

NET 1 UEPS TECHNOLOGIES INC

Form 424B3

May 20, 2004

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Filed pursuant to Rule 424(b)(3)
Registration Number 333-112463

Proxy Statement and Prospectus

May 14, 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.

If the transactions are approved, we will be required to issue up to an aggregate of 192,967,138 shares of common stock in connection with the acquisition of Aplitec. Each Aplitec shareholder who elects the reinvestment option will have the right to receive an interest in 0.814286 shares of Net 1 common stock for each ordinary share of Aplitec it holds.

The special shareholders meeting will be held on May 27, 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 \$8.10 on May 5, 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/

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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.

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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 26.** 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,

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 May 14, 2004, and is being first mailed to shareholders on or about May 14, 2004.

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NET 1 UEPS TECHNOLOGIES, INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON MAY 27, 2004

Dear Net 1 Shareholder:

A special meeting of shareholders of Net 1, a Florida corporation, will be held on May 27, 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 May 5, 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 May 5, 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**

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present photo identification. If you plan to attend the special meeting, please check the appropriate box on your proxy card.

By order of the board of directors,

David Anthony
Secretary

May 14, 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;

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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 \$33.67 million (assuming a conversion rate of ZAR 6.825 = \$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.

In addition, Net 1 will issue to Aplitec shareholders who are U.S. residents and who elect the reinvestment option Net 1 common stock immediately upon completion of the proposed transactions. These Aplitec shareholders who are U.S. residents will not be required to hold their interests in Net 1 through the South African Trust or the Cayman Trust. These U.S. residents will receive, for each ordinary share of Aplitec subject to the reinvestment option, 0.814286 shares of Net 1 common stock.

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 (\$33.67 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.

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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 (\$0.73) or,
2. the reinvestment option consisting of:

ZAR 1.90 (\$0.28) in cash; and

one unit 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. Each unit of the South African Trust will represent one B class preference share and one B class loan account of New Aplitec and an interest in the Cayman Trust.

For purposes of allocating a portion of the consideration payable by Aplitec shareholders who make the reinvestment election, each B class preference share of New Aplitec has been assigned a value of ZAR 1.84 (\$0.27) and each B class loan account of New Aplitec has been assigned a value of ZAR 1.01 (\$0.15).

In effect, for each ordinary share of Aplitec subject to the reinvestment option, an Aplitec shareholder will receive an interest in 0.814286 shares of Net 1 common stock. 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 68 and 69, 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

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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 May 5, 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 a preliminary proxy statement on Schedule 14A filed by Net 1 on December 3, 2003 and 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

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under the U.S. Securities Act of 1933. Thus, 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. Specifically, approval from the Exchange Control Department of the South African Reserve Bank, the JSE Securities Exchange South Africa, the Securities Regulation Panel and the Competition Commission are required. All of these approvals have already been obtained. The remaining regulatory approval, the registration of the New Aplitec prospectus with the Registrar of Companies, is still outstanding as of the date of this filing.

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

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:

Executive Mail Service
P.O. Box 265
Little Ferry, NJ 07643

Third, you can attend the Net 1 special shareholder meeting and vote in person.

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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:

David Anthony, Company Secretary
(604) 669-4561

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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 6.825 = \$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 May 5, 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 94)

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

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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 4th 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. Pursuant to the terms of the Common Stock Purchase Agreement described in further detail below, SAPEF III International G.P. will assign the right to purchase shares of Net 1 common stock to South African Private Equity Fund III, L.P., a fund managed by FF&P Asset Management Limited, and two funds managed by Southern Cross Capital Limited.

The Proposed Transactions (page 44)

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

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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 (\$0.73) *or*,
2. the reinvestment option, consisting of

ZAR 1.90 (\$0.28) in cash; and

one unit 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.

For purposes of allocating a portion of the consideration payable by Aplitec shareholders who make the reinvestment election, each B class preference share of New Aplitec has been assigned a value of ZAR 1.84 (\$0.27) and each B class loan account of New Aplitec has been assigned a value of ZAR 1.01 (\$0.15).

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 (\$65.97 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 (\$0.42) 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 (\$64.03 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. We have not received any indications from any of our shareholders or from the South African asset manager regarding their intentions with respect to the rescission offer.

In addition, as consideration for a capital contribution of ZAR 229.8 million (\$33.67 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.

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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:

Anticipated(1)	Minimum(2)	Maximum(3)
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 five million shares of Net 1 common stock at a purchase price of \$0.50 per share. Based upon Aplitec's share price on May 5, 2004 of ZAR 7.15 (\$1.05) per share, which is above the cash offer price of ZAR 5.00 (\$0.73) 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.

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Before the Transactions

* Dr. Belamant beneficially owns, or has the right to vote, a majority of the issued and outstanding shares of each of these companies. There are no voting agreements among these companies.

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After the Transactions

* Dr. Belamant will own 3.49% of the voting interest of Net 1 via the South African Trust.

** The Brait Group's and the Brait Consortium's ownership interests in Net 1 can range from 31.83% to 69.90%. Please see the table appearing on page 10 for an explanation of the factors affecting this range of potential ownership percentage.

On March 12, 2004, Brait Capital Partners Trustees (Pty) Ltd. resigned as trustee of The South African Trust. First National's appointment as replacement trustee is subject to the approval by the Master of the High Court in South Africa, which we expect will occur prior to closing.

The Proposals (page 40)

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

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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 beginning on page 63 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 140 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.

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The Rescission Offer (page 76)

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 a proxy statement on Schedule 14A filed by Net 1 on December 3, 2003 and 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. Thus, 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 June 7, 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 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 40)

When and Where. The special meeting of Net 1's shareholders will be held at 9 a.m., local time on May 27, 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 May 5, 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

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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 46)

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 48)

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."

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Interests of Certain Persons in the Proposed Transactions (page 59)

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 (\$168,498). 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 63)

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:

• increase the number of authorized shares of common stock to 500,000,000 from the current 100,000,000 shares authorized;

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- s increase the number of authorized shares of preferred stock to 300,000,000 from the current 3,000,000 shares authorized;
 - s 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
 - s 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 60)

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 June 8, 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 consents;
- 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 63)

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. Pursuant to the terms of the Common Stock Purchase

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Agreement described in further detail below, SAPEF III International G.P. will assign the right to purchase shares of Net 1 common stock to South African Private Equity Fund III, L.P., a fund managed by FF&P Asset

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Management Limited, and two funds managed by Southern Cross Capital Limited. 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 70)

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 66)

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 22)

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.

Table of Contents**2004 Stock Incentive Plan (page 140)**

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 144)

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.

Beneficial Owner	Number of Shares of Common Stock	Percentage of Shares of Common Stock (%)	Number of Shares of Special Convertible Preferred Stock	Percentage of Shares of Special Convertible Preferred Stock (%)	Percentage Ownership of Shares of Net 1 Common Stock on Fully Diluted Basis (%)
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
Total Net 1 shareholders	15,852,856	11.41			4.78
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
Total Aplitec shareholders			192,967,138	100.00	58.14
Brait Consortium(1)	105,661,428	76.04			31.83
2004 Stock Incentive Plan	17,441,872	12.55			5.25
Total All shareholders	138,956,156	100.00	192,967,138	100.00	100.00

(1) Excludes the five 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.

Table of Contents**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

Table of Contents**Summary Historical Financial Data of Aplitec**

	Year Ended June 30,					
	1999	2000	2001	2002	2003	2003
	(In thousands of US\$)					
(In thousands of ZAR, except share and per share data)						
Income Statement						
Amounts in accordance with South African GAAP						
Revenue	ZAR 241,665	ZAR 436,860	ZAR 557,445	ZAR 525,585	ZAR 691,484	\$ 101,316
Profit from operations	32,703	79,243	125,756	135,000	175,868	25,768
Net profit for the year	29,774	59,558	93,187	104,033	126,187	18,489
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
Amounts in accordance with United States GAAP						
Profit from continuing operations			ZAR 61,405	ZAR 86,443	ZAR 108,106	\$15,840
Net profit for the year			61,404	86,444	118,803	17,407
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	0.07
Diluted earnings per share after extraordinary item and cumulative effect of a change in accounting principle			0.27	0.37	0.50	0.07
Balance Sheet						
Amounts in accordance with South African GAAP						
Total assets	ZAR 224,476	ZAR 266,453	ZAR 392,255	ZAR 510,717	ZAR 682,528	\$ 100,004
Total liabilities	110,754	110,910	83,180	92,262	158,408	23,210

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Capital and reserves	113,722	155,543	309,075	418,455	524,120	76,794
Shares in issue (000s)	178,565	198,599	229,814	233,464	236,977	

**Amounts in
accordance with
United States GAAP**

Total assets		ZAR 479,790	ZAR 587,853	ZAR 767,473	\$ 112,450	
Total liabilities		117,111	155,161	215,132	31,521	
Shareholders' equity		362,679	432,692	552,341	80,929	

Table of Contents**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 \$8.10 on May 5, 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				
	High	Low	High		Low		Dividends
	US\$	US\$	ZAR	US\$(1)	ZAR	US\$(1)	ZAR
2000							
First Quarter	8.25	0.25	3.40	0.50	1.80	0.26	
Second Quarter	6.58	3.00	2.45	0.36	1.40	0.21	
Third Quarter	5.50	3.50	3.70	0.54	2.23	0.33	
Fourth Quarter	4.88	2.00	3.25	0.48	2.30	0.34	
2001							
First Quarter	3.50	1.50	3.40	0.50	2.51	0.37	
Second Quarter	1.69	1.15	3.30	0.48	2.70	0.40	
Third Quarter	2.00	0.90	4.00	0.59	3.10	0.45	
Fourth Quarter	1.10	0.70	3.70	0.54	3.25	0.48	
2002							
First Quarter	1.45	0.75	3.90	0.57	2.80	0.41	
Second Quarter	1.35	0.95	3.50	0.51	2.90	0.42	0.11(2)
Third Quarter	1.20	0.90	3.20	0.47	2.60	0.38	
Fourth Quarter	1.30	0.90	3.60	0.53	2.75	0.40	
2003							
First Quarter	1.30	0.95	3.60	0.53	3.00	0.44	
Second Quarter	2.12	1.06	4.15	0.61	3.50	0.51	0.15(3)
Third Quarter	2.40	1.90	6.00	0.88	4.00	0.59	
Fourth Quarter	6.80	2.22	7.00	1.03	4.85	0.71	
2004							
First Quarter	10.15	5.22	9.00	1.32	5.36	0.79	
Second Quarter (through May 5, 2004)	8.99	6.90	8.00	1.17	7.00	1.03	

(1) Converted at the rate of ZAR 6.825 = \$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 May 5, 2004.

(2) \$0.02.

(3) \$0.02.

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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 May 5, 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 \$8.10 per share and the sale price of Aplitec ordinary shares was ZAR 7.15 (\$1.05) 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 May 5, 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.

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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

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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 non-residents 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.

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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 May 5, 2004, the closing price per share of Net 1 common stock quoted on the OTC Bulletin Board was \$8.10. 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

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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.

Aplitec shareholders who are U.S. residents will receive shares of Net 1 common stock directly rather than being required to hold their interests in Net 1 through the South African Trust and the Cayman Trust, and accordingly U.S. residents may avoid delays to which former Aplitec shareholders in South Africa may be subject.

Approximately 1% of the total ordinary shares of Aplitec outstanding as of the date of this proxy statement/ prospectus is held by U.S. residents. The Aplitec shareholders who are U.S. residents may realize benefits from the proposed transactions that the non-U.S. residents may not be able to achieve. Because the Aplitec shareholders who are U.S. residents are not subject to South African exchange controls, they will be permitted to own shares of Net 1 common stock immediately upon completion of the proposed transactions. By contrast, Aplitec shareholders who elect the reinvestment option and that are resident in South Africa will be required to hold their interests in Net 1 through the South African Trust and the Cayman Trust, which may result in South African shareholders not being able to sell their shares on as timely a basis as Aplitec shareholders who are U.S. persons. Aplitec shareholders that are U.S. residents would be able to sell their shares at any time following consummation of the proposed transactions, allowing them to realize potential benefits from the transaction before other Aplitec shareholders.

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 15g-1 through 15g-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).

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The closing price per share on May 5, 2004 was \$8.10 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.

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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 June 8, 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 a preliminary proxy statement on Schedule 14A filed by Net 1 on December 3, 2003 and 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. Thus, we are offering to all Aplitec shareholders who are shareholders of record on June 7, 2004, 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).

None of the proposed transactions will be consummated if the holders of a majority of the outstanding ordinary shares of Aplitec accept 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. If the proposed transactions are not consummated, no Aplitec shareholders, including those Aplitec shareholders who affirmatively reject the rescission offer, will receive any consideration. 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 accept the rescission offer or who make no election in respect of the rescission offer may continue for a period of one year from the date of this proxy statement/ prospectus. Additionally, 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.

If holders of less than a majority of the issued Aplitec ordinary shares vote to accept the rescission offer, the proposed transactions will be consummated as originally contemplated and all Aplitec shareholders, including those Aplitec shareholders who accept the rescission offer, will receive cash or, if they elect the reinvestment option, cash and interests in the South African Trust, subject to the satisfaction of any unfulfilled conditions.

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

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transactions and obtain the proposed financing from the Brait Consortium raises concerns about Net 1's ability to continue as a going concern beyond the second quarter of 2004.

Any of these effects or the failure to complete the transactions on a timely basis or at all would adversely affect the market price of Net 1's shares of common stock and could result in the bankruptcy of Net 1.

The shares of Net 1 common stock and special convertible preferred stock to be issued in connection with the proposed transactions will significantly dilute the voting power, and could have a material adverse impact on the market price of Net 1's common stock.

Net 1 will issue to the Brait Consortium 105,661,428 shares of common stock at a purchase price of \$0.50 per share and in addition, 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, for a purchase price of \$0.50 per share. Net 1 will also issue to the South African Trust 192,967,138 shares of special convertible preferred stock in connection with the Aplitec acquisition, which are convertible on a one-for-one basis into shares of Net 1 common stock. The shares of special convertible preferred stock will be convertible into shares of common stock that will be issued to holders of special convertible preferred stock upon exercise of their conversion option. Together, these issuances (assuming the Brait Group purchases 5 million additional shares of Net 1 common stock) will account for 90.10% of the voting power of Net 1 after the closing of the proposed transactions. These issuances will significantly limit the voting power of shares of Net 1 common stock currently outstanding, and could have a material adverse impact on the market price of Net 1's common stock.

Net 1's shareholders who vote against the proposed transactions will not have dissenters' or similar rights.

Neither Florida law nor Net 1's articles of incorporation provide for any dissenters' or appraisal rights to shareholders who vote against the proposed transactions. The absence of such rights may limit the ability of Net 1 shareholders to challenge the proposed transactions after they are approved.

If a sufficient number of Aplitec's current shareholders do not elect the reinvestment option, the Brait Group may control Net 1, which could inhibit or cause potential changes of control of Net 1 and may give rise to conflicts of interest with Net 1's other shareholders.

To the extent Aplitec shareholders decline the reinvestment option, the Brait Group, an affiliate of which is a member of the Brait Consortium, will acquire those interests via the South African Trust. The Brait Group would therefore participate in the ownership of New Aplitec in lieu of the non-participating Aplitec shareholders and exercise voting and other rights in Net 1 indirectly through the South African Trust. The effect of this scenario would be to increase the Brait Group's ownership of Net 1's voting shares. If a sufficient number of Aplitec's shareholders decline the reinvestment option, the Brait Group may effectively control a majority of the voting interest of Net 1 when added to the shares of common stock that will be issued directly to the Brait Consortium (of which the Brait Group is a member) in connection with its capital contribution. Finally, the Brait Group may elect to apply 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, which has the potential to increase its total holdings to 69.90% of the voting interest of Net 1. This would enable the Brait Group to determine all matters requiring shareholder approval, including a sale of Net 1 or of substantially all of its assets, or a material acquisition by Net 1.

The Brait Consortium has the right to nominate three designees to the Net 1 board of directors. To date, the Brait Consortium has only nominated two designees: Anthony Ball and Chad Smart. Even if the Brait Consortium were to nominate a third designee to the Net 1 board of directors, it would not exercise control of the board immediately following the proposed transactions. See Management of Net 1 After the Proposed Transactions. The Brait Consortium also has the right to designate three nominees to the slate of directors that Net 1's management recommends to shareholders in its annual proxy statement. These board representation rights could discourage other parties from initiating potential merger or other change of control transactions that might otherwise be beneficial to Net 1's shareholders. In addition, if

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the Brait Group were to become the controlling shareholder of Net 1, its interests may differ with those of Net 1's other shareholders with respect to, among other things, Net 1's strategic direction, significant corporate transactions, or other corporate opportunities that could be pursued by Net 1 or by the Brait Group. Brait currently has investments in three portfolio companies which, although not technology companies, may provide certain products and services that conflict with the micro-lending operations and the wage payment services to be provided by Net 1 after completion of the proposed transactions. In the future, Brait or its affiliates may invest in companies that may compete with Net 1 and may prevent Net 1 from expanding its business into areas where any such other companies provide competing services.

Intangible assets that may be recognized on consummation of the proposed transactions may be impaired in the future, which may adversely affect our earnings and financial condition.

As discussed more fully under *The Proposed Transactions Accounting Treatment Accounting for the transaction*, intangible assets, including goodwill, may be recognized on the consummation of the proposed transactions. Goodwill and other identified intangible assets will be prospectively tested and measured for impairment. Should these intangible assets be impaired, our earnings and financial condition may be adversely affected.

Aplitec is making no representations or warranties with respect to the sale of assets to New Aplitec.

Aplitec is making no warranties or representations with respect to the acquisition of the business of Aplitec by New Aplitec. As a result, New Aplitec and Net 1 may be exposed to certain liabilities which may have a material adverse effect on its business, operating results, cash flows and financial condition.

There is a risk we may become subject to a United States tax liability for failing to withhold on certain distributions.

As discussed more fully under *The Proposed Transactions Material United States Federal Tax Consequences to Non-U.S. Holders Consequences to Non-U.S. Holders Reclassification of Special Convertible Preferred Stock Interest*, there is no statutory, judicial or administrative authority that directly addresses the tax treatment of Non-U.S. holders that elect to receive units in a trust representing beneficial interests in B class preference shares and B class loan accounts issued by New Aplitec pursuant to the reinvestment option. We believe these interests should be treated for United States federal income tax purposes as, and intend to treat them as, separate and distinct interests in New Aplitec. As such, we and our affiliates do not intend to withhold any amounts for United States federal taxes in respect of such interests. There is a risk, however, that these interests, together with the special convertible preferred stock, will be treated as representing a single direct equity interest in Net 1 for United States federal income tax purposes. In such case, distributions received with respect to the B class preference shares and B class loan accounts could be subject to United States federal withholding tax as described under *The Proposed Transactions Material United States Federal Tax Consequences to Non-U.S. Holders Consequences to Non-U.S. Holders Dividends*. Should Non-U.S. Holders fail to pay the United States federal tax associated with such distributions, we may be liable for such taxes in our capacity as withholding agent. In addition, our failure to collect and remit United States federal withholding tax may also subject us to penalties.

RISKS RELATING TO NET 1

Net 1's business has incurred losses and might not be able to continue as a going concern if the proposed transactions are not completed.

Net 1's business has a history of losses and Net 1 is expected to continue to incur losses as it has to fund operating and capital expenditures in the future including marketing, personnel and integration costs. Net 1 incurred total net losses in 2003 of \$281,869 and the accumulated deficit at December 31, 2003 was \$2,523,508. If the proposed transactions are not completed, Net 1 believes that it will not be able to adequately fund its operating and capital expenditures, and that it may not be able to continue as a going concern beyond the second quarter of 2004.

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Net 1 may fail to retain or recruit qualified managers with the requisite multi-national and industry expertise, which could impede the implementation of Net 1's business strategy.

Net 1's future financial and operational performance depends, in large part, on the continued service of Dr. Belamant, who is the current chairman of Net 1's board of directors and who will also serve as Net 1's chief executive officer after the completion of the proposed transactions. The loss of the services of Dr. Belamant could have a material adverse effect on Net 1's businesses and financial performance.

Net 1's multi-country strategy also requires the hiring and retention of highly qualified personnel in each market. Net 1 may not be able to retain key personnel or attract and retain additional highly qualified technical and managerial personnel in the future. Any failure to attract and retain the necessary personnel could result in Net 1 failing to successfully implement its business plan and prevent Net 1 from attaining profitability.

Net 1 may be required to raise additional financing by issuing new securities with terms or rights superior to those of the shares of common stock, which could adversely affect the market price of the shares of common stock.

Net 1 may require additional financing to fund future operations, including expansion in current and new markets, the granting of new licenses, programming development and acquisition, capital costs and the costs of any necessary implementation of technological innovations or alternative technologies. Because of the early stage of development of Net 1's operations, its negative earnings and exposure to market risks associated with economies in emerging markets, Net 1 may not be able to obtain financing on favorable terms or at all. If Net 1 raises additional funds by issuing equity securities, the percentage ownership of its then current shareholders will be reduced, and the holders of the new equity securities may have rights superior to those of the holders of its shares of common stock, which could adversely affect the market price and voting power of shares of common stock. If Net 1 raises additional funds by issuing debt securities, the holders of these debt securities would similarly have some rights senior to those of the holders of its shares of common stock, and the terms of these debt securities could impose restrictions on its operations and create a significant interest expense for Net 1.

Net 1 may have difficulty raising necessary capital to fund operations as a result of market price volatility for its shares of common stock.

In recent years, the securities markets in the United States have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly small-capitalization companies such as Net 1, have experienced wide fluctuations that have not necessarily been related to the operations, performances, underlying asset values, or prospects of such companies. For these reasons, Net 1's shares of common stock can also be expected to be subject to volatility resulting from purely market forces over which Net 1 will have no control. If its business development plans are successful, additional financing may be required to continue to develop and exploit existing and new technologies and to expand into new markets. The exploitation of Net 1's technologies may, therefore, be dependent upon Net 1's ability to obtain financing through debt and equity or other means.

Patent competition may adversely affect our products or processes, and the lack of proprietary protection could be harmful to our operations.

Our products and technology have unique characteristics and structures and, as a result, are subject to patent protection, the extent of which varies from country to country. During the life of a patent, a product is only subject to competition by alternative products. However, aggressive patenting by our competitors and potentially patent piracy may threaten protected products and processes and may result in an increased patent infringement risk, especially in emerging economies such as those where we currently operate. The expiration of a patent also results in increased competition in the market for the previously patented products and processes. In addition, Net 1's patent filings in Europe have been revoked and consequently it does not have any patent protections in the member countries of the European Union. As a result, the

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local system operator from the CIS State has stopped paying licensing fees to Net 1 on the grounds that the evocation of the European FTS patent relieves it from the obligation to pay such fees. Moreover, although Net 1 has certain rights to patents in the United States, these are not expected to have significant utility in Net 1's business given that Net 1's management does not expect the U.S. market will become a material part of its business in the future. Each of these factors could have a material adverse effect on our business, operating results, cash flows and financial condition.

We may not be able to exploit technological advances quickly and successfully, which could impair our competitive position and operations.

Most of our operations depend on the use of advanced technological methods. The use of the appropriate advanced technological procedures can affect, among other things, the competitiveness of our products, the safety of transactions performed using our products, the continuity of our operations and the capacity and efficiency of our production.

We believe that new technologies may emerge and that existing technologies may be further developed in the fields in which we operate. Unexpected rapid changes in employed technologies that affect our operations and product range could render the technologies we utilize obsolete or less competitive in the future. Difficulties in accessing new technologies may impede us from implementing them and competitive pressures may force us to implement these new technologies at a substantial cost. In addition, limited access to sources of new capital to acquire new technologies may adversely affect our results of operations and financial condition.

We cannot predict the effect of technological changes on our business or on our ability to provide competitive products. Our ability to meet the competition will depend on our timely and cost-effective implementation of new technological advances. It will also depend on our success in commercializing these advances in spite of competition we face by patents registered by our competitors. If we are unable to implement new technologies in a timely or cost-efficient basis or penetrate new markets in a timely manner in response to changing market conditions or customer requirements, we could experience a material adverse effect on our business, operating results, cash flows and financial condition.

Volatility in the South African Rand to U.S. dollar exchange rate may adversely affect our business, operating results, cash flows and financial condition.

The Rand is a substantial operating currency for Aplitec and will be a substantial operating currency for Net 1 upon completion of the Aplitec acquisition. Because a large part of Net 1's sales will be denominated in Rand, a decline in the value of the Rand against the U.S. dollar may have a significant adverse effect on the results of operations of Net 1. In recent years, the Rand has steadily depreciated against the U.S. dollar, moving at an average rate per U.S. dollar from ZAR 6.33 in 2000 to ZAR 7.64 in 2001 to ZAR 10.20 in 2002. However, since June 2002, the Rand has appreciated against the U.S. dollar, mainly due to a general depreciation of the U.S. dollar, reaching ZAR 6.825 on May 5, 2004. Over this period, the exchange rate has been particularly volatile and we expect this volatility to continue in the foreseeable future.

In addition, although the Rand exchange rate is primarily market-determined, its value at any time may not be an accurate reflection of underlying value, due to the potential effect of exchange controls. Trends in sales and profits may experience significant fluctuations as the rate of exchange between the Rand and the U.S. dollar fluctuates. We cannot assure you what effect, if any, a decline in the exchange rate of the Rand against the U.S. dollar will have on our results of operations and financial condition after consummation of the transactions.

Our ability to engage in a reorganization subsequent to the proposed transactions may be limited.

Immediately following the proposed transactions, substantially all of our business activities will be conducted outside of the United States. We intend to analyze the possibility of engaging in a subsequent reorganization in which Net 1 would become organized outside of the United States. However, legislation

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recently proposed by the United States Congress could affect the economic feasibility of such a reorganization.

There are risks relating to other countries in which we intend to operate that could adversely affect our business, operating results, cash flows and financial condition.

In the future, we intend to expand operations into countries and regions (such as Africa, South America, Southeast Asia and Central Europe) that are subject to significantly differing political, economic and market conditions. Specific country risks that may have a material impact on our business, operating results, cash flows and financial condition, include:

political and economic instability;

external acts of warfare and civil clashes;

government interventions, including protectionism and subsidies;

regulatory, taxation and legal structure changes;

cancellation of contractual rights; and

expropriation of assets.

Many of these countries are in various stages of developing institutions and legal and regulatory systems that are characteristic of parliamentary democracies. However, institutions in these countries may not yet be as firmly established as they are in parliamentary democracies in the developed world. Many of these countries are also in the process of transitioning to a market economy and, as a result, experience changes in their economies and their government policies that can affect our investments in these countries. Moreover, the procedural safeguards of the new legal and regulatory regimes in these countries are still being developed and, therefore, existing laws and regulations may be applied inconsistently. In some circumstances, it may not be possible to obtain the legal remedies provided under those laws and regulations in a timely manner.

As the political, economic and legal environments remain subject to continuous development, investors in these countries face uncertainty as to the security of their investments. Any unexpected changes in the political or economic conditions in these or neighboring countries may have a material adverse effect on the international investments that Net 1 has made or may make in the future, which may in turn have a material adverse effect on its business, operating results, cash flows and financial condition.

Net 1 may incur significant costs to ensure compliance with United States corporate governance and accounting requirements subsequent to the proposed transactions.

Aplitec is currently subject to all laws applicable to South African companies, as well as the listing requirements of the JSE. Net 1 may need to modify its corporate governance standards to comply with U.S. requirements, including the Sarbanes-Oxley Act. Additionally, after completion of the proposed transactions the accounting standards currently used by Aplitec may require modifications to ensure compliance with U.S. GAAP. These adjustments may require Net 1 to incur significant third-party advisory costs.

RISKS RELATING TO APLITEC AND NEW APLITEC

There are risks relating to South Africa that could adversely affect New Aplitec's business, operating results, cash flows and financial condition.

New Aplitec, which will be Net 1's primary operating subsidiary after the proposed transactions, is a South African company. All of New Aplitec's operations will be located and all of its sales will be

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generated in South Africa and its surrounding territories. As a result, New Aplitec will be subject to the uncertainties of the political, economic and regulatory environment of South Africa.

The changing political and social environment. South Africa has faced a rapidly changing political environment since the democratic elections of 1994, when over forty years of National Party rule came to an end. South Africa now faces social, political and economic challenges, which may adversely affect New Aplitec's business, operating results, cash flows and financial condition. The country is experiencing high levels of unemployment and crime. There are significant differences in the level of economic and social development among its people, with large parts of the population not having access to education, healthcare, housing and other basic services. Furthermore, South Africa faces challenges related to lack of adequate infrastructure. These problems have hampered foreign direct investment into South Africa, prompted emigration of skilled workers and may in the future have an adverse impact on productivity.

High inflation and interest rates. The economy of South Africa has been, and may in the future be, characterized by high rates of inflation and high interest rates. High rates of inflation could increase Net 1's South African-based costs and decrease its operating margins. High interest rates could adversely affect Net 1's ability to obtain cost-effective debt financing in South Africa.

