

Net 1 UEPS Technologies, Inc. Chairman's Letter for 2021 Annual Report

It is my privilege to address you for the first time as the Chairman of Net1.

The last financial year was indeed a difficult one, as we suffered painful losses in our personal lives, organizationally and as country and the world at large. The biggest blow for Net1 was the untimely and tragic death due to COVID-19 complications of my friend and colleague, Jabu Mabuza, our beloved Chairman. Jabu played a critical role in Net1's journey of change and renewal, including the appointment of high-quality non-executive directors, the appointment of new senior executives, rebuilding our relationships with key stakeholders and the conclusion of our strategic review last year.

I am pleased to welcome Ms. Nonkululeko N. Gobodo as an independent member of our Board of Directors. Nonku brings a wealth of accounting and auditing experience of over 35 years. Nonku chairs our Social and Ethics Committee and serves on our Audit Committee. Her appointment further bolsters our commitment as a Board to ethical conduct, good governance and sustainable commercial relationships.

We have been able to attract seasoned executives to lead the company through our turnaround. These are people who left behind illustrious careers to join our journey of financial inclusion, which resonated with their own personal values.

Chris Meyer joined us as Group CEO after 20 years with Investec Bank Plc. From his base in London, Chris led Investec's international Corporate & Investment banking business, serving over 100,000 corporate and institutional clients across seven countries. Chris has a strong track record of building world-class teams as well as building and scaling businesses to achieve growth at pace across multiple geographies and cultures. With his strong South African roots and experience in growing businesses across the world, we are proud to have an executive of Chris' caliber join us to lead our company.

Lincoln Mali has also joined us in a newly created role of CEO, Southern Africa. Lincoln brings with him deep experience in consumer and merchant financial services across South Africa and 16 other African countries, and has built highly successful teams and businesses in South Africa and across the continent.

I strongly believe that Chris and Lincoln's combined skill set, and the dynamic and diverse executive team they are building, together with the support of the Board, will set Net1 on a new path of innovation and success.

Business Update

What we stand for

Our mission is to drive financial inclusion for underserved consumers and merchants in South Africa. I truly believe that there is no company better positioned for this task in the market than Net1. The company has incredible assets and capabilities in South Africa. We aim to work towards creating a company that will be a force for good whilst also unlocking value for shareholders.

Our vision is to build and operate the leading South African full-service fintech platform offering payment processing and financial services to underserved merchants and consumers. We aim to improve people's lives by bringing financial inclusion to South Africa's underserved customers and helping small businesses access the financial services they need to prosper. We will achieve this through our unique ability to efficiently digitize the last mile of financial inclusion and to provide a broad suite of financial services across cash and digital thereby benefiting from, and also facilitating, the secular shift from cash to digital that is underway in South Africa with tremendous opportunities for expansion.

Our addressable market is unique and growing while supported by long-term tailwinds. South Africa is primarily a cash-based economy, with approximately 60% of transactions still conducted in cash. Worldwide, there is a secular shift away from cash towards digital payment methods. South Africa is part of this shift and is at a similar phase of transition as other middle-income countries. Our core competencies uniquely position us to benefit from that shift.

Financial Services Business

On the consumer side, we currently provide transactional banking, unsecured credit and a digital wallet, as well as insurance and various value-added services to people underserved by larger financial institutions. Our consumer offering uses our proprietary technology, which gives us the unique ability to provide secure payment processing in offline and rural environments, supported by our network of over 350 branches and 1,500 ATMs. These products and infrastructure were built originally to service a base of over ten million clients, but has very substantially contracted after the termination of our social grants contract. We have an urgent strategic imperative to make our consumer business profitable once again through a singular focus on customer acquisition and cost reduction.

There are a number of key steps and interventions that we are taking to effect our turnaround from a cash logistics business to a full-fledged and profitable financial services platform, including;

- Changing our culture by training and developing our staff to focus on each individual customer and understand their financial needs so that we can offer them appropriate financial solutions and treat them fairly;
- Changing leadership and management in eight of our nine provinces to introduce financial services disciplines, skill development, leadership visibility and stakeholder management;
- Launching an aggressive and visible marketing campaign to create awareness of our solutions.

As a direct result of these efforts, we have significantly accelerated our consumer account acquisition. In August 2021, we had over 50,000 new sign-ups, achieving the amount of growth in one month in what usually takes us one quarter.

Payments Business

On the merchant side, we currently operate one of the largest bank-independent financial switches in South Africa, with integrations to over 40,000 terminals for bill payments and value-added services. We also manage point-of-sale terminals for third parties and provide various cryptographic solutions. Our payments business is well-positioned in the formal merchant space and we view informal merchants, and in particular MSME's, as a significant untapped market for us, where we will focus on providing customers with merchant acquiring, lending and cash management. We can address this opportunity organically, as well as through acquisition.

Financial Performance

In fiscal 2021, our US dollar-based results were impacted by an 11% year-over-year weakness in the US dollar against the South African Rand. Revenue declined 9% to \$131 million primarily due to fewer prepaid airtime and hardware sales and lower transaction and account fee revenue, which was partially offset by modestly higher lending and insurance revenue. Consolidated operating margin was negative 41% in fiscal 2021 compared to negative 31% a year ago, due to the reasons highlighted above. Fundamental EPS¹ was a loss of \$0.87, and includes, among other items, adjustments for changes in the fair value of equity securities (net of deferred tax), loss on disposal of equity-accounted investments, impairment losses related to our equity-accounted investments and the deferred tax liability reversal related to the impairment of the equity-accounted investment.

Fiscal Year 2022 Focus

Looking ahead to 2022 and beyond, we will focus our recovery and turnaround efforts on accelerating our rollout of services to underserved customers in our consumer business and scale our service offerings in our payments business, while at the same time repositioning our brand, rebuilding our organizational image and reengaging with all of our stakeholders.

Net1 is in a significant net cash position. As custodians of this capital, we have a responsibility to invest this capital in high-return opportunities or to return it to shareholders. Our executive team is working through the business cases for various potential uses of capital within the business and in the market. With the support of the Board, we are committed to applying rigor to our capital allocation decisions and will update the market and shareholders of any material developments in due course.

Conclusion

The COVID-19 pandemic and the recent riots that took place in South Africa in July have revealed the deep inequalities in our society. We passionately believe that a genuine partnership between the public sector and the private sector can create innovative solutions to tackle these challenges. In the area of financial inclusion, which is a critical element in addressing poverty and underdevelopment, Net1 can offer creative options and solutions. We are already engaging the government on these matters and we will continue to be part of the conversations and the solutions for our country and our citizens.

I am truly humbled to lead Net1 at this critical time, and we will continue on the strong path of renewal started by my predecessor, Jabu Mabuza, with ethical and values-driven leadership and a passion for and commitment to better financial services for the underserved.

I would like to thank my fellow Board members and Alex Smith, who acted as interim Group CEO, for how they have handled a difficult year of transition and change.

¹ Fundamental EPS is a non-GAAP measure. Refer to —“Forward looking statements and use of non-GAAP measures—Use of non-GAAP measures in our Annual Report” for further information regarding these non-GAAP measures.

On behalf of the Board, I would also like to thank our staff for their incredible contributions during a difficult time in our company and society at large, our customers for their loyalty and support, and our stakeholders who have embraced our change agenda and partnered with us towards a new future.

Our best days lie ahead of us.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kuben Pillay', with a stylized, flowing script.

Kuben Pillay
Chairman

Financial results at a glance

Consolidated results (refer also Item 6 to our Annual Report on Form 10-K included in this Annual Report)

(in United States dollar thousands, except percentages, per share data and number of employees)

	Year Ended June 30 ^(R)				
	2020		2019		2017
	2021	As restated	As restated	2018	
Revenue	130,786	144,299	160,635	459,575	456,663
Operating (loss) income	(53,872)	(44,248)	(134,932)	53,809	83,719
Operating (loss) income margin	(41%)	(31%)	(84%)	12%	18%
Net (loss) income Net1	(38,057)	(97,214)	(311,761)	52,142	64,504
(Loss) Earnings per share:					
Basic (\$).....	(0.67)	(1.70)	(5.49)	0.92	1.18
Diluted (\$).....	(0.67)	(1.70)	(5.49)	0.92	1.17
Fundamental net (loss) income ²	(49,516)	(58,027)	(96,883)	86,362	94,721
Fundamental (loss) earnings per share:					
Basic (\$) ²	(0.87)	(1.02)	(1.71)	1.52	1.74
Number of employees.....	3,079	2,875	2,889	5,481	5,146
Cash flows (used in) provided by operating activities..	(58,371)	(46,045)	(4,460)	132,305	97,161
Cash and cash equivalents.....	223,765	232,485	95,460	57,607	210,396
Total assets	428,330	453,678	670,247	1,214,532	1,448,829
Total equity	275,980	290,213	317,342	638,827	596,074

(R) – Certain 2020 and 2019 amounts restated - refer to Item 6 and Note 1 to our audited consolidated financial statements included in Item 8 of our Annual Report on Form 10-K in this Annual Report for additional information.

² Fundamental net income and earnings per share are non-GAAP measures. Refer to —“Forward looking statements and use of non-GAAP measures—Use of non-GAAP measures in this Annual Report” for further information regarding these non-GAAP measures.

Operating segments information

(in United States dollar thousands)

During the first quarter of fiscal 2021, the Company reorganized its operating segments by combining what were previously the South African transaction processing segment and the International transaction processing segment into what is now the Processing segment and bifurcating what was previously the Financial inclusion and applied technologies segment into what are now the Financial services segment and the Technology segment. Segmental information for the years ended June 30, 2018 and 2017, were not restated as it was impractical to do so. Refer to Note 20 to our audited consolidated financial statements included in Item 8 of our Annual Report on Form 10-K in this Annual Report for additional information.

	Year Ended June 30,		
	2021	2020	2019
Consolidated revenue:			
Processing	82,435	91,786	118,088
All other	80,742	88,476	109,931
IPG	1,693	3,310	8,157
Financial services	38,996	46,870	57,034
Technology	17,751	18,071	20,115
Subtotal: Operating segments	139,182	156,727	195,237
Corporate/Eliminations	(8,396)	(12,428)	(34,602)
Total consolidated revenue	130,786	144,299	160,635
Consolidated operating income (loss):			
Processing	(34,283)	(33,836)	(51,575)
All other	(23,556)	(21,488)	(35,474)
IPG	(10,727)	(12,348)	(16,101)
Financial services	(8,429)	(3,621)	(30,068)
Technology	2,627	2,815	(5,294)
Subtotal: Operating segments	(40,085)	(34,642)	(86,937)
Corporate/eliminations	(13,787)	(9,606)	(47,995)
Total consolidated operating loss)	(53,872)	(44,248)	(134,932)

Refer to Item 7 of our Annual Report on Form 10-K included in this Annual Report for a detailed discussion of our results per operating segment.

Forward looking statements and use of non-GAAP measures

Forward looking statements

This Annual Report contains forward-looking statements that involve risks and uncertainties that could cause our actual results to differ materially from those projected, anticipated or implied in the forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “would,” “expects,” “plans,” “intends,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of such terms and other comparable terminology. For more information about the factors that could cause our actual results to differ materially from current expectations, you should refer to the section entitled “Risk Factors” in our 2021 Annual Report on Form 10-K and in our Quarterly Reports on Form 10-Q that we file from time to time with the United States Securities and Exchange Commission.

Use of non-GAAP measures in this Annual Report

US securities laws require that when we publish any non-GAAP measures, we disclose the reason for using the non-GAAP measure and provide a reconciliation to the directly comparable GAAP measure. The presentation of fundamental net (loss) income and fundamental (loss) earnings per share and headline (loss) earnings per share (“HEPS”) are non-GAAP measures.

Why we use non-GAAP measures

Management believes that the fundamental net (loss) income and (loss) earnings per share metric enhances its own evaluation, as well as an investor’s understanding, of our financial performance.

The inclusion of HEPS is a requirement of our listing on the JSE. HEPS basic and diluted is calculated using net (loss) income which has been determined based on GAAP. Accordingly, this may differ to the headline (loss) earnings per share calculation of other companies listed on the JSE as these companies may report their financial results under a different financial reporting framework, including but not limited to, International Financial Reporting Standards.

How we calculate our non-GAAP measures

Fundamental net (loss) income and (loss) earnings per share is GAAP net (loss) income and (loss) earnings per share adjusted for (1) the amortization of acquisition-related intangible assets (net of deferred taxes), (2) stock-based compensation charges and (3) unusual non-recurring items (refer to captions included in the table below).

Headline earnings is GAAP net loss excluding separately identifiable re-measurements (as defined in a circular published by The South African Institute of Chartered Accountants, titled Headline Earnings, and as amended from time to time (the “Circular”), net of related tax (both current and deferred) and related non-controlling interest, other than re-measurements specifically included in headline earnings (as defined in Circular).

Reconciliation of GAAP net income to headline loss

	2021	2020
Net loss (USD'000)	(38,057)	(78,358)
Adjustments:		
Impairment of equity method investments	21,144	33,831
Loss on disposal of equity accounted investment - Bank Frick	430	-
Gain on disposal of discontinued operation	-	(12,454)
Gain on disposal of FIHRST	-	(9,743)
Loss on deconsolidation of CPS	-	7,148
Impairment loss	-	6,336
Loss on sale of DNI	-	1,010
Profit on sale of property, plant and equipment	480	(127)
Tax effects on above	(134)	36
Net loss used to calculate headline loss (USD'000)	<u>(16,137)</u>	<u>(52,321)</u>
Weighted average number of shares used to calculate net loss per share basic loss and headline loss per share basic loss ('000)	56,765	56,764
Weighted average number of shares used to calculate net loss per share diluted loss and headline loss per share diluted loss ('000)	56,898	56,764
Headline loss per share:		
Basic, in USD	(0.28)	(0.92)
Diluted, in USD	(0.28)	(0.92)

Calculation of the denominator for headline diluted loss per share

	F2021	F2020
Basic weighted-average common shares outstanding and unvested restricted shares expected to vest under GAAP	56,765	56,764
Effect of dilutive securities under GAAP	133	-
Denominator for headline diluted loss per share	56,898	56,764

Weighted average number of shares used to calculate headline diluted loss per share represents the denominator for basic weighted-average common shares outstanding and unvested restricted shares expected to vest plus the effect of dilutive securities under GAAP. We use this number of fully-diluted shares outstanding to calculate headline diluted loss per share because we do not use the two-class method to calculate headline diluted loss per share.

Reconciliation of GAAP net income to fundamental net income

The table below presents the reconciliation between GAAP net (loss) income to fundamental net (loss) income for our last five fiscal years:

	2021	2020	2019	2018	2017
GAAP.....	(38,057)	(78,358)	(311,007)	62,087	72,954
Change in fair value of equity securities, net.....	(38,950)	-	160,185	(25,199)	-
Impairment of equity method investments	21,144	32,084	-	-	-
Allowance for doubtful EMI loans receivable.....	4,739	1,035	-	-	-
Transaction-related costs.....	1,879	2,876	3,485	2,239	3,347
Tax benefit related to equity method investment impairment.....	(1,353)	-	-	-	-
Loss on disposal of Bank Frick	472	-	-	-	-
Loss on sale of equity method investment.....	13	-	-	-	-
Stock-based compensation charge.....	344	2,607	393	2,607	1,982
Intangible asset amortization, net of tax	253	3,805	16,290	9,385	10,491
Termination fee paid to cancel Bank Frick option	-	(17,517)	-	-	-
(Gain) Loss on discontinued operation	-	(12,454)	9,175	-	-
Gain on disposal of FIHRST	-	(9,743)	-	-	-
Loss on deconsolidation of CPS.....	-	7,148	-	-	-
Impairment loss	-	6,336	19,745	20,917	-
Intangible asset amortization, net (equity-accounted investments)	-	1,783	1,082	2,908	-
Interest related to SASSA implementation costs refund.....	-	1,361	-	-	-
Loss on disposal of DNI.....	-	1,010	(177)	-	-
Retrenchment costs, net	-	-	4,514	-	-
Intangible asset amortization, net related to non-controlling interest.....	-	-	(2,737)	-	-
Accreted interest on DNI contingent consideration	-	-	1,848	-	-
Facility fees for debt.....	-	-	321	589	1,268
Non-recurring Mastertrading allowance for doubtful accounts	-	-	-	7,803	-
Loss resulting from acquisition of DNI	-	-	-	4,614	-
Refund of South Korean indirect taxes	-	-	-	(1,985)	-
Change in US tax rate.....	-	-	-	860	-
Profit on sale of XeoHealth.....	-	-	-	(463)	-
Former CEO separation payment, net of tax	-	-	-	-	5,200
Refund for KSNET litigation.....	-	-	-	-	(643)
US government investigations-related and US lawsuit expenses..	-	-	-	-	122
Fundamental.....	(49,516)	(58,027)	(96,883)	86,362	94,721

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended **June 30, 2021**

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

For the transition period from _____ To _____

Commission file number: **000-31203**

NET 1 UEPS TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction
of incorporation or organization)

98-0171860

(IRS Employer
Identification No.)

**President Place, 4th Floor, Cnr. Jan Smuts Avenue and Bolton Road
Rosebank, Johannesburg 2196, South Africa**

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **27-11-343-2000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.001 per share	UEPS	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐
No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐
No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

- | | |
|--|---|
| <input type="checkbox"/> Large accelerated filer | <input checked="" type="checkbox"/> Accelerated filer |
| <input type="checkbox"/> Non-accelerated filer | <input checked="" type="checkbox"/> Smaller reporting company |
| | <input type="checkbox"/> Emerging growth company |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the registrant’s common stock held by non-affiliates of the registrant as of December 31, 2020 (the last business day of the registrant’s most recently completed second fiscal quarter), based upon the closing price of the common stock as reported by The NASDAQ Global Select Market on such date, was \$177,551,120. This calculation does not reflect a determination that persons are affiliates for any other purposes.

As of September 6, 2021, 56,996,214 shares of the registrant’s common stock, par value \$0.001 per share, net of treasury shares, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the definitive Proxy Statement for our 2021 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

NET 1 UEPS TECHNOLOGIES, INC
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Year Ended June 30, 2021

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PART I

FORWARD LOOKING STATEMENTS

In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties that could cause our actual results to differ materially from those projected, anticipated or implied in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in Item 1A—“Risk Factors.” In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “would,” “expects,” “plans,” “intends,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of such terms and other comparable terminology. You should not place undue reliance on these forward-looking statements, which reflect our opinions only as of the date of this Annual Report. We undertake no obligation to release publicly any revisions to the forward-looking statements after the date of this Annual Report. You should carefully review the risk factors described in other documents we file from time to time with the Securities and Exchange Commission, or the SEC, including the Quarterly Reports on Form 10-Q to be filed by us during our 2022 fiscal year, which runs from July 1, 2021 to June 30, 2022.

All references to “the Company,” “we,” “us,” or “our” are references to Net 1 UEPS Technologies, Inc. and its consolidated subsidiaries, collectively, and all references to “Net1” are to Net 1 UEPS Technologies, Inc. only, except as otherwise indicated or where the context indicates otherwise.

ITEM 1. BUSINESS

Overview

Our vision is to build and operate the leading South African full-service fintech platform offering payment processing and financial services to underserved merchants and consumers.

Our core purpose is to improve people’s lives by bringing financial inclusion to South Africa’s underbanked customers and helping small businesses access the financial services they need to prosper. We will achieve this through our unique ability to efficiently digitize the last mile of financial inclusion and to provide a full-service fintech platform, across cash and digital, serving the needs of both, while also facilitating the secular shift from cash to digital that is taking place.

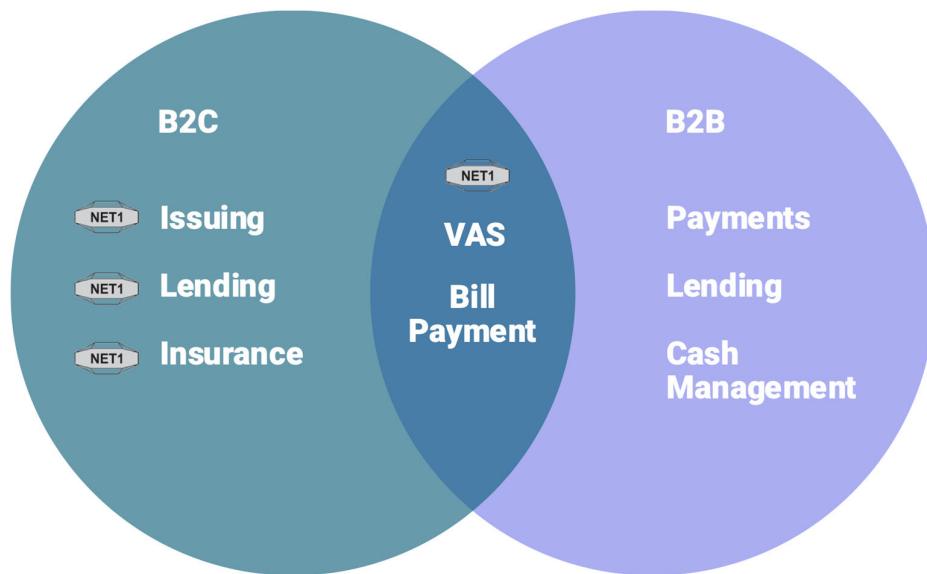
In South Africa, our core competencies are centered around the provision of low-cost financial services to underserved consumers and payment processing. We have developed and own most of our payment technologies, and we aim to utilize this technology to provide financial and value-added services to our customers by including them into the formal financial system.

Low-cost financial services to consumers—We provide a suite of low-cost financial services to underserved and unbanked customers today, through a combination of digital and brick-and-mortar distribution platforms. We provide unsecured micro-credit, transactional banking, funeral insurance and airtime and value-added services.

Payment processing—Our core technologies leverage biometric authentication, last-mile distribution, and cash handling/distribution to enable payments, while EasyPay is a transaction switch and bill payments platform. We also own and operate POS and ATM networks.

End-to-end fintech platforms layer multiple services into their merchant and consumer propositions, increasing revenue and customer stickiness. We believe our consumer proposition is well-positioned for organic growth, and we intend to rapidly expand our cardholder base and our transacting network. Despite being well-positioned to serve the micro, small and medium-sized enterprise, or MSME, market, our MSME merchant offering is less well-developed. We plan to substantially grow our presence in the MSME merchant space through a focus on building a leading POS distribution capability to MSMEs. We will seek to achieve this through a combination of organic growth, acquisitions and partnerships, as appropriate, in order to accelerate the implementation of our business plan.

Building the Leading Full-Service Fintech Platform for South Africa

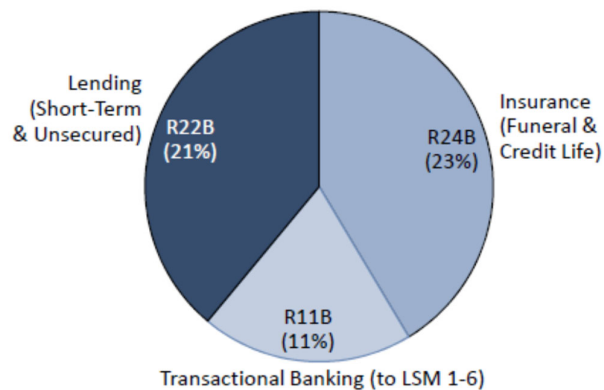


Market Opportunity

Secular shift to electronic payments: Globally, there is a secular shift from cash and checks to various forms of electronic payments and while most developed economies perform the majority of their consumer payments electronically, developing economies remain largely cash driven countries. South Africa too, remains predominantly a cash-based economy, with an estimated 60% of consumer payments made in cash.

Consumer financial services for the unbanked: Our focus is on the Living Standards Measure, or LSM, 1-6 population in South Africa, which represents approximately 26 million adults in the country. The total addressable market for consumer financial services is an estimated ZAR 57 billion including transactional banking, short-term and unsecured lending, and insurance.

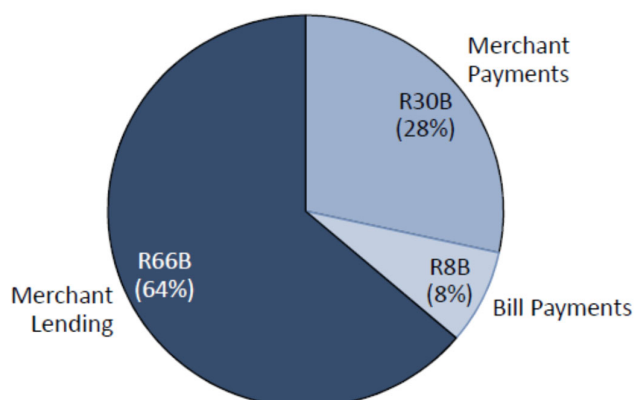
Total Addressable Market for Consumer Financial Services in South Africa for LSM 1-6



Source: South African Reserve Bank Long-Term Insurance Industry (2017), Solidarity Bank Charges Report (2019), Finscope South Africa (2013), NCR Consumer Credit Report (2019)

Merchant payment and financial services for MSMEs: Bill payments are an attractive customer acquisition channel and we are one of the leading bill payment platforms in South Africa. The total addressable market for merchant payment and financial services is an estimated ZAR 100 billion including bill payments, merchant payments, and merchant lending.

Total Addressable Market for Merchant Payment and Financial Services in South Africa for MSMEs



Source: Genesis Analytics (2018), BIS Data, Electrum, IFC Report (The Unseen Sector – A report on the MSME Opportunity in South Africa)

We believe there is a big opportunity for neo-, or challenger, banks and fintech companies to improve reach and coverage for MSMEs and accelerate access to, and reduce the cost of, banking and financial services. Estimates suggest that approximately 33% of South Africa's 700,000 formal MSMEs are unable to accept electronic payments. Tier 1 merchants are actively serviced by the large local banks while Tier 2 to 4 merchants are underserved. In addition, it is estimated that there are a further 1.4 million informal merchants active in South Africa that have similar needs but are currently largely ignored by the traditional market players.

Competition

We intend to differentiate our value proposition for our end-users by offering a seamless financial and technology platform for underserved consumers and small merchants while leveraging a multichannel distribution network. In South Africa, there are competitors for individual products, services or technologies, though few, if any, with an end-to-end offering, particularly for our target customer segments.

For consumers, there are a number of traditional and digital providers of low-cost transactional bank accounts and micro financial services. These include the large South African banks such as FNB, Standard Bank, Absa, Nedbank and Capitec, the South African Post Office, or SAPO, and digital banks such as Discovery Bank, African Bank, Tyme and Bank Zero. Other financial services providers include Old Mutual, Sanlam, Capfin, Letsatsi, Bayport and Finbond.

For EasyPay, our South African transaction processing business, competitors include BankservAfrica, Pay@, eCentric and Transaction Junction. BankservAfrica is the largest transaction processor in South Africa, which processes all transactions on behalf of the South African banks and processes more than 2.5 billion transactions annually.

In the South African ATM network market, we compete against the South African banks, ATM Solutions and Spark ATM Systems, which collectively have a market share in excess of 90%.

Intellectual Property

Our success depends in part on our ability to develop, maintain and protect our intellectual property. We rely on a combination of patents, copyrights, trademarks and trade secret laws, as well as non-disclosure agreements to protect our intellectual property. We seek to protect new intellectual property developed by us by filing new patents worldwide. We hold a number of trademarks in various countries.

