

NET 1 UEPS TECHNOLOGIES INC  
Form S-4/A  
April 21, 2004

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As filed with the Securities and Exchange Commission on April 21,  
2004

Registration No. 333-112463

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**AMENDMENT NO. 2 TO  
FORM S-4**

**REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**NET 1 UEPS TECHNOLOGIES, INC.**

(Exact name of registrant as specified in its charter)

**Florida**  
(State of Incorporation)

**6099**  
(Primary Standard Industrial  
Classification Code Number)

**65-0903895**  
(I.R.S. Employer Identification No.)

**Suite 325-744 West Hastings Street  
Vancouver, British Columbia, Canada V6C 1A5  
(604) 669-4561**

(Address, including zip code, and telephone number, including area code, of registrants principal executive offices)

**James Schneider, Esq.  
Schneider Weinberger LLP  
2200 Corporate Boulevard, N.W., Suite 210  
Boca Raton, Florida 33431  
(561) 362-9595**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

***With a copy to:*  
John W. Carr, Esq.  
Simpson Thacher & Bartlett LLP  
425 Lexington Avenue  
New York, New York 10017-3954  
(212) 455-2000**

**Approximate date of commencement of proposed exchange offer: As soon as practicable after this  
Registration Statement is declared effective.**

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, please check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

### CALCULATION OF REGISTRATION FEE

Title of Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Unit (2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Stock, \$0.001 par value	192,967,138	\$7.01	\$1,352,699,637.38	\$171,387.04(3)
Special Convertible Preferred Stock, \$0.001 par value (4)	192,967,138			\$0

- (1) Based on the estimated maximum number of Registrant's common shares which may be issued in connection with the proposed acquisition of substantially all of the assets and liabilities of Net 1 Applied Technology Holdings Limited, a South African company, with and into a subsidiary of the Registrant. In accordance with Rule 416 under the Securities Act of 1933, as amended ( Securities Act ), this Registration Statement also shall register any additional shares of common stock of the Registrant which may become issuable to prevent dilution resulting from stock splits, stock dividends, or similar transactions.
- (2) Estimated solely for the purpose of calculating the registration fee and computed pursuant to Rule 457(c) based on the product of (a) \$7.01 (the last sale reported on the OTC Bulletin Board on January 27, 2004) and (b) the number of shares of Common Stock to be registered.
- (3) Previously paid.
- (4) The registrant has not paid a registration fee in respect of the shares of Special Convertible Preferred Stock because these shares do not trade separately, convert only into shares of the registrant's Common Stock, and do not have any market value independently of the shares of Common Stock.

**The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

[NET 1 LETTERHEAD/LOGO]

, 2004

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

The board of directors of Net 1 has approved the acquisition by Net 1 of substantially all of the assets and the assumption of all of the liabilities of Net 1 Applied Technology Holdings Limited, a public company incorporated in South Africa and listed on the JSE Securities Exchange South Africa, through a newly incorporated South African company called New Aplitec, which will become a subsidiary of Net 1. In addition, the board of directors of Net 1 has approved the acquisition by Net 1 of certain assets of Net 1 Holdings S.a.r.l., a company incorporated in Luxembourg that currently holds the U.S. patent for the Funds Transfer System for which Net 1 currently holds a license.

In connection with the recapitalization of Net 1 and to provide the necessary liquidity to consummate the acquisition of Aplitec, the board of directors of Net 1 has approved the issuance of 105,661,428 newly issued common shares of Net 1 to the Brait Consortium, a group of affiliated investment funds, through its representative, SAPEF III International G.P. Limited, in consideration for a capital contribution of \$52.8 million.

I cordially invite you to attend our special meeting of shareholders to vote on proposals to:

- (i) authorize an amendment to Net 1's articles of incorporation to (a) increase the number of authorized shares of common stock from 100,000,000 to 500,000,000, (b) increase the number of authorized shares of preferred stock from 3,000,000 to 300,000,000, (c) modify the par value of the shares of preferred stock that may be issued by Net 1 from \$0.10 per share to \$0.001 per share, and (d) authorize the terms of the special convertible preferred stock;
- (ii) authorize the issuance and terms of 192,967,138 shares of special convertible preferred stock of Net 1 in connection with the Aplitec acquisition;
- (iii) authorize the issuance of 105,661,428 shares of common stock of Net 1 to the Brait Consortium in exchange for a capital contribution of \$52.8 million; and
- (iv) approve the 2004 Stock Incentive Plan.

**If any one of these proposals is not approved at the special meeting of Net 1's shareholders, the transactions will not be completed.**

The special shareholders meeting will be held on , 2004 at 9 a.m. at the offices of Schneider Weinberger LLP, 2200 Corporate Boulevard, N.W., Suite

210, Boca Raton, Florida 33431. We cannot complete the transactions unless, among other things, the disinterested holders of a majority of outstanding shares of Net 1 common stock that cast votes at the special meeting of shareholders approve each of the above-referenced proposals.

**Your board of directors has determined that the proposed transactions are fair to, advisable and in the best interests of Net 1 and its shareholders. The board recommends that at the special meeting you vote FOR the proposed transactions.**

The board of directors has received a written opinion dated January 30, 2004 of its advisor, Stenton Leigh Capital Corp., to the effect that, as of such date and based upon and subject to the matters stated in the opinion, the issuance of shares of common stock of Net 1 to the Brait Consortium at a price of \$0.50 per share was fair, from a financial point of view, to the holders of Net 1 common stock. **You should be aware that while the trading price per share of Net 1 common stock quoted on the OTC Bulletin Board was \$7.50 on April 16, 2004, the fairness opinion issued to us by Stenton Leigh in connection with the transactions concluded that the value of one share of Net 1 common stock was approximately \$0.004 as of January 30, 2004 without giving effect to the proposed transactions.** See Annex C to this proxy statement/prospectus for the full text of Stenton Leigh's fairness opinion.

**YOUR VOTE IS IMPORTANT.** To assure your representation at the special meeting, please complete, sign and date the enclosed proxy card and return it in the enclosed prepaid envelope according to the instructions set forth on the enclosed proxy card. This will allow your shares to be voted whether or not you attend the meeting.

Detailed information concerning the proposed transactions is set forth in the accompanying proxy statement/prospectus. I urge you to read the enclosed material carefully and request that you promptly complete and return the enclosed proxy in the enclosed return envelope, which requires no postage if mailed in the United States. **You should, in particular, consider the matters discussed under Risk Factors beginning on page 25.** If you attend the special meeting, you may vote in person even if you have previously returned your proxy. Your vote is important regardless of the number of shares of common stock you own.

**We support the proposed transactions and urge you to vote FOR the proposed transactions.**

Sincerely,

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Serge Belamant  
Chairman of the Board



**Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved the shares of common stock or the shares of special convertible preferred stock to be issued by Net 1 under this proxy statement/prospectus or passed upon the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.**

This document serves as a proxy statement and as a prospectus of Net 1 for the 192,967,138 shares of special convertible preferred stock to be issued to shareholders of Aplitec in connection with the transactions and the shares of Net 1 common stock issuable upon conversion of the special convertible preferred stock. As described in this proxy statement/prospectus, this document also serves as a prospectus in respect of a rescission offer being made to Aplitec shareholders.

This proxy statement/prospectus is dated \_\_\_\_\_, 2004, and is being first mailed to shareholders on or about \_\_\_\_\_, 2004.

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**NET 1 UEPS TECHNOLOGIES, INC.**  
**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**  
**TO BE HELD ON                      , 2004**

Dear Net 1 Shareholder:

A special meeting of shareholders of Net 1, a Florida corporation, will be held on , 2004 at 9 a.m., local time, at the offices of Schneider Weinberger LLP, 2200 Corporate Boulevard, N.W., Suite 210, Boca Raton, Florida 33431, and any adjournments or postponements thereof.

At the meeting, you will be asked to:

1. authorize an amendment to Net 1's articles of incorporation to (a) increase Net 1's authorized shares of common stock, par value \$0.001 per share, from 100,000,000 to 500,000,000 shares, par value \$0.001 per share, to allow for additional shares of common stock of Net 1 to be issued in connection with the proposed transactions, (b) increase Net 1's authorized shares of preferred stock, par value \$0.10 per share, from 3,000,000 to 300,000,000 shares of preferred stock, par value \$0.10 per share, to allow for a sufficient number of shares of preferred stock to be issued in connection with the Aplitec acquisition, and (c) modify the par value of the shares of preferred stock that may be issued by Net 1 from \$0.10 per share to \$0.001 per share;
2. authorize the issuance and terms of 192,967,138 shares of special convertible preferred stock of Net 1 in connection with the Aplitec acquisition;
3. authorize the issuance of 105,661,428 shares of common stock of Net 1 to the Brait Consortium, through its representative, SAPEF III International G.P. Limited, in exchange for a capital contribution of \$52.8 million;
4. approve the 2004 Stock Incentive Plan; and
5. act upon such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

The accompanying proxy statement/prospectus describes the proposed transactions in detail.

The board of directors has set the close of business on , 2004, as the record date for determining shareholders entitled to receive notice of the meeting and to vote at the meeting, and any adjournments or postponements thereof.

The proposed transactions cannot be completed unless a majority of Net 1's shareholders that cast votes at the special meeting of shareholders approve each of the above-referenced proposals. Net 1 Holdings, a Luxembourg company, owns 53.75% of the outstanding shares of Net 1. Dr. Serge Belamant, the current chairman of Net 1's board of directors, the chief executive officer of Aplitec and the chief executive of Net 1 Holdings, has the right to vote these shares on behalf of Net 1 Holdings. Because of Dr. Belamant's interest in the proposed transactions to be voted upon, the shares owned by Net 1 Holdings will be counted for purposes of establishing a quorum at the special meeting, but those shares will be voted in proportion to the votes cast (FOR and AGAINST) by our disinterested shareholders. Thus, the vote of a majority of Net 1's shareholders other than Net 1 Holdings will be determinative of the outcome of the proposed transactions.

We will admit to the special meeting (1) all shareholders of record at the close of business on , 2004, (2) persons holding proof of beneficial ownership as of such date, such as a letter or account statement from the person's broker, (3) persons who have been granted proxies, and (4) such other persons that we, in our sole discretion, may

elect to admit. **All persons wishing to be admitted must present photo identification.** If you plan to attend the special meeting, please check the appropriate box on your proxy card.