Black economic empowerment. The South African government has recently taken a number of steps to increase ownership of South African business assets by Black Empowerment Entities, or "BEEs". The government and the information technology industry in South Africa are currently drafting an Information Technology charter, which is expected to result in a requirement that South African information technology companies accommodate a BEE ownership component, which will probably be a set percentage ownership that has to be achieved over a predetermined period. The potential dilutive effect and the cost of accommodating BEE shareholders is a risk to the shareholders of New Aplitec. Furthermore, the retention of existing government contracts, as well as awards of new contracts from the South African government, will be influenced by the BEE profile of New Aplitec. Because the provincial governments of South Africa will be New Aplitec's largest customers, a poor BEE profile could have a material adverse impact on New Aplitec's ability to retain its existing contracts or to win new contracts from these provincial governments, which will adversely affect our operations.

Exchange control regulation. South Africa's exchange control regulations restricts the export of capital from South Africa, the Republic of Namibia, and the Kingdoms of Lesotho and Swaziland, known collectively as the Common Monetary Area. Transactions between South African residents (including companies) and non-residents of the Common Monetary Area are subject to exchange controls enforced by the South African Reserve Bank. As a result, Net 1's ability to raise and deploy capital outside the Common Monetary Area is restricted. In particular, New Aplitec will:

generally not be permitted to export capital from South Africa or to hold foreign currency without the approval of the South African Reserve Bank; and

generally be required to repatriate to South Africa profits of its foreign operations.

These restrictions could prevent New Aplitec and ultimately Net 1 from obtaining adequate funding on acceptable terms for its acquisitions and other business opportunities outside South Africa.

Acquisitions of non-South African shares or assets, or South African shares or assets, from a non-South African by South African residents, are subject to prior approval by the South African Reserve Bank, pursuant to South African exchange control regulations. The South African Reserve Bank may refuse to approve such proposed acquisitions in its discretion. As a result, New Aplitec's management may be limited in its ability to consider strategic options and Net 1's shareholders may not be able to realize the premium over the current trading price of Net 1's shares that they might otherwise receive upon an acquisition of New Aplitec's ordinary shares if Net 1 sought to dispose of New Aplitec. Moreover, Exxon's approval of the Aplitec acquisition is conditioned on the requirement that it must approve any sale of the FTS patent in South Africa and its surrounding territories to a non-South African resident.

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Unionized labor force. Most of South Africa's major industries are unionized, and the majority of employees belong to trade unions. In the past, trade unions have had a significant impact on the collective bargaining process as well as on social and political reform in South Africa in general. Aplitec currently has 141 unionized employees. Although in recent years Aplitec has not experienced significant labor disruptions, we cannot assure you that such labor disruptions could not occur in the future.

Regional instability. Historically, there has been regional, political, and economic instability in the countries surrounding South Africa. Such political or economic instability in neighboring countries could affect the social, political and economic conditions in South Africa, and this could have a negative impact on Net 1's ability to manage its operations in the country.

HIV/AIDS. HIV/ AIDS and tuberculosis, which is exacerbated in the presence of HIV/ AIDS, are major healthcare challenges in South Africa and other sub-Saharan countries. HIV infection among women in antenatal clinics throughout South Africa has risen from 1% in 1990 to nearly 25% in 2000. Under South African law, Aplitec cannot run tests to determine if its employees are infected with, or die from, AIDS. Aplitec may incur costs relating to the loss of personnel and the related loss of productivity as well as the costs relating to recruiting and training of new personnel. New Aplitec is not in a position to accurately quantify these costs and cannot assure you that the costs that will be incurred in connection with this epidemic will not have a material adverse effect on New Aplitec and its financial condition.

The provincial governments of South Africa will be New Aplitec's largest customers, and any payment defaults by these governments will adversely affect our operations.

Cash Paymaster Services (Proprietary) Limited, or CPS, Aplitec's principal operating subsidiary, is responsible for the distribution of social welfare grants on behalf of five of the provincial governments of South Africa. CPS uses internal cash resources and facilities to fund the payment of these grants in the KwaZulu-Natal and Eastern Cape provinces of South Africa. These funds are subsequently recovered from the provincial government at the end of the payment cycle. New Aplitec's ongoing revenues, operating results and cash flows will be dependent on this concentrated group of customers. Also, Aplitec's pre-funding obligations with respect these grants expose it to the risk of default by the applicable provisional government. Although no provincial government has ever defaulted on a repayment of funds at the end of the payment cycle, we cannot guarantee that such a default will not occur in the future. Any such default could have a material adverse effect on New Aplitec and its financial position.

New Aplitec may not be successful in renewing its existing contracts to distribute social welfare payments through its CPS subsidiary.

CPS generates the majority of the revenue and profits of Aplitec. Most of the contracts to which CPS is a party are in extension periods and contracts in the five provinces will expire at different times between December 2004 and November 2006. New Aplitec's failure to win tenders for the award of these contracts once they expire or to obtain further extensions will have a material adverse effect on New Aplitec and its financial position.

New Aplitec may not recover outstanding amounts owed to its micro-finance businesses.

Aplitec operates a traditional micro-finance business, with more than 100 branches throughout South Africa. These branches extend short-term loans for periods ranging from 30 days to 3 months. Despite credit granting procedures, the rate of default on loans has been high due to the high credit risk of these borrowers and the difficulty of collecting outstanding repayments. New Aplitec may therefore not recover the principal and interest amounts currently owed by its borrowers, which at December 31, 2003 totaled ZAR 78.2 million (\$11.46 million). New Aplitec's inability to recover these amounts may have a material adverse effect on its financial position.

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New Aplitec may be exposed to credit risk through its investment in hedging arrangements.

New Aplitec intends to use financial instruments in order to reduce its exposure to exchange rate and interest rate fluctuations arising from its operations.

Foreign exchange risk. New Aplitec intends to use forward cover contracts in order to limit its exposure to the ZAR/ USD and ZAR/ EUR exchange rate fluctuations from foreign currency transactions. We could enter into such contracts at rates which may result in financial losses, should the South African Rand strengthen against the currency being hedged against.

Interest rate risk. As a result of normal borrowing and leasing activities, New Aplitec's operating results will be exposed to fluctuations in South African interest rates, which will be managed primarily through Aplitec's regular financing activities. Any adverse movements in South African interest rates which have not been hedged against may result in financial losses.

New Aplitec may face competition from the incumbent retail banks in South Africa in the un-banked market segment.

The incumbent South African retail banks recently announced a joint initiative to create a common banking product to offer to the significant portion of South Africa's population that does not have access to traditional banking services, or the un-banked. This national bank account is scheduled to be introduced in the middle of 2004 and will offer limited transactional capabilities with minimal charges. While the initiative is still under development, the use of these accounts to deliver social welfare grants will have a material adverse effect on New Aplitec and its financial position.

New Aplitec may fail to retain or recruit qualified managers with needed industry expertise, which could impede the implementation of New Aplitec's business strategy.

New Aplitec's future financial and operational performance depends, in large part, on the continued service of its senior management. New Aplitec will rely, in particular, on the strategic guidance of Dr. Belamant, the current chief executive officer and chairman of the board of directors of Aplitec, and on the services of Aplitec's current executive managers including Herman Kotze, Brenda Stewart and Nitin Soma. The loss of the services of these individuals, and Dr. Belamant in particular, could have a material adverse effect on New Aplitec's businesses and financial performance.

New Aplitec's and Net 1's future growth also requires the hiring and retention of highly qualified personnel. They may not be able to retain key personnel or attract and retain additional highly qualified technical and managerial personnel in the future. Any failure to attract and retain the necessary personnel could delay or lead to the cancellation of new projects or the overall implementation of New Aplitec's business plan, which could impact the growth in revenue and profitability of New Aplitec.

New Aplitec may not be successful in attracting and retaining sufficient skilled employees in South Africa.

New Aplitec is highly dependent on the continuous development and successful application of new technologies. In order to achieve this, it needs to maintain a focus on recruiting and retaining qualified personnel. In the past, Aplitec has been successful in recruiting such personnel. However, demand for personnel with the range of capabilities and experience required in its industry in South Africa is high and success in attracting and retaining such employees is not guaranteed. The risk exists that its scientific skills base may be depleted over time because of natural attrition. Furthermore, social and economic factors in South Africa have led and continue to lead numerous qualified individuals to leave the country, thus depleting the availability of qualified personnel in South Africa. Failure to attract and retain people with the right capabilities and experience could negatively affect Net 1's ability to introduce the appropriate technological improvements to New Aplitec's business and may have a material adverse effect on operating results.

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Patent competition may adversely affect New Aplitec's products or processes.

New Aplitec's various products and technology have unique characteristics and structures and, as a result, are subject to patent protection, the extent of which varies from country to country. During the life of its patent, a product is only subject to competition by alternative products. While Aplitec's patents in South Africa, Botswana, Namibia and Swaziland remain in full force and effect, aggressive patenting by our competitors and future patent piracy may threaten protected products and processes and may result in increased patent infringement risk. In addition, the expiration of a patent results in increased competition in the market for the previously patented products and processes.

New Aplitec may not be able to exploit technological advances quickly and successfully.

Most of Aplitec's operations are highly dependent on the use of advanced technological methods. The use of the appropriate advanced technological procedures can affect, among other things, the competitiveness of its products, the safety of transactions performed using these products and the continuity of operations.

New technologies may emerge and existing technologies may be further developed in the fields in which Aplitec currently operates. Unexpected rapid changes in employed technologies that affect these fields could render Aplitec's current products obsolete or less competitive in the future. Difficulties in accessing new technologies may impede New Aplitec in the future from implementing them, and competitive pressures may force New Aplitec to implement these new technologies at a substantial cost.

The effect of technological changes on New Aplitec's business or its ability to provide competitive products cannot be predicted. New Aplitec's ability to meet the competition will depend on the timely and cost-effective implementation of new technological advances. It will also depend on their success in commercializing these advances in spite of competition faced by patents registered by its competitors. If New Aplitec is unable to implement new technologies in a timely or cost-efficient basis or penetrate new markets in a timely manner in response to changing market conditions or customer requirements, it could experience a material adverse effect on its business, operating results, cash flows and financial condition.

RISKS RELATING TO HOLDERS OF NET 1'S SPECIAL CONVERTIBLE PREFERRED STOCK

Payments to Non-U.S. Holders in respect of the B Class Preference Shares and B Class Loan Accounts may be subject to United States withholding tax.

There is no statutory, judicial or administrative authority that directly addresses the tax treatment of Non-U.S. holders that elect to receive units in a trust representing beneficial interests in B class preference shares and B class loan accounts issued by New Aplitec pursuant to the reinvestment option. We believe these interests should be treated for United States federal income tax purposes as, and intend to treat them as, separate and distinct interests in New Aplitec. As such, we and our affiliates do not intend to withhold any amounts for United States federal taxes in respect of such interests. There is a risk, however, that these interests, together with the special convertible preferred stock, will be treated as representing a single direct equity interest in Net 1 for United States federal income tax purposes. In such case, distributions received with respect to the B class preference shares and B class loan accounts issued by New Aplitec could be treated as United States-source dividends received in respect of an equity interest in Net 1 and could be subject to United States federal withholding tax for which Non-U.S. holders would be liable at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. See *The Proposed Transactions' Material United States Federal Tax Consequences to Non-U.S. Holders' Consequences to Non-U.S. Holders*, for more details on the foregoing.

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SPECIAL NOTE CONCERNING FORWARD-LOOKING STATEMENTS

Some of the statements contained or incorporated by reference in this proxy statement/ prospectus, including those relating to Net 1 s, Aplitec s and New Aplitec s strategies and other statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as expects, anticipates, intends, plans, believes, estimates and similar expressions, are forward-looking statements. Forward looking statements include the information concerning possible or assumed future results of operations of Net 1, Aplitec and New Aplitec. These statements are not historical facts but instead represent only Net 1 s expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict, which may include the risk factors set forth above and other market, credit or counterparty, liquidity, legal and operational risks discussed elsewhere in this document and the documents which are incorporated herein by reference. Those risks and uncertainties include, but are not limited to:

Market Fluctuations and Volatility. Changes in interest and foreign exchange rates, securities valuations and increases in volatility can increase risk, and may also impact customer flow related revenues in Net 1 s businesses, particularly those outside the U.S.

Industry Competition and Changes in Competitive Environment. Increased competition from both banking institutions and non-traditional financial services providers, including issuers of credit cards, and from industry consolidation could impact fees earned from Net 1 s businesses.

Investor Sentiment. Last year saw a record number of accounting and corporate governance scandals, which have had a significant impact on investor confidence in the marketplace. In addition, geopolitical concerns about possible military action and terrorist activities can have an effect on the global financial markets.

Liquidity. Liquidity risk management is of critical importance to Net 1. Liquidity could be impacted by the inability to access the long-term or short-term debt markets or the repurchase and securities lending markets necessary to expand Net 1 s business.

Net 1 s, Aplitec s and New Aplitec s actual results and financial condition may differ, perhaps materially, from the anticipated results and financial condition in any forward-looking statements, and, accordingly, readers are cautioned not to place undue reliance on such statements. In addition, there can be no assurance that (a) Net 1 has correctly identified and assessed all of the factors affecting its businesses; (b) the publicly available and other information with respect to these factors on which Net 1 has based its decisions is complete or correct; (c) Net 1 s analyses are correct; or (d) Net 1 s strategies, which are based in part on these analyses, will be successful. Net 1 undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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THE SPECIAL MEETING

General; Date; Time and Place

This proxy statement/ prospectus is being provided by, and the enclosed proxy is solicited by and on behalf of, Net 1's board of directors for use at a special meeting of Net 1 shareholders. This proxy statement/ prospectus is also furnished by Net 1 to holders of Aplitec's ordinary shares along with an election circular and a prospectus in connection with the election of the reinvestment option by Aplitec's current shareholders.

The special meeting is scheduled to be held on May 27, 2004 at 9 a.m. at the offices of Schneider Weinberger LLP, 2200 Corporate Boulevard, N.W., Suite 210, Boca Raton, Florida 33431.

Purpose of the Special Meeting; The Proposals

The purpose of the special meeting of Net 1's shareholders is to consider the approval and adoption of each of the four proposals described below. 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 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 and the Brait Group, to the extent it takes up any rights to the reinvestment option not taken up by Aplitec's shareholders. 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

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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 restricted shares of Net 1 common stock to the Brait Consortium in exchange for a capital contribution of \$52.8 million. This transaction 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 beginning on page 63 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 140 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

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 a preliminary proxy statement on Schedule 14A filed by Net 1 on December 3, 2003 and 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. 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 June 7, 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 and none of the proposed transactions will be completed. 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

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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 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.

Record Date; Voting Power

Only holders of shares of Net 1 common stock as of the close of business on May 5, 2004, which is the record date for the special meeting, will be entitled to receive notice of and to vote at the special meeting and any adjournments or postponements thereof. Each share of Net 1 common stock is entitled to one vote at the special meeting.

Required Vote; Quorum

The affirmative vote of a majority of the outstanding shares of Net 1 common stock as of the record date that cast votes at the special shareholders meeting is required to approve the amendment to Net 1's articles of incorporation and the other proposed transactions. As of the record date, 15,852,856 shares of Net 1 common stock were outstanding and held by approximately 950 holders of record.

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 proposals made at the special meeting. 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 53.75% of the outstanding shares of Net 1 common stock owned by Net 1 Holdings. Additionally, Dr. Belamant will serve as the chief executive officer of Net 1 and New Aplitec upon completion of the proposed transactions. Because of Dr. Belamant's interests 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.

Brokers holding shares of Net 1 common stock as nominees will not have discretionary authority to vote such shares in the absence of instructions from the beneficial owners thereof.

The holders of a majority of the shares of the Net 1 common stock outstanding on the record date must be present, either in person or by proxy, at the special meeting to constitute a quorum. In general, abstentions and broker non-votes are counted as present or represented at the special meeting for the purpose of determining a quorum for the special meeting.

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 stockholder must complete the enclosed proxy card, sign and date it and return it in the enclosed prepaid postage envelope. The enclosed proxy card sets forth instructions for voting.

Revocation of Proxy

A proxy card is enclosed for use by Net 1's shareholders. The board of directors of Net 1 requests that shareholders **sign and return the proxy card in the accompanying envelope**. No postage is required if mailed within the United States. **If you have questions or requests for assistance in completing and submitting proxy cards, please contact Executive Mail Service, a firm that provides professional proxy soliciting services that Net 1 has retained, at (201) 373-1050.**

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All properly executed proxies that are not revoked will be voted at the special meeting as instructed on those proxies. Proxies containing no instructions will be voted in favor of the proposed transactions. A shareholder who executes and returns a proxy may revoke it at any time before it is voted, but only by executing and returning a proxy bearing a later date (using a new proxy card), by giving written notice of revocation to the secretary of Net 1, or by attending the special meeting and voting in person.

No Dissenters or Similar Rights

Net 1 shareholders who vote against the proposed transactions will not be entitled to dissenters or similar rights. Neither Florida law nor Net 1's articles of incorporation and bylaws provide for dissenters' rights or appraisal rights.

Expenses of Solicitation

Net 1 will bear the costs of soliciting proxies from its shareholders. Net 1 will also bear the costs of filing, printing and mailing the registration statement on Form S-4 and this proxy statements/prospectus. In addition to soliciting proxies by mail, directors, officers and employees of Net 1, without receiving additional compensation therefore, may solicit proxies by telephone, by facsimile or in person. Arrangements may also be made with brokerage firms and other custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of shares held of record by such persons, and Net 1 will reimburse such brokerage firms, custodians, nominees and fiduciaries for reasonable out-of-pocket expenses incurred by them in connection therewith. In addition, Executive Mail Service has been retained by Net 1 to assist in the solicitation of proxies. This firm may contact holders of shares of Net 1 common stock by mail, telephone, facsimile, telegraph and personal interviews and may request brokers, dealers and other nominee stockholders to forward materials to beneficial owners of shares of Net 1 common stock. Executive Mail Service will receive reasonable and customary compensation for its services (estimated at \$6,000) and will be reimbursed for certain reasonable out-of-pocket expenses.

Miscellaneous

It is not expected that any matter not referred to herein will be presented for action at the special meeting. If any other matters are properly brought before the special meeting, the persons named in the proxies will have discretion to vote on such matters in accordance with their best judgment. The grant of a proxy will also confer discretionary authority on the persons named in the proxy as proxy appointees to vote in accordance with their best judgment on matters incident to the conduct of the special meeting, including (except as stated in the following sentence) postponement or adjournment for the purpose of soliciting votes. However, shares represented by proxies that have been voted AGAINST the proposed transactions contemplated herein will not be used to vote FOR postponement or adjournment of the special meeting to allow additional time to solicit additional votes FOR the proposed transactions.

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THE PROPOSED TRANSACTIONS

General

On October 31, 2003, New Aplitec's board of directors and the representatives of the board of directors of Aplitec, each approved the sale agreement pursuant to which Net 1, through New Aplitec, would acquire substantially all of the assets and liabilities of Aplitec. After the Aplitec acquisition, New Aplitec will become a subsidiary of Net 1. On January 30, 2004, SAPEF III International G.P. Limited (as representative of the Brait Consortium), executed the Common Stock Purchase Agreement with Net 1 providing for, among other things, a contribution of \$52,830,714 to Net 1 in exchange for the issuance by Net 1 of 105,661,428 shares of its common stock. The proceeds of that issuance are to be used, in part, to enable Net 1 to complete the Aplitec acquisition. The Net 1 board of directors approved the Common Stock Purchase Agreement on January 30, 2004.

Background of the Proposed Transactions

Net 1 owns the exclusive rights to market and sell the UEPS technology throughout the world, excluding South Africa and its surrounding territories and the right to license the U.S. FTS patent. Aplitec holds similar rights in South Africa and its surrounding territories.

Over the last five years, Aplitec has successfully launched numerous UEPS systems in South Africa and its surrounding territories. This is attributable to Aplitec's ability to develop business models that are responsive to its customers' specific needs and then effectively implement the system. Aplitec continues to develop the UEPS technology and its derivative applications to meet the requirements of both its customers and its own business ventures. By contrast, Net 1 has not been able to successfully implement its business plan. This has resulted primarily from its inability to raise the necessary capital to develop and market the UEPS technology. Additionally, its lack of operating history makes it increasingly difficult to attract investors and potential customers. In 2002, representatives of Net 1 met with Jones Gable Securities, Gruntal Securities and Thompson Kernaghan to discuss possible funding opportunities, each time without success. During the last quarter of 2002, Net 1 retained Investec Limited, an international merchant banking group, to provide corporate finance services and assistance in order to raise equity and/or debt funding. These efforts were unsuccessful and, in February 2003, the parties mutually agreed to terminate the relationship.

Throughout this process to secure funding, Net 1 has sought to generate revenue through license arrangements. In October 2002, Net 1 entered into a Distribution Agreement with Net 1 (Pty), a subsidiary of Aplitec, pursuant to which Net 1 appointed Net 1 (Pty) as a UEPS integrator for all territories excluding South Africa and its surrounding territories. These relationships allowed Aplitec to market and sell UEPS systems on behalf of Net 1, and generated license fees for Net 1. However, these arrangements have not provided Net 1 sufficient revenue to successfully develop and implement its own business plan.

On March 6, 2003, Dr. Serge Belamant, the chairman of Net 1's board of directors and the chief executive officer of Aplitec, met with representatives of the Brait Group to discuss possible business transactions involving Net 1 and Aplitec. At this meeting, Dr. Belamant expressed an interest in the Brait Group investigating mechanisms and sources of funding for Net 1's acquisition of Aplitec. These transactions would further Net 1's goals of:

maturing from a development stage business into a profitable company with global reach;

combining the rights to the UEPS and FTS technologies into a single group, which will unlock value for both companies and their shareholders; and

giving Net 1 the required access to the international capital markets to raise further capital to implement its business plan.

On April 30, 2003, Net 1 formally retained an affiliate of the Brait Group as its financial advisor to develop the structure and implementation of a possible acquisition of Aplitec, including the raising of funds necessary to finance such acquisition and obtaining the necessary approvals of South African

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regulatory authorities. The agreement (and subsequent amendments) between the Brait Group and Net 1 provides that, in exchange for the Brait Group's services, it will receive a fee based on a percentage of the capital raised to finance the Aplitec acquisition, in addition to a fee of ZAR 1.15 million (\$168,498) in connection with its corporate finance services. If the proposed transactions are consummated, the Brait Group will be paid a fee of approximately \$3.9 million. In lieu of receiving a cash payment, the Brait Group has the option of receiving part of its fee in the form of shares of Net 1 common stock calculated at a price of \$0.50 per share up to a maximum of 5 million shares.

Over the next several months, the Brait Group met with Dr. Belamant and Claude Guerard, Net 1's chief executive officer, to develop the broad outlines of a potential transaction with Aplitec. On July 21, 2003, the Brait Group submitted a letter on behalf of Net 1 to Aplitec's board of directors expressing its interest in pursuing a business combination with Aplitec. In August 2003, Brait initiated a detailed due diligence review of Aplitec, and it commenced structuring a transaction that would allow the South African shareholders of Aplitec to participate in the combined entity. Also during this time, Aplitec, Net 1 and Brait negotiated the consideration to be paid to Aplitec shareholders. The primary factors being discussed throughout these negotiations were:

the published financial and operating results of Aplitec;

the market trading price of Aplitec's ordinary shares and the determination of a reasonable premium to be paid over this price; and

discussions with Nedbank Limited, a key shareholder of Aplitec, and Allan Gray Investment Management, an asset manager whose clients own a significant percentage of Aplitec ordinary shares.

In September 2003, Brait received approval in principle from Excon to pursue the proposed transaction. To protect the interests of Aplitec's minority shareholders and mitigate any potential conflicts of interests, Aplitec's board of directors appointed a special committee comprised of two independent non-executive directors (Derek Geoffrey Sidney Muller and Jeffrey Livingstone) to evaluate the proposed transactions with Net 1. There were no restrictions placed on the special committee's ability to evaluate and negotiate the proposed acquisition. Aplitec also retained Rand Merchant Bank, a division of FirstRand Bank Limited, to act as an independent advisor to Aplitec's minority shareholders and to evaluate the fairness of any offer presented by New Aplitec.

During this period, Aplitec (represented by Serge Belamant and Herman Kotze), the Brait Consortium (represented by Anthony Ball, Chad Smart and Alasdair Pein) and Net 1 (represented by Claude Guerard) conducted negotiations regarding the senior officers and board composition of the combined company. It was decided that Dr. Belamant, along with Herman Kotze, Brenda Stewart and Nitin Soma, would be hired as senior officers of the combined company and that Mr. Guerard would resign as Chief Executive Officer of Net 1 but will continue to serve as a non-executive director. It was further decided that Messrs. Belamant and Kotze would join the Net 1 board of directors, and that the Brait Consortium would 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. The parties agreed to defer other decisions regarding board composition until after the completion of the proposed transactions.

In October, Brait and Net 1 agreed in principle to an arrangement whereby a group of investors assembled by Brait would make a capital contribution to Net 1 of \$52.8 million in exchange for shares of Net 1 common stock. The parties heavily negotiated the per share consideration to be paid by the Brait Consortium, and they finally settled on a purchase price of \$0.50 per share. Separately, the Brait Group agreed to acquire any rights of the reinvestment option not taken up by Aplitec's current shareholders for the same consideration that would have been paid by such holders. Brait and Simpson Thacher & Bartlett LLP, Brait's outside legal counsel, commenced a due diligence review of Net 1, and Simpson Thacher began discussions with Schneider Weinberger LLP, Net 1's outside legal counsel, about the transaction structure and documentation. On October 24, 2003, Net 1 filed a current report on Form 8-K disclosing the negotiations with Brait and the proposed Aplitec acquisition. To protect the interests of Net 1's disinterested shareholders, Net 1 retained Stenton Leigh Capital Corp., an independent financial

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consultant, to evaluate the fairness of any consideration to be paid by the Brait Consortium in exchange for shares of Net 1 common stock. The board of Net 1 did not consider obtaining a fairness opinion with respect to the consideration to be paid to the Aplitec shareholders.

On October 28, 2003, the Aplitec special committee met to consider the proposed transactions with Net 1. It evaluated the terms and conditions of the proposed transaction and received the advice of Rand Merchant Bank, the independent advisors to the minority shareholders of Aplitec. The Aplitec special committee, together with Rand Merchant Bank, evaluated the dilutive effect of the 2004 Stock Incentive Plan upon reinvesting Aplitec shareholders. Following this evaluation, the special committee approved the combination with Net 1 and it further delegated Dr. Belamant and Mr. Herman Kotze the authority to sign the agreements giving effect to the transactions. The Sale Agreement, the New Aplitec Subscription Agreement and the South African Trust Deed were executed on October 31, 2003.

Following the execution of the foregoing agreements between Aplitec and New Aplitec, the Net 1 board of directors completed the negotiation of the Common Stock Purchase Agreement with the Brait Consortium, and Aplitec began preparing the circular required to be delivered to Aplitec's shareholders pursuant to applicable provisions of South African law. This circular was finalized by the middle of November. After Aplitec's shareholders approved the Aplitec acquisition transaction, Net 1's board of directors convened a meeting for late December at which time Stenton Leigh presented a preliminary draft of its fairness opinion. The board requested additional information from Stenton Leigh to be presented in its final fairness opinion.

On January 30, 2004, after the close of the market, the Net 1 board of directors held a special meeting with Net 1's advisors to consider the Aplitec acquisition and the issuance of shares to the Brait Consortium. At that meeting, Stenton Leigh reviewed with the board its financial analyses of the transactions and delivered the fairness opinion described below under the section Opinion of Stenton Leigh Capital Corp. The board took note of the fact that, while the \$0.50 per share to be paid by the Brait Consortium was less than the current market price of Net 1's common stock, it was also significantly higher than the value assigned to such shares by Stenton Leigh. Moreover, the Net 1 board agreed with the analysis of Stenton Leigh to disregard the market price of Net 1 common stock due to its thin trading volume. Schneider Weinberger then reviewed with the board the final terms of the agreements governing the proposed transactions.

After hearing these presentations and further discussions, the Net 1 board of directors voted to approve the agreements and the proposed transactions contemplated by those agreements, including the amendment to Net 1's articles of incorporation and the terms of the special convertible preferred stock to be issued in connection with the Aplitec acquisition. The Net 1 board of directors further voted to approve the 2004 Stock Incentive Plan. After the close of the markets on January 30, 2004, the parties executed the Common Stock Purchase Agreement between Net 1 and the SAPEF III International G.P. Limited (on behalf of the Brait Consortium) and the Asset Purchase Agreement with 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 voted in proportion to the votes cast (FOR or AGAINST) by Net 1's minority shareholders. Thus the vote of minority shareholders will be determinative of the outcome of the proposed transactions.

Recommendation of the Net 1 Board; Reasons for the Proposed Transactions

The Net 1 board of directors has approved the transactions, has determined that the proposed transactions are fair to, advisable and in the best interests of, Net 1 and the holders of Net 1 common stock, and recommends that Net 1 shareholders vote FOR approval and adoption of the amendment to Net 1's articles of incorporation and the proposed transactions.

In reaching this determination, the Net 1 board of directors consulted with its outside legal counsel and its advisor, and considered various material factors, which are listed below. In view of the wide variety of factors considered in connection with the transactions, the board of directors did not consider it practicable to, nor did it attempt to, quantify or otherwise assign relative weights to the specific material factors it considered in reaching its decision.

