

NET 1 UEPS TECHNOLOGIES INC

Form DEF 14A

October 27, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14A-12

NET 1 UEPS TECHNOLOGIES, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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NET 1 UEPS TECHNOLOGIES, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

to be held on December 1, 2006

To the Shareholders of Net 1 UEPS Technologies, Inc.:

NOTICE IS HEREBY GIVEN that the 2006 Annual Meeting of Shareholders of Net 1 UEPS Technologies, Inc., a Florida corporation, will be held at President Place, 4th Floor, Cnr. Jan Smuts Avenue and Bolton Road, Rosebank, Johannesburg, South Africa on December 1, 2006 at 16h00, local time, for the following purposes:

1. To elect seven directors.
2. To consider a proposal to amend and restate our 2004 Stock Incentive Plan to increase by 2,845,600 shares the number of shares issuable under the plan and to make other administrative revisions.
3. To ratify the selection of Deloitte & Touche (South Africa) as our independent registered public accounting firm for the 2007 fiscal year.
4. To act upon any other matter which may properly come before the annual meeting or any adjournment or postponement of the meeting.

Our Board of Directors has fixed the close of business on October 19, 2006 as the record date for determining shareholders entitled to notice of and to vote at the meeting. A list of the shareholders as of the record date will be available for inspection by shareholders at our principal executive offices, which is located at President Place, 4th Floor, Cnr. Jan Smuts Avenue and Bolton Road, Rosebank Johannesburg, South Africa during business hours for a period of ten days prior to the meeting.

Your attention is directed to our proxy statement and our annual report for the fiscal year ended June 30, 2006, both of which are enclosed with this proxy statement.

The Board of Directors,

/s/ Serge Belamant

Chief Executive Officer,
Chairman of the Board and Directors

Johannesburg, South Africa
November 1, 2006

WE CORDIALLY INVITE ALL SHAREHOLDERS TO ATTEND IN PERSON. HOWEVER, REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE PROMPTLY COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED. IF YOU ATTEND THE ANNUAL MEETING YOU MAY REVOKE YOUR PROXY CARD AND VOTE IN PERSON.

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**NET 1 UEPS TECHNOLOGIES, INC.
President Place, 4th Floor
Cnr. Jan Smuts Avenue and Bolton Road
Rosebank, Johannesburg
South Africa**

PROXY STATEMENT

INFORMATION CONCERNING SOLICITATION AND VOTING

General

This proxy statement is being furnished to shareholders of Net 1 UEPS Technologies, Inc., a Florida corporation, in connection with the solicitation by our Board of Directors, or the Board, of proxies for use at the Annual Meeting of Shareholders to be held at President Place, 4th Floor, Cnr. Jan Smuts Avenue and Bolton Road, Rosebank, Johannesburg, South Africa on December 1, 2006 at 16h00, local time, and at any adjournment or postponement of the annual meeting.

Solicitation

We will bear the entire cost of the solicitation, including the preparation, assembly, printing and mailing of this proxy statement, including the proxy card and any additional solicitation materials furnished to our shareholders. Copies of solicitation materials will be furnished to brokerage houses, fiduciaries and custodians holding shares in their names that are beneficially owned by others so that they may forward this solicitation material to such beneficial owners. We may reimburse these persons for their reasonable expenses in forwarding solicitation materials to beneficial owners. The original solicitation of proxies by mail may be supplemented by a solicitation by personal contacts, telephone, facsimile, electronic mail or any other means by our directors, officers or employees. No additional compensation will be paid to these individuals for these services. Except as described above, we do not presently intend to solicit proxies other than by mail.

This proxy statement and the accompanying solicitation materials are being sent to our shareholders on or about November 1, 2006.

Revocation of Proxies

You may revoke your proxy at any time prior to the close of the polls at 23h00, Johannesburg time, on November 30, 2006 by (1) delivering a written notice of revocation or a duly executed proxy with a later date by mail to our corporate secretary at Net 1 UEPS Technologies, Inc., President Place, 4th Floor, Cnr. Jan Smuts Avenue and Bolton Road, Rosebank, Johannesburg, South Africa, or (2) attending the meeting and voting in person. If you hold shares through a bank or brokerage firm, you must contact that firm to revoke any prior voting instructions. However, if you are a shareholder whose shares are not registered in your own name, you will need documentation from your record holder stating your ownership as of October 19, 2006 in order to vote personally at the annual meeting.

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Record Date, Quorum and Voting Requirements

Each holder of shares of our common stock and special convertible preferred stock outstanding on the close of business on October 19, 2006, the record date, is entitled to notice of and vote at the annual meeting or any adjournment thereof. There were 50,429,385 shares of common stock and 6,499,259 shares of special convertible preferred stock outstanding on the record date. The presence at the annual meeting, in person or by a proxy, of a majority of the total number of outstanding shares of common stock and special convertible preferred stock, or 28,464,323 shares, is necessary to constitute a quorum. Each share of common stock and special convertible preferred stock is entitled to one vote on all matters to be acted upon at the annual meeting. The common stock and the special convertible preferred stock vote together as one class. For purposes of the quorum and the discussion below regarding the vote necessary to take shareholder action, holders of record of common stock and special convertible preferred stock who are present at the annual meeting in person or by proxy and who abstain, including brokers holding customers' shares of record who cause abstentions to be recorded at the annual meeting, are considered shareholders who are present and entitled to vote and they count toward the quorum. In the event that there are not sufficient votes for a quorum or to approve any proposal at the annual meeting, the annual meeting may be adjourned in order to permit the further solicitation of proxies.

Brokers holding shares of record for customers generally are not entitled to vote on certain matters unless they receive voting instructions from their customers. Broker non-votes mean the votes that could have been cast on the matter in question if the brokers had received instructions from their customers, and as to which the brokers have notified us on a proxy form in accordance with industry practice or have otherwise advised us that they lack voting authority. Under the rules that govern brokers who are voting with respect to shares held in a fiduciary capacity, brokers have the discretion to vote shares on routine matters, but not on non-routine matters. Routine matters include the election of directors, increases in authorized common stock for general corporate purposes and ratification of auditors. Non-routine matters include amendments to stock plans.

Broker non-votes are not considered shares entitled to vote on the matter and therefore will not be taken into account in determining the outcome of the vote on the matter.