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By order of the board of directors,

David Anthony  
Secretary

\_\_\_\_\_, 2004

**Your vote is important. Please return your proxy as soon as possible, whether or not you expect to attend the special meeting in person.**

**You may submit your proxy by completing, dating and signing the enclosed proxy card and returning it in the enclosed postage prepaid envelope.**

**You may revoke your proxy at any time before the special meeting. If you attend the special meeting and vote in person, your proxy vote will not be used.**

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## QUESTIONS AND ANSWERS ABOUT THE PROPOSED TRANSACTIONS

### **Q1: What are the proposed transactions for which I am being asked to vote?**

A1: You are being asked to approve and adopt:

(i) amendments to Net 1's articles of incorporation to (a) increase the number of authorized shares of common stock from the current 100,000,000 shares to 500,000,000, (b) increase the number of authorized shares of preferred stock from the current 3,000,000 to 300,000,000, (c) modify the par value of the shares of preferred stock that may be issued by Net 1 from \$0.10 per share to \$0.001 per share, and (d) authorize the terms of the special convertible preferred stock;

(ii) the Aplitec acquisition and the issuance of 192,967,138 shares of special convertible preferred stock in connection with such acquisition;

(iii) the issuance of 105,661,428 shares of common stock to the Brait Consortium, through its representative, SAPEF III International G.P. Limited in exchange for a \$52.8 million capital contribution; and

(iv) the 2004 Stock Incentive Plan.

Without your approval of the above-referenced proposals, we will not be able to consummate any of the proposed transactions.

### **Q2: What are the benefits and risks of the proposed transactions to Aplitec, Net 1 and their respective shareholders?**

A2: Since its formation, Aplitec has implemented numerous UEPS smart card systems and has developed the unique skills and business models required to successfully implement these smart card systems from an operational and financial perspective. Although Aplitec owns the FTS/UEPS patents only for South Africa and its surrounding territories, it has also been successful in exploiting the technology in countries outside its designated territories through a Distribution Agreement with Net 1. The proposed transactions will consolidate the FTS/UEPS intellectual property rights under a single structure, which will allow Aplitec to fully capitalize on Net 1's global rights to the FTS/UEPS patents.

Net 1 has been unable to raise sufficient capital to implement its business model, due partly to its failure to have successfully implemented any smart card systems. Additionally, Net 1 is concerned that it may not have the capital to continue as a going concern beyond the second quarter of 2004. The proposed transactions will provide a much-needed capital injection into Net 1, and will give Net 1 access to the business model, intellectual property rights and operations of Aplitec.

The proposed transactions will dilute your interest in Net 1 by up to 95.29%, and it will further dilute the interests to be held by Aplitec's reinvesting shareholders by up to 42.73%. Additionally, the proposed transactions may have a variety of negative effects on Net 1. For example, there may be challenges of combining the two companies due to the complex group structure and the management focus required to implement the combination. Additionally, there are substantial costs, expenses and taxes to be paid by Net 1 in connection with the proposed transactions which will reduce the funds available for Net 1 to implement its business plan. Finally, there is a possibility that if a sufficient number of Aplitec shareholders do not elect the reinvestment option, the Brait Group may control Net 1. The risks related to this possible scenario are more fully addressed under Risk Factors Risks Relating to the Proposed Transactions.

Despite these significant risks, we believe that the proposed transactions also provide substantial benefits that are aimed to enhance the companies' overall value. For example, they will create:

- a platform from which the combined group can compete on global markets;
- a base of credible strategic investors;

- capital to implement Net 1's international expansion; and
- the ability to attract funds from large institutional investors in the future.

The proposed transactions will also provide Net 1 the capital it needs to continue as a going concern. If the proposed transactions are not completed, Net 1 may not be able to continue as a going concern beyond the second quarter of 2004.

**Q3: Why is Net 1 issuing new shares of common stock to the Brait Consortium?**

A3: Net 1 has entered into a Common Stock Purchase Agreement with the Brait Consortium (through its representative SAPEF III International G.P. Limited), pursuant to which Net 1 will issue to the Brait Consortium 105,661,428 restricted shares of Net 1 common stock at a purchase price of \$0.50 per share, or a total purchase price of \$52.8 million. Of this amount, approximately \$35.66 million (assuming a conversion rate of ZAR 6.445 = \$1.00) will be used to fund cash payments to Aplitec's current shareholders in connection with the Aplitec acquisition, and the remainder will be used by Net 1 to finance its operations and implement its business plan.

Fees and expenses of approximately \$6.5 million will be paid out of the resources of Net 1, of which approximately \$3.9 million will be paid to the Brait Group.

**Q4: Does the current market price of shares of Net 1 common stock reflect the true value of these shares?**

A4: No. In connection with the proposed subscription for shares of Net 1 by the Brait Consortium, Net 1 obtained a fairness opinion from Stenton Leigh Capital Corp., the full text of which is attached to this proxy statement/prospectus as Annex C. In its fairness opinion, Stenton Leigh concluded that the value per share of Net 1 common stock was approximately \$0.004 as of January 30, 2004 without giving effect to the proposed transactions. The higher trading price per share quoted on the OTC Bulletin Board may result from the very limited liquidity available for those shares, which contributes to great fluctuations in the share price when small numbers of shares trade and does not reflect the true value of those shares.

**Q5: What consideration is Net 1 paying to consummate the Aplitec acquisition?**

A5: In addition to the ZAR 229.8 million (\$35.66 million) that Net 1 will pay in connection with the Aplitec acquisition, Net 1 will issue special convertible preferred stock to the Cayman Trust (convertible into up to 58.14% of the shares of Net 1 common stock on a fully diluted basis), whose trustee is Walkers SPV, for the benefit of Aplitec's reinvesting shareholders. In addition, Net 1 will cause New Aplitec to issue B class preference shares and to extend B class loan accounts to the South African Trust for the benefit of Aplitec's reinvesting shareholders. The purchase price for the Aplitec acquisition, including the amount of cash consideration and stock interests, was determined through negotiations among Claude Guerard (Net 1's Chief Executive Officer), representatives of the Brait Group and a special committee of Aplitec's board of directors. The cash consideration reflected the maximum amount that management believed that Net 1 could afford to pay in connection with the Aplitec acquisition, taking into account the availability of external financing and the cash needs of Net 1 after the proposed transactions.

**Q6: What consideration will Aplitec shareholders receive in connection with the consummation of the proposed transactions?**

A6: As part of the proposed transactions, each Aplitec shareholder will receive, for each Aplitec ordinary share held, either:

1. the cash option in a amount of ZAR 5.00 (\$0.78) or,
2. the reinvestment option consisting of:
  - ZAR 1.90 (\$0.29) in cash; and
  - An interest in a South African Trust, which we refer to in this proxy statement/prospectus as a beneficial interest.

This unit will represent an interest in 0.814286 shares of Net 1 common stock. Those Aplitec shareholders who elect the reinvestment option are referred to herein as the reinvesting shareholders. Interests in the South African Trust may not be transferred by reinvesting shareholders to third parties. To allow the South African Trust to obtain the common stock for reinvesting shareholders upon the occurrence of a trigger event, which is described more fully in Answer 9 the South African Trust will initially hold 100% of the New Aplitec B class preference shares and B class loan accounts, as well as a right to receive 100% of the Net 1 special convertible preferred stock held by a Cayman Trust. The trustee of the South African Trust will be First National Asset Management & Trust Company (subject to the approval by the Master of the High Court in South Africa) and the Trustee of the Cayman Trust is Walkers SPV. The South African Trust and the Cayman Trust are described more fully on pages 66 and 67, respectively, of this proxy statement/prospectus.

Net 1 believes that the combination of loan accounts and shares to be issued by New Aplitec represents the optimal corporate structure for a South African company. For example, the loan accounts will give New Aplitec the flexibility to take advantage of certain potential tax benefits available in South Africa.

**Q7: Will the shares of Aplitec or New Aplitec continue to be tradeable or be listed after the proposed transactions are consummated?**

A7: No. After the transactions described in this proxy statement/prospectus are completed, the shares of Aplitec (which currently are listed on the JSE) will be de-listed and will no longer be tradeable. Moreover, reinvesting Aplitec shareholders will receive, through the South African Trust and the Cayman Trust, interests in the common stock of Net 1, which interests will not be listed on any securities exchange and will not be transferable. The only manner by which a holder who chooses the reinvestment option will be able to trade its interests will be by means of directing the sale of shares of Net 1 common stock held for its benefit through the South African Trust and the Cayman Trust.

**Q8: Is Net 1 permitted to issue special convertible preferred stock?**

A8: Yes. Net 1's articles of incorporation permit the issuance of up to 3,000,000 shares of preferred stock with conversion rights and other characteristics as the board of directors of Net 1 may determine. Net 1 is seeking the specific approval by its shareholders to authorize issuance of the special convertible preferred stock to be issued by Net 1 in connection with the Aplitec acquisition, including increasing the number of authorized shares of preferred stock, which will facilitate consummation of the proposed transactions.

**Q9: What are the key features of the Net 1 special convertible preferred stock?**

A9: The Net 1 special convertible preferred stock will be issued to the Cayman Trust for the future benefit of Aplitec's current shareholders that choose to reinvest in the combined company. Each share of special convertible preferred stock, together with 1.228070 New Aplitec B class preference shares and 1.228070 New Aplitec B class loan accounts held by the South African Trust, will be convertible into one share of Net 1 common stock on the occurrence of a trigger event. A trigger event is defined as any one of the following events:

- notification by the reinvesting Aplitec shareholder of the intention to convert some or all of the shares of Net 1 special convertible preferred stock attributable to him or her (via the South African Trust) into shares of Net 1 common stock;
- the abolition or relaxation of South African Exchange Control regulations such that South African residents would be permitted to directly hold shares of non-South African companies; or

- the liquidation, insolvency or other winding-up of either New Aplitec or Net 1.



Prior to their conversion into shares of common stock, the special convertible preferred stock will have voting rights in Net 1 that correspond to Net 1 common stock and will entitle the holders to receive dividends payable from all of Net 1's business operations outside of South Africa and on the liquidation of New Aplitec.

**Q10: How many shares of special convertible preferred stock will Net 1 issue?**

A10: 192,967,138

**Q11: Can the price at which shares of common stock of Net 1 are issued to the Brait Consortium change between now and the time the transactions are completed?**

A11: No.

**Q12: Can the number of shares of special convertible preferred stock that is issuable in the Aplitec acquisition change between now and when the transactions are completed?**

A12: No.

**Q13: Can the consideration that Net 1 will pay to acquire Net 1 Holdings change between now and when the transactions are completed?**

A13: No.

**Q14: What are the U.S. federal income tax consequences of the transactions to Net 1?**

A14: Net 1 will not recognize any income or gain as a result of the issuance of its shares of common stock and special convertible preferred stock in the proposed transactions.

**Q15: What vote is required for approval?**

A15: The proposed transactions contemplated herein must be approved by holders of a majority of the shares of Net 1 common stock voting at the special shareholders meeting, provided that a quorum has been established. Shares of Net 1 common stock held by shareholders with an interest in the transactions will be tallied to establish a quorum at the meeting and will be voted in proportion to the votes cast (FOR and AGAINST) by Net 1's disinterested shareholders. You are entitled to vote at the meeting if you held Net 1 common stock at the close of business on the record date, which is , 2004. On that date, 15,852,856 shares of Net 1 common stock were outstanding and entitled to vote.