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Factors Considered by the Net 1 Board of Directors

Net 1's board of directors believes that the Aplitec acquisition, combined with the capital contribution by the Brait Consortium, will help Net 1 to achieve its goal of becoming a global leader in the area of electronic payment systems with customers throughout the world. Taking advantage of the complementary nature and the geographic scope of the combined assets and the experience of the combined management team, Net 1's board of directors believes that the proposed transactions will create revenue growth and product and market diversification for Net 1, which will result in stronger financial and operating performance than either Net 1 or Aplitec could achieve on its own.

As part of its review and determination that the proposed transactions are fair to and in the best interest of Net 1's shareholders, Net 1's board of directors consulted with its legal advisors regarding the duties of the members of the board of directors. The Net 1 board of directors also considered the following factors and material information in reaching its determination that the proposed transactions are fair to, and in the best interests of, Net 1's shareholders:

the strategic benefits of combining the businesses, including the following:

- ¢ consolidating the global UEPS technology rights into a single group, creating a single access point through which value could be unlocked;
- ¢ establishing first-mover advantage in developing economies for the commercialization of the UEPS technology. First-mover advantage refers to the benefits that would accrue to the first company that establishes a primary transacting platform in a particular developing country. While Net 1 holds the exclusive rights to market and sell the UEPS technology, it has so far been unable to exploit these rights in developing countries as it does not have the necessary infrastructure, skills and resources. Also, Net 1 must still compete against the companies that offer similar card-based products. Net 1 believes that the Aplitec acquisition will enhance its business opportunities, and since the UEPS platform can be used to support a wide range of functions and transactions, the first-mover in these new markets can have enhanced revenue and profitability prospects;
- ¢ exploiting market opportunities for growth through strategic alliances and acquisitions; and
- ¢ improving the financial performance of Net 1's business by developing additional revenue streams and achieving cost savings by combining general and administrative functions of multiple operations;

the ability of Net 1's shareholders to participate in the financial success of Aplitec and the combined company;

presentations regarding the above-mentioned strategic benefits of combining the assets of Net 1 and Aplitec, and positive operational and financial aspects of the transactions from Net 1's perspective, including, among other things, the ability to transform, through these transactions, from a development stage company into a global company with diversified international operations;

historical information concerning the business, results of operations and financial condition, operations, technology, management and competitive position of Net 1, including, among other factors, the history of losses incurred by Net 1, the expectation that it will continue to incur losses and estimates that the Aplitec acquisition will help Net 1 to achieve profitability quicker than if it remained a stand-alone company;

the review of Net 1's financial condition, results of operations and prospects of the business of Net 1 before and after giving effect to the transactions based on available estimates as to earnings and losses, including, among other things, ongoing liquidity and capital resource requirements in the context of financial market conditions limiting the ability of Net 1 to raise other financing and an expectation that the combined company's larger scale and improved operational performance would enhance access to financing in the capital markets;

the opportunities and options available to Net 1 if the transactions were not undertaken, including remaining a stand-alone company that has so far been unable to raise capital to implement its

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business plan and achieve profitability, and the conclusion that the contemplated transactions would result in greater benefits than other options;

the financial presentations and written opinion of Stenton Leigh Capital Corp. dated as of January 30, 2004, as to the fairness from a financial point of view of the issuance of shares of Net 1 common stock to the Brait Consortium under the terms of the Common Stock Purchase Agreement between Net 1 and the Brait Consortium; and

the interests of the directors and executive officers of Net 1 in the transactions, as described in the section titled "The Proposed Transactions - Interests of Certain Persons in the Proposed Transactions."

The Net 1 board of directors also considered the potential adverse factors relating to the proposed transactions, including the following:

the challenges of combining the businesses and assets of separate companies across vast geographic distances and the risks of not achieving the expected operating efficiencies or growth;

any failure to complete the proposed transactions will cause Net 1 to incur substantial costs, currently estimated to be \$2 million, which could result in Net 1's bankruptcy by July 1, 2004;

the possibility that the financial markets might react negatively to the combined company, as well as the need to educate the market about the benefits of a multi-national company that offers UEPS technology and services;

the risk of diverting management focus and resources from other strategic opportunities while working to implement the combination and the risk that key management, sales and transaction personnel might choose not to remain employed by the combined company;

the risk that the transactions may not be completed, even if approved by Net 1's shareholders, especially given the need to obtain approval of a majority of the holders of Aplitec's ordinary shares before any of the transactions become effective, and the potential impact on Net 1;

the possible negative effect on Net 1 and on the price for Net 1's shares of capital stock due to the fact that the Brait Group may exercise effective control of Net 1 if a sufficient number of Aplitec's current shareholders do not elect the reinvestment option by virtue of an agreement with New Aplitec to take up the rights to the reinvestment option not taken up by Aplitec's shareholders;

the risks that the benefits sought to be achieved by the proposed transactions will not be realized; and

the other risks described under "Risk Factors."

The discussion of the information and factors considered by the Net 1 board of directors is not intended to be exhaustive, but includes the material factors considered. The Net 1 board of directors did not assign particular weight or rank to the factors it considered in approving the transactions. In considering the above-mentioned factors, individual directors may have given different weight to various factors. Net 1's board of directors considered all of these factors as a whole, and concluded that, on balance, the potential benefits of the proposed transactions to Net 1 and its shareholders outweigh the risks.

Opinion of Stenton Leigh Capital Corp.

Stenton Leigh Capital Corp., or Stenton Leigh, founded in 1989, specializes in performing business appraisals and other consulting services to public and privately held companies. In addition to business appraisal and fairness opinions, Stenton Leigh provides dispute and litigation support, impairment and intangible asset appraisals, assists clients with merger and acquisition transactions and other corporate finance matters.

On October 16, 2003, Net 1 engaged Stenton Leigh to undertake an independent appraisal of the value of Net 1's common shares and issue a fairness opinion as to the fairness of the issuance of approximately 105.6 million shares of common stock to the Brait Consortium at a price of \$0.50 per share.

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The board of directors of Net 1 retained Stenton Leigh based upon its qualifications and its capabilities with respect to undertaking appraisals of companies of Net 1's size and financial condition. The fee paid to Stenton Leigh was in no way influenced by the results of the valuation conclusion.

Between October 16, 2003 and January 30, 2004, the date on which the final report was delivered to the board of directors, representatives of Stenton Leigh conducted a number of telephonic meetings with management to gather information relevant to the valuation analysis. During such meetings and discussions, members of management, including the chairman and chief executive officer, discussed information contained in Net 1's financial statements and other information requested by and delivered to Stenton Leigh. On January 30, 2004, Stenton Leigh advised the board of directors of Net 1 that, based upon and subject to limitations of its analyses, as of such date, the consideration to be received by Net 1 was fair, from a financial point of view, to the Net 1 shareholders.

The full text of Stenton Leigh's opinion, which contains many of the assumptions Stenton Leigh made, the matters it considered and the limitations on the review it undertook in connection with its delivery of its opinion, is included as Annex C and is incorporated by reference into this proxy statement/prospectus. Stenton Leigh's opinion is directed to the Net 1 board of directors and addresses only the fairness of the consideration from a financial point of view. It does not address the underlying business decision of Net 1 to proceed with the acquisition of substantially all of the assets and the assumption of all the liabilities of Aplitec nor any other aspect of the transaction and does not constitute a recommendation to any Net 1 shareholder as to how that shareholder should vote at the Net 1 special meeting. The following summary of Stenton Leigh's opinion set forth below is qualified in its entirety by reference to the full text of such opinion. Net 1 shareholders are urged to read the Stenton Leigh opinion carefully and in its entirety, a copy of which is attached as Annex C to this proxy statement/prospectus.

In connection with rendering its opinion regarding the issuance of shares of common stock of Net 1 to the Brait Consortium, Stenton Leigh considered, among other things, the following:

- (1) Net 1's Form 10-QSB for the quarter ended September 30, 2003 and Form 10-KSB for the year ended December 31, 2002;
- (2) Discussions with management and directors of Net 1;
- (3) Assumptions on Net 1's market, competitive position and outlook as relayed by Net 1 management at January 30, 2004;
- (4) Relevant internal and public information including economic, investment, industry, public market and transaction data as a background against which to assess findings specific to the business were considered;
- (5) Major contracts both existing and anticipated in the very near future for Net 1, if any, were discussed with management, including any features or factors that may have an influence on value; and
- (6) Management's forecast financial statements for the four years ended December 31, 2006.

In preparing its opinion, Stenton Leigh relied upon and assumed the accuracy and completeness of all of the financial and other information that was used, without assuming any responsibility for independent verification of any such information, and further relied upon the assurances of Net 1's management that they were not aware of any facts or circumstances that would make any such information inaccurate or misleading. Stenton Leigh did not audit this information as part of its analysis and therefore, did not express an opinion or other form of assurance regarding the information.

Stenton Leigh assumed that the issuance of shares of common stock to the Brait Consortium will comply, in all respects, with the securities laws, trade regulations and other applicable statutes and regulations of the various foreign jurisdictions under which the issuance may be governed. Stenton Leigh's opinion was based upon market, economic and other conditions as they existed on, and could be evaluated as of, January 30, 2004. Accordingly, although subsequent developments may affect Stenton Leigh's opinion, Stenton Leigh did not assume any obligation to update, review or reaffirm their opinion.

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The presentation of a fairness opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analyses and the application of those methods to the particular circumstances and, therefore, such an opinion is not readily susceptible to partial or summary description. No company, business or transaction used in those analyses as a comparison is identical to Net 1 nor is an evaluation of the results of those analyses entirely mathematical; rather, it involves complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the issuance to the Brait Consortium, public trading or other values of the companies, business segments or transactions being analyzed. The estimates contained in those analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual or predictive of future results or values, which may be significantly more or less favorable than those suggested by those analyses. In addition, analyses relating to the value of businesses or securities are not appraisals and may not reflect the prices at which businesses, companies or securities actually may be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty.

In arriving at its opinion, Stenton Leigh made qualitative judgments as to the significance and relevance of each analysis and factor considered by it. Accordingly, Stenton Leigh's analyses must be considered as a whole and that selecting portions of its analyses and factors, without considering all analyses and factors, could create an incomplete view of the processes underlying such analyses and its opinion. In its analyses, Stenton Leigh made numerous assumptions with respect to Net 1, industry performance and regulatory environment, general business, economic, market and financial conditions, as well as other matters, many of which are beyond the control of Net 1 and involve the application of complex methodologies and educated judgment.

Following is a summary of each of the material financial analyses performed by Stenton Leigh in connection with its opinion dated January 30, 2004.

Analysis of Net 1

It is widely recognized that there is no one correct method of valuation, and that any appraisal depends upon an analysis of the relevant facts, common sense, and the informed judgment of the valuator. A full and complete appraisal requires the analyst to implement all relevant valuation methods that are appropriate to the particular assignment. For this valuation, Stenton Leigh considered at least one method under each approach.

Due to Net 1's history of losses combined with its uncertain future outlook as presented to Stenton Leigh by Net 1's management at the Valuation Date, Stenton Leigh used the market approach as the appropriate approach to value determination. Stenton Leigh selected the market approach because in Net 1's case, it reflects the fair market value that would be realized taking into consideration Net 1's negative book value, shortage of working capital and forecasted losses. Given Net 1's history of losses, management's negative future outlook, and negative book value, an income approach or an asset approach would not provide meaningful results.

Below is a brief description of each of the market approach, the income approach and the asset approach, as well as the reasons for the selected approach:

Market Approach

The market approach suggests that the value of the entity can be determined by examining the market that has been established by historical experience. This approach is a general way of determining a value indication for a business interest by using one or more methods that compare the subject to similar businesses, or partial interests in similar businesses, that have been sold. Examples of market approach methods include the publicly traded guideline company method, the mergers and acquisitions guideline company method and the analysis of prior transactions in the ownership of the subject business. The business used for comparison must serve as a reasonable basis for such comparison. In searching for guideline companies, factors to be considered in judging whether a reasonable basis for comparison exists include:

a sufficient similarity of qualitative and quantitative investment characteristics;

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the amount and verifiability of data known about the similar investment;

whether or not the price of the similar investment was obtained in an arm's length transaction or was instead purchased in a forced or distressed sale.

Should comparable market transaction data be located that are deemed to be reasonably similar, comparisons are normally made through the use of valuation ratios. The computation and use of these ratios should provide meaningful insight and guidance about the subject, considering all relevant factors. Therefore, care should be exercised with respect to issues such as:

the selection of the underlying data used to compute the valuation ratios;

the selection of the time periods and/or the averaging methods used for the underlying data;

the computation of the valuation ratios;

the timing of the price data used in the valuation ratios; and

how the valuation ratios were selected and applied to the subject entity's underlying data.

Finally, comparisons are made by using comparable definitions of the components of the valuation ratios, such as earnings and cash flow.

Publicly Traded Guideline Companies. One method within the market approach is to search for transaction data for similar and relevant guideline corporations. The valuator must locate publicly traded companies that are similar in nature and operations to the company being valued. When guideline companies can be identified and are deemed to be applicable, the valuator may form comparisons between the performance of the group of guideline companies and the subject business. These comparisons are known as indicators of value or price multiples and may include Tangible Book Value Multiple, Price/ Earnings, Total Invested Capital (TIC)/ Cash Flow, and TIC/ Sales. Stenton Leigh conducted a search of public companies operating in the computer services industry.

Stenton Leigh selected a number of companies that it viewed as comparable to Net 1. Although none of the selected companies were exact , they represented companies in similar businesses. To apply the market approach, Stenton Leigh performed a computerized database search for guideline companies that could be considered comparable . In selecting valuation multiples, Stenton Leigh compared the results of the search to Net 1's historical results and to those of the industry and S&P 500. Stenton Leigh then adjusted the multiples to account for the guideline companies' size, revenue, profitability, trading volume and other characteristics.

Mergers and Acquisitions Guideline Company Data. This market approach obtains and analyzes information from mergers and acquisitions of entire guideline companies, both public and privately held. The sales and pricing information is then applied to the subject company to determine its value. Stenton Leigh performed a search of various transaction databases.

The majority of the transactions identified through this process were eliminated because their lines of business were materially different from Net 1's. Stenton Leigh used the mean and median results to determine Net 1's value under this method.

Income Approach

The income approach develops a value that arises from the presumed ability of the entity to produce a profit or return on investment (ROI) for its owner. This approach is a general way of determining a value indication of a business by using one or more methods through which anticipated benefits are converted into value as of the valuation date. Anticipated benefits are expressed in monetary terms and may be reasonably represented by such items as dividends or various forms of earnings cash flow.

Both capitalization of benefits method and discounted future benefits methods are acceptable. In capitalization of benefits methods, a representative benefit level is divided or multiplied by an appropriate capitalization factor to convert the benefit of value. In discounted future benefits methods, benefits are estimated for each of several future periods. These benefits are converted to value by applying an appropriate discount rate and using present value procedures.

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Anticipated benefits are converted to value by using procedures that consider the expected growth and timing of benefits, the risk profile of the benefits stream, and the time value of money.

The conversion of anticipated benefits to value normally requires the determination of a capitalization factor or discount rate. In that determination, the appraiser should consider such factors as the level of interest rates, the rates of return expected by investors on alternative investments, and the specific risk characteristics of the anticipated benefits. Therefore, the two basic components of the income approach are the measure of income and the required rate of return.

In capitalization of benefits methods, expected growth is incorporated in the capitalization factor. In discounted future benefits methods, expected growth is considered in estimated in the future stream of benefits.

Asset Approach

The asset approach, sometimes referred to as the cost approach, is conceptually the least complex of all approaches to consider and use as an appraisal guideline. The asset-based approach is a general way of determining a value indication of a business interest using one or more methods based directly on the value of the assets owned by the business less the business's liabilities. In theory, a buyer would not pay more than it would cost to create an entity of equivalent economic utility. Therefore, the concept is to adjust all assets and liabilities, whether or not recorded on the entity's balance sheet, to market value. Generally, the entity is presumed to be a going concern and the adjustments will reflect that premise. The asset approach typically does not take into consideration the intangible value of the enterprise, unless these assets are specifically identified and valued. The asset-based approach should be considered in valuations conducted at the total entity level or involving a business appraised on a basis other than a going concern. Valuations of particular ownership interests in an entity may or may not require the use of the asset-based approach.

Results and Conclusions

Below is a description of the results and conclusions reached by Stenton Leigh under each of the above-referenced approaches:

Market Approach

Publicly Traded Guideline Companies. One method within the market approach is to search for transaction data for similar and relevant guideline corporations. The appraiser must locate publicly traded companies that are similar in nature and operations to the company being valued. When guideline companies can be identified and are deemed to be applicable, the appraiser may form comparisons between the performance of the group of guideline companies and the subject business. These comparisons are known as indicators of value or price multiples and may include Tangible Book Value Multiple, Price/Earnings, TIC/Cash Flow, and TIC/Sales.

Stenton Leigh conducted a search of public companies operating in the same industries as Net 1. In order to select the appropriate multiples to be applied in this Valuation Report, Stenton Leigh analyzed four principal approaches:

1. Reviewed companies in the technology sector;
2. Reviewed companies in the computer services industry;
3. Compared the results of numbers 1 and 2 above to Net 1's historical results and to the S&P 500; and
4. Selected a short list of guideline companies being the closest in comparability to Net 1.

The results of the findings for numbers 1, 2, and 3 above are set out in the ratio comparison table set forth below.

The first step in applying the market approach to valuing a company is to identify publicly traded companies that are comparable. Analysts who regularly value companies in different industries have well-defined methods for determining which companies are comparable to the subject company. The procedure

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used to develop the group of public companies includes the following steps, which may vary depending on the situation:

The industry or industries in which the company operates are identified;

Various databases are searched for a group of companies in a line of business similar to that of Net 1;

Detailed descriptions and business segment data for the potential guideline companies are reviewed to eliminate those with products or services that differ from the subject company;

Companies whose stock is thinly traded are typically eliminated, as such companies' transactions data is less meaningful; and

The remaining companies are further analyzed in terms of operating, financial, geographical, industry, and/or market characteristics to insure that they are reasonable for inclusion in the guideline company group.

The last step in this process is the most subjective. A thorough understanding of the financial standing and the operating performance of the subject company is essential to establishing the parameters by which to screen guideline data. Screens should include revenue mix, market, products, size of company, revenue, margins, capital structure, and growth both historical and estimated. While an optimal guideline group will contain numerous companies, the number of companies included will depend on the similarity to the company, trading activity, and the financial information available.

A perfect guideline company is identical to the company with regard to business type, capital structure, size, and primary market. It has similar management dynamics, has a stock that is widely traded, encounters the same risks and opportunities, and, importantly, has the same prospects for growth in the near term, immediate term, and long term. Because it is in essence a mirror image of the subject company, a perfect market comparable provides a whole range of meaningful valuation multiples which can be applied to reported and/or prospective operating results and provide a meaningful and defensible valuation. Of course, perfect guideline companies rarely exist, and finding an entire group of, say, five to eight perfect guideline companies is almost unheard of. As a result, it is often necessary to make some adjustment to the multiples derived from the group.

Once the group of guideline companies is identified, critical valuation data about each company is assembled into a table. This table includes critical balance sheet and income statement data, trading information about the guideline companies, and an array of valuation multiples implied by public market pricing.

Stenton Leigh selected a number of companies it viewed as comparable to Net 1. Although none of the selected companies were exact, they represent companies in similar businesses.

To apply the market approach, we performed a computerized database search for guideline companies that could be considered comparable. This search revealed the following companies:

ADS	=	Alliance Data Systems
FISV	=	Fiserv, Inc.
FDC	=	First Data Corporation

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The following is a summary of the analysis Stenton Leigh undertook involving these selected companies and Net 1:

Valuation									
	P/E (TTM)	P/E High Last 5 Yrs	P/E Low Last 5 Yrs	Beta	TIC* to Sales (TTM)	Price to Book (TTM)	Price to Tangible Book (TTM)	TIC* to Cash Flow (TTM)	Market Cap. (Millions)
ADS	40.73	NA	NA	1.03	2.46	3.23	20.24	41.52	2,186
FISV	24.31	47.70	21.55	0.94	2.78	3.46	NA	17.57	7,264
FDC	21.94	46.32	13.33	0.90	4.02	6.95	NA	22.14	28,766
Net 1	NA	NA	NA	NA	858.02	NA	NA	NA	116
TOTAL	86.98	94.02	34.88	2.87	9.26	13.64	20.24	81.23	38,216
AVG	28.99	31.34	11.63	0.96	3.09	4.55	6.75	27.08	12,739
MEDIAN	24.31	46.32	13.33	0.94	2.78	3.46	10.12	22.14	7,264

* Total Invested Capital

NA Ratio not available for computation due to the existence of net historical losses, negative net book value, negative net tangible book value, or negative cash flow from operations.

Comparable Analysis Summary

Valuation Indicators. Market Capitalization: Net 1 is a publicly traded company with a market capitalization of approximately \$115.7 million at January 28, 2004 based on a closing share price of \$7.30 and 15,852,856 shares outstanding. The market capitalization of the companies used in our valuation analysis was in the range of \$2.3 billion to \$27.0 billion. As previously stated, perfect guideline companies rarely exist, and finding an entire group of perfect guideline companies is almost unheard of. However, the companies selected by Stenton Leigh were believed to be in similar businesses to Net 1 but, are significantly larger. Therefore, these guideline companies provide Stenton Leigh an indicator of the public market value of large industry participants which forms a basis from which certain limited valuation conclusions can be derived. However, since in the instance of Net 1 the guideline companies are so much larger, better capitalized and operating profitably, they are not good value indicators for Net 1 at the Valuation Date. Since Net 1 had no earnings or cash flow from operations, and had a negative book value at the Valuation Date, none of the related guideline multiples could be applied, even if they were good value indicators. The only valuation approach which Stenton Leigh followed using the guideline information was the TIC to Sales approach to value. The average TIC to Sales guideline ratio was 3.09 and Stenton Leigh selected 2.0 to apply to Net 1. Stenton Leigh compared this multiple selected to private transaction multiples for TIC to Sales which were approximately 1.0 times. Stenton Leigh would expect private transactions to yield a lower multiple than the public transactions which were approximately 3.0 times. Therefore, we selected the average of these two findings, or 2.0 as applicable to Net 1 at the Valuation Date.

Table of Contents**RATIO COMPARISON**

Valuation Ratios	Company	Industry(1)	Sector(2)	S&P 500	Guideline Companies
P/ E Ratio (TTM)	NA	31.01	39.72	26.50	28.99
P/ E High Last 5 Yrs	NA	58.18	65.66	48.10	31.34
P/ E Low Last 5 Yrs	NA	14.14	19.72	16.25	11.63
Beta	NA	1.79	1.99	1.00	0.96
TIC to Sales (TTM)	858.02	4.97	6.32	3.72	3.09
Price to Book (MRQ)	NA	5.25	5.78	4.58	4.55
Price to Tangible Book (MRQ)	NA	12.67	7.41	7.78	6.75
TIC to Cash Flow (TTM)	NA	29.85	32.13	19.51	27.08
% Owned Institutions	NA	49.67	47.38	63.78	72.41

(1) Computer service industry

(2) Technology sector
Source: Multex.com, Inc.

Price Earnings Multiple Analysis. Net 1 had losses in 2002 and through September 30, 2003, the date with the most current available financial information, and therefore this valuation approach would not provide meaningful results. According to Net 1 management, there were no material changes to Net 1's results of operations through January 30, 2004, the date of Stenton Leigh's report to the Net 1 board.

TIC to Sales Multiple Analysis. Stenton Leigh reviewed the selected company, industry, sector and S&P 500 results and concluded a multiple of 2.00 as appropriate for Net 1 at January 30, 2004 based on historical losses and Net 1's smaller size. The following sets forth the application of this sales multiple to Net 1's 2003 annual revenue results:

Annualized 2003 Revenue	\$ 54,689
Multiple	2.00
	<hr/>
Total Value	\$ 109,378
	<hr/>

TIC to Cash Flow. Net 1 had negative cash flow in 2002, and through September 30, 2003, the date with the most current available financial information, and therefore this valuation approach would not provide meaningful results. According to Net 1 management, there were no material changes to Net 1's results of operations through January 30, 2004.

Net Book Value Multiple Analysis. As of September 30, 2003, the date with the most current available financial information, Net 1 had a negative book value, and therefore this valuation approach would not provide meaningful results. According to Net 1 management, there were no material changes to Net 1's financial position through January 30, 2004.

Prior Transaction Analysis

The market approach suggests that the value of the entity can be determined by examining the market that has been established by historical experience. One method, usually applicable to larger, publicly held corporations, is to refer to the value set by the most recent trading of the stock by private and public investors who have made their own determination as to value. Net 1 did not have any private common stock transactions during the past twelve months.

Mergers and Acquisitions Guideline Company Data

The market approach obtains and analyzes information from mergers and acquisitions of entire guideline companies, both public and privately held. The sales and pricing information is then applied to

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the subject company to determine its value. Stenton Leigh performed a search of the Pratt's Stats, Mergerstat, Public Company, Bizcomps and Institute of Business Appraisers (IBA) transaction databases.

The following details the results of the search:

SIC Code	Pratt's Stats		Mergerstat		Bizcomps		Public Company		IBA		Total	Selected
	Total	Selected	Total	Selected	Total	Selected	Total	Selected	Total	Selected		
7374	37	4	10	1	7	0	5	0	17	0	76	5

The majority of these transactions were eliminated because their lines of business were materially different from that of Net 1. The remaining transactions selected took place between 1998 and 2002. Due to the limited number selected, Stenton Leigh used the mean and median results.

	Net Sales	Net Earnings	Sale Price \$000	TIC/ Sales	Price/ Earnings
Mean	\$18,380,197	\$58,523	\$16,398	0.948	2.888
Median	\$14,216,888	\$35,216	\$10,852	0.919	2.888

Date	Net 1 Annualized Sales	TIC/Sales Multiple		Value Indication (000 s)		Mean Value (000 s)
		Mean	Median	Mean	Median	Total
9/30/03	\$54,689	0.948	0.919	\$51,845	\$50,259	\$51,052

In estimating a value using the direct market data method, Stenton Leigh would normally eliminate the high and the low values and consider the remaining value indications reflected in the above table to be the most appropriate. However, since Stenton Leigh did not use the Price/Earnings multiples due to Net 1's losses, it used the average of the mean and median TIC/Sales multiples calculated above.

Market Capitalization

The market capitalization for Net 1 as of January 28, 2004 was approximately \$115,725,849 based on a total of 15,852,856 common shares outstanding at \$7.30 per share, which was the closing price per share as reported on Bloomberg Financial Markets.

Asset Approach**Net Book Value Methodology**

The net book value (NBV) of a business is the historical value of that entity's assets less the value of its liabilities. To calculate net book value, Stenton Leigh referred to Net 1's financial statements as of September 30, 2003, the date with the most recent available financial information. According to Net 1 management, there were no material changes to Net 1's financial position through January 30, 2004.

Net 1's assets consist primarily of cash and accounts receivable. Management has indicated that all liabilities are supported by adequate documentation to reflect evidence of an obligation of the Company. At September 30, 2003 Net 1 had a negative book value.

Net Tangible Book Value

The net tangible assets of a business is the historical value of that entity's assets less the value of its intangibles and liabilities. To calculate the net tangible assets of Net 1, Stenton Leigh referred to Net 1's financial statements as of September 30, 2003, the date with the most recent available financial information. According to Net 1 management, there were no material changes to Net 1's financial position through January 30, 2004.

Net 1's assets consist primarily of cash, accounts receivable, inventory and property and equipment. As of September 30, 2003, Net 1 had intangible assets of \$1,563. At September 30, 2003 Net 1 had a negative tangible book value.

Table of Contents*Income Approach*

As described above, the Income Approach may rely on either a capitalization of benefits method, or a discounted cash flow method. For either method to be used, there must be an expectation of expected profits. The capitalization relies upon historical profits to which a growth rate is applied to determine value. Since Net 1 has both historical and forecasted losses, the Income Approach could not be used.

Determination of Value

In determining the final Business Enterprise Value (BEV) of Net 1, Stenton Leigh analyzed the results of the various approaches to value. To arrive at the final BEV Stenton Leigh added to its value conclusion any preferred equity and long-term and short-term debt at the valuation date and subtract cash and cash equivalents. The rationale is that, in buying a business, its current owners, the shareholders, and its creditors must be repaid. These costs become obligations of a prospective purchaser. Net 1's cash, on the other hand, is a liquid asset than can be used at the prospective purchaser's discretion.

Set out below is a summary of the findings of the various approaches to value which Stenton Leigh examined to determine the value of Net 1 at January 30, 2004:

	<u>Value</u>
I. MARKET	
Publicly Traded Guideline Companies:	
Net Book Value	N/U
Price/ Earnings	N/U
TIC/ Cash Flow	N/U
TIC/ Sales	\$ 109,378
Prior Transactions	N/U
Mergers & Acquisitions	\$ 51,052
Market Capitalization	\$ 115,725,849
	<hr/>
Average of Market approach (excluding Market Capitalization)(1)	\$ 80,215
	<hr/>
II. ASSET	
Net Book Value	N/U
Net Tangible Book Value	N/U
Average of Asset approach	\$ N/U
III. INCOME	
Capitalized Returns	N/U
Discounted Cash Flow	N/U
Average of Income approach	N/U
Value Conclusion (average of Market approach)	\$ 80,215
Add: Short-term and long-term debt	0
Less: Cash and cash equivalents	11,457
Total Value	\$ 68,758

N/U Not Used

- (1) The market capitalization is not a good indication of value since Net 1 has a limited number of outstanding shares in the public float (approximately 1%) and has very limited trading volume.

