, AT COST: September: 13,149,042; June: 13,149,042	(173,671)	(173,671)
ACCUMULATED OTHER COMPREHENSIVE LOSS	(38,906)	(66,396)
RETAINED EARNINGS	399,772	392,343
TOTAL NET1 EQUITY	322,095	285,878
NON-CONTROLLING INTEREST	1,564	1,423
TOTAL EQUITY	323,659	287,301
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 552,597	$ 472,090

(A) – Derived from audited financial statements

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Three months ended September 30,	
	2010	**2009**
	(In thousands, except per share data)	
REVENUE	$ 64,283	$ 65,514
EXPENSE		
Cost of goods sold, IT processing, servicing and support	18,067	16,827
Selling, general and administration	30,326	17,740
Depreciation and amortization	4,904	4,579
OPERATING INCOME	10,986	26,368
INTEREST INCOME, net	2,836	2,371
INCOME BEFORE INCOME TAXES	13,822	28,739
INCOME TAX EXPENSE – (Note 11)	6,207	11,031
NET INCOME FROM CONTINUING OPERATIONS BEFORE LOSS FROM EQUITY- ACCOUNTED INVESTMENTS	7,615	17,708
LOSS FROM EQUITY-ACCOUNTED INVESTMENTS (Note 4)	(216)	(111)
NET INCOME	7,399	17,597
ADD: NET LOSS ATTRIBUTABLE TO NON- CONTROLLING INTEREST	(30)	(344)
NET INCOME ATTRIBUTABLE TO NET1	$ 7,429	$ 17,941
Net income per share, in United States dollars (Note 8)		
Basic earnings attributable to Net1 shareholders	$ 0.16	$ 0.37
Diluted earnings attributable to Net1 shareholders	$ 0.16	$ 0.37

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Net 1 UEPS Technologies, Inc. Shareholder									
	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 Interests	Total
Balance – July 1, 2010	58,527,439	$ 59	(13,149,042)	$ (173,671)	$ 133,543	$ 392,343	$ (66,396)	$ 285,878	$ 1,423	$ 287,301
Restricted stock granted	13,956									
Loan portion related to options					20					20
Stock-based compensation charge					1,438					1,438
Utilization of APIC pool related to vested restricted stock					(160)					(160)
Comprehensive income (loss), net of taxes:										
Net income (loss)						7,429		7,429	(30)	$ 7,399
Other comprehensive income (loss):										
Movement in foreign currency translation reserve							27,490	27,490	171	27,661
Balance – September 30, 2010	58,541,395	$ 59	(13,149,042)	$ (173,671)	$ 134,841	$ 399,772	$ (38,906)	$ 322,095	$ 1,564	$ 323,659

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Three months ended September 30, 2010	Three months ended September 30, 2009
	(In thousands)	
Net income	$ 7,429	$ 17,597
Other comprehensive income, net of taxes:		
Movement in foreign currency translation reserve	27,490	13,585
Total other comprehensive income, net of taxes	27,490	13,585
Comprehensive income	34,919	31,182
Add comprehensive loss attributable to non-controlling interest	(141)	(246)
Comprehensive income attributable to Net1	$ 35,060	$ 31,428

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Three months ended September 30,	
	2010	2009
	(In thousands)	
Cash flows from operating activities		
Net income	$ 7,399	$ 17,597
Depreciation and amortization	4,904	4,579
Loss from equity-accounted investments	216	111
Fair value adjustments	(3,106)	(142)
Interest payable	73	78
Profit on disposal of property, plant and equipment	(5)	(1)
Stock-based compensation charge	1,438	1,422
Decrease in accounts receivable, pre-funded social welfare grants receivable and finance loans receivable	10,957	5,529
Increase in deferred expenditure on smart cards	(2)	(30)
(Increase) Decrease in inventory	(2,102)	1,015
Increase in accounts payable and other payables	6,025	25
Increase in taxes payable	5,134	6,211
(Decrease) Increase in deferred taxes	(773)	575
Net cash provided by operating activities	30,158	36,969
Cash flows from investing activities		
Capital expenditures	(768)	(641)
Proceeds from disposal of property, plant and equipment	7	49
Advance of loans to equity-accounted investment	(375)	-
Repayment of loan by equity-accounted investment	373	-
Net change in settlement assets	(15,544)	-
Net cash used in investing activities	(16,307)	(592)
Cash flows from financing activities		
Loan portion related to options	20	720
Treasury stock acquired	-	(126,304)
Net change in settlement obligations	15,544	-
Repayment of loans	-	(137)
Net cash generated from (used in) financing activities	15,564	(125,721)
Effect of exchange rate changes on cash	17,004	7,870
Net increase (decrease) in cash and cash equivalents	46,419	(81,474)
Cash and cash equivalents – beginning of period	153,742	220,786
Cash and cash equivalents – end of period	$ 200,161	$ 139,312

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 months ended September 30, 2010 and 2009 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, 2010. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments), which are necessary for a fair representation of financial results for the interim periods presented.

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

Translation of foreign currencies

The primary functional currency of the Company is the South African Rand ("ZAR") and its reporting currency is the US dollar. The Company also has consolidated entities which have the euro, Russian ruble or Indian rupee as their functional currency. The current rate method is used to translate the financial statements of the Company to US dollar. Under the current rate method, assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average rates for the period. Translation gains and losses are reported in accumulated other comprehensive income in total equity.

Foreign exchange transactions are translated at the spot rate ruling at the date of the transaction. Monetary items are translated at the closing spot rate at the balance sheet date. Transactional gains and losses are recognized in income for the period.

Recent accounting pronouncements adopted

On July 1, 2010, the Company adopted the new Financial Accounting Standards Board ("FASB") guidance on the consolidation of variable interest entities. This guidance changed how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity's purpose and design and the reporting entity's ability to direct the activities of the other entity that most significantly impact the other entity's economic performance. The guidance also requires a reporting entity to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to such involvement. The adoption of this guidance did not have an impact on the Company's condensed consolidated financial statements.

On July 1, 2010, the Company adopted the new FASB guidance issued on the accounting for transfers of financial assets. This guidance requires more information about transfers of financial assets, including securitization transactions, and where entities have continuing exposure to the risks related to transferred financial assets. It eliminates the concept of a "qualifying special-purpose entity," changes the requirements for de-recognizing financial assets, and requires additional disclosures. The adoption of this guidance did not have an impact on the Company's condensed consolidated financial statements.

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

Recent accounting pronouncements adopted (continued)

On July 1, 2010, the Company adopted the new FASB guidance on revenue recognition in multiple-deliverable revenue arrangements. The guidance amended the existing guidance on allocating consideration received between the elements in a multiple-deliverable arrangement and established a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence ("VSOE") if available, third-party evidence if VSOE is not available, or estimated selling price if neither VSOE nor third-party evidence is available. The guidance replaced the term "fair value" in the revenue allocation with "selling price" to clarify that the allocation of revenue is based on entity specific assumptions rather than the assumptions of a market place participant. The guidance eliminates the residual method of allocation and requires that arrangement consideration be allocated using the relative selling price method. It also significantly expands the disclosures related to a vendor's multiple-deliverable revenue arrangements. The adoption of this guidance did not have an impact on the Company's condensed consolidated financial statements for the periods presented..

On July 1, 2010, the Company adopted the new FASB guidance which amended the scope of existing software revenue recognition accounting. Tangible products containing software components and non-software components that function together to deliver the product's essential functionality would be scoped out of the accounting guidance on software and accounted for based on other appropriate revenue recognition guidance. This guidance must be adopted in the same period that the company adopts the amended guidance for arrangements with multiple deliverables described in the preceding paragraph. The adoption of this guidance did not have an impact on the Company's condensed consolidated financial statements for the periods presented.

On July 1, 2010, the Company adopted new FASB guidance on the effect of denominating the exercise price of a share-based payment award in the currency of the market in which the underlying equity security trades. This guidance clarifies that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The adoption of this guidance did not have an impact on the Company's condensed consolidated financial statements for the periods presented.

Recent accounting pronouncements not yet adopted as of September 30, 2010

In July 2010, the FASB issued amendments to the disclosure requirements about the credit quality of financing receivables and the allowance for credit losses. The purpose of the additional disclosures is to enable users of financial statements to better understand the nature of credit risk inherent in an entity's portfolio of financing receivables and how that risk is analyzed. For end of period balances, the new disclosures are required to be made in all interim and annual periods ending on or after December 15, 2010. For activity during a reporting period, the disclosures are required to be made in all interim and annual periods after January 1, 2011. These changes will not have an impact on the Company's condensed consolidated financial results as this guidance only relates to additional disclosures.

2. **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 October 2010 payment service commenced during the last four days of September 2010 and was offered at merchant locations only.

3. **Inventory**

The Company's inventory comprised the following categories as of September 30, 2010 and June 30, 2010.

	September 30, 2010	June 30, 2010
Raw materials	$ 160	$ 75
Finished goods	5,984	3,547
	$ 6,144	$ 3,622

4. 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 purchases inventories 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. In addition, during the first quarter of fiscal 2011, the Company entered into foreign exchange forward contracts in order to hedge the fluctuations in the ZAR/ US dollar related to the anticipated flow of funds from South Africa to the United States to fund a portion of the KSNET, Inc. ("KSNET") purchase price.

The Company's outstanding foreign exchange contracts are as follows:

As of September 30, 2010

Notional amount	Strike price	Fair market value price	Maturity
EUR 480,000	ZAR 9.7960	ZAR 9.5740	November 10, 2010
EUR 288,000	ZAR 9.4669	ZAR 9.5356	October 15, 2010
ZAR 460,000,000	USD 0.1397	USD 0.1432	October 1, 2010
ZAR 460,000,000	USD 0.1401	USD 0.1426	October 1, 2010

As of September 30, 2009

None.

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.

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.

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

Fair value of financial instruments (continued)

Risk management (continued)

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. On March 1, 2009, the Company acquired approximately 22% of the issued share capital of Finbond Group Limited (“Finbond”), which are exchange-traded equity securities. The fair value of these securities as of September 30, 2010, represented approximately 1% of the Company’s total assets, including these securities. The Company expects to hold these securities for an extended period of time and it is not concerned with short-term equity price volatility with respect to these securities provided that the underlying business, economic and management characteristics of the company remain sound. The market price of these securities may fluctuate for a variety of reasons, consequently, the amount the Company may obtain in a subsequent sale of these securities may significantly differ from the reported market value.

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

Financial instruments

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

Investments in common stock

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

The Company's Level 3 asset represents an investment of 84,632,525 shares of common stock of Finbond. The Company’s ownership interest in Finbond as of September 30, 2010, is approximately 22%. The Company has no rights to participate in the financial, operating, or governance decisions made by Finbond. The Company also has no participation on Finbond’s board of directors whether through contractual agreement or otherwise. Consequently, the Company has concluded that it does not have significant influence over Finbond and therefore equity accounting is not appropriate.

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 include primarily mortgage brokering services, property investment and microlending. 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.

Derivative transactions - Foreign exchange contracts

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

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

Financial instruments (continued)

The following table presents the Company's assets and liabilities measured at fair value on a recurring basis as of September 30, 2010 according to the fair value hierarchy:

	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Investment in common stock (available for sale assets included in OTHER LONG-TERM ASSETS)	-	-	$ 8,009	$ 8,009
Total assets at fair value	-	-	$ 8,009	$ 8,009
Liabilities				
Foreign exchange contracts	-	$ 2,746	-	$ 2,746
Total liabilities at fair value	-	$ 2,746	-	$ 2,746

The following table presents the Company's assets measured at fair value on a recurring basis as of September 30, 2009 according to the fair value hierarchy:

	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Investment in common stock (available for sale assets included in OTHER LONG-TERM ASSETS)	-	-	$ 7,401	$ 7,401
Total assets at fair value	-	-	$ 7,401	$ 7,401

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

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.

During the three months ended September 30, 2010, SmartSwitch Namibia commenced repaying outstanding loans, including outstanding interest. The repayments received have been allocated to the equity-accounted investments presented in our condensed consolidated balance sheet as of September 30, 2010, and reduce this balance. 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 our condensed consolidated statement of cash flows for the three months ended September 30, 2010.

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

Financial instruments (continued)

Assets and liabilities measured at fair value on a nonrecurring basis (continued)

In July 2010, the Company provided additional loan funding of $375,000 for a specific growth initiative at VTU Colombia. As of September 30, 2010, the Company's share in VTU Colombia's accumulated losses continued to exceed its investment. VTU Colombia's other shareholders are providing short-term funding for continued operations and the Company has no obligation to provide any additional funding at this stage.

The Company has sold hardware, software and/or licenses to SmartSwitch Namibia and SmartSwitch Botswana and defers recognition of 50% of the net income after tax related to these sales until SmartSwitch Namibia and SmartSwitch Botswana has used the purchased asset or has sold it to a third party. The deferral of the net income after tax is shown in the Elimination column in the table below.

The functional currency of the Company's equity-accounted investments is not the US dollar and thus the investments are restated at the period end US dollar/foreign currency exchange rate with an entry against accumulated other comprehensive loss. The functional currency of SmartSwitch Namibia is the Namibian dollar, the functional currency of SmartSwitch Botswana is the Botswana pula, the functional currency of VTU Colombia is the Colombian peso and the functional currency of Vinapay is the Vietnamese dong.

Summarized below is the Company's interest in equity-accounted investments as of June 30, 2010 and September 30, 2010:

	Equity	Loans	Earnings (Loss)	Elimination	Total
Balance as of June 30, 2010	$ 3,549	$ 2,512	$ (3,905)	$ 442	$ 2,598
Loans provided		375			375
Loan repaid		(441)			(441)
(Loss) Earnings from equity- accounted investments	-	-	(302)	86	(216)
SmartSwitch Namibia(1)	-	-	20	24	44
SmartSwitch Botswana(1)	-	-	(54)	62	8
VTU Colombia	-	-	(245)	-	(245)
VinaPay	-	-	(23)	-	(23)
Foreign currency adjustment(2)	225	179	(298)	(46)	60
Balance as of September 30, 2010	$ 3,774	$ 2,625	$ (4,505)	$ 482	$ 2,376

(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 months ended September 30, 2010 and 2009.

5. Goodwill and intangible assets

Goodwill

Summarized below is the movement in the carrying value of goodwill for the three months ended September 30, 2010.

	Carrying value
Balance as of June 30, 2010	$ 76,346
Foreign currency adjustment (1)	6,857
Balance as of September 30, 2010	$ 83,203

(1) – the foreign currency adjustment represents the effects of the fluctuations between the ZAR against the US dollar on the carrying value of goodwill.

5. Goodwill and intangible assets (continued)

Goodwill (continued)

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

		As of September 30, 2010		As of June 30, 2010
Transaction-based activities	$	41,221	$	37,568
Smart card accounts		-		-
Financial services		-		-
Hardware, software and related technology sales		41,982		38,778
Total	$	83,203	$	76,346

Intangible assets

Summarized below is the carrying value and accumulated amortization of the intangible assets as of September 30, 2010 and June 30, 2010:

	As of September 30, 2010			As of June 30, 2010		
	Gross carrying value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value
Finite-lived intangible assets:						
Customer relationships	$ 85,998	$ (27,673)	$ 58,325	$ 77,452	$ (22,519)	$ 54,933
Software and unpatented technology	12,121	(2,484)	9,637	11,047	(1,343)	9,704
FTS patent	5,494	(5,354)	140	5,007	(4,880)	127
Exclusive licenses	4,506	(4,103)	403	4,506	(3,941)	565
Trademarks	4,132	(1,645)	2,487	3,766	(1,411)	2,355
Customer database	872	(218)	654	795	(132)	663
Total finite-lived intangible assets	$ 113,123	$ (41,477)	$ 71,646	$ 102,573	$ (34,226)	$ 68,347

Aggregate amortization expense on the finite-lived intangible assets for the three months ended September 30, 2010, was approximately $3.9 million (three months ended September 30, 2009, was approximately $3.6 million).

Future estimated annual amortization expense for the next five fiscal years, assuming exchange rates prevailing on September 30, 2010, 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.