Human Capital Resources

We have been able to bring on board high-caliber individuals, from different organizations, to form our leadership group. This leadership group is deeply committed to building a high-performance culture that is based on a foundation of care and development for our people.

As such we are on path towards building an aspirational work environment that is characterized by:

- Open and honest engagements;
- Flat organizational structures;
- Humility and respect;
- Embracing diversity, inclusion and a sense of belonging;
- A spirit of generosity for our people, customers and our communities;
- A willingness to partner with our stakeholders towards common goals;
- A deep connection to our shared purpose of inclusive financial services; and
- A culture of learning and curiosity.

Employee training and skills development

We strongly believe that learning is an ongoing process and that the majority of learning is in the doing. As such, while we offer a range of formal programs (as listed further below), more importantly, we continue to build a culture of lifelong learning in everything that we do.

Sustainable employee training and development programs impact employee retention, and we believe that our willingness to invest in employee development contributes to employee satisfaction and belonging. This increases loyalty, which will in turn contribute to employee retention. We offer the following development programs to enhance employee performance and skills:

- unemployed and employed learnerships;
- leadership development programs;
- training programs;
- mentorship programs;
- other in-house and cross-functional training to aid with career advancement; and
- succession planning – training interventions.

Equal opportunity

Having an inclusive and diverse workforce which reflects our economically active population and society in general, is crucial for helping the organization attract and retain talent and is important for long-term organizational success. Our human resources team emphasizes recruiting and retaining a talented and diverse workforce with special focus on hiring previously disadvantaged groups whenever possible. We are committed to hiring qualified candidates without regard to their personal status, while taking into account the unique circumstances affecting our operations in South Africa and the need to uplift previously disadvantaged groups. This commitment extends to all levels of our organization, including within senior management and our board of directors.

As of June 30, 2021, the composition of our workforce was:

- 54% female and 46% male;
- 41% between 18 and 34 years old, 56% between 35 and 54 years old, and 3% over 55 years old; and
- 76% Black, 14% two or more races, 5% Indian and 5% White.

We have no female named executive officers.

In the last year we have taken positive strides to help build a more inclusive workforce and to enhance our pay structures by taking measures to eliminate potential discrimination in our pay structures and to help close gender pay gaps in order to progress towards gender equality at work. We have implemented a job evaluation system that allows the corporate hierarchy and functions to be mapped out in an objective manner. In this way, remuneration levels can be set for every function with reference to the external market, and people in similar functions can be paid equally.

Employee compensation programs

We are committed to ensuring that all of our employees are paid fair and competitive remuneration. To that end, we offer the following to our employees:

- Access to a comprehensive medical, dental, and vision plan that our employees have the option to join;
- Access to a defined contribution retirement plan that our employees have the option to join;
- Paid sick, annual and family responsibility leave;
- Maternity benefits;
- Life and disability insurance coverage;
- Employee assistance programs; and
- Product discounts.

Annual increases and incentive compensation are based on merit, which is communicated to employees upon hire and documented as part of our annual performance review process.

Our number of employees allocated on a segmental basis as of the years ended June 30, is presented in the table below:

	Number of employees		
	2021	2020	2019
Management	164	167	179
Processing ⁽¹⁾	1,108	1,141	1,227
Financial services	1,778	1,531	1,443
Technology	29	36	40
Total	<u>3,079</u>	<u>2,875</u>	<u>2,889</u>

(1) Processing includes employees allocated to corporate/ eliminations activities.

On a functional basis, three of our employees were part of executive management, 17 were employed in sales and marketing, 116 were employed in finance and administration, 175 were employed in information technology and 2,768 were employed in operations.

Health and safety laws and regulations

We are subject to various South African laws and regulations that regulate the health and safety of our South African-based workforce, including those laws monitored by the South African Department of Employment and Labour which stipulates the legal framework within which we need to function. This framework comprises the Occupational Health and Safety Act, Act 85 of 1993, or OHSA, the Compensation for Occupational Injuries and Diseases Act, Act 130 of 1993, or COIDA, the Basic Conditions of Employment Act, Act 75 of 1997, or BCEA and the Labour Relations Act, Act 66 of 1995, or LRA. Compliance with COVID-19 regulations remains regulated by the National Institute of Occupational Health, or NIOH, and the Occupational Health Surveillance System, or OHSS, the Centre for Scientific Industrial Research, or CSIR and the National Institute for Communicable Diseases, or NICD.

People are ultimately the most important assets in any organization, therefore successfully managing health and safety in the workplace remains paramount. Successfully managing health and safety in the workplace relies on commitment, consultation, and co-operation.

In order to maintain OHSA compliance, we ensure that:

- Internal health and safety policies remain regularly updated and accessible to all staff;
- All departments/branches keep a summary of applicable Health and Safety legislation and display a summary of such at their respective premises for ease of reference;
- Each of our branches has a designated health and safety representative, a first aider and fire marshal tasked with ensuring compliance as well as being able to assist in an emergency situation when required, each of whom is trained every two years as per stipulated regulations.
- Every branch manager is a delegated assistant to our Chief Executive Officer: Southern Africa who ensures OHSA compliance and that employees have the necessary knowledge and understanding of applicable health and safety rules and procedures.
- Quarterly inspections are conducted by delegated officials at the respective branches so as to report on any non-compliance or health and safety issues which need tending to.
- Quarterly meetings are conducted with our National Health and Safety Officer to report in on company-wide compliance and any health and safety issues which require tending to.
- Managers are trained in the correct reporting procedures and proper incident/ accident investigation.

Our Executive Officers

The table below presents our executive officers, their ages and their titles:

Name	Age	Title
Chris G.B. Meyer	50	Group Chief Executive Officer and Director
Alex M.R. Smith	52	Chief Financial Officer, Treasurer, Secretary, and Director
Lincoln C. Mali	53	Chief Executive Officer: Southern Africa

Chris G.B. Meyer has been our Group Chief Executive Officer of since July 1, 2021. Prior to joining Net1, Mr. Meyer was the Head of Corporate & Investment Banking and Joint Managing Director at Investec Bank Plc, an LSE-listed specialist bank and wealth manager, having served in many different roles within the Investec Group since 2001. He was also an executive director for various international and regional subsidiaries of Investec Bank Plc. Mr. Meyer is a member of the South African Institute of Chartered Accountants, holds an MSc Finance from the London Business School and a Post Graduate Diploma in Accounting from the University of Cape Town.

Alex M.R. Smith has been our Chief Financial Officer, Treasurer and Secretary since March 1, 2018. Prior to joining Net1, Mr. Smith was employed by Allied Electronics Corporation Limited, or Altron, a JSE-listed company, from 2006 to 2018 and, from August 2008 until February 2018, served as a director and its Chief Financial Officer. Prior to joining Altron, Mr. Smith worked in various positions at PricewaterhouseCoopers in Edinburgh, Scotland and Johannesburg from 1991 to 2005. Mr. Smith holds a Bachelor of Law (Honours) degree from the University of Edinburgh and is a member of the Institute of Chartered Accountants of Scotland.

Lincoln C. Mali has been our Chief Executive Officer: Southern Africa since May 1, 2021. Mr. Mali is a financial services executive with over 25 years in the industry. Until April 2021, he was the Head of Group Card and Payments at Standard Bank Group, and previously served in many different roles within that organization since 2001. Mr. Mali chaired the board of directors of Diners Club South Africa until April 2021, and was a member of the Central and Eastern Europe, Middle East and Africa Business Council for Visa. Mr. Mali holds Bachelor of Arts (BA) and Bachelor of Laws (LLB) degrees from Rhodes University, an MBA from Henley Management College, various diplomas and attended an Advanced Management Program at Harvard Business School.

Financial Information about Geographical Areas and Operating Segments

Note 20 to our audited consolidated financial statements included in this annual report contains detailed financial information about our operating segments for fiscal 2021, 2020 and 2019. Revenues based on the geographic location from which the sale originated and geographic location where long-lived assets are held for the years ended June 30, are presented in the table below:

	Revenue ^(R)			Long lived assets		
	2021	2020	2019	2021	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
South Africa	127,468	139,258	150,793	50,754	68,521	141,235
South Korea	-	-	-	-	-	149,390
Liechtenstein (Bank Frick)	-	-	-	-	29,739	47,240
India (MobiKwik)	-	-	-	76,297	26,993	26,993
Rest of the world	3,318	5,041	9,842	6,962	9,119	9,739
Total	130,786	144,299	160,635	134,013	134,372	374,597

(R) South Africa and total amounts for 2020 and 2019 have been restated by \$6,698 and \$ 5,592, respectively, to correct the misstatement discussed in Note 1 to our audited consolidated financial statements.

Corporate history

Net1 was incorporated in Florida in May 1997. In 2004, Net1 acquired Net1 Applied Technology Holdings Limited, or Aplitec, a public company listed on the Johannesburg Stock Exchange, or JSE. In 2005, Net1 completed an initial public offering and listed on the NASDAQ Stock Market. In 2008, Net1 listed on the JSE in a secondary listing, which enabled the former Aplitec shareholders (as well as South African residents generally) to hold Net1 common stock directly.

Available information

We maintain a website at www.net1.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, as well as our proxy statements, are available free of charge through the “SEC filings” portion of our website, as soon as reasonably practicable after they are filed with the SEC. The information contained on, or accessible through, our website is not incorporated into this Annual Report on Form 10-K.

The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

ITEM 1A. RISK FACTORS

OUR OPERATIONS AND FINANCIAL RESULTS ARE SUBJECT TO VARIOUS RISKS AND UNCERTAINTIES, INCLUDING THOSE DESCRIBED BELOW, THAT COULD ADVERSELY AFFECT OUR BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS, CASH FLOWS, AND THE TRADING PRICE OF OUR COMMON STOCK

Risks Relating to Our Business

We are unable to ascertain the full impact the COVID-19 pandemic will have on our future financial position, operations, cash flows and stock price.

Our business has been, and continues to be, impacted by government restrictions and quarantines related to COVID-19. South Africa operates with a five-level COVID-19 alert system, with Level 1 being the least restrictive and Level 5 being the most restrictive. South Africa is currently at adjusted Level 3, which has a limited impact on our businesses. However, the pandemic did impact our insurance business during fiscal 2021 as we experienced a higher level of benefit claims. Should there be further increases in mortality rates across our customer base, we may see an increase in funeral policy claim payouts.

Some of our employees continue to work from home following the publication of government-supported initiatives to combat the spread of COVID-19. As a result of the work from home environment, we face additional challenges providing employees with secure remote access to computer networks as well as initiating and accepting instructions via e-mail or other electronic media. Although the government initiatives are not mandatory, we believe that our business activities may be adversely impacted if stricter restrictions are reintroduced to combat the spread of the pandemic.

The South Africa government commenced its vaccination program in early calendar 2021, with a stated goal of vaccinating 67% of the South African population by the end of the calendar year. As of September 7, 2021, the government reported that 13.9 million doses had been administered and approximately 10.2 million people (26% of the adult population) were fully vaccinated. The pace of the government's vaccination rollout program is seen as critical to the re-opening of the South African economy. Failure to achieve rollout targets could result in further COVID-19 outbreaks, with detrimental consequences for the South African economy, and our business.

Following a comprehensive strategic review, we have decided to prioritize Southern Africa as our core market. Our future success, and our ability to return to profitability and positive cash flow is substantially dependent on our ability to implement this strategy successfully.

Our board conducted an extensive review of our business strategy and operations in July 2020, and decided to focus on our South African operations and other business opportunities in South Africa and, to a lesser extent, the rest of the African continent, and to exit or reduce our presence in other geographies. Our future success will depend on our ability to effectively and efficiently deploy the significant levels of cash generated from our dispositions. Therefore, we cannot assure you that we will be able to implement our new strategy successfully and return to profitability and positive cash flow.

Even if we do return to profitability, achieving net income does not necessarily ensure positive cash flows. Future periods of net losses from operations could result in negative cash flow and may hamper ongoing operations or prevent us from sustaining or expanding our business. We cannot assure you that we will achieve, sustain or increase profitability in the future and if we do not, our business will be materially and adversely affected.

Additionally, our reputation in South Africa has been tarnished as a result of public accusations, which accusations we have publicly denied and believe have no merit, against us for illegally providing our services and defrauding social welfare grant recipients. We have attempted to refute these allegations and have appointed a public relations firm to assist us in communicating effectively to the public and our stakeholders that our business practices comply with South African law and are fair to the social welfare grant recipients who purchase the financial services products that we offer. If we are unable to communicate this persuasively, our ability to successfully execute our new strategy may be adversely affected.

We face challenges in transforming our South African operations to a business-to-consumer model through our various bank account products and ATM infrastructure.

Following the conclusion of our contract with SASSA, we refocused our resources and technology on the provision of financial inclusion services to our target market and currently have an established base of approximately one million customers. Our strategy involves expanding this base to at least three million customers over the next three years. While we believe that our financial services offerings are convenient and cost-effective, the success of our strategy will depend on the extent to which we successfully market our offering to grow the customer base.

Factors that may prevent us from successfully operating and further expanding our South African financial services business include, but are not limited to:

- insufficient adoption and utilization of our products and services;
- inability to access sufficient funding for our ATM infrastructure;
- increased competition in the marketplace and restrictions imposed by SASSA or the South African government on the manner in which grant recipients may transact;
- political interference and changes in the regulatory environment;
- further civil unrest similar to that experienced in July 2021;
- loss of key technical and operations staff; and
- logistical and communications challenges.

We may undertake acquisitions that could increase our costs or liabilities or be disruptive to our business.

Acquisitions are an integral part of our new growth strategy as we seek to expand our business and deploy our technologies in new markets in Southern Africa. However, we may not be able to locate suitable acquisition candidates at prices that we consider appropriate. If we do identify an appropriate acquisition candidate, we may not be able to successfully negotiate the terms of the transaction, finance it or, if the transaction occurs, integrate the new business into our existing business. These transactions may require debt financing or additional equity financing, resulting in additional leverage or dilution of ownership.

Acquisitions of businesses or other material operations and the integration of these acquisitions or their businesses will require significant attention from members of our senior management team, which may divert their attention from our day-to-day business. The difficulties of integration may be increased by the necessity of integrating personnel with disparate business backgrounds and combining different corporate cultures. We also may not be able to retain key employees or customers of an acquired business or realize cost efficiencies or synergies or other benefits that we anticipated when selecting our acquisition candidates. Acquisition candidates may have liabilities or adverse operating issues that we fail to discover through due diligence prior to the acquisition.

We may need to record write-downs from future impairments of goodwill or other intangible assets, which could reduce our future reported earnings. During fiscal 2020 and 2019, we recognized impairment losses of \$6.3 million and \$14.4 million, respectively.

A prolonged economic slowdown or lengthy or severe recession in South Africa or elsewhere could harm our operations.

A prolonged economic downturn or recession in South Africa could materially impact our results from operations, particularly in light of the COVID-19 pandemic, recent social unrest in South Africa and our strategic decision to focus on our South African operations. Economic confidence in South Africa, our main operating environment, is currently low and, as a result, the risk of a prolonged economic downturn is enhanced, which could have a negative impact on mobile phone operators, our cardholders and retailers and/or reduce the level of transactions we process, the take-up of the financial services we offer and the ability of our customers to repay our microloans or to pay their insurance premiums. If financial institutions and retailers experience decreased demand for their products and services, our hardware, software and related technology sales could decrease.

Our investment in MobiKwik subjects us to certain risks, including the possibility of fluctuations in the carrying value based on readily determinable fair values. In addition, our ability to dispose of our interest in MobiKwik on acceptable terms, or at all, may be limited under certain circumstances.

We have elected to account for our investment in MobiKwik at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer because it does not have a readily determinable fair value. The determination of the fair value of an investment requires us to make significant judgments and estimates and we are required to base our estimates on assumptions which we believe to be reasonable, but these assumptions may be unpredictable and inherently uncertain. The value of our investment in MobiKwik as of June 30, 2021 was \$76.3 million and was determined based on a share issuance concluded by MobiKwik in June 2021, implying a fair value per share of \$245.50. We have recorded a non-cash fair value adjustment of \$49.3 million during the year ended June 30, 2021.

We may need to record a write-down of the carrying value of our investment in MobiKwik in the future (i) if it is unable to successfully complete its contemplated initial public offering, (ii) due to fluctuations in its market price upon listing, including during the 12 month lock up period after its initial public offering, or (iii) if it has not listed, there is an observable transaction indicating a fair value per share which is lower than our June 30, 2021 price per share. Furthermore, it may be difficult to dispose of some or all of our investment on acceptable terms, if at all, if MobiKwik fails to list.

Our ability to fund our ATM network requires that we continue to have access to sufficient lending facilities, which require compliance with restrictive and financial covenants.

The expansion of our ATM network, along with an increase in our consumer banking client base, necessitates access to large amounts of cash to stock the ATMs and maintain uninterrupted service levels. We have credit facilities from South African banks which includes security arrangements as well as restrictive and financial covenants. The security arrangements and covenants included in our lending facilities may reduce our operating flexibility or our ability to engage in other transactions that may be beneficial to us. If we are unable to comply with the covenants in South Africa, we could be in default and the indebtedness could be accelerated. If this were to occur, we might not be able to obtain waivers of default or to refinance the debt with another lender and as a result, our business and financial condition would suffer.

We may not be able to extend the terms of these debt facilities or refinance them, in each case, on commercially reasonable terms or at all. Our ability to continue the uninterrupted operation of our ATM network will be adversely impacted by our failure to renew our debt facilities, any adverse change to the terms of our credit facilities, or a significant reduction in the amounts available under our credit facilities, or our failure to increase our facilities if required. We may also suffer reputational damage if our service levels are negatively impacted due to the unavailability of cash.

We may be unable to recover the carrying value of certain Cell C airtime that we own which is subject to resale restrictions.

We own a substantial amount of Cell C airtime inventory (\$16.4 million translated at exchange rates applicable as of June 30, 2021). In support of Cell C's liquidity position, we are limiting our resale of this airtime to our own distribution channels until such time as Cell C's recapitalisation process is concluded, which exposes us to market risk for this inventory. Due to wholesale discounts in the distribution market for this airtime, it is not readily saleable in the current market without realising a loss. In light of this, we recorded a loss of \$1.3 million during fiscal 2020, related to this airtime inventory. Whilst no further losses were recorded in fiscal 2021, we may be required to record further losses in the future or we may be unable to recover the carrying value of this airtime inventory as a result of the business failure of Cell C. Failure to recover the carrying value of this inventory may have a material adverse effect on our results of operations or financial condition.

Our microlending loan book exposes us to credit risk and our allowance for doubtful finance loans receivable may not be sufficient to absorb future write-offs.

All of our microfinance loans made are for a period of six months or less. We have created an allowance for doubtful finance loans receivable related to this book. When creating the allowance, management considered factors including the period of the finance loan outstanding, creditworthiness of the customers and the past payment history of the borrower. We consider this policy to be appropriate as it takes into account factors such as historical bad debts, current economic trends and changes in our customer payment patterns. However, additional allowances may be required should the ability of our customers to make payments when due deteriorate in the future. In particular, we cannot predict the impact the COVID-19 pandemic may have on collections, though to date we have not experienced any material deterioration in collection rates. A significant amount of judgment is required to assess the ultimate recoverability of these microfinance loan receivables.

We may face competition from other companies that offer innovative payment technologies and payment processing, which could result in the loss of our existing business and adversely impact our ability to successfully market additional products and services.

Our primary competitors in the payment processing market include other independent processors, as well as financial institutions, independent sales organizations, new digital and fintech entrants and, potentially card networks. Many of our competitors are companies who are larger than we are and have greater financial and operational resources than we have. These factors may allow them to offer better pricing terms or incentives to customers, which could result in a loss of our potential or current customers and/or force us to lower our prices. Either of these actions could have a significant effect on our revenues and earnings.

Our future success will depend in part on our ability to attract, integrate, retain and incentivize key personnel and a sufficient number of skilled employees, particularly in the technical, sales and senior management areas.

Our group has undergone a significant change in management over the last twelve months, with various long-serving executives having resigned from the organization. Therefore, we are in the process of building a new management team with the right experience and skills to execute on our new strategic direction. Further, in order to succeed in our product development and marketing efforts, we need to identify, attract, motivate and retain sufficient numbers of qualified technical and sales personnel. As a result, we must attract, retain and motivate a number of highly-qualified and experienced employees and an inability to hire and retain such employees would adversely affect our ability to enhance our existing intellectual property, to introduce new generations of technology and to keep abreast of current developments in technology. We may face difficulty in managing the transition to a new management team and assimilating our newly-hired personnel, which may adversely affect our business. Competitors may attempt to recruit our top management and employees. In order to attract and retain personnel in a competitive marketplace, we must provide competitive pay packages, including cash and equity-based compensation and the volatility in our stock price may from time to time adversely affect our ability to recruit or retain employees. We do not maintain any “key person” life insurance policies. If we fail to attract, integrate, retain and incentivize key personnel and skilled employees, our ability to manage and grow our business could be harmed and our product development and marketing activities could be negatively affected.

System failures, including breaches in the security of our system, could harm our business.

We may experience system failures from time to time, and any lengthy interruption in the availability of our back-end system computers could harm our business and could subject us to the scrutiny of our customers. Frequent or persistent interruptions in our services could cause current or potential customers and users to believe that our systems are unreliable, leading them to avoid our technology altogether, and could permanently harm our reputation and brands. These interruptions would increase the burden on our staff, which, in turn, could delay our introduction of new applications and services. Finally, because our customers may use our products for critical transactions, any system failures could result in damage to our customers’ businesses. These customers could seek significant compensation from us for their losses. Even if unsuccessful, this type of claim could be time-consuming and costly for us to address.

Although our systems have been designed to reduce downtime in the event of outages or catastrophic occurrences, they remain vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunication failures, terrorist attacks, computer viruses, computer denial-of-service attacks and similar events. Some of our systems are not fully redundant, and our disaster recovery planning may not be sufficient for all eventualities.

Protection against fraud is of key importance to the purchasers and end users of our solutions. We incorporate security features, including encryption software, biometric identification and secure hardware, into our solutions to protect against fraud in electronic transactions and to provide for the privacy and integrity of cardholder data. Our solutions may be vulnerable to breaches in security due to defects in the security mechanisms, the operating system and applications or the hardware platform. Security vulnerabilities could jeopardize the security of information transmitted using our solutions. If the security of our solutions is compromised, our reputation and marketplace acceptance of our solutions may be adversely affected, which would cause our business to suffer, and we may become subject to damage claims. We have not yet experienced any significant security breaches affecting our business.

Despite any precautions we may take, the occurrence of a natural disaster or other unanticipated problems with our system could result in lengthy interruptions in our services. Our current business interruption insurance may not be sufficient to compensate us for losses that may result from interruptions in our service as a result of system failures.

Cash Paymaster Services, or CPS, has been placed into liquidation. While no claim has been made against Net1 for CPS’ obligations, we cannot provide assurance that no such claim will be made.

CPS has significant obligations and ongoing litigation related to its SASSA contract and has been placed into liquidation. While no claim has been made against Net1 to be held liable for CPS’ current obligations or any future obligations under any future court judgments, and while we do not believe that there would be a legitimate legal basis for any such claims, we cannot assure you that no such claim will be made against us. If SASSA or another third party were to seek and ultimately succeed in obtaining a judgment against us in respect of CPS’ liabilities, any such judgment would have a material adverse effect on our financial condition, results of operations and cash flows.

Defending our intellectual property rights or defending ourselves in infringement suits that may be brought against us is expensive and time-consuming and may not be successful.

Litigation to enforce our patents, trademarks or other intellectual property rights or to protect our trade secrets could result in substantial costs and may not be successful. Any loss of, or inability to protect, intellectual property in our technology could diminish our competitive advantage and also seriously harm our business. In addition, the laws of certain foreign countries may not protect our intellectual property rights to the same extent as do the laws in countries where we currently have patent protection. Our means of protecting our intellectual property rights in countries where we currently have patent or trademark protection, or any other country in which we operate, may not be adequate to fully protect our intellectual property rights. Similarly, if third parties claim that we infringe their intellectual property rights, we may be required to incur significant costs and devote substantial resources to the defense of such claims, to discontinue using and selling any infringing technology and services, to expend resources to develop non-infringing technology or to purchase licenses or pay royalties for other technology. In addition, if we are unsuccessful in defending any such third-party claims, we could suffer costly judgments and injunctions that could materially adversely affect our business, results of operations or financial condition.

We may incur material losses in connection with our distribution of cash through our payment infrastructure in South Africa.

Many cardholders use our services to access cash using their debit cards. We use armored vehicles and our own fixed ATM infrastructure to deliver large amounts of cash to rural areas across South Africa to enable these cardholders to receive this cash. In some cases, we also store the cash that will be delivered by the armored vehicles in depots overnight or over the weekend to facilitate delivery to these rural areas. We cannot insure against certain risks of loss or theft of cash from our delivery vehicles, ATMs or depots and we will therefore bear the full cost of certain uninsured losses or theft in connection with the cash handling process, and such losses could materially and adversely affect our financial condition, cash flows and results of operations. We have not incurred any material losses resulting from cash distribution in recent years, but there is no assurance that we will not incur any such material losses in the future.

We depend upon third-party suppliers, making us vulnerable to supply shortages and price fluctuations, which could harm our business.

We obtain our smart cards, ATMs, POS devices and the other hardware we use in our business from a limited number of suppliers, and do not manufacture this equipment ourselves. We generally do not have long-term agreements with our manufacturers or component suppliers. If our suppliers become unwilling or unable to provide us with adequate supplies of parts or products when we need them, or if they increase their prices, we may not be able to find alternative sources in a timely manner and could be faced with a critical shortage. This could harm our ability to implement new systems and cause our revenues to decline. Even if we are able to secure alternative sources in a timely manner, our costs could increase. A supply interruption, such as the current global shortage of semiconductors, or an increase in demand beyond current suppliers' capabilities could harm our ability to distribute our equipment and thus to acquire a new source of customers who use our technology. Any interruption in the supply of the hardware necessary to operate our technology, or our inability to obtain substitute equipment at acceptable prices in a timely manner, could impair our ability to meet the demand of our customers, which would have an adverse effect on our business.

Our Smart Life business exposes us to risks typically experienced by life assurance companies.

Smart Life is a life insurance company and exposes us to risks typically experienced by life assurance companies. Some of these risks include the extent to which we are able to continue to reinsure our risks at acceptable costs, reinsurer counterparty risk, maintaining regulatory capital adequacy, solvency and liquidity requirements, our ability to price our insurance products appropriately, the risk that actual claims experience may exceed our estimates, the ability to recover policy premiums from our customers and the competitiveness of the South African insurance market. If we are unable to maintain our desired level of reinsurance at prices that we consider acceptable, we would have to either accept an increase in our exposure risk or reduce our insurance writings. If our reinsurers are unable to meet their commitments to us in a timely manner, or at all, we may be unable to discharge our obligations under our insurance contracts. As such, we are exposed to counterparty risk, including credit risk, of these reinsurers.

Our product pricing includes long-term assumptions regarding investment returns, mortality, morbidity, persistency and operating costs and expenses of the business. Using the wrong assumptions to price our insurance products could materially and adversely affect our financial position, results of operations and cash flows. If our actual claims experience is higher than our estimates, particularly in the light of the COVID-19 pandemic, our financial position, results of operations and cash flows could be adversely affected. Finally, the South African insurance industry is highly competitive. Many of our competitors are well-established, represented nationally and market similar products and we therefore may not be able to effectively penetrate the South African insurance market.