**Q16: What is the rescission offer and why is it being made?**

A16: The SEC has advised Net 1 that certain Aplitec announcements that were made in South Africa in October and November 2003, as well as the Aplitec shareholder vote required under South African law to approve the sale of Aplitec's assets that was held on December 9, 2003, may not have complied with Section 5 under the U.S. Securities Act of 1933. In light of the SEC's position, we are offering to all Aplitec shareholders the opportunity to rescind any acceptance of Net 1 securities that may have been offered to them prior to the December 9 vote. This rescission offer will be made prior to the election by Aplitec shareholders with respect to the reinvestment option. If holders of a majority of the outstanding Aplitec ordinary shares accept the rescission offer, the proposed transactions will not be consummated as a result of the failure of certain of the conditions to which the Aplitec acquisition is subject.

**Q17: Will Net 1 shareholders have dissenters or similar rights?**

A17: Shareholders who vote against the proposed transactions are not entitled to dissenters or similar rights under Florida law and Net 1's articles of incorporation.

**Q18: What regulatory approvals are required in order to close the proposed transactions?**

A18: As a condition precedent to the closing of the Aplitec acquisition, certain approvals from South African regulatory authorities are required.

**Q19: Are there any third party consents required as a condition to closing the proposed transactions?**

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A19: The Aplitec acquisition is subject to approval by the holders of a majority of the issued ordinary shares of Net 1. The Aplitec acquisition has already been approved by the shareholders of Aplitec, but if holders of a majority of Aplitec's ordinary shares accept the rescission offer which is described in Answer 16 the Aplitec acquisition will fail and none of the transactions will be consummated. However, the decision by Aplitec's shareholders whether to reinvest in the combined company will be made only after the Net 1 special meeting.

**Q20: When do you expect the proposed transactions to be completed?**

A20: We expect to complete the proposed transactions in the second quarter of 2004.

**Q21: If my shares are held in street name by my broker, will my broker vote my shares for me?**

A21: You should instruct your broker to vote your shares, following the directions your broker provides. If you do not instruct your broker, your broker will generally not have the discretion to vote your shares.

**Q22: What do I need to do now?**

A22: After carefully reading and considering the information contained in this proxy statement/prospectus, please fill out and sign the proxy card, and then mail your signed proxy card in the enclosed prepaid envelope as soon as possible so that your shares may be voted at the special meeting. Your proxy card will instruct the persons named on the card to vote your shares at the stockholders meeting as you direct on the card. If you sign and send in your proxy card and do not indicate how you want to vote, your proxy will be voted FOR the proposed transactions. YOUR VOTE IS VERY IMPORTANT.

**Q23: May I change my vote after I have mailed my signed proxy card?**

A23: Yes. You may change your vote at any time before your proxy is voted at the special meeting. You can do this in one of three ways. First, you can send a written notice stating that you want to revoke your proxy.

Second, you can complete and submit a new proxy card. If you choose either of these two methods, you must submit your notice of revocation or your new proxy card to:

ADP Investor Communications  
5970 Chedworth Way  
Mississauga, Ontario L5R 4G5  
Canada

Third, you can attend the Net 1 special shareholder meeting and vote in person. Simply attending the meeting, however, will not revoke your proxy; you must vote at the meeting. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote.

**Q24: What does the board of directors of Net 1 recommend?**

A24: Net 1's board of directors has determined that the proposed transactions are fair to, advisable and in the best interests of Net 1 and its shareholders and recommends that you vote FOR

the proposed transactions.

**Q25: Will Net 1 continue as a public company?**

A25: Yes. Net 1 will continue to be a public reporting company under the Securities Exchange Act of 1934 and its shares will continue to be quoted on the OTC Bulletin Board.

**Q26: Will I have the same ownership and voting percentages in Net 1 after the transactions are completed as I do now?**

A26: No. The proposed transactions will dilute your interests in Net 1 by up to 95.29%.

**Q27: Who can help answer my questions?**

A27: If you have any questions about the proposed transactions or if you need additional copies of this proxy statement/prospectus you should contact:

ADP Investor Communications

In the U.S.: (800) 454-8683

In Canada: (800) 474-7493

## SUMMARY

*This summary highlights selected information in this proxy statement/prospectus and may not contain all of the information that is important to you. You should carefully read the entire proxy statement/prospectus, including the annexes, for a more complete understanding of the proposed transactions. For purposes of convenience, we have provided certain amounts in both South African Rand (ZAR) and U.S. dollars. Unless otherwise noted, the rate of exchange used in determining these U.S. dollar amounts was ZAR 6.445 = \$1.00, which was the noon buying rate for customs purposes of the Rand as reported by the Federal Reserve Bank of New York on April 16, 2004. You should not construe these translations as representations by us that the nominal Rand or constant Rand amounts actually represent these U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated.*

### **The Companies (page 92)**

#### *Net 1 UEPS Technologies, Inc.*

Net 1 was incorporated in the State of Florida on May 8, 1997. Net 1 is a development stage company engaged in the business of commercializing the smart card technology-based Universal Electronic Payment System (version 10 and any further releases), or UEPS, and the Fund Transfer System, or FTS, through the development of strategic alliances with national and international bank and card service organizations. The patent rights for the FTS technology in the U.S. is held by Net 1 Holdings. The FTS patents in South Africa and its surrounding territories (Namibia, Botswana and Swaziland) are held by Net 1 Investment Holdings (Pty) Ltd., or Net 1 (Pty), which was acquired by Aplitec in July 2000. Net 1 has a license in respect of the U.S. FTS patent and owns the exclusive marketing right for the UEPS technology for the world excluding South Africa and its surrounding territories. To date, Net 1's activities have consisted only of acquiring certain rights to the above-mentioned technology from Net 1 Holdings and entering into a Distribution Agreement with Net 1 (Pty), pursuant to which Net 1 (Pty) currently markets and sells products that utilize the UEPS technology on behalf of Net 1 outside of South Africa. Net 1 has one full-time employee, its Chief Executive Officer, Mr. Claude Guerard, who provides services to Net 1 pursuant to a consulting agreement. Net 1 generates all of its revenues by selling technology licenses on behalf of Net 1 Holdings, for which Net 1 receives a fee equal to Net 1 Holdings' net profit before amortization. Net 1 currently receives revenues in connection with technology licenses sold to institutions in Latvia, Burundi, Ghana, Rwanda and Malawi. Each of these licenses is material to Net 1's operations.

As a development stage company, Net 1's management devotes most of its activities to raising the funds required to implement its business plan. Planned principal activities have not produced significant revenues, Net 1 has suffered recurring operating losses since its incorporation and it has so far been unsuccessful at raising funds. Net 1's loss from operations for the 2003 fiscal year was \$281,869 and the accumulated deficit was \$2,523,508 at December 31, 2003. These factors raise substantial doubt about Net 1's ability to continue as a going concern beyond the second quarter of 2004 if the proposed transactions are not completed.

Net 1's principal executive offices are located at Suite 325-744 West Hastings Street, Vancouver, British Columbia, Canada V6C 1A5, and its telephone number is (604) 669-4561.

#### *Net 1 Applied Technology Holdings Limited*

Aplitec is a holding company established and existing under the laws of South Africa. Aplitec's subsidiaries employ specialized smart card technologies to add efficiency to commercial activities requiring money transfers, payment systems and other electronic data applications.

Through its subsidiaries, Aplitec is involved in the administration, management and payment of social welfare grants and handles the payment of pensions on behalf of the government in five of the nine provinces of South Africa. Revenue is generated through registration fees, card loading fees and transaction fees in the distribution of

social welfare grants, and commissions generated through the provision of automated payment collection services to third parties. Aplitec also operates micro-lending businesses, operating more than 100 branches throughout South Africa and develops, markets and licenses administrative and payment solutions for the micro-finance industry. The primary source of revenue of this business is interest income. Aplitec also provides

financial services to pensioners through its proprietary smart card platform and provides technical, operational and outsourcing services to companies.

Aplitec, through its subsidiary Net 1 (Pty), owns the FTS patents for South Africa and its surrounding territories and, pursuant to a Distribution Agreement with Net 1, provides integrated software and hardware services to customers outside its designated territories, for which it charges service fees and makes a margin on software and hardware sold.

Aplitec's principal executive offices are located at 4<sup>th</sup> Floor, President Place, 148 Jan Smuts Avenue, Rosebank 2128 South Africa, and its telephone number is +27 11 343-2000.

*Net 1 Holdings S.a.r.l.*

Net 1 Holdings, a Luxembourg company, owns the U.S. FTS patent and marketing rights to the UEPS technology for all regions other than South Africa and its surrounding territories. On May 3, 2000, Net 1 Holdings granted a license to Net 1 to use the U.S. patent and an exclusive marketing right to the UEPS technology worldwide, except for South Africa and its surrounding territories, in exchange for 4,729,612 shares of Net 1 common stock. At December 31, 2003, Net 1 Holdings owned 8,520,578 shares of Net 1 common stock, or 53.75% of the issued and outstanding shares of Net 1 common stock.

Net 1 Holdings' principal executive offices are located at No. 6, Rue Jean Monnet, L-2180 Luxembourg, and its telephone number is +352 466-1111.

*Net 1 Applied Technologies South Africa Limited (formerly Newshelf 713 (Proprietary) Limited)*

New Aplitec is a company incorporated in South Africa that will become a subsidiary of Net 1 upon the completion of the Aplitec acquisition. New Aplitec was formed solely for the purpose of effecting the Aplitec acquisition, and it has not carried on any activities other than in connection with the Aplitec acquisition.

*The Brait Consortium*

The Brait Consortium consists of funds under the management of the Brait Group, Southern Cross Capital Limited and FF&P Asset Management Limited. The Brait Group is an international investment group focused on private equity, alternative funds management, corporate advisory services and proprietary investing. The Brait Group has an established team and a track record that is recognized as a leader in the private equity asset class in the African region. Southern Cross Capital Limited manages a number of private equity funds that are funded by various Oppenheimer family interests. FF&P Asset Management Limited is a wholly owned subsidiary of Fleming Family and Partners Limited, an independent privately owned investment house, that manages funds and trusts on behalf of its clients. The Brait Consortium is acquiring Net 1's common stock in this transaction through its representative, SAPEF III International G.P. Limited.

**The Proposed Transactions (page 42)**

***The Aplitec Acquisition***

Pursuant to the terms of a Sale Agreement between Aplitec and New Aplitec, a copy of which has been filed as an exhibit to the registration statement of which this proxy statement/prospectus is a part, New Aplitec will acquire substantially all of the assets, and assume all of the liabilities, of Aplitec. As part of the proposed transactions, Aplitec's shareholders will receive, for each Aplitec ordinary share held, either:

1. the cash option in an amount of ZAR 5.00 (\$0.78) or,

2. the reinvestment option , consisting of

- ZAR 1.90 (\$0.29) in cash; and

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- An interest in a South African Trust, which we refer to in this proxy statement/prospectus as a beneficial interest.