To arrive at Stenton Leigh's value conclusion, the Income Approach was not selected since Net 1 has historical and forecasted losses. Moreover, the Asset Approach was not selected since it resulted in a negative value. In evaluating the Asset Approach, Stenton Leigh considered the value of the current customer contracts, the FTS patent license and the UEPS marketing rights to Net 1 at January 30, 2004. As of this date, Net 1's management provided a forecast showing losses in 2004 and 2005. In addition,

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Net 1 did not have sufficient working capital or the necessary physical infrastructure, management team or marketing and sales distribution capability with which to exploit the patent and marketing rights. Finally, the underlying license agreement does not permit Net 1 to sell the patent or marketing rights to an unaffiliated third party.

While the forecasted revenues from the FTS patent license and the UEPS marketing rights are sufficient to cover royalties and other such direct costs, they are not sufficient to cover all company overheads, resulting in forecasted losses. Accordingly, Net 1 has been unable to generate historical profits and is forecasting future losses from operations, leading Stenton Leigh to conclude that, at January 30, 2004, the value attributable to the current customer contracts, the FTS patent license and UEPS marketing rights, in the context of the Company as a whole, was negligible.

Stenton Leigh selected the Market Approach because in this instance, the Market Approach reflects the fair market value that would be realized taking into consideration Net 1's negative book value, shortage of working capital and forecasted losses.

Based upon the foregoing, and the various factors and assumptions considered necessary to the development of Stenton Leigh's valuation conclusion, in Stenton Leigh's opinion the fair market value of the common stock of Net 1 at January 30, 2004 is as set out below:

	Total Value
Value of Net 1	\$ 68,758
Common Shares Outstanding	15,852,856
Value per Common Share	\$ 0.004

Therefore, Stenton Leigh concluded that the Net 1 common stock should be valued at approximately \$0.01 per share or a total of \$68,758 at January 30, 2004.

To further determine the fairness of the proposed transaction with the Brait Consortium to Net 1's shareholders, Stenton Leigh performed a separate analysis to determine the value of Net 1 subsequent to the Aplitec acquisition. From this analysis, Stenton Leigh determined that based upon the value of Aplitec and the additional funding to be provided by the Brait Consortium, Net 1 shareholders would receive greater value subsequent to the Aplitec acquisition than the proposed transaction price of \$0.50 per share, and therefore the proposed Aplitec acquisition is anti-dilutive to the existing Net 1 shareholders.

Stenton Leigh also reviewed the public market capitalization of Net 1 and its trading volume. In Stenton Leigh's opinion, the market capitalization did not reflect a true value for Net 1 at January 30, 2004 as its public shares were very thinly traded. Further, Net 1 management has advised that they believe that if a small block of stock were to be sold into the public market (i.e. 100,000 shares) their stock price would most likely drop to pennies. This, combined with Stenton Leigh's analysis of the underlying value of Net 1, which is virtually insolvent as described above, and the fact that the existing Net 1 shareholders will benefit from an infusion of a capital by keeping Net 1 in existence and creating significant upside potential for Net 1 and therefore its shareholders, in Stenton Leigh's opinion, the issuance of common shares of Net 1 at January 30, 2004 is fair to the shareholders of Net 1, subject to the assumptions and qualifications set forth in Stenton Leigh's fairness opinion, a copy of which 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."

Miscellaneous

Net 1 has paid Stenton Leigh \$70,000 for its advisory services. Net 1 has also reimbursed Stenton Leigh for its reasonable out-of-pocket expenses, including reasonable fees and expenses and it has agreed

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to indemnify Stenton Leigh and affiliated parties against liabilities, including liabilities under the U.S. federal securities laws, arising out of its engagement, unless such expenses arise out of the gross negligence of Stenton Leigh.

Interests of Certain Persons in the Proposed Transactions

When considering the recommendation by the Net 1 board of directors to vote FOR the 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 the outstanding shares of Net 1 common stock that is owned by Net 1 Holdings. Dr. Belamant will benefit as a result of his interest in Aplitec, any compensatory or option grants received pursuant to the 2004 Stock Incentive Plan and the employment agreement described below.

The following individuals will execute employment agreements prior to the completion of the proposed transactions and will hold the following positions of each of New Aplitec and Net 1:

Dr. Belamant, Chief Executive Officer and Chairman of the Board of New Aplitec and Net 1;

Herman Kotze, Chief Financial Officer of New Aplitec and Net 1;

Brenda Stewart, Director of Marketing and New Business Development of New Aplitec and Senior Vice President Marketing and Sales of Net 1; and

Nitin Soma, Director of Software Development of New Aplitec and Senior Vice President Information Technology of Net 1.

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 (\$168,498). 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 following table represents 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:

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<u>Anticipated(1)</u>	<u>Minimum(2)</u>	<u>Maximum(3)</u>
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 May 5, 2004 of ZAR 7.15 (\$1.05) per share, which is above the cash offer price of ZAR 5.00 (\$0.73) 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%).

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

Employment Agreements

Net 1 and New Aplitec will enter into employment agreements with each of Dr. Belamant, Herman Kotze, Brenda Stewart and Nitin Soma prior to the completion of the proposed transactions. These four individuals are currently employed by Aplitec, and since their cost of employment is already included in Aplitec's financial results, Net 1 does not expect that the execution of new employment agreements will have a material effect on the financial results of the combined company. The agreements will provide for the grant of stock-based awards under the 2004 Stock Incentive Plan to these four individuals and other key employees upon completion of the proposed transactions in respect of an aggregate of 8,720,936 shares of Net 1 common stock. Such stock-based awards will be issued for no cash consideration.

Sale Agreement

The sale agreement between Aplitec, Net 1 Investment Holdings (Pty) Limited, Net 1 Support Services (Pty) Limited and New Aplitec provides that New Aplitec, a newly incorporated South African company, will acquire substantially all of the assets and all of the liabilities of Aplitec and all of the operating subsidiaries of Aplitec, which are Net 1 Investment Holdings (Pty) Limited, Net 1 Support Services (Pty) Limited, Cash Paymaster Services (Pty) Limited and Net 1 Finance Holdings (Pty) Limited. New Aplitec will also acquire three subsidiaries of Aplitec (Net 1 Southern Africa (Pty) Limited, Net 1 Solutions (Pty) Limited and Commutercard (Pty) Limited) that maintain no business operations and the assets of which primarily consist of intercompany receivables, cash and cash equivalents. This sale was approved by a majority of Aplitec's shareholders on December 9, 2003. We urge you to carefully read the sale agreement in its entirety, a copy of which has been filed as an exhibit to the registration statement of which this proxy statement/prospectus is a part.

If all the conditions relating to the acquisition are fulfilled or waived, then New Aplitec will acquire substantially all of the assets and liabilities of Aplitec, excluding:

cash in the sum of ZAR 300 million (\$43.96 million) plus enough cash as is necessary to pay holders of Aplitec shares an additional amount equal to ZAR 0.25 (\$0.04) for each Aplitec ordinary share for which such Aplitec shareholder elects the cash option, as described below; and

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the shares held indirectly by Aplitec in three subsidiaries that are not parties to the Aplitec acquisition (Country on a Card (Pty) Limited, Net 1 Loyalty (Pty) Limited and Net 1 Payroll (Pty) Limited). These subsidiaries contain no assets, business operations, agreements, contracts or liabilities on behalf of Aplitec or Net 1.

Aplitec is making no representations or warranties with respect to the assets being sold to New Aplitec.

The Purchase Price and the Reinvestment Option

The net purchase price payable by New Aplitec for the assets of Aplitec will be ZAR 825.64 million (\$120.97 million). This will result in the holder of each Aplitec ordinary share receiving, either:

1. an amount of ZAR 5.00 (\$0.73) in the cash option *or*,

2. a reinvestment option consisting of:

ZAR 1.90 (\$0.28) in cash; and

one unit in a South African Trust

We refer to the interest in the South African Trust in this proxy statement/ prospectus as a beneficial interest.

As part of the purchase price, New Aplitec will also assume all of the liabilities of Aplitec.

Each unit of the South African Trust will represent an interest in (i) one New Aplitec B class preference share; (ii) one New Aplitec B class loan account and (iii) a right to receive 0.814286 shares of Net 1 special convertible preferred stock from the Cayman Trust upon the occurrence of a trigger event. These three interests are together convertible into 0.814286 share of Net 1 common stock, as described under the section titled, *Umbrella Agreement Conversion into Net 1 common stock*.

Pursuant to an Underwriting Agreement with New Aplitec, a copy of which is filed as an exhibit to the registration statement of which this proxy statement/ prospectus is a part, 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 (\$0.42) per Aplitec share not involved in the reinvestment up to 64.70 percent of the reinvestment option (e.g., 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 (\$64.03 million) in respect of the reinvestment option not taken up by Aplitec shareholders by acquiring interests in the South African Trust.

The above consideration has been structured in order to achieve compliance with South African Exchange Control requirements. Under current South African Reserve Bank Exchange Control Regulations, South African residents generally may not own any assets outside of South Africa. If a South African resident does acquire an asset outside South Africa, he or she must sell the asset within 90 days and repatriate the proceeds to South Africa.

Our transaction structure allows Aplitec's reinvesting shareholders to beneficially own an interest in a non-South African asset (Net 1) without the need to divest within the 90-day period described above. Upon completion of the proposed transactions, these shareholders will be issued units of the South African Trust. The South African Trust is a necessary part of the transaction structure because its trustee is charged with ensuring that all proceeds received upon the sale of shares of Net 1 common stock are repatriated to South Africa. The South African Trust will hold the New Aplitec B class preference shares and loan accounts, as well as a right to receive shares of Net 1 special convertible preferred stock from the Cayman Trust. The Cayman Trust is a necessary part of the transaction structure because the South African Trust is a South African resident and therefore is not permitted to hold securities of Net 1. The Cayman Trust may distribute shares of special convertible preferred stock only to the South African Trust and only upon receipt of written instructions from the trustee of the South African Trust.

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The South African Reserve Bank has agreed that, until a South African resident wishes to dispose of his interest in Net 1, he can continue to enjoy the economic benefits of ownership (i.e. dividends) through the trust structure described above. Additionally, the South African Reserve Bank has agreed that, upon conversion of Net 1 special convertible preferred stock into shares of Net 1 common stock, the South African Trust has up to twelve months to sell such shares of Net 1 common stock, provided that the proceeds be immediately repatriated to South Africa.

The combination of New Aplitec securities and Net 1 special convertible preferred stock gives Aplitec's reinvesting shareholders an economic interest substantially equivalent to that of Net 1's common shareholders. Under the proposed amendment to Net 1's articles of incorporation, shares of special convertible preferred stock have the same voting rights as common stock. This allows Aplitec's reinvesting shareholders, through the trust structure described above, to vote on all Net 1 matters in accordance with their ownership interests. The New Aplitec A class shares and loan accounts (which shall be owned by Net 1) and the B class preferred shares and loan accounts (which shall be held by the South African Trust for the benefit of its unit holders) are required to maintain the appropriate proportional ownership interests at both the Net 1 and New Aplitec levels. The total amount of B class loan accounts to be held by the South African Trust (ZAR 239.4 million or \$35.07 million) is equal to 58.14% of the total outstanding loan accounts of New Aplitec, which is the same ownership percentage that both the shares of Net 1 special convertible preferred stock and the New Aplitec B class preference shares to be issued represent of the total capital stock of Net 1 and New Aplitec respectively on a fully diluted basis. This also ensures that the relative voting interests of each group are equivalent at both the Net 1 and New Aplitec levels. The New Aplitec loan accounts will also give New Aplitec the flexibility to take advantage of certain potential tax benefits available in South Africa.

Shares of Net 1 special convertible preferred stock are convertible on a one-for-one basis into shares of Net 1 common stock. In order to receive shares of Net 1 common stock, the South African Trust must present a certain number of shares of Net 1 special convertible preferred stock, as well as a proportionate number of New Aplitec B class preference shares and loan accounts, to Net 1 (please see the section titled Conversion into Net 1 Common Stock for more information). Any dividends or other distributions received by the South African Trust will be distributed to the Trust's unit holders.

The following transactions will occur for each Aplitec ordinary share held by Aplitec shareholders who elect the reinvestment option:

New Aplitec will pay ZAR 1.90 (\$0.28) to the underlying shareholder;

Net 1 will issue to the Cayman Trust 192,967,138 shares of special convertible preferred stock, to be held by the Cayman Trust for the benefit of the unit holders of the South African Trust;

New Aplitec will issue to the South African Trust one B class preference share, ZAR 0.001 par value per share, and one B class loan account; and

the shareholder will receive one unit of the South African Trust.

If any Aplitec shareholder fails to make the election between the cash option and the reinvestment option, such Aplitec shareholder will be deemed to have elected the cash option.

Upon completion of the proposed transactions, Aplitec's reinvesting shareholders and/or the Brait Group will hold, as the direct beneficiaries of the South African Trust and indirect beneficiaries through the Cayman Trust, 100% of the outstanding shares of Net 1 special convertible preferred stock. The reinvestment option has been fixed at an exchange rate of ZAR 7.00 = \$1.00, which is the exchange rate used for determining the number of shares of Net 1 special convertible preferred stock issued to the Cayman Trust. Each share of special convertible preferred stock is convertible into one share of common stock of Net 1. Assuming that 100% of the Aplitec shareholders elect the reinvestment option, on a converted and fully diluted basis the reinvestment option will be convertible into 58.14% of the outstanding common stock of Net 1, assuming that the Brait Group does not elect to apply up to \$2.5 million of its

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capital raising fee to purchase up to 5 million shares of Net 1 common stock at a purchase price of \$0.50 per share.

Because Aplitec shareholders that are U.S. residents are not subject to South African exchange controls, they will be permitted to own shares of Net 1 common stock immediately upon completion of the proposed transactions. Therefore, such U.S. shareholders will receive, for each Aplitec ordinary share subject to the reinvestment option, 0.814286 shares of Net 1 common stock.

Conditions to Completion of the Aplitec Acquisition

Each party's obligation to effect the Aplitec acquisition is subject to the satisfaction or waiver of the following material conditions:

receiving all required regulatory approvals;

receiving all approvals of the Exchange Control Department of the South African Reserve Bank;

receiving all third party consents to the assignment of Aplitec's contracts to New Aplitec;

New Aplitec registering a prospectus to be issued and registered with the Registrar of Companies in South Africa and the circulation of this proxy statement/ prospectus to the Aplitec shareholders (note that New Aplitec will not be publicly traded);

Aplitec assigning all of its intellectual property to New Aplitec;

the waiver by all third parties of pre-emptive or similar rights relating to Aplitec or its assets rights;

New Aplitec or Net 1 and certain key executives of Aplitec (to be identified by New Aplitec) entering into employment agreements and undertakings in restraint of trade to the satisfaction of New Aplitec, which will include the issuance of shares pursuant to the 2004 Stock Incentive Plan;

the approval by Net 1's stockholders of the increase in authorized share capital, the issue of shares of Net 1 common stock to the Brait Consortium and the issuance of Net 1's shares of special convertible preferred stock in connection with the Aplitec acquisition and the registration with the SEC of Net 1 common shares issuable upon conversion of such shares; and

the acquisition by Net 1 of the rights to the U.S. FTS patent and the UEPS technology currently held by Net 1 Holdings, and the assumption of Net 1 Holdings' rights and obligations under certain existing agreements, including the Patent and Technology Agreement with Net 1.

The Aplitec acquisition was subject to its approval by a majority of Aplitec's shareholders. This approval was obtained on December 9, 2003.

In addition to the conditions described above, the proposed transactions will not be completed if the holders of a majority of the outstanding Aplitec ordinary shares accept the rescission offer as a result of the failure of conditions to which the Aplitec acquisition is subject. For a discussion of the rescission offer, see "The Rescission Offer" beginning on page 76 herein.

The closing of the Aplitec acquisition will occur on the sixteenth business day after the last of the conditions to the acquisition have been satisfied or waived. Although no assurances can be given, we currently expect that the Aplitec acquisition will close in the second quarter of 2004. However, because the Aplitec acquisition is subject to regulatory approvals and other customary conditions, we cannot predict the exact timing of closing.

Common Stock Purchase Agreement

The following description summarizes the material provisions of the Common Stock Purchase Agreement between Net 1 and SAPEF III International G.P. Limited (as representative of the Brait Consortium). We urge you to carefully read the Common Stock Purchase Agreement in its entirety, a

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copy of which has been filed as an exhibit to the registration statement of which this proxy statement/ prospectus is a part.

General

The Common Stock Purchase Agreement provides that Net 1 will issue 105,661,428 shares of common stock at \$0.50 per share to SAPEF III International G.P. Limited (as representative of the Brait Consortium) for a total purchase price of \$52.8 million and procurement of the assignment of shares of New Aplitec. Pursuant to the terms of the Common Stock Purchase Agreement described in further detail below, SAPEF III International G.P. will assign the right to purchase shares of Net 1 common stock to South African Private Equity Fund III, L.P., a fund managed by FF&P Asset Management Limited, and two funds managed by Southern Cross Capital Limited.

The closing of the Common Stock Purchase Agreement 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 SAPEF III International G.P. Limited (as representative of the Brait Consortium) will agree. Although we can give no assurances, we currently expect that the closing of the Common Stock Purchase Agreement will occur in the second quarter of 2004. However, because the closing is subject to customary conditions and other agreements, we cannot predict the exact timing.

Representations and Warranties

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

corporate organization and power and similar corporate matters;

capital structure at the time of signing and upon completion of the issuance of shares to the Brait Consortium;

authorization, execution, delivery, performance and enforceability of, and required consents, approvals, orders and authorizations of governmental authorities or third parties relating to the Common Stock Purchase Agreement;

the accuracy of information supplied in connection with this proxy statement/ prospectus and the registration statement of which it is a part;

the accuracy of information contained in documents filed with the SEC, as well as the absence of undisclosed liabilities;

approval of the Common Stock Purchase Agreement and all related actions and transactions by Net 1's board of directors and shareholders;

absence of significant litigation, material changes or events;

compliance with applicable law;

filing of tax returns and payment of taxes;

environmental matters;

ownership of intellectual property;

engagement and payment of fees of brokers, investment bankers, finders and advisors;

the disclosure of and validity of material contracts to which Net 1 is a party;

maintenance of insurance;

receipt of an opinion of Stenton Leigh, Net 1's advisor;

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affiliate transactions; and

labor matters and employee benefit plans.

Except for the representations and warranties regarding authorization, taxes, capital structure, government approvals, environmental matters and brokers and finders, the representations and warranties made by the parties to the Common Stock Purchase Agreement will survive for 24 months after the closing of the agreement, and their accuracy forms the basis of one of the conditions to the obligations of Net 1 and SAPEF III International G.P. Limited (as representative of the Brait Consortium) to complete the transaction.

Conditions to the Closing

Each party's obligation to effect this transaction is subject to the satisfaction or waiver of various conditions, which include the following:

each of the representations and warranties contained in the Common Stock Purchase Agreement qualified as to materiality being true and correct, and all other representations and warranties contained in the Common Stock Purchase Agreement being true and correct in all material respects;

the parties to the Common Stock Purchase Agreement having performed or complied in all material respects with all agreements, obligations, covenants and conditions required to be performed or complied with by it on or before the date on which the transaction is to be completed, and Net 1 having provided a certificate of a senior executive officer and the chairman of the board of directors to that effect;

no laws having been adopted or promulgated and no temporary restraining order, preliminary or permanent injunction or other order issued by any court or other governmental entity of competent jurisdiction being in effect that makes the stock purchase illegal or otherwise prohibiting the consummation of the Common Stock Purchase Agreement;

no action or litigation proceeding having been commenced by any governmental authority against any party to the Common Stock Purchase Agreement seeking to restrain or delay the purchase and sale of the shares of common stock or the other transactions contemplated by the Common Stock Purchase Agreement;

all approvals, consents, permits and waivers of governmental authorities necessary or appropriate for the consummation of the transactions contemplated by the Common Stock Purchase Agreement will have been obtained;

the Brait Consortium having received from Schneider Weinberger, outside legal counsel to Net 1, on the date on which the transaction is to be completed, a written opinion as to the shares of common stock of Net 1 being issued to the Brait Consortium; and

the required stockholder approval will have been obtained.

In addition, each party's obligation to effect the Common Stock Purchase Agreement is further subject to the satisfaction or waiver of the following additional conditions:

the amendment to Net 1's articles of incorporation authorizing the increase of authorized shares of common stock and preferred stock and the designation of the shares of convertible preferred stock will have been filed with and certified by the Florida Department of State;

Net 1 and the Brait Consortium will have entered into a registration rights agreement, the terms of which will be mutually agreed upon by the parties;

Net 1's board of directors will have approved the Common Stock Purchase Agreement and the transactions contemplated thereby;

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the Asset Purchase Agreement will have been executed and delivered; and

the Aplitec acquisition agreement will have been executed and delivered and the suspensive conditions referred to in that agreement will have been substantially fulfilled or waived to the satisfaction of the Brait Consortium.

In addition, the transactions contemplated by the Common Stock Purchase Agreement will not be completed if the rescission offer is accepted by the holders of a majority of the outstanding Aplitec ordinary shares. For a discussion of the rescission offer, see *The Rescission Offer* beginning on page 76 herein.

The Common Stock Purchase Agreement provides for indemnification for any breach of representations and warranties or covenants that causes any loss to the indemnified party. Net 1 will take all actions necessary 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 (although to date the Brait Consortium has named only two nominees). Net 1 also agrees to deliver financial statements, accountants' reports and financial plans to the Brait Consortium, and it will provide notification of any event of default or any material adverse development against itself.

Subscription Agreement

In connection with the Aplitec acquisition, Net 1 will subscribe for 170,647,911 A class shares of New Aplitec pursuant to the terms of a Subscription Agreement between Net 1 and New Aplitec. Net 1 will pay to New Aplitec approximately ZAR 229.8 million (\$33.67 million) to subscribe for all of the A class shares of New Aplitec at par value of ZAR 0.001 and to advance a loan account in the sum of ZAR 1.01004 (\$0.15) per A class share. This subscription and advance by Net 1 will be funded out of the consideration received from the Brait Consortium in connection with its purchase of Net 1 common stock. New Aplitec will issue the A class shares to Net 1 and credit Net 1 with the loan accounts in its books.

A copy of the Subscription Agreement has been filed as an exhibit to the registration statement of which this proxy statement/ prospectus is a part.

Umbrella Agreement

In order to regulate relations between Net 1, the South African Trust, the Cayman Trust, the Brait Consortium and New Aplitec, the parties have entered into an Umbrella Agreement.

Voting of New Aplitec Shareholders

When New Aplitec convenes a meeting of its shareholders, it will notify the South African Trust in its capacity as the holder of the New Aplitec's B class preference shares. The South African Trust will then inform the unit holders of the South African Trust of the meeting and the reasons thereof and will distribute to them forms of proxy. Those unit holders who wish to vote the B class preference shares attributable to their units will complete the proxy forms and forward them to the trustees of the South African Trust. The trustees of the South African Trust will, in turn, lodge proxies at the New Aplitec meeting to vote B class preference shares in the manner instructed by its unit holders.

Voting of Net 1 Shareholders

When Net 1 convenes a meeting of its shareholders, it will notify the Cayman Trust in its capacity as the holder of Net 1's special convertible preferred stock. The Cayman Trust will then notify the South African Trust of the meeting and provide it with sufficient copies of the materials relating to such meeting to distribute to its unit holders. Those unit holders who wish to direct the Cayman Trust to vote the shares of special convertible preferred stock of Net 1 attributable to their units will complete forms of proxy, indicating the manner in which they wish to vote them. These proxies will be forwarded back to the trustee of the Cayman Trust, who will, in turn, lodge proxies at the Net 1 meeting to vote the shares of special convertible preferred stock in the manner instructed by the unit holders of the South African Trust.

Table of Contents***Dividends on the Special Convertible Preferred Stock***

The Umbrella Agreement provides that when dividends are declared by Net 1 out of profits from any non-South African source, the class of special convertible preferred stock will receive a *pro rata* portion of such dividend (via the Cayman Trust) equivalent to its relative ownership of Net 1 at the time such dividend is declared. The Cayman Trust will forward any dividends received from Net 1 to the South African Trust, which will then distribute the dividends to its unit holders (in proportion to their unit holdings) to the last known address of each unit holder or, if so instructed by such holder, by way of a direct transfer into a banking account.

Conversion into Net 1 Common Stock

The conversion into shares of Net 1 common stock will occur upon the occurrence of a trigger event, which is defined as any one of the following events: (i) notification by the reinvesting Aplitec shareholder of the intention to convert some or all of such holder's units in the South African Trust; (ii) the abolition or relaxation of Excon regulations such that South African residents would be permitted to directly hold shares of non-South African companies; or (iii) the liquidation, insolvency or other winding up of either New Aplitec or Net 1. Upon receipt of notice of a trigger event, the trustee of the South African Trust will request delivery from the Cayman Trust of the number of shares of Net 1 special convertible preferred stock attributable to the units being converted. Upon delivery by the Cayman Trust, the South African Trust will transfer these shares of Net 1 special convertible preferred stock, along with a proportionate number of New Aplitec B class preference shares and loan accounts to Net 1 in exchange for shares of Net 1 common stock. The conversion ratio for this exchange is one share of Net 1 common stock for each share of special convertible preferred stock. Additionally, because each South African Trust unit represents an equal ownership interest in both New Aplitec and Net 1 (via the Cayman Trust), and because there will be outstanding at the closing more New Aplitec B class securities (236,977,187) than shares of Net 1 special convertible preferred stock (192,967,138), the delivery by the Cayman Trust will be based upon a distribution ratio of 0.814286 shares of Net 1 special convertible preferred stock for each South African Trust unit to be converted. Thus, for every unit of the South African Trust to be converted, the Cayman Trust will deliver 0.814286 shares of special convertible preferred stock to the South African Trust. This ratio ensures that any conversion into Net 1 common stock results in an equivalent reduction in the underlying unit holder's interest in each of New Aplitec and the Cayman Trust.

Following this conversion, the South African Trust will hold these shares of Net 1 common stock pending sale instructions from the beneficiary of those shares (i.e. the reinvesting Aplitec shareholder). The sale of these shares must occur within 12 months after conversion, pursuant to the Excon approval received. Upon receipt of the proceeds in South Africa, against surrender of the unit certificates, the trustees of the South African Trust will distribute the sale proceeds, net of all costs, to the unit holder. Thereafter, the trustees of the South African Trust will cancel the units and make appropriate entries in the register of unit holders.

You should carefully read the umbrella agreement in its entirety, 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 Subscription Agreement

The trustees of the South African Trust and New Aplitec have entered into a Subscription Agreement. Under this agreement, the South African Trust will subscribe for all of the B class preference shares of New Aplitec at a price of ZAR 1.83996 (\$0.27) per share. New Aplitec will issue the B class preference shares to the South African Trust and will credit the trust with loan accounts in the sum of ZAR 1.01004 (\$0.15) per share, in New Aplitec's books. The South African Trust will receive one B class preference share and one B class loan account for every Aplitec ordinary share reinvested by Aplitec's current shareholders.

The New Aplitec B class preference shares and B class loans held by the South African Trust in New Aplitec are linked together and may not be transferred, nor may units in the South African Trust be

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transferred, except in connection with the conversion of Net 1 special convertible preferred stock into Net 1 common stock as detailed above.

On the date of the issuance of the B class preference shares and the B class loan accounts, New Aplitec will warrant that:

it has no assets or liabilities;

it has no other class of shares, other than its A class ordinary shares;

no third party has the right to purchase any preference shares in New Aplitec except in connection with the Aplitec acquisition;

it has no employees; and

it has not conducted any business prior to the date of issuance.

You should carefully read the New Aplitec Subscription Agreement in its entirety, 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 Participation Trust Deed

In connection with the Aplitec acquisition, New Aplitec and Brait Capital Partners Trustees (Proprietary) Limited, the initial trustees, entered into a trust deed for the establishment of the South African Trust. First National Asset Management & Trust Company (Proprietary) Limited has been appointed by New Aplitec as the replacement trustee of the South African Trust, subject to approval by South African regulators. The trustee will have the power generally to acquire and manage the trust's assets for the benefit of the trust's unit holders. The South African Trust has no termination date.

Disposal of Special Convertible Preferred Stock

On the occurrence of a trigger event, the trustees of the South African Trust will give written notice to the Cayman Trust, requesting the distribution of the special convertible preferred stock in the distribution ratio for each unit in respect of which a unit holder has given notice of conversion. Upon receipt of such notice, the Cayman Trust will distribute the special convertible preferred stock to the trustees of the South African Trust based on the distribution ratio. The trustees of the South African Trust will then notify Net 1 of the conversion of the shares of special convertible preferred stock into shares of Net 1 common stock and will deliver to Net 1 the shares of special convertible preferred stock and a proportionate number of New Aplitec B class preference shares and B class loan accounts. The trustees of the South African Trust will sell the converted shares of Net 1 common stock on the OTC Bulletin Board or whatever trading medium Net 1 belongs to at the time of sale. The trustees of the South African Trust will consummate such sales through securities firms that are registered broker dealers. Pursuant to the Umbrella Agreement, any dispute regarding the interpretation of a trigger event will be resolved by the High Court of South Africa, Witwatersrand Local Division.