2011	$	15,819
2012		15,256
2013		13,637
2014		10,925
2015	$	10,925

6. Short-term facilities

As of September 30, 2010, the Company had a short-term facility in South African Rand of approximately $35.8 million, translated at exchange rates applicable as of September 30, 2010, with Nedbank Limited ("Nedbank"). As of September 30, 2010, the overdraft rate on this facility was 8.35% . Certain of the Company's South African subsidiaries have provided a cross deed of suretyship whereby each of these companies has bound itself as surety and co-principal debtor with each other for the fulfillment of each other's obligations under the facility. These South African subsidiaries have agreed that any debit and credit bank account balances with Nedbank may be set off against each other. Certain South African subsidiaries have ceded trade receivables with an aggregate value of approximately $19.3 million, translated at exchange rates applicable as of September 30, 2010, as security for the facility as well as the Company's investment in Cash Paymaster Services (Proprietary) Limited, a wholly owned South African subsidiary. As of September 30, 2010, the Company had utilized none of its South African short-term facility.

6. Short-term facilities (continued)

In addition, Net1 UTA had short-term facilities of approximately $1.4 million, translated at exchange rates applicable as of September 30, 2010, with each of two of Austria's largest banks. These facilities are available to the Company. The interest rate applicable to these short-term facilities is negotiated when the facilities are utilized. As of September 30, 2010, the Company had utilized none of its Austrian short-term facilities.

Management believes that the Company's current short-term facilities are sufficient in order to meet its future obligations as they arise.

7. Capital structure

The Company's capital structure is described in Note 11 to the Company's audited consolidated financial statements included within the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2010.

Common stock repurchases

During the three months ended September 30, 2010, the Company did not repurchase any shares. On July 28, 2009, the Company repurchased an aggregate of 9,221,526 shares of its common stock from two shareholders, who originally acquired their shares in connection with the Aplitec transaction. The purchase price was $13.50 (ZAR 105.98) per share and was paid from the Company's cash reserves in ZAR for an aggregate purchase price of $124.5 million (ZAR 977.3 million).

8. Earnings per share

Basic earnings per share includes 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 months ended September 30, 2010 and 2009, reflects only undistributed earnings.

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 months ended September 30, 2010 and 2009, includes the dilutive effect of a portion of the restricted stock awards granted to employees in August 2007 as these restricted stock awards are considered contingently issuable shares for the purposes of the diluted earnings per share calculation and as of September 30, 2010 and 2009, the vesting conditions in respect of a portion of the awards had been satisfied.

The following table details the weighted average number of outstanding shares used for the calculation of earnings per share for the three months ended September 30, 2010 and 2009.

	Three months ended September 30,	
	2010	**2009**
	'000	**'000**
Weighted average number of outstanding shares of common stock – basic	45,384	48,815
Weighted average effect of dilutive securities: employee stock options	32	103
Weighted average number of outstanding shares of common stock – diluted	45,416	48,918

9. Stock-based compensation

Stock option and restricted stock activity

Options

The following table summarizes stock option activity for the three months ended September 30, 2010, and 2009:

	Number of shares	Weighted average exercise price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value	Weighted Average Grant Date Fair Value
Outstanding – July 1, 2010	1,813,656	$ 19.76	7.41	$ 585	
Outstanding – September 30, 2010	1,813,656	$ 19.76	7.16	$ 366	
Outstanding – July 1, 2009	1,896,994	$ 19.03	8.30	$ 1,576	
Exercised	(83,338)	-	-	$ 1,667	
Outstanding – September 30, 2009	1,813,656	$ 19.76	8.20	$ 5,135	

No stock options became exercisable during the three months ended September 30, 2010 and 2009.

No stock options were exercised during the three months ended September 30, 2010. During the three months ended September 30, 2009, the Company received approximately $0.3 million from stock options exercised and approximately $0.4 million from repayment of stock option-related loans. The Company issues new shares to satisfy stock option exercises.

Restricted stock

The following table summarizes restricted stock activity for the three months ended September 30, 2010, and 2009:

	Number of Shares of Restricted Stock	Weighted Average Grant Date Fair Value
Non-vested – July 1, 2010	407,828	-
Granted – August 2010	13,956	$ 185
Vested – September 2010	(201,704)	-
Non-vested – September 30, 2010	220,080	-
Non-vested – July 1, 2009	597,162	-
Granted – August 2009	10,098	$ 185
Vested – September 2009	(198,338)	-
Non-vested – September 30, 2009	408,922	-

The fair value of restricted stock vested during the three months ended September 30, 2010 and 2009, was $2.3 million and $3.8 million, respectively.

9. Stock-based compensation (continued)

Stock-based compensation charge and unrecognized compensation cost

The Company has recorded a stock compensation charge of $1.4 million for each of the three months ended September 30, 2010 and 2009, 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 September 30, 2010			
Stock-based compensation charge	$ 1,437	$ 51	$ 1,386
Total – Three months ended September 30, 2010	$ 1,437	$ 51	$ 1,386
Three months ended September 30, 2009			
Stock-based compensation charge	$ 1,422	$ 51	$ 1,371
Total – Three months ended September 30, 2009	$ 1,422	$ 51	$ 1,371

The stock-based compensation charges have been allocated to cost of goods sold, IT processing, servicing and support and selling, general and administration based on the allocation of the cash compensation paid to the employees.

As of September 30, 2010, the total unrecognized compensation cost related to stock options was approximately $4.0 million, which the Company expects to recognize over approximately three and a half years. As of September 30, 2010, the total unrecognized compensation cost related to restricted stock awards was approximately $3.4 million, which the Company expects to recognize over approximately one year.

As of September 30, 2010, the Company has recorded a deferred tax asset of approximately $0.8 million related to the stock-based compensation charge recognized related to employees of Net1 as it is able to deduct the grant date fair value for taxation purposes in the United States.

10. Operating segments

The Company discloses segment information as reflected in the management information systems reports that its chief operating decision makers use 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.

The Company currently has four reportable segments: Transaction-based activities, Smart card accounts, Financial services and Hardware, software and related technology sales. Each segment, other than the Hardware, software and related technology sales segment, operates mainly within South Africa. The Company’s reportable segments offer different products and services and require different resources and marketing strategies and share the Company’s assets.

The Transaction-based activities segment currently consists mainly of a state pension and welfare benefit distribution service provided to the South African government, transaction processing for retailers, utilities, medical-related claim service customers and banks and transaction fees generated from UEPS-enabled smartcards used in Iraq. Fee income is earned based on the number of beneficiaries included in the government pay-file as well as from merchants and card holders using the Company’s merchant retail application. In addition, utility providers and banks are charged a fee for transaction processing services performed on their behalf at retailers. This segment has individually significant customers that each provides more than 10% of the total revenue of the Company. For the three months ended September 30, 2010, there was one such customer providing 60% of total revenue (the three months ended September 30, 2009: there was one such customer providing 72% of total revenue).

The Smart card accounts segment derives revenue from the provision of smart card accounts, as a fixed monthly fee per card is charged for the maintenance of these accounts.

The Financial services segment provides short-term loans as a principal and life insurance products on an agency basis and generates initiation and services fees.

10. Operating segments (continued)

The Hardware, software and related technology sales segment markets, sells and implements the UEPS as well as develops and provides Prism secure transaction technology, solutions and services. From September 1, 2008, the segment includes the operations of Net1 UTA, which comprise mainly hardware sales and licenses of the DUET system. The segment undertakes smart card system implementation projects, delivering hardware, software and business solutions in the form of customized systems. Sales of hardware, SIM cards, cryptography services, SIM card licenses and other software licenses are recorded within this segment. This segment also generates rental income from hardware provided to merchants enrolled in the Company's merchant retail application. Sales to SmartSwitch Nigeria Limited and the related taxation implications are not reflected in revenue to external customers, operating income, income taxation expense or net income after taxation presented in the tables below.

Corporate/Eliminations includes the Company's head office cost centers in addition to the elimination of inter-segment transactions.

The Company evaluates segment performance based on operating income. The following tables summarize segment information which is prepared in accordance with GAAP:

	Three months ended September 30,	
	2010	**2009**
Revenues to external customers		
Transaction-based activities	$ 44,892	$ 44,978
Smart card accounts	7,970	8,074
Financial services	1,248	792
Hardware, software and related technology sales	10,173	11,670
Total	64,283	65,514
Inter-company revenues		
Transaction-based activities	936	1,031
Smart card accounts	-	-
Financial services	-	-
Hardware, software and related technology sales	262	518
Total	1,198	1,549
Operating income		
Transaction-based activities	17,776	26,668
Smart card accounts	3,622	3,670
Financial services	929	531
Hardware, software and related technology sales	(2,660)	(1,713)
Corporate/Eliminations	(8,681)	(2,788)
Total	10,986	26,368
Interest earned		
Transaction-based activities	-	-
Smart card accounts	-	-
Financial services	-	-
Hardware, software and related technology sales	-	-
Corporate/Eliminations	3,084	2,647
Total	3,084	2,647
Interest expense		
Transaction-based activities	226	265
Smart card accounts	-	-
Financial services	-	1
Hardware, software and related technology sales	1	2
Corporate/Eliminations	21	8
Total	$ 248	$ 276

10. Operating segments (continued)

	Three months ended September 30, 2010	Three months ended September 30, 2009
Depreciation and amortization		
Transaction-based activities	$ 2,176	$ 1,481
Smart card accounts	-	-
Financial services	133	123
Hardware, software and related technology sales	2,421	2,686
Corporate/Eliminations	174	289
Total	4,904	4,579
Income taxation expense		
Transaction-based activities	4,960	7,512
Smart card accounts	1,014	1,027
Financial services	260	149
Hardware, software and related technology sales	(596)	34
Corporate/Eliminations	569	2,309
Total	6,207	11,031
Net income		
Transaction-based activities	12,623	18,966
Smart card accounts	2,610	2,643
Financial services	669	381
Hardware, software and related technology sales	(2,061)	(1,733)
Corporate/Eliminations	(6,412)	(2,316)
Total	7,429	17,941
Segment assets		
Total	552,597	424,306
Expenditures for long-lived assets		
Transaction-based activities	693	416
Smart card accounts	-	-
Financial services	59	60
Hardware, software and related technology sales	16	165
Corporate/Eliminations	-	-
Total	$ 768	$ 641

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.

11. 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 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 months ended September 30, 2010, 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 September 30, 2010, was 44.9% as a result of non-deductible expenses, including transaction-related expenses relating to the acquisition of KSNET.

11. Income tax in interim periods (continued)

The Company increased its unrecognized tax benefits by $0.1 million during the three months ended September 30, 2010. As of September 30, 2010, the Company had accrued interest related to uncertain tax positions of approximately $0.1 million on its balance sheet.

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

The Company files income tax returns mainly in South Africa, Austria, the Russian Federation and in the US federal jurisdiction. As of September 30, 2010, the Company is no longer subject to income tax examination by the South African Revenue Service for years before September 30, 2007. The Company is subject to income tax in other jurisdictions outside South Africa, none of which are individually material to its financial position, statement of cash flows, or results of operations.

12. Subsequent events

On October 29, 2010, the Company acquired KSNET for KRW 270 billion (approximately $240 million based on exchange rates on October 29, 2010). The acquisition of KSNET expands the Company’s international footprint as well as diversifies the Company’s revenue, earnings and product portfolio. The combination is expected to capitalize on multiple revenue synergies and provide an established base in Asia for further business development activities in the region.

The Company financed a portion of the KSNET acquisition price and related transaction expenses with the proceeds of a KRW 130.5 billion (approximately $115.9 million based on October 29, 2010 exchange rates) five-year senior secured loan facility provided by a consortium of banks under a facilities agreement (the “Facilities Agreement”). The Facilities Agreement provides for three separate facilities: a Facility A loan to the Company’s wholly owned subsidiary, Net1 Applied Technologies Korea (“Net1 Korea”), of up to KRW 130.5 billion (divided into Facility A1 (KRW 65.5 billion) and Facility A2 (KRW 65.0 billion)) and a Facility B loan to KSNET of up to KRW 65.0 billion. The Facility B loan, if drawn, must be used to repay the Facility A2 loan and may be borrowed only if Net1 Korea and KSNET complete a merger transaction with each other. Interest on the loans is payable quarterly and is based on the Korean CD rate in effect from time to time plus a margin of 4.10% for Facility A loans and 3.90% for the Facility B loan. The Facility A1 loan matures on the fifth anniversary of the initial drawdown with no required principal prepayments. Principal on the Facility A2 loan and Facility B loan is repayable in scheduled installments, beginning twelve months after initial drawdown and thereafter, semi-annually with final maturity scheduled for 54 months after initial drawdown. The loans are secured by substantially all of KSNET’s assets, a pledge by Net1 Korea of its entire equity interest in KSNET and a pledge by the immediate parent of Net1 Korea (also one of the Company’s subsidiaries) of its entire equity interest in Net1 Korea. The Facilities Agreement contains customary covenants that require Net1 Korea and its consolidated subsidiaries to maintain certain specified financial ratios (including a leverage ratio and a debt service coverage ratio) and restrict their ability to make certain distributions with respect to their capital stock, prepay other debt, encumber their assets, incur additional indebtedness, make capital expenditures above specified levels, engage in certain business combinations and engage in other corporate activities. The loans under the Facilities Agreement are without recourse to, and the covenants and other agreements contained therein do not apply to, the Company or any of our subsidiaries (other than Net1 Korea and its subsidiaries, including KSNET).

The Company incurred transaction-related expenditures of $3.2 million during the three months ended September 30, 2010, related to this acquisition and expects to incur additional such expenses during the three months ending December 31, 2010. The Company is currently unable to quantify the amount of these additional expenditures.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q.

Forward-looking statements

Some of the statements in this Quarterly Report on 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 “Risk Factors” and elsewhere in our Annual Report on Form 10-K for the year ended June 30, 2010, and in Part II, Item 1A of this Quarterly Report on Form 10-Q. 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 Quarterly Report on Form 10-Q to conform those statements to reflect the occurrence of unanticipated events, except as required by applicable law.

You should read this Quarterly Report on 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.

Business Developments During Fiscal 2011

South Africa

New SASSA contract

On August 24, 2010, we entered into a new service level agreement with SASSA which replaced our previous SASSA contract that expired on June 30, 2010. The new agreement is retroactively effective from July 1, 2010 and expires on March 31, 2011. Under the contract, we continue to provide our social welfare grants distribution service to SASSA in five of South Africa’s nine provinces (KwaZulu-Natal, Limpopo, North West, Northern Cape and Eastern Cape). As was the case with our previous contract, the new contract contains a standard pricing formula for all provinces based on a transaction fee per beneficiary paid, regardless of the number or amount of grants paid per beneficiary, calculated on a guaranteed minimum number of beneficiaries per month. However, the new contract provides for a reduction in both the level of the transaction fee per beneficiary paid and the guaranteed minimum number of beneficiaries.

As we previously announced when we signed the new contract, we continue to derive a substantial percentage of our revenues from our SASSA contract, and thus we expect that its terms will materially reduce our revenues, operating income, net income and cash flow for fiscal 2011, unless we are able to offset reduced fees from SASSA by increasing our revenues from our other business activities, reducing expenses, or both.

EasyPay Kiosk pilot project

In September 2010, we launched our EasyPay Kiosk, or EP Kiosk, pilot project at select locations in the Gauteng province of South Africa. The EP Kiosk enables users to purchase prepaid electricity and airtime and perform any post paid bill payment service requirements using the interactive user-friendly touch screen kiosk interface. The user will also be able to transfer prepaid voucher value to other mobile phone users. Users can register their own prepaid voucher wallet on the EP Kiosk, with access to the wallet guaranteed via biometric identification of the user at time of registration. A five digit personal identification number, or PIN, is also required by the user so as to facilitate transactions done via their own mobile phones or via the website.

The EP Kiosk is a cash-acceptor and does not issue change, rather it issues a prepaid value voucher in lieu of change which can be used to purchase prepaid electricity and airtime or perform any post paid bill payment service requirements through an EP Kiosk or via the internet.

The pilot project will last until the end of the second quarter of fiscal 2011 at which time we will assess whether the EP Kiosk is a viable business medium.