Risks Relating to Operating in South Africa and Other Foreign Markets

Operating in South Africa and other emerging markets subjects us to greater risks than those we would face if we operated in more developed markets. For example, we saw significant disruption from the civil unrest experienced in early July 2021.

Emerging markets such as South Africa, as well as some of the other markets in which we have investments or operations, including African countries outside South Africa and countries in Asia, are subject to greater risks than more developed markets. While we focus our business primarily on emerging markets because that is where we perceive the greatest opportunities to market our products and services successfully, the political, economic and market conditions in many of these markets present risks that could make it more difficult to operate our business successfully.

Some of these risks include:

- political, legal and economic instability, including higher rates of inflation and currency fluctuations;
- high levels of corruption, including bribery of public officials;
- loss due to civil strife, acts of war or terrorism, guerrilla activities and insurrection;
- a lack of well-developed legal systems which could make it difficult for us to enforce our intellectual property and contractual rights;
- logistical, utilities (including electricity and water supply) and communications challenges;
- potential adverse changes in laws and regulatory practices, including import and export license requirements and restrictions, tariffs, legal structures and tax laws;
- difficulties in staffing and managing operations and ensuring the safety of our employees;
- restrictions on the right to convert or repatriate currency or export assets;
- greater risk of uncollectible accounts and longer collection cycles;
- indigenization and empowerment programs;
- exposure to liability under the UK Bribery Act; and
- exposure to liability under U.S. securities and foreign trade laws, including the Foreign Corrupt Practices Act, or FCPA, and regulations established by the U.S. Department of Treasury's Office of Foreign Assets Control, or OFAC.

Many of these countries and regions are in various stages of developing institutions and political, legal and regulatory systems that are characteristic of democracies. However, institutions in these countries and regions may not yet be as firmly established as they are in democracies in the developed world. Many of these countries and regions are also in the process of transitioning to a market economy and, as a result, are experiencing changes in their economies and their government policies that can affect our investments in these countries and regions.

Moreover, the procedural safeguards of the new legal and regulatory regimes in these countries and regions 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 these political, economic and legal environments remain subject to continuous development, investors in these countries and regions face uncertainty as to the security of their investments.

If we do not achieve applicable Broad-Based Black Economic Empowerment objectives in our South African businesses, we may be subject to fines and we risk losing our government and/or private contracts. In addition, it is possible that we may be required to increase the Black shareholding of our company in a manner that could dilute your ownership and/or change the companies from which we purchase goods or procure services (to companies with a better BEE Contributor Status Level).

The legislative framework for the promotion of Broad-Based Black Economic Empowerment, or BEE, in South Africa has been established through the Broad-Based Black Economic Empowerment Act, No. 53 of 2003, as amended from time to time, and the Amended BEE Codes of Good Practice, 2013, or BEE Codes, and any sector-specific codes of good practice, or Sector Codes, published pursuant thereto. Sector Codes are fully binding between and among businesses operating in a sector for which a Sector Code has been published. Achievement of BEE objectives is measured by a scorecard which establishes a weighting for the various elements. Scorecards are independently reviewed by accredited BEE verification agencies which issue a certificate that presents an entity's BEE Contributor Status Level. This BEE verification process must be conducted on an annual basis, and the resultant BEE compliance certificate is only valid for a period of 12 months.

Certain of our South African businesses are subject to either the Information, Communications and Technology Sector Code, or ICT Sector Code, or the Financial Services Sector Code, or the FS Sector Code. The ICT Sector Code and the FS Sector Code have been amended and aligned with the new BEE Codes and were promulgated in November 2016 and December 2017, respectively.

The BEE scorecard includes a component relating to management control, which serves to determine the participation of Black people at various levels of management within a measured entity (including, *inter alia*, at the board level, Executive Management, Senior Management, Middle Management and Junior Management). The BEE Codes and/or Sector Codes define the terms "*Senior Management*", "*Middle Management*" and "*Junior Management*" as those occupational categories as determined in accordance with the Employment Equity Regulations. Annexure EEA9 to the Employment Equity Regulations sets out the various occupational levels which are determined in accordance with the relevant grading systems applied by the measured entity and referred to in said Annexure. Employment equity legislation seeks to drive the alignment of the workforce with the racial composition of South Africa and accelerate the achievement of employment equity targets, introducing monetary fines for non-achievement. Failing to meet these targets may expose us to fines.

We have taken a number of actions as a company to increase empowerment of Black (as defined under applicable regulations) South Africans. However, it is possible that these actions may not be sufficient to enable us to achieve applicable BEE objectives. In that event, in order to avoid risking the loss of our government and private contracts, we may have to seek to comply through other means, including by selling or placing additional shares of Net1 or of our South African subsidiaries to Black South Africans (either directly or indirectly). Such sales or placements of shares could have a dilutive impact on your ownership interest, which could cause the market price of our stock to decline.

We expect that our BEE Contributor Status Level will be important in order for us to remain competitive in the South African marketplace and we continually seek ways to improve our BEE Contributor Status Level, especially the ownership element (so-called "equity element") thereof. We have entered into various BEE transactions in the past in an effort to improve our score, including transactions in which we issued equity to BEE partners. It is possible that we may find it necessary to issue additional equity to improve our BEE Contributor Status Level, in which case we cannot predict what the dilutive effect of such a transaction would be on your ownership or how it would affect the market price of our stock.

Fluctuations in the value of the South African rand have had, and will continue to have, a significant impact on our reported results of operations, which may make it difficult to evaluate our business performance between reporting periods and may also adversely affect our stock price.

The South African rand, or ZAR, is the primary operating currency for our business operations while our financial results are reported in U.S. dollars. Therefore, any depreciation in the ZAR against the U.S. dollar, would negatively impact our reported revenue and net income. The U.S. dollar/ZAR exchange rate has historically been volatile and we expect this volatility to continue (refer to Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations—Currency Exchange Rate Information."). Due to the significant fluctuation in the value of the ZAR and its impact on our reported results, you may find it difficult to compare our results of operations between financial reporting periods even though we provide supplemental information about our results of operations determined on a ZAR basis. Similarly, depreciation in the ZAR may negatively impact the prices at which our stock trades.

We generally do not engage in any currency hedging transactions intended to reduce the effect of fluctuations in foreign currency exchange rates on our results of operations, other than economic hedging using forward contracts relating to our inventory purchases which are settled in U.S. dollars or euros. We cannot guarantee that we will enter into hedging transactions in the future or, if we do, that these transactions will successfully protect us against currency fluctuations.

South Africa's high levels of poverty, unemployment and crime may increase our costs and impair our ability to maintain a qualified workforce

While South Africa has a highly developed financial and legal infrastructure, it also has high levels of crime and unemployment, relative to peer countries in Africa and other emerging economies, and there are significant differences in the level of economic and social development among its people, with large parts of the population, particularly in rural areas, having limited access to adequate education, healthcare, housing and other basic services, including water and electricity. In addition, South Africa has a high prevalence of HIV/AIDS and tuberculosis. Government policies aimed at alleviating and redressing the disadvantages suffered by the majority of citizens under previous governments may increase our costs and reduce our profitability, all of which could negatively affect our business. These problems may prompt emigration of skilled workers, hinder investment into South Africa and impede economic growth. As a result, we may have difficulties attracting and retaining qualified employees.

We may not be able to effectively and efficiently manage the electricity supply disruptions in South Africa, which could adversely affect our results of operations, financial position, cash flows and future growth.

Our businesses in South Africa are dependent on electricity generated and supplied by the state-owned utility, Eskom, in order to operate, and Eskom has been unable to generate and supply the amount of electricity required which has resulted in significant and often unpredictable electricity supply disruptions. Eskom has implemented a number of short- and long-term mitigation plans to correct these issues but supply disruptions continue to occur regularly and with no predictability. Eskom requires significant funding from the South African government in order to continue to operate. As part of our business continuity programs, we have installed back-up diesel generators in order for us to continue to operate our core data processing facilities in the event of intermittent disruptions to our electricity supply. We have to perform regular monitoring and maintenance of these generators and also source and manage diesel fuel levels. We may also be required to replace these generators on a more frequent basis due to the additional burden placed on them.

Our results of operations, financial position, cash flows and future growth could be adversely affected if Eskom is unable raise sufficient funding to operate and/or commission new electricity-generating power stations in accordance with its plans, or at all, or if we are unable to effectively and efficiently test, maintain, source fuel for, and replace, our generators.

The economy of South Africa is exposed to high rates of inflation, interest and corporate tax, which could increase our operating costs and thereby reduce our profitability. Furthermore, the South African government requires additional income to fund future government expenditures and may be required, among other things, to increase existing income taxes rates, including the corporate income tax rate, amend existing tax legislation or introduce additional taxes.

The economy of South Africa in the past has been, and in the future may continue to be, characterized by rates of inflation and interest that are substantially higher than those prevailing in the United States and other highly-developed economies. High rates of inflation could increase our South African-based costs and decrease our operating margins. High interest rates increase the cost of our debt financing, though conversely they also increase the amount of income we earn on any cash balances. The South African corporate income tax rate, of 28%, is higher than the U.S. federal income tax rate, of 21%. The South African government has announced a number of programs and initiatives that may require funding from a variety of sources, including from an increase in existing tax rates, including the corporate income tax rate; amendments to existing South African tax legislation; or through the introduction of additional taxes. An increase in the effective South African corporate income tax rate will adversely impact our profitability and cash flow generation.

Risks Relating to Government Regulation

The South African National Credit Regulator, or NCR, has applied to cancel the registration of our subsidiary, Moneyline Financial Services (Pty) Ltd, or Moneyline, as a credit provider. If the registration is cancelled, we may not be able to provide loans to our customers.

Moneyline provides microloans to our EPE cardholders. Moneyline is a registered credit provider under the South African National Credit Act, or NCA, and is required to comply with the NCA in the operation of its lending business. In September 2014, based on an investigation it conducted, the NCR applied to the National Consumer Tribunal to cancel Moneyline's registration. The NCR has alleged, among other things, that Moneyline contravened the NCA by including child support grants and foster child grants in the affordability assessments performed by Moneyline prior to granting credit to these borrowers, and that the procedures followed and documentation maintained by Moneyline are not in accordance with the NCA. We believe that Moneyline has conducted its business in compliance with NCA and we are opposing the NCR's application. However, if the NCR's application is successful, Moneyline would be prohibited from operating its microlending business, which could have a material adverse effect on our results of operations and cash flows.

We are required to comply with certain laws and regulations, including economic and trade sanctions, which could adversely impact our future growth.

We are subject to U.S. and other trade controls, economic sanctions and similar laws and regulations, including those in the jurisdictions where we operate. Our failure to comply with these laws and regulations could subject us to civil, criminal and administrative penalties and harm our reputation. These laws and regulations place restrictions on our operations, trade practices, partners and investment decisions. In particular, our operations are subject to U.S. and foreign trade control laws and regulations, including various export controls and economic sanctions programs, such as those administered by OFAC. We monitor compliance in accordance with the 10 principles as set out in the United Nations Global Compact Principles, the Organisation for Economic Co-operation and Development recommendations relating to corruption, and the International Labor Organization Protocol in terms of certain of the items to be monitored. As a result of doing business in foreign countries and with foreign partners, we are exposed to a heightened risk of violating trade control laws as well as sanctions regulations.

Violations of trade control laws and sanctions regulations are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts and revocations or restrictions of licenses, as well as criminal fines and imprisonment. We have developed policies and procedures as part of a company-wide compliance program that is designed to assist our compliance with applicable U.S. and international trade control laws and regulations, including trade controls and sanctions programs administered by OFAC, and provide regular training to our employees to create awareness about the risks of violations of trade control laws and sanctions regulations and to ensure compliance with these laws and regulations. However, there can be no assurance that all of our employees, consultants, partners, agents or other associated persons will not act in violation of our policies and these laws and regulations, or that our policies and procedures will effectively prevent us from violating these regulations in every transaction in which we may engage, or provide a defense to any alleged violation. In particular, we may be held liable for the actions that our local, strategic or joint venture partners take inside or outside of the United States, even though our partners may not be subject to these laws. Such a violation, even if our policies prohibit it, could materially and adversely affect our reputation, business, results of operations and financial condition. Our expansion in developing countries, and our development of new partnerships and joint venture relationships, could increase the risk of OFAC violations in the future.

In addition, our payment processing activities are subject to extensive regulation. Compliance with the requirements under the various regulatory regimes may cause us to incur significant additional costs and failure to comply with such requirements could result in the shutdown of the non-complying facility, the imposition of liens, fines and/or civil or criminal liability.

We are required to comply with anti-corruption laws and regulations, including the FCPA and UK Bribery Act, in the jurisdictions in which we operate our business, which could adversely impact our future growth.

The FCPA prohibits us from providing anything of value to foreign officials for the purposes of obtaining or retaining business, or securing any improper business advantage, and requires us to keep books and records that accurately and fairly reflect our transactions. As part of our business, we may deal with state-owned business enterprises, the employees of which are considered foreign officials for purposes of the FCPA. The UK Bribery Act includes provisions that extend beyond bribery of foreign public officials and also apply to transactions with individuals not employed by a government and the act is also more onerous than the FCPA in a number of other respects, including jurisdiction, non-exemption of facilitation payments and penalties. Some of the international locations in which we operate or have investments lack a developed legal system and have higher than normal levels of corruption.

Any failure by us to adopt appropriate compliance procedures and ensure that our employees, agents and business partners comply with the anti-corruption laws and regulations could subject us to substantial penalties, and the requirement that we comply with these laws could put us at a competitive disadvantage against companies that are not required to comply. For example, in many emerging markets, there may be significant levels of official corruption, and thus, bribery of public officials may be a commonly accepted cost of doing business. Our refusal to engage in illegal behavior, such as paying bribes, may result in us not being able to obtain business that we might otherwise have been able to secure or possibly even result in unlawful, selective or arbitrary action being taken against us.

Violations of anti-corruption laws and regulations are punishable by civil penalties, including fines, as well as criminal fines and imprisonment. We have developed policies and procedures as part of a company-wide compliance program that is designed to assist our compliance with applicable U.S. and international anti-corruption laws and regulations, and provide regular training to our employees to comply with these laws and regulations. However, there can be no assurance that all of our employees, consultants, partners, agents or other associated persons will not take actions in violation of our policies or these laws and regulations, or that our policies and procedures will effectively prevent us from violating these regulations in every transaction in which we may engage, or provide a defense to any alleged violation. In particular, we may be held liable for the actions that our local, strategic or joint venture partners take inside or outside of the United States, even though our partners may not be subject to these laws. Such a violation, even if our policies prohibit it, could materially and adversely affect our reputation, business, results of operations and financial condition.

We do not have a South African banking license and, therefore, we provide our EPE solution through an arrangement with a third-party bank, which limits our control over this business and the economic benefit we derive from it. If this arrangement were to terminate, we would not be able to operate our EPE business without alternate means of access to a banking license.

The South African retail banking market is highly regulated. Under current law and regulations, our EPE business activities require us to be registered as a bank in South Africa or to have access to an existing banking license. We are not currently so registered, but we have an agreement with Grindrod Bank that enables us to implement our EPE program in compliance with the relevant laws and regulations. If this agreement were to be terminated, we would not be able to operate these services unless we were able to obtain access to a banking license through alternate means. We are also dependent on Grindrod Bank to defend us against attacks from other South African banks who may regard our products as disruptive to their funds transfer or other businesses and may seek governmental or other regulatory intervention. Furthermore, we have to comply with the strict anti-money laundering and customer identification regulations of the South African Reserve Bank, or SARB, when we open new bank accounts for our customers and when they transact. Failure to effectively implement and monitor responses to these regulations may result in significant fines or prosecution of Grindrod Bank and ourselves.

In addition, the South African Financial Advisory and Intermediary Services Act, 2002, requires persons who act as intermediaries between financial product suppliers and consumers in South Africa to register as financial service providers. Smart Life was granted an Authorized Financial Service Provider, or FSP, license on June 9, 2015, and Moneyline Financial Services (Pty) Ltd and Net1 Mobile Solutions (Pty) Ltd were each granted FSP licenses on July 11, 2017. If our FSP licenses are cancelled, we may be stopped from continuing our financial services businesses in South Africa.

Furthermore, the proposed Conduct of Financial Institutions Bill will make significant changes to the current licensing regime. The second draft of the Conduct of Financial Institutions Bill was published for public comment on 29 September 2020. While the proposals currently indicate that existing licenses will be converted, if we are not successful in our efforts to obtain a conversion of the existing licenses or cannot comply with the new conduct standards to be published at the same time under the Financial Sector Regulation Act, No. 9 of 2017, we may be stopped from continuing our financial services businesses in South Africa.

We may be subject to regulations regarding privacy, data use and/or security, which could adversely affect our business.

We are subject to regulations in a number of the countries in which we operate relating to the processing (which includes, *inter alia*, the collection, use, retention, security and transfer) of personal information about the people (whether natural or juristic) who use our products and services. The interpretation and application of user data protection laws are in a state of flux. These laws may be interpreted and applied inconsistently from country to country and our current data protection policies and practices may not be consistent with those interpretations and applications. Complying with these varying requirements could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business and any failure, or perceived failure, by us to comply with any regulatory requirements or international privacy or consumer protection-related laws and regulations could result in proceedings or actions against us by governmental entities or others, subject us to significant penalties and negative publicity. In addition, as noted above, we are subject to the possibility of security breaches, which themselves may result in a violation of these laws.

Amendments to the NCA were signed into law in South Africa in August 2019. Compliance with these amendments may adversely impact our micro-lending operations in South Africa.

In August 2019, the National Credit Amendment Bill, or debt-relief bill, was signed into law in South Africa. The effective date of the debt-relief bill has not yet been announced. We believe that the debt-relief bill will restrict the ability of financial services providers to provide lending products to certain low-income earners and will increase the cost of credit to these consumers. As a result, compliance with the debt-relief bill may adversely impact our micro-lending operations in South Africa. Furthermore, we expect that it will take us, and other financial services providers, some time to fully understand, interpret and implement this new legislation in our lending processes and practices. Non-compliance with the provisions of this new legislation may result in financial loss and penalties, reputational loss or other administrative punishment.

Risks Relating to our Common Stock

We may be deemed to be an investment company under the Investment Company Act of 1940, or Investment Company Act.

We are an operating company whose business is focused on developing and offering payment solutions, transaction processing services and financial technologies across multiple industries directly and through our wholly-owned subsidiaries. Our conduct, public filings and announcements hold us out as such an operating company and do not hold us out as being engaged in the business of investing, reinvesting or trading in securities. However, we own certain assets that may be deemed to be “investment securities” within the meaning of Section 3(a)(2) of the Investment Company Act. We acquired these assets pursuant to our former business strategy, which involved entering into strategic partnership arrangements with other companies in a number of emerging and developing economies. When we acquired minority interests in these companies, we would typically have board representation or rights with regard to significant decisions.

During fiscal 2021, after a comprehensive strategic review, we shifted our strategy to focus primarily on our Southern African operations and other business opportunities in Southern Africa and determined to exit or reduce our presence in other geographies. In furtherance of this strategy and also due to the enormous uncertainties and disruptions caused by the COVID-19 pandemic, we cancelled our option to acquire an additional 35% interest in Bank Frick (which would have increased our interest to 70%) and disposed of the 35% that we owned. Further, during fiscal 2020, we sold KSNET, our wholly-owned Korean subsidiary, as well as other non-core businesses, which resulted in a large infusion of cash which we have not yet deployed into our operating businesses. These dispositions and the Bank Frick transactions, when combined with the fluctuating value of those of our assets that may be deemed to be investment securities, could cause us to be deemed to be an investment company within the meaning of Section 3(a)(1)(C) of the Investment Company Act. Regardless of the value of these assets at any particular time, we believe we should be viewed as primarily engaged in a business other than investing, reinvesting, owning, holding, or trading in securities.

If we are deemed an investment company and not entitled to an exception or exemption from registration under the Investment Company Act, we would have to register as an investment company, modify our asset profile or otherwise change our business so that it falls outside the definition of an investment company under the Investment Company Act. Registering as an investment company pursuant to the Investment Company Act could, among other things, materially limit our ability to borrow funds or engage in other transactions and otherwise would subject us to substantial and costly regulation. Failure to register, if required, would significantly impair our ability to continue to engage in our business and would have a material adverse impact on our business and operations.

Our stock price has been and may continue to be volatile.

Our stock price has periodically experienced significant volatility. During the 2021 fiscal year, our stock price ranged from a low of \$2.87 to a high of \$6.62. We expect that the trading price of our common stock may continue to be volatile as a result of a number of factors, including, but not limited to the following:

- any adverse developments in litigation or regulatory actions in which we are involved;
- fluctuations in currency exchange rates, particularly the U.S. dollar/ZAR exchange rate;
- announcement of additional BEE transactions, especially one involving the issuance or potential issuance of equity securities or dilution or sale of our existing business in South Africa;
- quarterly variations in our operating results;
- significant fair value adjustments or impairment in respect of investments or intangible assets;
- announcements of acquisitions or disposals;
- the timing of, or delays in the commencement, implementation or completion of major projects;
- large purchases or sales of our common stock; and
- general conditions in the markets in which we operate.

Additionally, shares of our common stock can be expected to be subject to volatility resulting from purely market forces over which we have no control. If our business development plans are successful, we may require additional financing to continue to develop and exploit existing and new technologies, to expand into new markets and to make acquisitions, all of which may be dependent upon our ability to obtain financing through debt and equity or other means.

The put right we granted to the IFC Investors on the occurrence of certain triggering events may have adverse impacts on us.

In May 2016, we issued an aggregate of 9,984,311 shares of our common stock to the IFC Investors, of which, as of June 30, 2021, the IFC Investors held 7,881,142 shares. We granted the IFC Investors certain rights, including the right to require us to repurchase any share held by the IFC Investors pursuant to the May 2016 transaction upon the occurrence of specified triggering events, which we refer to as a “put right.” The put price per share will be the higher of the price per share paid to us by the IFC Investors and the volume-weighted average price per share prevailing for the 60 trading days preceding the triggering event, except that with respect to a put right triggered by rejection of a bona fide offer, the put price per share will be the highest price offered by the offeror. If a put triggering event occurs, it could adversely impact our liquidity and capital resources. In addition, the existence of the put right could also affect whether or on what terms a third party might in the future offer to purchase our company. Our response to any such offer could also be complicated, delayed or otherwise influenced by the existence of the put right.

Approximately 36% of our outstanding common stock is owned by two shareholders. The interests of these shareholders may conflict with those of our other shareholders.

There is a concentration of ownership of our outstanding common stock because approximately 36% of our outstanding common stock is owned by two shareholders. Based on their most recent SEC filings disclosing ownership of our shares, Value Capital Partners (Pty) Ltd, or VCP, and IFC Investors, beneficially own approximately 22% and 14% of our outstanding common stock, respectively.

VCP has agreed, pursuant to an Amended Cooperation Agreement dated December 9, 2020, to refrain from acquiring more than 24.9% of our outstanding common stock or taking certain actions, including acting in concert with others, that could result in a change of control of the Company. These restrictions remain in effect through to the business day immediately following our 2022 annual meeting of shareholders.

The interests of VCP and the IFC Investors may be different from or conflict with the interests of our other shareholders. As a result of the significant combined ownership by VCP and the IFC Investors, subject to the limitations applicable to VCP contained in the Amended Cooperation Agreement, they may be able, if they act together, to significantly influence the voting outcome of all matters requiring shareholder approval. This concentration of ownership may have the effect of delaying or preventing a change of control of our company, thus depriving shareholders of a premium for their shares, or facilitating a change of control that other shareholders may oppose.

We may seek to raise additional financing by issuing new securities with terms or rights superior to those of shares of our common stock, which could adversely affect the market price of such shares.

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

Issuances of significant amounts of stock in the future could potentially dilute your equity ownership and adversely affect the price of our common stock.

We believe that it is necessary to maintain a sufficient number of available authorized shares of our common stock in order to provide us with the flexibility to issue shares for business purposes that may arise from time to time. For example, we could sell additional shares to raise capital to fund our operations or to acquire other businesses, issue shares in a BEE transaction, issue additional shares under our stock incentive plan or declare a stock dividend. Our board may authorize the issuance of additional shares of common stock without notice to, or further action by, our shareholders, unless shareholder approval is required by law or the rules of the NASDAQ Stock Market. The issuance of additional shares could dilute the equity ownership of our current shareholders and any such additional shares would likely be freely tradable, which could adversely affect the trading price of our common stock.

Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act, especially over companies that we may acquire, could have a material adverse effect on our business and stock price.

Under Section 404 of the Sarbanes-Oxley Act of 2002, or Sarbanes, we are required to furnish a management certification and auditor attestation regarding the effectiveness of our internal control over financial reporting. We are required to report, among other things, control deficiencies that constitute a “material weakness” or changes in internal control that materially affect, or are reasonably likely to materially affect, internal control over financial reporting. A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis.

The requirement to evaluate and report on our internal controls also applies to companies that we acquire. Some of these companies may not be required to comply with Sarbanes prior to the time we acquire them. The integration of these acquired companies into our internal control over financial reporting could require significant time and resources from our management and other personnel and may increase our compliance costs. If we fail to successfully integrate the operations of these acquired companies into our internal control over financial reporting, our internal control over financial reporting may not be effective.

While we continue to dedicate resources and management time to ensuring that we have effective controls over financial reporting, failure to achieve and maintain an effective internal control environment could have a material adverse effect on the market’s perception of our business and our stock price.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions based upon U.S. laws, including federal securities laws or other foreign laws, against us or certain of our directors and officers and experts.

While Net1 is incorporated in the state of Florida, United States, the company is headquartered in Johannesburg, South Africa and substantially all of the company’s assets are located outside the United States. In addition, the majority of Net1’s directors and all its officers reside outside of the United States and the majority of our experts, including our independent registered public accountants, are based in South Africa.

As a result, even though you could effect service of legal process upon Net1, as a Florida corporation, in the United States, you may not be able to collect any judgment obtained against Net1 in the United States, including any judgment based on the civil liability provisions of U.S. federal securities laws, because substantially all of our assets are located outside the United States. Moreover, it may not be possible for you to effect service of legal process upon the majority of our directors and officers or upon our experts within the United States or elsewhere outside South Africa and any judgment obtained against any of our foreign directors, officers and experts in the United States, including one based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the United States and may not be enforced by a South African court.

South Africa is not a party to any treaties regarding the enforcement of foreign commercial judgments, as opposed to foreign arbitral awards. Accordingly, a foreign judgment is not directly enforceable in South Africa, but constitutes a cause of action which may be enforced by South African courts provided that:

- the court which pronounced the judgment had international jurisdiction and competence to entertain the case according to the principles recognized by South African law with reference to the jurisdiction of foreign courts;
- the judgment is final and conclusive (that is, it cannot be altered by the court which pronounced it);
- the judgment has not lapsed;
- the recognition and enforcement of the judgment by South African courts would not be contrary to public policy in South Africa, including observance of the rules of natural justice which require that no award is enforceable unless the defendant was duly served with documents initiating proceedings, that he or she was given a fair opportunity to be heard and that he or she enjoyed the right to be legally represented in a free and fair trial before an impartial tribunal;
- the judgment was not obtained by improper or fraudulent means;
- the judgment does not involve the enforcement of a penal or foreign revenue law or any award of multiple or punitive damages; and
- the enforcement of the judgment is not otherwise precluded by the provisions of the Protection of Business Act 99 of 1978 (as amended), of the Republic of South Africa.