The trustees of the South African Trust will sell the shares of common stock in Net 1 as and when directed by the reinvesting shareholders, but in any event within 12 months of the conversion to comply with Excon requirements. If South African exchange controls are relaxed or abolished and unit holders are permitted to hold the common shares directly, the trustees will distribute the Net 1 common shares to the unit holders in the unit holders' participation ratios and wind up the trust. Net 1 does not currently expect that Aplitec's reinvesting shareholders will all convert at once, but rather over a period of time because we think that they will perceive the reinvestment option as a long-term investment opportunity. However, we cannot guarantee that large numbers of reinvesting shareholders will not convert at once. Given the limited liquidity of the market for shares of Net 1 common stock, it may be difficult to consummate sales of Net 1 common stock 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

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anticipated. Please see Risk Factors Risks Relating to Shares of Net 1 Common Stock for a discussion of this possibility.

Upon receipt of the proceeds in South Africa and against surrender of the unit certificates, the trustees will distribute the proceeds, net of all costs, to the unit holder or holders concerned. Thereafter, the trustees will cancel the units and make the appropriate entries in the register in respect of the units realized and issue new unit certificates, if required. Once a unit holder ceases to hold any units, he will no longer be a unit holder for purposes of the South African Trust. The South African Trust does not intend to register the units it will issue upon completion of the proposed transactions because it does not consider such units to be securities as that term is defined in the Securities Act.

The following is a summary of the material terms regarding the relationship between the two trusts:

The Cayman Trust will initially hold the shares of Net 1 special convertible preferred stock for the benefit of the unit holders of the South African Trust. Upon the occurrence of a trigger event, the Cayman Trust will distribute shares of Net 1 special convertible preferred stock to the trustee of the South African Trust for conversion into Net 1 common stock.

The Cayman Trust will vote the shares of Net 1 special convertible preferred stock as directed by the South African Trust, which will receive voting instructions from its unit holders.

The Cayman Trust will pay dividends received in respect of the Net 1 special convertible preferred stock to the South African Trust.

The trustees of the South African Trust and Cayman Trust have a fiduciary duty to each of their respective beneficiaries. The enforcer of the Cayman Trust has no fiduciary duty to the Cayman Trust other than to investigate wrongdoings or unfitness on the part of the trustee of the Cayman Trust. Net 1 has agreed to indemnify Walkers SPV against all liabilities, except when due to fraud, dishonesty or recklessness by Walkers SPV. The relationship of the Cayman Trust and the South African Trust are purely contractual in nature. There is no other relationship between these two Trusts.

Underwriting Agreement

In connection with the Sale Agreement, New Aplitec, South African Private Equity Trust III (SAPET) and South African Private Equity Fund III L.P. (SAPEF) and, together with SAPET, the Underwriters entered into an Underwriting Agreement, pursuant to which the Underwriters agreed to take up all of the rights in the South African Trust of the reinvestment option not taken up by Aplitec's current shareholders, up to the maximum sum of ZAR 437.0 million (\$64.03 million), which is equivalent to 64.70% of the reinvestment option. The Underwriters will pay ZAR 2.85 (\$0.42) per Aplitec share with respect to which a shareholder has not elected the reinvestment option. Each of the Underwriters is an affiliate of the Brait Group and the shares of Net 1 they receive in the transactions, or in which they have interests via the South African Trust, will be restricted shares.

Aplitec Holdings Participation Trust Deed

In order to provide for the conversion of Net 1's shares of special convertible preferred stock, the Cayman Trust has been established pursuant to a Deed of Trust among Walkers SPV, as trustee of the Cayman Trust, SAPEF III International G.P., as original enforcer, and Brait Capital Partners Trustees (Proprietary) Limited, as trustee of the South African Trust, and Net 1. An enforcer is required under applicable Cayman law and serves to oversee the actions of the trustee and ensure compliance with the trust deed. The beneficiaries of the Cayman Trust are those persons or classes of persons nominated as beneficiaries in accordance with the applicable provisions of the Cayman Trust. The Cayman Trust has no termination date.

The assets of the Cayman Trust will initially consist of 192,967,138 shares of Net 1 special convertible preferred stock issued pursuant to the Aplitec acquisition, to be held until the trustee receives notification from the South African Trust to distribute some or all of the special convertible preferred

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stock to the South African Trust. It is not anticipated that the Cayman Trust will incur any material costs in connection with this distribution of special convertible preferred stock.

You should carefully read the Aplitec Holdings Participation Trust Deed in its entirety, a copy of the form of which has been filed as an exhibit to the registration statement of which this proxy statement/ prospectus is a part.

Asset Purchase Agreement

As a condition to the Aplitec acquisition, Net 1 and Net 1 Holdings have entered into an Asset Purchase Agreement pursuant to which Net 1, through a wholly owned subsidiary to be formed or acquired in Luxembourg, will acquire selected rights of Net 1 Holdings, including the rights to the U.S. FTS patent and the UEPS technology currently held by Net 1 Holdings, and assume Net 1 Holdings' rights and obligations under certain existing agreements, including the Patent and Technology Agreement with Net 1, for \$1.00. While Net 1 Holdings does own these rights, including the U.S. FTS patent, it has granted marketing rights to Net 1. The only revenue that Net 1 Holdings generates is due to Net 1's marketing efforts, for which Net 1 receives 100% of the net profit (before amortization) generated by Net 1 Holdings. Therefore, the true value of these rights lies with Net 1, and their value in Net 1 Holdings' hands was deemed to be \$1.00.

Net 1 Holdings has made the following material representations and warranties to Net 1:

due organization and good standing of Net 1 Holdings;

proper execution, delivery and performance of the Asset Purchase Agreement;

absence of conflicts between the Asset Purchase Agreement and any other laws regulations or constituent documents of Net 1 Holdings; and

transfer status, as well as absence of liens or other encumbrances or other defects, of the intellectual property to be acquired by Net 1.

You should carefully read the Asset Purchase Agreement in its entirety, a copy of the form of which has been filed as an exhibit to the registration statement of which this proxy statement/ prospectus is a part.

Transaction Expenses, Fees and Costs

All expenses, fees and costs incurred in connection with the proposed transactions will be paid by Net 1, New Aplitec and the Brait Group. Net 1 and New Aplitec estimate that their portion of these expenses, fees and costs will total approximately \$6.5 million, of which \$5.76 million will be paid by Net 1 and \$752,735 will be paid by New Aplitec. Third-party fees of approximately \$750,000 have been incurred by the Brait Group in structuring and implementing the proposed transactions.

Accounting Treatment

Accounting for the Transaction

If a sufficient number of Aplitec's current shareholders elect the reinvestment option to constitute a majority of the voting interest (or the largest shareholder group) in Net 1, the Aplitec acquisition would likely be accounted for as a reverse acquisition. In a reverse acquisition, Net 1 would be treated as the acquired business and goodwill would consist of the difference between the purchase price or fair value of the Net 1 business and the fair value of its individual assets and liabilities. This goodwill would be accounted for in accordance with the provisions of FASB Statement No. 142 whereby goodwill is not amortized but subject to annual impairment testing. Recognizing the individual assets and liabilities of the acquired business entails recording at fair value an intangible asset apart from goodwill if it arises from contractual or other legal rights or if it is separable, as defined in FAS Statement No 141 Business Combinations. Subsequent to initial recognition an intangible asset is amortized over its useful life

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(unless that life is determined to be indefinite) which is the period over which the asset is expected to contribute to future cash flows. The estimated fair values of the likely intangible assets in (a) Aplitec are set out in Note 10 to the pro forma financial information on page 85 and (b) Net 1 are set out in Note 10 to the pro forma financial information on page 91. Identified intangible assets including goodwill will be prospectively tested and measured for impairment in accordance with FASB Statement No. 142. Intangible assets other than goodwill that have definite lives will be reviewed for impairment if conditions exist that may indicate that their carrying values are not recoverable. Goodwill, meanwhile, will be tested for impairment on an annual basis or more frequently if events or circumstances indicate that it might be impaired. Goodwill will be determined to be impaired if the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill; if goodwill is determined to be impaired, an impairment loss will be recognized in net earnings. Measurement of the fair value of a reporting unit will be based on one or more of the following fair value measures: amounts at which the unit as a whole could be bought or sold in a current transaction between willing parties; using present value techniques of estimated future cash flows; or using valuation techniques based on multiples of earnings or revenue, or a similar performance measure.

If Aplitec were to be the acquirer of Net 1, the net purchase price has been estimated to be \$7,926,000 based on the \$.50 per share of Net 1 common stock which the Brait Consortium is paying pursuant to the Common Stock Purchase Agreement. If Aplitec were to be the acquirer of Net 1, certain identifiable intangible assets not presently recognized in the financial statements of Net 1 would be recognized: (a) customer contracts and (b) the FTS patent license and UEPS marketing rights. The identifiable intangible assets were preliminarily valued for purposes of preparing the pro forma financial information to be included in this proxy statement/prospectus by Stenton Leigh. The valuation was based on the net present values of the cash flows attributable to these assets on a going concern basis on the basis of management's projections of the relevant cash flows to be generated by the existing contracts of Net 1 and the FTS patent license and UEPS marketing rights of Net 1 (essentially projected future contracts) taking account of the appropriate level of risk and a risk-free discount rate. In calculating such net present values, Stenton Leigh used a combined discount rate of 25.5%. The estimate of the fair value of these intangible assets as determined by Stenton Leigh was \$114,000 (customer contracts) and \$4,506,000 (FTS patent license and UEPS marketing rights).

Based on the net purchase price as determined above plus assumed net liabilities of Net 1 of \$516,000, and after deducting the fair value of the identified individual assets discussed above if Aplitec were to be the accounting acquirer of Net 1 there would be goodwill of \$3,822,000 recorded.

Although management of Net 1 and Aplitec were not required to and did not obtain a valuation for the goodwill on a stand-alone basis, management believes that the amount of goodwill can be attributed to the following factors:

The Aplitec business model that has been deployed in South Africa has proven to be operationally and financially successful. It is Aplitec's intention to replicate this model in other developing economies. Aplitec is presently hindered in doing so by the confusion in the market place as to the respective responsibilities and roles of Aplitec and Net 1 in exploiting the technology. Aplitec therefore believes that, on a going-concern basis, there is value associated with the incremental cash flows that could be realized by removing this confusion.

Aplitec has certain limited rights already to exploit the Net 1 technology but it does not have the exclusive rights to do so even though Net 1 does not have the ability by itself to do so. Aplitec believes that, on a going concern basis for Net 1, there is value associated with the ability to deny potential and actual competitors the right to exploit the technology that Net 1 might otherwise be prepared to make available to others.

In effect, the management of Aplitec believes that there is a premium over net asset value associated with being able to exploit the value of Net 1 and Aplitec being able to go to market together and the increased cash flows that could result. Net 1 is not in a position to implement the Aplitec business model

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itself in any developing economies, as it does not have the management, experience, expertise and other required resources.

The historical financial statements of the combined entity would be those of the accounting acquirer (i.e. Aplitec) and any comparative financial statements presented also should be those of the accounting acquirer rather than the legal acquirer (i.e. Net 1). The components of shareholders' equity would be stated in terms of Aplitec's equity accounts before the reverse acquisition, but with Net 1's issued number of shares, with an adjustment to reflect the effects of the reverse acquisition on the equity components on the date of acquisition.

In transactions involving reverse acquisitions, the purchase price is generally the fair market value of the public company's stock (legal acquirer/accounting acquiree) at the measurement date of the acquisition, multiplied by the number of shares outstanding immediately prior to the acquisition. While Aplitec and Net 1 are publicly traded companies, the purchase price would likely not take Net 1's share price into consideration due to the fact that it is a very thinly traded stock.

In this reverse acquisition the legal acquirer would issue cash and securities to acquire the shares of the accounting acquirer. The payment of cash to the shareholders of the accounting acquirer would be considered a distribution of capital thus reducing its stockholders' equity.

If an insufficient number of Aplitec shareholders take the reinvestment option such that it is not the largest shareholder group in Net 1, the transaction would be recognized as a business combination with Net 1 as both the accounting and legal acquirer. The cost of the acquisition would be the value of cash and any securities issued as consideration for the assets and liabilities of Aplitec, and would be allocated to such assets acquired and liabilities at their estimated fair values on the date of acquisition. Any cost in excess of the net value of Aplitec's assets and liabilities would be recognized as goodwill and accounted for in the same manner discussed above.

In the course of any review by the SEC of this registration statement or subsequent filings reflecting the above proposed accounting, we may be required to adopt different accounting from that discussed above. Any such modification may be significant.

Reporting by Net 1 Under the Exchange Act of 1934 Subsequent to the Proposed Transactions

The SEC staff has indicated that reports filed by the registrant after a reverse acquisition should parallel the financial reporting required under GAAP (i.e. as if the acquiree were the legal successor to the registrant's reporting obligation as of the date of the merger). To comply with Exchange Act requirements, the registrant should assure that its filings with the SEC result in timely, continuous reporting, with no lapses in periods presented in the financial statements and no audited periods exceeding 12 months.

Consequently, subsequent to the consummation of the proposed transactions, Net 1 will change its fiscal year-end from December 31 to June 30 to align with the present fiscal year-end of Aplitec. In those circumstances, the SEC staff has indicated that no transition report is necessary. Periodic reports for periods ending prior to the consummation of the proposed transactions will be filed by Net 1 as they become due in the ordinary course of business. Commencing with the periodic report for the quarter in which the proposed transactions are consummated, reports will be filed based on the fiscal year of the accounting acquirer. Those financial statements will depict the operating results of the accounting acquirer, including the acquisition of the registrant from the date of consummation, but in U.S. GAAP and U.S. dollars rather than South African GAAP and ZAR as at present.

Material United States Federal Tax Consequences to Non-U.S. Holders

The following discussion describes the material United States federal income and estate tax consequences as of the date hereof to a Non-U.S. holder (as defined below) of the ownership of special convertible preferred stock of Net 1 issued in connection with the Aplitec acquisition and the ownership of common stock of Net 1 into which such preferred stock can be converted. This discussion also addresses certain tax consequences to Net 1 of issuing such stock. This discussion does not address all aspects of

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United States federal income and estate taxes and does not deal with foreign, state and local consequences that may be relevant to such Non-U.S. holders in light of their particular circumstances. Special rules may apply to certain Non-U.S. holders, such as United States expatriates, controlled foreign corporations, passive foreign investment companies, foreign personal holding companies, corporations that accumulate earnings to avoid United States federal income tax, and investors in pass-through entities that are subject to special treatment under the U.S. Internal Revenue Code of 1986, as amended (the Code). Such Non-U.S. holders should consult their own tax advisors to determine the United States federal, state, local and other tax consequences that may be relevant to them. Furthermore, the discussion below is based upon the provisions of the Code, and United States Treasury regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified, perhaps retroactively, so as to result in United States federal income and estate tax consequences different from those discussed below.

As discussed above under The Transactions, the special convertible preferred stock will be held through a trust arrangement. Although it is not entirely clear, it is expected that for United States federal income tax purposes the South African Trust and the Cayman Trust will be classified as grantor trusts. Consequently, Non-U.S. holders of units in the South African Trust should be treated as owners of their proportionate share of the underlying shares of special convertible preferred stock held by the Cayman Trust for United States federal income tax purposes and the discussion below assumes such treatment. It is possible, however, that the trusts could be treated as entities other than trusts for United States federal income tax purposes, although such alternative treatment should not generally result in any adverse United States federal income tax consequences to the Non-U.S. holders.

Persons considering ownership of common stock should consult their own tax advisors concerning the United States federal income and estate tax consequences in light of their particular situations, as well as any consequences arising under the laws of any other taxing jurisdiction.

Consequences to Net 1

Net 1 will not recognize any income or gain as a result of the issuance of special convertible preferred stock and common stock in exchange for cash in connection with the proposed transactions contemplated herein.

Consequences to Non-U.S. Holders

As used herein, a Non-U.S. holder of common stock or special convertible preferred stock means a beneficial owner (other than an entity treated as a partnership) that is not any of the following for United States federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust if it (a) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (b) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

Reclassification of Special Convertible Preferred Stock Interest

As discussed above under The Proposed Transactions, shareholders of Aplitec that elect the reinvestment option will receive units in a trust representing beneficial interests in B class preference shares and B class loan accounts issued by New Aplitec together with special convertible preferred stock. Although no statutory, judicial or administrative authority exists that directly addresses the tax treatment of Non-U.S. holders that elect to receive these interests, Net 1 intends to treat the special convertible preferred stock, B class preference shares and B class loan accounts for United States federal income tax purposes as separate and distinct interests. There is a risk, however, that these interests will be treated as representing a single direct equity interest in Net 1 for United States federal income tax purposes. In such

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case, all distributions received by Non-U.S. holders with respect to the B class preference shares and B class loan accounts issued by New Aplitec in addition to the distributions on the special convertible preferred stock, could be treated as United States-source dividends received in respect of an equity interest in Net 1 and could be subject to United States federal withholding tax as described below under Dividends.

Dividends

Dividends paid to a Non-U.S. holder of common stock or special convertible preferred stock may be subject to withholding of United States federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a trade or business by the Non-U.S. holder within the United States and, where a tax treaty applies, are attributable to a United States permanent establishment of the Non-U.S. holder, are not subject to the withholding tax, but instead are subject to United States federal income tax on a net income basis in the same manner as if the such holder were a United States person as defined under the Code. Certain certification and disclosure requirements must be satisfied for effectively connected income to be exempt from withholding. Any such effectively connected dividends received by a foreign corporation may be subject to an additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

A Non-U.S. holder of common stock or special convertible preferred stock who wishes to claim the benefit of an applicable treaty rate (and avoid backup withholding as discussed below) for dividends, will be required to (a) complete Internal Revenue Service (IRS) Form W-8BEN (or other applicable form) and certify under penalty of perjury, that such holder is not a United States person or (b) if the common stock or special convertible preferred stock is held through certain foreign intermediaries, satisfy the relevant certification requirements of applicable United States Treasury regulations. Special certification and other requirements apply to certain Non-U.S. holders that are entities rather than individuals. A Non-U.S. holder eligible for a reduced rate of United States withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS.

As discussed above, the shares of special convertible preferred stock will prior to their conversion or sale be held through a trust arrangement. Under the United States-South Africa income tax treaty (the Treaty), a maximum rate of 15% applies to dividends from United States sources distributed to South African residents. For United States federal income tax purposes, beneficiaries of the trusts that are residents of South Africa and are otherwise entitled to benefits under the Treaty may be entitled to the reduced rate of withholding under the Treaty in respect of any dividends paid on the special convertible preferred stock assuming such holders are taxable currently in South Africa on any dividend distributions to the trusts.

Disposition of Common Stock or Special Convertible Preferred Stock

A Non-U.S. holder generally will not be subject to United States federal income tax with respect to any gain recognized on a sale or other disposition of common stock or on a sale, exchange, conversion or other disposition of convertible preferred stock unless (i) the gain is effectively connected with a trade or business of the Non-U.S. holder in the United States, and, where a tax treaty applies, is attributable to a United States permanent establishment of the Non-U.S. holder, (ii) in the case of a Non-U.S. holder who is an individual and holds the common stock or special convertible preferred stock as a capital asset, such holder is present in the United States for 183 or more days in the taxable year of the sale, exchange or other disposition and certain other conditions are met, or (iii) Net 1 is or has been a United States real property holding corporation for United States federal income tax purposes.

An individual Non-U.S. holder described in clause (i) above will be subject to tax on the net gain derived from the sale, exchange or other disposition under regular graduated United States federal income tax rates. An individual Non-U.S. holder described in clause (ii) above will be subject to a flat 30% tax on

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the gain derived from the sale, exchange or other disposition which may be offset by United States source capital losses (even though the individual is not considered a resident of the United States). If a Non-U.S. holder that is a foreign corporation falls under clause (i) above, it will be subject to tax on its net gain in the same manner as if it were a United States person as defined under the Code and, in addition, may be subject to the branch profits tax equal to 30% of its effectively connected earnings and profits or at such lower rate as may be specified by an applicable income tax treaty. Net 1 believes it is not and does not anticipate becoming a United States real property holding corporation for United States federal income tax purposes.

Constructive Dividends

The conversion rate into which shares of special convertible preferred stock, together with B class preference shares and B class loan accounts of New Aplitec, may be exchanged for common stock of Net 1 may be adjusted in certain circumstances. Under Section 305(c) of the Code, adjustments (or failures to make adjustments) that have the effect of increasing a holder's proportionate interest in Net 1's assets or earnings may in some circumstances result in a deemed dividend to holders in accordance with the earnings and profits rules under the Code.

Federal Estate Tax

Common stock or special convertible preferred stock held by an individual Non-U.S. holder at the time of death will be included in such holder's gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

Net 1 must report annually to the IRS and to each Non-U.S. holder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the Non-U.S. holder resides under the provisions of an applicable income tax treaty. A Non-U.S. holder will be subject to backup withholding for dividends paid to such holder unless applicable certification requirements are met (as described above under *Dividends*).

Information reporting and, depending on the circumstances, backup withholding, will apply to the proceeds of a sale or exchange of common stock or special convertible preferred stock within the United States or conducted through United States-related financial intermediaries unless the beneficial owner certifies under penalty of perjury that it is a Non-U.S. holder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person) or the holder otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against such holder's United States federal income tax liability provided the required information is furnished to the IRS.

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THE RESCISSION OFFER

Background

Aplitec, in order to comply with the requirements of the JSE South Africa (JSE) and the South African Securities Regulation Panel (SRP) made the following disclosures to its shareholders:

an announcement, dated October 24, 2003, regarding its receipt of an offer from New Aplitec and further cautionary announcement;

an announcement, dated October 30, 2003, detailing the terms of the proposed Aplitec acquisition; and

a circular to Aplitec's shareholders, dated November 17, 2003, in connection with their approval of the sale of Aplitec's assets under Section 228 of the South African Companies Act.

On December 9, 2003, the Aplitec shareholders met and approved the Aplitec asset sale.

In addition, on December 3, 2003, Net 1 filed a preliminary proxy statement on Schedule 14A.

On February 3, 2004, we initially filed with the U.S. Securities and Exchange Commission (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 the disclosures described above may have violated Section 5(a) of the U.S. Securities Act because they were made prior to the filing of the registration statement. The staff also advised Net 1 that the December 9 vote may have violated Section 5(c) of the U.S. Securities Act because it occurred prior to the registration statement being declared effective by the SEC.

We will offer to all Aplitec shareholders the opportunity to rescind any acceptance of securities that may have occurred on December 9 in connection with the vote to approve the Aplitec asset sale (the rescission offer). This rescission offer will be made 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.

Net 1 is making the rescission offer at this time because, as noted above, in connection with the SEC registration process the staff of the SEC has advised us that potential violations of Section 5 under the Securities Act may have occurred and that we should consider the need to make a rescission offer. Assuming that a majority of holders of Aplitec ordinary shares do not accept the rescission offer and that all other conditions to the proposed transactions are satisfied, Aplitec intends to offer the reinvestment option to its shareholders on or before June 8, 2004.

The rescission offer complies with all applicable corporate law. Net 1 does not believe there are any U.S. federal income tax consequences for Non-U.S. holders associated with the rescission offer or any acceptance thereof. However, all persons considering accepting the rescission offer should consult their own advisors as to any specific tax consequences to them of the rescission offer.

The Rescission Offer

Aplitec shareholders may accept the rescission offer in accordance with the applicable methods described below under Method of Acceptance on or before the expiration date described below. All acceptances of elections to accept the rescission offer will be deemed to be effective on the expiration date. Unless an Aplitec shareholder submits its election to accept the rescission offer before the expiration date, such holder's right to elect the rescission offer will terminate. An Aplitec shareholder can revoke an election of the rescission offer in accordance with the applicable methods described below under Method of Acceptance on or before the expiration date described below.

This rescission right is being offered to all Aplitec shareholders recorded in the registry on June 7, 2004 (the record date), regardless of whether any such Aplitec shareholder owned Aplitec ordinary shares at the time of the announcements described above or at the time of the Aplitec shareholder vote on

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December 9, 2003, and regardless of whether such Aplitec ordinary shares were voted in favor of the Aplitec asset sale.

Any Aplitec shareholder that fails to indicate his election with regard to the rescission offer shall not constitute acceptance of the rescission offer.

Unless extended by Net 1, New Aplitec and Aplitec, the rescission offer will expire at 8:30 a.m., South African time, on June 7, 2004 (the expiration date). Aplitec shareholders are urged to read this proxy statement/ prospectus carefully, and to make an independent evaluation with respect to the rescission offer.

Aplitec shareholders will not receive any consideration as a result of their election to accept the rescission offer. 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, and Aplitec shareholders will receive neither the cash nor the reinvestment option. If holders of less than a majority of the issued Aplitec ordinary shares vote to accept the rescission offer, the transaction will be consummated as originally contemplated and all Aplitec shareholders, regardless of their vote on the rescission offer, will receive cash or, if they elect the reinvestment option, cash and interests in the South African Trust, subject to the satisfaction of any unfulfilled conditions.

The Aplitec acquisition is subject to the satisfaction of the conditions, among others, of:

1. New Aplitec causing copies of Net 1's S-4 to be circulated to the Aplitec shareholders;
2. The registration with the SEC of Net 1's special convertible preference stock, as well as the common stock issuable upon conversion of the special convertible preference stock; and
3. New Aplitec providing Aplitec with all such documents as will enable Aplitec to verify that all things have been done as will authorize and enable Net 1 to lawfully issue the special convertible preference stock upon the closing date in accordance with the terms and conditions of the reinvestment option.

Without the SEC's declaration that the registration statement is effective, the proxy statement referred to in condition (1) above cannot be circulated. Moreover, the Net 1 special convertible preferred stock and common stock referred to in condition (2) above cannot be registered and lawfully issued in the manner contemplated by the transactions under the U.S. Securities Act as required by condition (3) above. As described above, in connection with the SEC review of the registration statement, the SEC advised us that certain Aplitec announcements made in South Africa, as well as the Aplitec shareholder vote to approve the sale of Aplitec's assets, may not have complied with Section 5 under the U.S. Securities Act of 1933. Accordingly, Net 1, Aplitec and New Aplitec believe that none of the conditions described above will be satisfied in a timely manner unless we make the rescission offer described in this proxy statement/ prospectus to Aplitec's shareholders.

Neither Net 1 nor Aplitec has communicated with Aplitec's shareholders regarding the rescission offer or whether they plan to accept the rescission offer. The directors and executive officers of Aplitec who own, in aggregate, 7.5% of the shares of Aplitec currently outstanding, will 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.

Potential Liabilities

Net 1 believes that by making the rescission offer, if the Aplitec shareholders do not accept the rescission offer, any potential liability of the Company for a violation of the U.S. Securities Act described above should be terminated or substantially reduced. However, 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 accept the rescission offer or who make no election in respect of the rescission offer may continue for a period of one year from the date of this proxy statement/ prospectus.

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Additionally, any existing 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.

Net 1 does not believe that any such attempts to obtain rescission or damages will have a material adverse effect on its financial condition.

Method of Acceptance

Pursuant to South African law, shareholders of record as of June 7, 2004, will be given the opportunity to vote **FOR** or **AGAINST** the rescission offer. The vote will occur on the expiration date at a general meeting of Aplitec shareholders. Each shareholder of record will be entitled to vote by proxy or in person as described below. If a shareholder does not vote, it will **NOT** constitute acceptance of the rescission offer. The results of the vote will be set forth in a resolution of the shareholders of Aplitec.

Certificated shareholders, who hold their Aplitec ordinary shares in their own name, may attend the general meeting of Aplitec shareholders or may indicate on the form of proxy circulated with this proxy statement/ prospectus and distributed to Aplitec shareholders, whether they wish to vote for, against or abstain from voting in respect of the rescission offer. The form of proxy must be received by the transfer secretaries, by 8:30 a.m. on June 4, 2004 in order to ensure that the Aplitec shareholder s vote is implemented.

Certificated shareholders, who hold their Aplitec ordinary shares through a nominee, are required to notify their duly appointed nominee of their vote in the manner and time stipulated in the custody agreement governing the relationship between the Aplitec shareholder and their nominee. Certificated shareholders, who hold their Aplitec ordinary shares through a nominee, must not complete the form of proxy. If they wish to attend the general meeting in person, they will need to request their nominee to provide them with the necessary authority to attend and vote their Aplitec ordinary shares.

Uncertificated shareholders are required to notify their duly appointed Central Securities Depository Participant (CSDP) or broker of their election in the manner and time stipulated in the custody agreement governing the relationship between the Aplitec shareholder and their CSDP or broker. Uncertificated shareholders must not complete the form of proxy. If they wish to attend the general meeting in person, they will need to request their CSDP or broker to provide them with the necessary authority to attend and vote their Aplitec ordinary shares.

Any vote may be revoked in accordance with the foregoing procedures prior to the vote of the general meeting, which is the expiration date of the rescission offer.