This unit will represent an interest in 0.814286 shares of Net 1 common stock.

Those Aplitec shareholders who elect the reinvestment option are referred to herein as the reinvesting shareholders. To allow the South African Trust to obtain the common stock for reinvesting shareholders upon the occurrence of a trigger event, the South African Trust will initially hold 100% of the New Aplitec B class preference shares and B class loan accounts, as well as a right to receive 100% of the Net 1 special convertible preferred stock held by the Cayman Trust. The trustee of the South African Trust will be First National Asset Management & Trust Company (subject to the approval by the Master of the High Court in South Africa) and the Trustee of the Cayman Trust is Walkers SPV.

Assuming that 100% of Aplitec's current shareholders elect the reinvestment option, they will receive cash in the amount of ZAR 450.3 million (\$69.86 million) and an interest (via the South African Trust) in New Aplitec B class preference shares, B class loan accounts and shares of Net 1 special convertible preferred stock, which together are convertible into 58.14% of the aggregate shares of common stock of Net 1. Brait S.A. and several of its affiliates, or the Brait Group, has committed to acquire all of the rights of the reinvestment option not taken up by Aplitec's current shareholders up to a maximum amount of 64.70% of the total reinvestment option. The Brait Group will pay ZAR 2.85 (\$0.44) per Aplitec share not involved in the reinvestment (e.g., all shares with respect to which the cash option is elected). Accordingly, the Brait Group has committed, in addition to its obligations under the Common Stock Purchase Agreement, to invest up to a maximum amount of ZAR 437.0 million (\$67.8 million) in respect of the reinvestment option not taken up by Aplitec shareholders by acquiring interests in the South African Trust. The Brait Group is a member of the Brait Consortium. Aplitec has received written indications from two shareholders who together own 35.30% of Aplitec's outstanding shares, of their intent to elect the reinvestment option. Additionally, Aplitec has received a commitment from a South African asset manager, whose clients together own 22.24% of Aplitec's outstanding shares, that it will recommend the reinvestment option to such clients. This commitment to recommend is common in South Africa. Therefore, Net 1 believes that at least 57.54% of Aplitec's current shareholders will elect the reinvestment option.

In addition, as consideration for a capital contribution of ZAR 229.8 million (\$35.66 million) from Net 1 to New Aplitec, Net 1 will receive 100% of the A class shares and 100% of the A class loan accounts of New Aplitec.

### ***Contribution by the Brait Consortium***

Pursuant to the terms of a Common Stock Purchase Agreement between Net 1 and SAPEF III International G.P. Limited (as representative for the Brait Consortium), a copy of which has been filed as an exhibit to the registration statement of which this proxy statement/prospectus is a part, the Brait Consortium will purchase from Net 1 105,661,428 newly issued restricted shares of Net 1 common stock for \$52.8 million.

The following table represents the ownership and voting interests in Net 1 of the Brait Consortium and the Brait Group after completion of the proposed transactions described in this proxy statement/prospectus, based on various scenarios:

<b>Anticipated<sup>1</sup></b>	<b>Minimum<sup>2</sup></b>	<b>Maximum<sup>3</sup></b>
32.84%	31.83%	69.90%

- (1) Assumes that 100% of Aplitec shareholders elect the reinvestment option and the Brait Group elects to apply \$2.5 million of its capital raising fee to purchase 5 million shares of Net 1 common stock at a purchase price of \$0.50 per share. Based upon Aplitec's share price on April 16, 2004 of ZAR 7.73 (\$1.20) per share, which is above the cash offer price of ZAR 5.00 (\$0.78) per share, it is assumed that 100% of the Aplitec shareholders

will elect the reinvestment option.

- (2) Assumes that 100% of Aplitec shareholders elect the reinvestment option and the Brait Group elects not to apply any part of its capital raising fee to purchase shares of Net 1 common stock. Accordingly, this scenario takes into account only the 105,661,428 shares of Net 1 common stock to be issued to the Brait Consortium in connection with its capital contribution.
- (3) Assumes that the Brait Group takes up the rights to the reinvestment option not taken up by Aplitec's current shareholders up to the maximum of 64.70% of the reinvestment option and the Brait Group elects to apply \$2.5 million of its capital

raising fee to purchase 5 million shares of Net 1 common stock at a purchase price of \$0.50 per share. This would consist of the Brait Group's interest held via the South African Trust (37.06%) as well as the shares of Net 1 common stock that the Brait Consortium (of which the Brait Group is a member) will receive directly from Net 1 (32.84%).

### ***Net 1 Holdings Acquisition***

Pursuant to the terms of an Asset Purchase Agreement between Net 1 and Net 1 Holdings, a copy of which has been filed as an exhibit to the registration statement of which this proxy statement/prospectus is a part, Net 1 will acquire, on behalf of a wholly owned subsidiary formed in Luxembourg, selected assets of Net 1 Holdings (including the U.S. patent for the FTS and rights to the UEPS technology) for aggregate consideration of \$1.00.

### ***Structure of the Proposed Transactions***

The following charts present the structure of the constituent companies before and after the proposed transactions. The post-transaction share ownership of Net 1 is presented on a fully diluted basis and assumes that 100% of Aplitec's current shareholders elect the reinvestment option. To the extent that any Aplitec shareholders elect the cash option, the Brait Group will acquire the interests in the South African Trust that are not subscribed for by such shareholders, thus increasing the Brait Group's ownership interest in Net 1. The various ownership scenarios of the Brait Group are detailed in the table appearing under the heading Contribution by the Brait Consortium. The risks associated with the Brait Group possibly owning a majority of the voting interest of Net 1 are more fully addressed under Risk Factors Risks Relating to the Proposed Transactions.







## The Proposals (page 38)

Below is a summary of each of the proposals to be voted upon at the special meeting. **If any one of these proposals is not approved at the special meeting of Net 1's shareholders, we will not be able to complete the proposed transactions.**

### *Proposal #1: Amendment to Net 1's Articles of Incorporation*

You are being asked to approve an amendment to Net 1's articles of incorporation. The amendment will (a) increase the number of authorized shares of common stock from the current 100,000,000 shares to 500,000,000, (b) increase the number of authorized shares of preferred stock from the current 3,000,000 to 300,000,000, (c) modify the par value of the shares of preferred stock from \$0.10 per share to \$0.001 per share and (d) authorize the terms of the special convertible preferred stock. This amendment is necessary because Net 1's current articles of incorporation do not authorize enough shares of common stock or preferred stock to complete the proposed transactions. If the proposed amendment is not approved by Net 1's shareholders, we will not be able to complete the proposed transactions. We encourage you to read the proposed amendment to our articles of incorporation, a copy of which is attached as Annex A to this proxy statement/prospectus.

### *Proposal #2: Issuance of Special Convertible Preferred Stock to the Cayman Trust*

You are being asked to approve the issuance of 192,967,138 restricted shares of Net 1 special convertible preferred stock in connection with the Aplitec acquisition. These shares will be issued to the Cayman Trust and held for the benefit of Aplitec's current shareholders who elect the reinvestment option. Upon the occurrence of a trigger event, shares of Net 1 special convertible preferred stock, along with a proportionate number of New Aplitec B class preference shares and loan accounts, are convertible into shares of Net 1 common stock. A trigger event is defined as any one of the following events: (a) notification by a reinvesting Aplitec shareholder of the intention to convert some or all of the shares of special convertible preferred stock attributable to him or her into shares of Net 1 common stock, (b) the relaxation of South African Exchange Control Regulations such that South African residents would be permitted to directly hold shares of non-South African companies or (c) the liquidation, insolvency or other winding-up of either Net 1 or New Aplitec.

The purpose of this structure is to allow Aplitec's current shareholders to invest in the combined company. South African Exchange Control regulations currently restrict South African residents from investing in non-South African companies (please see the section titled "Exchange Controls" for more information on these regulations). The proposed acquisition structure, which has been approved by the South African Reserve Bank, provides Aplitec shareholders who elect the reinvestment option the opportunity to invest in Net 1.

The Net 1 special convertible preferred stock has been designed to afford its holders substantially all of the rights and benefits of Net 1 common stock. These shares will vote at all meetings of Net 1, and they will be entitled to share in certain distributions of Net 1 in respect of non-South African amounts. We encourage you to review the complete terms of the Net 1 special convertible preferred stock in the proposed amendment to our articles of incorporation, a copy of which is attached as Annex A to this proxy statement/prospectus.

### *Proposal #3: Issuance of Common Stock to the Brait Consortium*

You are being asked to approve the issuance of 105,661,428 shares of Net 1 common stock to the Brait Consortium in exchange for a capital contribution of \$52.8 million. This will allow Net 1 to fund the Aplitec acquisition and to pay cash to Aplitec's shareholders, and it will also provide needed capital for Net 1 to finance its operations and implement its business plan.

This issuance is governed by the terms of a Common Stock Purchase Agreement, dated January 30, 2004, between Net 1 and SAPEF III International G.P. Limited (as representative of the Brait Consortium). The material terms of the Agreement are summarized on page 61 herein, and a complete copy of the Agreement was filed as an exhibit to the registration statement of which this proxy statement/prospectus is a part. We encourage you to review this information.



*Proposal #4: Net 1 2004 Stock Incentive Plan*

You are being asked to approve the 2004 Stock Incentive Plan. The Plan will permit Net 1 to grant to our employees, directors, and consultants a variety of options and stock-based awards. The total number of shares of Net 1 common stock available under the 2004 Stock Incentive Plan will be 17,441,872, of which 8,720,936 shares may be used with respect to stock options, and 8,720,936 shares may be used in respect of other stock-based awards. The Net 1 board of directors, or any committee that it may delegate, will administer the 2004 Stock Incentive Plan, and in that capacity will determine who will receive awards under the 2004 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. Net 1 will issue stock-based awards in respect of all 8,720,936 shares of Net 1 common stock available for such awards to Serge Belamant, Herman Kotze, Brenda Stewart, Nitin Soma and other key employees, in each case for no cash consideration upon completion of the proposed transactions. No awards may be granted after the tenth anniversary of the effective date of the 2004 Stock Incentive Plan, but awards granted before such tenth anniversary may extend beyond that date.

A detailed summary of the 2004 Stock Incentive Plan begins on page 138 herein, and a complete copy of the 2004 Stock Incentive Plan is attached as Annex B to this proxy statement/prospectus. We encourage you to review this information.