All outstanding shares of common stock and special convertible preferred stock represented by valid and unrevoked proxies received in time for the annual meeting will be voted. Shares will be voted as instructed in the accompanying proxy on each matter submitted to shareholders. A shareholder may, with respect to the election of directors (1) vote for the election of the named director nominees, (2) withhold authority to vote for all such director nominees or (3) vote for the election of all such director nominees other than any nominee(s) with respect to whom the shareholder withholds authority to vote by writing such nominee's name on the proxy in the space provided. A shareholder may, with respect to each other matter specified in the notice of meeting (1) vote FOR the matter, (2) vote AGAINST the matter or (3) ABSTAIN from voting on the matter. If no instructions are given on a properly completed and returned proxy, the shares will be voted FOR the election of the named director nominees, FOR approval of the amendment and restatement of our 2004 Stock Incentive Plan and FOR the ratification of the selection of Deloitte & Touche (South Africa) as our independent registered public accounting firm.

Our seven nominees will be elected by a plurality of votes. Withholding a vote as to any nominee is the equivalent of abstaining. In an uncontested election such as this, abstentions have no effect, since approval by a specific percentage of the shares present or outstanding is not required. With respect to the proposal to amend and restate our 2004 Stock Incentive Plan, the affirmative vote of a majority of the shares of common stock and special convertible preferred stock present in person or by proxy at the meeting and voting is required to approve the proposal. Abstentions will have the same effect as a vote against the proposal. With respect to the proposal to ratify the selection of Deloitte & Touche (South Africa) as our independent registered public accounting firm, the proposal will be approved if the votes cast in favor of the proposal exceed the number of votes cast against the proposal, and abstentions will not be taken into account in determining the outcome of the vote on this proposal.

The Board knows of no additional matters that will be presented for consideration at the annual meeting. Return of a valid proxy, however, confers on the designated proxy holders the discretionary authority to vote the shares in accordance with their best judgment on such other business, if any, that may properly come before the meeting or any adjournment or postponement thereof. Proxies solicited hereby will be tabulated by inspectors of election designated

by the Board.

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**PROPOSALS TO BE VOTED ON AT THE ANNUAL MEETING
PROPOSAL NO. 1: ELECTION OF DIRECTORS**

The terms of office of each of our current directors will expire at the annual meeting, and at such time as their successors shall be elected and qualified. The Board has determined to nominate for re-election each of our current directors for a one-year term expiring at the annual meeting of shareholders in 2007 and until their successors shall be duly elected and qualified.

The persons named in the enclosed proxy intend to vote properly executed and returned proxies **FOR** the election of all nominees proposed by the Board unless authority to vote is withheld. In the event that any nominee is unable or unwilling to serve, the persons named in the proxy will vote for such substitute nominee or nominees as they, in their discretion, shall determine. The Board has no reason to believe that any nominee named herein will be unable or unwilling to serve.

Set forth below is information concerning the director nominees named in this section.

The Board recommends that you vote FOR election of each of the following director nominees.

Dr. Serge C.P. Belamant

53 Years Old

Director since 1997

Chairman and Chief

Executive Officer

Dr. Serge C.P. Belamant has been a director since our inception in May 1997, our chief executive officer since October 2000 and the chairman of our Board since February 2003. He has also been a director of our subsidiary, Net 1 Applied Technologies South Africa Limited, or New Aplitec, since its inception in June 2004. From June 1997 until June 2004, Dr. Belamant served as chief executive officer and a director of Net 1 Applied Technology Holdings, or Aplitec. From 1996 to 1997, Dr. Belamant served as a consultant in the development of Chip Off-Line Pre-Authorized Card, which is a Visa product. From October 1989 to September 1995, Dr. Belamant served as the managing director of Net 1 (Pty) Limited, a privately owned South African company specializing in the development of advanced technologies in the field of transaction processing and payment systems. Dr. Belamant also serves on the boards of a number of other companies that perform welfare distribution services and the provision of microfinance to customers. Dr. Belamant spent ten years working as a computer scientist for Control Data Corporation where he won a number of international awards. Later, he was responsible for the design, development, implementation and operation of the Saswitch ATM network in South Africa that rates today as the third largest ATM switching system in the world. Dr. Belamant has patented a number of inventions besides the FTS ranging from biometrics to gaming-related inventions. Dr. Belamant has more than 26 years of experience in the fields of operations research, security, biometrics, artificial intelligence and online and offline transaction processing systems. Dr. Belamant holds a PhD in Information Technology and Management.

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Herman Gideon Kotze

37 Years Old
 Director Since 2004
 Secretary, Treasurer
 and
 Chief Financial Officer

Herman Gideon Kotze has been a director on our Board and our secretary, treasurer and chief financial officer since June 2004. Mr. Kotze is a member of the South African Institute of Chartered Accountants and joined Aplitec in November 1998 as a strategic financial analyst. He has also been a director of New Aplitec since June 2004. From January 2000 until June 2004, he served on the board of Aplitec as Group Financial Director. Mr. Kotze served his articles from 1993 to 1997 at KPMG in Pretoria, South Africa, where he was the audit manager for several major corporations in the manufacturing, mining, retail and financial services industries. During 1998, he joined the Industrial Development Corporation of South Africa Limited, or IDC, as a business analyst. His main duties at the IDC were the evaluation and investigation of ventures requiring funding from the IDC, from small manufacturing concerns to huge multinational projects, as well as the structuring and implementation of loan and equity products for these concerns.

Christopher Stefan Seabrooke

53 Years Old
 Director Since 2005
 Chief Executive
 Officer of Sabvest
 Limited

Christopher Stefan Seabrooke was appointed to our Board in January 2005. Mr. Seabrooke is the chief executive officer of Sabvest Limited, an investment and finance group listed on the JSE Securities Exchange South Africa. He is also the non-executive chairman of Massmart Holdings Limited, Metrofile Holdings Limited, and Set Point Technology Holdings Limited and a non-executive director of Datatec Limited and Primedia Limited all of which are listed on the JSE Securities Exchange South Africa. Mr. Seabrooke has served on the boards of more than 20 listed companies. Mr. Seabrooke is a member of The Institute of Directors in South Africa. Formerly, he was the chairman of the South African State Theater and the deputy chairman of each of the National Arts Council and the Board of Business and Arts South Africa. Mr. Seabrooke has degrees in Economics and Accounting from the University of Natal and an MBA from the University of Witwatersrand.