Outside South Africa

Acquisition of KSNET, Inc., or KSNET, in the Republic of Korea

On October 29, 2010, we acquired 98.73% of KSNET, a leading Republic of Korea payment processor, for KRW 270 billion (approximately $240 million based on October 29, 2010 exchange rates). Most of KSNET's revenue is derived from the provision of payment processing services to approximately 200,000 merchants and to card issuers in Korea through its value-added network, or VAN. KSNET has a diverse product offering and we believe it is the only total payments solutions provider offering card VAN, payment gateway and banking VAN services in Korea, which differentiates KSNET from other Korean payment solution providers and allows it to cross-sell its products across its customer base.

The acquisition of KSNET expands our international footprint as well as diversifies our revenue, earnings and product portfolio. The combination is expected to capitalize on multiple revenue synergies and provide an established base in Asia for further business development activities in the region.

The African Continent and Iraq

During the first quarter of fiscal 2011, we recorded revenue from transaction fees and the delivery of UEPS-enabled smartcards under our contract with the government of Iraq. We expect to generate ongoing revenues from transaction fees under our Iraqi contract and from smart card sales during the second quarter of fiscal 2011. We have entered the second phase of our initiative in Ghana and now generate recurring income in the form of hardware and software maintenance fees.

We continue to service our current customers on the African continent and in Iraq. Our UETS business unit continued its business development efforts in multiple new countries on the African continent during the quarter.

During the first quarter of fiscal 2011, SmartSwitch Namibia generated incremental transaction fees from prepaid airtime and electricity transactions and transactions conducted between Namibian merchants and UEPS-enabled smartcards. SmartSwitch Botswana generated transaction fees during the first quarter of fiscal 2011 from the payment of food voucher grants. We expect SmartSwitch Namibia and Botswana to continue generating transaction fees during the second quarter of fiscal 2011.

SmartSwitch Namibia is no longer dependent on shareholder funding and commenced repayment of its shareholder loans and interest during the first quarter of fiscal 2011. We expect SmartSwitch Botswana to commence the repayment of shareholder loan funding and interest during the second quarter of fiscal 2011.

Net 1 Universal Technologies (Austria) AG, or Net1 UTA

Net1 UTA's operations are seasonal and the first quarter and third quarters are historically its weakest. Growth at Net1 UTA during the first quarter of fiscal 2011 continued to be adversely impacted by our transitioning of its business model from a hardware and software sale-oriented model to one which generates recurring transaction fees, as well as by challenging economic conditions in Eastern Europe. During the first quarter of fiscal 2011 we sold hardware and software licenses to a customer in Uzbekistan.

Net1 Virtual Card

We launched our VCPayTM, offering in the United States during the first quarter of fiscal 2011. Our mobile phone-based virtual payment card application is designed to eliminate fraud in Card-Not-Present ("CNP") transactions. We have teamed up with MetroPCS Communications, Inc., or MetroPCS, The Bancorp Bank, a wholly-owned subsidiary of The Bancorp, Inc., FSV Payment Systems and MoneyGram International to offer a comprehensive card issuing, processing and distribution network to wireless subscribers in the United States.

MetroPCS will offer VCpay to its prepaid customers as an application that will be pre-loaded on new smartphones or can be downloaded on select existing devices. VCpay allows a subscriber to generate a unique, one-time use prepaid virtual card number to securely purchase goods and services or perform bill payments in any CNP environment. We believe that the VCpay application is the first mobile phone-based prepaid program with no requirement for the user to have a physical card or a bank account. Subscribers can load their prepaid virtual accounts with cash at any of MoneyGram's 40,000 U.S. agent locations, which are located in most communities including many grocery, pharmacy and convenience store chains.

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, 2010.

- Deferred taxation;
- Stock-based compensation;
- Intangible assets acquired through acquisitions;
- Accounts receivable and provision for doubtful debts; and
- Research and development.

Recent accounting pronouncements adopted

Refer to Note 1 of the unaudited condensed consolidated financial statements for a full description of recent accounting pronouncements adopted as of September 30, 2010, including the expected dates of adoption and effects on financial condition, results of operations and cash flows.

Recent accounting pronouncements not yet adopted as of September 30, 2010

Refer to Note 1 of the unaudited condensed consolidated financial statements for a full description of recent accounting pronouncements not yet adopted as of September 30, 2010, including the expected dates of adoption and effects on financial condition, results of operations and cash flows.

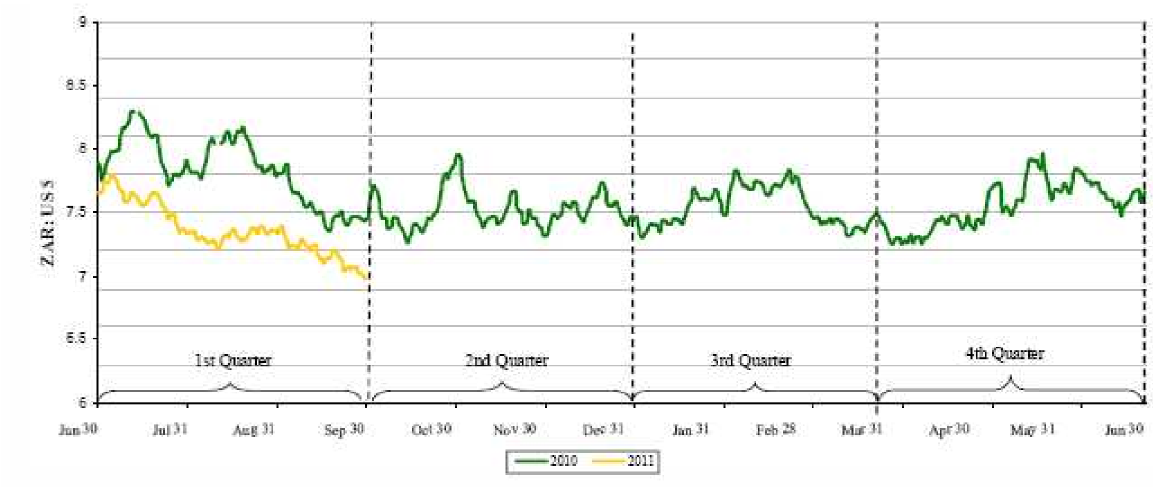
Currency Exchange Rate Information

Actual exchange rates

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

Table 1	Three months ended September 30,		Year ended June 30,
	2010	2009	2010
ZAR : $ average exchange rate	7.3577	7.8270	7.6117
Highest ZAR : $ rate during period	7.7809	8.3187	8.3187
Lowest ZAR : $ rate during period	6.9190	7.2838	7.1731
Rate at end of period	6.9750	7.4327	7.6529

ZAR: US $ Exchange Rates



Translation exchange rates

We are required to translate our results of operations from ZAR to US dollars on a monthly basis. Thus, the average rates used to translate this data for the three months ended September 30, 2010 and 2009, vary slightly from the averages shown in the table above. The translation rates we use in presenting our results of operations are the rates shown in the following table:

Table 2	**Three months ended September 30,**		**Year ended June 30,**
	2010	**2009**	**2010**
Income and expense items: $1 = ZAR	7.4053	7.8153	7.6092
Balance sheet items: $1 = ZAR	6.9750	7.4327	7.6529

Results of operations

The discussion of our consolidated overall results of operations is based on amounts as reflected in “Item 1 – Financial Statements” which are reported in US dollars and are prepared in accordance with US GAAP. Our discussion analyzes our results of operations both in US dollars and 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. The results of operation for the three months ended September 30, 2010, include the operations of MediKredit and FIHRST, which have been allocated to our transaction-based activities operating segment.

We analyze our business and operations in terms of four inter-related but independent operating segments: (1) transaction-based activities, (2) smart card accounts, (3) financial services, and (4) 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.

First quarter fiscal 2011 compared to the first quarter of fiscal 2010

The following factors had an influence on our results of operations during the first quarter of fiscal 2011 as compared with the same period in the prior year:

- ***SASSA price and volume reductions:*** Our new contract with SASSA has reduced our revenue and operating income as a result of the previously announced price and volume reductions;
- ***Favorable impact from the weakness of the US dollar:*** The US dollar depreciated by 5% compared to the ZAR during the first quarter of fiscal 2011 compared to fiscal 2010 which has had a positive impact on our reported results;
- ***Increased transaction volumes at EasyPay:*** Our reported results were favorably impacted by increased transaction volumes at EasyPay resulting from growth in value-added services;
- ***Increased revenue from MediKredit and FIRHST at lower operating margins than other transaction-based activity business:*** Our MediKredit and FIHRST acquisitions positively impacted our revenue during the first quarter of fiscal 2011, however, because MediKredit generated a modest operating loss and FIHRST has operating margin that is lower than our other transaction-based activity businesses, they negatively impacted our operating margin. The inclusion of these businesses in our results has also contributed to the increase in selling, general and administration expense;
- ***Increased user adoption in Iraq:*** Our reported results were positively impacted by increased transaction revenues from the adoption of our UEPS technology in Iraq;
- ***Lower revenues and margins from hardware, software and related technology sales segment:*** Our hardware, software and related technology sales segment continues to be adversely impacted by lower revenues generated by card sales and software maintenance and development activities and fewer ad hoc sales to Iraq when compared to a year ago, partially offset by increased hardware sales by Net1 UTA;
- ***Intangible asset amortization related to acquisitions:*** Our reported results were adversely impacted by additional intangible asset amortization of approximately $0.5 million related to the acquisitions of MediKredit and FIHRST during the third quarter of fiscal 2010; and
- ***Non-recurring items included in selling, general and administration expense:*** During the first quarter of fiscal 2011, we recognized, in selling, general and administration expense, an unrealized foreign exchange loss of $2.6 million and incurred transaction-related expenses of $3.4 million, primarily for the acquisition of KSNET.

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 September 30,		
	2010 $ ’000	**2009 $ ’000**	**$ % change**
Revenue	64,283	65,514	(2)%
Cost of goods sold, IT processing, servicing and support	18,067	16,827	7%
Selling, general and administration	30,326	17,740	71%
Depreciation and amortization	4,904	4,579	7%
Operating income	10,986	26,368	(58)%
Interest income, net	2,836	2,371	20%
Income before income taxes	13,822	28,739	(52)%
Income tax expense	6,207	11,031	(44)%
Net income before loss from equity-accounted investments	7,615	17,708	(57)%
Loss from equity-accounted investments	(216)	(111)	95%
Net income	7,399	17,597	(58)%
Add: net loss attributable to non-controlling interest	(30)	(344)	(91)%
Net income attributable to us	7,429	17,941	(59)%

Table 4

	In South African Rand (US GAAP)		
	Three months ended September 30,		
	2010 ZAR ’000	2009 ZAR ’000	ZAR % change
Revenue	476,035	512,011	(7)%
Cost of goods sold, IT processing, servicing and support	133,791	131,508	2%
Selling, general and administration	224,573	138,644	62%
Depreciation and amortization	36,315	35,786	1%
Operating income	81,356	206,073	(61)%
Interest income, net	21,001	18,530	13%
Income before income taxes	102,357	224,603	(54)%
Income tax expense	45,965	86,210	(47)%
Net income before loss from equity-accounted investments	56,392	138,393	(59)%
Loss from equity-accounted investments	(1,600)	(867)	85%
Net income	54,792	137,526	(60)%
Add: net loss attributable to non-controlling interest	(222)	(2,688)	(92)%
Net income attributable to us	55,014	140,214	(61)%

Analyzed in ZAR, the decrease in revenue for the first quarter of fiscal 2011, was primarily due to our new SASSA contract, discussed under “—Business developments during fiscal 2011—South Africa—SASSA update” and fewer sales of hardware, software and related technology, which was partially offset by higher revenues due to the inclusion of FIHRST and MediKredit, increased transaction volumes at EasyPay and higher utilization of our UEPS system in Iraq. Analyzed in ZAR, cost of goods sold, IT processing, servicing and support for the first quarter of fiscal 2011 was higher primarily due to the inclusion of FIHRST and MediKredit.

Analyzed in ZAR, selling, general and administration expenses increased during the first quarter of fiscal 2011 primarily due to increases in goods and services purchased from third parties and the inclusion of FIHRST’s and MediKredit’s operations. During the first quarter of fiscal 2011, selling, general and administration expense was also adversely impacted by an unrealized loss of $2.6 million (ZAR 19.1 million) on a foreign exchange contract related to an intercompany dividend from South Africa to the United States to be used to partially fund the acquisition of KSNET and transaction-related costs of $3.4 million (ZAR 24.9 million), primarily for the KSNET acquisition.

Our operating income margin for the first quarter of fiscal 2011 and 2010 was 17% and 40%, respectively. We discuss the components of the operating income margin under “—Results of operations by operating segment”, however the significant decrease is attributable to the price and volumes reductions under our SASSA contract and certain foreign exchange and transaction-related costs.

Our direct costs of maintaining a listing on Nasdaq and obtaining a listing on the JSE, as well as compliance with the Sarbanes-Oxley Act of 2002, or Sarbanes, particularly Section 404 of Sarbanes, includes independent directors’ fees, legal fees, fees paid to Nasdaq and the JSE, our compliance officer’s salary, fees paid to consultants who assist with Sarbanes compliance, fees paid to our independent accountants related to the audit and review process. This has resulted in expenditures of $0.6 million (ZAR 4.2 million) and $0.7 million (ZAR 5.1 million) during the first quarter of fiscal 2011 and 2010, respectively.

In ZAR, depreciation and amortization increased during fiscal 2011 primarily as a result of intangible asset amortization related to the MediKredit and FIHRST acquisitions. The intangible asset amortization and deferred tax effects related to our various acquisitions are summarized in the tables below:

Table 5

	Three months ended September 30,	
	2010	**2009**
	$ ’000	**$ ’000**
Amortization included in depreciation and amortization expense:	3,664	3,324
Prism acquisition	436	413
RMT acquisition (1)	-	515
MediKredit acquisition	506	-
FIHRST acquisition	559	-
Net1 UTA acquisition	2,163	2,396
Deferred tax included in income tax expense:	1,056	883
Prism acquisition	146	138
RMT acquisition (1)	-	144
MediKredit acquisition	175	-
FIHRST acquisition	193	-
Net1 UTA acquisition	542	601

(1) – the RMT intangibles were fully amortized in fiscal 2010.

Table 6

	Three months ended September 30,	
	2010	**2009**
	ZAR ’000	**ZAR ’000**
Amortization included in depreciation and amortization expense:	27,132	25,978
Prism acquisition	3,229	3,229
RMT acquisition (1)	-	4,024
MediKredit acquisition	3,745	-
FIHRST acquisition	4,140	-
Net1 UTA acquisition	16,018	18,725
Deferred tax included in income tax expense:	7,819	6,905
Prism acquisition	1,081	1,081
RMT acquisition (1)	-	1,127
MediKredit acquisition	1,294	-
FIHRST acquisition	1,430	-
Net1 UTA acquisition	4,014	4,697

(1) – the RMT intangibles were fully amortized in fiscal 2010.

Interest on surplus cash for the first quarter of fiscal 2011 increased to $3.1 million (ZAR 22.8 million) from $2.6 million (ZAR 20.3 million) for the first quarter of fiscal 2010. The increase in interest on surplus cash held in South Africa was due to a higher average daily ZAR cash balance during the first quarter of fiscal 2011 compared with the first quarter of fiscal 2010 offset by lower deposit rates resulting from the adjustment in the South African prime interest rate from an average of approximately 10.74% per annum for the first quarter of fiscal 2010 to 9.89% per annum for the first quarter of fiscal 2011.

Interest expense decreased during the first quarter of fiscal 2011 due to a decrease in the average rates of interest on our short-term facilities. Finance costs decreased to $0.2 million (ZAR 1.8 million) for the first quarter of fiscal 2011 from $0.3 million (ZAR 2.2 million) for the first quarter of fiscal 2010.

Total tax expense for the first quarter of fiscal 2011 was $6.2 million (ZAR 46.0 million) compared with $11.0 million (ZAR 86.2 million) during the same period in the prior fiscal year. Our total tax expense decreased primarily due to lower taxable income resulting from the SASSA price and volume reductions and a decrease in overall profitability. Our effective tax rate for the first quarter of fiscal 2011 was 44.9%, compared to 38.4% for the first quarter of fiscal 2010. The change in our effective tax rate was primarily due to an increase in non-deductible expenses, primarily related to the KSNET acquisition, during the first quarter of fiscal 2011 compared to the first quarter of fiscal 2010.