**The Rescission Offer (page 74)**

On February 3, 2004, Net 1 initially filed with the SEC the registration statement of which this proxy statement/prospectus is a part. In connection with its review of the registration statement, the staff of the SEC advised Net 1 that certain Aplitec announcements made in South Africa in October and November 2003, as well as the Aplitec shareholder vote required under South African law to approve the sale of Aplitec's assets on December 9, 2003, may not have complied with Section 5 under the U.S. Securities Act of 1933. In light of the SEC's position, we are offering to all Aplitec shareholders the opportunity to rescind any acceptance of Net 1 securities that may have been offered to them prior to the December 9 vote. This rescission offer will be made to all Aplitec shareholders of record on \_\_\_\_\_, 2004 prior to the election by Aplitec shareholders with respect to the reinvestment option. The rescission offer is not an admission that we did not comply with U.S. federal securities laws.

If the holders of a majority of the outstanding Aplitec ordinary shares accept the rescission offer, the proposed transactions will not be consummated as a result of the failure of certain of the conditions to which the Aplitec acquisition is subject. If holders of a majority of the issued Aplitec ordinary shares do not accept the rescission offer, the transactions will be consummated as originally contemplated and Aplitec shareholders will receive cash or, if they elect the reinvestment option, cash and an interest in the South African Trust, subject to the satisfaction of any unfulfilled conditions. However, in the event that the proposed transactions are consummated, Aplitec shareholders who accept the rescission offer or who abstain from voting in respect of the rescission offer may, based on the SEC's position, retain the right to institute a claim for rescission after completion of the transactions.

In connection with the rescission offer, neither Aplitec nor Net 1 has obtained any undertakings from any of its shareholders to vote for or against such offer. The directors and executive officers of Aplitec who own, in aggregate, 7.5% of the shares of Aplitec currently outstanding, will also have a right to vote in respect of the rescission offer.

The Board of directors of Aplitec has recommended that Aplitec shareholders vote **AGAINST** acceptance of the rescission offer.

**The Special Meeting (page 38)**

*When and Where.* The special meeting of Net 1's shareholders will be held at 9 a.m., local time on , 2004, at the offices of Schneider Weinberger LLP, 2200 Corporate Boulevard, N.W., Suite 210, Boca Raton, Florida 33431.

*Purposes of the Special Meeting.* At the special meeting, you will be asked to approve (i) an amendment to the Net 1 articles of incorporation to (a) increase the number of authorized shares of common stock from 100,000,000 to 500,000,000, (b) increase the number of authorized shares of preferred stock from 3,000,000 to 300,000,000, (c) modify the par value of the shares of preferred stock that may be issued by Net 1 from \$0.10 per share to \$0.001 per share, and (d) authorize the terms of the special convertible preferred stock, (ii) the Aplitec acquisition and the issuance of 192,967,138 shares of special convertible preferred stock in connection with such acquisition, (iii) the issuance of shares of common stock to the Brait Consortium in exchange for a \$52.8 million capital contribution, and (iv) the 2004 Stock Incentive Plan. A copy of the proposed amendment to our articles of incorporation is attached as Annex A to this proxy/statement prospectus. The material terms of the Aplitec acquisition and issuance of shares to the Brait Consortium are fully described in the section titled *The Proposed Transactions*. The Net 1 2004 Stock Incentive Plan is attached as Annex B to this proxy statement/prospectus, and its material terms are fully described in the section titled *Management of Net 1 After the Proposed Transactions*.

*Record Date; Voting Power.* Holders of Net 1 common stock as of the close of business on , 2004, the record date, are entitled to vote at the special meeting or any adjournment or postponement thereof. Each share of Net 1 common stock is entitled to one vote.

*Vote Required.* The affirmative vote of a majority of the outstanding shares of Net 1 common stock that cast votes at the special shareholders meeting is required to approve (i) the amendment to Net 1 s articles of incorporation, (ii) the Aplitec acquisition and the issuance of 192,967,138 shares of special convertible preferred stock in connection with such acquisition, (iii) the issuance of shares of common stock to the Brait Consortium in exchange for a \$52.8 million capital contribution, and (iv) the 2004 Stock Incentive Plan. As of the record date, 15,852,856 shares of Net 1 common stock were outstanding. Because of Dr. Belamant s interest in the proposed transactions to be voted upon, the 53.75% of Net 1 common stock owned by Net 1 Holdings will be counted for purposes of establishing a quorum at the special meeting, but those shares will be voted in proportion to the votes cast (FOR and AGAINST) by our disinterested shareholders, who together own 46.25% of Net 1 s common stock. Thus, the vote of a majority of Net 1 s shareholders other than Net 1 Holdings will be determinative of the outcome of the proposed transactions.

*Quorum; Abstentions and Broker Non-Votes.* The required quorum for the special meeting is a majority of the issued and outstanding shares of Net 1 common stock as of the record date. Both abstentions and broker non-votes will be included in determining the number of votes present at the special meeting for the purpose of determining the presence of a quorum. The actions proposed in this proxy statement/prospectus are not matters that can be voted on by brokers holding shares for beneficial owners without the owners specific instructions. Brokers who hold your shares of Net 1 common stock as nominees cannot vote those shares unless you instruct them to, following the procedures they give you.

*How to Vote.* A shareholder may vote in person at the special meeting or by proxy without attending the special meeting. To vote by proxy, a shareholder must complete the enclosed proxy card, sign and date it and then return it in the enclosed prepaid postage envelope.

*Revocation of Proxy.* A shareholder may revoke a proxy at any time prior to its exercise by (a) delivering to Net 1 s secretary a written notice of revocation of proxy prior to the special meeting, (b) delivering prior to the special meeting a duly executed proxy bearing a later date than the initial proxy (using a new proxy card) or (c) attending the special meeting and voting in person. The presence of a shareholder at the special meeting will not in itself automatically revoke such shareholder s proxy. If not revoked, the proxy will be voted in accordance with the instructions indicated on the proxy.

#### **Recommendation of the Net 1 Board of Directors (page 44)**

On January 30, 2004, the Net 1 board of directors determined that the proposed transactions are fair, advisable and in the best interests of Net 1 and its shareholders, and it voted to approve the proposed transactions and

related agreements. Net 1's board recommends a vote **FOR** approval of the proposed transactions.

### **Opinion of Stenton Leigh Capital Corp. (page 46)**

On January 30, 2004, the Net 1 board of directors received a fairness opinion from Stenton Leigh Capital Corp. with regard to the proposed issuance of shares of Net 1 common stock to the Brait Consortium. Among other things, Stenton Leigh concluded in its fairness opinion that the fair value per share of Net 1 common stock was approximately \$0.004 as of January 30, 2004 without giving effect to the proposed transactions, notwithstanding that the shares of common stock traded at \$7.35, as of that same date, on the OTC Bulletin Board. A copy of this opinion is attached as Annex C to this proxy statement/prospectus. In addition to the opinion described above, in connection with the preparation of the pro forma financial statements included in this proxy statement/prospectus, Stenton Leigh also prepared for Net 1 a valuation of certain identifiable intangible assets which ascribed value to such assets. See The Proposed Transactions-Accounting Treatment.

### **Interests of Certain Persons in the Proposed Transactions (page 57)**

When considering the recommendation by the Net 1 board of directors to vote **FOR** the proposed transactions, you should be aware that certain persons have interests in the transactions that are different from, and may conflict with, your interests:

- Dr. Serge Belamant, a director and the chairman of Net 1's board of directors, the chief executive officer of Aplitec and the chief executive of Net 1 Holdings, has the right to vote 53.75% of Net 1's outstanding shares that are beneficially owned by Net 1 Holdings.
- Dr. Belamant, along with Herman Kotze, Brenda Stewart and Nitin Soma, will enter into employment agreements in connection with the proposed transactions. These agreements will be finalized before the completion of the proposed transactions.
- The Brait Consortium has the right to nominate three designees to the Net 1 board of directors. To date, the Brait Consortium has only identified two designees: Anthony Ball and Chad Smart. Even if the Brait Consortium nominates a third designee to the Net 1 board of directors, it will not exercise control of the board immediately following the proposed transactions. See Management of Net 1 After the Proposed Transactions. The Brait Consortium also will have the right to designate three nominees to the slate of directors that Net 1's management recommends to shareholders in Net 1's annual proxy statement. Finally, affiliates of the Brait Group are providing advisory services to Net 1 in connection with the proposed transactions and will receive a capital raising fee of \$3.7 million and a further corporate finance fee of ZAR 1.15 million (\$178,433). The Brait Group has the option of applying up to \$2.5 million of its capital raising fee to purchase up to 5 million shares of Net 1 common stock, at a purchase price of \$0.50 per share.
- In September 1998, Serge Belamant, as Chief Executive of Net 1 Holdings, agreed verbally to grant to Claude Guerard 608,511 shares of Net 1 common stock owned by Net 1 Holdings with the condition precedent that the shares would only be transferred from Net 1 Holdings to Mr. Guerard if Net 1 raised sufficient funds to be in a position to implement its business plan. On consummation of the proposed transactions, Mr. Guerard will have the right to receive these shares of Net 1 common stock.

The table appearing under the heading The Proposed Transactions Contribution by the Brait Consortium presents the ownership and voting interests of the Brait Consortium and the Brait Group after the completion of the proposed transactions described in this proxy statement/prospectus, based on various scenarios.

The Net 1 board of directors was aware of these interests and considered them in approving the transactions.

### **Conditions to the Transactions (page 60)**

Net 1's obligation to issue shares of common stock to the Brait Consortium and New Aplitec's obligation to complete the Aplitec acquisition are conditioned upon each other and neither will close unless the other

transaction is approved pursuant to the terms set forth in their respective transaction documents. In addition, the closing of the Aplitec acquisition is conditioned upon the following:

- the registration statement, of which this proxy statement/prospectus forms a part, being declared effective and no stop order having been issued by the SEC; and
- the shareholders of Net 1 approving:
  - » the amendment to the Net 1 articles of incorporation to:
    - o increase the number of authorized shares of common stock to 500,000,000 from the current 100,000,000 shares authorized;
    - o increase the number of authorized shares of preferred stock to 300,000,000 from the current 3,000,000 shares authorized;
    - o modify the par value of the shares of preferred stock that Net 1 is authorized to issue from \$0.10 per share to \$0.001 per share; and
    - o authorize the terms of the special convertible preferred stock, and
  - » the Aplitec acquisition and the issuance of 192,967,138 shares of special convertible preferred stock in connection with such acquisition; and
  - » the issuance of shares 105,661,428 of common stock to the Brait Consortium in exchange for a \$52.8 million capital contribution; and
  - » the 2004 Stock Incentive Plan.

In addition to the conditions described above, none of the proposed transactions will be completed if the holders of a majority of the outstanding Aplitec ordinary shares accept the rescission offer which would result in the failure of conditions to which the Aplitec acquisition is subject.