Antony Charles Ball

47 Years Old
 Director since 2004
 Chief Executive
 Officer of Brait Group

Antony Charles Ball was appointed to our Board in June 2004. Mr. Ball has been the chief executive officer of the Brait Group, or Brait, since March 2000 and, as of June 1, 2005, Mr. Ball became Brait's executive chairman. Mr. Ball has led the raising and governance of Brait's private equity funds and is responsible for a number of Brait's private equity investments. Prior to assuming his current position at Brait, Mr. Ball served as joint deputy chairman of the Brait Group from 1998 to March 2000. Prior to joining Brait, Mr. Ball was the chief executive of Capital Partners, which was the predecessor company to Brait and which pioneered the private equity market in South Africa, from 1991 to 1998. Mr. Ball began his career with Deloitte & Touche Consulting (1986-1991), where he co-founded its Strategy Group. Mr. Ball is a member of the board of Brait S.A. and its subsidiaries, and of New Aplitec. Mr. Ball has been designated as a director by South African Private Equity Fund III, L.P., an affiliate of Brait, or SAPEF, pursuant to a contractual arrangement.

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Alasdair J. K. Pein
46 Years Old
Director Since 2005
Director of Southern
Cross Capital UK
Limited

Alasdair Jonathan Kemsley Pein was appointed to our Board in February 2005. Mr. Pein is a director of Southern Cross Capital UK Limited, which manages investment funds for Brenthurst Limited, an investment holding company for the Oppenheimer family interests. From 1994-2002, Mr. Pein was President and CEO of Task (USA), Inc., a New York based investment company. Mr. Pein also serves as a director of Arsenal Digital. Between 1989 and 1994, Mr. Pein worked in London for Bankers Trust International mergers and acquisitions team and then at Gilbert Eliot Corporate Finance. Mr. Pein is a qualified South African chartered accountant and completed his articles with Deloitte & Touche, (South Africa) in Johannesburg in 1987. Mr. Pein has been designated as a director by SAPEF pursuant to a contractual arrangement.

Paul Edwards
52 Years Old
Director Since 2005
Executive Chairman of
Merryn Capital

Paul Edwards was appointed to our Board in July 2005. Mr. Edwards is the executive chairman of Merryn Capital, a privately-owned financial services group. From 2002 to 2005, Mr. Edwards was executive chairman of Chartwell Capital Group. In January 2005, Mr. Edwards was appointed non-executive chairman of Starcomms, a Nigerian telecommunications operator. Prior to that, Mr. Edwards was the chief executive officer of MTN Group, a pan-African mobile operator. Between 1999 and 2001, Mr. Edwards was the chief executive officer of the Johnnic Group in South Africa, of which the MTN Group was a subsidiary. Between 1995 and 1999, Mr. Edwards was the chief operating officer of MEASAT Broadcast Network, a Malaysian-based regional pay television operator. Between 1993 and 1995, Mr. Edwards was executive vice president of satellite television broadcaster Star TV, based out of Hong Kong. Between 1989 and 1993, Mr. Edwards was chief executive officer of Multichoice, Africa's leading pay television operator. Mr. Edwards has a BSc and an MBA from the University of Cape Town.

**Florian P.
Wendelstadt**
39 Years Old
Director Since 2005
Managing Director of
General Atlantic LLC

Florian P. Wendelstadt was appointed to our Board in August 2005. Mr. Wendelstadt has been a Managing Director of General Atlantic LLC, or GA, a global private equity firm that provides capital for growth companies driven by information technology or intellectual property since December 2000, and has been with GA since 1997. Mr. Wendelstadt also serves as a director of Liberata Limited and Saxo Bank A/S. Mr. Wendelstadt has a BA in Economics from Passau University in Germany and an MBA from the European School of Management. Mr. Wendelstadt serves as a director on our Board pursuant to a contractual arrangement between us and investment entities affiliated with GA pursuant to which GA is entitled to designate one person to serve on our Board.

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Information Regarding the Board and Board Committees

Board. Our Board held meetings on six occasions during the fiscal year ended June 30, 2006. Each director attended or participated in more than 75% of the aggregate number of meetings of the Board and meetings of those committees of the Board on which such director served during the year. It is our policy to have each director attend the meetings of shareholders. Four of our directors attended last year's annual meeting. The Board has concluded that Messrs. Seabrooke, Pein, Edwards and Wendelstadt are independent as defined under Nasdaq Rule 4350(c) and under Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, or the Exchange Act, as that term relates to membership on the Board and the various Board committees. Mr. Ball is an independent director as defined under Nasdaq rules but is not eligible to serve on our audit committee, under Rule 10A-3(b)(1). The Board has established an audit committee, a remuneration committee and a nominating and corporate governance committee. The Board has adopted a charter for each of these committees, copies of which are available on our website at www.net1ueps.com or upon request made by mail to our corporate secretary at Net 1 UEPS Technologies, Inc., President Place, 4th Floor, Cnr. Jan Smuts Avenue and Bolton Road, Rosebank, Johannesburg, South Africa or by telephone to our Investor Relations Department at (604) 484-8750.

Audit Committee. The audit committee consists of Messrs. Seabrooke, Pein and Edwards. The Board has determined that Mr. Seabrooke is an audit committee financial expert as that term is defined in applicable SEC rules, and that all three members meet Nasdaq's financial literacy criteria. The audit committee held nine meetings during the 2006 fiscal year. The audit committee was established by the Board for the primary purpose of overseeing or assisting the Board in overseeing the following:

the integrity of our financial statements;

our compliance with legal and regulatory requirements;

the qualifications and independence of our independent auditors;

the performance of our independent auditors and of the internal audit function; and

our systems and disclosure controls and procedures, internal controls over financial reporting and compliance with ethical standards adopted by us.

The audit committee operates under a written charter adopted by the Board, which is available without charge on our website, www.net1ueps.com.

Remuneration Committee. The remuneration committee consists of Messrs. Pein, Seabrooke and Ball. The remuneration committee held three meetings during the 2006 fiscal year. If Messrs. Edwards and Wendelstadt are re-elected at the annual meeting, they will become members of the remuneration committee. The remuneration committee reviews and makes recommendations to the Board regarding the following matters:

development and implementation of our compensation policies, strategies, plans and programs, and disclosure relating to these matters;

administration of our stock option, stock incentive and other equity compensation plans;

compensation-related matters outside the ordinary course, including employment contracts, change-in-control provisions and severance arrangements;

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compensation of our chief executive officer including the review and approval of relevant performance goals and objectives and the evaluation of the performance of the chief executive officer in light of those goals and objectives;

compensation of our other executive officers of our subsidiaries and the remuneration of our Board ; and

performance reviews of individual executives and related matters.

The remuneration committee operates under a written charter adopted by the Board, which is available without charge on our website, www.net1ueps.com.