It has been the policy of South African courts to award compensation for the loss or damage actually sustained by the person to whom the compensation is awarded. South African courts have awarded compensation to shareholders who have suffered damages as a result of a diminution in the value of their shares based on various actions by the corporation and its management. Although the award of punitive damages is generally unknown to the South African legal system, that does not mean that such awards are necessarily contrary to public policy.

Whether a judgment was contrary to public policy depends on the facts of each case. Exorbitant, unconscionable, or excessive awards will generally be contrary to public policy. South African courts cannot enter into the merits of a foreign judgment and cannot act as a court of appeal or review over the foreign court. Further, if a foreign judgment is enforced by a South African court, it will be payable in South African currency. Also, under South Africa's exchange control laws, the approval of SARB is required before a defendant resident in South Africa may pay money to a non-resident plaintiff in satisfaction of a foreign judgment enforced by a court in South Africa.

It is doubtful whether an original action based on United States federal securities laws may be brought before South African courts. A plaintiff who is not resident in South Africa may be required to provide security for costs in the event of proceedings being initiated in South Africa. Furthermore, the Rules of the High Court of South Africa require that documents executed outside South Africa must be authenticated for the purpose of use in South African courts. In reaching the foregoing conclusions in respect of South Africa, we consulted with our South African legal counsel, Cliffe Dekker Hofmeyr Inc.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease our corporate headquarters facility which consists of approximately 93,000 square feet in Johannesburg, South Africa. We also lease properties throughout South Africa, including a 12,088 square foot manufacturing facility in Lazer Park, Johannesburg, 257 financial services branches, 76 financial service express stores and 40 satellite branches. We also lease additional office space in Johannesburg, Cape Town and Durban, South Africa; and Gaborone, Botswana. These leases expire at various dates through 2024, assuming the exercise of options to extend. We believe that we have adequate facilities for our current business operations.

ITEM 3. LEGAL PROCEEDINGS

NCR application for the cancelation of Moneyline's registration as a credit provider

In September 2014, the NCR applied to the South African National Consumer Tribunal, or Tribunal, to cancel the registration of our subsidiary, Moneyline, for breach of the NCA based on an investigation concluded by it. We raised a number of procedural points in defense and argument on these points was heard on November 27, 2015, before three tribunal members. Two ruled against us and one upheld our points. We are appealing the majority ruling to the High Court. This matter was heard on December 4, 2018, by a full bench of the Pretoria High Court. In opposing this appeal, the NCR contended that our appeal had no basis and they raised, as a procedural point, that we should have joined the Tribunal as a party to the appeal proceedings. On August 30, 2019, it was ordered that the Tribunal be included in the appeal proceedings and this appeal will be heard on October 27, 2021. If we are successful, it will dispose of the application. If we do not prevail, then the NCR's application will be set down before the Consumer Tribunal for argument on the main issues raised by the NCR, as dealt with above. We cannot predict the outcome of this litigation.

Withdrawal of legal proceedings against a PG Purchasing customer regarding non-payment of working capital finance loans receivable

In January 2019, we filed a Petition with the District Court of Dallas County, Texas ("Texas district court lawsuit"), naming Permian Crude Transport, LP, f/k/a Permian Crude Transport, LLC, d/b/a Permian Transport & Trading ("PCT"), and Centurion Marketing, LLC d/b/a Jupiter Marketing & Trading, LLC ("Centurion" and collectively with PCT, "PCT/Centurion") as defendants regarding the recovery of working capital finance loans receivable made to PCT/Centurion by our wholly-owned subsidiary, PG Purchasing. This lawsuit was in its initial stages and trial was set for December 2, 2019. However, the Texas district court lawsuit was administratively closed following PCT's filing for bankruptcy in June 2019 and Centurion's filing for bankruptcy in July 2019. The Texas district court lawsuit may be re-opened if the PCT/Centurion bankruptcy matters are lifted.

However, on December 3, 2020, we filed a notice with the United States Bankruptcy Court for the Northern District of Texas, Dallas Division withdrawing our claim as we do not believe we will be able to successfully recover all or a part of the receivable outstanding within a reasonable period of time and without further undue cost and effort.

Litigation related to CPS

As a result of significant obligations relating to, and ongoing litigation arising out of, CPS' SASSA contract, including the exhaustion of CPS' legal appeals against a court judgment to repay additional SASSA implementation costs, CPS has been placed into liquidation. As a result, CPS' provisional liquidators are currently in control of all of CPS' affairs. No other Net1 group company is a party to any of these proceedings and we are no longer involved in the management of these matters.

There are no other material pending legal proceedings, other than ordinary routine litigation incidental to our business, to which we are a party or of which any of our property is the subject.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market information

Our common stock is listed on The NASDAQ Global Select Market, or Nasdaq, in the United States under the symbol "UEPS" and on the JSE in South Africa under the symbol "NT1." The Nasdaq is our principal market for the trading of our common stock.

Our transfer agent in the United States is Computershare Shareowner Services LLC, 480 Washington Blvd, Jersey City, New Jersey, 07310. According to the records of our transfer agent, as of September 3, 2021, there were 9 shareholders of record of our common stock. We believe that a substantially greater number of beneficial owners of our common stock hold their shares through banks, brokers, and other financial institutions (i.e. "street name"). Our transfer agent in South Africa is JSE Investor Services (Pty) Ltd, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001, South Africa.

Dividends

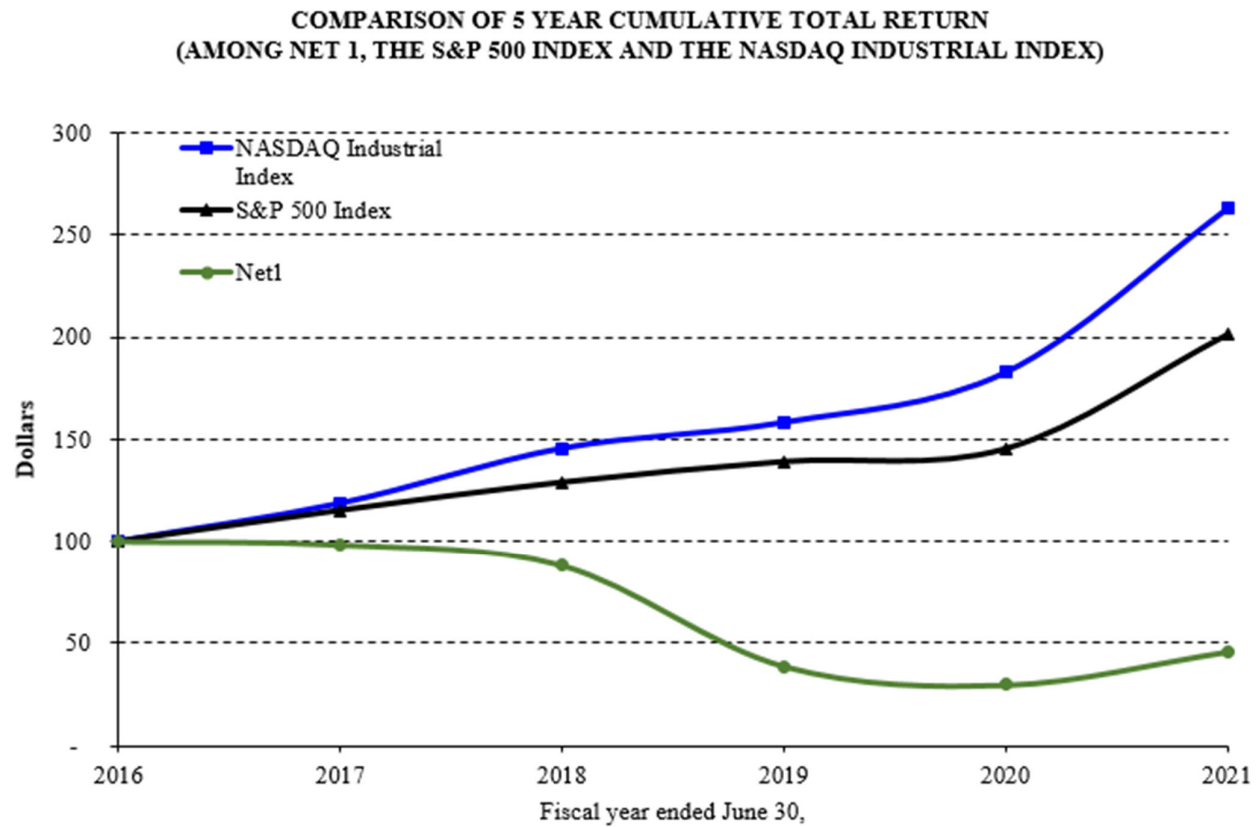
We have not paid any dividends on shares of our common stock during our last two fiscal years and presently intend to retain future earnings to finance the expansion of the business. We do not anticipate paying any cash dividends in the foreseeable future. The future dividend policy will depend on our earnings, capital requirements, debt commitments, expansion plans, financial condition and other relevant factors.

Issuer purchases of equity securities

On February 5, 2020, our board of directors approved the replenishment of our existing share repurchase authorization to repurchase up to an aggregate of \$100 million of common stock. The authorization has no expiration date. We did not repurchase any shares of our common stock during fiscal 2021.

Share performance graph

The chart below compares the five-year cumulative return, assuming the reinvestment of dividends, where applicable, on our common stock with that of the S&P 500 Index and the NASDAQ Industrial Index. This graph assumes \$100 was invested on June 30, 2016, in each of our common stock, the companies in the S&P 500 Index, and the companies in the NASDAQ Industrial Index.



ITEM 6. SELECTED FINANCIAL DATA

The following selected historical consolidated financial data should be read together with Item 7—“Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Item 8—“Financial Statements and Supplementary Data”. The following selected historical financial data as of June 30, 2021 and 2020, and for the three years ended June 30, 2021, have been derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected historical consolidated financial data presented below as of June 30, 2019, 2018 and 2017 and for the years ended June 30, 2018 and 2017, have been derived from our audited consolidated financial statements, which are not included herein, and have been restated as noted below, which restatement is unaudited. The selected historical financial data as of each date and for each period presented have been prepared in accordance with U.S. GAAP. These historical results are not necessarily indicative of results to be expected in any future period.

As discussed in Note 1 to our audited consolidated financial statements included in Item 8—“Financial Statements and Supplementary Data,” our historical audited consolidated financial statements have been corrected to give effect to a restatement. Accordingly, certain of the selected consolidated financial data presented in the table below has been corrected to give effect to the restatement as indicated.

Consolidated Statements of Operations Data

(in thousands, except per share data)

	Year ended June 30,				
	2021	2020 ^{(R)(1)} (as restated)	2019 ^(R) (as restated)	2018	2017
Revenue ⁽³⁾	\$ 130,786	\$ 144,299	\$ 160,635	\$ 459,575	\$ 456,663
Cost of goods sold, IT processing, servicing and support	96,248	102,308	124,104	243,554	236,179
Selling, general and administration ⁽²⁾⁽⁴⁾	84,063	75,256	144,920	130,822	124,086
Depreciation and amortisation	4,347	4,647	12,103	10,473	12,679
Impairment loss	-	6,336	14,440	20,917	-
Operating (loss) income	(53,872)	(44,248)	(134,932)	53,809	83,719
Change in fair value of equity securities	49,304	-	(167,459)	32,473	-
Termination fee paid to cancel Bank Frick option	-	17,517	-	-	-
Interest income	2,416	2,805	5,424	16,845	20,014
Interest expense	2,982	7,641	9,860	8,569	2,174
Impairment of Cedar Cellular note	-	-	12,793	-	-
(Loss) Income before income tax expense (benefit)	(5,619)	(65,016)	(319,443)	94,558	101,559
Income tax expense (benefit)	7,560	2,656	(5,072)	45,106	38,175
(Loss) income from equity accounted investments ⁽⁵⁾	(24,878)	(29,542)	1,258	1,810	2,814
Net (loss) income from continuing operations	(38,057)	(97,214)	(313,113)	51,262	66,198
Gain (loss) on disposal of discontinued operation, net of tax	-	12,454	(9,175)	-	-
Net (loss) income attributable to Net1 - continuing operations	\$ (38,057)	\$ (97,214)	\$ (311,761)	\$ 52,142	\$ 64,504
(Loss) Income from continuing operations per share:					
Basic	\$ (0.67)	\$ (1.70)	\$ (5.49)	\$ 0.92	\$ 1.18
Diluted	\$ (0.67)	\$ (1.70)	\$ (5.49)	\$ 0.92	\$ 1.17

(R) Refer to Note 1 to the audited consolidated financial statements for additional information regarding the restatement.

(1) Includes the impact of the COVID-19 pandemic lockdown restrictions, which directly impacted elements of the business from March 27, 2020 to June 1, 2020.

(2) Impacted by expiration of SASSA contract in September 2018.

(3) Revenue for the year ended June 30, 2019, includes revenue that has been reversed of \$19.7 million (ZAR 277.6 million) as a result of the September 2019 Supreme Court ruling, and selling, general and administration includes \$14.3 million (ZAR 201.8 million) of expenses related to the Supreme Court ruling.

(4) Includes an allowance for doubtful financial loans receivable of \$28.8 million in fiscal 2019 and a separation payment of \$8.0 million paid to our former chief executive officer in fiscal 2017.

(5) Includes impairments of \$21.1 million and \$33.8 million in fiscal 2021 and 2020, respectively, as discussed in Note 8 to our audited consolidated financial statements.

Additional Operating Data:*(in thousands, except percentages)*

	Year ended June 30,				
	2021 ⁽¹⁾	2020 ⁽¹⁾	2019 ⁽¹⁾	2018 ⁽¹⁾	2017 ⁽¹⁾
Cash flows (used in) provided by operating activities \$	(58,371)	\$ (46,045)	\$ (4,460)	\$ 132,305	\$ 97,161
Cash flows provided by (used in) investing activities	47,775	223,117	64,476	180,748	(114,071)
Cash flows (used in) provided by financing activities \$	(13,081)	\$ (48,838)	\$ (24,714)	\$ (473,479)	\$ 40,469
Operating (loss) income margin ⁽²⁾	(41.2%)	(30.7%)	(84.0%)	11.7%	15.9%

(1) Cash flows provided by (used in) investing activities include movements in settlement assets and cash flows (used in) provided by financing activities include movement in settlement liabilities.

(2) Fiscal 2021 operating loss margin was (41.2%). Fiscal 2020 operating loss margin was (25.4%) before impairment losses (refer to Note 9 of our audited consolidated financial statements for a full description of fiscal 2020 and 2019 impairment losses). Fiscal 2019 operating loss margin was (71.1%) before retrenchment costs, the impact of the SASSA implementation costs accrual (refer to Note 12 of our audited consolidated financial statements), and impairment losses. Fiscal 2018 operating income margin was 18.0% before the impairment loss and an allowance for doubtful finance loans receivable. Fiscal 2017 operating income margin was 18.0% before the separation payment of \$8.0 million paid to our former chief executive officer.

Consolidated Balance Sheet Data:*(in thousands)*

	Year ended June 30,				
	2021	2020	2019	2018	2017
Cash, cash equivalents and restricted cash \$	223,765	\$ 232,485	\$ 95,460	\$ 57,607	\$ 210,396
Total current assets before settlement assets	293,851	311,292	153,285	169,619	369,241
Equity-accounted investments	10,004	65,836	148,427	83,234	25,935
Goodwill	29,153	24,169	37,316	52,799	75,598
Intangible assets	357	612	2,228	9,405	13,666
Total assets	428,330	453,678	670,247	1,214,532	1,448,829
Total current liabilities before settlement obligations	52,024	63,288	155,808	94,090	54,957
Total long-term debt	-	-	-	5,469	-
Total equity	\$ 275,980	\$ 290,213	\$ 317,342	\$ 638,827	\$ 596,074

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with Item 6—"Selected Financial Data" and Item 8—"Financial Statements and Supplementary Data." In addition to historical consolidated financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. See Item 1A—"Risk Factors" and "Forward Looking Statements."

Overview

We are a provider of financial technology, or fintech, products and services to unbanked and underbanked individuals and small businesses, predominantly in South Africa. We have developed and own most of our payment technologies, and where possible, we utilize this technology to provide financial and value-added services to our customers by including them into the formal financial system.

Sources of Revenue

We generate our revenues by charging transaction fees to merchants, financial service providers, utility providers, bill issuers and cardholders; by providing loans and insurance products and by selling hardware, licensing software and providing related technology services.

We have structured our business and our business development efforts around several related but separate approaches to deploying our technology. In our most basic approach, we act as a supplier, selling our equipment, software, and related technology to a customer. The revenue and costs associated with this approach are reflected in our technology segment.

We have found that we have greater revenue and profit opportunities, however, by acting as a service provider instead of a supplier. In this approach we own and operate the technology and apply it in a system ourselves, charging one-time and ongoing fees for the use of the system either on a fixed or ad valorem basis. This is the case in South Africa, where we provide bank accounts on a monthly fee basis, and charge fees on an ad valorem basis for goods and services purchased. Usage of our bank accounts also provides our customers with access to short-term loans and life insurance products. The revenue and costs associated with this approach are reflected in our processing and financial services segments.

In South Africa, we also generate fees from debit and credit card transaction processing, the provision of value-added services such as bill payments, mobile top-up and prepaid utility sales, and from providing a payroll transaction management service (up until the disposal of this business in December 2019). The revenue and costs associated with these services are reflected in our processing and technology segments.

Developments during Fiscal 2021

Leadership changes

On July 1, 2021, Mr. Chris G.B. Meyer joined us as Group CEO, following the resignation of Mr. Herman G. Kotzé in August 2020. Mr. Alex M.R. Smith, our current CFO, assumed the role of interim Group CEO, from Mr. Kotze's resignation through to the appointment of Mr. Chris G.B. Meyer.

On May 1, 2021, Mr. Lincoln Mali joined us as CEO of Net1 Southern Africa, a new position within our organization.

On March 15, 2021, Mr. Nunthakumar Pillay resigned his position as Managing Director: Southern Africa after 21 years of service to our company in order to pursue other opportunities. Mr. N. Pillay's last day of employment was April 30, 2021. We have reorganized certain of our internal business reporting lines following the resignation of Mr. N. Pillay, which did not impact our business or processes significantly.

Financial Services Activities in South Africa

We continue to focus our South African financial inclusion activities on a business-to-consumer, or B2C, model. We believe our EPE bank account, known in the communities it serves as 'the green card', has a strong brand position in our target market and benefits from significant loyalty. We have been working on enhancing its presence through localized marketing which, when combined with some of the challenges of other service providers into this market, we expect to result in a return to growing customer numbers.

Customer additions have improved significantly since June 2021, following the launch of a targeted marketing campaign. This momentum was impacted by the civil unrest in July 2021, referred to above; however, we experienced strong additions in August 2021. We recorded gross customer additions of approximately 167,000 during fiscal 2021, with approximately 43,000 recorded in the fourth quarter, while net additions amounted to approximately 84,000 customers during fiscal 2021, with approximately 23,000 recorded in the fourth quarter. Gross and net additions for the first two calendar months of fiscal 2022 were 75,000 and 61,000 respectively. We continue to see delays in the transfer of income for a significant portion of these customers, which means we are not seeing the full benefit of this customer growth in our financial performance. To date, only approximately 50% of these gross customer additions have become active and commenced transacting on their account.

Processing Activities in South Africa

Our processing activities in South Africa are focused around our ATM network, which largely services a consumer base, and our transaction processing for businesses, anchored around our EasyPay offering. As articulated in respect of our revised strategy, we aim to grow our business to business, or B2B, operations through the servicing of small and micro enterprises. We continue to see a steady growth in the number of customers utilizing our ATM infrastructure over the last quarter, though transaction volumes were lower than the previous quarter. Our B2B operations performed broadly in line with expectations with volumes lower than the previous quarter in line with expected seasonal trends. Opportunities related to the expansion of the processing business into the small and micro enterprises space have been identified and are being progressed.

Impact of COVID-19

Our business has been, and continues to be, impacted by government restrictions and quarantines related to COVID-19. South Africa operates with a five-level COVID-19 alert system, with Level 1 being the least restrictive and Level 5 being the most restrictive. South Africa is currently at adjusted Level 3, which has a limited impact on our businesses. The South Africa government commenced its vaccination program in early calendar 2021, with a stated goal of vaccinating 67% of the South African population by the end of the calendar year.

Business and operations

Our operations largely operated as normal during fiscal 2021. Most of the impact of the pandemic on our operations resulted from the indirect effect of lower economic activity in the South African economy. Our loan business was able to originate loans normally and we have not seen any deterioration in collection levels over the period. Our insurance business has seen a higher level of benefit claims during fiscal 2021. We continue to incur direct expenditure on the purchase of sanitizers, masks and gloves for our employees and for the use of customers in our branches, but this is not significant in the context of our cost base.

Employees

Regrettably, five of our employees passed away during fiscal 2021 due to COVID-19, as well as our chairman Mr. Jabu A. Mabuza. Where possible, we have continued to provide the necessary facilities (computer equipment, data cards, etc.) for our employees to operate remotely and continue to encourage them to do so where this is practical and effective. We continue to provide the necessary protective equipment and sanitization facilities for those employees that operate within our offices and operating locations.

Cash resources and liquidity

We believe we have sufficient cash reserves to support us through the next twelve months. Together with our existing cash reserves, we also believe that our credit facilities are sufficient to fund our ATM network. We do not believe there will be any further significant adverse effects on our liquidity from the pandemic, unless there is a resumption of the higher level of restrictions seen in April and May 2020 in South Africa. We believe that our South African insurance business is adequately capitalized and do not expect to have to provide additional funding to the business in the foreseeable future.

Financial position and impairments

Except for the impact on Finbond's business during fiscal 2021, we do not believe that the pandemic has significantly impacted the carrying value of our long-lived assets and equity method investments to date.

Control environment

We do not expect the pandemic to have a significant impact on our internal control environment.

While we have not incurred significant disruptions thus far from the COVID-19 outbreak, we are unable to accurately predict the impact that COVID-19 will have due to numerous uncertainties, including the severity of the disease, the duration of the outbreak, actions that may be taken by governmental authorities, the impact on our customers and other factors identified in Part I, Item 1A. “Risk Factors— We are unable to ascertain the full impact the COVID-19 pandemic will have on our future financial position, operations, cash flows and stock price”. We will continue to evaluate the nature and extent of the impact to our business, consolidated results of operations, and financial condition.

July 2021 civil unrest in South Africa

Two of South Africa’s nine provinces experienced significant civil unrest in July 2021 resulting in mass looting, loss of life, disruption of transport and supply routes, and widespread destruction of property. In total 337 South Africans lost their lives in the unrest - fortunately none of our employees were injured or harmed. There was widespread damage to bank and ATM infrastructure in the affected provinces. In total approximately 1,800 ATMs and 300 branches were damaged, and the Banking Association of South Africa, or BASA, estimates that total damage to banking infrastructure amounted to ZAR 1.6 billion. The South African Special Risks Insurance Association, or SASRIA, a public enterprise and a non-life insurance company that provides coverage for damage caused by special risks such as politically motivated malicious acts, riots, strikes and terrorism and public disorders, estimates that the total damage to property across South Africa will be in the order of between ZAR 19.0 to ZAR 20.0 billion.

We suffered damage at 19 of our branches and to 173 ATMs. The disruption and related closure of branches has also impacted our efforts to grow EPE customer numbers. We have also seen an impact on transaction volumes at our ATMs with July 2021 volumes 13% lower than June 2021, and August 2021 3% lower than July 2021.

We estimate it will cost approximately ZAR 40.0 million to repair our branches and damaged ATMs and to replace ATMs that have been completely destroyed. We believe that these losses suffered through destruction of property will be fully covered under our various insurance policies, through the government backed SASRIA cover.

As a result of the disruption to ATM coverage and availability, BASA and South Africa’s banks agreed that the fee which customers pay to utilize other banks’ ATMs will be waived for August and September 2021. We estimate that we will forgo transaction fee revenue of approximately ZAR 6.0. million during the first quarter of fiscal 2022 as a result of this decision.

MobiKwik

India – In July 2021, MobiKwik filed its draft red herring prospectus with the appropriate Indian regulator related to its proposed initial public offering process. We have increased the carrying value of our investment in MobiKwik, refer to “— Critical Accounting Policies—Recoverability of equity-accounted investments and other equity securities” below.

Status of Cell C recapitalization

We continued to carry the value of our Cell C investment at \$0 (zero) as of June 30, 2021. Cell C remains focused on its recapitalization and implementing various initiatives to improve its operational performance. While it remains in default on its various lending arrangements, Cell C and its lenders continue to work constructively and are making steady progress towards its recapitalization.

Disposal of Bank Frick and wind-down of IPG

Bank Frick – In line with our new strategic direction, on February 3, 2021, we entered into a share sale agreement with the Frick Family Foundation, or KFS, to sell our entire interest, or 35%, in Bank Frick to KFS for \$30 million. Refer to Note 8 to our audited consolidated financial statements for additional information related to this transaction.

IPG – The process to close our IPG business is well-advanced and all processing activities ceased by the third quarter of fiscal 2021, with most employees leaving the organization during the second quarter of fiscal 2021. We are largely complete with the closure and do not expect to incur any further significant cash costs. A number of the statutory IPG entities have been deregistered and we only have routine liquidation and deregistration processes to follow for the remaining existing entities.

Restatement of revenue and cost of goods sold, IT processing, servicing and support

In November 2020, we identified an error with respect to the recognition of certain revenue and related cost of goods sold, IT processing, servicing and support during our assessment and systems development of new products. The error did not impact our operating income (loss), net income (loss), balance sheet or cash flows. We determined that the error impacted reported results for the period from July 1, 2018 to September 30, 2020. The error impacted our reported results and we have restated our audited consolidated statement of operations and certain note presentation for fiscal 2020 and 2019, refer to Note 1 to our audited consolidated financial statements for additional information.

The table below presents the unaudited impact of the restatement on our revenue and related cost of goods sold, IT processing, servicing and support for the first quarter of fiscal 2021, fiscal 2020 and 2019, including each fiscal quarter within those fiscal years:

Table 1	Revenue (quarter information unaudited)			Cost of goods sold, IT processing, servicing and support (quarter information unaudited)		
	As reported \$ '000	Correction \$ '000	As restated \$ '000	As reported \$ '000	Correction \$ '000	As restated \$ '000
Fiscal 2021:						
Q1 2021	37,113	(1,977)	35,136	28,437	(1,977)	26,460
Fiscal 2020:						
Year ended 2020	150,997	(6,698)	144,299	109,006	(6,698)	102,308
Q4 2020	25,978	(1,427)	24,551	22,400	(1,427)	20,973
Q3 2020	36,514	(1,900)	34,614	25,783	(1,900)	23,883
Q2 2020	40,567	(1,649)	38,918	28,395	(1,649)	26,746
Q1 2020	47,938	(1,722)	46,216	32,428	(1,722)	30,706
Fiscal 2019						
Year ended 2019	166,227	(5,592)	160,635	129,696	(5,592)	124,104
Q4 2019	17,053	(1,692)	15,361	26,225	(1,692)	24,533
Q3 2019	36,586	(1,371)	35,215	29,423	(1,371)	28,052
Q2 2019	42,042	(1,948)	40,094	27,291	(1,948)	25,343
Q1 2019	70,546	(581)	69,965	46,757	(581)	46,176

The restatement only impacted revenue allocated to our Processing operating segment. Refer to “Presentation of quarterly revenue and operating (loss) income by segment for fiscal 2020 and 2019” below for additional information regarding our restated operating segments for fiscal 2020 and 2019, including each fiscal quarter within those fiscal years.