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UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

Overview

The unaudited pro forma consolidated financial information presented herein gives effect to the various transactions described in this proxy statement/ prospectus, based on certain assumptions set forth in further detail below. The transactions referred to are the contribution made by the Brait Consortium to Net 1 for common shares in Net 1, the acquisition of Aplitec by Net 1 as the legal acquirer and the acquisition of selected assets (legal rights) of Net 1 Holdings for the nominal consideration of \$1.00. While Net 1 Holdings does own these rights, including the U.S. FTS patent, it has granted marketing rights to Net 1. The only revenue that Net 1 Holdings generates is due to Net 1's marketing efforts, for which Net 1 receives 100% of the net profit (before amortization) generated by Net 1 Holdings. Therefore, the true value of these rights lies with Net 1, and their value in Net 1 Holdings' hands was deemed to be \$1.00.

If enough Aplitec shareholders exercise the reinvestment option with the result that the Aplitec shareholders will own the majority of the voting stock of Net 1 or if Aplitec's shareholders become the single largest shareholding group of Net 1, the Aplitec acquisition would be accounted for as a reverse acquisition. In a reverse acquisition, Net 1 would become the acquired business and goodwill would arise as the difference between the purchase price or fair value of the Net 1 business and the fair value of its individual assets and liabilities.

If instead Aplitec's shareholders do not become the single largest shareholding group of Net 1, the transaction would be accounted for as a business combination with Net 1 treated as both the accounting and legal acquirer. The cost of the acquisition would be calculated as the value of cash and any securities issued as consideration for the assets and liabilities of Aplitec. The cost of the acquisition would be allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition and any cost in excess of these amounts would be recognized as goodwill.

The number of shareholders of Aplitec that will take the reinvestment option is currently unknown and accordingly the purchase price and accounting treatment for the transaction cannot be determined at this time. Therefore, unaudited pro forma financial information of Net 1 after giving effect to the transaction is presented herein on two bases:

Option 1 assumes that all of the existing Aplitec shareholders who have not provided undertakings to reinvest (or to recommend such reinvestment) choose the cash option. Under this option, the cash option would be elected with respect to 100,621,904 existing shares of Aplitec out of 236,977,187 shares outstanding at such date; and

Option 2 assumes that all of the existing Aplitec shareholders exercise the reinvestment option.

Basis of Presentation

The following unaudited consolidated pro forma financial information (the "pro forma financial information") has been derived by applying pro forma adjustments to Aplitec's historical consolidated financial statements included elsewhere in this proxy statement/ prospectus. The pro forma financial information is for informational purposes only and does not purport to present what the results would have been had these transactions actually occurred on the dates presented or to project the results of operations or financial position for any future period.

The pro forma financial information should be read in conjunction with Aplitec's and Net 1's financial statements included elsewhere in this proxy statement/ prospectus. The pro forma financial information gives effect to the following transactions as though they had occurred on December 31, 2003 for the pro forma balance sheet and July 1, 2002 for the pro forma income statements:

the contribution of \$52,830,714 to Net 1 by the Brait Consortium in exchange for 105,661,428 shares of Net 1 common stock, at a subscription price of \$0.50 per common share;

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the distribution of cash remaining in Aplitec following the proposed transaction of either \$48,882,329 or \$45,100,574 to Aplitec shareholders, assuming either Option 1 or Option 2 above, respectively;

Net 1's provision for transaction costs, including tax liabilities arising as a result of the transaction, estimated at \$12,433,142 assuming Option 1, and estimated at \$11,960,000 assuming Option 2;

the acquisition of Aplitec for the aggregate consideration valued at \$132,777,974, assuming Option 1 above; and

the reverse acquisition of Net 1 for the aggregate consideration of \$60,757,142, assuming Option 2 above.

The matters set forth below are relevant to the pro forma financial information presented herein:

When the transaction is consummated the accounting acquirer will determine the fair value of the assets and liabilities acquired and allocate the purchase price accordingly. For the purpose of this pro forma information, a preliminary evaluation has been made, under each of the options identified, of the assets and liabilities acquired and their possible fair values. This has involved making judgments in particular as to the intangible assets that exist in each entity and their possible fair value. Consequently, the purchase price allocation assumed under each of the options is only provisional. It is possible that if and when a final purchase price allocation is determined that additional intangible assets may be identified, such as in-process research and development, or that the relevant fair value estimates will be revised.

Pro forma per share data is based on the number of Net 1 common and special convertible preferred stock that would have been outstanding had the combination occurred on the date presented. In order to compute the number of common shares used in the calculation of pro forma basic and diluted earnings per common share, the number of common shares issued to Brait Consortium in the combination was added to the weighted average number of Net 1 shares outstanding. A reconciliation of shares used to compute historical basic earnings per share to shares used to compute pro forma basic and diluted earnings per common share follows:

	<u>Option One</u>	<u>Option Two</u>
Common shares used to compute Net 1 historical basic earnings per share	15,852,856	15,852,856
Common shares issued to the Brait Consortium	105,661,428	105,661,428
Common shares issued under 2004 Stock Incentive Plan	8,720,936	8,720,936
	<u> </u>	<u> </u>
Common shares used to compute pro forma basic and diluted earnings per share	130,235,220	130,235,220
	<u> </u>	<u> </u>
Special convertible preferred shares issued to reinvesting shareholders	111,032,138	192,967,138
Special convertible preferred shares issued to the Brait Consortium	81,935,000	
	<u> </u>	<u> </u>
Special convertible preferred shares used to compute pro forma basic and diluted earnings per share	192,967,138	192,967,138
	<u> </u>	<u> </u>

The number of common shares used to calculate pro forma diluted earnings per share excludes the impact of 8,720,936 employee stock options, the complete terms of which have not yet been finalized. Earnings per common share does not give effect to any future taxes to be paid by Net 1 upon receipt of New Aplitec dividends, which could otherwise reduce the earnings available for distribution to the holders of Net 1 common stock.

There are no significant inter-company balances or transactions in the periods presented.

The fair value of Aplitec's dormant subsidiaries that are not being acquired by Net 1 is negligible.

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The execution of new employment agreements is not expected to have a material effect on the results of operations

As part of the planned transactions Net 1 will acquire the income generating assets, which are certain legal rights to technology, from Net 1 Holdings for the nominal consideration of \$1.00. These legal rights have hitherto generated income in Net 1 Holdings and therefore the pro forma income statements reflect the income and expenses of Net 1 Holdings. However, the pro forma balance sheet does not reflect the assets and liabilities of Net 1 Holdings as:

the acquisition cost and the fair value of the legal rights acquired are both immaterial (The only revenue that Net 1 Holdings generates is as a result of Net 1's marketing efforts, for which Net 1 receives 100% of the net profit (before amortization) generated by Net 1 Holdings. Therefore the true value of the legal rights lies with Net 1, and the value of these rights in Net 1 Holdings' hands was deemed to be \$1.00); and

the other assets of Net 1 Holdings, being receivables and cash, are not being acquired.

Table of Contents**PRO FORMA CONSOLIDATED INCOME STATEMENT**

(Unaudited In Thousands of U.S. Dollars, Except Per Share Data or Unless Otherwise Indicated)
For the Year Ended June 30, 2003

Option 1

	Aplitec (ZAR 000)(1)	Aplitec(3)	Net 1(5)	Net 1 Holdings(7)	Pro Forma Adjustments	Notes	Pro Forma Combined
Revenue	678,567	74,924	41	134			75,099
Cost of sales	(234,885)	(25,935)		(24)	(6,385)	10	(32,344)
Gross profit	443,682	48,989	41	110	(6,385)		42,755
Other operating income	5,373	593					593
Operating expenses continuing operations							
Distribution costs	(6,155)	(680)					(680)
Administration expenses	(72,063)	(7,957)	(8)		(1,992)	9	(9,957)
Other operating expenses	(196,334)	(21,678)	(142)				(21,820)
Total operating expenses	(274,552)	(30,315)	(150)		(1,992)		(32,457)
Operating profit/(loss)	174,503	19,267	(109)	110	(8,377)		10,891
Interest income/(expense), net	23,546	2,600			(2,341)	11	259
Profit before taxation	198,049	21,867	(109)	110	(10,718)		11,150
Taxation	(85,794)	(9,473)		(17)	3,297		(6,193)
Profit after taxation	112,255	12,394	(109)	93	(7,421)		4,957
Minority interests	(4,095)	(452)					(452)
Net profit from continuing operations	108,160	11,942	(109)	93	(7,421)		4,505
Earnings per share (\$) <i>Basic and diluted</i>							
Common stock							0.01
Special convertible preferred shares							0.01
Number of common shares used to calculate earnings per share							130,235,220
Number of special convertible preferred shares used to calculate earnings per share							192,967,138

Table of Contents**PRO FORMA CONSOLIDATED INCOME STATEMENT****(Unaudited In Thousands of U.S. Dollars, Except Per Share Data or Unless Otherwise Indicated)****For the Six Months Ended December 31, 2003****Option 1**

	Aplitec (ZAR 000)(2)	Aplitec(4)	Net 1(6)	Net 1 Holdings(8)	Pro Forma Adjustments	Notes	Pro Forma Combined
Revenue	390,742	55,022		10			55,032
Cost of sales	(129,363)	(18,216)		(400)	(4,071)	10	(22,687)
Gross profit	261,379	36,806		(390)	(4,071)		32,345
Other operating (expense)	(159)	(22)					(22)
Operating expenses continuing operations							
Distribution costs	(7,053)	(993)					(993)
Administration expenses	(36,540)	(5,145)	(7)		(560)	9	(5,712)
Other operating expenses	(97,226)	(13,691)	(197)	(25)			(13,913)
Total operating expenses	(140,819)	(19,829)	(204)	(25)	(560)		(20,618)
Operating profit/(loss)	120,401	16,955	(204)	(415)	(4,631)		11,705
Interest income/(expense), net	11,160	1,571			(1,084)	11	487
Profit before taxation	131,561	18,526	(204)	(415)	(5,715)		12,192
Taxation	(53,284)	(7,503)		(8)	1,948		(5,563)
Net profit from continuing operations	78,277	11,023	(204)	(423)	(3,767)		6,629
Earnings per share (\$)							
<i>Basic and diluted</i>							
Common stock							0.02
Special convertible preferred shares							0.02
Number of common shares used to calculate earnings per share							130,235,220
Number of special convertible preferred shares used to calculate earnings per share							192,967,138

Table of Contents**PRO FORMA CONSOLIDATED BALANCE SHEET**

(Unaudited In Thousands of U.S. Dollars, Except Per Share Data or Unless Otherwise Indicated)
As at December 31, 2003

Option 1

	Historical (US GAAP)					
	Aplitec (ZAR 000)(2)	Aplitec(4)	Net 1(6)	Pro Forma Adjustments	Notes	Pro Forma Combined
ASSETS						
Current assets						
Inventory	5,620	845				845
Trade and other Receivables	138,543	20,828				20,828
Cash and cash Equivalents	503,169	75,644	12	(65,701)	13	57,016
				(48,882)	12	
				95,943	14,15	
Total current assets	647,332	97,317	12	(18,640)		78,689
Non-current assets						
Goodwill	60,104	9,036		60,144	21	69,180
Intangible assets	24,906	3,744	1	27,742	10	31,487
Property, plant and Equipment	58,355	8,772				8,772
Deferred tax	30,657	4,609				4,609
Total non-current Assets	174,022	26,161	1	87,886		114,048
Total assets	821,354	123,478	13	69,246		192,737
LIABILITIES						
Current liabilities						
Trade and other payables	75,951	11,418	529	12,433	16	24,380
Tax	70,152	10,546		(3,703)	17	6,843
Total current liabilities	146,103	21,964	529	8,730		31,223
Long-term liabilities						
Deferred taxes	70,314	10,571				10,571
Total long-term liabilities	70,314	10,571				10,571
Total liabilities	216,417	32,535	529	8,730		41,794
Shareholders equity						
Aplitec common stock, \$0.001 par value	237	36		(36)	18	
Net 1 common stock, \$0.001 par value			16	106	14	122
Special Convertible Preferred Stock, \$0.001 par value				111	19	193
				82	15	
B class preference shares, ZAR0.001 par value				36	22	36
Additional paid in Capital	267,838	40,265	1,992	36	18	153,116
				1,760	20	

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				(36)	22	
				52,831	14	
				43,112	15	
				(65,701)	13	
				60,144	21	
				27,742	10	
				(111)	19	
				(82)	15	
				(106)	14	
				(8,730)	16,17	
Retained earnings	336,862	50,642	(2,524)	(48,882)	12	(2,524)
				(1,760)	20	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>		<u> </u>
Total shareholders equity	604,937	90,943	(516)	60,516		150,943
	<u> </u>	<u> </u>	<u> </u>	<u> </u>		<u> </u>
Total shareholders equity and liabilities	821,354	123,478	13	69,246		192,737
	<u> </u>	<u> </u>	<u> </u>	<u> </u>		<u> </u>

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- (1) Based on the audited financial statements of Aplitec for the year ended June 30, 2003 on a US GAAP basis (see paragraph (d) of Note 23 to Aplitec's audited financial statements).
- (2) Based on the unaudited financial statements of Aplitec as at and for the six month period ended December 31, 2003 on a US GAAP basis. See note 10 to the unaudited financial statements of Aplitec for the six month period ended December 31, 2003.
- (3) Translates the audited financial statements of Aplitec for the year ended June 30, 2003 on a US GAAP basis (see Note 23 to Aplitec's audited financial statements) at a rate of ZAR 9.0568 = \$1.00 for the income statement, which approximates the average daily exchange rate for the twelve months in the period ended June 30, 2003 as reported by an independent external source (www.oanda.com).
- (4) Translates the unaudited financial statements of Aplitec for the six-month period ended December 31, 2003 on a US GAAP basis at an exchange rate of ZAR 6.6518 = \$1.00 for the balance sheet, which approximates the closing exchange rate as reported by an independent external source (www.oanda.com) on December 31, 2003 and ZAR 7.10152 = \$1.00 for the income statement, which approximates the average daily exchange rate for the six months in the period ended December 31, 2003 as reported by an independent external source (www.oanda.com).
- (5) Based on the audited US GAAP financial statements of Net 1 included in its annual report on Form 10-KSB for the year ended December 31, 2002, adding subsequent interim periods and deducting comparable preceding year interim results, as reflected in the unaudited financial statements of Net 1 included in its quarterly reports on Forms 10-QSB, as appropriate.
- (6) Based on the audited US GAAP financial statements of Net 1, deducting comparable preceding interim results, as reflected in the unaudited financial statements of Net 1 included in its quarterly reports on Form 10-QSB, as appropriate.
- (7) Based on the unaudited management financial information of Net 1 Holdings for the year ended June 30, 2003 on a US GAAP basis. Net 1 Holdings is incorporated in Luxembourg as a limited liability, 1929 type company. Under Luxembourg law, such companies are patent holding and/or investment companies only and are not allowed to trade, other than to receive royalty/license fees on patents and/or investment income. As such, the only expenses incurred by such companies are principally those associated with keeping patents and/or investments current. Aside from these expenses, Net 1 Holdings has no administrative expenses, operating expenses or interests. The revenue of Net 1 Holdings is comprised entirely of license fees received and the costs of maintaining the patents are reflected as costs of sales.
- (8) Based on the unaudited management financial information of Net 1 Holdings for the six month period ended December 31, 2003 on a US GAAP basis. Net 1 Holdings is incorporated in Luxembourg as a limited liability, 1929 type company. Under Luxembourg law, such companies are patent holding and/or investment companies only and are not allowed to trade, other than to receive royalty/license fees on patents and/or investment income. As such, the only expenses incurred by such companies are principally those associated with keeping patents and/or investments current. Aside from these expenses, Net 1 Holdings has no administrative expenses, operating expenses or interests. The revenue of Net 1 Holdings is comprised entirely of license fees received and the costs of maintaining the patents are reflected as costs of sales.
- (9) Represents the stock compensation charge for 8,720,936 ordinary shares in Net 1 that are to be allocated for issuance to management under the 2004 Stock Incentive Plan. It is currently contemplated that these stock awards will vest in increments of 1,744,187 per year over a period of five years. The compensation charge in year one is \$1,992. The compensation charge for the first six months of year two is \$560.
- (10) Represents the recognition at estimated fair values, of intangible assets in the acquiree which at present have no carrying value in the financial statements of the acquiree. As noted above, this identification and estimation of fair value is provisional and may change if and when a final purchase price allocation is made. The tax bases of these identifiable intangible assets approximates their

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accounting bases, and consequently, the recognition of these assets does not result in the recognition of additional deferred taxes.

Asset	Fair Value (\$)	Fair Value (ZAR)	Asset Life (Years)	Annual Amortization Charge (ZAR)
Cash Paymaster Services contracts	17,064	113,509	2.7	42,040
Support services relating to UEPS software	10,678	71,025	4.5	15,783
	<u>27,742</u>	<u>184,534</u>		<u>57,823</u>

Using the rates of exchange noted in (3) and (4) above, total amortization expenses for the year and six month period ended June 30, 2003 and December 31, 2003 are \$6,385 and \$4,071, respectively.

- (11) Represents estimated interest earned by Aplitec in the year ended June 30, 2003 and in the six month period ended December 31, 2003 on existing Aplitec cash of \$48,882 that would have been distributed to shareholders and therefore not have been held by Aplitec had the transaction been consummated on July 1, 2002. An estimated pre-tax interest rate of 5.4% has been used in respect of the year ended June 30, 2003 and of 4.4% in respect of the six month period ended December 31, 2003, based on the actual interest earned on the year-end cash balance of Aplitec on a US GAAP basis. The adjustment has been tax-effected at 37.78%.
- (12) Under Option 1, \$48,882 of cash, which is equal to ZAR 300 million plus such additional cash of Aplitec as is equal to 25 cents for each of the total 236,977,187 Aplitec ordinary shares in respect of which Aplitec shareholders elect the cash option, and which has been translated at the December 31, 2003 exchange rate noted in (4) above, will not be acquired by Net 1, as described in the Sale Agreement. This column treats this amount as a cash distribution to Aplitec's shareholders in advance of its acquisition by Net 1. \$48,882 is calculated as follows:

Fixed amount of cash to be distributed	ZAR 300,000,000
Total number of Aplitec shares for which the cash option has been exercised	100,621,904
Incremental cash distribution	ZAR 25,155,476
Total cash distribution	ZAR 325,155,476
Total cash distribution translated using the December 31, 2003 rate of exchange per (4) above (\$ 000)	\$48,882

- (13) Represents the incremental cash paid to former Aplitec shareholders, comprising

Cash distribution in respect of:	
Cash option	75,635(i)
Reinvestment option	38,948(ii)
	<u> </u>
Less: amount funded through non-acquisition of Aplitec cash	(48,882)(iii)
	<u> </u>
Cash element of purchase price	65,701
	<u> </u>

- (i) 100,621,904 of Aplitec shares for whom the cash option has been exercised, are paid ZAR 5.00 per share, which at the balance sheet exchange rate of ZAR 6.6518 = \$1.00 amounts to \$75,635
- (ii) 136,355,283 of Aplitec shares for which the reinvestment option has been exercised, are paid ZAR 1.90 per share, which at the balance sheet exchange rate of ZAR 6.6518 = \$1.00 amounts to \$38,948
- (iii) As calculated in (11) above

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- (14) Represents the effect of the Brait Consortium's capital contribution of \$52,831 into Net 1 in exchange for the issuance of 105,661,428 shares of Net 1 common stock, at a subscription price of \$0.50 per share.
- (15) Represents the underwriting contribution by the Brait Consortium of ZAR 2.85 per Aplitec share in respect of which the cash option is exercised, amounting to \$43,112. In combination with \$52,831 per (14) above, Brait's total contribution is \$95,943.
- (16) Represents the amount owing in respect of the purchase price relating to transaction costs estimated at \$12,433. These costs do not include the effect of total estimated costs to be paid to professional advisors of \$6,524, approximately \$2,500 of which may be satisfied through the issuance of equity. These costs will be accounted for in accordance with the substance of the individual expenditures, as costs of acquisition, as costs of issuing capital, or as period expenses.
- (17) Included in the transaction costs adjusted for in (16) is an amount of South African Secondary Taxation on Companies (STC). This adjustment reflects \$3,703 of STC which was historically provided for by Aplitec. Accordingly, the net assets of Aplitec have been increased by this amount.
- (18) Represents the elimination of historic common stock of Aplitec, as the legal acquiree.
- (19) Represents the acquisition of special convertible preferred shares by reinvesting holders of Aplitec common stock at a distribution ratio of 0.814286.
- (20) Represents the elimination of retained earnings of Aplitec, as the accounting acquiree.
- (21) Goodwill was determined based on a provisional purchase price allocation and is equal to the difference between the purchase price and the fair value of net assets acquired, as set forth below:

Purchase price	
Incremental cash paid to former Aplitec shareholders(13)	\$ 65,701
Distribution of special convertible preferred shares(19)	55,516
Transaction costs to be paid by Net 1(16)	12,433
	<u>133,650</u>
Net assets acquired	
Historic net assets of Aplitec	\$ 90,943
Add: Fair value adjustments to Aplitec intangibles(10)	27,742
Less: Aplitec cash not acquired(12)	(48,882)
Add: STC provided by Aplitec, to be utilised by Net 1(17)	3,703
	<u>73,506</u>
Goodwill pro-forma adjustment	60,144
Add: historical goodwill	9,036
	<u>69,180</u>
Goodwill	\$ 69,180

- (22) Represents the issuance of B Class preference shares by New Aplitec, which are, in substance, considered to be common stock of Net 1 for financial reporting purposes.

Table of Contents**PRO FORMA CONSOLIDATED INCOME STATEMENT**

(Unaudited In Thousands of U.S. Dollars, Except Per Share Data or Unless Otherwise Indicated)
For the Year Ended June 30, 2003

Option 2

	Aplitec (ZAR 000)(1)	Aplitec(3)	Net 1(5)	Net 1 Holdings(7)	Pro Forma Adjustments	Notes	Pro Forma Combined
Revenue	678,567	74,924	41	134			75,099
Cost of sales	(234,885)	(25,935)		(24)	(667)	10	(26,626)
Gross profit	443,682	48,989	41	110	(667)		48,473
Other operating income	5,373	593					593
Operating expenses continuing operations							
Distribution costs	(6,155)	(680)					(680)
Administration expenses	(72,063)	(7,957)	(8)		(1,992)	9	(9,957)
Other operating expenses	(196,334)	(21,678)	(142)				(21,820)
Total operating expenses	(274,552)	(30,315)	(150)		(1,992)		(32,457)
Operating profit/(loss)	174,503	19,267	(109)	110	(2,659)		16,609
Interest income/(expense), net	23,546	2,600			(2,160)	1	440
Profit before taxation	198,049	21,867	(109)	110	(4,819)		17,049
Taxation	(85,794)	(9,473)		(17)	816		(8,674)
Profit after taxation	112,255	12,394	(109)	93	(4,003)		8,375
Minority interests	(4,095)	(452)					(452)
Net profit from continuing operations	108,160	11,942	(109)	93	(4,003)		7,923
Earnings per share (\$)							
<i>Basic and diluted</i>							
Common stock							0.03
Special convertible preferred shares							0.03
Number of common shares used to calculate earnings per share							130,235,220
Number of special convertible preferred shares used to calculate earnings per share							192,967,138

Table of Contents**PRO FORMA CONSOLIDATED INCOME STATEMENT**

(Unaudited In Thousands of U.S. Dollars, Except Per Share Data or Unless Otherwise Indicated)
For the Six Months Ended December 31, 2003

Option 2

	<u>Aplitec (ZAR 000)(2)</u>	<u>Aplitec(4)</u>	<u>Net 1(6)</u>	<u>Net 1 Holdings(8)</u>	<u>Pro Forma Adjustments</u>	<u>Notes</u>	<u>Pro Forma Combined</u>
Revenue	390,742	55,022		10			55,032
Cost of sales	(129,363)	(18,216)		(400)	(334)	10	(18,950)
Gross profit	261,379	36,806		(390)	(334)		36,082
Other operating (expense) income	(159)	(22)					(22)
Operating expenses continuing operations							
Distribution costs	(7,053)	(993)					(993)
Administration expenses	(36,540)	(5,145)	(7)		(560)	9	(5,712)
Other operating expenses	(97,226)	(13,691)	(197)	(25)			(13,913)
Total operating expenses	(140,819)	(19,829)	(204)	(25)	(560)		(20,618)
Operating profit/(loss)	120,401	16,955	(204)	(415)	(894)		15,442
Interest Income/(expense), net	11,160	1,571			(1,000)	11	571
Profit before taxation	131,561	18,526	(204)	(415)	(1,894)		16,013
Taxation	(53,284)	(7,503)		(8)	378		(7,133)
Net profit from continuing operations	78,277	11,023	(204)	(423)	(1,516)		8,880
Earnings per share (\$) <i>Basic and diluted</i>							
Common stock							0.03
Special convertible preferred shares							0.03
Number of common shares used to calculate earnings per share							130,235,220
Number of special convertible preferred shares used to calculate earnings per share							192,967,138

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As at December 31, 2003**Option 2**

	Historical			Pro Forma Adjustments	Notes	Pro Forma Combined
	Aplitec (ZAR 000)(2)	Aplitec(4)	Net 1(6)			
ASSETS						
Current assets						
Inventory	5,620	845				845
Trade and other receivables	138,543	20,828				20,828
Cash and cash equivalents	503,169	75,644	12	(22,589)	13	60,797
				(45,101)	12	
				52,831	14	
Total current assets	647,332	97,317	12	(14,859)		82,470
Non-current assets						
Goodwill	60,104	9,036		3,822	21	14,603
				1,745	10	
Intangible assets	24,906	3,744	1	4,620	10	8,365
Property, plant and equipment	58,355	8,772				8,772
Deferred tax	30,657	4,609				4,609
Total non-current assets	174,022	26,161	1	10,187		36,349
Total assets	821,354	123,478	13	(4,672)		118,819
LIABILITIES						
Current liabilities						
Trade and other payables	75,951	11,418	529	11,960	16	23,907
Tax	70,152	10,546		(3,703)	17	6,843
Total current liabilities	146,103	21,964	529	8,257		30,750
Long-term liabilities						
Deferred taxes	70,314	10,571		1,745	10	12,316
Total long-term liabilities	70,314	10,571		1,745		12,316
Total liabilities	216,417	32,535	529	10,002		43,066
SHAREHOLDERS EQUITY						
Aplitec common stock, \$0.001 par value	237	36		(36)	18	
Net 1 common stock, \$0.001 par value			16	106	14	122
Special Convertible Preferred Stock, \$0.001 par value				193	19	193
B class preference shares, ZAR 0.001 par value				36	22	36
Additional paid in Capital	267,838	40,265	1,992	36	18	78,118

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				(22,589)	13	
				3,822	21	
				4,620	10	
				52,831	14	
				(106)	14	
				(193)	19	
				(36)	22	
				(2,524)	20	
Retained earnings	336,862	50,642	(2,524)	2,524	20	(2,716)
				(45,101)	12	
				(8,257)	16, 17	
Total shareholders equity	<u>604,937</u>	<u>90,943</u>	<u>(516)</u>	<u>(14,674)</u>		<u>75,753</u>
Total shareholders equity and liabilities	821,354	123,478	13	(4,672)		118,819

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- (1) Based on the audited financial statements of Aplitec for the year ended June 30, 2003 on a US GAAP basis (see paragraph (d) of Note 23 to Aplitec's audited financial statements).
- (2) Based on the unaudited financial statements of Aplitec as at and for the six month period ended December 31, 2003 on a US GAAP basis. See note 10 to the unaudited financial statements of Aplitec for the six month period ended December 31, 2003.
- (3) Translates the audited financial statements of Aplitec for the year ended June 30, 2003 on a US GAAP basis (see Note 23 to Aplitec's audited financial statements) at a rate of ZAR 9.0568 = \$1.00 for the income statement, which approximates the average daily exchange rate for the twelve months in the period ended June 30, 2003 as reported by an independent external source (www.oanda.com).
- (4) Translates the unaudited financial statements of Aplitec for the six-month period ended December 31, 2003 on a US GAAP basis at an exchange rate of ZAR 6.6518 = \$1.00 for the balance sheet, which approximates the closing exchange rate as reported by an independent external source (www.oanda.com) on December 31, 2003 and ZAR 7.10152 = \$1.00 for the income statement, which approximates the average daily exchange rate for the six months in the period ended December 31, 2003 as reported by an independent external source (www.oanda.com).
- (5) Based on the audited US GAAP financial statements of Net 1 included in its annual report on Form 10-KSB for the year ended December 31, 2002, adding subsequent interim periods and deducting comparable preceding year interim results, as reflected in the unaudited financial statements of Net 1 included in its quarterly reports on Forms 10-QSB, as appropriate.
- (6) Based on the audited US GAAP financial statements of Net 1, deducting comparable preceding interim results, as reflected in the unaudited financial statements of Net 1 included in its quarterly reports on Form 10-QSB, as appropriate.
- (7) Based on the unaudited management financial statements of Net 1 Holdings for the year ended June 30, 2003 on a US GAAP basis. Net 1 Holdings is incorporated in Luxembourg as a limited liability, 1929 type company. Under Luxembourg law, such companies are patent holding and/or investment companies only and are not allowed to trade, other than to receive royalty/ license fees on patents and/or investment income. As such, the only expenses incurred by such companies are principally those associated with keeping patents and/or investments current. Aside from these expenses, Net 1 Holdings has no administrative expenses, operating expenses or interests. The revenue of Net 1 Holdings is comprised entirely of license fees received and the costs of maintaining the patents are reflected as costs of sales.
- (8) Based on the unaudited management financial information of Net 1 Holdings for the six month period ended December 31, 2003 on a US GAAP basis. Net 1 Holdings is incorporated in Luxembourg as a limited liability, 1929 type company. Under Luxembourg law, such companies are patent holding and/or investment companies only and are not allowed to trade, other than to receive royalty/ license fees on patents and/or investment income. As such, the only expenses incurred by such companies are principally those associated with keeping patents and/or investments current. Aside from these expenses, Net 1 Holdings has no administrative expenses, operating expenses or interests. The revenue of Net 1 Holdings is comprised entirely of license fees received and the costs of maintaining the patents are reflected as costs of sales.
- (9) Represents the stock compensation charge for 8,720,936 ordinary shares in Net 1 that are to be allocated for issuance to management under the 2004 Stock Incentive Plan. It is currently contemplated that these stock awards will vest in increments of 1,744,187 per year over a period of five years. The compensation charge in year one is \$1,992. The compensation charge for the first six months of year two is \$560.
- (10) Represents the recognition at estimated fair values of intangible assets in the acquiree which at present have no carrying value in the financial statements of the acquiree. As noted above, this identification and estimation of fair value is provisional and may change if and when a final purchase price allocation is made. The estimated tax bases of these identifiable intangible assets are nil, and

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consequently, the recognition of these assets results in the recognition of additional deferred taxes of \$1,745.