Nominating and Corporate Governance Committee. The nominating and corporate governance committee consists of Messrs. Seabrooke, Pein, Ball, and Edwards. The Board has determined that each of the members of the committee is independent in accordance with applicable Nasdaq rules. The nominating and corporate governance committee held one meeting during the 2006 fiscal year. If Mr. Wendelstadt is re-elected at the annual meeting, he will become a member of the nominating and corporate government committee. The principal duties and responsibilities of the nominating and corporate governance committee are as follows:

monitor the composition, size and independence of the Board;

establish criteria for Board and committee membership and recommend to our Board proposed nominees for election to the Board and for membership on each committee of the Board;

monitor our procedures for the receipt and consideration of director nominations by shareholders and other persons and for the receipt of shareholder communications directed to our Board;

make recommendations regarding proposals submitted by our shareholders;

establish and monitor procedures by which the Board will conduct, at least annually, evaluations of its performance;

develop and monitor compliance with our corporate governance guidelines; and

make recommendations to the Board regarding management succession planning and corporate governance best practices.

The nominating and corporate governance committee operates under a written charter adopted by the Board, which is available without charge on our website, www.net1ueps.com.

Nominations Process and Director Qualifications

The nominating and corporate governance committee reviews with the Board the skills and characteristics required of Board members. The committee will consider a candidate's independence, as well as the perceived needs of the Board and the candidate's background, skills, business experience and expected contributions. At a minimum, members of the Board must possess the highest professional ethics, integrity and values, and be committed to representing the long-term interests of our shareholders. They must also have an inquisitive and objective perspective, practical wisdom and mature judgment. The committee may also take into account the benefits of diverse viewpoints, as well as the benefits of constructive working relationships among directors.

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The nominating and corporate governance committee also reviews and determines whether existing members of the Board should stand for re-election, taking into consideration matters relating to the number of terms served by individual directors and the changing needs of the Board.

The nominating and corporate governance committee utilizes a variety of methods for identifying and evaluating nominees for director. The committee regularly assesses the appropriate composition, size and independence of the Board, and whether any vacancies are expected due to change in employment or otherwise. In the event that vacancies are anticipated, or otherwise arise, the committee considers various potential candidates for director. Candidates are evaluated at regular or special meetings of the nominating and corporate governance committee, and may be considered at any point during the year. The committee will consider shareholder recommendations for candidates for the Board that are properly submitted in accordance with our by-laws in the same manner it considers nominees from other sources. In evaluating such recommendations, the committee will use the qualifications standards described above and will seek to achieve a balance of knowledge, experience and capability on the Board.

Shareholder Communications with the Board

Any shareholder who wishes to communicate directly with the Board may do so via mail or facsimile, addressed as follows:

Net 1 UEPS Technologies, Inc.
Board of Directors
President Place, 4th Floor
Cnr. Jan Smuts Avenue and Bolton Road
Rosebank, Johannesburg, South Africa
Fax: 27 11 880 7080

The corporate secretary shall transmit any communication to the Board as soon as practicable upon receipt, unless there are safety or security concerns that mitigate against further transmission. The Board, or individual director(s), as applicable, shall be advised of any communication as soon as practicable. Absent safety or security concerns, the corporate secretary shall relay all communications, without any other screening for content.

Corporate Governance Guidelines

The Board has adopted a set of corporate governance guidelines. We will continue to monitor our corporate governance guidelines and adopt changes as necessary to comply with rules adopted by the SEC and Nasdaq, and to comport with industry practice. This will include comparing our existing policies and practices to policies and practices suggested by various groups or authorities active in corporate governance and the practices of other public companies. A copy of our corporate governance guidelines is available on our website at www.net1ueps.com.

Code of Ethics

The Board has adopted a written code of ethics, a copy of which is available upon request made either by mail to our corporate secretary at Net 1 UEPS Technologies, Inc., President Place, 4th Floor, Cnr. Jan Smuts Avenue and Bolton Road, Rosebank, Johannesburg, South Africa or by telephone to our Investor Relations Department at (604) 484-8750. We require all directors, officers, employees, contractors, consultants and temporary staff to adhere to this code in addressing the legal and ethical issues encountered in conducting their work. Our code of ethics requires avoidance of conflicts of interest, compliance with all laws and other legal requirements, conduct of business in an honest and ethical

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manner, integrity and actions in our best interest. Directors, officers and employees are required to report any conduct that they believe in good faith to be an actual or apparent violation of the code. A copy of our code of ethics is available on our website at www.net1ueps.com. The Sarbanes-Oxley Act of 2002 requires companies to have procedures to receive, retain and treat complaints received regarding accounting, internal accounting controls or auditing matters and to allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters. We currently have such procedures in place.

Compensation of Directors

Directors who are also officers of Net 1 UEPS Technologies, Inc. do not receive separate directors' fees. Mr. Seabrooke receives annual compensation of ZAR 500,000 (USD68,775) for his services as a non-executive director. Mr. Edwards receives annual compensation of ZAR375,000 (USD51,581) for his services as non-executive director. All compensation is calculated at \$1=ZAR7.2701, the exchange rate as of June 30, 2006. We reimburse our directors for out-of-pocket expenses incurred in connection with their attendance at our Board meetings.

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PROPOSAL NO. 2: APPROVE THE AMENDMENT AND RESTATEMENT OF OUR 2004 STOCK INCENTIVE PLAN

We believe that stock options and other stock-based awards are a fundamental element in our compensation program because they emphasize long-term company performance, as measured by creation of shareholder value, and foster a commonality of interest between shareholders and employees. Going forward, there are no shares available for such awards under our 2004 Stock Incentive Plan of Net 1 UEPS Technologies, Inc. and Its Subsidiaries (the Stock Incentive Plan). All of the shares initially approved by our shareholders in 2004 for issuance under the Stock Incentive Plan were allocated, as then contemplated, to awards issued in conjunction with the Aplitec acquisition. So that we may continue this important element of our compensation program, we are asking our shareholders to approve an amendment and restatement of the Stock Incentive Plan adopted by our Board to add 2,845,600 shares to the number of shares issuable under the plan and to make other administrative revisions described below. The following description summarizes the material terms of the Stock Incentive Plan, as amended and restated, but is qualified in its entirety by reference to the full text of the amended and restated Stock Incentive Plan, which is set forth as Exhibit A to this proxy statement.

General

The Stock Incentive Plan permits grants of awards to our employees, directors and consultants in the form of incentive stock options, non-statutory stock options, stock appreciation rights, limited stock appreciation rights, restricted stock, performance-based awards and other awards based on our common stock.