Critical Accounting Policies

Our audited consolidated financial statements have been prepared in accordance with U.S. GAAP, which requires management to make estimates and assumptions about future events that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities. As future events and their effects cannot be determined with absolute certainty, the determination of estimates requires management’s judgment based on a variety of assumptions and other determinants such as historical experience, current and expected market conditions and certain scientific evaluation techniques. Management believes that the following accounting policies are critical due to the degree of estimation required and the impact of these policies on the understanding of the results of our operations and financial condition.

Valuation of investment in Cell C

We have elected to measure our investment in Cell C, an unlisted equity security, at fair value using the fair value option. Changes in the fair value of this equity security are recognized in the caption “change in fair value of equity securities” in our audited consolidated statements of operations. The tax impact related to the change in fair value of equity securities is included in income tax expense in our audited consolidated statements of operation. The determination of the fair value of this equity security requires us to make significant judgments and estimates. We base our estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Refer to Note 5 of our audited consolidated financial statements regarding the valuation inputs and sensitivity related to our investment in Cell C.

We used a discounted cash flow model to determine the fair value of our investment in Cell C as of June 30, 2021 and 2020, and valued Cell C at \$0.0 (zero) as of each of June 30, 2021 and 2020. We changed certain valuation assumptions when preparing our December 31, 2020, valuation compared with our June 30, 2020, valuation and we have used these new valuation assumptions in our June 30, 2021, valuation. For the June 30, 2021, valuation, we incorporated the payments under the lease liabilities into the cash flow forecasts instead of including the June 30, 2021, carrying value in net debt and assumed that the deferred tax asset would be utilized over the forecast period instead of including the fair value of the deferred tax asset as of June 30, 2020, in the valuation. For the June 30, 2020, valuation, we included the carrying value of the lease liabilities within net debt and included the June 30, 2020, fair value of the deferred tax asset in the valuation.

We utilized the latest approved business plan provided by Cell C management for the period ended December 31, 2025, for the June 30, 2020 valuation and the period ended December 31, 2024 for the June 30, 2020 valuation, and the following key valuation inputs were used:

Weighted Average Cost of Capital:	Between 16% and 24% over the period of the forecast
Long-term growth rate:	3% (3% as of June 30, 2020)
Marketability discount:	10%
Minority discount:	15%
Net adjusted external debt - June 30, 2021: ⁽¹⁾	ZAR 11.2 billion (\$0.8 billion), no lease liabilities included
Net adjusted external debt - June 30, 2020: ⁽²⁾	ZAR 15.8 billion (\$0.9 billion), includes ZAR4.4 billion of lease liabilities
Deferred tax (incl, assessed tax losses) - June 30, 2020: ⁽²⁾	ZAR 2.9 billion (\$167.3 million)

(1) translated from ZAR to U.S. dollars at exchange rates applicable as of June 30, 2021.

(2) translated from ZAR to U.S. dollars at exchange rates applicable as of June 30, 2020.

We believe the Cell C business plan is reasonable based on the current performance and the expected changes in the business model. Refer to the sensitivity analysis included in Note 5 to our audited consolidated financial statements related to our valuation of Cell C as of June 30, 2021.

Recoverability of equity-accounted investments and other equity securities

We review our equity-accounted investments and other equity securities for impairment whenever events or circumstances indicate that the carrying amount of the investment may not be recoverable. In performing this review, we are required to estimate the fair value of our equity-accounted investments and other equity securities. The determination of the fair value of these investments requires us to make significant judgments and estimates.

We performed impairment assessments during fiscal 2021 and 2020, for certain of our equity-accounted investments following the identification of certain impairment indicators. The results of our impairment tests during fiscal 2021 and 2020, resulted in impairments of \$21.1 million and \$33.8 million, respectively, related to our equity-accounted investments. These impairments are discussed in Note 8 to our audited consolidated financial statements. We did not identify any impairment indicators during fiscal 2019 and therefore did not recognize any impairment losses related to our equity-accounted investments during that year.

For fiscal 2021, in determining the fair value of certain of our equity-accounted investments, we have considered (i) for Finbond specifically, as it is listed on the Johannesburg Stock Exchange, its market price as of the impairment assessment date, adjusted for a liquidity discount of 15%, and (ii) the net asset value of the equity-accounted investment being assessed as a proxy of fair value because reasonable cash flow forecasts were not available.

For fiscal 2020, in determining the fair value of certain of our equity-accounted investments, we have considered (i) for DNI specifically, the fair value of consideration received on April 1, 2020, adjusted for the accumulated foreign currency translation reserve, (ii) dividend discount models based on projected cash flows, adjusted for identified risks, (iii) various multiples applicable to peer and industry comparables of certain of our equity-accounted investments, and (iv) the net asset value of the equity-accounted investment being assessed as a proxy of fair value because reasonable cash flow forecasts are not available.

We base our estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. The fair value of our investment in Finbond is sensitive to movements in its market price, which is quoted in ZAR, because we use the market price as the basis of our valuation. We have no other significant equity accounted investments as of June 30, 2021, because we sold our interest in Bank Frick in February 2021 and our interest in DNI in April 2020.

Other equity securities include our investments in MobiKwik and CPS. These equity securities do not have readily determinable fair values and therefore we have elected to measure these investments at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. If we identify an impairment indicator related to these equity securities, we are required to assess the carrying value of these equity securities against their fair value. We did not identify any impairment indicators during each of fiscal 2021, 2020 and 2019 and therefore did not recognize any impairment losses related to these equity securities during those years.

The determination of the fair value of an investment requires us to make significant judgments and estimates. We are required to base our estimates on assumptions which would believe to be reasonable, but these assumptions may be unpredictable and inherently uncertain.

During the year ended June 30, 2021, MobiKwik entered into a number of separate agreements with new shareholders to raise additional capital through the issuance of additional shares. Specifically, we used the following transactions as the basis for our fair value adjustments to our investment in MobiKwik during the year ended June 30, 2021: (i) in early November 2020, \$135.54 per share; March 2021, \$170.33 per share; and June 2021, \$245.50 per share. We considered each of these transactions to be an observable price change in an orderly transaction for similar or identical equity securities issued by MobiKwik. Accordingly, the carrying value of our investment in MobiKwik increased from \$27.0 million as of June 30, 2020, to \$76.3 million as of June 30, 2021. The change in the fair value of MobiKwik for the year ended June 30, 2021, of \$49.3 million, is included in the caption “Change in fair value of equity securities” in our audited consolidated statement of operations for the year ended June 30, 2021.

Business Combinations and the Recoverability of Goodwill

A component of our growth strategy has been to acquire and integrate businesses that complement our existing operations. The purchase price of an acquired business is allocated to the tangible and intangible assets acquired and liabilities assumed based upon their estimated fair value at the date of purchase. The difference between the purchase price and the fair value of the net assets acquired is recorded as goodwill. In determining the fair value of assets acquired and liabilities assumed in a business combination, we use various recognized valuation methods, including present value modeling. Further, we make assumptions using certain valuation techniques, including discount rates and timing of future cash flows.

We review the carrying value of goodwill annually or more frequently if circumstances indicating impairment have occurred. In performing this review, we are required to estimate the fair value of goodwill that is implied from a valuation of the reporting unit to which the goodwill has been allocated after deducting the fair values of all the identifiable assets and liabilities that form part of the reporting unit.

The determination of the fair value of a reporting unit requires us to make significant judgments and estimates. In determining the fair value of reporting units for fiscal 2021 and 2020, we considered country and entity-specific growth rates, future expected cash flows to be used in our discounted cash flow model, and the weighted-average cost of capital applicable to peer and industry comparables of the reporting units. We base our estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. In addition, we make judgments and assumptions in allocating assets and liabilities to each of our reporting units.

In determining the fair value of reporting units in our previous fiscal years to 2019, we considered the EBITDA and the EBITDA multiples applicable to peer and industry comparables of the reporting units. We based our estimates on assumptions we believed to be reasonable but that are unpredictable and inherently uncertain. In addition, we made judgments and assumptions in allocating assets and liabilities to each of our reporting units.

The results of our impairment tests during fiscal 2021 indicated that the fair value of our reporting units exceeded their carrying values and therefore our reporting units were not at risk of potential impairment. The results of our impairment tests during fiscal 2020 indicated that the fair value of our reporting units exceeded their carrying values, with the exception of the \$5.6 million of goodwill impaired during fiscal 2020, as discussed in Note 9 to our audited consolidated financial statements.

Intangible Assets Acquired Through Acquisitions

The fair values of the identifiable intangible assets acquired through acquisitions were determined by management using the purchase method of accounting. We completed acquisitions during fiscal 2018 where we identified and recognized intangible assets. We have used the relief from royalty method, the multi-period excess earnings method, the income approach and the cost approach to value acquisition-related intangible assets. In so doing, we made assumptions regarding expected future revenues and expenses to develop the underlying forecasts, applied contributory asset charges, discount rates, exchange rates, cash tax charges and useful lives. As of June 30, 2021, we do not have any significant intangible assets, however, this balance could increase following a business combination.

The valuations were based on information available at the time of the acquisition and the expectations and assumptions that were deemed reasonable by us. No assurance can be given, however, that the underlying assumptions or events associated with such assets will occur as projected. For these reasons, among others, the actual cash flows may vary from forecasts of future cash flows. To the extent actual cash flows vary, revisions to the useful life or impairment of intangible assets may be necessary. For instance, in fiscal 2019, we recorded an impairment loss of \$5.3 million related to intangible assets acquired (customer relationships) in the DNI acquisition as a result of Cell C entering into a roaming arrangement with another South African mobile telecommunications network provider which extended Cell C’s network coverage. This arrangement impacted the identified customer relationship recognized.

Deferred Taxation

We estimate our tax liability through the calculations done for the determination of our current tax liability, together with assessing temporary differences resulting from the different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities which are disclosed on our balance sheet.

Management then has to assess the likelihood that deferred tax assets are more likely than not to be realized in the foreseeable future. A valuation allowance is created if it is determined that a deferred tax asset will not be realized in the foreseeable future. Any change to the valuation allowance would be charged or credited to income in the period such determination is made. In assessing the need for a valuation allowance, historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and practicable tax planning strategies are considered. During fiscal 2021, 2020 and 2019, respectively, we recorded a net increase of \$1.5 million, \$13.4 million and \$78.2 million to our valuation allowance. As of June 30, 2021 and 2020, the valuation allowance related to deferred tax assets was \$118.8 and \$106.4 million, respectively.

Stock-based Compensation

Management is required to make estimates and assumptions related to our valuation and recording of stock-based compensation charges under current accounting standards. These standards require all share-based compensation to employees to be recognized in the statement of operations based on their respective grant date fair values over the requisite service periods and also requires an estimation of forfeitures when calculating compensation expense.

We utilize the Cox Ross Rubinstein binomial model to measure the fair value of stock options granted to employees and directors. We have also utilized a bespoke adjusted Monte Carlo simulation discounted cash flow model to measure the fair value of restricted stock with market conditions granted to employees and directors. The stock-based compensation cost related to these valuations has been recognized on a straight-line basis. These valuation models require estimates of a number of key valuation inputs including expected volatility, expected dividend yield, expected term and risk-free interest rate. Our management has estimated forfeitures based on historic employee behavior under similar compensation plans. The fair value of stock options is affected by the assumptions selected. The fair value calculation is especially sensitive to our valuation assumption with respect to expected volatility. For instance, a 5% increase (to 67%) or decrease (to 57%) in the expected volatility used (of 62%) to value stock options granted in November 2020, would result in a charge that was 7% higher (if 67% were used) or 7% lower (if 57% were used). Net stock-based compensation expense from continuing operations was \$0.3 million, \$1.7 million and \$0.4 million for fiscal 2021, 2020 and 2019, respectively.

Accounts Receivable and Allowance for Doubtful Accounts Receivable

We maintain an allowance for doubtful accounts receivable related to our Processing and Technology segments with respect to sales or rental of hardware, support and maintenance services provided; or sale of licenses to customers; or the provision of transaction processing services to our customers; or our working capital financing provided.

Our policy is to regularly review the aging of outstanding amounts due from customers and adjust the provision based on management's estimate of the recoverability of the amounts outstanding.

Management considers factors including period outstanding, creditworthiness of the customers, past payment history and the results of discussions by our credit department with the customer. We consider this policy to be appropriate taking into account factors such as historical bad debts, current economic trends and changes in our customer payment patterns. Additional provisions may be required should the ability of our customers to make payments when due deteriorate in the future. Judgment is required to assess the ultimate recoverability of these receivables, including ongoing evaluation of the creditworthiness of each customer.

Microlending

We maintain an allowance for doubtful finance loans receivable related to our Financial services segment with respect to microlending loans provided to our customers. Our policy is to regularly review the ageing of outstanding amounts due from borrowers and adjust the provision based on management's estimate of the recoverability of finance loans receivable. We write off microlending loans and related service fees if a borrower is in arrears with repayments for more than three months or dies.

Management considers factors including the period of the microlending loan outstanding, creditworthiness of the customers and the past payment history and trends of its established microlending book. We consider this policy to be appropriate taking into account factors such as historical bad debts, current economic trends and changes in our customer payment patterns. Additional allowances may be required should the ability of our customers to make payments when due deteriorates in the future. A significant amount of judgment is required to assess the ultimate recoverability of these finance loan receivables, including ongoing evaluation of the creditworthiness of each customer.

Revenue – variation in transaction price following September 2019 Supreme Court ruling

In fiscal 2019, the Supreme Court denied our appeal and we have recorded a liability of \$34.0 million as of June 30, 2019, comprising a revenue refund of \$19.7 million (ZAR 277.6 million), and other expenses totaling \$14.3 million (ZAR 201.8 million).

Management considered a component of the \$34.0 million to be refunded to SASSA, specifically the ZAR 277.6 million (\$19.7 million) of revenue recorded in fiscal 2014 related to a June 2012 agreement, to be a variation in the price charged to SASSA under our February 2012 SASSA contract. Even though it is an involuntary refund to be paid to SASSA, the Supreme Court ruled that we were not entitled to charge SASSA for the additional enrolments performed because, in the courts view, the February 2012 contract contained all the performance obligations and pricing parameters related to the enrolment of all beneficiaries, and not just cardholder recipients, and we should not have sought a recovery of implementation costs in fiscal 2014 from SASSA for the additional enrolment services provided under the June 2012 agreement. As noted above, management does not agree with the findings of the courts and has had to exercise its judgment in determining whether the reversal of revenue represents a price variation (accounted for as a reduction in revenue in fiscal 2019) or a nonreciprocal transfer.

Recent Accounting Pronouncements

Recent accounting pronouncements adopted

Refer to Note 2 of our audited consolidated financial statements for a full description of recent accounting pronouncements, including the dates of adoption and effects on financial condition, results of operations and cash flows.

Recent accounting pronouncements not yet adopted as of June 30, 2021

Refer to Note 2 of our audited consolidated financial statements for a full description of recent accounting pronouncements not yet adopted as of June 30, 2021, including the expected dates of adoption and effects on financial condition, results of operations and cash flows.

Currency Exchange Rate Information

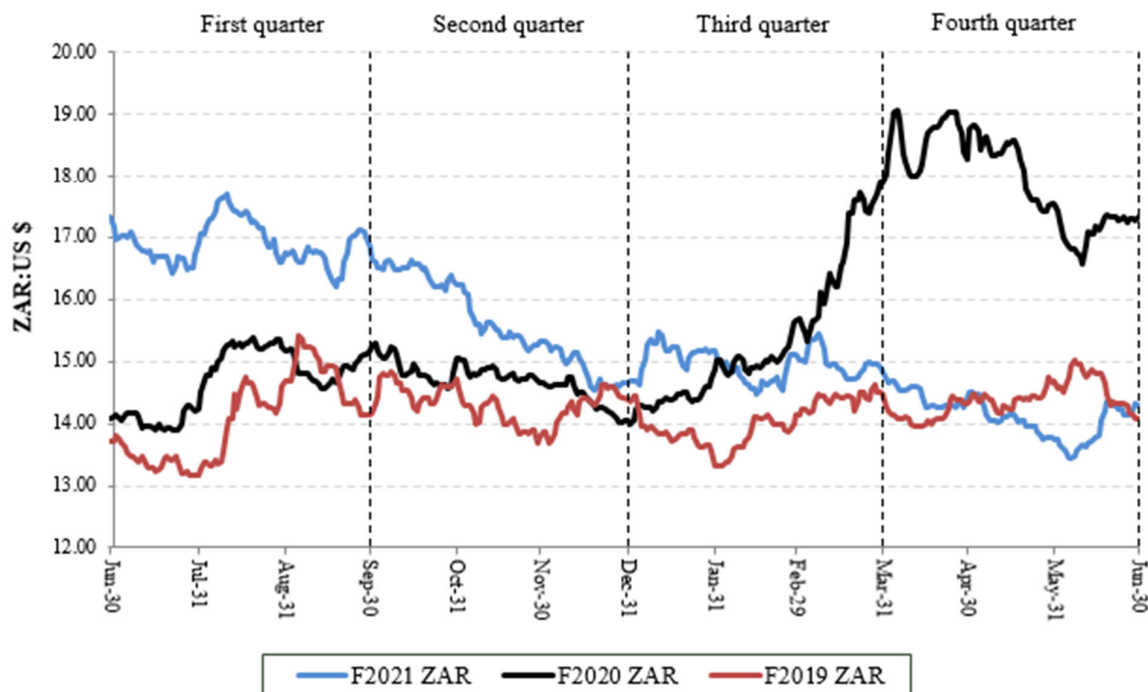
Actual exchange rates

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

Table 2

	June 30,		
	2021	2020	2019
ZAR : \$ average exchange rate	15.4146	15.6775	14.1926
Highest ZAR : \$ rate during period	17.6866	19.0569	15.4335
Lowest ZAR : \$ rate during period	13.4327	13.8973	13.1528
Rate at end of period	14.3010	17.3326	14.0840

ZAR: US \$ Exchange Rates



Translation Exchange Rates

We are required to translate our results of operations from ZAR to U.S. dollars on a monthly basis. Thus, the average rates used to translate this data for the years ended June 30, 2021, 2020 and 2019, vary slightly from the averages shown in the table above. The translation rates we use in presenting our results of operations are the rates shown in the following table:

Table 3

	June 30,		
	2021	2020	2019
Income and expense items: \$1 = ZAR	15.7162	17.5686	14.2688
Balance sheet items: \$1 = ZAR	14.3010	17.3326	14.0840

Results of operations

The discussion of our consolidated overall results of operations is based on amounts as reflected in our audited consolidated financial statements which are prepared in accordance with U.S. GAAP. We analyze our results of operations both in U.S. dollars, as presented in the audited consolidated financial statements, and supplementally in ZAR, because ZAR is the functional currency of the entities which contribute the majority of our results and is the currency in which the majority of our transactions are initially incurred and measured. Due to the significant impact of currency fluctuations between the U.S. dollar and ZAR on our reported results and because we use the U.S. dollar as our reporting currency, we believe that the supplemental presentation of our results of operations in ZAR is useful to investors to understand the changes in the underlying trends of our business.

Our operating segment revenue presented in “—Results of operations by operating segment” represents total revenue per operating segment before intercompany eliminations. A reconciliation between total operating segment revenue and revenue presented in our audited consolidated financial statements is included in Note 20 to those statements.

We deconsolidated CPS from June 1, 2020 and its results are excluded from that date. We disposed of our South Korean operation in the third quarter of fiscal 2020 and it has been presented as a discontinued operation for fiscal 2020 and 2019. We used the equity method to account for DNI in fiscal 2020 and accounted for DNI as a discontinued operation in fiscal 2019. We disposed of FIHRST during the second quarter of fiscal 2020 and its contribution to our reported results is excluded from December 1, 2019. Refer also to Note 23, Note 8 and Note 24 to the audited consolidated financial statements for additional information regarding these transactions.

We analyze our business and operations in terms of three inter-related but independent operating segments: (1) Processing, (2) Financial services and (3) Technology. In addition, corporate and corporate office activities that are impracticable to ascribe directly to any of the other operating segments, as well as any inter-segment eliminations, are included in Corporate/Eliminations.

Fiscal 2021 Compared to Fiscal 2020

The following factors had a significant influence on our results of operations during fiscal 2021 as compared with the same period in the prior year:

- **Lower revenue:** Our revenues decreased 19% in ZAR primarily due to fewer prepaid airtime and hardware sales and lower transaction and account fee revenue, which was partially offset by modestly higher lending and insurance revenue;
- **Ongoing operating losses:** Operating costs were largely in line with the prior period in ZAR due to the largely fixed cost nature of the costs base. As a result, we continue to experience operating losses because of depressed revenues;
- **Non-cash increase in fair value of MobiKwik:** We recorded a non-cash fair value gain during the year to date of fiscal 2021 of \$49.3 million related to the change in fair value of MobiKwik; and
- **Foreign exchange movements:** The U.S. dollar was 11% weaker against the ZAR during fiscal 2021, which impacted our reported results.

Consolidated overall results of operations

This discussion is based on the amounts prepared in accordance with U.S. GAAP.

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

Table 4

	In U.S. Dollars		
	Year ended June 30,		
	2021	2020 ^{(R)(1)}	\$ %
	\$ '000	(as restated) \$ '000	change
Revenue	130,786	144,299	(9%)
Cost of goods sold, IT processing, servicing and support	96,248	102,308	(6%)
Selling, general and administration	84,063	75,256	12%
Depreciation and amortization	4,347	4,647	(6%)
Impairment loss	-	6,336	nm
Operating loss	(53,872)	(44,248)	22%
Change in fair value of equity securities	49,304	-	nm
Loss on disposal of Bank Frick	472	-	nm
Loss on disposal of equity-accounted investment	13	-	nm
Gain on disposal of FIHRST	-	9,743	nm
Loss on disposal of DNI	-	1,010	nm
Loss on deconsolidation of CPS	-	7,148	nm
Termination fee paid to cancel Bank Frick option	-	17,517	nm
Interest income	2,416	2,805	(14%)
Interest expense	2,982	7,641	(61%)
Net loss before tax	(5,619)	(65,016)	(91%)
Income tax expense	7,560	2,656	185%
Net loss before loss from equity-accounted investments	(13,179)	(67,672)	(81%)
Loss from equity-accounted investments	(24,878)	(29,542)	(16%)
Net loss from continuing operations	(38,057)	(97,214)	(61%)
Net income from discontinued operations	-	6,402	nm
Gain from disposal of discontinued operations, net of tax	-	12,454	nm
Net loss	(38,057)	(78,358)	(51%)
Net (loss) income attributable to us	(38,057)	(78,358)	(51%)
Continuing	(38,057)	(97,214)	(61%)
Discontinued	-	18,856	nm

(R) Refer to Note 1 to the audited consolidated financial statements for additional information regarding the restatement.

(1) Refer to Note 24 to the audited consolidated financial statements for discontinued operations disclosures.

Table 5

In South African Rand			
Year ended June 30,			
	2021	2020^{(R)(1)}	
	ZAR '000	(as restated) ZAR '000	ZAR % change
Revenue	2,055,459	2,535,131	(19%)
Cost of goods sold, IT processing, servicing and support	1,512,653	1,797,408	(16%)
Selling, general and administration	1,321,151	1,322,142	(0%)
Depreciation and amortization	68,318	81,641	(16%)
Impairment loss	-	111,315	nm
Operating loss	(846,663)	(777,375)	9%
Change in fair value of equity securities	774,872	-	nm
Loss on disposal of Bank Frick	7,418	-	nm
Loss on disposal of equity-accounted investment	204	-	nm
Gain on disposal of FIHRST	-	171,171	nm
Loss on disposal of DNI	-	17,744	nm
Loss on deconsolidation of CPS	-	125,580	nm
Termination fee paid to cancel Bank Frick option	-	307,749	nm
Interest income	37,970	49,280	(23%)
Interest expense	46,866	134,242	(65%)
Net loss before tax	(88,309)	(1,142,239)	(92%)
Income tax expense	118,814	46,662	155%
Net loss before loss from equity-accounted investments	(207,123)	(1,188,901)	(83%)
Loss from equity-accounted investments	(390,988)	(519,012)	(25%)
Net loss from continuing operations	(598,111)	(1,707,913)	(65%)
Net income from discontinued operations	-	112,474	nm
Gain from disposal of discontinued operations, net of tax	-	218,799	nm
Net loss	(598,111)	(1,376,640)	(57%)
Net (loss) income attributable to us	(598,111)	(1,376,640)	(57%)
Continuing	(598,111)	(1,707,913)	(65%)
Discontinued	-	331,273	nm

(R) Refer to Note 1 to the audited consolidated financial statements for additional information regarding the restatement.

(1) Refer to Note 24 to the audited consolidated financial statements for discontinued operations disclosures.

The decrease in revenue was primarily due to fewer prepaid airtime and hardware sales and lower transaction and account fee revenue, which was partially offset by modestly higher lending and insurance revenue.

The decrease in cost of goods sold, IT processing, servicing and support was primarily due to lower cost of prepaid airtime sales, which was partially offset by higher costs related to transaction fees and an increase in insurance-related claims experience.

In ZAR, the decrease in selling, general and administration expense was primarily due to the impact of currency weakness (\$/ZAR) on U.S. dollar-denominated expenses measured in ZAR and lower stock-based compensation charges, which was partially offset by the year-over-year impact of inflationary increases on employee-related expenses, and allowances for doubtful loans receivable from equity-accounted investments created during fiscal 2021.

Depreciation and amortization decreased primarily due to lower overall depreciation related to tangible assets that were fully depreciated during the year to date of fiscal 2021.

During fiscal 2020, we recorded an impairment loss of \$5.6 million related to the impairment of a portion of our EasyPay business unit's allocated goodwill and a \$0.7 million impairment loss related to our Maltese e-money license. Refer to Note 9 of our audited consolidated financial statements for additional information regarding these impairment losses.

Our operating loss margin for fiscal 2021 and 2020 was (41.2%) and (30.7%), respectively. We discuss the components of operating (loss) income margin under "—Results of operations by operating segment."

The change in fair value of equity securities during fiscal 2021 represents a non-cash fair value gain related to MobiKwik. There was no change in the fair value of equity securities during fiscal 2020. We continue to carry our investment in Cell C at \$0 (zero). Refer to Note 8 to our audited consolidated financial statements for the methodology and inputs used in the fair value calculation for MobiKwik and Note 5 for the methodology and inputs used in the fair value calculation for Cell C.

We recorded a loss of \$0.5 million related to the disposal of Bank Frick during fiscal 2021, refer to Note 8 to our audited consolidated financial statements for additional information regarding this transaction.

We recorded a gain of \$9.7 million related to the disposal of FIHRST during fiscal 2020, which was partially offset by a \$1.0 million loss on the disposal of our remaining interest in DNI and a \$7.1 million loss on the deconsolidation of CPS. We also paid a termination fee of \$17.5 million in respect of our decision not to exercise our option to acquire control of Bank Frick

Interest on surplus cash decreased to \$2.4 million (ZAR 38.0 million) from \$2.8 million (ZAR 49.3 million), due primarily to the higher average daily cash balances following the increase in our cash reserves as a result of the disposal of certain business in fiscal 2020, which was more than offset by lower rates of interest earned on surplus cash.