Asset	Fair Value (US\$)	Asset Life (Years)	Annual Amortization Charge (US\$)
Customer contracts	114	5.0	23
FTS patent license and UEPS marketing rights	4,506	7.0	644
	4,620		667

The intangible assets were valued by Stenton Leigh on the basis of management's projections of the relevant cash flows to be generated by the existing contracts of Net 1 and the FTS patent license and UEPS Marketing rights of Net 1 (essentially projected future contracts) taking account of the appropriate level of risk and using an appropriate risk-free discount rate.

- (11) Represents estimated interest earned by Aplitec in the year ended June 30, 2003 and in the six month period ended December 31, 2003 on existing Aplitec cash of \$45,100 that would have been distributed to shareholders and therefore not have been held by Aplitec had the transaction been consummated on July 1, 2002. An estimated pre-tax interest rate of 5.4% has been used in respect of the year ended June 30, 2003 and of 4.4% in respect of the six month period ended December 31, 2003, based on the actual interest earned by and year-end cash balance of Aplitec on a US GAAP basis. The adjustment has been tax-effected at 37.78%.
- (12) The reinvesting shareholders receive ZAR 1.90 per share, which is treated as a capital distribution. This is equal to \$67,689, of which \$45,101 is funded from existing cash of Aplitec. This distribution from existing cash is reflected here.
- (13) Represents the distribution to reinvesting shareholders of the balance of cash described in (12).
- (14) Represents the effect of the Brait Consortium's capital contribution of \$52,831 into Net 1 in exchange for the issuance of 105,661,428 shares of Net 1 common stock, at a subscription price of \$0.50 per share.
- (15) [Not used under Option 2]
- (16) Illustrates the effect of liabilities estimated at \$11,960, including taxes arising on the cash distribution to Aplitec shareholders. These costs do not include the effect of total estimated costs to be paid to professional advisors of \$6,524, approximately \$2,500 of which may be satisfied through the issuance of equity. Such costs do not qualify as acquisition costs of Aplitec and will be therefore be expensed in the period incurred. Although effect has not been given to these expenses in the pro forma income statement in light of their non-recurring nature, these costs will be included in the post-acquisition income statement.
- (17) The total amount of liabilities described in (16), is reduced by a historic STC provision carried by Aplitec of \$3,703, which can be offset against taxes arising on the transaction included in (16).
- (18) Represents the elimination of historic common stock of Aplitec, as the legal acquiree.
- (19) Represents the acquisition of Special Convertible Preferred Shares by reinvesting holders of Aplitec common stock at a distribution ratio of 0.814286.
- (20) Represents the elimination of retained deficit of Net 1, as the accounting acquiree.

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- (21) Goodwill was determined based on a provisional purchase price allocation and is equal to the difference between the purchase price and the fair value of net assets acquired, as set forth below:

Purchase Price	US\$
Existing shares of Net 1 immediately prior to transaction	121,514,000
Fair value per Net 1 share(1)	0.50
Total value	60,757,000
Net 1 assets acquired	
Historic net liability value of Net 1	(516,000)
Add: Capital contribution by Brait prior to transaction(14)	52,831,000
Add: Fair value adjustments to Net 1 intangibles(10)	4,620,000
	56,935,000
Goodwill pro-forma adjustment	3,822,000

(1) The fair value of the shares of Net 1 common stock used in determining the purchase price was \$0.50, which is the price per share paid by the Brait Consortium under the Common Stock Purchase Agreement. The transaction for the acquisition of shares closes before the transaction whereby Aplitec acquires Net 1 (in the Option 2 scenario).

- (22) Represents the issuance of B Class preference shares by New Aplitec, which are, in substance, considered to be common stock of Net 1 for financial reporting purposes.

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BUSINESS

THE TECHNOLOGY

Net 1's and Aplitec's technological platforms are based upon two fundamental components:

FTS patents; and

the UEPS technology.

The FTS patents were first filed by Dr. Serge Belamant and the late Andre Mansvelt in 1989. The patents in South Africa and its surrounding territories were subsequently assigned to Net 1 (Pty), which is currently a wholly owned subsidiary of Aplitec. The patents in Europe and the United States were assigned to Net 1 Holdings.

Description of the FTS Patents. The FTS patents describe a method for the safe and secure transfer of funds from one smart card to another without the need for contact with the card issuer or authorization center at the time of the transaction. It also incorporates how these cards can be loaded or re-loaded with funds as well as how these funds can be redeemed for value in a banking or non-banking environment.

Status of FTS Patents. The FTS patents are registered in the United States, South Africa, Botswana, Namibia and Swaziland.

The European patent was filed in October 1990 and granted in December 1994. The European Patent Convention provides for an opposition period of nine months following the grant of a European patent, and six parties filed an opposition to the grant of the FTS patent. The case was heard before a Board of the Opposition Division in March 1998 and the patent was upheld. Following this decision, a number of the original opponents filed an appeal. The oral proceedings for the appeal were heard on October 10, 2002 and the Appeal Board reversed the earlier decision. The formal written decision from the Appeal Board was received on December 24, 2002. Consequently, the European patent has been revoked and there is no possibility of any further appeal.

As a result of this ruling, Net 1 will not be able to collect any patent royalties in the European Union. However, our business plan and forecast do not account for such royalties as a major source of revenue in the medium to long-term, as the key to Net 1's operations in Europe is based on its know-how and ability to exploit the technology rather than on its proprietary right. Accordingly, while Net 1 is disappointed in this ruling, it has not and is not expected to have a material adverse effect on Net 1 in the medium or long-term.

The FTS patents in South Africa, Botswana, Namibia and Swaziland were granted on September 25, 1991, March 9, 1993, April 7, 1993 and December 9, 1992, respectively. These patents, held by Net 1 (Pty), remain in full force and effect, and Aplitec is not aware of any challenges to their enforceability.

The FTS patent in the United States was granted on December 29, 1992. A reissue patent was granted under number Re. 36,788 on July 25, 2000. It currently remains in full force and effect, and Net 1 is not aware of any challenges to its enforceability.

Description of the UEPS Technology. The UEPS technology is a suite of software programs that incorporates the FTS patents into a fully integrated payment and settlement system. The primary strengths of UEPS are its affordability, security and flexibility. The system is affordable because transactions occur between the computer chips embedded in the two smart cards involved. Because the computer chips on the smart cards contain the software necessary to enable UEPS transactions, the terminals required to enable these transactions contain far fewer components and circuitry compared to traditional Point of Sale terminals. There is also a reduced need for processing power and on-board memory and, therefore, on-line communication (i.e. internal modem) is not necessary. As a result, the UEPS terminals are relatively inexpensive, and do not require specialized technical expertise for installation. This eliminates the need for existing infrastructures such as electricity, telephone or data transmission. The payment system is secure because all transactions are verified (i.e. confirmation of the actual transfer of the funds) between the two

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smart cards, which are involved in the transaction using advanced hardware tamper protection and cryptographic systems, together with protocols and techniques developed by the founders of the technology. The UEPS also allows for pin code or biometric (fingerprint) verification of the cardholder at the time of transacting, which further enhances the security of the system. Finally, UEPS is flexible because transactions are completed off-line, thus eliminating virtually all restrictions on where verified transactions can occur.

The first version of UEPS was released in 1991, and included software to both operate each smart card as well as the main payment system network. UEPS provides all of the functions necessary to issue and manage a smart card and terminal base as well as those needed to effect settlement between all of the operators and participants. UEPS is fully traceable and auditable and can provide advanced facilities such as loss tolerance and interest distribution. Finally, UEPS is scalable and can be made available to well established market leaders or as a starter kit to smaller organizations.

Rights to the Technology. Net 1 owns the exclusive rights to market and sell the technology worldwide, excluding South Africa and its surrounding territories and the rights to license the U.S. FTS patent. Net 1 (Pty) owns similar rights in South Africa and its surrounding territories.

NET 1 S BUSINESS

Overview

Net 1 is a development stage company engaged in the commercialization of the UEPS technology and FTS patent through the development of strategic alliances with national and international banks and card service organizations. To date, our activities have consisted of acquiring certain rights to the above-mentioned technology from Net 1 Holdings and entering into outsourcing and distribution relationships with Aplitec. 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's web site address is www.net1ueps.com.

Strategy

Following the development of a detailed business plan and marketing strategy, Net 1's management team has devoted most of its activities to the raising of the funds required to develop and operate the business successfully.

History

Net 1 was incorporated in the State of Florida in May 1997 to acquire and exploit a non-exclusive worldwide license to the UEPS payment system. Net 1 entered into a license agreement, dated May 19, 1997 (the License Agreement), with Net 1 Holdings, Net 1 Operations S.a.r.l. and Net 1 (Pty) (collectively, the Licensors), whereby the licensors granted a non-exclusive license to Net 1 for the UEPS technology in exchange for 5,412,244 shares of Net 1 common stock. On October 1, 1997, the License Agreement was amended to transfer ownership of the UEPS technology and FTS patents world wide (except for South Africa and its surrounding territories), and to assign the Technology License Agreement between Visa International Service Association and Net 1 Holdings, dated July 31, 1997 (the Visa Agreement) to Net 1 in exchange for 4,729,612 shares of Net 1 common stock. This transaction was never completed because certain conditions precedent were never satisfied.

On May 3, 2000, Net 1 entered into a Patent and Technology Agreement with Net 1 Holdings, whereby Net 1 was granted a license for the U.S. FTS patent and the now invalid European patent. The 4,729,612 shares of Net 1 common stock previously offered in the above-referenced amended License Agreement were issued to Net 1 Holdings. At December 31, 2003, Net 1 Holdings beneficially owned 8,520,578 shares of Net 1 common stock, or 53.75% of the shares then outstanding. In addition, Net 1

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obtained the exclusive marketing rights for the UEPS technology in all countries other than South Africa and its surrounding territories.

On February 26, 2001, Net 1 entered into an Outsourcing Agreement with Net 1(Pty). In October 2002, this agreement was replaced by a Distribution Agreement, effective as of July 1, 2002, pursuant to which Net 1 (Pty) was retained to provide Net 1 with marketing, sales, administrative and technical support as an accredited UEPS integrator in Net 1's designated territories. As part of this agreement, Net 1 (Pty) receives 9.5% of fees collected by Net 1 on all new licenses and upgrades of existing licenses.

Business

As a development stage company, Net 1 is principally focused on trying to commercially exploit the FTS patents and UEPS technology in its designated territories. Net 1's management has developed a detailed business plan and marketing strategy involving the development and implementation of the smart card system as an alternative to existing payment systems such as cash, checks, credit cards and debit cards, utilizing the proprietary technology and operating under the Net 1 brand.

Management has also focused its efforts on attracting the necessary capital to implement the business plan. On October 23, 2002, Net 1 retained Investec Bank Limited (Investec), an international merchant banking group, to provide corporate finance services and assistance in order to raise equity and/or debt funding for the company. This was unsuccessful and Investec and the company mutually agreed to terminate the engagement.

Management continues to strive to meet the following two business strategies:

Build partnerships. Net 1 hopes to establish partnership agreements with IT services and financial services entities, which would provide the total technical support required by Net 1 licensees to launch and develop their own applications based on the FTS patents and UEPS technology. The only partnership established thus far has been the relationship with Aplitec pursuant to the Distribution Agreement.

Develop license revenue. Net 1 hopes to increase revenue by developing its licensee network on a worldwide basis. Net 1 already receives revenues under the Patent and Technology Agreement from UEPS licensees in Latvia, Burundi, Ghana, Rwanda and Malawi and it is in negotiations with potential licensees in various other countries.

The aforementioned Patent and Technology Agreement entitles Net 1 to receive all of Net 1 Holdings' license sales revenue in an amount equal to Net 1 Holdings' annual net profit before amortization. This agreement has produced minimal revenues and Net 1 has suffered recurring operating losses as is normal in development stage companies. At December 31, 2003, Net 1 had a working capital deficiency of \$517,463. These factors raise doubts about Net 1's ability to continue as a going concern beyond the second quarter of 2004. The ability of Net 1 to complete its long-term business plan depends on whether it is successful in raising the capital it requires through equity financing and developing a market for its products.

Properties

Net 1 does not own any properties. We currently rent office facilities and services on an as-needed basis at 744 West Hastings Street, Vancouver B.C. Canada from Gilmour, McKay Roberts Consulting Limited, one of our financial consultants. We rent this office on a month-to-month basis at a rate of \$1,000 per month.

Legal Proceedings

Net 1 is not involved in, nor is it aware of, any significant legal or arbitration proceedings which are pending or threatened and which may have, or have had in the twelve-month period preceding this proxy statement/ prospectus, a material effect upon the financial position of Net 1 and its affiliates.

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APLITEC S BUSINESS

Overview

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

Aplitec's mission is to provide a secure, universal and affordable transacting system, utilizing existing infrastructure within the financial services industry, that will enable people, regardless of income, to have access to goods and services that were previously unattainable. Access to these goods and services should result in improved lifestyles and provide access to new, low-risk and profitable markets for suppliers that use Aplitec's systems.

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 provincial governments in five of the nine provinces of South Africa. Aplitec also operates micro-lending businesses with more than 100 micro-lending branches throughout South Africa, and develops, markets and licenses administrative and payment solutions for the micro-finance industry. Aplitec also provides financial services to pensioners through its proprietary smart card platform.

Aplitec, through its subsidiary Net 1 (Pty), holds the FTS patents for South Africa and its surrounding territories and, through the Distribution Agreement with Net 1, provides integrated software and hardware services to customers outside its designated territories. Aplitec also provides technical, operational and outsourcing services to companies.

Aplitec and its subsidiaries currently employ 2,044 persons. Aplitec's web site address is www.aplitec.co.za. The Aplitec website contains information about customers and suppliers who have historically been involved with Aplitec but may not currently use Aplitec's technology or act as suppliers. Aplitec will update its website as soon as possible to more clearly indicate which of the listed customers and suppliers are current and which are historical. The contents of Aplitec's web site are not incorporated by reference in this proxy statement/ prospectus.

Strategy

Aplitec's principal goal is to deploy a national payment system that will provide an affordable and secure financial services and transacting platform to the un-banked and under-banked citizens within South Africa. As commerce and industry in South Africa continues to seek secure and cost-effective solutions that minimize the risk of performing cash transactions and provide access to consumers who may have limited access to traditional financial services, Aplitec is well-positioned to offer effective solutions through its wide range of secure smart card payment system applications. Aplitec believes that its infrastructure will extend the existing commercial banking networks and enable it to provide access to financial and transacting services for all South Africans.

The UEPS is ideally suited to South Africa and other developing countries as it is able to operate in an offline environment. It thus offers a cheaper, more effective option for transacting by poor segments of the population. The UEPS applications developed by Aplitec deliver practical, affordable and inter-operable solutions in various fields including transportation, wage and utility payments, pension distribution, premium collections, retailing and third party transfers.

The UEPS provides a secure and affordable channel through which financial and other services can be administered to persons with lower incomes. Aplitec's strategy is to provide and promote the channel, facilitate services using the channel and participate in the transaction fees based on the services that are rendered through the channel. Aplitec still retains the flexibility of selectively providing services to the channel itself where it is strategic to do so, the resources are available and the returns are commensurate with the risks taken.

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The first stage of Aplitec's strategy was to build a critical mass in smart card users. This has been achieved through the administration and distribution of state pensions and social welfare grants to more than 2.2 million beneficiaries. The proliferation of cards in the hands of consumers has generated increased demand for additional services. Going forward, Aplitec will focus on developing UEPS applications that facilitate the introduction of additional services to the channel and will seek opportunities to provide services directly to the channel.

History

Aplitec was incorporated on May 14, 1997 under the name Javelin Housing (Proprietary) Limited. On September 12, 1997, the company adopted its current name, and it also converted into a public company to facilitate the subscription of shares by the public on its listing. Aplitec debuted on the Venture Capital list of the JSE on December 11, 1997 and raised ZAR 30 million (\$4.4 million) through a private placement of 30 million ordinary shares. In April 2000, Aplitec transferred its listing to the main board of the JSE.

Net 1 Southern Africa Acquisition

In May 1998, Aplitec acquired Net 1 Southern Africa (Proprietary) Limited, a business focused on supplying and servicing the point of sale, or POS terminal network of Nedcor, a major South African banking group. The purchase price for Net 1 Southern Africa was 4,560,000 Aplitec ordinary shares.

CPS Acquisition

In 1999, Aplitec acquired CPS, a business engaged in the distribution of social welfare grants, for ZAR 54 million (\$7.91 million). This acquisition achieved two critical objectives. First, CPS's customer base of approximately 1.5 million people were issued UEPS smart cards, which helped Aplitec to achieve a critical mass of smart card users. Second, Aplitec acquired a logistics/ implementation infrastructure that was unparalleled in reach, expertise and experience at the time. Strengthened by Aplitec's technological platform, CPS was able to renew its existing contracts and secure new ones. CPS also entered into a strategic alliance with the South African Post Office to distribute pensions through its branches in the KwaZulu-Natal province utilizing the UEPS smart cards. A key element of the awarding of this contract was the technological advances that Aplitec brought to bear in the provision of services sought. CPS is currently Aplitec's principal operating subsidiary.

Micro-lending Acquisitions

During the course of 1999 and 2000, Aplitec acquired 100% of Moneyline (Proprietary) Limited (Moneyline) for ZAR 43.5 million (\$6.37 million) and 100% of NewWorld Finance (Proprietary) Limited (New World) for ZAR 25.3 million (\$3.71 million). Through these acquisitions, Aplitec gained access to a network of approximately 100 micro-lending branches in South Africa through which its micro-lending administration and payment solutions could be deployed.

Nedcor Relationship

In July 2000, Nedcor Limited (Nedcor) acquired 26.2% of Aplitec. As part of the transaction, Aplitec acquired Net 1 (Pty), the entity housing the FTS patents for South Africa and its surrounding territories, for ZAR 19.5 million (\$2.86 million). This acquisition consolidated the ownership of and rights to the technology for South Africa and its surrounding territories into Aplitec.

Market Opportunity

Aplitec operates in markets that contain large untapped populations of people who have no access to banking facilities (the un-banked) or very limited access to banking facilities (the under-banked). According to research done by ACNielsen (FutureFact Marketscape Survey 2002) and the South African Reserve Bank (Labour Markets and Social Frontiers April 2003), only 40% of South African adults have

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access to at least one form of basic bank account, compared to approximately 90% of adults in the United States. Furthermore, the distribution of bank accounts is significantly skewed towards higher income groups. This is largely due to the high relative costs associated with maintaining a bank account in South Africa. Aplitec's payment and transacting systems are ideally suited to meet the needs of the un-banked and under-banked in South Africa. The ability to execute offline transactions not only reduces the cost of a transaction, but is also essential in the rural and informal areas with limited or no communication infrastructure, where approximately 60% of South Africa's population live. These markets present a substantial opportunity for Aplitec to increase its user base and the volume of transactions processed using its systems.

Aplitec expects significant growth from its existing businesses in the future. To date, social welfare beneficiaries have not been able to transact with merchants using the value stored on their smart cards and most beneficiaries have withdrawn their full value of the grant in cash. With the rollout of terminals at selected merchants, it is expected that more beneficiaries will use their smart cards for transacting with merchants. In addition, it has been well publicized that the South African government is accelerating its social security program to provide more South Africans with social grants, in order to combat poverty. This will result in an ever-increasing number of customers for Aplitec and significantly increase the total value of grants distributed.

Aplitec's existing applications and services have largely focused on the un-banked segment of the population. However, several applications have been developed to target the under-banked market segment. These include wage payment systems that allow employees to pay salaries and wages of their employees onto smart cards, and canteen systems. These systems provide all of the benefits of cash transactions without the related fraud and security risks. Aplitec also recently launched a money transfer system that provides a fund transfer mechanism between clients in various countries. Aplitec's role is to facilitate the distribution of a secure electronic payment using biometric fingerprint technology for beneficiary identification and the loading of funds onto the beneficiaries' smart card.

UEPS systems can also be used to service higher income clients. UEPS applications have been developed for the administration of national health insurance and Internet payments. UEPS can also be adapted to operate in closed environments such as casinos, hotels and gyms.

Business

Aplitec's business is organized into three divisions: Transaction-based Activities, Financial Services and Technology Sales and Outsourcing.

Transaction-based Activities

Aplitec's transaction-based activities are operated through CPS. CPS uses the UEPS to administer and distribute eight different social welfare grants in South Africa, including pensions, child grants and disability grants on behalf of the provincial government. Provincial contracts are typically awarded for a period of three years with an option by the provincial government to extend the contract for two additional years. Currently CPS holds five provincial government contracts, three of which are in the extension periods.

The system uses a smart card based biometric (fingerprint) identification system to verify beneficiaries and effect payments of social welfare grants onto individual smart cards. The beneficiary then has the choice of either converting the electronic value to cash using automated cash dispensers or effecting payments for a range of services such as loan payments and insurance premium payments. The system effectively combats the problems associated with traditional cash payment systems such as fraud and theft as a result of the biometric verification and audit trails.

Due to the limited number of services currently provided, almost all of the beneficiaries download the value onto their smart cards and then immediately withdraw the full amount as cash. Aplitec's revenue is therefore currently dependent on fees earned on the loading or redemption of value on the cards as well as

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the registration of beneficiaries rather than the provision of services. The direct costs associated with this business are primarily cash handling costs such as security, transport of cash, banking fees and insurance. Fixed costs comprise salaries and property rental.

CPS's competitors include Allpay, which is responsible for payments in the Free State, Gauteng, Western Cape provinces and a small portion of the Eastern Cape, and Empilweni which is responsible for payments in the Mpumalanga province.

Financial Services

Traditional Micro-lending. Aplitec operates a traditional micro-finance business with more than 100 branches under the New World Finance and Moneyline brand names. These businesses extend cash loans for periods ranging from 30 days up to 3 months, with the majority of loans being 30-day loans. The average interest rates charged to customers are 18-20% per month. These businesses operate on Aplitec's Milpay Pay System, or MPS, of which more than 1,000 have been sold to the industry. The system is unique in that it enables the micro-lender to set up a salary budget account, or SBA, for the client into which the employer deposits its employees' net salary. The SBA allows the loan deductions that are pre-authorized by the client to be electronically transferred to the authorized party. This ensures that loan repayments are made every month and substantially lowers bad debt provisions, which provides an overall benefit to the micro-lender. The remaining sum can then be retained in the bank account or transferred to another account. Aplitec believes that marketing this system to an entire industry could result in significant annuity revenue.

The MPS module is linked to the National Loans Register, a database of micro-lending customers with existing loans, which was established by the Micro Finance Regulatory Council of South Africa to encourage responsible lending by microlenders and prevent customers from overextending themselves. The module also ensures that loans are not granted to persons with existing loans. In addition, payment slips are checked for other deductions before an affordability and lifestyle score are given to the potential customer. Based on these scores, the decision to grant a loan is made at the branch level.

At December 31, 2003, the net debtors book amounted to ZAR 28.05 million (\$4.11 million). As this is not a core business, Aplitec does not intend to actively grow the debtors book in the future.

Age Secure. Towards the end of 2001, Aplitec developed a suite of financial services targeted at social welfare beneficiaries, utilizing Aplitec's issued base of smart cards as a delivery channel. The products are marketed under the Age Secure brand and include micro-loans, insurance and food parcels. Age Secure has only been implemented in the KwaZulu-Natal province and has approximately 85,000 clients. Going forward, Aplitec plans to grow and develop the Age Secure business by launching new products and into provinces where it administers social welfare grants.

Following initial start-up losses, Age Secure grew rapidly and is now profitable and cash generative with a net debtors book of ZAR 33.0 million (\$4.84 million). The growth in Age Secure's client base demonstrates that Aplitec's technology can be used to effectively manage the credit and collection risks inherent in the micro-lending industry.

Technology Sales and Outsourcing

Aplitec has developed a range of technological competencies to service the company's internal needs, including the development of the UEPS to provide services directly to smart card holders, and to provide the link between Aplitec and its client enterprises. Technology sales refer to the supply of the hardware and software required to implement Aplitec's UEPS systems. Aplitec has to date implemented systems on behalf of Net 1 and Net 1 Holdings in Malawi, Ghana, Burundi, Rwanda, Mozambique and the Commonwealth of Independent States or CIS.

The Malawi contract was significant breakthrough for Aplitec because it was the first time that an African central bank selected a smart card program for use with a national payment system. It was also the first use of the UEPS technology in a national switching environment (i.e. a system that allows for

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country-wide settlement of financial transactions between participating individuals and a central banking system) using the biometric finger print identification methodology. The system provides solutions for both the banked and un-banked market segments of Malawi. To date, six financial institutions and British Petroleum (BP), a bulk fuel supplier, have joined the system. A total of 200,000 smart cards, seven automated teller machines, or ATMs , and 350 POS terminals have been purchased and the issuance of smart cards has commenced. The BP Application was launched in April 2003 and is currently being deployed throughout Malawi. A total of 54 BP service stations have been equipped with the necessary POS equipment. The government of Malawi recently committed to pay the salaries of 150,000 government employees through the use of Net 1 smart cards.

When a system is implemented in a country, Aplitec provides the hardware required to receive, allocate and forward transactions to the correct financial institution, customizes the UEPS software for the network (UEPS management system, ATM integrations, POS integration), customizes the applications suite for the client s specific requirements (e.g. banking, retail, wage payment) and supplies the smart cards and terminals. All technology sales include an element of support services as programmers and technicians need to adapt or tailor interfaces to the client s existing systems. Ongoing services including maintaining smart card equipment, consulting and support services, and software development are provided to these clients.

The division continues to pursue opportunities to implement UEPS technologies internationally. Aplitec have been awarded a tender in Kenya to install a UEPS-based national health system requiring two million cards. The implementation of the tender has however been delayed due to the change of government in Kenya.

The outsourcing aspect of the division refers to the services Aplitec provides to Nedcor. Aplitec has a rolling contract with Nedcor relating to the outsourcing of its entire terminal management system, Stratus switching modules, software development, smart cards and terminal maintenance. Aplitec also supplies hardware to Nedcor in the form of POS terminals and card readers.

Properties

Aplitec does not own any properties. Aplitec leases certain premises under operating leases. For the fiscal year ending June 30, 2003, lease payments totaled ZAR 19.6 million (\$2.87 million). Aplitec s principal offices are located at 4th Floor, President Place, 148 Jan Smuts Avenue, Rosebank 2128 South Africa.

Legal Proceedings

Aplitec is not involved in, nor is it aware of, any significant legal or arbitration proceedings which are pending or threatened and which may have, or have had in the twelve-month period preceding this proxy statement/ prospectus, a material effect upon the financial position of Aplitec and its subsidiaries or affiliates.

THE COMBINED COMPANY

The proposed transactions will combine the worldwide rights to the FTS patents and UEPS technology into a single entity along with the unique implementation skills, business models and applications for UEPS systems developed by Aplitec. In addition, they will raise sufficient capital to implement Net 1 s international expansion business plan.

If the proposed transactions are consummated, Net 1 intends to focus on implementing the business plan described below. However, we can give no assurance that the transactions will be consummated as planned, or that we will be successful in meeting the business plan objectives in the future.

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Market Focus

In an effort to efficiently allocate Net 1's resources, we have identified two distinct markets for Net 1's products, based on the benefits that cardholders, merchant cardholders and others would find desirable from the payment system. Each of these markets will require different marketing strategies.

The first and primary set of markets for the technology is the less developed markets, which are characterized by a lack of reliable, extensive and inexpensive telecommunications and related infrastructure systems. These markets have relatively little penetration of credit or debit cards, and a large portion of the population does

not have access to traditional banking services. Aplitec has substantial experience in developing and tailoring UEPS applications to meet the specific needs of potential clients in these environments. Net 1 intends to leverage Aplitec's experience to secure new contracts in other less developed markets.

The second set of markets is the more developed markets. These markets have reliable, extensive and inexpensive telecommunications networks, a considerable penetration of credit and debit card services, and the vast majority of their populations have access to banking products.