### **The Transaction Agreements**

The principal agreements that have been entered into in connection with the proposed transactions are (i) the Sale Agreement between Aplitec and New Aplitec, (ii) the Common Stock Purchase Agreement between Net 1 and SAPEF III International G.P. Limited (as representative of the Brait Consortium), and (iii) the Asset Purchase Agreement between Net 1 and Net 1 Holdings.

#### ***Sale Agreement (page 58)***

The Sale Agreement provides that New Aplitec, which is to become a subsidiary of Net 1, will acquire substantially all of the assets, and assume all of the liabilities, of Aplitec. Each party's obligation to complete the transaction is subject to satisfaction or waiver of certain conditions by May 31, 2004, including the following:

- receipt of approvals required under the Competition Act of South Africa;
- receipt of approvals of the Exchange Control Department of the South African Reserve Bank;
- approval of the transaction by Aplitec's current shareholders;

- receipt of all required third party consent



- entering into of employment agreements between New Aplitec or Net 1 and senior executives and employees of Aplitec, which will include the issuance of shares of Net 1 common stock pursuant to the 2004 Stock Incentive Plan;
- absence of material adverse changes with respect to Aplitec from the date of execution through to the closing date set with respect to the proposed transactions; and
- approval by Net 1's shareholders of the amendment to Net 1's articles of incorporation.

In addition, the Aplitec acquisition will not be completed if the holders of a majority of the outstanding Aplitec ordinary shares accept the rescission offer.

#### ***Common Stock Purchase Agreement (page 61)***

The Common Stock Purchase Agreement provides that SAPEF III International G.P. Limited (as representative of the Brait Consortium), will purchase 105,661,428 newly issued shares of Net 1 common stock for \$52.8 million. The closing of this transaction will occur on the twelfth business day after the last of the conditions to the agreement have been satisfied or waived, or at another time as Net 1 and the Brait Consortium will agree.

#### ***Representations and Warranties***

The Common Stock Purchase Agreement contains customary representations and warranties of Net 1 and the Brait Consortium relating to, among other things:

- capital structure of Net 1 currently and upon completion of the issuance of shares to the Brait Consortium;
- documents filed with the SEC, the accuracy of information contained in those documents and the absence of undisclosed liabilities;
- absence of material changes or events;
- compliance with applicable law;
- disclosure of affiliate transactions; and
- the receipt of fairness opinions from Net 1's advisors.

#### ***Conditions to Closing***

Each party's obligation to effect the transactions contemplated by the Common Stock Purchase Agreement is subject to the satisfaction or waiver of various conditions, including the approval by Net 1's shareholders of the amendment to Net 1's articles of incorporation and the completion of the Aplitec acquisition. Because the Aplitec acquisition will not be completed if the holders of a majority of the outstanding Aplitec ordinary shares accept the rescission offer, this will also cause the transactions contemplated by the Common Stock Purchase Agreement to fail. Net 1 will also take all actions necessary prior to closing to increase the size of its board of directors to up to ten directors and to elect up to three nominees of the Brait Consortium.

#### ***Asset Purchase Agreement (page 67)***

The Asset Purchase Agreement provides that Net 1 will acquire selected assets of Net 1 Holdings through a wholly owned subsidiary to be formed or acquired in Luxembourg, including (i) the rights to the U.S. FTS patent

and UEPS technology currently held by Net 1 Holdings and (ii) the assignment of Net 1 Holdings' rights and obligations under certain agreements, including the Patent and Technology Agreement with Net 1, for \$1.00. This transaction is a condition to the completion of the Aplitec acquisition.

**Related Agreements (page 64)**

In connection with the above-referenced transactions, certain parties have entered into the following agreements: (i) the Subscription Agreement between Net 1 and New Aplitec; (ii) the Subscription Agreement between the South African Trust and New Aplitec; (iii) the Umbrella Agreement among various parties, (iv) the Trust Deed for the South African Trust; (v) the Trust Deed for the Cayman Trust and (vi) the Underwriting Agreement. The material terms of these agreements are described under the section of this prospectus titled The Proposed Transactions .

**Trading of Net 1 Common Stock (page 21)**

Shares of Net 1 common stock are quoted on the OTC Bulletin Board. After completion of the proposed transactions, shares of Net 1 common stock will continue to be quoted on the OTC Bulletin Board. Shares of New Aplitec will not be listed for quotation or trading on any securities exchange within or outside the United States.

**2004 Stock Incentive Plan (page 138)**

You are being asked to approve the 2004 Stock Incentive Plan, which is attached to this proxy statement/prospectus as Annex B. The plan authorizes the grant of a variety of stock-based incentive awards; provided, however, that (i) no more than 8,720,936 shares of Net 1 common stock may be granted in respect of stock options, and (ii) no more than 8,720,936 shares of Net 1 common stock may be granted in the form of other stock-based awards, including grants of restricted shares.

**Share Ownership After the Proposed Transactions (page 142)**

The following table presents the fully diluted ownership interests of Net 1 shares of common stock and special convertible preferred stock immediately after the completion of the proposed transactions. This table assumes that 100% of Aplitec's current shareholders elect the reinvestment option. To the extent that any Aplitec shareholders elect the cash option, the Brait Group will acquire those interests in New Aplitec via the South African Trust, thereby increasing its ownership interest in Net 1.

<b>Beneficial Owner</b>	<b>Number of Shares of Common Stock</b>	<b>Percentage of Shares of Common Stock (%)</b>	<b>Number of shares of special convertible preferred stock</b>	<b>Percentage of shares of special convertible preferred stock (%)</b>	<b>Percentage ownership of shares of Net 1 common stock on fully diluted basis (%)</b>
Net 1 Holdings	8,520,578	6.13			2.57
Gemplus	1,521,278	1.09			0.46
Other Net 1 shareholders	5,811,000	4.18			1.75
<b>Total - Net 1 shareholders</b>	<b>15,852,856</b>	<b>11.41</b>			<b>4.78</b>
Nedbank Ltd			56,542,278	29.29	17.03
Allan Gray Inv. Mgmt			42,914,210	22.24	12.93
Serge Belamant (direct)			11,593,671	6.01	3.49
Other Aplitec shareholders			81,934,979	42.46	24.68
<b>Total Aplitec shareholders</b>			<b>192,967,138</b>	<b>100.00</b>	<b>58.14</b>
<b>Brait</b>					
<b>Consortium(1)</b>	<b>105,661,428</b>	<b>76.04</b>			<b>31.83</b>
<b>2004 Stock Incentive Plan</b>	<b>17,441,872</b>	<b>12.55</b>			<b>5.25</b>
<b>Total All shareholders</b>	<b>138,956,156</b>	<b>100.00</b>	<b>192,967,138</b>	<b>100.00</b>	<b>100.00</b>

(1) Excludes the 5 million shares of Net 1 common stock that the Brait Group has the option to purchase at a price of \$0.50 per share.

Following completion of the transactions, the shares of Net 1 special convertible preferred stock will have voting rights on a one-to-one basis with the shares of Net 1 common stock.

**SUMMARY HISTORICAL FINANCIAL DATA OF NET 1 AND APLITEC**

The following tables present selected financial data of Net 1 and Aplitec, which have been derived from the audited financial statements of Net 1 and Aplitec. The selected historical financial data should be read in conjunction with Business , Operating and Financial Review and Prospects and the historical and pro forma financial statements included in this proxy statement/prospectus.

**Summary Historical Financial Data of Net 1**

	Year Ended December 31,				
	1999	2000	2001	2002	2003
	(in US\$, except number of shares)				
Income Statement					
Revenue				157,565	41,017
Administrative expenses	267,161	336,685	677,879	324,615	322,907
Financing costs		(475)	(284)	(108)	(21)
(Loss)/Profit from operations	(267,161)	(336,210)	(677,595)	(166,942)	(281,869)
Basic earnings per share	(0.02)	(0.03)	(0.04)	(0.01)	(0.02)
Diluted earnings per share	(0.02)	(0.03)	(0.04)	(0.01)	(0.02)
Cash dividends paid					
Balance Sheet					
Total assets	87,470	795,623	90,902	114,039	12,754
Total liabilities	145,720	185,353	158,227	348,306	528,920
Shareholders' equity	(58,250)	610,270	(67,325)	(234,267)	(516,136)
Shares outstanding at year-end	10,873,244	15,852,856	15,852,856	15,852,856	15,852,856

**Summary Historical Financial Data of Aplitec**

	1999	2000	Year Ended June 30,		2003	2003
			2001	2002		(in thousands of US\$)
(in thousands of ZAR, except share and per share data)						
<b>Income Statement</b>						
<b>Amounts in accordance with South African GAAP</b>						
Revenue	ZAR 241,665	ZAR 436,860	ZAR 557,445	ZAR 525,585	ZAR 691,484	\$ 107,290
Profit from operations	32,703	79,243	125,756	135,000	175,868	27,288
Net profit for the year	29,774	59,558	93,187	104,033	126,187	19,579
Basic earnings per share	0.16	0.30	0.41	0.45	0.53	0.08
Diluted earnings per share	0.16	0.30	0.41	0.45	0.53	0.08
Cash dividend per common share	0.02				0.11	0.02
<b>Amounts in accordance with United States GAAP</b>						
Profit from continuing operations			ZAR 61,405	ZAR 86,443	ZAR 108,106	16,774
Net profit for the year			61,404	86,444	118,803	18,433
Basic earnings per share before extraordinary item and cumulative effect of a change in accounting principle			0.27	0.38	0.46	0.07
Diluted earnings per share before extraordinary item and cumulative effect of a change in accounting principle			0.27	0.37	0.46	0.07
Basic earnings per share after extraordinary item and cumulative effect of a change in accounting principle			0.27	0.38	0.50	0.08
Diluted earnings per share after extraordinary item and cumulative effect of a change in accounting principle						

principle	0.27	0.37	0.50	0.08
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**Balance Sheet****Amounts in accordance****with South African GAAP**

	ZAR	ZAR	ZAR	ZAR	ZAR	\$	
Total assets	224,476	266,453	392,255	510,717	682,528		105,900
Total liabilities	110,754	110,910	83,180	92,262	158,408		24,578
Capital and reserves	113,722	155,543	309,075	418,455	524,120		81,322
Shares in issue ( 000s)	178,565	198,599	229,814	233,464	236,977		

**Amounts in accordance****with United States GAAP**

	ZAR	ZAR	ZAR	\$	
Total assets	479,790	587,853	767,473		119,080
Total liabilities	117,111	155,161	215,132		33,380
Shareholders equity	362,679	432,692	552,341		85,701

**COMPARATIVE STOCK PRICES AND DIVIDENDS****Comparison**

Net 1's common stock is quoted on the OTC Bulletin Board under the symbol NUEP.OB and the ordinary shares of Aplitec are listed and traded on the JSE under the share code APL. The following table sets forth, for the respective fiscal periods of Net 1 and Aplitec indicated, the high and low bid information per share of Net 1 common stock, and the high and low sales prices per share of Aplitec ordinary shares, as reported on Bloomberg Financial Markets. The quotations for Net 1's common stock reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