Interest expense decreased to \$3.0 million (ZAR 46.9 million) from \$7.6 million (ZAR 134.2 million), primarily as a result of lower borrowings, a reduction in South African interest rates and lower utilization of our ATM facilities because we used our cash reserves to fund our ATMs.

Fiscal 2021 tax expense was \$7.6 million (ZAR 118.8 million) compared to \$2.7 million (ZAR 46.7 million) in fiscal 2020. Our effective tax rate for fiscal 2021 was impacted by the tax effect on the change in the fair value of our equity securities, which is at a lower tax rate than the South African statutory rate, the tax charge related to our profitable South African operations, non-deductible expenses, the on-going losses incurred by certain of our South African businesses and the associated valuation allowances created related to the deferred tax assets recognized regarding net operating losses incurred by these entities, which was partially offset by the reversal of the deferred tax liability related to one of our equity-accounted investments following its impairment.

Fiscal 2020 tax expense was \$2.7 million (ZAR 46.7 million) compared to \$(5.1) million (ZAR (72.4) million) in fiscal 2019. Our effective tax rate for fiscal 2020, was impacted by the tax-neutral disposals of FIHRST and DNI, the tax-neutral deconsolidation of CPS, non-deductible impairment losses, the option termination fee paid, the ongoing losses incurred by IPG and certain of our South African businesses and the associated valuation allowances created related to the deferred tax assets recognized regarding those net operating losses, other non-deductible expenses, including certain corporate transactions-related expenditure, and the tax expense recorded by our profitable businesses, primarily in South Africa.

The disposal of certain of our equity-accounted investments in the last two fiscal years, as well as a number of impairments, has adversely impacted the comparability of our loss from equity-accounted investments. We disposed of our investment in Bank Frick in fiscal 2021 and disposed of our investment in DNI in fiscal 2020. The largest impairment recorded in fiscal 2021 related to our investment in Finbond following a slow-down in its business activity and lower traded share price. The largest impairment recorded in fiscal 2020 related to our investment in Bank Frick following our decision not to exercise our option to take control of the bank. Refer to Note 8 to our audited consolidated financial statements for additional information regarding our equity-accounted investments, including disclosure regarding the disposals and impairments. Finbond is listed on the Johannesburg Stock Exchange and reports its six-month results during our first half and its annual results during our fourth quarter. The table below presents the relative loss (earnings) from our equity accounted investments:

Table 6

	Year ended June 30,		
	2021 \$ '000	2020 \$ '000	\$ % change
Bank Frick	1,156	(17,273)	nm
Share of net income	1,156	1,421	(19%)
Amortization of intangible assets, net of deferred tax	-	(433)	nm
Impairment	-	(18,261)	nm
Finbond	(22,009)	1,840	nm
Share of net (loss) income	(4,359)	1,840	nm
Impairment	(17,650)	-	nm
DNI	-	(9,744)	nm
Share of net income	-	4,676	nm
Amortization of intangible assets, net of deferred tax	-	(1,350)	nm
Impairment	-	(13,070)	nm
Other	(4,025)	(4,365)	(8%)
Share of net loss	(531)	(1,865)	(72%)
Impairment	(3,494)	(2,500)	40%
Total loss from equity-accounted investment	(24,878)	(29,542)	(16%)

Results of operations by operating segment

The composition of revenue and the contributions of our business activities to operating (loss) income are illustrated below:

Table 7

Operating Segment	<i>In U.S. Dollars^(R)</i>				
	Year ended June 30,				
	2021	% of	2020	% of	%
	\$ '000	total	(as restated) \$ '000	total	change
Revenue:					
Processing	82,435	63%	91,786	64%	(10%)
IPG	1,693	1%	3,310	2%	(49%)
All other	80,742	62%	88,476	62%	(9%)
Financial services	38,996	30%	46,870	32%	(17%)
Technology	17,751	14%	18,071	13%	(2%)
Subtotal: Operating segments	139,182	106%	156,727	109%	(11%)
Corporate/Eliminations	(8,396)	(6%)	(12,428)	(9%)	(32%)
Consolidated revenue	130,786	100%	144,299	100%	(9%)
Operating (loss) income:					
Processing	(34,283)	64%	(33,836)	76%	1%
IPG	(10,727)	20%	(12,348)	28%	(13%)
All other	(23,556)	44%	(21,488)	48%	10%
Financial services	(8,429)	16%	(3,621)	8%	133%
Technology	2,627	(5%)	2,815	(6%)	(7%)
Subtotal: Operating segments	(40,085)	74%	(34,642)	78%	16%
Corporate/eliminations	(13,787)	26%	(9,606)	22%	44%
Consolidated operating loss	(53,872)	100%	(44,248)	100%	22%

(R) Consolidated revenue-Processing-All others for fiscal 2020 has been restated for the error described in 1 to the audited consolidated financial statements. There was no impact on operating loss as a result of the restatement.

Table 8

Operating Segment	<i>In South African Rand^(R)</i>				
	Year ended June 30,				
	2021	% of	2020	% of	%
	ZAR '000	total	(as restated) ZAR '000	total	change
Revenue:					
Processing	1,295,565	63%	1,612,552	64%	(20%)
IPG	26,608	1%	58,153	2%	(54%)
All other	1,268,957	62%	1,554,399	62%	(18%)
Financial services	612,869	30%	823,440	32%	(26%)
Technology	278,978	14%	317,482	13%	(12%)
Subtotal: Operating segments	2,187,412	106%	2,753,474	109%	(21%)
Corporate/Eliminations	(131,953)	(6%)	(218,343)	(9%)	(40%)
Consolidated revenue	2,055,459	100%	2,535,131	100%	(19%)
Operating (loss) income:					
Processing	(538,798)	64%	(594,451)	76%	(9%)
IPG	(168,587)	20%	(216,937)	28%	(22%)
All other	(370,211)	44%	(377,514)	48%	(2%)
Financial services	(132,472)	16%	(63,616)	8%	108%
Technology	41,286	(5%)	49,456	(6%)	(17%)
Subtotal: Operating segments	(629,984)	74%	(608,611)	78%	4%
Corporate/eliminations	(216,679)	26%	(168,764)	22%	28%
Consolidated operating loss	(846,663)	100%	(777,375)	100%	9%

(R) Consolidated revenue-Processing-All others for fiscal 2020 has been restated for the error described in 1 to the audited consolidated financial statements. There was no impact on operating loss as a result of the restatement.

Processing

Excluding IPG, segment revenue decreased primarily due to fewer prepaid airtime sales and lower volume-driven transaction fees. Excluding IPG, Processing operating loss has been impacted by lower revenue and by an increase in transaction-based costs. Operating loss for fiscal 2020 includes a \$1.3 million inventory write-down related to prepaid airtime inventory. Fiscal 2020 also includes the impact of the \$5.6 million EasyPay goodwill impairment loss. IPG incurred an operating loss but is in the process of being closed down.

Our operating loss margin for fiscal 2021 and 2020 was (41.6%) and (36.9%), respectively. Our operating loss and operating loss margin for fiscal 2020 excluding the goodwill impairment of \$5.6 million was \$26.9 million and (25.4%), respectively.

Financial services

Segment revenue decreased due to lower account fee revenue, whilst lending and insurance revenues were moderately higher compared to the prior period. The segment incurred an operating loss compared with fiscal 2020 primarily due to the reduction in account fee revenue as well as higher employee-related costs and an increase in insurance claims experience.

Our operating loss margin for fiscal 2021 and 2020 was (21.6%) and (7.7%), respectively.

Technology

Segment revenue decreased due to fewer hardware sales compared with fiscal 2021. Operating income for fiscal 2021 was lower than fiscal 2020 due lower revenues, however, margins on the sale of various product lines have remained consistent year over year.

Our operating income margin for the Technology segment was 14.8% and 15.6% during fiscal 2021 and 2020, respectively.

Corporate/ Eliminations

Our corporate expenses generally include acquisition-related intangible asset amortization; expenses incurred related to corporate actions; expenditure related to compliance with the Sarbanes-Oxley Act of 2002; non-employee directors' fees; employee and executive bonuses; stock-based compensation; legal fees; audit fees; directors and officer's insurance premiums; telecommunications expenses; and elimination entries.

Our corporate expenses increased primarily due to allowances for doubtful loans receivable from equity-accounted investments created during fiscal 2021, higher legal fees, and foreign exchange losses, which were partially offset by lower audit fees in fiscal 2021 and an unrealized foreign exchange gain recognized in fiscal 2020.

Fiscal 2020 Compared to Fiscal 2019

The following factors had a significant influence on our results of operations during fiscal 2020 as compared with the same period in the prior year:

- ***Decline in revenue:*** Excluding the impact of the 2019 SASSA implementation fee reversal, our revenues declined 11% in ZAR primarily due to the expiration of our SASSA contract, the decline in EPE account numbers driven by SASSA's auto-migration of accounts to SAPO, a reduction in EPE-related financial and value-added services and transaction fees due to a smaller customer base, and the impact of the pandemic, which was partially offset by higher terminal and prepaid airtime sales;
- ***Ongoing operating losses:*** We continue to experience operating losses primarily in South Africa as a result of lower revenues, coupled with a high fixed-cost infrastructure, despite a significant reduction in this cost base over the last two years. We also recorded impairment losses of \$6.3 million and \$14.4 million, during fiscal 2020 and 2019, respectively;
- ***Fiscal 2019 implementation costs to be refunded to SASSA of \$34.0 million:*** During fiscal 2019, we recorded an accrual of \$34.0 million related to the September 2019 Supreme Court ruling comprising a revenue refund of \$19.7 million (ZAR 277.6 million), accrued interest of \$11.4 million (ZAR 161.0 million), unclaimed indirect taxes of \$2.8 million (ZAR 39.4 million) and estimated costs of \$0.1 million (ZAR 1.4 million);
- ***Corporate transactions:*** In fiscal 2020 we recorded a gain of \$9.7 million related to the disposal of FIHRST in December 2019, which was partially offset by a \$1.0 million loss on the disposal of our remaining interest in DNI and a \$7.1 million loss on the deconsolidation of CPS. We also paid a termination fee of \$17.5 million in respect of our decision not to exercise our option to acquire control of Bank Frick. In fiscal 2019, we recorded a fair value adjustment loss of \$167.5 million related to our investment in Cell C equity and a \$12.8 million impairment of our Cedar Cellular note; and
- ***Adverse foreign exchange movements:*** The U.S. dollar appreciated 23% against the ZAR compared to the same period in fiscal 2019, which adversely impacted our reported results.

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

Table 9

	In U.S. Dollars		
	Year ended June 30,		
	2020 ^{(R)(1)}	2019 ^{(R)(1)}	\$ %
	(as restated) \$ '000	(as restated) \$ '000	
Revenue	144,299	160,635	(10%)
Cost of goods sold, IT processing, servicing and support	102,308	124,104	(18%)
Selling, general and administration	75,256	144,920	(48%)
Depreciation and amortization	4,647	12,103	(62%)
Impairment loss	6,336	14,440	(56%)
Operating loss	(44,248)	(134,932)	(67%)
Change in fair value of equity securities	-	(167,459)	nm
Gain on disposal of FIHRST	9,743	-	nm
(Loss) Gain on disposal of DNI	(1,010)	177	nm
Loss on deconsolidation of CPS	7,148	-	nm
Termination fee paid to cancel Bank Frick option	17,517	-	nm
Interest income	2,805	5,424	(48%)
Interest expense	7,641	9,860	(23%)
Impairment of Cedar Cellular note	-	12,793	nm
Loss before income tax expense (benefit)	(65,016)	(319,443)	(80%)
Income tax expense (benefit)	2,656	(5,072)	nm
Net loss before (loss) earnings from equity-accounted investments	(67,672)	(314,371)	(78%)
(Loss) Earnings from equity-accounted investments	(29,542)	1,258	nm
Net loss from continuing operations	(97,214)	(313,113)	(69%)
Net income from discontinued operations	6,402	13,630	(53%)
Gain (Loss) from disposal of discontinued operations, net of tax	12,454	(9,175)	nm
Net loss	(78,358)	(308,658)	
Less (Add) net income (loss) attributable to non-controlling interest	-	2,349	nm
Continuing	-	(1,352)	nm
Discontinued	-	3,701	nm
Net (loss) income attributable to us	(78,358)	(311,007)	(75%)
Continuing	(97,214)	(311,761)	(69%)
Discontinued	18,856	754	2,401%

(R) Refer to Note 1 to the audited consolidated financial statements for additional information regarding the restatement. There was no impact on operating loss as a result of the restatement.

(1) Refer to Note 24 to the audited consolidated financial statements for discontinued operations disclosures.

Table 10

**In South African Rand
(US GAAP)**

	Year ended June 30,		
	2020^{(R)(1)}	2019^{(R)(1)}	ZAR %
	(as restated) ZAR '000	(as restated) ZAR '000	
Revenue	2,535,131	2,292,181	11%
Cost of goods sold, IT processing, servicing and support	1,797,408	1,770,902	1%
Selling, general and administration	1,322,142	2,067,935	(36%)
Depreciation and amortization	81,641	172,704	(53%)
Impairment loss	111,315	206,052	(46%)
Operating loss	(777,375)	(1,925,412)	(60%)
Change in fair value of equity securities	-	(2,389,556)	nm
Gain on disposal of FIHRST	171,171	-	nm
(Loss) Gain on disposal of DNI	(17,744)	2,526	nm
Loss on deconsolidation of CPS	125,580	-	nm
Termination fee paid to cancel Bank Frick option	307,749	-	nm
Interest income	49,280	77,398	(36%)
Interest expense	134,242	140,697	(5%)
Impairment of Cedar Cellular note	-	182,550	nm
Loss before income tax expense (benefit)	(1,142,239)	(4,558,291)	(75%)
Income tax expense (benefit)	46,662	(72,375)	nm
Net loss before (loss) earnings from equity-accounted investments	(1,188,901)	(4,485,916)	(73%)
(Loss) Earnings from equity-accounted investments	(519,012)	17,951	nm
Net loss from continuing operations	(1,707,913)	(4,467,965)	(62%)
Net income from discontinued operations	112,474	194,493	(42%)
Gain (Loss) from disposal of discontinued operations, net of tax	218,799	(130,923)	nm
Net loss	(1,376,640)	(4,404,395)	
Less (Add) net income (loss) attributable to non-controlling interest	-	33,519	nm
Continuing	-	(19,292)	nm
Discontinued	-	52,811	nm
Net (loss) income attributable to us	(1,376,640)	(4,437,914)	(69%)
Continuing	(1,707,913)	(4,448,673)	(62%)
Discontinued	331,273	10,759	2,979%

(R) Refer to Note 1 to the audited consolidated financial statements for additional information regarding the restatement. There was no impact on operating loss as a result of the restatement.

(1) Refer to Note 24 to the audited consolidated financial statements for discontinued operations disclosures.

Excluding the impact of the 2019 SASSA implementation fee reversal, the decrease in revenue was primarily due to the expiration of our SASSA contract, the decline in EPE account numbers driven by SASSA's auto-migration of accounts to SAPO, a reduction in EPE-related financial and value-added services and transaction fees due to a smaller customer base, and the impact of the pandemic which was partially offset by higher terminal and prepaid airtime sales.

The decrease in cost of goods sold, IT processing, servicing and support was primarily due to fewer SASSA Grindrod-account grant recipients utilizing the South African National Payment System which resulted in lower transaction costs incurred by us, which was partially offset by higher costs related to terminal and prepaid airtime sales.

The decrease in selling, general and administration expense was primarily due to lower fixed costs (including premises and staff costs) incurred during fiscal 2020 largely as a result of the extensive cost cutting delivered over the last 18 months. Our fiscal 2019 expense includes an increase in our allowance for doubtful finance loans receivable of approximately \$23.4 million (resulting from SASSA's auto-migration of EPE accounts) and the payment of \$5.2 million (ZAR 73.7 million) of retrenchment packages.

Depreciation and amortization decreased primarily due to lower overall amortization of intangible assets that are fully amortized and tangible assets that are fully depreciated during fiscal 2020.

During fiscal 2020, we recorded an impairment loss of \$5.6 million related to the impairment of a portion of our EasyPay business unit's allocated goodwill and a \$0.7 million impairment loss related to our Maltese e-money license. During fiscal 2019, we recognized an impairment loss of approximately \$14.4 million, which included \$7.0 million related to the entire amount of IPG goodwill and \$6.2 million primarily related to the impairment of goodwill recognized pursuant to the 2004 Aplitec transaction. Refer to Note 9 of our audited consolidated financial statements for additional information regarding these impairment losses.

Our operating loss margin for fiscal 2020 and 2019 was (30.7%) and (84.0%), respectively. We discuss the components of operating (loss) income margin under “—Results of operations by operating segment.”

The change in fair value of equity securities represents a non-cash fair value adjustment loss related to Cell C of \$167.5 million during fiscal 2019. The fiscal 2019 adjustment was caused by the challenges faced by Cell C’s business at that time. Refer to Note 5 of our audited consolidated financial statements for the methodology and inputs used in the fair value calculation.

We recorded a gain of \$9.7 million related to the disposal of FIHRST during fiscal 2020, which was partially offset by a \$1.0 million loss on the disposal of our remaining interest in DNI and a \$7.1 million loss on the deconsolidation of CPS. We also paid a termination fee of \$17.5 million in respect of our decision not to exercise our option to acquire control of Bank Frick

Interest on surplus cash decreased to \$2.8 million (ZAR 49.3 million) from \$5.4 million (ZAR 77.4 million), due primarily to the lower average daily cash balances and cash used to fund the operating losses in the South African operations.

Interest expense decreased to \$7.6 million (ZAR 134.2 million) from \$9.9 million (ZAR 140.7 million), due to a reduction in our long-term South African debt, which was partially offset by interest expense related to cash borrowed to stock our ATMs and utilization of our overdraft facilities.

During fiscal 2019, we recorded an impairment loss of \$12.8 million related to our Cedar Cellular note as discussed in Note 8 of our audited consolidated financial statements.

Fiscal 2020 tax expense was \$2.7 million (ZAR 46.7 million) compared to \$(5.1) million (ZAR (72.4) million) in fiscal 2019. Our effective tax rate for fiscal 2020, was impacted by the tax-neutral disposals of FIHRST and DNI, the tax-neutral deconsolidation of CPS, non-deductible impairment losses, the option termination fee paid, the ongoing losses incurred by IPG and certain of our South African businesses and the associated valuation allowances created related to the deferred tax assets recognized regarding those net operating losses, other non-deductible expenses, including certain corporate transactions-related expenditure, and the tax expense recorded by our profitable businesses, primarily in South Africa.

Our effective tax rate for fiscal 2019 was adversely impacted by the valuation allowances created related to the deferred tax assets recognized in respect of net operating losses incurred by our South African businesses, the non-deductible impairment losses, the DNI disposal gain, and other non-deductible expenses, including transaction-related expenditure and non-deductible interest on our South African long-term debt facility. The deferred tax impact of the change in the fair value of our investment in Cell C also impacted the effective rate for fiscal 2019, as this amount is recorded at a lower rate (at a capital gains rate) than the South African statutory rate. During fiscal 2019, we reversed the entire deferred tax liability of approximately \$6.1 million recorded as of June 30, 2018, as a result of the decrease in the carrying value of Cell C to below the initial cost. In addition, the June 30, 2019, carrying value of our investment in Cell C is less than its initial cost which results in a capital gains tax benefit for tax purposes. However, we do not expect to realize any significant capital gains in the foreseeable future and have provided a valuation allowance of \$31.7 million related to this capital gains tax benefit deferred tax asset.

DNI was accounted for using the equity method during fiscal 2020. The accounting for DNI as a discontinued operation in fiscal 2019, as well as a number of impairments, has adversely impacted the comparability of our (loss) earnings from equity-accounted investments during fiscal 2020. The largest impairment was in respect of our investment in Bank Frick and followed from our decision not to exercise our option to take control of the bank. Finbond is listed on the Johannesburg Stock Exchange and reports its six-month results during our first half and its annual results during our fourth quarter. The table below presents the relative earnings (loss) from our equity accounted investments:

Table 11

	Year ended June 30,		
	2020 \$ '000	2019 \$ '000	\$ % change
Bank Frick	(17,273)	(1,542)	1,020%
Share of net income	1,421	1,109	28%
Amortization of intangible assets, net of deferred tax	(433)	(567)	(24%)
Impairment	(18,261)	-	nm
Other	-	(2,084)	nm
DNI	(9,744)	865	nm
Share of net income	4,676	1,380	239%
Amortization of intangible assets, net of deferred tax	(1,350)	(515)	162%
Impairment	(13,070)	-	nm
Finbond	1,840	2,619	(30%)
Other	(4,365)	(684)	538%
Share of net loss	(1,865)	(684)	173%
Impairment	(2,500)	-	nm
Total (loss) earnings from equity-accounted investments	(29,542)	1,258	nm

Results of operations by operating segment

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

Table 12

	<i>In U.S. Dollars^(R)</i>				
	Year ended June 30,				
	2020 (as restated) \$ '000	% of total	2019 (as restated) \$ '000	% of total	% change
Operating Segment					
Revenue:					
Processing	91,786	64%	118,088	74%	(22%)
IPG	3,310	2%	8,157	5%	(59%)
All other	88,476	61%	109,931	68%	(20%)
Financial services	46,870	32%	57,034	36%	(18%)
Technology	18,071	13%	20,115	13%	(10%)
Subtotal: Operating segments	156,727	172%	195,237	196%	(20%)
Corporate/Eliminations	(12,428)	(72%)	(34,602)	(96%)	(64%)
Consolidated revenue	144,299	100%	160,635	100%	(10%)
Operating (loss) income:					
Processing	(33,836)	76%	(51,575)	38%	(34%)
IPG	(12,348)	28%	(16,101)	12%	(23%)
All other	(21,488)	49%	(35,474)	26%	(39%)
Financial services	(3,621)	8%	(30,068)	22%	(88%)
Technology	2,815	(6%)	(5,294)	4%	nm
Subtotal: Operating segments	(34,642)	155%	(86,937)	102%	(60%)
Corporate/eliminations	(9,606)	(55%)	(47,995)	(2%)	(80%)
Consolidated operating loss	(44,248)	100%	(134,932)	100%	(67%)

(R) Consolidated revenue-Processing-All others for fiscal 2020 and 2019 has been restated for the error described in 1 to the audited consolidated financial statements. There was no impact on operating loss as a result of the restatement.

Table 13

Operating Segment	<i>In South African Rand^(R)</i>				
	Year ended June 30,				
	2020 (as restated) \$ '000	% of total	2019 (as restated) \$ '000	% of total	% change
Revenue:					
Processing	1,612,552	64%	1,685,057	74%	(4%)
IPG	58,153	2%	116,397	5%	(50%)
All other	1,554,399	62%	1,568,660	69%	(1%)
Financial services	823,440	32%	813,846	36%	1%
Technology	317,482	13%	287,031	13%	11%
Subtotal: Operating segments	2,753,474	109%	2,785,934	122%	(1%)
Corporate/Eliminations	(218,343)	(9%)	(493,753)	(22%)	(56%)
Consolidated revenue	2,535,131	100%	2,292,181	100%	11%
Operating (loss) income:					
Processing	(594,451)	76%	(735,949)	38%	(19%)
IPG	(216,937)	28%	(229,753)	12%	(6%)
All other	(377,514)	48%	(506,196)	26%	(25%)
Financial services	(63,616)	8%	(429,055)	22%	(85%)
Technology	49,456	(6%)	(75,543)	4%	nm
Subtotal: Operating segments	(608,611)	78%	(1,240,547)	64%	(51%)
Corporate/eliminations	(168,764)	22%	(684,865)	36%	(75%)
Consolidated operating loss	(777,375)	100%	(1,925,412)	100%	(60%)

(R) Consolidated revenue-Processing-All others for fiscal 2020 and 2019 has been restated for the error described in 1 to the audited consolidated financial statements. There was no impact on operating loss as a result of the restatement.

Processing

The decrease in segment revenue was primarily due to the substantial decrease in the number of SASSA grant recipients paid under our SASSA contract as the contract expired at the end of the first quarter of fiscal 2019 and the significant reduction in the number of SASSA grant recipients with SASSA-branded cards linked to Grindrod bank accounts as well as a lower number of EPE accounts. These decreases were partially offset by higher transaction revenue as a result of increased usage of our ATMs and EasyPay and higher prepaid airtime sales. The reduction in the operating loss reflects the cost reductions that occurred during fiscal 2020. Operating loss for fiscal 2020 included a \$5.6 million impairment loss. for Operating loss for fiscal 2019 included a \$1.1 million impairment loss and retrenchment costs of \$4.7 million (ZAR 65.9 million).

Our operating loss margin for fiscal 2020 and 2019 was (36.9%) and (43.7%), respectively. Our operating loss and operating loss margin for fiscal 2020 excluding the goodwill impairment of \$5.6 million was \$26.9 million and (25.4%), respectively. Excluding the impairment losses of \$8.2 million and restructuring costs of \$4.7 million, the segment operating loss and operating loss margin for fiscal 2019 were \$38.7 million and (25.4%), respectively.

Financial services

Segment revenue for fiscal 2020 decreased due to lower account fee, lending and insurance revenues compared to the prior period. Fiscal 2019 includes an allowance for doubtful finance loans receivable of \$23.4 million recognized in the second quarter of fiscal 2019, restructuring costs of \$1.6 million and expenses incurred to maintain and expand our financial service infrastructure.

Our operating loss margin for fiscal 2020 and 2019 was (7.7%) and (52.7%), respectively.

Technology

Segment revenue decreased primarily due to fewer prepaid airtime and value-added services sales. However, operating income for fiscal 2020 improved compared with fiscal 2019 due to improved margins on the sale of various product lines within the segment. Operating loss for this operating segment for fiscal 2019 included and impairment loss of \$6.2 million.

Our operating income (loss) margin for the Technology segment was 15.6% and (26.3%) during fiscal 2020 and 2019, respectively. Excluding the impairment loss of \$6.2 million, the segment operating income and operating income margin for fiscal 2019 were \$1.0 million and 4.7%, respectively.

Corporate/Eliminations

Our corporate expenses increased primarily due to the accrual of \$14.3 million related to the September 2019 Supreme Court ruling, a \$5.3 million impairment loss as well as higher acquired intangible asset amortization, non-employee director expenses, transaction-related expenditures and external service provider fees, and were partially offset by the reversal of stock-based compensation charges of \$1.9 million related to forfeiture of awards. Corporate/ Eliminations for fiscal 2019, also includes the impact of the reversal of revenue related to the September 2019 Supreme Court ruling.