Less Developed Markets. Net 1's present competition in the less developed markets is principally cash. In addition, other companies are developing smart-card based systems for these markets, some of which may become competitive. The less developed markets comprise the great majority of the world's population, and there is generally no alternative to cash in these markets. Due to their lack of infrastructure, these markets have not been particularly attractive to alternative payment systems such as debit and credit cards. Net 1 believes that its product is particularly well suited for these markets, and while individual transactions may be smaller than in developed markets, the volume of these transactions is potentially much greater, representing a significant opportunity for attaining licensing fees and joint ventures.

Net 1's goal in these markets is to provide a payment system to the population as an alternative to cash. Cash is expensive to handle in terms of the costs associated with administering a cash float and is particularly prone to theft. Moreover, since people in less developed markets do not have access to traditional banking products, they therefore do not deposit their money in secure savings accounts on which they earn interest. The Net 1 UEPS system can enhance the lives of the populations of these developing markets by affording them much greater security with respect to their money and making available banking products such as interest bearing savings accounts. In addition, by simplifying the administrative burden and removing the costs associated with handling cash, Net 1's system will result in significant savings to employers, governments and merchants. A significant focus of Net 1 in these markets, therefore, is to identify local licensees and/or joint venture partners that it believes will be in a position to effectively market the payment system to employers and governments.

Net 1's general strategy is to market the UEPS system to those who presently transfer money to others, like employee wages or government benefits. These entities would enter into arrangements with a card issuer, who would then issue cards to their employees or beneficiaries. The wages or benefits for these cardholders would then be loaded onto their cards, thus avoiding the need for the distribution of cash or checks. The funds loaded onto the cards could then be used at local merchants that accept the card for purchases of goods and services. Cash could also be obtained from the card at local banks or retail establishments. The goal is to develop a large installed cardholder base in the most efficient manner. Once a region has a sufficient number of cardholders, additional merchants can be solicited and the payment system expanded. As the cardholder base grows, additional benefits inherent in the UEPS will become recognized and the system will continue to grow. Net 1 is also exploring initiatives in these markets to utilize the UEPS in connection with public transportation, taxis and prepaid utility services such as telephones, electricity and water.

The proposed transactions will allow Net 1 to leverage Aplitec's experience and skills to develop, customize and implement the UEPS in other parts of the world. Over the last five years, Aplitec has successfully implemented systems in South Africa, Malawi, Ghana, Burundi, Mozambique and Rwanda in

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applications ranging from the distribution of social welfare grants to integrated national switching systems. Net 1 intends to actively pursue opportunities in less developed markets after completion of the proposed transactions.

The Developed Markets. Our principal competition in the developed markets is the existing base of credit and traditional debit cards, as well as cash, checks and other forms of payment. In addition, several other companies are developing smart card-based payment systems. In order to effectively compete in this market, an alternative payment system must offer some identifiable benefit to the cardholder and the merchant cardholder. We believe that our product offers substantial benefits over existing payment systems in connection with payments for goods and services over the Internet and other selected environments.

One significant impediment to the growth of commerce over the Internet is the reluctance of consumers to broadcast sensitive credit or debit account information. Moreover, Internet transactions settled by credit card are not generally verified, resulting in increased costs for the on-line merchant. There is a need in this market for a payment system which can provide on-line merchants with instant, verified transfers of payments from customers, while not requiring the customer to transmit any information over the Internet which can identify the customer's payment account. We believe that the Net 1 FTS/UEPS payment system can meet these objectives as well as provide additional benefits to on-line consumers and merchants.

We envision a system in which consumers can use their existing account at a financial institution to load their cards with funds. This procedure will be able to operate in many different ways, depending on the relationship between Net 1 and the specific financial institution. If no relationship exists, a simple debit or stop order could be used to allow the cardholder to load his or her UEPS smart card through a simple Internet application, utilizing any personal computer equipped with a smart card reader. In the case where the financial institution is a licensee of Net 1, the debit or stop order would not be required to achieve the above mentioned result. Interest rates and other incentives could be offered to cardholders as an incentive to maintain higher balances on their UEPS smart cards. Internet merchants would then be able to accept guaranteed payments for the goods or services they offer over the Internet. Merchants and service providers would be able to deposit these payments in any financial institution on a daily basis. Cardholders would be protected against the unauthorized use of their card and would always maintain a full audit trail of all their transactions.

Our Internet payment solution is similar to our standard off-line POS transaction. Our ability to readily adapt UEPS to Internet transactions is due to the patented end-to-end security protocol that ensures that any active communication can only be interpreted by the cardholder and the merchant cardholders. We believe that the risk of fraud, repudiation or non-payment is less than competing systems.

Net 1 intends to have a system that can provide payment functionality in pay-as-you-use services. These services include, for example, access to databases or other information systems, professional advice or advanced software or special application systems. There are other competing systems that have been proposed for these markets. Our continuous debit function could ensure that payment is made while the service is being used. This same functionality can be used in applications such as fuel dispensing and telephonic communication.

We intend to market this product to on-line retailers and service providers and will develop a final product based on the specifications for the system required by these entities. Once there is a sufficient installed base of cards, Net 1 will then broaden its focus to conventional banking and retail applications in these markets.

Identified Sources of Revenue

Net 1 has identified several potential general sources of revenue, including:

manufacture licensing;

software licensing;

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usage licensing;

joint ventures; and

hardware sales.

In 2002, Net 1's revenue consisted of license fees collected by Net 1 Holdings (see below) from UEPS system users in Burundi, Latvia, Ghana, CIS and Malawi, as well as license usage fees from Visa International Service Association. While none of the other sources of revenue have yet been developed, the proposed transactions will:

provide Net 1 with sufficient capital to actively market the technology and secure new business;

provide Net 1 with a history of successful UEPS implementations as proof of the concept; and

allow Net 1 to leverage Aplitec's experience and skills to design and implement financially viable UEPS systems.

Manufacture Licensing. As part of our business plan, Net 1 will license manufacturers to produce UEPS smart cards. We will collect a licensing fee for each card manufactured, and we will further generate fees for access to product information and workshop materials.

Manufacturers of POS terminals and prepaid utility meter terminals who wish to produce terminals capable of supporting FTS based applications will be licensed by Net 1. It is anticipated that these manufacturer licenses will be based on a variety of payment systems, including annual payments, per-terminal payments or transaction fees. Generally, the terminals used in connection with the FTS/ UEPS-based payment system, unlike other payment systems, do not require a great deal of technology as the security process used by the payment system is managed in its entirety by the two smart cards transacting at the time. Manufacturers, therefore, can mass-produce low cost terminals for the Net 1 FTS/UEPS payment systems. These potential revenues have now been limited to U.S.-based manufacturers, as the European FTS patent has been revoked. The proposed transactions will extend this potential revenue stream to manufacturers in South Africa and its surrounding territories.

Neither Net 1 nor Aplitec currently has any material manufacturing licenses in place. Aplitec's smartcards are currently manufactured in France by Gemplus and Sagem, and in the United States by Atmel, and its terminals are manufactured in France by Sagem Monetel and Xiring.

Software Licensing. Net 1 will require that all ultimate users of the software supporting the UEPS smart cards receive a license, for which Net 1 will charge a fee. It is anticipated that this software license will include an annual fee as well as a transaction-based fee.

Usage Licensing. We will license entities that will operate specific applications that use FTS intellectual property or the combined FTS/ UEPS payment system. We anticipate that the license fees for these licenses will include a combination of annual fees as well as transaction fees.

The proposed transactions will consolidate the ownership of and rights to the technology under Net 1. Using Aplitec's track record of successful UEPS implementations and its skills in developing and modifying the UEPS to meet client specific needs, Net 1 will be able to effectively market the UEPS payment system to potential customers across the world.

Joint Ventures. We will explore opportunities to form joint ventures with entities within particular geographic territories. The joint venture partner will act as a system operator in that territory. Under this scenario, we will act as a licensor and may have an equity interest or other participation in the licensee. It is contemplated that we will enter into technology and know-how transfer agreements in exchange for our interest in the joint venture and the other joint venture partner or partners will contribute capital and other expertise necessary to exploit the technology in the given territory. Joint ventures will create ongoing revenue streams resulting from the profits of the joint venture and ongoing license fees referred to above.

To date, Net 1 has had no experience in implementing UEPS systems, which necessitated the Distribution Agreement with Aplitec. As a result, these joint venture opportunities have not arisen. Should

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the proposed transactions be consummated, there will be significant scope for Net 1 to enter into these joint venture arrangements in territories in which Aplitec has either implemented UEPS systems or has been awarded contracts to implement these systems.

Neither Net 1 nor Aplitec currently has any joint ventures in place.

Hardware Sales. We will pursue arrangements with smart card and terminal manufacturers, which will enable us to purchase these items in volumes at preferential prices. Aplitec does not currently have any manufacturing facilities, but rather outsources hardware manufacturing to third parties. Aplitec then licenses this hardware within South Africa and its surrounding territories. For the fiscal year ending June 30, 2003, Aplitec generated UEPS related hardware sales of ZAR 61.4 million (\$9.0 million). Similarly, we contemplate selling these items to our licensees, passing along a portion of the price savings.

Competition

In addition to competition that we face from the use of cash, checks, credit and debit cards and other existing payment systems, we have identified a number of other products currently being produced that use smart card technology in connection with a fund transfer system. These include Mondex, Proton and EMV, which represent products from Visa, MasterCard and Europay. We believe that the UEPS technology can be distinguished from these competitors in a number of significant ways.

The most significant advantages of Net 1's products are the following:

Lower Manufacturing Costs. Since the terminals required for UEPS transactions act only as a power supply and communication channel for smart cards, thus requiring a minimal amount of processing capacity and memory, they can be manufactured at a fraction of the cost of other similar terminals, which generally require sophisticated security and communication hardware components. Furthermore, the UEPS terminals do not require specialized technical expertise to be installed as these terminals can be bought off the shelf and installed by the vendor by following a few simple steps;

Flexibility. Net 1's terminal network stores all of the relevant information required to perform a financial transaction on a holder's smart card, and thus can operate off-line (i.e. without the need for a data communication session to be active during the transaction) or on line through the use of any communications infrastructure, including satellite, microwave, radio, landlines or any other distribution channel. By contrast, the terminals utilized by our competitors store all relevant information on a host computer and therefore must operate on line ;

Increased Security. Each transaction utilizes a unique sequencing algorithm that allows verifiable auditing of the transaction creating a loss tolerant system. This enables the detection and subsequent elimination of fraudulent activity and an ability to replace lost or stolen cards. In addition, UEPS supports pin code and biometric verification of the cardholder at the time of transacting, thus reducing the risks of fraud; and

Ease of Transferring Funds. The encryption security protocols enable cardholders to receive fund-loading instructions from a third party through any unsecured communications channel such as word of mouth, telephone, newspaper or any analogue or digital network. Such loading instructions consist of ten-digit codes that the cardholder enters into any UEPS-enabled terminal. The code, along with the amount to be transferred, the cardholder's PIN or biometric identifier and the smart card's unique serial number (which is encrypted on the card) is then verified by the card and the requested financial transaction is processed.

In addition, the UEPS technology includes functionality that allows:

transparent and automatic recovery in the event of transaction failure resulting from terminal hardware or software problems;

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the smart card itself can be used as proof of purchase, replacing the need for a separate ticket and ticketing system, for example, on buses, trains or the lottery;

continuous debiting of value off the smart card, which in turn allows for simultaneous vending and debiting in unattended environments such as fuel dispensing and telephony;

speed of processing that is mandatory in applications such as transportation and access control; and

open or restricted purses that are required to implement certain applications such as pension and welfare distribution and specific funding initiatives.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following are the managements' discussions and analyses of the financial condition and results of operations of Net 1 and Aplitec, respectively. The following discussions and analyses should be read in conjunction with the financial statements of Net 1 and Aplitec and the notes thereto and the pro forma combined financial information appearing elsewhere in this proxy statement/ prospectus.

NET 1**Selected 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 EPS	(0.02)	(0.03)	(0.04)	(0.01)	(0.02)
Diluted EPS	(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

Net 1 is a development stage company, has a limited operating and financial history and is subject to the risks, uncertainties and problems frequently encountered by companies in early stages of operation. Net 1's historical results of operations are not necessarily indicative of the results of operations to be expected in the future.

Introduction to Results of Operations**Net Revenues**

Net 1 has identified several potential general sources of revenue including:

manufacture licensing,

usage licensing,

joint ventures, and

hardware sales.

Net 1 Holdings has received license usage fees during 2003 from Visa International Service Association and FTS licensees for Latvia, Burundi, Malawi, Rwanda and Nigeria.

None of the other sources of revenue has yet been developed and there can be no assurance that any will develop.

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Manufacture Licensing

Licenses will be required by all manufacturers that produce smart cards that incorporate into their embedded computer chip applications that utilize the FTS patents. Net 1 intends to charge a fee to smart card manufacturers for each smart card produced by such manufacturer that includes the FTS application. In addition, it is anticipated that a yearly fee will also be charged which will entitle the manufacturers to product information and workshop materials from Net 1.

Manufacturers of POS terminals and prepaid utility meter terminals who wish to produce terminals capable of supporting FTS based applications will be licensed by Net 1. It is anticipated that these manufacturer licenses will be based on a variety of payment systems including, for example, annual payments, per-terminal payments or transaction fees, depending upon the particular circumstances. Generally, the terminals used in connection with the FTS/ UEPS based payment system, unlike other payment systems, do not require a great deal of technology as the security process used by the payment system is managed in its entirety by the two smart cards transacting at the time. Manufacturers, therefore, can mass-produce low cost terminals for the Net 1 FTS/ UEPS payment systems. These potential revenues have now been limited to manufacturers that are U.S.-based as the European FTS patent has been revoked.

Usage Licensing

We will license to entities that will operate specific applications that use the FTS patent or the UEPS technology. We anticipate that the license fees for these licenses will include a combination of annual fees as well as transaction fees.

Net 1 receives revenue from Net 1 Holdings from all sales of licenses equal to Net 1 Holdings annual net profit before amortization. Net 1 will recognize the revenue in the period when the financial statements of Net 1 Holdings become available and will report the revenue on a net basis as Net 1 is acting as an agent for Net 1 Holdings under the Patent and Technology Agreement dated May 3, 2000.

Net 1 Holdings has received license usage fees during 2003 from Visa International Service Association and FTS licensees for Latvia, Burundi, Malawi, Rwanda and Nigeria.

In 2003, Net 1 recorded revenues of \$41,017 from Net 1 Holdings.

Joint Ventures

We will explore opportunities to form joint ventures with entities within particular geographic territories. The joint venturer would then act as a system operator in that territory. Under this scenario we will act as a licensor and may have an equity interest or other participation in the licensee. It is contemplated that we will enter into technology and know-how transfer agreements in exchange for our interest in the joint venture and the other joint venture partner or partners will contribute capital and other expertise necessary to exploit the technology in the given territory.

Hardware Sales

Net 1 will pursue arrangements with smart card and terminal manufacturers which will enable us to purchase these items of hardware in volumes at preferential prices. We contemplate selling these items to our licensees, passing along a portion of the price savings. These revenues will only become possible if we are able to raise the funds we require to operate Net 1 as per the business plan.

Operating Expenses

Net 1's operating expenses consist primarily of statutory expenses, administrative expenses, business development expenses and travel expenses. In addition, Net 1 historically has incurred operating expenses related to its outsourcing agreements and a consulting agreement with Claude Guerard, its Chief Executive Officer.

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Results of Operations

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Management continues to be actively involved in negotiations to secure sufficient equity and/or debt financing to fund Net 1's business plan.

On April 30, 2003, Net 1 retained the Brait Group to provide advisory services and assistance in order to raise equity and/or debt funding for Net 1. On October 24, 2003, the Company announced that it was completing financial arrangements to secure approximately \$150 million, including amounts to be raised from the Brait Consortium. The financing would comprise sales of Net 1 common stock to the Brait Consortium for \$0.50 per share, or a total capital contribution of approximately \$53 million, and a share issuance, in connection with the reinvestment option, of approximately \$97 million. The \$53 million raised from the Brait Consortium will enable Net 1 to make an offer to acquire Aplitec, as well as providing working capital to enable Net 1 to expand its operations and develop its internal infrastructure on an international basis. The share issuance will consist of shares of Net 1 special convertible preferred stock issued for the benefit of Aplitec shareholders who elect the reinvestment option and Brait with respect to those shareholders who do not elect the reinvestment option. The \$97 million is calculated based on the number of Aplitec ordinary shares outstanding (236,977,187) multiplied by the price per share that the Brait Consortium will pay in respect of its investment in Net 1 (ZAR 2.85) and divided by ZAR 7.00, which is the exchange rate at which the reinvestment option has been set. This amount is not impacted by the number of Aplitec shareholders who elect the reinvestment option since the consideration either is received from the Brait Group or by way of the Aplitec shareholders electing to reinvest rather than opting for cash.

Net 1, through the Brait Group, has provided the board of directors of Aplitec with an offer to acquire substantially all the assets and all of the liabilities of Aplitec (excluding ZAR 300 million of cash plus enough cash as is necessary to pay holders of Aplitec shares an additional amount equal to ZAR 0.25 (\$0.04) for each ordinary Aplitec share for which such Aplitec shareholder elects the cash option) for approximately \$129 million through a combination of cash and a share exchange offer to Aplitec's shareholders also at a purchase price per share of \$0.50. Aplitec is engaged in the sales, maintenance and development of UEPS smart card based products in South Africa and its surrounding territories with revenues of approximately \$100 million. Aplitec has approximately 2,100 employees. Completion of the financing is subject to compliance with regulatory requirements in South Africa and in the United States, including an increase in the authorized capitalization of Net 1 to permit the shares to be issued.

In the short term, management has continued the suspension of various expenses, including payments pursuant to its consulting agreement with its chief executive officer, Claude Guerard.

Management continues to be actively involved in negotiations with potential clients in view of reaching two main targets:

To establish partnership agreements with IT services and financial services entities, which would provide the total technical support required by Net 1's licensees to launch and develop their own applications based on the FTS and the related UEPS technology and service.

To develop Net 1's licensee network on a worldwide basis. We have granted licenses in Latvia, Burundi, Ghana, Rwanda and Malawi, and are currently in negotiations with potential licensees in other countries of Africa. An Australian organization has approached Net 1 for an FTS license for Australia and New Zealand. Negotiations continue regarding the possible grant of licenses for territories in the Pacific Rim.

Revenue

Net 1 received revenue from Net 1 Holdings from all sales of licenses equal to Net 1 Holdings' annual net profit before amortization. Net 1 recognized the revenue in the period when the financial statements of Net 1 Holdings become available and will report the revenue on a net basis as Net 1 is

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acting as an agent for Net 1 Holdings pursuant to a Patent and Technology Agreement dated May 3, 2000. Effective July 1, 2002, Net 1 entered into a new Distribution Agreement with Net 1 (Pty), which replaced a previous agreement. Under this Agreement, Net 1 (Pty) markets, sells and implements UEPS systems on behalf of Net 1. Any license fees arising from sales by Net 1 (Pty) are paid to Net 1 via Net 1 Holdings, for which Net 1 (Pty) receives a commission of 9.5% of all license fees paid by the customer for the duration of the license's existence. This fee is only applicable for new licenses and upgrades of existing licenses. As a result of the revocation of the European FTS patent, Net 1 will be unable to collect any patent royalties in the European Union. However, Net 1's business plan does not consider such royalties to be a major source of revenue because the key to Net 1's business operations in Europe is the UEPS technology rather than the FTS patent.

Net 1's revenue decreased by \$116,548 in 2003 from \$157,565 to \$41,017. This is due to a decrease in license fees and an increase in related expenses, as shown in the following chart:

	Year Ended December 31, 2002 (Included in Net 1 Fiscal 2003)	Year Ended December 31, 2001 (Included in Net 1 Fiscal 2002)	Increase/ (Decrease) in Net 1 Revenue
	(In US\$)		
Revenue License fees			
Latvia	0	50,000	(50,000)
Burundi	5,000	5,000	
Malawi	61,532	61,308	224
Rwanda	5,000	5,000	
CIS States	0	68,123	(68,123)
VISA	2,000	0	2,000
Multichoice Nigeria	10,000	0	10,000
Total Revenue	83,532	189,431	(105,899)
General and administrative expenses	25,239	15,866	(9,373)
Taxation	17,276	16,000	(1,276)
Profit before amortization; attributable to Net 1	41,017	157,565	(116,548)

The loss of license fees from the CIS States is due to a dispute with the local system operator, BGS Smart Card Systems AG (BGS), who claims that the revocation of the European FTS patent relieves it from the obligation to pay licensee fees to Net 1. Net 1 believes that the licensing fees due from BGS relate to its use of the UEPS technology, not the FTS patent and, therefore, Net 1 is currently evaluating its options on this matter. The loss of license fees from Latvia relates to the issuing of a credit note during Net 1 Holdings fiscal 2002 for an invoice raised during Net 1 Holdings fiscal 2001 for \$50,000 as a result of a dispute between Net 1 and the system operator in Latvia, Netcard. The parties agreed to waive the license fees raised by Net 1 Holdings during fiscal 2001 and that an invoice for license fees totaling \$50,000 for fiscal 2002 should be raised. The net effect of the credit note and the new invoice raised is therefore zero.

The increase in general and administrative expenses was due to payments totaling \$3,325 to Net 1 (Pty) under the Distribution Agreement, as well as costs related to Net 1's patent registrations.

Administrative Expenses

Administrative expenses decreased in 2003 from \$324,507 to \$322,886. This was due to the following:

Professional fees increased by \$101,632 in connection with the independent fairness opinion obtained from Stenton Leigh Capital Corp., as well as legal fees related to the proposed transactions;

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Subcontract fees decreased from \$75,047 to zero due to the cancellation of the Outsourcing Agreement with Net 1 (Pty); and

Travel expenses decreased by \$24,530 due to management's efforts to minimize operating expenses.

Net Loss

The significant decrease in revenue combined with the slight reduction in administrative expenses resulted in a net loss of \$281,869 in 2003. This compares with a net loss of \$166,942 for 2002. The potential benefits of income tax losses, amounting to \$95,880 in 2003 and \$56,541 in 2002, have not yet been recognized, and there is significant uncertainty as to whether we will realize these benefits.

Liquidity and Capital Resources

Cash used for operating activities in 2003 was \$136,399, compared to \$54,468 in 2002. This increase was primarily due to higher operating losses, partially offset by an increase in accounts payable and accrued liabilities due to the postponement of the payment of consulting fees to our Chief Executive Officer.

Cash from financing activities was \$127,802 in 2003, compared to cash used in financing activities of \$91,703 in 2002. This reversal is due to the cash flow constraints experienced by Net 1 during 2003 and the subsequent payment of \$36,099 of Net 1's administrative expenses by Net 1 Holdings, which Net 1 now owes to Net 1 Holdings. This amount does not accrue interest and is due on demand.

The primary source of Net 1's cash has been through the sale of equity. Net 1 anticipates raising \$52.8 million from the sale of 105,661,428 shares of Net 1 common stock to the Brait Consortium during the current fiscal year. Currently, Net 1 does not have available any established lines of credit with banking institutions.

Net 1 believes that its current cash position, as well as payments due from Net 1 Holdings, are not sufficient to meet its cash needs on a short-term basis or to implement any part of its business plan. Additionally, Net 1's management believes that it is currently unable to meet its long-term liquidity needs. Should the proposed transactions not be completed, Net 1 expects that it will be forced to cease all business operations by the end of the second quarter of 2004.

Net 1's ability to continue as a going concern is dependent upon the Company's ability in the near future to (i) raise additional funds through equity financings involving affiliates, controlling shareholders, and unrelated parties, and (ii) further develop markets for its products.

Contingent Liabilities, Commitments and Contractual Obligations

Net 1 does not have any capital commitments. Net 1's only contractual obligations and contingent liabilities arise from its appointment of an affiliate of the Brait Group as its financial advisor in connection with the Aplitec acquisition. For its services, the Brait Group will receive a fee based on a percentage of the capital raised to finance the Aplitec acquisition, in addition to a corporate finance fee of ZAR 1.15 million (\$168,498). If the proposed transactions are consummated, the Brait Group will be paid a fee of approximately \$3.9 million. The Brait Group has the option of applying up to \$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.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

During 2002, management was actively involved in negotiations to secure sufficient equity and/or debt financing to fund Net 1's business plans. On October 23, 2002, Net 1 retained Investec Limited (Investec), an international merchant banking group, to provide corporate finance services and assistance in order to raise equity and/or debt funding for Net 1. Subsequently, on February 12, 2003, Investec and Net 1 mutually agreed to terminate the engagement. During 2002, Net 1 continued to pursue various

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negotiations to secure necessary funding either through equity/debt financing or a joint venture arrangement to develop its business.

In the short term, management has postponed various expenses including the consulting agreement with Claude Guerard and its outsourcing agreement with Net 1 (Pty).

In October 2002, Net 1 cancelled its Outsourcing Agreement with Net 1 (Pty) and both companies entered into a Distribution Agreement with an effective date of July 1, 2002. Net 1 (Pty), at its entire discretion and when it deems appropriate and under the terms and conditions as stipulated in the Distribution Agreement, will provide Net 1, with marketing, sales, administrative and technical support as an accredited UEPS integrator for any country in the world other than South Africa, Namibia, Botswana, Lesotho, Swaziland, Mozambique and Zimbabwe. Net 1 will pay Net 1 (Pty) an amount equal to 9.5% of the license fee paid by the customer for the duration of the license's existence. This fee is only applicable for new licenses and upgrades of existing licenses. Net 1 also settled its indebtedness to Net 1 (Pty) for services rendered up to July 2002 for an amount of \$50,000.

Management continues to be actively involved in negotiations in view of reaching two main targets:

To establish a partnership agreement with IT services and financial services entities that would provide the total technical support required by Net 1's licensees to launch and develop their own applications based on the FTS patent and the related UEPS technologies and services. Net 1's first partnership agreement was the Distribution Agreement which became effective July 1, 2002 with Net 1 (Pty), for any country in the world except South Africa and its surrounding territories.

To develop Net 1's licensee network on a worldwide basis. We have granted licenses in Latvia, Burundi, Ghana, Rwanda and Malawi, and are currently in negotiations with potential licensees in several countries of Africa. An Australian organization has approached Net 1 for an FTS license for Australia and New Zealand. Negotiations continue regarding the possible grant of licenses for territories in the Pacific Rim.

Revenue

Net 1 is still in its development stage, and principal activities have produced revenues of \$157,673, which represent license fees collected by Net 1 Holdings during 2001. License fees collected by Net 1 Holdings, during calendar year 2002 total \$41,017 and have been accounted for during Net 1's 2003 fiscal year.

Net 1 receives revenue from Net 1 Holdings from all sales of licenses equal to Net 1 Holdings annual net profit before amortization as certified by its auditors in its annual financial statement. Net 1 recognized the revenue in the period when the audited financial statements of Net 1 Holdings become available and will report the revenue on a net basis as Net 1 acts as an agent for Net 1 Holdings under the Patent and Technology Agreement dated May 3, 2000.

Administrative Expenses

Administrative expenses have decreased \$353,088 from \$677,595 in the year 2001 to \$324,507 during the year 2002. This decrease resulted primarily from a reduction in business development expenses and travel costs, as well as the cancellation of the above-referenced Outsourcing Agreement with Net 1 (Pty). The fees paid under this Agreement reduced from \$356,938 in 2001 to \$75,047 in 2002 (prior to its cancellation). Management intends to keep operating expenses at the lowest possible level by developing outsourcing policies.

Other

Management continues its efforts to secure the funding required to exploit the FTS/ UEPS technology on a worldwide basis. During 2002, Net 1 held meetings with Jones Gable Securities, Gruntal Securities

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and Thompson Kernaghan to explore possible funding opportunities. None of these meetings were successful.

Strategic alliances, joint ventures and/or investments in companies having expertise in IT services, financial services and proven market penetration are currently being explored.

Liquidity and Capital Resources

The primary source of Net 1's cash has been through the sale of equity. As of December 31, 2002, Net 1 did not have available any established lines of credit with banking facilities.

Net 1 recognized revenue of \$157,673 for the fiscal year ended December 31, 2002 from license fees collected through December 31, 2001 by Net 1 Holdings. For the fiscal year ending December 31, 2003, Net 1 expects to receive \$41,017 from sales of licenses.

Net 1's cash position decreased \$37,235 from \$57,289 at December 31, 2001 to \$20,054 at December 31, 2002. The cash was used to fund operating expenses.

Net 1 anticipates raising additional funds from the sale of equity during 2003 and 2004. To the extent raised, such capital will be used for working capital.

Net 1 believes that its current available cash position and revenues due from Net 1 Holdings is sufficient to meet its cash needs on a short-term basis, but Net 1 will need a substantial amount of additional capital to pursue its business plans in any meaningful manner.

Net 1's ability to continue as a going concern is dependent upon Net 1's ability in the near future to (i) raise additional funds through equity financings, loans or joint venture agreements, involving affiliates, controlling shareholders, and related or unrelated parties, and (ii) further develop markets for its products.

Quantitative and Qualitative Disclosures About Market Risk

Market risk generally represents the risk of loss that may result from the potential change in value of a financial instrument as a result of fluctuations in interest rates and market prices. We have not traded or otherwise transacted in derivatives nor do we expect to do so in the future. We have established policies and internal processes related to the management of market risks, which we will use in the normal course of our business operations.