Net loss from equity-accounted investments for the first quarter of fiscal 2011 decreased from the prior year primarily due to an increase in transaction fees generated by SmartSwitch Namibia and SmartSwitch Botswana. VTU Colombia and VinaPay continue to incur losses.

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

	In United States Dollars (US GAAP)				
	Three months ended September 30,				
Operating Segment	**2010 $ '000**	**% of total**	**2009 $ '000**	**% of total**	**% change**
Consolidated revenue:					
Transaction-based activities	44,892	70%	44,978	69%	-%
Smart card accounts	7,970	12%	8,074	12%	(1)%
Financial services	1,248	2%	792	1%	58%
Hardware, software and related technology sales	10,173	16%	11,670	18%	(13)%
Total consolidated revenue	64,283	100%	65,514	100%	(2)%
Consolidated operating income (loss):					
Transaction-based activities	17,776	162%	26,668	101%	(33)%
Operating income before amortization	19,122		27,450		(30)%
Amortization of intangible assets	(1,346)		(782)		72%
Smart card accounts	3,622	33%	3,670	14%	(1)%
Financial services	929	8%	531	2%	75%
Hardware, software and related technology sales	(2,660)	(24)%	(1,713)	(6)%	55%
Operating (loss) income before amortization	(343)		829		(141)%
Amortization of intangible assets	(2,317)		(2,542)		(9)%
Corporate/eliminations	(8,681)	(79)%	(2,788)	(11)%	211%
Total consolidated operating income	10,986	100%	26,368	100%	(58)%

Table 8

	In South African Rand (US GAAP)				
	Three months ended September 30,				
Operating Segment	**2010 ZAR '000**	**% of total**	**2009 ZAR '000**	**% of total**	**% change**
Consolidated revenue:					
Transaction-based activities	332,439	70%	351,516	69%	(5)%
Smart card accounts	59,020	12%	63,101	12%	(6)%
Financial services	9,242	2%	6,190	1%	49%
Hardware, software and related technology sales	75,334	16%	91,204	18%	(17)%
Total consolidated revenue	476,035	100%	512,011	100%	(7)%
Consolidated operating income (loss):					
Transaction-based activities	131,637	162%	208,418	101%	(37)%
Operating income before amortization	141,609		214,529		(34)%
Amortization of intangible assets	(9,972)		(6,111)		63%
Smart card accounts	26,822	33%	28,682	14%	(6)%
Financial services	6,880	8%	4,150	2%	66%
Hardware, software and related technology sales	(19,698)	(24)%	(13,388)	(6)%	47%
Operating (loss) income before amortization	(2,539)		6,479		(139)%
Amortization of intangible assets	(17,159)		(19,867)		(14)%
Corporate/eliminations	(64,285)	(79)%	(21,789)	(11)%	195%
Total consolidated operating income	81,356	100%	206,073	100%	(61)%

Transaction-based activities

In ZAR, the decreases in revenue were primarily due to the new SASSA nine month contract at lower economics, which was partially offset by increased transaction volumes at EasyPay, increased utilization of our UEPS system in Iraq and the inclusion of MediKredit and FIHRST.

Revenues for transaction-based activities include the transaction fees we earn through our merchant acquiring system and reflect the elimination of inter-company transactions.

Operating income margin of our transaction-based activities decreased to 40% from 59% a year ago. The decrease was primarily due to the lower revenues generated under our SASSA contract, additional intangible asset amortization related to the acquisition of MediKredit and FIHRST and lower margins in our recently-acquired transaction processing operations compared with legacy transaction-based activities, which was partially offset by increased transaction fees from the utilization of our UEPS system in Iraq.

***Pension and welfare operations*:**

Our revenue and operating income related to our pension and welfare operations were impacted by our new contract discussed under "—Business developments during fiscal 2011—South Africa—SASSA update." Our pension and welfare operations continue to generate the majority of our revenues and operating income in this operating segment and for us as a whole.

South African transaction processors:

The table below presents the total volume and value processed during the first quarter of fiscal 2011 and 2010 by our transaction processors:

Table 9

Transaction processor	Total volume ('000s)		Total value $ ('000)		Total value ZAR ('000)	
	2010	2009	2010	2009	2010	2009
EasyPay	174,101	152,881	5,039,411	4,274,260	37,318,352	33,404,547
MediKredit	2,543	-	113,670	-	841,758	-
FIHRST	5,492	-	2,018,993	-	14,951,248	-

Transaction processing related to our Iraqi contract continued to grow sequentially through fiscal 2010. This trend has continued into the first quarter of fiscal 2011.

Our results for the first quarter of fiscal 2011 includes the intangible asset amortization related to our MediKredit and FIHRST acquisitions but excludes RMT's intangible assets which were fully amortized in the third quarter of fiscal 2010. Our results for the first quarter of fiscal 2010 includes amortization related to the RMT intangible assets.

Key statistics of our merchant acquiring system:

The key statistics and indicators of our merchant acquiring system during the first quarter of fiscal 2011 and 2010, in each of

Table 10	**Three months ended September 30, 2010**	**2009**
Province included (1)	NC, EC, KZN, L and NW	NC, EC, KZN, L and NW
Total POS devices installed	4,772	4,528
Number of participating UEPS retail locations	2,511	2,506
Value of transactions processed through POS devices during the quarter (2) (in $ ’000)	399,637	380,782
Value of transactions processed through POS devices during the completed pay cycles for the quarter (3) (in $ ’000)	395,479	366,786
Value of transactions processed through POS devices during the quarter (2) (in ZAR ’000)	2,940,416	2,980,378
Value of transactions processed through POS devices during the completed pay cycles for the quarter (3) (in ZAR ’000)	2,909,818	2,870,837
Number of grants paid through POS devices during the quarter (2)	4,819,458	4,846,515
Number of grants paid through POS devices during the completed pay cycles for the quarter (3)	4,710,596	4,675,128
Average number of grants processed per terminal during the quarter (2) .	1,008	1,082
Average number of grants processed per terminal during the completed pay cycles for the quarter (3)	985	1,044

the South African provinces where we distribute social welfare grants are summarized in the table below:

(1) NC = Northern Cape, EC = Eastern Cape, KZN = KwaZulu-Natal, L = Limpopo, NW = North West.
(2) Refers to events occurring during the quarter (i.e., based on three calendar months).
(3) Refers to events occurring during the completed pay cycle.

Smart card accounts

In ZAR, revenue from the provision of smart card-based accounts decreased in proportion to the lower number of beneficiaries serviced through our SASSA contract. A total number of 3,553,437 smart card-based accounts were active at September 30, 2010, compared to 3,794,827 active accounts as at September 30, 2009. The decrease in the number of active accounts resulted largely from the suspension and removal of invalid or fraudulent grants by SASSA.

Operating income margin from providing smart card accounts was constant at 45% for the first quarter of fiscal 2011 and 2010.

Financial services

Revenue from UEPS-based lending increased primarily due to an increase in the number of loans granted. In addition, on average, the return on these UEPS-based loans was higher. Our current UEPS-based lending portfolio comprises loans made to elderly pensioners in some of the provinces where we distribute social welfare grants. We insure the UEPS-based lending book against default and thus no allowance is required.

Operating income margin for the financial services segment increased to 74% for the first quarter of fiscal 2011 from 67% for the first quarter of fiscal 2010 primarily due to an increase in lending activity.

Hardware, software and related technology sales

The following table presents our revenue and operating income during the first quarter of fiscal 2011 and 2010:

Table 11	Three months ended September 30,	
	2010 $ ’000	2009 $ ’000
Revenue	10,173	11,670
Hardware, software and related technology sales excluding Net1 UTA	6,520	10,622
Net1 UTA	3,653	1,048
Operating (loss) income before amortization of intangible assets	(343)	829
Operating loss	(2,660)	(1,713)
Hardware, software and related technology sales excluding Net1 UTA	(594)	1,993
Net1 UTA	(2,066)	(3,706)
Net1 UTA excluding amortization of acquisition related intangible assets	97	(1,310)
Amortization of acquisition related intangible assets	(2,163)	(2,396)

Table 12	Three months ended September 30,	
	2010 ZAR ’000	2009 ZAR ’000
Revenue	75,334	91,204
Hardware, software and related technology sales excluding Net1 UTA	48,282	83,014
Net1 UTA	27,052	8,190
Operating (loss) income before amortization of intangible assets	(2,539)	6,479
Operating loss	(19,698)	(13,388)
Hardware, software and related technology sales excluding Net1 UTA	(4,398)	15,575
Net1 UTA	(15,300)	(28,963)
Net1 UTA excluding amortization of acquisition related intangible assets	718	(10,238)
Amortization of acquisition related intangible assets	(16,018)	(18,725)

The decrease in revenue was primarily due to lower revenues generated by card sales and software maintenance and development, as well as lower ad hoc hardware sales to Iraq in 2011 as compared with the prior year, which was offset marginally by increased hardware sales by Net1 UTA. In ZAR, the decrease in operating income was primarily due to lower sales activity

As we expand internationally, whether through traditional selling arrangements to provide products and services (such as in Ghana and Iraq) or through joint ventures (such as with SmartSwitch Namibia and SmartSwitch Botswana), 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 and DUET 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 from higher corporate head office-related expenditure, including the effects of inflation in South Africa, stock-based compensation charges, transaction related expenditures of $3.4 million (ZAR 24.9 million) and a unrealized foreign exchange loss on a foreign exchange contract of $2.6 million (ZAR 19.1 million) related to an intercompany dividend from South Africa to the United States to be used to partially fund the acquisition of KSNET.

Our corporate expenses also includes 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 officer’s insurance premiums; telecommunications expenses; property-related expenditures including utilities, rental, security and maintenance; and elimination entries.

Liquidity and Capital Resources

Our business has historically generated and continues to generate high levels of cash. At September 30, 2010, our cash balances were $200.2 million, which comprised mainly ZAR-denominated balances of ZAR 1,239.6 million ($177.7 million), US dollar-denominated balances of $14.5 million and other currency deposits, primarily euro, of $8.0 million. On October 29, 2010, we used approximately $124 million of our cash to fund a portion of the KSNET purchase price.

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.

Historically, we have financed most of our operations, research and development, working capital, capital expenditures and acquisitions through our internally generated cash. We take the following factors into account when considering whether to borrow under our financing facilities:

- cost of capital;
- cost of financing;
- opportunity cost of utilizing surplus cash; and
- availability of tax efficient structures to moderate financing costs.

We financed a portion of the KSNET acquisition price and related transaction expenses with the proceeds of a KRW 130.5 billion (approximately $115.9 million based on October 29, 2010 exchange rates) five-year senior secured loan facility provided by a consortium of banks under a facilities agreement (the "Facilities Agreement"). The Facilities Agreement provides for three separate facilities: a Facility A loan to our wholly owned subsidiary, Net1 Applied Technologies Korea, or Net1 Korea, of up to KRW 130.5 billion (divided into Facility A1 (KRW 65.5 billion) and Facility A2 (KRW 65.0 billion)) and a Facility B loan to KSNET of up to KRW 65.0 billion. The Facility B loan, if drawn, must be used to repay the Facility A2 loan and may be borrowed only if Net1 Korea and KSNET complete a merger transaction with each other. Interest on the loans is payable quarterly and is based on the Korean CD rate in effect from time to time plus a margin of 4.10% for Facility A loans and 3.90% for the Facility B loan. The Facility A1 loan matures on the fifth anniversary of the initial drawdown with no required principal prepayments. Principal on the Facility A2 loan and Facility B loan is repayable in scheduled installments, beginning twelve months after initial drawdown and thereafter, semi-annually with final maturity scheduled for 54 months after initial drawdown. The loans are secured by substantially all of KSNET's assets, a pledge by Net1 Korea of its entire equity interest in KSNET and a pledge by the immediate parent of Net1 Korea (also one of our subsidiaries) of its entire equity interest in Net1 Korea. The Facilities Agreement contains customary covenants that require Net1 Korea and its consolidated subsidiaries to maintain certain specified financial ratios (including a leverage ratio and a debt service coverage ratio) and restrict their ability to make certain distributions with respect to their capital stock, prepay other debt, encumber their assets, incur additional indebtedness, make capital expenditures above specified levels, engage in certain business combinations and engage in other corporate activities. The loans under the Facilities Agreement are without recourse to, and the covenants and other agreements contained therein do not apply to, us or any of our subsidiaries (other than Net1 Korea and its subsidiaries, including KSNET).

We have a unique cash flow cycle due to the funding mechanism under our SASSA contact and our pre-funding of merchants. Under our SASSA contract, we receive the grant funds 48 hours prior to the provision of the service and any interest we earn on these amounts is for the benefit of SASSA. In addition, we pre-fund certain merchants who facilitate the distribution of grants through our merchant acquiring system. When grants are paid at merchant locations before the start of the payment service at pay points, we pre-fund these payments to the merchants distributing the grants on our behalf. We typically reimburse these merchants within 48 hours after they distribute the grants to the social welfare beneficiaries.

We currently believe that our cash and available credit facilities are sufficient to meet our business requirements for at least the next four quarters, including working capital requirements, capital expenditures and debt service obligations.

Cash flows from operating activities

Three months ended September 30, 2010

Net cash provided by operating activities for the first quarter of fiscal 2011 was $30.2 million (ZAR 223.2 million) compared to $37.0 million (ZAR 289.1 million) for the first quarter of fiscal 2010. Our net cash from operating activities decreased primarily due to the SASSA price and volume reductions which were effective July 1, 2010.

During the first quarter of fiscal 2011 we made additional second provisional tax payments of $1.8 million (ZAR 12.7 million) related to our 2010 tax year in South Africa. During the first quarter of fiscal 2010 we made an additional second provisional tax payment of $3.9 million (ZAR 29.6 million) related to our 2009 tax year in South Africa. See the table below for a summary of all taxes paid (refunded).

Taxes paid during the first quarter of fiscal 2011 and 2010 were as follows:

Table 13	Three months ended September 30,			
	2010 $ '000	2009 $ '000	2010 ZAR '000	2009 ZAR '000
Taxation paid related to prior years	1,774	3,929	12,716	29,611
Taxation refunds received	(172)	(238)	(1,302)	(1,900)
Total tax paid	1,602	3,691	11,414	27,711

We expect to pay our first provisional payments in South Africa related to our 2011 tax year in the second quarter of fiscal 2011.

Cash flows from investing activities

Three months ended September 30, 2010

Cash used in investing activities for the first quarter of fiscal 2011 includes capital expenditure of $0.8 million (ZAR 5.7 million), primarily for the acquisition of kiosks to service our EasyPay Kiosk pilot project, the replacement of computer and electronic hardware and the replacement of motor vehicles.

SmartSwitch Namibia commenced repayment of loans provided by its shareholders during the first quarter of fiscal 2010 and cash flows from investing activities for the first quarter of fiscal 2011 includes principal repayments of $0.4 million. In July 2010, we provided additional loan funding to VTU Colombia of approximately $0.4 million.

Cash used in investing activities for the first quarter of fiscal 2010 includes capital expenditure of $0.6 million (ZAR 5.0 million), primarily for the acquisition of POS devices to service our merchant acquiring system, improvements to leasehold property and the acquisition of computer equipment.

Cash flows from financing activities

Three months ended September 30, 2010

There were no significant cash flows from financing activities during the first quarter of fiscal 2011.