Presentation of Quarterly Revenue and Operating (Loss) Income by Segment for Fiscal 2020 and 2019

The tables below present quarterly revenue and operating (loss) income generated by our three reportable segments for fiscal 2020 and 2019, and reconciliations to consolidated revenue and operating (loss) income, as well as the U.S. dollar/ ZAR exchange rates applicable per fiscal quarter and year:

Table 14

	Fiscal 2020 ^(R)				
	<i>In United States Dollars</i>				
	Quarter 1 \$ '000	Quarter 2 \$ '000	Quarter 3 \$ '000	Quarter 4 \$ '000	F2020 \$ '000
Revenues					
Processing	28,295	25,022	22,078	16,391	91,786
IPG	793	432	1,164	921	3,310
All Other	27,502	24,590	20,914	15,470	88,476
Financial services	14,168	12,268	11,683	8,751	46,870
Technology and Other	7,209	4,890	4,040	1,932	18,071
Subtotal: Operating segments	49,672	42,180	37,801	27,074	156,727
Corporate/Eliminations	(3,456)	(3,262)	(3,187)	(2,523)	(12,428)
Total	46,216	38,918	34,614	24,551	144,299
Operating (loss) income					
Processing	(5,505)	(5,848)	(12,394)	(10,089)	(33,836)
IPG	(1,973)	(2,920)	(3,175)	(4,280)	(12,348)
All Other	(3,532)	(2,928)	(9,219)	(5,809)	(21,488)
Financial services	345	(1,249)	(1,701)	(1,016)	(3,621)
Technology and Other	1,145	589	945	136	2,815
Subtotal: Operating segments	(4,015)	(6,508)	(13,150)	(10,969)	(34,642)
Corporate/Eliminations	(2,421)	(3,912)	(1,062)	(2,211)	(9,606)
Total	(6,436)	(10,420)	(14,212)	(13,180)	(44,248)
Income and expense items: \$1 = ZAR	14.7520	14.6022	15.3667	17.2810	17.5686

(R) Revenues-Processing-All others has been restated for the error described in Note 1 to the audited consolidated financial statements. There was no impact on operating loss as a result of the restatement.

Table 15

	Fiscal 2019 ^(R)				
	In United States Dollars				
	Quarter 1 \$ '000	Quarter 2 \$ '000	Quarter 3 \$ '000	Quarter 4 \$ '000	F2019 \$ '000
Revenues					
Processing	45,658	26,807	21,959	23,664	118,088
IPG	2,404	2,300	1,892	1,561	8,157
All Other	43,254	24,507	20,067	22,103	109,931
Financial services	25,442	11,779	10,550	9,263	57,034
Technology and Other	4,748	4,796	5,277	5,294	20,115
Subtotal: Operating segments	75,848	43,382	37,786	38,221	195,237
Corporate/Eliminations	(5,883)	(3,288)	(2,571)	(22,860)	(34,602)
Total	69,965	40,094	35,215	15,361	160,635
Operating (loss) income					
Processing	(7,091)	(23,481)	(15,431)	(5,572)	(51,575)
IPG	(2,238)	(9,425)	(1,877)	(2,561)	(16,101)
All Other	(4,853)	(14,056)	(13,554)	(3,011)	(35,474)
Financial services	4,038	(25,144)	(4,477)	(4,485)	(30,068)
Technology and Other	210	335	164	(6,003)	(5,294)
Subtotal: Operating segments	(2,843)	(48,290)	(19,744)	(16,060)	(86,937)
Corporate/Eliminations	(4,492)	(3,175)	(4,032)	(36,296)	(47,995)
Total	(7,335)	(51,465)	(23,776)	(52,356)	(134,932)
Income and expense items: \$1 = ZAR	14.8587	14.3236	14.1703	14.2884	14.2695

(R) Revenues-Processing-All others has been restated for the error described in Note 1 to the audited consolidated financial statements. There was no impact on operating loss as a result of the restatement.

Liquidity and Capital Resources

At June 30, 2021, our cash and cash equivalents were \$198.6 million and comprised of U.S. dollar-denominated balances of \$169.8 million, ZAR-denominated balances of ZAR 0.4 billion (\$26.5 million), and other currency deposits, primarily Botswana pula, of \$2.3 million, all amounts translated at exchange rates applicable as of June 30, 2021. The decrease in our unrestricted cash balances from June 30, 2020, was primarily due to the payment of Federal income taxes, weak trading activities and an increase in our lending book, which was partially offset by the receipt of the outstanding proceeds related to the sale of our South Korean business, receipt of proceeds related to the disposal of Bank Frick and the receipt of the outstanding loan related to the disposal of our remaining interest in DNI.

We generally invest any surplus cash held by our South African operations in overnight call accounts that we maintain at South African banking institutions, and any surplus cash held by our non-South African companies in U.S. dollar-denominated money market accounts.

Historically, we have financed most of our operations, research and development, working capital, and capital expenditures, as well as acquisitions and strategic investments, through internally generated cash and our financing facilities. When considering whether to borrow under our financing facilities, we consider the cost of capital, cost of financing, opportunity cost of utilizing surplus cash and availability of tax efficient structures to moderate financing costs.

Available short-term borrowings

Summarized below are our short-term facilities available and utilized as of June 30, 2021:

Table 16

	RMB		Nedbank	
	\$ '000	ZAR '000	\$ '000	ZAR '000
Total short-term facilities available, comprising:				
Overdraft restricted as to use ⁽¹⁾	83,910	1,200,000	17,481	250,000
Total overdraft	83,910	1,200,000	17,481	250,000
Indirect and derivative facilities ⁽²⁾	-	-	10,947	156,556
Total short-term facilities available	83,910	1,200,000	28,428	406,556
Utilized short-term facilities:				
Overdraft restricted as to use ⁽¹⁾	14,245	203,726	-	-
Indirect and derivative facilities ⁽²⁾	-	-	10,947	156,556
RMB interest rate, based on South African prime rate	-	7.00%	-	-
Interest rate, based on South African prime rate less 1.15%	-	-	-	5.85%

(1) Overdraft may only be used to fund mobile ATMs and upon utilization is considered restricted cash.

(2) Indirect and derivative facilities may only be used for guarantees, letters of credit and forward exchange contracts to support guarantees issued by Nedbank to various third parties on our behalf.

Restricted cash

We have credit facilities with RMB and Nedbank in order to access cash to fund our ATMs in South Africa. Our cash, cash equivalents and restricted cash presented in our audited consolidated statement of cash flows as of June 30, 2021, includes restricted cash of approximately \$25.2 million related to cash withdrawn from our various debt facilities to fund ATMs. This cash may only be used to fund ATMs and is considered restricted as to use and therefore is classified as restricted cash on our audited consolidated balance sheet.

We have also entered into cession and pledge agreements with Nedbank related to certain of our Nedbank credit facilities and we have ceded and pledged certain bank accounts to Nedbank. The funds included in these bank accounts are restricted as they may not be withdrawn without the express permission of Nedbank. Our cash, cash equivalents and restricted cash presented in our audited consolidated statement of cash flows as of June 30, 2021, includes restricted cash of approximately \$10.9 million that has been ceded and pledged.

Cash flows from operating activities

Net cash used in operating activities during fiscal 2021 was \$58.4 million (ZAR 917.4 million) compared to \$46.0 million (ZAR 808.9 million) during fiscal 2020. Excluding the impact of income taxes, our cash used in operating activities during the year to date of fiscal 2021 was impacted by the cash losses incurred by the majority of our continuing operations and the payment of a \$3.6 million settlement (refer to Note 8). Our net cash used in operating activities during the year to date of fiscal 2020 includes the contribution from our South Korean operations for eight months of \$14.6 million (refer to Note 24).

Net cash used in operating activities during fiscal 2020 was \$46.0 million (ZAR 808.9 million) compared to \$4.5 million (ZAR 63.6 million) generated during fiscal 2019. The change is primarily due to weaker trading activity during fiscal 2020 compared to 2019, the payment of \$17.5 million termination fee to cancel our Bank Frick option, as well as the purchase of Cell C prepaid airtime that is subject to sale restrictions, which was partially offset by the net unwind in our lending book following the temporary COVID-19 restrictions imposed on our lending activities in the latter half of fiscal 2020.

During fiscal 2021, we made our first provisional South African tax payment of \$0.9 million (ZAR 12.7 million) related to our 2021 tax year. During fiscal 2021, we also made our second provisional South African tax payment of \$0.2 million (ZAR 2.9 million) related to our 2021 tax year and made an additional tax payment of \$0.2 million (ZAR 3.4 million) related to our 2020 tax year. We also paid taxes totaling \$15.4 million in other tax jurisdictions, primarily in the U.S.

During fiscal 2020, we made our first provisional South African tax payment of \$0.8 million (ZAR 11.9 million) related to our 2020 tax year. During fiscal 2020, we also made our second provisional South African tax payment of \$0.5 million (ZAR 8.0 million) related to our 2020 tax year and made an additional tax payment of \$0.8 million (ZAR 11.6 million) related to our 2019 tax year. We also paid taxes totaling \$4.3 million in other tax jurisdictions, primarily South Korea.

During fiscal 2019, we made our first provisional South African tax payment of \$6.5 million (ZAR 92.0 million) related to our 2019 tax year. During fiscal 2019, we also made our second provisional South African tax payment of \$0.8 million (ZAR 11.0 million) related to our 2019 tax year and made an additional tax payment of \$1.4 million (ZAR 20.9 million) related to our 2018 tax year in South Africa. We also paid taxes totaling \$4.7 million in other tax jurisdictions, primarily South Korea.

Taxes paid during fiscal 2021, 2020 and 2019 were as follows:

Table 17

	Year ended June 30,					
	2021	2020	2019	2021	2020	2019
	\$	\$	\$	ZAR	ZAR	ZAR
	'000	'000	'000	'000	'000	'000
First provisional payments	853	825	6,450	12,680	11,934	91,994
Second provisional payments	209	470	752	2,907	8,038	10,952
Taxation paid related to prior years	205	782	1,426	3,423	11,620	20,880
Tax refund received	(13)	(1,339)	(254)	(225)	(19,245)	(3,864)
Total South African taxes paid	1,254	738	8,374	18,785	12,347	119,962
Foreign taxes paid	15,354	4,263	4,736	256,616	62,302	66,519
Total tax paid	16,608	5,001	13,110	275,401	74,649	186,481

We do not expect to make any additional provisional income tax payments in South Africa related to our 2021 tax year in the first quarter of fiscal 2022.

Cash flows from investing activities

Cash used in investing activities for fiscal 2021 included capital expenditures of \$4.3 million (ZAR 67.3 million), primarily due to the acquisition of motor vehicles, which largely comprises a fleet of customized mobile ATMs used to deliver a service to rural communities, computer equipment and leasehold improvements in South Africa. In February 2021, we disposed of our investment in Bank Frick and received \$18.6 million of the \$30.0 million sales proceeds, the remainder of which will be received in fiscal 2022 and 2023. We received \$20.1 million in September 2020 related to the sale of our South Korean business in fiscal 2020 following the successful refund application of the amounts withheld and paid to the South Korean tax authorities pursuant to that transaction. We received \$6.0 due on the deferred sale proceeds related to fiscal 2020 sale of DNI, which has now been paid in full. We also extended loan funding of \$1.0 million to V2 and \$0.2 million to Revix.

During fiscal 2020, we paid approximately \$5.9 million (ZAR 104.3 million), related to capital expenditures, primarily related to the acquisition of ATMs and computer equipment in South Africa, leasehold improvements in Malta and processing equipment in South Korea to maintain operations. During fiscal 2020, we received a net \$192.6 million from the sale of our South Korean business, paid transaction costs related to this disposal of \$7.5 million, and received \$10.9 million from the sale of FIHRST. We also received \$42.5 million related to the sale of the majority of our remaining interest in DNI. We also made a further equity contribution of \$2.5 million to V2, extended loan funding of \$1.5 million to our equity-accounted investments, and received \$4.3 million from DNI related to the settlement of a ZAR 60.0 million loan outstanding as of June 30, 2019.

During fiscal 2019, we paid approximately \$9.4 million (ZAR 134.5 million), related to capital expenditures, primarily related to the acquisition of ATMs in South Africa and the expansion of our branch network. We also paid \$2.5 million for a 50% interest in V2 Limited, acquired customer bases in DNI for \$1.4 million, made a further equity contribution of \$1.1 million to MobiKwik and received \$1.0 million from Finbond related to the settlement of a ZAR 15.0 million loan outstanding.

Cash flows from financing activities

During fiscal 2021, we utilized approximately \$360.1 million from our South African overdraft facilities to fund our ATMs and repaid \$365.4 million of these facilities.

During fiscal 2020, we utilized approximately \$672.4 million from our South African overdraft facilities, primarily to fund our ATMs, and repaid \$721.0 million of these facilities. We utilized approximately \$14.8 million of our borrowings to fund the purchase of Cell C prepaid airtime that was subject to sale restrictions. We repaid the amount in full, paying \$14.5 million, with the difference of \$0.3 million reflecting the impact of changes in ZAR against the U.S. dollar. We also repaid \$26.9 million of our Bank Frick overdraft and utilized \$17.4 million of this overdraft to fund our operations.

During fiscal 2019, we utilized approximately \$822.8 million from our overdraft facilities, primarily to fund our ATMs, and repaid \$741.0 million of these facilities. We also utilized approximately \$14.6 million of DNI's revolving credit facility to lend funds to Cell C to finance the acquisition and/or requisition of telecommunication towers and other specific uses pre-approved by the lender. We also made scheduled South African debt facility payments of \$31.8 million, repaid \$4.9 million under DNI's revolving credit facility and paid non-refundable origination fees of approximately \$0.4 million related to the credit facilities. We also paid dividends of approximately \$4.1 million to certain of our non-controlling interests, principally in DNI.

Contractual Obligations

The following table sets forth our contractual obligations as of June 30, 2021:

Table 18

	Payments due by Period, as of June 30, 2021 (in \$ '000s)				
	Total	Less than 1 year	2-3 years	3-5 years	Thereafter
Short-term credit facilities for ATM funding ^(A)	14,245	14,245	-	-	-
Operating lease liabilities, including imputed interest ^(B)	5,187	3,117	1,870	200	-
Purchase obligations	2,463	2,463	-	-	-
Capital commitments	315	315	-	-	-
Other long-term obligations reflected on our balance sheet ^{(C)(D)}	2,576	-	-	-	2,576
Total	24,786	20,140	1,870	200	2,576

(A) – Refer to Note 11 to our audited consolidated financial statements.

(B) – Refer to Note 7 to our audited consolidated financial statements.

(C) – Includes policyholder liabilities of \$2.6 million related to our insurance business. All amounts are translated at exchange rates applicable as of June 30, 2021.

(D) – We have excluded cross-guarantees in the aggregate amount of \$10.9 million issued as of June 30, 2021, to Nedbank to secure guarantees it has issued to third parties on our behalf as the amounts that will be settled in cash are not known and the timing of any payments is uncertain.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Capital Expenditures

Capital expenditures for the years ended June 30, 2021, 2020 and 2019 were as follows:

Table 19

	Year ended June 30,					
	2021 \$ '000	2020 \$ '000	2019 \$ '000	2021 ZAR '000	2020 ZAR '000	2019 ZAR '000
Processing	1,173	4,297	4,419	18,435	75,492	63,054
Financial services	174	138	1,142	2,735	2,424	16,295
Technology	2,938	-	181	46,174	-	2,583
Total	4,285	4,435	5,742	67,344	77,916	81,932

Our capital expenditures for fiscal 2021, 2020 and 2019, are discussed under “—Liquidity and Capital Resources—Cash flows from investing activities.”

All of our capital expenditures for the past three fiscal years were funded through internally-generated funds. We had outstanding capital commitments as of June 30, 2021, of \$0.3 million. We expect to fund these expenditures through internally-generated funds. In addition to these capital expenditures, we expect that capital spending for fiscal 2022 will also primarily relate to expanding our operations in South Africa.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We seek to manage our exposure to currency exchange, translation, interest rate, customer concentration, credit, and equity price and liquidity risks as discussed below.

Currency Exchange Risk

We are subject to currency exchange risk because we purchase inventories that we are required to settle in other currencies, primarily the euro and U.S. dollar. We have used forward contracts to limit our exposure in these transactions to fluctuations in exchange rates between the ZAR, on the one hand, and the U.S. dollar and the euro, on the other hand.

The Company's outstanding foreign exchange contracts as of June 30, 2021 were as follows:

Table 20

Notional amount ('000)		Strike price		Fair market		Maturity
EUR	6	USD	1.1911	USD	1.1859	July 2, 2021

The Company had no outstanding foreign exchange contracts as of June 30, 2020.

Translation Risk

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

Interest Rate Risk

As a result of our normal lending activities, our operating results are exposed to fluctuations in interest rates, which we manage primarily through our regular financing activities. We generally maintain limited investments in cash equivalents and have occasionally invested in marketable securities.

We have short-term borrowings which attract interest at rates that fluctuate based on changes in the South African prime interest rate. The following table illustrates the effect on our annual expected interest charge, translated at exchange rates applicable as of June 30, 2021, as a result of changes in the South African prime interest rate, assuming hypothetical short-term borrowings of ZAR 1.0 billion as of June 30, 2021. The effect of a hypothetical 1% (i.e. 100 basis points) increase and a 1% decrease in the South African prime interest rate as of June 30, 2021, are shown. The selected 1% hypothetical change does not reflect what could be considered the best or worst case scenarios.

Table 21

	As of June 30, 2021		
	Annual expected interest charge (\$ '000)	Hypothetical change in interest rates	Estimated annual expected interest charge after hypothetical change in interest rates (\$ '000)
Interest on South Africa overdraft (South African prime interest rate)	4,895	1%	5,594
		(1%)	4,195

Credit Risk

Credit risk relates to the risk of loss that we would incur as a result of non-performance by counterparties. We maintain credit risk policies with regard to our counterparties to minimize overall credit risk. These policies include an evaluation of a potential counterparty's financial condition, credit rating, and other credit criteria and risk mitigation tools as our management deems appropriate. With respect to credit risk on financial instruments, we maintain a policy of entering into such transactions only with South African and European financial institutions that have a credit rating of "B" (or its equivalent) or better, as determined by credit rating agencies such as Standard & Poor's, Moody's and Fitch Ratings.

Microlending Credit Risk

We are exposed to credit risk in our microlending activities, which provide unsecured short-term loans to qualifying customers. We manage this risk by performing an affordability test for each prospective customer and assigning a “creditworthiness score”, which takes into account a variety of factors such as other debts and total expenditures on normal household and lifestyle expenses.

Equity Securities Price Risk

Equity price risk relates to the risk of loss that we would incur as a result of the volatility in the exchange-traded price of equity securities that we hold and the risk that we may not be able to liquidate these securities. As of June 30, 2021, we did not have any equity securities that were exchange-traded and held as available for sale. Historically, exchange-traded equity securities held as available for sale were expected to be held for an extended period of time and we were not concerned with short-term equity price volatility with respect to these securities provided that the underlying business, economic and management characteristics of the company remain sound.

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

Equity Securities Liquidity Risk

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

We monitor these investments for impairment and make appropriate reductions in carrying value when an impairment is deemed to be other-than-temporary.

We have invested in approximately 31.5% of the issued share capital of Finbond which are exchange-traded equity securities, however, from April 1, 2016, we have accounted for them using the equity method. The fair value of these securities of \$29.9 million as of June 30, 2021, represented approximately 7.0% of our total assets, including these securities.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our audited consolidated financial statements, together with the report of our independent registered public accounting firm, appear on pages F-1 through F-82 of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

Under the supervision and with the participation of our management, including our Group Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on this evaluation, our Group Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2021.

Internal Control over Financial Reporting

Internal control over financial reporting is a process designed by, or under the supervision of, our Group Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, and effected by our board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP.

Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of our officers and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our audited consolidated financial statements.

Inherent Limitations in Internal Control over Financial Reporting

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management’s Report on Internal Control Over Financial Reporting

Management, including our Group Chief Executive Officer and our Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over our financial reporting. Management conducted an evaluation of the effectiveness of internal control over financial reporting based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that our internal control over financial reporting was effective as of June 30, 2021. Deloitte & Touche (South Africa), our independent registered public accounting firm, has issued an audit report on our internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the most recent fiscal quarter ended June 30, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Remediation and testing of material weakness

We identified a material weakness in fiscal 2019 whereby the control over the review of the accounting for non-routine complex transactions was deemed ineffective and concluded to represent a material weakness in the Company’s internal control over financial reporting. In fiscal 2020, we enhanced this control through the re-design and establishment of a specific in-house accounting technical review executed by senior members of our finance team with the necessary competency and experience, supplemented by external expertise as deemed necessary in addition to our Chief Financial Officer.

We did not have sufficient evidence that the material weakness was fully remediated as of June 30, 2021. However, the review control described above operated effectively during fiscal 2021 and therefore, management has concluded that the material weakness has been remediated as of June 30, 2021.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Net 1 UEPS Technologies, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Net 1 UEPS Technologies, Inc. and subsidiaries (the “Company”) as of June 30, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended June 30, 2021, of the Company and our report dated September 13, 2021, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche

Deloitte & Touche
Registered Auditors
Johannesburg, South Africa

September 13, 2021

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information about our executive officers is set out in Part I, Item 1 under the caption “Our Executive Officers.” The other information required by this Item is incorporated by reference to the sections of our definitive proxy statement for our 2021 annual meeting of shareholders entitled “Board of Directors and Corporate Governance” and “Additional Information.”

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the sections of our definitive proxy statement for our 2021 annual meeting of shareholders entitled “Executive Compensation,” “Board of Directors and Corporate Governance—Compensation of Directors” and “—Remuneration Committee Interlocks and Insider Participation.”

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference to the sections of our definitive proxy statement for our 2021 annual meeting of shareholders entitled “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information.”

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference to the sections of our definitive proxy statement for our 2021 annual meeting of shareholders entitled “Certain Relationships and Related Transactions” and “Board of Directors and Corporate Governance.”

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference to the sections of our definitive proxy statement for our 2021 annual meeting of shareholders entitled “Audit and Non-Audit Fees.”

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

a) The following documents are filed as part of this report

1. Financial Statements

The following financial statements are included on pages F-1 through F-82.

Report of the Independent Registered Public Accounting Firm – Deloitte & Touche (South Africa)	F-2
Consolidated balance sheets as of June 30, 2021 and 2020	F-4
Consolidated statements of operations for the years ended June 30, 2021, 2020 (as restated) and 2019 (as restated)	F-5
Consolidated statements of comprehensive (loss) income for the years ended June 30, 2021, 2020 and 2019	F-6
Consolidated statements of changes in equity for the years ended June 30, 2021, 2020 and 2019	F-7
Consolidated statements of cash flows for the years ended June 30, 2021, 2020 and 2019	F-10
Notes to the consolidated financial statements	F-11

2. Financial Statement Schedules

Financial statement schedules have been omitted since they are either not required, not applicable, or the information is otherwise included.

(b) Exhibits

Exhibit No.	Description of Exhibit	Included Herewith	Incorporated by Reference Herein		
			Form	Exhibit	Filing Date
3.1	Amended and Restated Articles of Incorporation	X	8-K	3.1	December 1, 2008
3.2	Amended and Restated By-Laws of Net 1 UEPS Technologies, Inc.		8-K	3.2	May 14, 2020
4.1	Form of common stock certificate		S-1	4.1	June 20, 2005
4.2	Description of registrant's securities				
10.1*	Form of Restricted Stock Agreement		10-K	10.13	August 23, 2012
10.2*	Form of Stock Option Agreement		10-K	10.14	August 23, 2012
10.3*	Form of Restricted Stock Agreement (non-employee directors)		10-K	10.15	August 23, 2012
10.4*	Form of Indemnification Agreement		10-K	10.32	August 25, 2016
10.5*	Form of non-employee director agreement		10-K	10.5	August 24, 2017
10.6*	Amended and Restated 2015 Stock Incentive Plan of Net 1 UEPS Technologies, Inc.		14A	A	October 2, 2015
10.7*	Contract of Employment, effective March 1, 2018, between Net1 Applied Technologies South Africa Proprietary Limited and Alexander Michael Ramsay Smith		8-K	10.80	March 1, 2018
10.8*	Restrictive Covenants Agreement, effective March 1, 2018, between Net1 Applied Technologies South Africa Proprietary Limited and Alexander Michael Ramsay Smith		8-K	10.81	March 1, 2018
10.9*	Employment Agreement, effective March 1, 2018, between Net 1 UEPS Technologies, Inc. and Alexander Michael Ramsay Smith		8-K	10.82	March 1, 2018
10.10*	Restrictive Covenants Agreement, effective March 1, 2018, between Net 1 UEPS Technologies, Inc. and Alexander Michael Ramsay Smith		8-K	10.83	March 1, 2018

10.11*	Contract of Employment, effective February 5, 2021, between Net1 Applied Technologies South Africa Proprietary Limited and Lincoln Mali	8-K	10.1	February 11, 2021
10.12*	Restrictive Covenants Agreement, effective February 5, 2021, between Net1 Applied Technologies South Africa Proprietary Limited and Lincoln Mali	8-K	10.2	February 11, 2021
10.13*	Contract of Employment, dated as of June 30, 2021, between Net1 Applied Technologies South Africa (Pty) Ltd and Christopher Guy Butt Meyer	8-K	10.1	June 30, 2021
10.14*	Restrictive Covenants Agreement, dated as of June 30, 2021, between Net1 Applied Technologies South Africa (Pty) Ltd and Christopher Guy Butt Meyer	8-K	10.2	June 30, 2021
10.15*	Employment Agreement, dated as of June 30, 2021, between Net 1 UEPS Technologies, Inc. and Christopher Guy Butt Meyer	8-K	10.3	June 30, 2021
10.16*	Restrictive Covenants Agreement, dated as of June 30, 2021, between Net 1 UEPS Technologies, Inc. and Christopher Guy Butt Meyer	8-K	10.4	June 30, 2021
10.17*	Consulting Agreement, dated August 5, 2020, by and between the Company and Ali Mazanderani	8-K	10.2	August 5, 2020
10.18*	Separation and Release of Claims Agreement, dated August 5, 2020, by and between the Company and Herman G. Kotzé	8-K	10.1	August 5, 2020
10.19	Agreement of Lease, Memorandum of an agreement entered into by and between Buzz Trading 199 (Pty) Ltd and Net 1 Applied Technologies South Africa (Pty) Ltd dated May 7, 2013	10-Q	10.25	May 9, 2013
10.20	Addendum to the Lease Agreement made and entered into by and between Buzz Trading 199 (Pty) Ltd and Net 1 Applied Technologies South Africa (Pty) Ltd dated November 18, 2016	10-Q	10-60	May 4, 2017
10.21	Proposed Agreement of Lease between Buzz Trading 199 (Pty) Ltd and Net 1 Applied Technologies South Africa Limited dated October 12, 2017	10-Q	10.79	February 8, 2018
10.22	Relationship Agreement dated December 10, 2013 between Net 1 UEPS Technologies, Inc., Net 1 Applied Technologies South Africa (Proprietary) Limited, Business Venture Investments No 1567 (Proprietary) Limited (RF) and Mosomo Investment Holdings (Proprietary) Limited.	8-K	10.25	December 10, 2013
10.23	Facility Letter between Nedbank Limited and Net1 Applied Technologies South Africa Limited and certain of its subsidiaries dated as of December 13, 2013 and First Addendum thereto dated as of December 18, 2013	8-K	10.27	December 19, 2013
10.24	Letter from Nedbank Limited to Net1 Applied Technologies South Africa Proprietary Limited and certain of its subsidiaries, dated December 7, 2016	8-K	10.50	December 9, 2016
10.25	Addendum dated January 31, 2014, to the Relationship Agreement between Net 1 UEPS Technologies, Inc., Net 1 Applied Technologies South Africa (Proprietary) Limited, Business Venture Investments No 1567 (Proprietary) Limited (RF) and Mosomo Investment Holdings (Proprietary) Limited.	10-Q	10.28	February 6, 2014