The Stock Incentive Plan, as it was initially adopted and approved by our shareholders in 2004, provided for the issuance of up to 2,906,980 shares (as adjusted to reflect the reverse stock split effectuated on June 13, 2005) of our common stock. As of October 19, 2006, no shares remain available for grant under the Stock Incentive Plan, although shares underlying outstanding options that are subsequently forfeited or expire without exercise will restore to the Stock Incentive Plan and be available for future grants.

In June 2006, the Board amended the Stock Incentive Plan to address certain ministerial matters. That amendment, which did not require shareholder approval, expanded the methods by which participants may exercise stock options and clarified the definition of fair market value as it relates to shares of our common stock.

On August 24, 2006, the Board adopted several further modifications to the Stock Incentive Plan, which are reflected in the amendment and restatement of the Stock Incentive Plan that we are asking our shareholders to approve at the annual meeting. The amendment and restatement of the Stock Incentive Plan incorporates the ministerial matters described above, and increases the number of shares issuable under the Stock Incentive Plan by 2,845,600 shares, which represents approximately five percent of the aggregate number of outstanding shares of our common stock and special convertible preferred stock as of August 24, 2006. Therefore, the number of shares issuable under the Stock Incentive Plan will increase from 2,906,980 to 5,752,580 shares. In addition, the remuneration committee determined that it is desirable to set the exercise price of future grants of stock options using the 30-day weighted average trading price prior to the date of grant. The Board added this weighted average pricing mechanism to the definition of fair market value under the amendment and restatement of the Stock Incentive Plan.

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We believe the Stock Incentive Plan is an essential component of our compensation program. It plays an important role in enabling us to recruit and retain employees, directors and consultants of outstanding ability and to motivate such employees, directors and consultants to exert their best efforts on behalf of our company and its affiliates by providing incentives through the granting of stock-based awards. We believe that we and our shareholders benefit from the added interest which such employees, directors and consultants have in the welfare of our company as a result of their proprietary interest in our success. Without shareholder approval of this proposal, we will not be able to continue this component of our compensation program because the shares available for awards under the Stock Incentive Plan have been exhausted. For these reasons we believe it is critically important that the shareholders approve the amended and restated Stock Incentive Plan.

Administration

The Stock Incentive Plan provides that it may be administered by the Board or by such committee as the board may designate from time to time. The Board has designated the remuneration committee as the committee responsible for administering the Stock Incentive Plan. The committee may delegate its duties and powers in whole or in part to any subcommittee thereof, which committee shall consist, unless otherwise determined by the board, (i) during any period that we are subject to Section 16 of the Exchange Act, solely of at least two individuals who are intended to qualify as

Non-Employee Directors within the meaning of Rule 16b-3 under the Exchange Act (or any successor rule thereto) and (ii) during any period that the company is subject to Section 162(m) of the Internal Revenue Code of 1986, or the Code, solely of outside directors within the meaning of Section 162(m) of the Code (or any successor section thereto).

The committee will determine who will receive awards under the Stock Incentive Plan, as well as the form of the awards, the number of shares underlying the awards, and the terms and conditions of the awards consistent with the terms of the Stock Incentive Plan. Awards may, in the discretion of the committee, be made under the Stock Incentive Plan in assumption of, or in substitution for, outstanding awards previously granted by us or our affiliates or a company acquired by us or with which we combine. The number of shares underlying such substitute awards shall be counted against the aggregate number of shares available for awards under the Stock Incentive Plan. The committee is authorized to interpret the Stock Incentive Plan, to establish, amend and rescind any rules and regulations relating to the Stock Incentive Plan, and to make any other determinations that it deems necessary or desirable for the administration of the Stock Incentive Plan. The committee also may correct any defect, supply any omission or reconcile any inconsistency in the Stock Incentive Plan in the manner and to the extent that the committee deems it necessary or desirable. The committee shall require payment of any amount it may determine to be necessary to withhold for federal, state, local or other taxes as a result of the exercise, grant or vesting of an award.

Limitations

No award may be granted under the Stock Incentive Plan after June 7, 2014, but awards granted before that date may extend beyond that date.

Shares Reserved for Awards and Limits on Awards

The total number of shares of our common stock available under the Stock Incentive Plan will be 5,752,580. Shares covered by awards that expire, terminate or lapse without payment will again be available for the grant of awards under the Stock Incentive Plan, as well as shares that are used by the holder to pay withholding taxes or as payment for the exercise price of an award, if permitted by the committee. The maximum number of shares for which stock options and stock appreciation rights, or for which other stock-based awards may be granted during a calendar year to any participant is 569,120 shares. The shares may consist, in whole or in part, of authorized but unissued shares or treasury shares.

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The number and kind of shares of common stock issued or reserved pursuant to the Stock Incentive Plan or outstanding awards, the maximum number of shares issuable pursuant to awards, the exercise price for awards, and other affected terms of awards, will be adjusted on account of stock splits, stock dividends, reorganizations, recapitalizations, mergers, consolidations, spin-offs and other corporate events.

In the event of certain corporate events, including stock sales, mergers, and sales of substantial assets, the committee may, but shall not be obligated to, cancel outstanding awards for fair value, waive vesting requirements, provide for the issuance of substitute awards, and/or provide that, for a period of time prior to such corporate event, options will be exercisable for all shares subject to the option and that upon the occurrence of the corporate event the options will terminate.

Type of Awards

Stock Options

The Stock Incentive Plan permits the committee to grant employees incentive stock options, which qualify for special tax treatment in the United States, and permits the committee to grant employees, directors and consultants non-statutory stock options. The committee will establish the duration of each option at the time it is granted. The maximum duration of an incentive stock option is ten years after the date of grant. The committee will establish the exercise price of each option at the time it is granted. The exercise price of a stock option may not be less than the fair market value, as defined in the Stock Incentive Plan, of the underlying common stock on the date of grant. As of October 19, 2006, the market value of our common stock as reported on the Nasdaq Global Select Market was \$25.52. The committee may establish vesting and performance requirements that must be met prior to the exercise of options. Unless otherwise determined by the committee, stock options will vest ratably (20%), on an annual basis, over a period of five years, commencing with the first anniversary of the grant date.

The exercise price of stock options may be paid in cash or cash equivalent by the holder. Stock option grants may include provisions that permit the option holder, to the extent permitted by the committee, to exercise all or part of the holder's vested options, or to satisfy withholding tax liabilities, by tendering shares of our common stock owned by the option holder, including shares deliverable upon exercise of the option, with a fair market value equal to the exercise price and tax withholding liabilities, or by tendering a promissory note in such form as the committee may specify that bears a market rate of interest and is fully recourse. Stock option grants also may include provisions that permit the option holder, to the extent permitted by the committee and only if there is a public market for the shares, to exercise all or part of the holder's vested options through a cashless exercise procedure, which requires the delivery of irrevocable instructions to a broker to sell the shares obtained upon exercise of the option and deliver promptly to the company the proceeds of the sale equal to the exercise price of the common stock being purchased.