During the first quarter of fiscal 2010 we repurchased, using our ZAR reserves, 9,221,526 shares of our common stock from Brait S.A. and its investment entities affiliates for $13.50 (ZAR 105.98) per share, for an aggregate repurchase price of $124.5 million (ZAR 977.3 million). In addition, we incurred costs of approximately $0.5 million (ZAR 3.9 million) related to the repurchase of these shares. During the first quarter of fiscal 2010, we also paid $1.3 million on account of shares we repurchased on June 30, 2009, under our share buy-back program. We also received $0.7 (ZAR 5.5 million) from employees exercising stock options and repaying loans.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Capital Expenditures

We discuss our capital expenditures during the first quarter of fiscal 2011 under – "Liquidity and capital resources –Cash flows from investing activities." All of our capital expenditures for the past three fiscal years have been funded through internally generated funds. We had outstanding capital commitments of $0.1 million as of September 30, 2010. We anticipate that capital spending for the second quarter of fiscal 2011 will relate primarily to on-going replacement of equipment used to administer and distribute social welfare grants and provide a switching service through EasyPay. We expect to fund these expenditures through internally generated funds.

Contingent Liabilities, Commitments and Contractual Obligations

We lease various premises under operating leases. Our minimum future commitments for leased premises as well as other commitments are as follows:

Table 14	Payments due by Period, as at September 30, 2010 (in $ ’000s)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Interest-bearing liabilities	$ 4,413	-	-	-	$ 4,413
Operating lease obligations	7,017	$ 3,388	$ 2,897	$ 732	-
Purchase obligations	2,960	2,960	-	-	-
Capital commitments	7	7	-	-	-
Total	$ 14,397	$ 6,355	$ 2,897	$ 732	$ 4,413

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We seek to reduce our exposure to currencies other than the South African rand, or ZAR, through a policy of matching, to the extent possible, assets and liabilities denominated in those currencies. In addition, we use financial instruments to economically hedge our exposure to exchange rate and interest rate fluctuations arising from our operations. We are also exposed to equity price and liquidity risks as well as credit risks.

Currency Exchange Risk

We are subject to currency exchange risk because we purchase inventories that we are required to settle in other currencies, primarily the euro and US dollar. We have used forward contracts to limit our exposure in these transactions to fluctuations in exchange rates between the ZAR, on the one hand, and the US dollar and the euro, on the other hand. In addition, during the first quarter of fiscal 2011, we entered into foreign exchange contracts in order to hedge the fluctuations in the ZAR/ US dollar related to the anticipated flow of funds from South Africa to the United States to fund a portion of the KSNET purchase price. As of September 30, 2010 and 2009, our outstanding foreign exchange contracts were as follows:

As of September 30, 2010

Notional amount	Strike price	Fair market value price	Maturity
EUR 480,000	ZAR 9.7960	ZAR 9.5740	November 10, 2010
EUR 288,000	ZAR 9.4669	ZAR 9.5356	October 15, 2010
ZAR 460,000,000	USD 0.1397	USD 0.1432	October 1, 2010
ZAR 460,000,000	USD 0.1401	USD 0.1426	October 1, 2010

As of September 30, 2009

None.

Translation Risk

Translation risk relates to the risk that our results of operations will vary significantly as the US dollar is our reporting currency, but we earn most of our revenues and incur most of our expenses in ZAR. The US dollar to ZAR exchange rate has fluctuated significantly over the past three years. As exchange rates are outside our control, there can be no assurance that future fluctuations will not adversely affect our results of operations and financial condition.

Interest Rate Risk

As a result of our normal borrowing and leasing activities, our operating results are exposed to fluctuations in interest rates, which we manage primarily through our regular financing activities. We generally maintain limited investment in cash equivalents and have occasionally invested in marketable securities. The interest earned on our bank balances and short term cash investments is dependent on the prevailing interest rates in the jurisdictions where our cash reserves are invested.

Credit Risk

Credit risk relates to the risk of loss that we would incur as a result of non-performance by counterparties. We maintain credit risk policies with regard to our 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 our management deems appropriate.

With respect to credit risk on financial instruments, we maintain 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 we would incur as a result of the volatility in the exchange-traded price of equity securities that we hold and the risk that we may not be able to liquidate these securities. We have invested in approximately 22% of the issued share capital of Finbond Group Limited, which are exchange-traded equity securities. The fair value of these securities as of September 30, 2010, represented approximately 1% of our total assets, including these securities. We expect to hold these securities for an extended period of time and we are not concerned with short-term equity price volatility with respect to these securities provided that the underlying business, economic and management characteristics of the company remain sound.

The market price of these securities may fluctuate for a variety of reasons, consequently, the amount we may obtain in a subsequent sale of these securities may significantly differ from the reported market value.

Liquidity risk relates to the risk of loss that we would incur as a result of the lack of liquidity on the exchange on which these securities are listed. We 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.

The following table summarizes our exchange traded equity securities with equity price risk as of September 30, 2010. The effects of a hypothetical 10% increase and a 10% decrease in market prices as of September 30, 2010 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 15

	As of September 30, 2010			
	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	8,009	10%	8,810	0.25%
	8,009	(10)%	7,208	(0.25)%

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 September 30, 2010. 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 September 30, 2010.

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 September 30, 2010, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1A. Risk Factors

See Item 1A RISK FACTORS in Part I of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2010, for a discussion of our risk factors. In addition, we have identified the following risk factors related to our recent acquisition of KSNET:

We will face challenges in integrating KSNET into our company and we will likely not include KSNET in our internal control certification and attestation for fiscal 2011.

On October 29, 2010, we acquired KSNET, a large payment processor in the Republic of Korea for 270 million KRW, or approximately $240 million (based on October 29, 2010 exchange rates). This acquisition was the largest acquisition we have effected to date. Integrating KSNET into our company will require significant attention from our senior management which may divert their attention from our day to day business. The difficulties of integration may be increased by geographical distance between South Africa and Korea, language and cultural differences and the necessity of retaining and integrating personnel, including KSNET's key employees. In addition, our management certification and auditor attestation regarding the effectiveness of our internal control over financial reporting as of June 30, 2011, will likely exclude the operations of KSNET. If we are unable to successfully integrate KSNET's operations into our internal control over financial reporting, our internal control over financial reporting may not be effective.

We incurred secured debt on October 29, 2010, to fund the acquisition of KSNet which requires us to comply with restrictive and financial covenants. If we are unable to comply with these covenants, we could default on this debt, which would have a material adverse effect on our business and financial condition.

We financed a portion of the KSNET acquisition price and related transaction expenses with the proceeds of a KRW 130.5 billion (approximately $115.9 million based on October 29, 2010 exchange rates) five-year secured loan facility under the Facilities Agreement. The loans are secured by substantially all of KSNET's assets, a pledge by Net1 Korea of its entire equity interest in KSNET and a pledge by the immediate parent of Net1 Korea (also one of our subsidiaries) of its entire equity interest in Net1 Korea. The Facilities Agreement contains covenants that require Net1 Korea and its consolidated subsidiaries to maintain certain specified financial ratios (including a leverage ratio and a debt service coverage ratio) and restrict their ability to make certain distributions with respect to their capital stock, prepay other debt, encumber their assets, incur additional indebtedness, make capital expenditures above specified levels, engage in certain business combinations and engage in other corporate activities. Although these covenants only apply to our Korean subsidiaries, these security arrangements and covenants may reduce our operating flexibility or our ability to engage in other transactions that may be beneficial to us. If we are unable to comply with these covenants, we could be in default under the Facilities Agreement and the indebtedness thereunder could be accelerated. 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.

Our ability to operate KSNET successfully will depend on the continued services of KSNET's employees.

We will rely on the continued services of the existing KSNET's management team. The services of these individuals will be important to the continued growth and success of the KSNET business and to our ability to integrate KSNET with the rest of our company. If we were to lose the services of these key employees, our ability to operate KSNET successfully would likely be materially and adversely impacted.

Item 6. Exhibits

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

Exhibit Number	Description
2.1	Share Purchase Agreement, dated as of September 14, 2010, by and among the Company, Payment Services Asia LLC and H&Q NPS Van Investment, Ltd. (incorporated by reference to Exhibit 2.1 to our Form 8-K filed on September 16, 2010)
10.51	Senior Facilities Agreement dated October 29, 2010, between Net 1 Applied Technologies Korea, as borrower, Hana Daetoo Securities Co., Ltd., as mandated lead arranger, Shinhan Bank and Woori Bank, as co-arrangers, the financial institutions listed therein as original lenders and Hana Bank, as agent and security agent (incorporated by reference to Exhibit 10.51 to our Form 8-K filed on November 3, 2010)
10.52*	Service Level Agreement, dated as of August 24, 2010, between the South African Social Security Agency and Cash Paymaster Services (Pty) Limited, a wholly-owned subsidiary of the Company
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) under the Exchange Act
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) under the Exchange Act
32	Certification pursuant to 18 USC Section 1350

* Confidential treatment is being requested for certain portions of this Exhibit pursuant to Rule 24b-2 of the Exchange Act which portions have been omitted and filed separately with the Securities and Exchange Commission.

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 November 9, 2010.

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

Exhibit 10.52

CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO RULE 24b-2

Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended. The omitted materials have been filed separately with the Securities and Exchange Commission.

sassa

SOUTH AFRICAN SOCIAL SECURITY AGENCY

SERVICE LEVEL AGREEMENT

Between

SOUTH AFRICAN SOCIAL SECURITY AGENCY

And

CASH PAYMASTER SERVICES (PTY) LTD

Exhibit 10.52

CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO RULE 24b-2

Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended. The omitted materials have been filed separately with the Securities and Exchange Commission.

Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended. The omitted materials have been filed separately with the Securities and Exchange Commission.

1 PREAMBLE

Whereas a number of agreements (SLA's) existed between the Agency and the following entities:

Cash Paymaster Services (North West) (Pty) Ltd;

Cash Paymaster Services (KZN) (Pty) Ltd;

Cash Paymaster Services (Northern Cape) (Pty) Ltd;

Cash Paymaster Services (Northern) (Pty) Ltd; and

Cash Paymaster Services (Eastern Cape) (Pty) Ltd.

1.1 Whereas the service level agreement (Interim Agreement) between the South African Social Security Agency and Cash Paymaster Services (Pty) Ltd (CPS) for the Cash Payment of Grants to Beneficiaries in the Service Location terminated on the 31st March 2010.

1.2 And whereas the Parties realised the need for continued Payment of Grants to Beneficiaries in the Service Location. In order to circumvent this situation, on 25 March 2010 the Parties extended the Interim Agreement for a further three (3) month period terminating on the 30th of June 2010.

1.3 And whereas there is a need for the continued Payment of Grants, the Parties have engaged in negotiations and agreed that CPS will be contracted on the terms and conditions set out herein for the Payment of Grants to the Beneficiaries in the Service Location, which contract is to take effect from the 1st July 2010.

1.4 And whereas the Parties agree that for the purpose of this Agreement, the provincial demarcations shall not affect the Service Location in terms of this Agreement.

1.5 Therefore the Parties wish to record their agreement in writing and agree as follows:-

2 DEFINITIONS

Unless the context indicates otherwise, the words and expressions set out below shall bear the following meanings and cognate expressions shall bear corresponding meanings:

"**Agreement**" means the agreement as set out in this document together with any annexure hereto; "Contract" shall have a corresponding meaning;

"**Alternative Identification**" means the documents as prescribed by the SASSA in terms of Regulation 11.1 of the Social Assistance Act, 2004 (Act 13 of 2004);

"**Approved Recipients**" means Enrolled Recipients approved, by SASSA, for Payment;

"**AFIS**" means Automated Fingerprint Identification System;

"**Beneficiary**" means an eligible person who receives one or more Grants;

"**Biometric Data**" means information captured during the Enrolment process;

"**Biometric Identification**" means the identification of a person by using AFIS computer technology;

"**Biometric Verification**" means the verification of each Beneficiary by using computer technology to verify the relationship between a Beneficiary and his/her fingerprints already captured previously during Enrolment;

"**Business Day**" means Monday to Friday between the hours of 08:00 to 16:30, excluding Saturdays, Sundays or a day which from time to time is proclaimed a public holiday in the Republic of South Africa. "**Business Days**" shall have a corresponding meaning;

"**Calendar Month**" means a period from the first day of a month to the last day of a month;

"**Card**" means a plastic chip card which contains the Contractor's Payment application that facilitates online and offline Payment issued by the Contractor to a Beneficiary to be used for the purpose of receiving a Grant;

"**Cash**" means the dispensing of Grants to the Recipients through automated cash dispensing machines at designated Pay points, and payments by use of Card;

"**Card Reader**" means the electronic device linked to the Payment unit that verifies the Biometric information stored on the Card with the Biometric information of a particular Recipient;

"**Contact Person**" means the relevant person(s) appointed by the Contractor and SASSA from time to time, to oversee the execution of this Agreement and whose names will be disclosed to the other Party in writing;

"**Confidential Information**" means information defined as such in clause 22 of this Agreement;

"**Contractor**" means Cash Paymaster Services (Pty) Ltd a private company duly registered and incorporated in terms of the Company Laws of the Republic of South Africa bearing registration number 1971/007195/07;

"**District**" means a specific geographical area where Beneficiaries reside within a Service Location;

"**Effective date**" means the 1st July 2010, notwithstanding the date of signature;

"**Enrolled Recipients**" means Recipients Enrolled by the Contractor or who received Payments from the Contractor on Effective date;

"**Enrol**" means the capturing and registration of the Recipients fingerprints;

"**Fees**" means the amounts SASSA shall pay to the Contractor for the rendering of the Services in accordance with this Agreement;

"**Grants**" means social grants as defined in the Social Assistance Act, 2004 (Act 13 of 2004);

"**Help Desk Official**" means the SASSA employees responsible for the provisioning of information and services regarding social grant payments to the Beneficiaries at the Pay points;

"**Intellectual Property**" means all intellectual property rights, whether or not registerable, including but not limited to copyright, patents, proprietary material, Confidential Information, trademarks, design, know-how, trade secrets, new proprietary and secret concepts, methods, techniques, processes, adaptations, ideas, technical specifications and testing methods;

"**Invoice**" means the original tax invoice reflecting the consideration (or the adjusted consideration (if any)) owing by SASSA to the Contractor and which conforms to the provisions of the Value Added Tax, Act1991 (Act89 of 1991);

"**Maintenance**" means cleaning of facilities by the Contractor at Pay points and ensuring that the facilities are left in the same condition as when payment commenced, including the fixing of any damages and breakages which occurred during the usage of the Pay point facilities provided the damages were caused by negligence of the Beneficiaries (save wilful acts), Contractor or its employees;

"**Merchant Acquiring System**" means the alternative payment solution whereby Approved Recipients can utilise their Cards to load Grants, spend and/or make cash withdrawals;

"**Norms and Standards**" means the norms and standards contained in the extract only of the document attached hereto marked "**A**";

"**Parties**" means the Contractor and SASSA and "a Party" shall have a corresponding meaning;

"**Participating Merchants**" means merchant stores appointed by the Contractor that have installed the Merchant Acquiring System;

"**Payment**" means the loading of a Grant due to a Beneficiary, as per SOCPEN instruction, and the disbursement thereof in the form of Cash. "Pay" used in the same context shall have a corresponding meaning;

"**Payment Cycle**" means the period in which Payments are allowed to be effected by the Contractor, as agreed between the Contractor and SASSA from time to time from one Payment File to another;

"**Payment Date**" means the Business day in any given Payment Cycle upon which Payment is to be made by the Contractor, as specified in the Payment Schedule;

"**Payment File**" means the electronic information as per the SOCPEN database provided to the Contractor by SASSA, which contains all the information needed to effect Payments to Approved Recipients;

"**Payment Period**" means the number of Business Days in which Payments are made in a specific month;

"**Payment Team**" means the Contractor's employees responsible to effect Payment of Grants during the Payment Cycle;

"**Pay points**" means designated venues with basic facilities agreed upon between SASSA, and the Contractor from time to time, which are in compliance with the standards set out in annexure **B**;

"**Payment Schedule**" means the Payment times, dates and venues agreed upon between SASSA and Contractor;

"**Prime Interest Rate**" means the publicly quoted variable basic rate of interest rate per annum, compounded monthly on the capital amount in arrears; excluding interest compounded on the outstanding interest;

"**Procurator**" means a procurator as defined in the Social Assistance Act, 2004 (Act 13 of 2004);

"**Recipient**" means a Beneficiary or Procurator that is entitled to receive one or more Grant/s;

"**Regulations**" means regulations in terms of the Social Assistance Act, 2004 (Act 9 of 2004);

"**SASSA**" means the South African Social Security Agency, being a Schedule 3A Public Entity established by the South African Social Security Agency Act 2004, (Act 9 of 2004), which is responsible for the management, administration and payment of Grants; and "**Agency**" shall have a corresponding meaning;

"**Services**" means the Cash Payment services the Contractor shall render to the Agency for the management and administration of the Payment of Grants to the Approved Recipients in terms of this Agreement;

"**Service Location**" means the five Provinces, being, part of the Eastern Cape, Kwa-Zulu Natal, Limpopo, Northern Cape and North West, "**Regions**" shall have a corresponding meaning;

"**SOCPEN**" means the National Government's computerized Grant administration system;

"**SOCPEN database**" means all information captured by SASSA and stored on SOCPEN that relates to all Beneficiaries registered in the Service Location;

"**VAT**" means value added tax in terms of the Value Added Tax Act, 1991 (Act 89 of 1991) or any similar tax on the supply or sale of goods and/or services.