**You should be aware that while the price per share of Net 1 common stock quoted on the OTC Bulletin Board was \$7.50 on April 16, 2004, we received a fairness opinion issued by Stenton Leigh in connection with the transactions that concluded that the fair value of one share of Net 1 common stock was approximately \$0.004 as of January 30, 2004 without giving effect to the proposed transactions. See Annex C to this proxy statement/prospectus for the full text of Stenton Leigh's fairness opinion.**

	Net 1 Common Stock		Aplitec Ordinary Shares				Dividends
	High US\$	Low US\$	High ZAR	US\$(1)	Low ZAR	US\$(1)	
2000							
First Quarter	8.25	0.25	3.40	0.53	1.80	0.28	
Second Quarter	6.58	3.00	2.45	0.38	1.40	0.22	
Third Quarter	5.50	3.50	3.70	0.57	2.23	0.35	
Fourth Quarter	4.88	2.00	3.25	0.50	2.30	0.36	
2001							
First Quarter	3.50	1.50	3.40	0.53	2.51	0.39	
Second Quarter	1.69	1.15	3.30	0.51	2.70	0.42	
Third Quarter	2.00	0.90	4.00	0.62	3.10	0.48	
Fourth Quarter	1.10	0.70	3.70	0.57	3.25	0.50	
2002							
First Quarter	1.45	0.75	3.90	0.61	2.80	0.43	
Second Quarter	1.35	0.95	3.50	0.54	2.90	0.45	0.11(2)
Third Quarter	1.20	0.90	3.20	0.50	2.60	0.40	
Fourth Quarter	1.30	0.90	3.60	0.56	2.75	0.43	
2003							
First Quarter	1.30	0.95	3.60	0.56	3.00	0.47	
Second Quarter	2.12	1.06	4.15	0.64	3.50	0.54	0.15(3)
Third Quarter	2.40	1.90	6.00	0.93	4.00	0.62	
Fourth Quarter	6.80	2.22	7.00	1.09	4.85	0.75	
2004							
First Quarter	10.15	5.22	9.00	1.40	5.36	0.83	
Second Quarter							
(through							
April 16,							
2004)	8.99	6.90	8.00	1.24	7.70	1.19	

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(1)



Converted at the rate of ZAR 6.445 = \$1.00, which was the noon buying rate for customs purposes of the Rand as reported by the Federal Reserve Bank of New York on April 16, 2004.

(2) \$0.02.

(3) \$0.02.

On October 23, 2003, the last trading day prior to public reports regarding a possible transaction, the price per share of Net 1 common stock quoted on the OTC Bulletin Board was \$3.53 per share and the sale price of Aplitec ordinary shares quoted on the JSE was ZAR 4.20 per share, each as reported on Bloomberg Financial Markets. On April 16, 2004, the most recent practicable trading day prior to the printing of this proxy statement/prospectus, the price per share of Net 1 common stock quoted on the OTC Bulletin Board was \$7.50 per share and the sale price of Aplitec ordinary shares was ZAR 7.73 (\$1.20) per share, each as reported on Bloomberg Financial Markets. The market prices of shares of Net 1

common stock and Aplitec ordinary shares are subject to significant fluctuation. As a result, Net 1 and Aplitec shareholders are urged to obtain current market quotations. On April 16, 2004 there were approximately 15,852,856 shares of Net 1 common stock outstanding and approximately 236,977,187 shares of Aplitec ordinary shares outstanding.

#### **Net 1 Dividend History**

Net 1 has not paid any dividends on its shares of common stock since its incorporation.

## EXCHANGE CONTROLS

The following is a summary of the material South African exchange control measures, which has been derived from publicly available documents. South African exchange controls may be of material relevance to Net 1 as New Aplitec will be a significant subsidiary of Net 1 after the transactions described in this proxy statement/prospectus are consummated. The following summary has been prepared by South African counsel, Paul Botha Inc., and is not a comprehensive description of all of the exchange control regulations and does not cover exchange control consequences that depend upon your particular circumstances. We recommend that you consult your own advisor about the exchange control consequences in your particular situation. The discussion in this section is based on current South African law and regulations. Changes in law may alter the exchange control provisions that apply to a non-South African company that has investments in South Africa or in South African companies.

### Introduction

Dealing in foreign currency, the export of capital and/or revenue, incurring of liabilities by South African residents to non-residents and various other exchange control matters in South Africa are regulated by South African exchange control regulations. These exchange control regulations form part of the general monetary policy of South Africa. The regulations are issued pursuant to section 9 of the South African Currency and Exchanges Act, 9 of 1933. Pursuant to the regulations, the control over South African capital and/or revenue reserves, as well as their accruals and spending, is vested in the Minister of Finance. The Minister of Finance has delegated the administration of exchange controls to the Exchange Control Department of the South African Reserve Bank, or Excon, which is responsible for the day to day administration and functioning of exchange controls. Excon has wide discretion but exercises its powers within certain policy guidelines. Within prescribed limits, authorized dealers in foreign exchange are permitted to deal in foreign exchange. Such dealings in foreign exchange by authorized dealers are undertaken in accordance with the provisions and requirements of the exchange control rulings, which rulings are issued by Excon, as the delegate of the Minister of Finance, and contain certain administrative measures, as well as conditions and limits applicable to transactions in foreign exchange, which may be undertaken by authorized dealers. Non-residents have been granted general approval, pursuant to the rulings, to deal in South African assets and to invest and disinvest in South Africa.

South Africa's exchange control regulations provide for restrictions on exporting capital from the Common Monetary Area, consisting of the Republic of South Africa, the Republic of Namibia, and the Kingdoms of Lesotho and Swaziland. Transactions between residents of the Common Monetary Area, on the one hand, including companies, and non-residents of the Common Monetary Area, on the other hand, are subject to these exchange control regulations.

There are many inherent disadvantages of exchange controls including the distortion of the price mechanism, the problems encountered in the application of monetary policy, the detrimental effects on inward foreign investment and the administrative costs associated therewith. The South African Minister of Finance has indicated that all remaining exchange controls are likely to be dismantled as soon as circumstances permit. There has, since 1996, been a gradual relaxation of exchange controls. The gradual approach to the abolition of exchange controls adopted by the Government of South Africa is designed to allow the economy to adjust more smoothly to the removal of controls that have been in place for a considerable period of time. The stated objective of the authorities is equality of treatment between residents and nonresidents with respect to inflows and outflows of capital. The focus of regulation, subsequent to the abolition of exchange controls, is expected to favor the positive aspects of prudential financial supervision. The present exchange control system in South Africa is used principally to control capital movements. South African companies are not permitted to maintain foreign bank accounts and, without the approval of Excon, are generally not permitted to export capital from South Africa or hold foreign currency. In addition, South African companies are required to obtain the approval of Excon prior to raising foreign funding on the strength of their South African balance sheets, which would permit recourse to South Africa in the event of defaults. Repayment of principal and interest on funding is usually approved where the repayment is limited to the amount borrowed and a

market-related role of interest subject to a maximum of South African prime plus two percent. New Aplitec has obtained Excon's approval for the loan funding from Net 1 for the Aplitec acquisition. Where 75% or more of a South African company's capital, voting power, power of control or earnings is directly or indirectly controlled by non-residents, such a company is designated an affected person by the South

African Reserve Bank, and certain restrictions are placed on its ability to obtain local financial assistance. Upon completion of the Aplitec acquisition, New Aplitec will be designated as an affected person by the South African Reserve Bank.

Foreign investment and loans by South African companies to companies outside South Africa are also restricted. In addition, without the approval of Excon, South African companies are generally required to repatriate to South Africa profits of foreign operations and are limited in their ability to utilize profits of one foreign business to finance operations of a different foreign business. South African companies establishing subsidiaries, branches, offices or joint ventures abroad are generally required to submit financial statements on these operations to Excon on an annual basis. As a result, a South African company's ability to raise and deploy capital outside the Common Monetary Area is restricted.

Although exchange controls have been gradually relaxed since 1996, unlimited outward transfers of capital currently are not permitted.

### **Investment in South African Companies**

A foreign investor may invest freely in shares in a South African company. Foreign investors may also sell shares in a South African company and transfer the proceeds out of South Africa without restrictions upon production of a certificate from an auditor in South Africa confirming that the purchase price paid was fair.

Acquisitions of shares or assets of South African companies by non-South African purchasers are not generally subject to review by the South African Reserve Bank when the consideration is in cash, but will require a review by the South African Reserve Bank in certain circumstances, including when the consideration is equity in a non-South African company or when the acquisition is financed by a loan from a South African lender.

### **Dividends**

There are no Excon restrictions on the remittance in full of dividends declared out of trading profits to nonresidents of the Common Monetary Area upon production of a certificate from a South African auditor confirming that the dividends are payable out of the profits of the company. Cash dividends paid by New Aplitec are not subject to South African taxes in the hands of its shareholders, regardless of the nationality or residency of such shareholders. For a description of certain material U.S. federal tax consequences to Non-U.S. Holders, please see the section titled *The Proposed Transactions Material United States Federal Tax Consequences to Non-U.S. Holders*.

Pursuant to Excon's approval of the Aplitec acquisition, dividends may be declared by the New Aplitec board of directors only if (i) such declaration is approved by a majority of the holders of New Aplitec B class preference shares, (ii) all loan accounts have been paid by New Aplitec and (iii) certain dividend-to-earnings ratios are maintained. However, because the New Aplitec board will be appointed by Net 1, Net 1 will ultimately determine whether any dividends are declared by New Aplitec, subject to the above conditions. Any dividends declared by New Aplitec will be distributed to the holders of A class and B class preference shares *pro rata* in accordance with their respective ownership interests in New Aplitec.

### **Sale of Intellectual Property**

Pursuant to Excon's approval of the Aplitec acquisition, New Aplitec will not be entitled to sell the FTS patent held in South Africa and its surrounding territories to a non-South African resident without the prior written approval of Excon.



## **RISK FACTORS**

In addition to the other information in this proxy statement/prospectus, you should carefully consider the following risk factors in deciding whether to vote to approve the proposed transactions.