Stock Appreciation Rights

The committee also may grant stock appreciation rights, either singly or in tandem with underlying stock options. Stock appreciation rights entitle the holder upon exercise to receive an amount in any combination of cash or shares of our common stock (as determined by the committee) equal in value to the excess of the fair market value of the shares covered by the right over the grant price. The committee may also grant limited stock appreciation rights that are exercisable upon the occurrence of specified contingent events. Such awards may provide for a different method of determining appreciation, may specify that payment will be made only in cash and may provide that any related awards are not exercisable while such limited stock appreciation rights are exercisable.

Table of Contents**Other Stock-Based Awards**

The Stock Incentive Plan also permits the committee to grant awards that are valued by reference to, or otherwise based on the fair market value of, our common stock. These awards will be in such form and subject to such conditions, as the committee may determine, including the satisfaction of performance goals, the completion of periods of service or the occurrence of events.

Eligibility

Incentive stock options, non-statutory stock options, stock appreciation rights, limited stock appreciation rights, restricted stock, performance-based awards and other awards based on our common stock may be granted under the Stock Incentive Plan to employees, directors and consultants of our company or its affiliates. In addition, these awards may be granted to prospective service providers in connection with written offers of employment, provided that no award may be exercised prior to such person's commencement of service. As of October 19, 2006, we had approximately 2,054 employees, including four executive officers and five non-executive directors, who were eligible under the Stock Incentive Plan. While any eligible person may be granted non-statutory stock options, only employees may be granted incentive stock options.

The following table reflects, as of October 19, 2006, awards that have been allocated to each director, executive officer or employee under the Stock Incentive Plan at this time and which are contingent upon approval of this proposal by our shareholders.

New Plan Benefits

Stock Incentive Plan

Name and Position	Dollar Value (\$) ⁽⁴⁾	Number of Options
Dr. Serge C.P. Belamant, Chief Executive Officer, Chairman of the Board and Director	n/a	80,000
Herman G. Kotze, Chief Financial Officer, Treasurer, Secretary and Director	n/a	35,000
Brenda Stewart, Senior Vice President - Marketing and Sales	n/a	25,000
Nitin Soma, Senior Vice President - Information Technology	n/a	20,000
Executive Group ⁽¹⁾	n/a	160,000
Non-Executive Director Group ⁽²⁾	n/a	0
Non-Executive Officer Employee Group ⁽³⁾	n/a	409,120

(1) All current executive officers as a group.

(2) All current directors who are not executive officers as a group.

(3) All employees, including all current officers who are not executive

officers, as a group.

- (4) The options have a \$22.51 per share exercise price. The dollar value of the options is indeterminable until the annual meeting date, at which date, if this proposal is approved, we will determine the fair value of the options for financial reporting purposes using an appropriate option valuation model.

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Options Granted to Certain Persons

The aggregate number of shares of common stock subject to options and other stock-based awards granted to certain persons under the Stock Incentive Plan since its inception are as follows: Dr. Serge C.P. Belamant, Chief Executive Officer, Chairman of the Board and Director, 416,667 shares; Herman G. Kotze, Chief Financial Officer, Treasurer, Secretary and Director, 416,667 shares; Brenda Stewart, Senior Vice President Marketing and Sales, 416,667 shares; and Nitin Soma, Senior Vice President Information Technology, 333,333 shares; all current executive officers as a group, an aggregate of 1,583,334 shares; all current directors who are not executive officers as a group, an aggregate of 166,668 shares; and all employees, including current officers who are not executive officers, as a group, an aggregate of 1,156,978 shares. The aforementioned number of shares does not include the contingent option grants that are reflected in the New Plan Benefits table above. Since its inception, no options have been granted under the Stock Incentive Plan to any other nominee for election as a director, or any associate of any such director, nominee or executive officer, and no other person has been granted five percent or more of the total amount of options granted under the Stock Incentive Plan.

Performance Standards and Section 162(m)

Performance criteria for performance-based awards under the Stock Incentive Plan may relate to any combination of the total corporation, a subsidiary, and/or any business unit. Performance targets may be set at a specific level or may be expressed relative to measures at comparison companies or a defined index. The committee will establish specific targets for recipients.

In general, Section 162(m) of the Code prevents the deductibility for U.S. income tax purposes of compensation in excess of one million dollars paid in any taxable year to an individual who on the last day of that year is the company's chief executive officer or is among its four other most highly compensated executive officers, except that a deduction may be taken for compensation that qualifies as performance-based compensation under Section 162(m). Options granted at fair market value ordinarily satisfy the performance-based requirements of Section 162(m), if shareholder disclosure and approval requirements are met. If restricted stock or performance-based awards are intended to satisfy Section 162(m) deductibility requirements, payments under such awards must be conditioned on attainment of pre-established objective performance measures that have been established and certified by a committee of outside directors and approved by shareholders. The performance criteria under the Stock Incentive Plan include: consolidated earnings before or after taxes, net income, operating income, earnings per share, book value per share, return on shareholder's equity, expense management, return on investment, improvements in capital structure, profitability of an identifiable business unit or product, maintenance or improvement of profit margins, stock price, market share, revenues or sales, costs, cash flow, working capital, and return on assets. The maximum amount of a performance-based award that may be granted during a calendar year to any participant is: (i) with respect to performance-based awards that are options, 569,120 shares, and (ii) with respect to performance-based awards that are not options, \$20.0 million.

Transferability

Unless otherwise determined by the committee, awards may not be transferred or assigned by the holder otherwise than by will or the laws of descent and distribution.

Amendment

The Board may amend the Stock Incentive Plan at any time, provided that no amendment will be made without the consent of the affected holder that diminishes the rights of the holder of any award, and except that the board may amend the Stock Incentive Plan in such manner as it deems necessary to permit awards to meet the requirements of the Code or other applicable laws. No amendment to the Stock Incentive Plan by our Board may be made without the approval of shareholders if it would increase the total number of shares reserved for issuance under the Stock Incentive Plan or change the maximum number of shares for which awards may be granted to participants, except for such changes in accordance with the Stock Incentive Plan's adjustment provisions described above.