3 INTERPRETATIONS

3.1 Any reference in this Agreement to legislation or subordinate legislation is reference to such legislation or subordinate legislation at the date of signature hereof and as amended and/or re-enacted from time to time.

3.2 Words importing: (a) the singular shall include the plural, and vice versa; (b) the masculine gender shall include the feminine and neuter genders, and vice versa; and (c) natural persons shall include legal persons, and vice versa.

3.3 In the event of ambiguity, the rule of construction that the contract shall be interpreted against the Party responsible for the drafting thereof, shall not apply in the interpretation of this Agreement.

3.4 Where any provision of this Agreement requires a Party to perform any act in writing, this requirement will only be satisfied if such performance is made in a written or paper based form. The provisions of the Electronic Communications and Transactions Act, 2002 (Act 25 of 2002) are expressly excluded from this Agreement.

3.5 Where any term is defined within the context of any particular clause in this Agreement, it shall bear the same meaning as ascribed to it for all purposes in terms of this Agreement, notwithstanding that the term has not been defined in the definition clause.

3.6 When any number of days is prescribed in this Agreement, same shall be reckoned exclusively of the first and inclusively of the last day.

4 CONTRACT DURATION

4.1 The Contract is valid for a period of nine (9) months effective from 1st July 2010 to 31st March 2011.

4.2 The rights and obligations of the Parties in terms of and pursuant to the provisions of this Agreement shall commence on the Effective date and shall remain in force until 31 March 2011.

5 THE SERVICES

5.1 The Contractor shall render the following services in terms of and in accordance with the service levels contained in this Agreement:

5.1.1 Enrolment of all Recipients in the Service Location;

5.1.2 Issuing of Cards to Recipients enrolled by the Contractor;

5.1.3 Payment to all Enrolled Recipients in the Service Location;

5.1.4 Reconciliation of paid and unpaid Grants in respect of Enrolled Recipients;

5.1.5 Reconcile Payment information on a daily basis and must at all times make reconciled Payment information electronically accessible to the Agency at no additional cost;

5.1.6 Upon request provide the Agency, with additional report analysis, at no additional cost, provided that the requests are reasonable; and

5.1.7 Disseminate information to Enrolled Recipients, via Payment receipts, as and when requested in accordance with this Agreement.

5.2 In performing the Services, the Contractor shall:

5.2.1 Comply with the Agency's approved management and administration of Payment procedures in terms of the Norms and Standards;

5.2.2 Assume responsibility, whether technical or otherwise, for the performance of the Services, which comply with professional standards employed by service providers performing work of a comparable nature;

5.2.3 To endeavour to improve and enhance the quality of the Services during the course of this Agreement; in consultation with the Agency and within the terms of the Agreement;

5.2.4 Continually seek alternatives to optimise secure, cost efficient and convenient means of Payment for the benefit of the Recipients with prior written approval from the Agency's designated official;

5.2.5 Perform the Services within normal working hours on Business Days as well as any additional hours as may reasonably be required by the Agency in consultation with duly designated official;

5.2.6 Liaise exclusively with and take instructions exclusively from the authorised representative/s of the Agency;

5.2.7 Under no circumstances have any authority whatsoever to contract in the name of, or to create any liability whatsoever in the name of, or on behalf of the Agency;

5.2.8 Perform the Services at the Pay points, provided that the Contractor may make use of additional Payment infrastructures at its disposal with prior written approval from the Agency's designated official.

5.3 The Contractor shall facilitate the staggering of Payment Dates and the necessary system changes as required by the Agency in order to ease congestion at Pay points, in consultation with the Agency; It is however noted that the allocation of Recipients to Pay points lies solely with SASSA.

5.4 Every attempt should be made to ensure that no Recipient spends longer than two (2) hours waiting for Payment at the Pay point.

5.5 Security at the Pay point and cash in transit is the Contractor's responsibility.

6 PRE- FUNDING METHOD

6.1 SASSA agrees to make available the monies required by the Contractor, which will be utilised for the rendering of the Services to the Approved Recipients ("pre-fund"). The Payments due to the Approved Recipients during any given Payment Date will be paid to the Contractor 48 (forty-eight) hours prior to commencement of the applicable Payment Date. This implies that the Agency will arrange to pre-fund the Contractor forty eight (48) hours before the actual Payment Date, and not two days or 48 hours before the entire Payment Cycle.

6.2 The Contractor will advise the Agency within 5 (five) working days before the start of the next month's Payment Cycle of the cash requirements for each Payment Date. However the cash requirement for the first five Payment Dates should be based on the actual Payments effected in the preceding Payment Cycle for those dates coupled with the increase in Payments effected between the preceding two months' Payment Cycles for those first five Payment Dates.

6.3 One day after the provision of the SOCPEN Payment extraction, the Contractor shall provide the Agency with a second advance pre-funding for the remainder of the days of the Payment Cycle (which will be based on the actual Payments per Payment Dates).

6.4 Bank charges incurred on the Contractor's bank account will be for the account of the Contractor.

7 FEES

7.1 In consideration for the rendering of the Services, the Agency shall pay to the Contractor the Fees.

7.2 The fees for the Services per Payment Cycle will be calculated in accordance with the following formula:-

Service fee = ([***] Recipients guaranteed by the Agency x R[***])

7.3 The Parties agree and confirm [*******], as being the guaranteed Grants Recipients baseline (''the Baseline") per Payment Cycle.

7.4 It is agreed that any additional numbers in excess of the Baseline will be charged at a rate of R[*******] per Recipient.

7.5 The Parties agree that the Contractor will issue a consolidated Invoice covering the Service Location, and the Invoice must also provide details indicating an increase or decrease of Recipients per Province;

7.6 In the event that the Agency requires the Contractor to render additional services to the Agency, which do not form part of the Services, the Contractor may be requested to render such services in accordance with a negotiated service fee for such service;

7.7 Lost or replacement Cards will be issued by the Contractor and invoiced to SASSA at a rate of R[*******] per replacement.

7.8 The Parties agree that all amounts payable in terms of this Agreement are VAT inclusive.

8 INVOICING AND PAYMENT

8.1 SASSA shall effect payment not later than thirty (30) days after receipt of the Invoice and reconciled Payment report from the Contractor and payment shall be in accordance with the following:

8.1.1 The Agency shall make all payments into the Contractor's nominated bank account. The bank account details shall be communicated to the Agency in writing, from time to time;

8.1.2 Immediately upon the Agency making payment of the fees by way of bank transfer, the Agency's liability towards the Contractor will be deemed to have been complied with, in respect of such payment made;

8.1.3 All original Invoices must be forwarded to the Agency's address as stated in clause 32. The Contractor shall issue separate monthly Invoices, in respect of each Service Location, with detailed information for each Province, for the:

8.1.3.1 Fees for the total number of Recipients paid out as per the SOCPEN reconciliation report in the applicable Payment Cycle relative to the number of guaranteed Baseline Recipients in the Service Location;

8.1.3.2 Enrolment fees for the total number of new Recipients enrolled, per province in that Payment Cycle; and

8.1.3.3 Any other services rendered, as agreed between the Agency and the Contractor.

8.1.4 No payment of Fees will be effected before verification to the final SOCPEN reconciliation numbers has taken place. Verification of Invoices must be concluded within two (2) days of SOCPEN reconciliation. The Contractor may submit an Invoice after completion of every Payment Cycle.

8.1.5 For the period of this Contract, no price increases for Fees will be effected.

8.1.6 Should this Contract be extended, price increases will be negotiated separately at the time of the extension.

8.1.7 Fees paid later than the due date shall bear interest at the Prime Interest Rate, calculated from and including the due date,

8.1.8 The Contractor undertakes to refund the Agency any and/or all unpaid pre- funded amounts with interest earned thereon at least two (2) days after the end of the submission of the SOCPEN reconciliation file.

9 SOCIAL RESPONSIBILITY DEVELOPMENT FUND (SRDF)/ RDP

9.1 The Parties agree that the Contractor will not be required to contribute to the Social Responsibility Funds/ RDP funds; and

9.2 The Contractor must ensure that the accumulated funds as per annexure “**C**” are transferred to a SASSA nominated bank account within 30 days of signature of this Agreement.

10 ROLES AND RESPONSIBILITIES

10.1 **Agency: The Agency will be responsible for the following:**

10.1.1 Make available the relevant and correct Payment File to the Contractor;

10.1.2 Providing the Contractor with relevant Payment details of all Recipients within the time limits as per the SOCPEN cut-off schedule. The details required must be in terms of the agreed linkage specification format;

10.1.3 Correcting errors or inaccuracies which may occur on the electronic records supplied to the Contractor;

10.1.4 Training of its own staff;

10.1.5 Ensuring that all information supplied by it is unambiguous and in a form that can be utilised by the Contractor, and that it complies with the specifications for such information required by the Contractor from time to time;

10.1.6 The Agency shall publish or cause to be published all information relating to Payment Dates and Payment times per Pay point, and shall ensure that such information reaches all Recipients at least one month in advance;

10.1.7 The Agency must provide a minimum of 1 (one) official per the Contractor's Payment Team who will serve as a Help Desk Official and who will handle all Payment related queries from Recipients;

10.2 **Contractor: The Contractor shall be responsible for the following:**

10.2.1 Make available the relevant, correct and reconciled Payment data to the Agency;

10.2.2 The electronic transfer of information captured by the Contractor relating to the Enrolment of Beneficiaries and Procurators. Such information must be forwarded to the Agency within the time limits as per the SOCPEN cut-off schedule.

10.2.3 Within 2 days after submission of the SOCPEN reconciliation file, issue the Agency with a certificate, which certifies that the amounts pre-funded by the Agency for the Payments during the preceding Payment Cycle, has been either paid out to Recipients in full, alternatively refunded to the Agency.

10.2.4 Provide the Agency with a written confirmation of Payments that have been stopped, within 24 hours.

10.2.5 Make available, upon request, information to the Auditor General and the Agency.

10.2.6 Training of its own staff.

10.2.7 Maintain and safeguard all Beneficiary data provided to it by the Agency.

10.2.8 The Maintenance of the Pay points

10.3 **The Parties shall be jointly responsible for:**

10.3.1 The Contractor's employees and security staff will be trained to treat the Beneficiaries and Procurators with dignity and humanity they deserve.

10.3.2 The implementation of a system which caters for "emergency" stop Payments must always be an instruction from the Agency to the Contractor in writing. SASSA undertakes to provide the Contractor with a written instruction at least 2(two) days prior to the "emergency" stop Payment being effected by the Contractor.

11 ENROLMENT

11.1 The Contractor's information communication technology system must cater for the Enrolment of all new Recipients allocated to the Contractor.

11.2 The Contractor must enrol Recipients from a list of Recipients supplied by the Agency. In some instances this may be a computerised list supplied by an authorized SASSA official through a SOCPEN file.

11.3 The Contractor shall use the Biometric Identification Technology on Enrolling Recipients.

11.4 The Contractor must not use fingerprint or other data belonging to the Agency for any purpose, other than the execution of this Agreement.

11.5 The Contractor shall ensure that Enrolment takes place at Pay points or at one-stop service points or the Agency's service offices that have mutually been agreed to by both Parties.

11.6 The Contractor shall ensure that all the Enrolment workstations are at all times fully capacitated to capture all the relevant data, as per specification of SOCPEN as required by the Agency.

11.7 The Contractor and the Agency will reconcile the Payment Files received from SOCPEN after conclusion of the Payment Cycle. Differences raised by the Agency will be resolved before the commencement of the next Payment Cycle.

11.8 The Agency will be entitled to invoke penalties, as specified in clause 17, if and when Recipients are incorrectly enrolled and such action results in non-Payment of a Recipient or when compulsory data that should be available on request is not available or inaccessible, due to the fault of the Contractor.

11.9 All information and data relating to Recipient and Payments are the Agency's property at all times and must be transferred (in a format and process mutually agreed by the Parties) to the Agency upon request by the Agency and/ or upon the expiry of the Agreement. This does not include proprietary information relating to the Contractors information technology system utilized in performing the Services.

11.10 The Fee for Enrolment, payable by the Agency to the Contractor, shall be R22.80 per Recipient Enrolled.

12 CARDS

12.1 The Contractor will provide and issue an individual Card to every Recipient, once he/she is Enrolled on the system. This Card will contain the following information:

12.1.1 Identity number or Alternative Identification number of the Recipient; and

12.1.2 Biometric Data.

12.2 The Contractor must provide the first Card, at Enrolment, free of charge.

12.3 The Contractor shall replace Cards that are lost/ damaged within 72 (seventy two) hours after the Recipient has notified the Contractor.

12.4 The Card should be durable and able to withstand rigorous use. Cards should last Beneficiaries for a period of at least 5(five) years.

13 PAYMENT COMPLIANCE

13.1 The Contractor shall ensure that Payments to Recipients are effected in the following manner:

13.1.1 Payments will be effected during the Payment Cycle in accordance with relevant legislation and this Agreement;

13.1.2 The Contractor to ensure that the correct amount is dispensed and checked by the Recipient that no short payments are made, if any to be rectified immediately after complaint is lodged and verified before the Recipient;

13.1.3 Payments to Recipients shall take place on dates, days and at Pay points agreed to in advance between the Agency and the Contractor within the Payment Cycle. The Parties must agree on the above six months in advance. Adjustments due to unforeseen reasons can be agreed to by the Parties. Payment may be made through alternative Cash Payment infrastructure available to the Contractor, namely Participating Merchants;

13.1.4 Payment at fixed Pay points must be available during Business Days and Payment Teams are not to leave the fixed Pay points earlier than an agreed upon time;

13.1.5 Payment by the Contractor must commence by 08h00 and be completed by no later than 16h30 unless circumstances require the Contractor to continue Payment beyond 16h30. In such circumstances the Contractor shall obtain the Agency’s prior approval;

13.1.6 Where late Payment at a Pay point occurs, the Contractor and the Agency are to make arrangements to ensure that Recipients are able to return home. Arrangements following late Payments may include the provision of transport and refreshments for Recipients, at the wrongful Party's cost;

13.1.7 The type of Biometric Verification agreed to between the Parties must be the only method used to verify Beneficiaries during Payment;

13.1.8 The Contractor must pay all Recipients which it is able to verify biometrically;

13.1.9 In addition to clause 13.1.8 above, the Contractor must, where false rejection of fingerprints occurs, pay the Recipient on the presentation and identification of a valid South African bar coded identity document or acceptable Alternative Identification subject to written approval and positive identification by the Agency's Help Desk official. A copy of this approval is to be retained by the Contractor;

13.1.10 All Payment records, Payment data and Biometric Data shall remain the property of the Agency, and may not be altered or disposed of without prior approval of the Agency;

13.1.11 Pay points must be approved and coded by the Agency on SOCPEN. The Agency will allocate Beneficiaries to SOCPEN Pay points. The Agency must notify the Contractor of any amendments made on SOCPEN to Pay points, one calendar month in advance;

13.1.12 Payment must be effected at SASSA approved designated Pay points as well as at Participating Merchants;

13.1.13 In the event of the Contractor utilising an alternative Cash Payment infrastructure as envisaged in 13.1.3 above, the Agency shall be entitled to have sight of the contracts or any document regulating the relationship between the Contractor and the Participating Merchants for the rendering of alternative Cash Payment services;

13.1.14 The Agency shall be entitled to have sight of the contracts between the Contractor and the Participating Merchants. When contracting with Participating Merchants, the Contractor must include a provision in the agreement that the Participating Merchant shall not force a Beneficiary to purchase merchandise in order to do cash withdrawal.