### **RISKS RELATING TO NET 1 S SHARES OF COMMON STOCK**

**The price for shares of Net 1 common stock quoted on the OTC Bulletin Board is not indicative of their fair value.**

The shares of Net 1 common stock currently trade on the Over-the-Counter Bulletin Board. The trading volume for shares of Net 1 common stock historically has been very limited. On April 16, 2004, the closing price per share of Net 1 common stock quoted on the OTC Bulletin Board was \$7.50. Investors who elect the reinvestment option, as well as current shareholders of Net 1, should be aware that the price per share of Net 1 common stock quoted on the OTC Bulletin Board is significantly higher than the fair value attributed to those shares by Stenton Leigh. The fairness opinion issued to Net 1 by Stenton Leigh in connection with the proposed sale of Net 1 common stock to the Brait Consortium concluded that, as of January 30, 2004, the fair value per share of Net 1 common stock was approximately \$0.004 without giving effect to the proposed transactions. In preparing its fairness opinion, Stenton Leigh was advised by Net 1's management that if even a small block of stock were to be sold into the public market (i.e. 100,000 shares), management believed that Net 1's stock price would most likely fall to pennies. The full text of the fairness opinion issued by Stenton Leigh is attached to this proxy statement/prospectus as Annex C. For a discussion of the issues considered by Stenton Leigh in delivering its fairness opinion see The Proposed Transactions Opinion of Stenton Leigh Capital Corp. Investors should also note that Net 1's board of directors concluded on January 30, 2004 that the sale of shares to the Brait Consortium for \$0.50 per share was fair to, and in the best interests of, Net 1 and its shareholders. As a result, investors should not rely on the price per share quoted on the OTC Bulletin Board as an indication of the fair value per share of Net 1 common stock.

**Reinvesting Aplitec shareholders will receive interests that have no trading market and that are not transferable to third parties.**

After the transactions described in this proxy statement/prospectus are completed, the shares of Aplitec (which currently are listed on the JSE) will be de-listed and will no longer be tradeable. Moreover, reinvesting Aplitec shareholders will receive, through the South African Trust and the Cayman Trust, interests in the common stock of Net 1, which interests will not be listed on any securities exchange and will not be transferable. The only manner by which a holder who chooses the reinvestment option will be able to trade its interests will be by means of directing the sale of shares of Net 1 common stock held for its benefit through the South African Trust and the Cayman Trust. Given the limited liquidity of the market for shares of Net 1 common stock, it may be difficult to consummate sales of such shares on a timely basis, if at all. In addition, the limited liquidity of this market may lead to share price volatility, which may limit your ability to sell your shares at the price per share you had anticipated.

**Because the market for shares of Net 1 common stock is very limited and not listed, it may be difficult to sell your shares and future sales of shares of Net 1 common stock may materially adversely affect the price of shares of Net 1 common stock.**

As a result of the limited liquidity in the market for shares of Net 1 common stock, future sales of additional shares of Net 1 common stock may result in significant decreases in the market price of such shares. Given the large number of additional shares of Net 1 common stock that will be issued in connection with the transactions described in this proxy statement/prospectus, a large number of additional shares of Net 1 common stock will be available for sale, which may have a material adverse effect on the trading price of such shares. In addition, given the limited liquidity of the market for shares of Net 1 common stock and that the shares are not listed on any securities market, it may be difficult to consummate sales of Net 1 common stock, on a timely basis, if at all. This limited

liquidity may also affect the ability of the South African Trust to effect sales of Net 1 common stock for the benefit of its unit holders. In addition, after giving effect to the consummation of the proposed transactions, the Brait Consortium will beneficially own in excess of 30% of the shares of Net 1 common stock and Nedbank Limited will beneficially own in excess of 15% of such shares. Any transfer, sale or distribution by these shareholders of a substantial amount of shares of Net 1



common stock or a perception in the marketplace that such transfers will occur, may materially adversely affect the prevailing market price of shares of Net 1 common stock.

**The market for the shares of Net 1 common stock may be highly volatile.**

The market for the shares of Net 1 common stock may be highly volatile for reasons both related to the performance of Net 1 or events pertaining to the industry in which Net 1 competes as well as factors related to the regions where Net 1 and its subsidiaries conduct their business. Instability in the prices for the products and services that Net 1 and its subsidiaries will provide may adversely affect Net 1's ability to raise capital. Net 1's shares of common stock can be expected to be subject to volatility in both price and volume arising from market expectations. Shareholders of Net 1 may be unable to sell significant quantities of shares in the public trading markets without a significant reduction in the price of its shares of common stock.

In addition, the trading prices of Net 1's shares of common stock have been volatile and may continue to be volatile in the future. Factors including the limited depth and liquidity of the market for Net 1's shares of common stock, investor perceptions of Net 1 and general economic conditions worldwide may cause the trading prices of Net 1's shares of common stock to fluctuate significantly. Due to these factors, the shares of common stock obtained upon the conversion of special convertible preferred stock, which will be sold for the benefit of reinvesting shareholders, may trade at a price substantially lower than the price for shares of Net 1 common stock quoted on the OTC Bulletin Board at the time a reinvesting shareholder instructs the South African Trust to sell its interests in shares of Net 1 common stock.

**Broker-dealers may be discouraged from effecting transactions in Net 1 common stock because it is considered a penny stock and is subject to the penny stock rules.**

Rules 15c-1 through 15c-9 promulgated under the Securities Exchange Act of 1934, as amended, impose sales practice and disclosure requirements on NASD broker-dealers who make a market in a penny stock. A penny stock generally includes any non-NASDAQ equity security that has a market price of less than \$5.00 per share. Net 1 is a non-NASDAQ traded equity security and its historical trading prices have been below \$5.00. See "Comparative Stock Prices and Dividends". During the period from January 1, 2003 to December 31, 2003, Net 1's price per share ranged from \$0.95 (low) to \$6.80 (high). The closing price per share on April 16, 2004 was \$7.50 per share. In addition, as described above in the risk factor titled "The price for shares of Net 1 common stock quoted on the OTC Bulletin Board is not indicative of their fair value", the fair value of the shares of Net 1 common stock as determined by Stenton Leigh, Net 1's financial advisor, and based on the price being paid for shares of Net 1 common stock by the Brait Consortium is substantially lower than \$5.00. The additional sales practice and disclosure requirements imposed upon broker-dealers, to the extent they apply to Net 1 after the transactions, may discourage broker-dealers from effecting transactions in Net 1 shares, which could severely limit the market liquidity of the shares and impede the sale of its shares in the secondary market.

Under the penny stock regulations, a broker-dealer selling penny stock to anyone other than an established customer or accredited investor (generally, an individual with net worth in excess of \$1,000,000 or an annual income exceeding \$200,000, or \$300,000 together with his or her spouse) must make a special suitability determination for the purchaser and must receive the purchaser's written consent to the transaction prior to sale, unless the broker-dealer or the transaction is otherwise exempt.

In addition, the penny stock regulations require the broker-dealer to deliver, prior to any transaction involving a penny stock, a disclosure schedule prepared by the SEC relating to the penny stock market, unless the broker-dealer or the transaction is otherwise exempt. A broker-dealer is also required to disclose commissions payable to the broker-dealer and the registered representative and current quotations for the securities. Finally, a broker-dealer is required to send monthly statements disclosing recent price information with respect to the penny stock held in a customer's account and information with respect to the limited market in penny stocks.



## **RISKS RELATING TO THE PROPOSED TRANSACTIONS**

**Investors and financial analysts may have difficulty in evaluating Net 1, which may adversely affect the market price of the Net 1 shares of common stock.**

If the proposed transactions are completed, Net 1 believes that it will be the only company with a principal focus on branded UEPS technology globally. Net 1 will have five principal sources of revenue: manufacture licensing, software licensing, usage licensing, joint ventures and hardware sales. Analysts may apply different valuation methodologies to these revenue streams and to Net 1. Investors and analysts may also have difficulty in evaluating the transaction structure, which may influence their valuation of Net 1. Net 1's business does not have an operating history and is not proven, and investors and analysts may need an extended period of time to fully understand this business. Although Net 1 expects to devote time and effort in explaining its business to investors, analysts and other market participants, it is possible that they will have difficulty evaluating Net 1, which may have an adverse effect on the market price of Net 1's shares of common stock.

**Net 1 may fail to realize the anticipated benefits of the proposed transactions, which may negatively affect Net 1's ability to develop its business plan.**

Net 1 will need to implement promptly and effectively a post-transaction action plan in order to realize the benefits or synergies from the proposed transactions, including:

- increasing revenues from licensing and other sources; and
- developing new businesses and providing additional services that benefit from the combined assets and resources of Net 1's constituent companies.

If Net 1's management team fails to execute this action plan, Net 1 may not realize anticipated growth in revenue, cash flow and earnings, which would have an adverse effect on the market price of Net 1's shares of common stock. Net 1's management has been involved for some time in attempting to develop Net 1's business plan with only limited success.

**The proposed transactions may not be completed if certain conditions are not met.**

The proposed transactions are subject to a number of conditions, the outcome of which cannot be influenced by Net 1, including the approval of regulatory bodies in South Africa. If these conditions are not fulfilled or waived before May 31, 2004, the proposed transactions will not be completed. If the proposed transactions are not completed, Net 1 may not be able to continue as a going concern beyond the second quarter of 2004.

**Certain Aplitec shareholders may seek a rescission or damages by claiming a violation of the U.S. Securities Act of 1933.**

On February 3, 2004, we initially filed with the SEC the registration statement of which this proxy statement/prospectus is a part. In connection with its review of the registration statement, the staff of the SEC advised Net 1 that certain Aplitec announcements in South Africa in October and November 2003, as well as the Aplitec shareholder vote approving the sale of assets on December 9, 2003, may not have complied with Section 5 under the U.S. Securities Act of 1933. In light of the SEC's position, we are offering to all Aplitec shareholders who are shareholders of record on \_\_\_\_\_, the opportunity to rescind any acceptance of Net 1 securities that may have been offered to them on or prior to the December 9 vote (the "rescission offer"). If holders of a majority of the outstanding Aplitec ordinary shares accept the rescission offer, the proposed transactions will not be consummated as a result of the failure of certain conditions precedent to the consummation of the Aplitec acquisition is subject. The staff of the SEC has taken the position that, as a result of the possible failure to comply with Section 5 under the U.S. Securities

Act, the right of rescission, under the U.S. Securities Act, granted to Aplitec shareholders who affirmatively reject the rescission offer or who make no election in respect of the rescission offer may continue for a period of one year. The SEC staff has also taken the position that any rights of rescission under the U.S. Securities Act of any Aplitec shareholder may survive and not be barred by our making the rescission offer.

**Any failure to complete the proposed transactions or delay in the completion of the proposed transactions could cause Net 1 to incur substantial costs and negatively affect Net 1's results of operations.**

If the transactions are not completed on a timely basis or at all, Net 1 may suffer negative consequences to its business, results of operations, financial condition and prospects, including, among others, the following:

- substantial fees and expenses related to the transactions in the range of \$2.0 million to \$5.8 million, such as legal and accounting fees and disbursements, which must be paid even if the transactions are not completed; and
- if the transactions are terminated and Net 1's board of directors determines to pursue another transaction, it may not be able to find a partner at all or on terms as attractive as those provided for by the transactions described herein

In addition, as a development stage company that has not been able to raise adequate financing to fund its business plan and operations since its incorporation in 1997, the failure to consummate the transactions and obtain the proposed financing from the Brait Consortium raises concerns about Net 1's ability to conti