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United States Federal Income Tax Consequences

The following discussion of the United States federal income tax consequences relating to the Stock Incentive Plan is based on present United States federal tax laws and regulations and does not purport to be a complete description of the United States federal tax laws. Participants may also be subject to certain U.S. state and local taxes and non-U.S. taxes, which are not described below.

When a non-statutory stock option is granted, there are generally no U.S. income tax consequences for the option holder or the company. When a non-statutory stock option is exercised, in general, the option holder recognizes compensation equal to the excess, if any, of the fair market value of the underlying class of common stock on the date of exercise over the exercise price. The company is entitled to a deduction equal to the compensation recognized by the option holder.

When an incentive stock option is granted, there are no U.S. income tax consequences for the option holder or the company. When an incentive stock option is exercised, the option holder does not recognize income and the company does not receive a deduction. The option holder, however, must treat the excess, if any, of the fair market value of the underlying class of common stock on the date of exercise over the exercise price as an item of adjustment for purposes of the alternative minimum tax. If the option holder disposes of the shares after the option holder has held them for at least two years after the incentive stock option was granted and one year after the incentive stock option was exercised, the amount the option holder receives upon the disposition over the exercise price is treated as long-term capital gain to the option holder. The company is not entitled to a deduction. If the option holder makes a

disqualifying disposition of the stock by disposing of the stock before the stock has been held for the holding periods described above, the option holder generally recognizes compensation income equal to the excess, if any, of (1) the fair market value of the stock on the date of exercise, or, if less, the amount received on the disposition, over (2) the exercise price. The company is entitled to a deduction equal to the compensation recognized by the option holder.

When a stock appreciation right is granted, there are no U.S. income tax consequences for the participant or the company. When a stock appreciation right is exercised, in general, the participant recognizes compensation equal to the cash and/or the fair market value of the stock received on exercise. The company is entitled to a deduction equal to the compensation recognized by the participant.

In general, other types of awards that may be issued under the Stock Incentive Plan are taxable to the holder upon receipt, except that awards of restricted stock are taxable to the holder on the date the shares vest, or on the date of receipt if the individual makes an election under Section 83(b) of the Code.

The Board recommends a vote FOR approval of the amendment and restatement of the Stock Incentive Plan.

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PROPOSAL NO. 3: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The audit committee of our Board has selected the firm of Deloitte & Touche (South Africa), or Deloitte, to serve as independent registered public accounting firm for the fiscal year ending June 30, 2007. A representative of Deloitte is expected to be present at the annual meeting. Such representative will have an opportunity to make a statement if he or she desires to do so and is expected to be available to respond to appropriate questions from shareholders. Deloitte currently serves as our independent registered public accounting firm.

We are asking our shareholders to ratify the selection of Deloitte as our independent registered public accounting firm. Although ratification is not required by our by-laws or otherwise, the Board is submitting the selection of Deloitte to our shareholders for ratification as a matter of good corporate practice. In the event our shareholders fail to ratify the appointment, the audit committee may reconsider this appointment. Even if the selection is ratified, the audit committee in its discretion may select a different registered public accounting firm at any time during the year if it determines that such a change would be in our best interests and the best interests of our shareholders.

The Board recommends a vote FOR ratification of Deloitte.

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**CHANGES IN AND DISAGREEMENTS WITH
ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

On June 7, 2004, we completed, from a legal perspective, the acquisition of Aplitec. Subsequent to the completion of the acquisition, 99.2% of Aplitec's shareholders elected the reinvestment option as of June 28, 2004. As a result, Aplitec was deemed to be the accounting acquirer of us. From an accounting perspective, June 28, 2004 is considered to be the consummation date of the reverse acquisition, as this was the date when the accounting acquirer could be identified. Therefore, Aplitec's historical financial statements became our historical financial statements as of June 28, 2004. On July 12, 2004, our Board decided to dismiss Manning Elliott, Chartered Accountants as our independent auditors and engage Deloitte to serve as our independent auditors for the year ending June 30, 2004. Our Board decided not to retain PKF (Jhb) Inc., or PKF, the independent auditors of Aplitec.

The reports of Manning Elliott on the financial statements of Net 1 UEPS Technologies, Inc. for the three fiscal years ended December 31, 2003 contained no adverse opinion or disclaimer of opinion and were not qualified as to audit scope or accounting principles. The audit reports contained a modification expressing substantial doubt about Net 1 UEPS Technologies, Inc.'s ability to continue as a going concern. This modification was attributable to the circumstances that Net 1 UEPS Technologies, Inc. had limited revenues and suffered recurring losses from operations.

In connection with the audit for the three fiscal years ended December 31, 2003 and in connection with Manning Elliott's review of the subsequent interim period preceding dismissal on March 31, 2004, there have been no disagreements between the Company and Manning Elliott on any matter of accounting principles or practices, financial statements disclosure, or auditing scope or procedure, which would have caused Manning Elliott to make a reference thereto in its report on Net 1 UEPS Technologies, Inc.'s financial statements for these fiscal years and through July 12, 2004. During the three fiscal years ended December 31, 2003 and prior to July 12, 2004, Net 1 UEPS Technologies, Inc. had no reportable events, as listed in Item 304(a)(1)(v) of SEC Regulation S-K.

PKF audited Aplitec's financial statements for the two years ended June 30, 2003 and 2002. PKF's reports on Aplitec's consolidated financial statements for the 2003 and 2002 fiscal years did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles, except as noted therein with regards to the segment report and earnings per share disclosures.

During Aplitec's 2003 and 2002 fiscal years and through June 28, 2004, there were no disagreements with PKF on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to PKF's satisfaction, would have caused PKF to make reference to the subject matter in connection with PKF's report on Aplitec's consolidated financial statements for such years, and there were no reportable events, as listed in Item 304(a)(1)(v) of SEC Regulation S-K.

Prior to July 12, 2004, Net 1 UEPS Technologies, Inc. did not consult with Deloitte regarding (1) the application of the accounting principles, or (2) the type of audit opinion that might be rendered by Deloitte. However, Deloitte was engaged by Aplitec to advise on the application of accounting principles regarding (1) the factors relevant to the identification of the accounting acquirer in the proposed transaction, pursuant to which we, through New Aplitec, would acquire substantially all of the assets and liabilities of Aplitec, and (2) the classification of certain securities issued by New Aplitec (as part of the proposed transaction referred to above) as either equity or liability in our consolidated financial statements if Aplitec were to be the accounting acquirer. During Aplitec's 2003 and 2002 fiscal years and through June 28, 2004, Aplitec did not consult Deloitte with respect to the application of accounting principles to any other specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, or any other matters or reportable events listed in Items 304(a)(2)(i) and (ii) of SEC Regulation S-K.