13.1.15 The equipment used for Payment must be accessible to Recipients with disabilities;

13.1.16 Ownership of the automated Payment equipment and systems remains with the Contractor;

13.1.17 Should a Recipient present himself/herself for Payment after his/her official Payment Date, such Recipient will be entitled to receive his/her grant at any available Pay point or Participating Merchants , within the Payment Cycle;

13.1.18 The Contractor must be able to pay the Beneficiary within his or her District subsequent to the official Payment Date having elapsed, but prior to the last day of the Payment Cycle;

13.1.19 The Contractor may not combine Pay points over District boundaries, unless both Parties have agreed to such action in writing;

13.1.20 The Contractor shall not override the Payment system or any Payment related instruction, except where it is confirmed that funds have been generated by SOCPEN for Payment to a Recipient and the Contractor System is unable to read the Card or positively identify a Recipient through Biometric Verification, in such event, arrangements may be made to ensure that the Recipients are paid by manual process;

13.1.21 In the case of a lost Card, the principle of “no Card no Payment”, will apply. However, if the replacement period of three (3) Business Days for reported lost Cards is not met, Payments must be effected by the Contractor, and the Contractor will bear all the risks with such Payment;

13.1.22 The Contractor may only effect retrospective Payments exceeding R5 000. 00 (Five Thousand Rand) subject to written approval of the Regional contract manager of the Agency received at least two(2)days prior to the commencement of the Payment Cycle and subject to the applicable procedures.(Contractor to print exceptions report of all these Payments monthly);

13.1.23 The Contractor shall perform daily reconciliation of all Grant Payments, and transfer all the reconciliation information to the Agency on dates agreed upon between the Agency and the Contractor;

13.1.24 On a monthly basis, the Contract manager of the Contractor must provide the Agency with a list of Recipients paid manually, as well as the electronically rejected Recipients, and the name of the Agency's authorising official.

13.2 **System Generated Receipts**

13.2.1 The Contactor shall ensure the following:

13.2.1.1 A system-generated receipt is given to each Recipient or Procurator as a proof of Payment received. The receipts will amongst other indicate the date and time of Payment; the Beneficiary's identity number and name, the Grant type, the amount paid, the balance available, Payment station, date of next Payment or any other information as agreed to by the Parties.

13.2.1.2 Receipts to be printed in a language that is approved by the Agency;

13.2.1.3 Receipts are balanced daily with the benefits paid;

13.2.1.4 An electronic copy of all receipts is available to the Agency on request

13.2.1.5 Any queries from a Recipient, which may occur in respect of Payments, are to be settled by the Contractor within ten (10) Business Days of receipt thereof; and

13.2.1.6 Queries shall be settled in a proficient manner.

13.3 **Payment Availability**

13.3.1 When a Payment Team is ready to leave any Pay point, consultation between the Agency's official, the Pension Committee, and the Payment Team leader must take place in order to ensure that Recipients remain informed and every reasonable effort has been made to pay every Recipient.

13.4 **Casual Illness**

13.4.1 Provision is to be made by the Contractor for the Payment to the Recipients, in accordance with the following procedure:

13.4.1.1 The Beneficiary will duly authorise a nominee (Procurator) to collect his Grant on his behalf. This authorisation is to be captured on the approved SASSA form, in the form of a letter, on which the thumb print of both the Beneficiary and the Procurator's names and identity numbers are clearly displayed. The local district office is to approve the request, by stamping and signing the form.

13.4.1.2 The Procurator will present the approved form, together with the Beneficiary's Card to the Contractor's employee, at the Pay point

13.4.1.3 Only the Payment Team leader will have the authority to pay the Grant, which will be captured on the Beneficiary's Card. The Contractor will retain the letter authorising the Payment to the Procurator, for record purposes.

14 INFRASTRUCTURE, EQUIPMENT AND FACILITIES

14.1.1 The routes followed by Contractor’s Payment Team may vary from time to time, according to community needs, and resultant changes may only be effected after relevant agreements have been concluded between the Agency and the Contractor and in consultation with the community.

14.1.2 The equipment used for Enrolment of Recipients and Payment of Grants shall in all instances be accessible to the frail and those Recipients with disabilities.

14.1.3 Recipients must be paid using an automated cash dispenser

14.1.4 Alternate power supplies will be made available at Pay points, where no electricity is available, to operate the Contractor’s Payment system. In instances where electricity is available and there is a power failure during Payment, the Contractor will put contingency measures to ensure that Payment is effected.

14.1.5 The Contractor will ensure that the Payment Teams will have adequate technical support.

14.1.6 Should a fault occur with cash dispenser which results in a disruption of Payments, such fault must be rectified within two (2) hours with the least inconvenience to Recipients.

14.1.7 If the fault cannot be rectified at the Pay point within two (2) hours, the affected equipment must be replaced with a suitable backup unit.

14.1.8 Pay points will only be amalgamated, or new ones opened after agreement between SASSA and the Contractor.

14.1.9 The deployment of the Pay points per District will be clearly indicated on the mutually agreed Payment Schedules. Any changes to the scheduled deployment will first be cleared with the Agency and implemented only after proper communication to the Recipients that will be affected by such changes.

14.1.10 Pay points will be located in community halls or other facilities as may be agreed between the Agency and the Contractor.

14.1.11 Pay points will be accessible to all frail and disabled Beneficiaries or Procurators.

14.1.12 No unauthorized individuals (hawkers/moneylenders/vendors) will be allowed on the premises of Pay points on Payment Dates.

14.1.13 The waiting period for a Recipient to be paid a Grant must not exceed two hours. The Contractor must, where appropriate, attempt to avoid overcrowding and any late payment/s. Any late payments must be reported to the Agency by the Contractor, together with the reasons thereof.

14.2 **Technical Equipment**

14.2.1 Apart from its duty to provide and supply all equipment, including industry standard hard and software necessary for Enrolment and the Payment of Grants, the Contractor will continue to be responsible to:

14.2.1.1 Maintain its equipment;

14.2.1.2 Upgrade equipment, including hard and software on a regular basis to ensure that it is the most suitable to run the system;

14.2.1.3 Provide and execute all back-up procedures;

14.2.1.4 Replace all lost or stolen equipment;

14.2.1.5 Provide local support in terms of technology, resources, money delivery and security in order to effect Payment as agreed to from time to time to address specific needs and requirements to operate the system.

Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended. The omitted materials have been filed separately with the Securities and Exchange Commission.

15 SECURITY

15.1 The Contractor is responsible for the provision of security for cash in transit at Pay points, in accordance with this Agreement.

15.2 A security team for each Payment Team should consist of a minimum of four registered and armed security guards. Of these four, one must be at least a Grade C status while the remainder must be at least a Grade D status.

15.3 Each guard used must have successfully completed formal security training commensurate with specified training requirements as laid down by the Security Industry Regulatory Authority. In addition all guards used in this Agreement must be registered as security officers in terms of the appropriate security legislation.

15.4 The Contractor must where necessary and at its own cost, source the required guards from a registered security service provider.

15.5 Where a Pay point is fenced, the Contractor must ensure that non-Recipients and/or vendors are not allowed within the premises and not closer than twenty (20) metres away from the fence.

15.6 In situations where the Pay point is not fenced, the Contractor must ensure that non- Recipients and/or vendors are restricted to at least one hundred (100) metres radius away from the cash dispensing machines.

15.7 The Contractor must ensure that the requirements in respect of restricted access to the Pay point by non Recipients and/or vendors as stated above are adhered to.

15.8 The Contractor must provide the Agency with a security plan for a particular region upon request by the Agency, with permission from the designated Executive Manager, only.

15.9 The Contractor shall endeavour to provide adequate safety and basic first aid for Recipients at Pay points.

16 MANAGEMENT COMMITTEES

16.1 The Parties shall as soon as is practicable after the Effective date, constitute and convene a management committee (Management Committee") which will be chaired by the Agency at both the regional and local Level. At head office level a national steering committee shall be constituted.

16.2 The Management Committee shall meet monthly, and is charged with and shall have responsibility for liaison and mediation between the Parties regarding the matters contained in this Agreement;

16.3 The Management Committee shall in good faith discuss all disputes arising between the Parties relative to the Services.

16.4 There shall be no quorum of the Management Committee unless at least two representatives of the Contractor and of the Agency are preset

16.5 Decisions of the Management Committee shall where possible be taken on a consensus basis. Where consensus is not reached within 5 (five) days by the Management Committee, the matter will be referred in writing to the CEO's of both Parties for resolution. If the CEO's fail to resolve the matter, then the matter would be resolved in terms of clause 25 of this Agreement.

16.6 Save for the above, the Management Committee must regulate its affairs and procedures for the due and proper fulfilment of its functions and responsibilities, subject to the principle that it shall in all deliberations and decisions act in good faith and strive to find fair and equitable solutions to all disputes. Formal minutes will be taken by a representative of the Agency at each Management Committee meeting and will be distributed within 5 (five) days from date of the meeting to all members of the Management Committee.

16.7 **Members**

16.7.1 The Management Committee shall comprise of six (6) permanent members, 50% (fifty percent) of whom shall be appointed by the Contractor and 50% (fifty percent) of whom shall be appointed by the Agency, or as agreed from time to time.

16.7.2 The Management Committee shall be notified in writing by the Party concerned of any appointment or removal of a member of the Management Committee. Both Parties shall be entitled to appoint alternate members of the Management Committee on not less than 5 (five) days prior written notice to the Management Committee to that effect, which appointments shall remain effective until written notice to the contrary is given to the Management Committee.

16.7.3 If a quorum is not present at a Management Committee meeting, the Chairperson of the meeting shall postpone the meeting for a period of 4 (four) Business Days and notice of such postponed meeting, including the date, time and place of same shall be sent by the Agency to all members of the Management Committee.

17 COMMUNICATION

17.1 Communication to the community in respect of the Contractor's services will be joint responsibility of the Contractor and the Agency.

17.2 The Contractor accepts however, the responsibility of developing the overall communication plan whereby the Community will be informed of:

17.2.1 The changes in respect of the Payment delivery system;

17.2.2 The Enrolment process, dates and venues;

17.2.3 The Payment Schedule and venues;

17.2.4 All communication with the beneficiaries will take place with the approval, and where possible the participation of the Agency;

17.2.5 The most appropriate media and channels will be selected to communicate with the Beneficiaries, depending on the type and content of the messages to be communicated;

17.3 **Communication to the media:**

17.3.1 The joint responsibility of the Agency and the Contractor where it relates the services provided by the Contractor;

17.3.2 The sole responsibility of the Agency where it relates to the procedures of the Agency; and

17.3.3 The sole responsibility of the Contractor where it relate to the systems and technology of the Contractor.

17. PENALTIES

17.1 A Notwithstanding the provisions of clauses 25 and 26, the following specific penalties shall apply for the non performance as listed hereunder.

TABLE OF PENALTIES

Introduction

The paramount requirement is the provision of an efficient and smooth Payment process for Payment of social assistance benefits to Beneficiaries. Penalties are intended to advance corrective action by the Contractor/s.

The penalty is calculated as the extent of the default, expressed as a percentage on a scale of 0-100, regarding either the number of Beneficiaries affected or the number of pay points affected by the transgression / non-compliance as set out in the Penalty Table.

The penalty levied will be calculated as a percentage of the total affected applicable fee in a month. The maximum penalty in any one-month shall not exceed 100% of the total affected fee.

The formula will be used to determine the percentage of the penalty per transgression and not to determine the category of the transgression.

Standard method of measure, unless otherwise specified -

(a)

$$\text{\% of Recipients affected} = \left\{ \frac{\text{No. of affected Recipients at Pay Points}}{\text{Total no. of Recipients at affected Pay points}} \right\} \times 100$$

(b)

$$\text{\% of Pay-points affected (Infrastructure/Facilities)} = \left\{ \frac{\text{No. of affected Pay points}}{\text{Total no. of Pay points}} \right\} \times 100$$

The potential defaults are specified in the following Categories Table

Rate Category applicable for % of Affected Recipients		**Rate Category applicable for % of Affected Pay points**	
Rate A:	Where the percentage is greater than 70% and less than or equal to100%, the rate applied per Recipient affected is R[***] (or 100% of the maximum service Fee levied).	Rate A:	Where the percentage is greater than 5% and less than or equal to 100%, the rate applied for the total number of Recipients at the affected pay points is R[***] (or 50%) per Recipient.
Rate B:	Where the percentage is greater than 15% and less than or equal to 70%, the rate applied per Recipient affected is R[***] (or 74% of the maximum service Fee levied).	Rate B:	Where the percentage is greater than 1% and less than or equal to 5%, the rate applied for the total number of Recipients at the affected pay points is R[***] (or 30%) per Recipient.
Rate C:	Where the percentage is greater than 0% and less than or equal to 15%, the rate applied per Recipient affected is R[***] (or 25% of the maximum service Fee levied).	Rate C:	Where the percentage is greater than 0% and less than or equal to 1, the rate applied for the total number of Recipients at the affected pay points is R[***] (or 20%) per Recipient.

Category A:	(i) Those items and issues in respect of which failure to deliver properly are viewed as a serious transgression and will give rise to an immediate penalty as specified in the Penalties Schedule below; or
	(ii) where the calculated percentages for either the % of affected Recipients or the % of affected Pay points falls within the applicable ranges as highlighted in the table above.
Category B:	(i) Immediate, however, the severity of the penalty is less than in Category A as specified in the Penalties Schedule below; or
	(ii) where the calculated percentages for either the % of affected Recipients or the % of affected Pay points falls within the applicable ranges as highlighted in the table above.
Category C:	(i) Ad hoc non-compliance by Contractor/s where failure to comply after written notice, or repetition of default, as reflected in the Penalties Schedule below; or
	(ii) where the calculated percentages for either the % of affected Recipients or the % of affected Pay points falls within the applicable ranges as highlighted in the table above.

Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended. The omitted materials have been filed separately with the Securities and Exchange Commission.

TRANSGRESSIONS SCHEDULE

Key Performance Area	Key Performance Indicators and Requirement	Method of Measurement	Application of Penalty
Enrolment of beneficiaries	Enrolment of new Beneficiaries or their nominated Procurators	Non Enrolment of paid Beneficiary/(ies), provided that the Beneficiary presented him/herself at the registered pay point on the applicable day.	% of the Enrolment fee based on number of recipients not enrolled but paid for the month relative to the total number that should have been Enrolled and paid. Base: % of affected Recipients
Payment	Payment of all Enrolled Recipients	Failure to pay Enrolled Recipients	% of the service fees for the affected recipients as stipulated in the Table of Categories above. Base: % of affected Recipients
	Disseminate Payment Dates on the Payment receipts	Failure to disseminate Payment Dates on the Payment slips/receipts to recipients on time which results in non payment of Recipients	1% of the service fees for the affected Recipients

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	Perform the Services within normal working hours on Business Days as well as any additional hours as may reasonably be required by the Agency or at the request of the Contractor and with the approval of the Agency;	Non adherence to the agreed Payment times.	Provision of transport and refreshments for Recipients, where the Contractor is the wrongful Party
	No interruption in Payment per Pay point for longer than three (3) hours due to equipment failure.	Non adherence to the prescribed specifications of 250 Beneficiaries per Pay point.	2.5% of the service fees for the affected Recipients
Security	Provision of security in line with the specified numbers or as agreed; grading and training specifications	Failure to provide identifiable and prescribed number of security personnel	% of the service fees for the affected Pay points
Pay point facilities			
	No interruption in Payment of a beneficiary for longer than(3) three hours due to equipment failure	Non adherence to prescribed specifications	% of the service fees for the affected recipients as stipulated in the Table of Categories above. Base: % of affected Recipients

Pay point Management	No hawkers / money lenders and other vendors within the 20 meter radius of the Pay point, where possible	Non adherence to the prescribed specifications, where applicable	% of the service fees for the affected pay points as stipulated in the Table of Categories above. Base: % of affected Pay points

17.1 B In the event of a breach same shall be referred for consideration to the Management Committee. If consensus cannot be reached that a breach has indeed occurred, within 7 days of such referral, then and in such event the dispute will be determined in terms of clause 16.5 of the Agreement. The Agency shall not apply the penalty without going through the aforementioned process.