Table of Contents**AUDIT AND NON-AUDIT FEES**

The following table shows the fees that we paid or accrued for the audit and other services provided by Deloitte for the years ended June 30, 2006 and 2005.

	Year ended June 30,	
	2006	2005
	\$ 000	\$ 000
Audit Fees	1,529	838
Audit-Related Fees		
Tax Fees	22	165
All Other Fees		169

Audit Fees This category includes the audit of our annual consolidated financial statements, review of financial statements included in our quarterly reports on Form 10-Q, the Sarbanes-Oxley Act of 2002 required audit of management's assessment of the effectiveness of our internal control over financial reporting and the auditors independent audit of internal control over financial reporting, and the services that an independent auditor would customarily provide in connection with subsidiary audits, statutory requirements, regulatory filings, and similar engagements for the fiscal year, such as comfort letters, attest services, consents, and assistance with review of documents filed with the SEC. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of interim financial statements.

Audit-Related Fees This category consists of assurance and related services by the independent registered public accounting firm that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under Audit Fees. There were no such fees paid in the years ended June 30, 2006 or 2005.

Tax Fees This category consists of professional services rendered by Deloitte for tax compliance and tax advice. The services for the fees disclosed under this category include tax return review and technical tax advice.

All Other Fees There were no such fees paid in the year ended June 30, 2006. For the year ended June 30, 2005, this category consists of fees related to Deloitte's involvement with our registration statement related to our August 2005 public offering and Nasdaq listing and other miscellaneous items.

Pre-Approval of Non-Audit Services

Pursuant to our audit committee charter, our audit committee reviews and pre-approves both audit and non-audit services to be provided by our independent auditors. The authority to grant pre-approvals of non-audit services may be delegated to one or more designated members of the audit committee whose decisions will be presented to the full audit committee at its next regularly scheduled meeting. During fiscal 2006, all of the audit, audit-related, tax and other services provided by Deloitte with respect to fiscal year 2006 were pre-approved by the Board and, after constitution, the audit committee.

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AUDIT COMMITTEE REPORT

The audit committee of the Board consists of three independent directors, as required by the Nasdaq listing standards. The audit committee operates under a written charter adopted by the Board and available on the company's website at www.net1ueps.com. The audit committee is responsible for overseeing our financial reporting process on behalf of the Board. The members of the audit committee are Messrs. Seabrooke, Pein and Edwards. The committee selects, subject to shareholder ratification, our independent registered public accounting firm.

Management is responsible for our financial statements and the financial reporting process, including internal controls. The independent registered public accounting firm is responsible for performing an independent audit of our consolidated financial statements in accordance with auditing standards generally accepted in the United States and of our internal control over financial reporting and for issuing a report thereon. The committee's responsibility is to monitor and oversee these processes.

In this context, the audit committee has met and held discussions with management and Deloitte & Touche (South Africa), or Deloitte, our independent registered public accounting firm. Management represented to the audit committee that the consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States, and the committee reviewed and discussed the consolidated financial statements with management and Deloitte. The audit committee discussed with Deloitte the matters required to be discussed by Statement on Auditing Standards No. 61 (Codification of Statements of Auditing Standards AU §380), as may be modified or supplemented). These matters included a discussion of Deloitte's judgments about the quality (not just the acceptability) of the company's accounting principles as applied to the company's financial reporting.

Deloitte also provided the audit committee with the written disclosures and letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the audit committee discussed with Deloitte that firm's independence. The committee further considered whether the provision by Deloitte of the non-audit services described above is compatible with maintaining the auditors' independence.

Based upon the audit committee's discussion with management and Deloitte and the audit committee's review of the representations of management and the disclosures by Deloitte to the audit committee, the committee recommended to the Board that the company's audited consolidated financial statements be included in our Annual Report on Form 10-K for the year ended June 30, 2006, for filing with the SEC.

Audit Committee

Christopher S. Seabrooke, Chairman
Alasdair J. K. Pein
Paul Edwards

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Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table presents, as of October 19, 2006, information about beneficial ownership of our common stock by:

each person or group of affiliated persons who or which, to our knowledge, owns beneficially more than 5% of our outstanding shares of common stock;

each of our directors and named executive officers; and

all of our directors and executive officers as a group.

Beneficial ownership of shares is determined in accordance with SEC rules and generally includes any shares over which a person exercises sole or shared voting or investment power. The beneficial ownership percentages set forth below are based on 50,429,385 shares of common stock and 6,499,259 shares of special convertible preferred stock outstanding as of October 19, 2006. All shares of common stock into which any named person can cause to be converted their special convertible preferred stock and all shares of common stock underlying stock options that are presently exercisable or exercisable within 60 days after October 19, 2006 by each person are deemed to be outstanding and beneficially owned by that person for the purpose of computing the ownership percentage of that person, but are not considered outstanding for the purpose of computing the percentage ownership of any other person. Each share of our outstanding special convertible preferred stock votes together with our common stock on a one vote per share basis. Voting power percentage is based on an aggregate 56,928,644 shares of common stock and special convertible preferred stock outstanding as of October 19, 2006.

Unless otherwise indicated, to our knowledge, each person listed in the table below has sole voting and investment power with respect to the shares shown as beneficially owned by such person, except to the extent applicable law gives spouses shared authority. Except as otherwise noted, each shareholder's address is c/o Net 1 UEPS Technologies, Inc., President Place, 4th Floor, Cnr. Jan Smuts Avenue and Bolton Road, Rosebank, Johannesburg, South Africa.

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned		Voting Power
	Number	%	%
Dr. Serge C.P. Belamant(1)	2,101,621	4.1%	3.7%
Herman Gideon Kotze(2)	149,999	*	*
Antony Charles Ball(3)	8,333	*	*
Christopher Stefan Seabrooke(3)	8,333	*	*
Alasdair Jonathan Kemsley Pein(3)	8,333	*	*
Paul Edwards(3)	8,333	*	*
Florian P. Wendelstadt(4)	6,409,091	12.7%	11.3%
Brenda Stewart(2)	149,999	*	*
Nitin Soma(5)	116,666	*	*
David Schwarzbach(6)			
Investment entities affiliated with Brait S.A.(7)	9,387,984	18.6%	16.5%
Investment entities affiliated with General Atlantic LLC(4)	6,409,091	12.7%	11.3%
Gilder, Gagnon, Howe & Co. LLC(8)	2,652,106	5.3%	4.7%
Investment entities affiliated with Stephen F. Mandel (9)			