17.1 C The penalty provision relating to late payment (outside two hours) shall not apply if more Beneficiaries than reflected on the Payment File arrive at a Pay point.

17.1 D The Contractor may commence Payment at the time stipulated in the Agreement if the Help Desk official does not arrive on time.

17.2 *Non-performance by the Agency*

17.2.1 Payment of Fees

(i) Non-performance: Failing to effect Payment of Fees on due date after the Contractor has submitted the Invoices and necessary information on time.

(ii) Penalty for non-performance: The Contractor will recover from the Agency any cost incurred (if any) by the Contractor due to the non transfer of funds after the lapse of the agreed period (30 days) plus interest at the current prime rate as defined, if there is no dispute on the Invoice from the Agency.

17.2.2 Pre-funding of Grants

(i) Non-performance: Failing to effect the payment of Grant monies (pre- funding) 2 (two) working days before the Payment Date.

(ii) Penalty of non-performance: The Contractor may recover from the Agency, the cost incurred (if any) by the Contractor due to the non transfer of the pre-funding monies for Grants within two working days, which amount shall be recovered by offsetting the cost against the interest benefits accrued on monies paid in advance.

18 WARRANTIES AND UNDERTAKINGS

18.1 The Contractor warrants that it has the requisite skills, expertise and systems to perform the Services.

18.2 The Agency acknowledges that the warranty and the performance of the services by the Contractor can only be relied upon insofar as the Agency timeously supplies the Contractor with correct and complete information and complies with its obligations in terms of this Agreement.

18.3 The Agency warrants that the necessary concurrence consent and authorisation has been obtained in terms of Section 4.2 (a) of the South African Social Security Agency Act, 2004 (Act No. 9 of 2004) and any other applicable legislation.

19 LIMITATION OF LIABILITIES

19.1 The Contractor shall not be liable to SASSA and/or the Recipient for any:

19.1.1 Loss, damage or cost incurred by SASSA and/or a Recipient , in respect of the Services unless such loss, damage or cost is caused by the negligence or misconduct of the Contractor;

19.1.2 Loss occasioned by any failure on the part of SASSA to fulfil any of its obligations under this Agreement, including incorrect or incomplete information supplied and/or the late submission of information supplied by SASSA;

19.1.3 The Agency shall not institute a claim against the Contractor for damages, losses or otherwise suffered as a result of Payment made based on incorrect information supplied by the Agency to the Contractor unless, of course the Agency notifies the Contractor in writing no less than 2 (two) Business Days prior to the Payment date of such error and/or inaccuracy in the data.

20 INTELLECTUAL PROPERTY RIGHTS

20.1 All Intellectual Property of either Party, which is used for the rendering of the Services, shall remain the sole property of the Party and/or the Party’s suppliers, where applicable. No Party shall have right of ownership or entitlement to the other Party’s Intellectual Property.

20.2 Notwithstanding the provisions of clause 21.1, all Beneficiary information kept and held by the Contractor for the purpose of rendering the Services, shall remain the sole property of the Agency.

20.3 The Contractor is responsible for all expenses and other liabilities in regard to Intellectual Property rights in respect of Services rendered by it to SASSA and the Contractor indemnifies SASSA against any claims that may arise from the infringement of such rights, by the Contractor.

20.4 SASSA shall give the Contractor prompt written notice of all claims, actions, proceedings or suits alleging infringement or violation and the Contractor shall have the authority to assume and control the defence thereof, including appeals, and to settle same. SASSA shall furnish the Contractor with all reasonable assistance, furnish all reasonable information available to SASSA and SASSA shall co-operate in every reasonable way to facilitate the defence and / or settlement of any such claim, action, proceeding or suite. However, the Contractor will reimburse SASSA for all reasonable expenses so incurredlf SASSA's use shall be enjoined or, in the opinion of the Contractor is likely to be enjoined, the Contractor will, at its expense and its option, either-

20.4.1 replace the affected Service or other item furnished pursuant to this Agreement with a suitable substitute, free of any infringement or violation;

20.4.2 modify it so that it will be free of the infringement or violation; or

20.4.3 procure a licence for SASSA or other right to use it.

20.5 If none of the foregoing options are practical, the Contractor will remove the enjoined Service or other item and refund to SASSA any amounts paid to the Contractor, without prejudice to any rights SASSA may have.

21 THE PROPERTY IN POSSESSION OF THE PARTIES

21.1 Any Intellectual property and/or other property furnished by the one Party (bona fides Party) to the other Party remains the property of the bona fides Party and will be available for inspection by that Party's representatives, at any time. On termination of this Agreement, all property in possession of the other Party's representative will be returned to the bona fides Party forthwith, at the other Party's expense.

21.2 Parties will be responsible at all times for any loss of or damage to the other Parties' property in its possession.

22 CONFIDENTIALITY

22.1 For the purposes of the Agreement, Confidential Information means: any and all information, including but not limited to, technical, financial product and commercial information disclosed in writing or otherwise by the Party that discloses its Confidential Information to the other Party in terms of this Agreement ("Disclosing Party") to the Party to which Confidential Information is disclosed in terms of this Agreement ("Receiving Party"), whether disclosed in view of the purpose before or after the date of the Agreement and shall be deemed to include all documents and other material (including samples, models and computer software) containing or embodying or based on the Confidential Information (or part thereof) together with all notes, summaries and other material derived there from and all copies or reproductions of the foregoing.

22.2 Information is not Confidential if:

22.2.1 it is generally available to the public, or which will become generally available to the public other than by breach by the Receiving Party of its obligations hereunder;

22.2.2 it is already known to the Receiving Party before it had been or will be disclosed by the Disclosing Party, provided that such information may not reasonably be considered by the Receiving Party as confidential;

22.2.3 the Receiving Party has received or will receive on a non-confidential basis from any Party (including any third party) which is not in breach of an obligation of confidentiality towards the Disclosing Party or any Party (including any third party), provided that such information may not reasonably be considered by the Receiving Party as confidential;

22.3 Either Party shall:

22.3.1 hold the other Party's Confidential Information in the strictest confidence;

22.3.2 not make use thereof other than for the performance of its obligations under the Agreement; and only release such Confidential Information on a "need to know" basis subject thereto that the persons to whom such Confidential Information is released shall undertake to be bound by the confidentiality obligations contained herein.

22.4 Neither Party shall be entitled to use the name of the other Party in publicity releases or advertising or for other promotional purposes, without procuring the prior written approval of the Party concerned.

22.5 The Parties' obligation in terms of this clause will survive the termination of this Agreement including the termination thereof by the effluxion of time.

22.6 In the case of a release, announcement or document which is required to be given, made or published by law or under the rules of the JSE Securities Exchange South Africa or any other relevant stock exchange, the Party liable so to give, make or publish the same shall give to the other Party as much advance warning thereof as is reasonable in the circumstances together with drafts or a copy thereof as soon as it is at liberty to do so.

23 FORCE MAJEURE

23.1 Force Majeure occurs when the Party is unable to perform his obligation due to any circumstances beyond its control.

23.2 Therefore, If either Party is prevented or restricted directly or indirectly from carrying out all or any of its obligations under this Agreement including but not limited to by reason of strike, war, act of God, embargo, legislation, or any other cause or contingency beyond the control of that Party ("Force Majeure"), the Party so affected shall be relieved of its obligations hereunder during the period that such event and its consequences continue but only to the extent so prevented and shall not be liable for any delay or failure in the performance of any obligations hereunder or loss or damages either general, special or consequential which the other Party may suffer due to or resulting from such delay or failure, provided that written notice shall forthwith be given of any such inability to perform by the affected Party.

23.3 Any Party invoking Force Majeure shall upon termination of such event giving rise thereto forthwith give written notice thereof to the other Party. Should such Force Majeure continue for a period of more than 30 (thirty) days then either Party shall be entitled forthwith to cancel this Agreement in respect of any obligations still to be performed hereunder.

24 BREACH AND TERMINATION

24.1 An event of breach shall be deemed to have occurred if:

24.1.1 any Party breaches any of its obligations in terms of this Agreement and fails to remedy the breach within 7 (seven) working days after receipt of a written notice from the other Party requiring remedy thereof, if such breach is capable of being remedied;

24.1.2 any Party ceases or is unable for any reason whatsoever to conduct its business in a ordinary or regular manner, and fails to take reasonable steps to remedy such situation within 30 (thirty) days after having been called upon in writing to so by other Party;

24.1.3 any covenant or warranty made by any Party that goes to the root of this Agreement is found to be untrue or incorrect in any material respect;

24.1.4 an event of breach shall not be deemed to have occurred if the equipment fails temporally. However, in this case arrangements must be made to continue with the required service with minimum disruption to the Recipients;

24.1.5 should a breach of this Agreement, which goes to the root of this Agreement, occur, which is not corrected within the specified time frame, the Party which is not in breach shall be entitled to:

24.1.6 call upon the defaulting Party to perform its obligations in terms of the Agreement or

24.1.7 cancel this Agreement.

24.2 Termination will become effective after notice has been given in writing to the defaulting Party.

25 DISPUTE RESOLUTION

25.1 The Parties acknowledge that disputes may arise between them during the course of this Agreement. In all instances, it is expressly agreed between the Parties that in the event of an impending dispute, resolution is to be attempted as far as is reasonably possible to keep arbitration and legal costs to a minimum. If any dispute or difference of any kind whatsoever arises between the Parties in connection with or arising out of this Agreement, the Parties shall make every effort to resolve amicably such dispute or difference by mutual consultation.

25.2 If, after 30 (thirty) days, the Parties have failed to resolve their dispute or difference by such mutual consultation, then either Party may give notice to the other Party of its intention to commence with mediation. No mediation shall commence without giving the other Party such notice.

25.3 The Parties shall, by agreement, appoint a third party to act as a mediator to mediate in the resolution of the dispute. If the Parties are not able to agree on the mediator within 5 (five) Business Days from the date on which a Party demanded mediation in writing, the mediator shall be selected by the Secretariat for the time being of the Arbitration Foundation of Southern Africa ("**AFSA**"), or any successor body thereto.

25.4 Mediation proceedings will be conducted in accordance with the mediation rules of procedure set by AFSA or as directed by the mediator.

25.5 If the mediation fails to resolve the dispute within 5 (five) Business Days after the appointment of the mediator, then either Party shall give notice to the other Party of its intention to commence with arbitration. No arbitration shall commence without giving the other Party such notice. The referral and conduct of the dispute to arbitration shall be in accordance with the provisions of the Arbitration Act, 1965 (Act 42 of 1965).

25.6 The Parties shall have the right to appeal to a tribunal consisting of three arbitrators agreed to by the Parties or failing agreement appointed in terms of the Arbitration Act, in which event the tribunal's determination shall be final and binding.

25.7 Notwithstanding any reference to mediation, arbitration and/or court proceedings herein, the Parties shall continue to perform their respective obligations under this Agreement unless they otherwise agree in writing. Nothing herein contained shall be construed so as to prohibit either Party from approaching the High Court for urgent relief to ensure compliance with the terms of this Agreement pending the outcome of any arbitration (if applicable).

25.8 The Parties agree that the arbitration shall be held in Pretoria.

26 APPLICABLE LAW

This Agreement shall be governed exclusively in all respects by and shall be interpreted in accordance with the laws of the Republic of South Africa.

27 ASSIGNMENT AND CESSION

27.1 Neither of the Parties shall without the consent of the other, which consent must not be unreasonably withheld, cede, assign, transfer, charge or in any manner make over this Agreement or any of its rights or obligations hereunder or any part thereof to any other person, firm, company, corporation, association or any other entity whatsoever.

28 SEVERABILITY

28.1 If any clause or term of this Agreement should be invalid, unenforceable or illegal, then the remaining terms and provisions of this Agreement shall be deemed to be severable there from, and shall continue in full force and effect unless such invalidity, unenforceability or illegality goes to the root of this Agreement.

29 WAIVER

29.1 The waiver (whether expressed or implied) by a Party of any breach of the terms or conditions of this Agreement by the other Party shall not prejudice any remedy of the waiving Party in respect of any continuing or other breach of the terms and conditions hereof.

29.2 No failure, delay, relaxation or indulgence on the part of either Party in exercising any power or right conferred on such Party in terms of this Agreement shall operate as a waiver of such power or right nor shall any single or partial exercise of any such power or right preclude any other for further exercises thereof or the exercise of any other power or right under this Agreement.

29.3 The expiry or termination of this Agreement shall not prejudice the rights of either Party in respect of any antecedent breach or non-performance by the other Party of any of the terms or conditions hereof.

30 MODIFICATION

30.1 No amendment, variation or consensual cancellation of this Agreement or waiver or relaxation or suspension of or agreement not to enforce or to suspend or postpone the enforcement of any of the provisions or terms of this Agreement shall be binding unless recorded in a written document signed by the duly authorized representatives of the Parties.

30.2 For the purpose of 31.1 above, the Parties acknowledge that the duly authorised representative of the Agency shall at all times produce a written directive by the Minister of Social Development to effect any modifications.

31 NOTICES AND DOMICILIUM

31.1 The Parties choose as their domicilium citandi et executandi (address for purpose of legal proceedings) their respective addresses set out in clause 32.2 below, at which addresses all processes and notices arising out of or in connection with this agreement, its breach or termination may validly be served upon or delivered to the Parties.

31.2 For the purpose of this Agreement the Parties' domicilium citandi et executandi is-

SASSA:

SASSA House

501 Prodinsa Building

PRETORIA

Attention: The Chief Executive Officer (CEO)

CONTRACTOR:

Cash Paymaster Services (Pty) Ltd

4th Floor North Wing

President Place

ROSEBANK

Attention: Dr. S. Belamant

or at such other physical address, not being a post office box or poste restante, of which the Party concerned may notify the other in writing.

31.3 Any notice given in terms of this Agreement shall be in writing and shall -

31.3.1 if delivered by hand be deemed to have been duly received by the addressee on the date of delivery;

31.3.2 if posted by prepaid registered post be deemed to have been received by the addressee on the 8th (eighth) business day following the date of such posting;

31.3.3 if transmitted by facsimile be deemed to have been received by the addressee 1 (one) business day after despatch;

31.4 Notwithstanding anything to the contrary contained in this Agreement, a written notice or communication actually received by a Party at its chosen address set out above shall be an adequate written notice of communication to such Party.

32 PHASE IN AND PHASE OUT

32.1 Phase In refers to the phasing in of the newly appointed contractor, and Phase Out refers to the phasing out of the Contractor.

32.2 The Contractor must co-operate with its successor to ensure the smooth transition of Services.

32.3 The Parties agree that prior to the expiry date a reasonable phasing-in/ phasing-out period will be negotiated with the current service provider and the successor.

32.4 The Agency will, prior to the Phase In and Phase Out process, inform the Contractor of the specific date upon which the Phase In and Phase Out process must be initiated as well as the details thereof.

33 ENTIRE AGREEMENT

This Agreement and the incorporated documents represent the entire Agreement between the Contractor and the Agency.

SIGNED AT Rosebank ON THE 24th DAY OF August 2010

	WITNESSES
/s/ Serge C.P. Belamant	1 ____________________
For and on behalf of the CPS and duly authorized.	2 ____________________

SIGNED AT Pretoria ON THE 24th DAY OF August 2010

	WITNESSES
/s/ Coceko Pakade	1 ____________________
For and on behalf of the SASSA and duly authorized.	2 ____________________

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 September 30, 2010;

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: November 9, 2010

/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 September 30, 2010;

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: November 9, 2010

/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 September 30, 2010, 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: November 9, 2010	/s/: Dr. Serge C. P. Belamant Name: Dr. Serge C. P. Belamant Chief Executive Officer and Chairman of the Board
Date: November 9, 2010	/s/: Herman Kotzé Name: Herman Kotzé Chief Financial Officer, Treasurer and Secretary