10.26	Second Addendum dated March 14, 2014, to the Relationship Agreement between Net 1 UEPS Technologies, Inc., Net 1 Applied Technologies South Africa (Proprietary) Limited, Business Venture Investments No 1567 (Proprietary) Limited (RF) and Mosomo Investment Holdings (Proprietary) Limited.	8-K	10.30	March 18, 2014
10.27	Subscription and Sale of Shares Agreement dated August 27, 2014, between Net 1 UEPS Technologies, Inc., Net 1 Applied Technologies South Africa (Proprietary) Limited, Business Venture Investments No 1567 (Proprietary) Limited (RF), Mosomo Investment Holdings (Proprietary) Limited and Cash Paymaster Services (Proprietary) Ltd	10-Q	10.29	November 6, 2014
10.28	Subscription Agreement, dated April 11, 2016, among the Company and the IFC Investors	8-K	10.31	April 12, 2016
10.29	Policy Agreement, dated April 11, 2016, among the Company and the IFC Investors	8-K	10.32	April 12, 2016
10.30	Cooperation Agreement, dated May 13, 2020, by and between Net 1 UEPS Technologies, Inc. and VCP (Proprietary) Limited.	8-K	10.1	May 14, 2020
10.31	Amendment No. 1 to Cooperation Agreement, dated December 9, 2020, by and between Net 1 UEPS Technologies, Inc. and Value Capital Partners (Pty) Ltd	8-K	10.1	December 10, 2020
10.32	Cell C Shareholders Agreement, dated as of June 19, 2017, by and between Albanta Trading 109 Proprietary Limited, the parties identified on Schedule 1.1.55 thereto, The Prepaid Company Proprietary Limited, Net1 Applied Technologies South Africa Proprietary Limited, Cedar Cellular Investment 1 (RF) Proprietary Limited, Magnolia Cellular Investment 2 (RF) Proprietary Limited, Yellowwood Cellular Investment 3 (RF) Proprietary Limited, and Cell C Proprietary Limited	8-K	10.69	June 26, 2017
10.33	Senior Facility E Agreement, dated September 26, 2018, among Net1 Applied Technologies South Africa Proprietary Limited, FirstRand Bank Limited (acting through its Rand Merchant Bank division), as lender, and FirstRand Bank Limited (acting through its Rand Merchant Bank division), as agent.	8-K	10.96	October 2, 2018
10.34	Third Amendment and Restatement Agreement, dated September 4, 2019, among Net1 Applied Technologies South Africa Proprietary Limited, Net 1 UEPS Technologies, Inc., the parties listed in Part I of Schedule 1 thereto, as the original guarantors, FirstRand Bank Limited (acting through its Rand Merchant Bank division), as an arranger, Nedbank Limited (acting through its Corporate and Investment Banking division), as an arranger, the parties listed in Part II of Schedule 1 thereto, as the original lenders, FirstRand Bank Limited (acting through its Rand Merchant Bank division), as agent and Main Street 1692 (RF) Proprietary Limited, as debt guarantor.	8-K	10.102	September 13, 2019

10.35	Senior Facility F Agreement, dated September 4, 2019, among Net1 Applied Technologies South Africa Proprietary Limited, FirstRand Bank Limited (acting through its Rand Merchant Bank division) as a lender, Nedbank Limited (acting through its Corporate and Investment Banking division), as a lender, and FirstRand Bank Limited (acting through its Rand Merchant Bank division), as agent.	8-K	10.103	September 13, 2019
10.36	Pledge and Cession in Security, dated September 4, 2019, given by Net1 Applied Technologies South Africa Proprietary Limited, as cedent, in favor of Main Street 1692 (RF) Proprietary Limited, as cessionary in respect of certain Shares.	8-K	10.104	September 13, 2019
10.37	Share Purchase Agreement, dated February 3, 2021, between Net1 Holdings LI AG, Kuno Frick Familienstiftung and, as Object of Sale, Bank Frick & Co. AG	8-K	10.1	February 9, 2021
10.38	Release and Indemnity Agreement, dated February 3, 2021, between Net 1 UEPS Technologies, Inc., Masterpayment Ltd, Masterpayment AG, Summit Payment Services AG, Ceevo Financial Services (Malta) Limited, Kuno Frick Familienstiftung and Bank Frick & Co. AG	8-K	10.2	February 9, 2021
10.39	Security Pledge and Cession, dated February 3, 2021, given by Kuno Frick Familienstiftung in favour of Net1 Holdings LI AG, with the main holder being, Bank Frick & Co. AG	8-K	10.3	February 9, 2021
14	Code of Ethics	X		
21	Subsidiaries of Registrant	X		
23	Consent of Independent Registered Public Accounting Firm	X		
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended	X		
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended	X		
32	Certification pursuant to 18 USC Section 1350	X		
101.INS	XBRL Instance Document	X		
101.SCH	XBRL Taxonomy Extension Schema	X		
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	X		
101.DEF	XBRL Taxonomy Extension Definition Linkbase	X		
101.LAB	XBRL Taxonomy Extension Label Linkbase	X		
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	X		
104	Cover Page Interactive Data File (formatted as inline XBRL and continued in Exhibit 101)	X		

* Indicates a management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NET 1 UEPS TECHNOLOGIES, INC.

By: /s/ Chris G.B. Meyer

Chris G.B. Meyer
Group Chief Executive Officer and Director

Date: September 13, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>NAME</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ Kuben Pillay</u> Kuben Pillay	Chairman of the Board and Director	September 13, 2021
<u>/s/ Chris G.B. Meyer</u> Chris G.B. Meyer	Group Chief Executive Officer and Director (Principal Executive Officer)	September 13, 2021
<u>/s/ Alex M.R. Smith</u> Alex M.R. Smith	Chief Financial Officer, Treasurer, Secretary and Director (Principal Financial and Accounting Officer)	September 13, 2021
<u>/s/ Antony C. Ball</u> Antony C. Ball	Director	September 13, 2021
<u>/s/ Nonkululeko N. Gobodo</u> Nonkululeko N. Gobodo	Director	September 13, 2021
<u>/s/ Ian O. Greenstreet</u> Ian O. Greenstreet	Director	September 13, 2021
<u>/s/ Javed Hamid</u> Javed Hamid	Director	September 13, 2021
<u>/s/ Lincoln C. Mali</u> Lincoln C. Mali	Director	September 13, 2021
<u>/s/ Ali Mazanderani</u> Ali Mazanderani	Director	September 13, 2021
<u>/s/ Monde Nkosi</u> Monde Nkosi	Director	September 13, 2021
<u>/s/ Ekta Singh-Bushell</u> Ekta Singh-Bushell	Director	September 13, 2021

NET 1 UEPS TECHNOLOGIES, INC.
LIST OF CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Net 1 UEPS Technologies, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Net 1 UEPS Technologies, Inc. and subsidiaries (the "Company") as of June 30, 2021 and 2020, the related consolidated statements of operations, comprehensive (loss) income, changes in equity, and cash flows, for each of the three years in the period ended June 30, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 13, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Other long-term assets – Investment in MobiKwik – Refer to note 8 of the consolidated financial statements

Critical Audit Matter Description

The investment in MobiKwik is measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

The investment in MobiKwik was remeasured during the current financial year due to three separate transactions that occurred during the fiscal year which were each individually considered to represent an observable price change in an orderly transaction for similar or identical equity securities issued by MobiKwik. The change in fair value of equity securities resulted in an increase of approximately \$49 million during the fiscal year across the three transactions. There is subjectivity in determining whether each transaction constitutes an observable price or not.

We identified the Company's valuation of the investment in MobiKwik as a critical audit matter because of the judgments made by management to evaluate whether each transaction represents an observable price change in an orderly transaction for the identical investment in MobiKwik. A high degree of auditor judgment and an increased extent of audit effort was required when performing audit procedures to evaluate the appropriateness of management's conclusions.

How the Critical Audit Matter Was Addressed in the Audit

Our principal audit procedures related to the evaluation of whether each transaction constitutes an observable price change or not that resulted in a change in fair value of the investment in MobiKwik and included the following, among others:

- We evaluated management's application of the accounting criteria relating to whether the observable price changes result from an orderly transaction between market participants in which the fair value of the consideration received is readily determinable or observable and included public searches for corroborating or contradictory information.
- We obtained and read the contractual agreements between MobiKwik and the respective buyers and other relevant documents for each transaction.
- We evaluated management's conclusion that none of the transactions occurred in circumstances that may indicate that a transaction is not orderly or with related parties.
- We tested the effectiveness of controls over the review of the accounting for non-routine complex transactions.

/s/ Deloitte & Touche

Deloitte & Touche
Registered Auditors
Johannesburg, South Africa

September 13, 2021

We have served as the Company's auditor since 2004.

NET 1 UEPS TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS
as of June 30, 2021 and 2020

	June 30, 2021	June 30, 2020
	(In thousands, except share data)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 198,572	\$ 217,671
Restricted cash related to ATM funding (Note 11)	25,193	14,814
Accounts receivable, net and other receivables (Note 3)	26,583	43,068
Finance loans receivable, net (Note 3)	21,142	15,879
Inventory (Note 4)	22,361	19,866
Total current assets before settlement assets	293,851	311,292
Settlement assets	466	8,014
Total current assets	294,317	319,306
PROPERTY, PLANT AND EQUIPMENT, NET (Note 6)	7,492	6,656
OPERATING LEASE RIGHT-OF-USE (Note 7)	4,519	5,395
EQUITY-ACCOUNTED INVESTMENTS (Note 8)	10,004	65,836
GOODWILL (Note 9)	29,153	24,169
INTANGIBLE ASSETS, NET (Note 9)	357	612
DEFERRED INCOME TAXES	622	358
OTHER LONG-TERM ASSETS, including reinsurance assets (Note 8 and 10)	81,866	31,346
TOTAL ASSETS	428,330	453,678
LIABILITIES		
CURRENT LIABILITIES		
Short-term credit facilities for ATM funding (Note 11)	14,245	14,814
Short-term credit facilities (Note 11)	-	-
Accounts payable	7,113	6,287
Other payables (Note 12)	27,588	23,779
Operating lease liability - current (Note 7)	2,822	2,251
Income taxes payable	256	16,157
Total current liabilities before settlement obligations	52,024	63,288
Settlement obligations	466	8,015
Total current liabilities	52,490	71,303
DEFERRED INCOME TAXES	10,415	1,859
OPERATING LEASE LIABILITY - LONG TERM (Note 7)	1,890	3,312
OTHER LONG-TERM LIABILITIES, including insurance policy liabilities (Note 10)	2,576	2,012
TOTAL LIABILITIES	67,371	78,486
REDEEMABLE COMMON STOCK (Note 13)	84,979	84,979
EQUITY		
COMMON STOCK (Note 13)		
Authorized: 200,000,000 with \$0.001 par value;		
Issued and outstanding shares, net of treasury - 2021: 56,716,620; 2020: 57,118,925	80	80
PREFERRED STOCK		
Authorized shares: 50,000,000 with \$0.001 par value;		
Issued and outstanding shares, net of treasury: 2021: - ; 2020: -	-	-
ADDITIONAL PAID-IN-CAPITAL	301,959	301,489
TREASURY SHARES, AT COST: 2021: 24,891,292; 2020: 24,891,292	(286,951)	(286,951)
ACCUMULATED OTHER COMPREHENSIVE LOSS (Note 14)	(145,721)	(169,075)
RETAINED EARNINGS	406,613	444,670
TOTAL NET1 EQUITY	275,980	290,213
NON-CONTROLLING INTEREST	-	-
TOTAL EQUITY	275,980	290,213
TOTAL LIABILITIES, REDEEMABLE COMMON STOCK AND SHAREHOLDERS' EQUITY	\$ 428,330	\$ 453,678

See accompanying notes to consolidated financial statements.

NET 1 UEPS TECHNOLOGIES, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
for the years ended June 30, 2021, 2020 and 2019

	2021	2020 (as restated) ^(A)	2019 (as restated) ^(A)
	(In thousands, except per share data)		
REVENUE (Note 15)	\$ 130,786	\$ 144,299	\$ 160,635
Services rendered	95,398	110,627	137,339
Loan-based fees received	20,511	19,955	27,525
Sale of goods	14,877	13,717	15,480
Variation of price related to SASSA Revenue	-	-	(19,709)
EXPENSE			
Cost of goods sold, IT processing, servicing and support	96,248	102,308	124,104
Selling, general and administration	84,063	75,256	144,920
Depreciation and amortization	4,347	4,647	12,103
Impairment loss (Note 9)	-	6,336	14,440
OPERATING LOSS	(53,872)	(44,248)	(134,932)
CHANGE IN FAIR VALUE OF EQUITY SECURITIES (Note 5 and 8)	49,304	-	(167,459)
LOSS ON DISPOSAL OF BANK FRICK (Note 8)	472	-	-
LOSS ON DISPOSAL OF EQUITY-ACCOUNTED INVESTMENT (Note 8)	13	-	-
GAIN ON DISPOSAL OF FIHRST (Note 23)	-	9,743	-
(LOSS) GAIN ON DISPOSAL OF DNI (Note 8)	-	(1,010)	177
LOSS ON DECONSOLIDATION OF CPS (Note 23)	-	7,148	-
TERMINATION FEE PAID TO CANCEL BANK FRICK OPTION (Note 8)	-	17,517	-
INTEREST INCOME	2,416	2,805	5,424
INTEREST EXPENSE	2,982	7,641	9,860
IMPAIRMENT OF CEDAR CELLULAR NOTE (Note 8)	-	-	12,793
LOSS BEFORE INCOME TAX EXPENSE (BENEFIT)	(5,619)	(65,016)	(319,443)
INCOME TAX EXPENSE (BENEFIT) (Note 17)	7,560	2,656	(5,072)
LOSS BEFORE (LOSS) INCOME FROM EQUITY-ACCOUNTED INVESTMENTS	(13,179)	(67,672)	(314,371)
(LOSS) INCOME FROM EQUITY-ACCOUNTED INVESTMENTS (Note 8)	(24,878)	(29,542)	1,258
NET LOSS FROM CONTINUING OPERATIONS	(38,057)	(97,214)	(313,113)
NET INCOME FROM DISCONTINUED OPERATIONS (Note 23)	-	6,402	13,630
GAIN (LOSS) ON DISPOSAL OF DISCONTINUED OPERATION, net of tax (Note 23)	-	12,454	(9,175)
NET LOSS	(38,057)	(78,358)	(308,658)
LESS (ADD): NET INCOME (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTEREST	-	-	2,349
Continuing	-	-	(1,352)
Discontinued	-	-	3,701
NET (LOSS) INCOME ATTRIBUTABLE TO NET1	(38,057)	(78,358)	(311,007)
Continuing	(38,057)	(97,214)	(311,761)
Discontinued	-	18,856	754
Net (loss) earnings per share, in United States dollars (Note 18):			
Basic (loss) earnings attributable to Net1 shareholders	\$ (0.67)	\$ (1.37)	\$ (5.48)
Continuing	\$ (0.67)	\$ (1.70)	\$ (5.49)
Discontinued	\$ -	\$ 0.33	\$ 0.01
Diluted (loss) earnings attributable to Net1 shareholders	\$ (0.67)	\$ (1.37)	\$ (5.48)
Continuing	\$ (0.67)	\$ (1.70)	\$ (5.49)
Discontinued	\$ -	\$ 0.33	\$ 0.01

(A) - Certain amounts have been restated to correct the misstatement discussed in Note 1.
See Notes to audited Consolidated Financial Statements

NET 1 UEPS TECHNOLOGIES, INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS) INCOME
for the years ended June 30, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
		(In thousands)	
Net loss	\$ (38,057)	\$ (78,358)	\$ (308,658)
Other comprehensive income (loss), net of taxes:			
Movement in foreign currency translation reserve	27,178	(35,070)	(26,148)
Movement in foreign currency translation reserve related to equity-accounted investments (Note 14)	(1,967)	2,227	4,251
Release of foreign currency translation reserve related to disposal of Bank Frick (Note 8 and Note 14)	(2,462)	-	-
Release of foreign currency translation reserve related to liquidation of subsidiaries (Note 14)	605	-	-
Release of foreign currency translation reserve related to deconsolidation of CPS (Note 23 and Note 14)	-	32,451	-
Release of foreign currency translation reserve related to disposal of Net1 Korea (Note 23 and Note 14)	-	14,228	-
Release of foreign currency translation reserve related to disposal of DNI (Note 23, Note 8 and Note 14)	-	11,323	5,679
Release of foreign currency translation reserve related to disposal of FIHRST (Note 23 and Note 14)	-	1,578	-
Total other comprehensive income (loss), net of taxes	<u>23,354</u>	<u>26,737</u>	<u>(16,218)</u>
Comprehensive loss	(14,703)	(51,621)	(324,876)
Add comprehensive income attributable to non-controlling interest	-	-	2,407
Comprehensive loss attributable to Net1	<u>\$ (14,703)</u>	<u>\$ (51,621)</u>	<u>\$ (322,469)</u>

See accompanying notes to consolidated financial statements

NET 1 UEPS TECHNOLOGIES, INC.
Consolidated Statement of Changes in Equity for the year ended June 30, 2019 (dollar amounts in thousands)

Net 1 UEPS Technologies, Inc. Shareholders

	Number of Shares	Amount	Number of Treasury Shares	Treasury Shares	Number of shares, net of treasury	Additional Paid-In Capital	Retained Earnings	Accumulated other comprehensive loss	Total Net1 Equity	Non- controlling Interest	Total	Redeemable common stock
Balance – July 1, 2018	81,577,217	\$ 80	(24,891,292)	\$ (286,951)	56,685,925	\$ 276,201	\$ 834,035	\$ (184,350)	\$ 639,015	\$ 95,911	\$ 734,926	\$ 107,672
Restricted stock granted	148,000				148,000				-		-	
Stock-based compensation charge (Note 16)						2,319			2,319		2,319	
Reversal of stock-based compensation charge (Note 16)	(265,500)				(265,500)	(1,926)			(1,926)		(1,926)	
Stock-based compensation charge related to equity-accounted investment						117			117		117	
Acquisition of non-controlling interest						286			286	466	752	
Dividends paid to non-controlling interest									-	(4,104)	(4,104)	
Deconsolidation of DNI (Note 23)									-	(89,866)	(89,866)	
Net (loss) income							(311,007)		(311,007)	2,349	(308,658)	
Other comprehensive loss (Note 14)								(11,462)	(11,462)	(4,756)	(16,218)	
Balance – June 30, 2019	<u>81,459,717</u>	<u>\$ 80</u>	<u>(24,891,292)</u>	<u>\$ (286,951)</u>	<u>56,568,425</u>	<u>\$ 276,997</u>	<u>\$ 523,028</u>	<u>\$ (195,812)</u>	<u>\$ 317,342</u>	<u>\$ -</u>	<u>\$ 317,342</u>	<u>\$ 107,672</u>

NET 1 UEPS TECHNOLOGIES, INC.
Consolidated Statement of Changes in Equity for the year ended June 30, 2020 (dollar amounts in thousands)

Net 1 UEPS Technologies, Inc. Shareholders												
	Number of Shares	Amount	Number of Treasury Shares	Treasury Shares	Number of shares, net of treasury	Additional Paid-In Capital	Retained Earnings	Accumulated other comprehensive loss	Total Net1 Equity	Non- controlling Interest	Total	Redeemable common stock
Balance – July 1, 2019	81,459,717	\$ 80	(24,891,292)	\$ (286,951)	56,568,425	\$ 276,997	\$ 523,028	\$ (195,812)	\$ 317,342	\$ -	\$ 317,342	\$ 107,672
Restricted stock granted	568,000				568,000				-		-	
Stock-based compensation charge (Note 16)						1,873			1,873		1,873	
Reversal of stock-based compensation charge (Note 16)	(17,500)				(17,500)	(145)			(145)		(145)	
Stock-based compensation charge related to equity-accounted investment (Note 8)						71			71		71	
Transfer from redeemable common stock to additional paid-in-capital (Note 13)						22,693			22,693		22,693	(22,693)
Net loss							(78,358)		(78,358)	-	(78,358)	
Other comprehensive income (Note 14)								26,737	26,737	-	26,737	
Balance – June 30, 2020	<u>82,010,217</u>	<u>\$ 80</u>	<u>(24,891,292)</u>	<u>\$ (286,951)</u>	<u>57,118,925</u>	<u>\$ 301,489</u>	<u>\$ 444,670</u>	<u>\$ (169,075)</u>	<u>\$ 290,213</u>	<u>\$ -</u>	<u>\$ 290,213</u>	<u>\$ 84,979</u>

NET 1 UEPS TECHNOLOGIES, INC.
Consolidated Statement of Changes in Equity for the year ended June 30, 2021 (dollar amounts in thousands)

Net 1 UEPS Technologies, Inc. Shareholders

	Number of Shares	Amount	Number of Treasury Shares	Treasury Shares	Number of shares, net of treasury	Additional Paid-In Capital	Retained Earnings	Accumulated other comprehensive loss	Total Net1 Equity	Non- controlling Interest	Total	Redeemable common stock
For the years ended June 30, 2021 (dollar amounts in thousands)												
Balance – July 1, 2020	82,010,217	\$ 80	(24,891,292)	\$ (286,951)	57,118,925	\$ 301,489	\$ 444,670	\$ (169,075)	\$ 290,213	\$ -	\$ 290,213	\$ 84,979
Restricted stock granted	254,560				254,560	-			-		-	
Exercise of stock options	17,335				17,335	53			53		53	
Stock-based compensation charge (Note 16)						1,430			1,430		1,430	
Reversal of stock-based compensation charge (Note 16)	(674,200)				(674,200)	(1,086)			(1,086)		(1,086)	
Stock-based compensation charge related to equity-accounted investment (Note 8)						(25)			(25)		(25)	
Proceeds from disgorgement of shareholders' short-swing profits (Note 22)						98			98		98	-
Net loss							(38,057)		(38,057)	-	(38,057)	
Other comprehensive income (Note 14)								23,354	23,354	-	23,354	
Balance – June 30, 2021	<u>81,607,912</u>	<u>\$ 80</u>	<u>(24,891,292)</u>	<u>\$ (286,951)</u>	<u>56,716,620</u>	<u>\$ 301,959</u>	<u>\$ 406,613</u>	<u>\$ (145,721)</u>	<u>\$ 275,980</u>	<u>\$ -</u>	<u>\$ 275,980</u>	<u>\$ 84,979</u>

See accompanying notes to consolidated financial statements.

NET 1 UEPS TECHNOLOGIES, INC.
CONSOLIDATED STATEMENT OF CASHFLOWS
for the years ended June 30, 2021, 2020 and 2019

	2021	2020	2019
		(In thousands)	
Cash flows from operating activities			
Net loss	\$ (38,057)	\$ (78,358)	\$ (308,658)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	4,347	13,299	37,349
Impairment loss (Note 23 and Note 9)	-	6,336	19,745
Movement in allowance for doubtful accounts receivable	110	743	32,786
Fair value adjustment related to financial liabilities	840	(340)	73
Loss (Profit) on disposal of property, plant and equipment	480	(127)	(486)
Stock-based compensation charge (Note 16)	344	1,728	393
Inventory net realizable value adjustment (Note 4)	-	1,298	-
Change in fair value of equity securities (Note 5 and 8)	(49,304)	-	167,459
Loss on disposal of Bank Frick (Note 23)	472	-	-
Loss on disposal of equity-accounted investment (Note 23)	13	-	-
(Gain) Loss on disposal of discontinued operation (Note 23)	-	(12,454)	9,175
Gain on disposal of FHRST (Note 23)	-	(9,743)	-
Loss on deconsolidation of CPS (Note 23)	-	7,148	-
Loss (Gain) on disposal of DNI (Note 23)	-	1,010	(177)
Interest payable	(1)	1,758	237
Facility fee amortized	-	-	321
Interest on Cedar Cellular note (Note 8)	-	-	(2,397)
Impairment of Cedar Cellular note (Note 8)	-	-	12,793
Loss (Earnings) from equity-accounted investments (Note 8)	24,878	29,542	(1,273)
Movement in allowance for doubtful loans to equity-accounted investments	4,739	1,035	-
Dividends received from equity-accounted investments	194	3,549	1,318
Implementation costs to be refunded to SASSA (Note 12)	-	-	34,039
Decrease in accounts receivable, pre-funded social welfare grants receivable and finance loans receivable	3,751	8,818	11,663
Decrease (Increase) in inventory	1,279	(19,328)	4,042
Decrease in accounts payable and other payables	(335)	(139)	(14,538)
(Decrease) Increase in taxes payable	(17,210)	(1,427)	3,428
Increase (Decrease) in deferred taxes	5,089	(393)	(11,752)
Net cash used in operating activities	(58,371)	(46,045)	(4,460)
Cash flows from investing activities			
Capital expenditures	(4,285)	(5,938)	(9,416)
Proceeds from disposal of property, plant and equipment	571	578	1,045
Proceeds from disposal of Net1 Korea, net of cash disposed (Note 23)	20,114	192,619	-
Transaction costs paid related to disposal of Net1 Korea (Note 23)	-	(7,458)	-
Proceeds from disposal of equity-accounted investment - Bank Frick (Note 8)	18,568	-	-
Proceeds from disposal of DNI as equity-accounted investment (Note 8 and Note 19)	6,010	42,477	-
Transaction costs paid related to disposal of DNI as equity-accounted investment (Note 8)	-	(1,010)	-
Loans to equity-accounted investment (Note 8)	(1,238)	(1,230)	-
Repayment of loans by equity-accounted investments	134	4,268	1,029
Proceeds from disposal of subsidiaries, net of cash disposed (Note 23 and Note 19)	-	10,895	(2,114)
Deconsolidation of CPS - cash disposed (Note 23)	-	(328)	-
Investment in equity-accounted investments (Note 8)	-	(2,500)	(2,989)
Acquisition of intangible assets	-	-	(1,384)
Investment in MobiKwik	-	-	(1,056)
Return on investment	-	-	284
Net change in settlement assets	7,901	(9,256)	79,077
Net cash provided by investing activities	47,775	223,117	64,476
Cash flows from financing activities			
Proceeds from bank overdraft (Note 11)	360,083	689,763	822,754
Repayment of bank overdraft (Note 11)	(365,440)	(747,935)	(740,969)
Proceeds from disgorgement of shareholders' short-swing profits (Note 22)	124	-	-
Proceeds from exercise of stock options	53	-	-
Long-term borrowings utilized (Note 11)	-	14,798	14,613
Repayment of long-term borrowings (Note 11)	-	(14,503)	(37,357)
Guarantee fee	-	(148)	(394)
Finance lease capital repayments	-	(69)	-
Acquisition of non-controlling interests	-	-	(180)
Dividends paid to non-controlling interest	-	-	(4,104)
Net change in settlement obligations	(7,901)	9,256	(79,077)
Net cash used in financing activities	(13,081)	(48,838)	(24,714)
Effect of exchange rate changes on cash	14,957	(17,260)	(3,845)
Net (decrease) increase in cash, cash equivalents and restricted cash	(8,720)	110,974	31,457
Cash, cash equivalents and restricted cash – beginning of period	232,485	121,511	90,054
Cash, cash equivalents and restricted cash – end of period (Note 19)	\$ 223,765	\$ 232,485	\$ 121,511

See accompanying notes to consolidated financial statements

NET 1 UEPS TECHNOLOGIES, INC.**Notes to the consolidated financial statements****for the years ended June 30, 2021 and 2020 and 2019****(All amounts stated in thousands of United States Dollars, unless otherwise stated)****1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION****Description of Business**

Net 1 UEPS Technologies, Inc. (“Net1” and collectively with its consolidated subsidiaries, the “Company”) was incorporated in the State of Florida on May 8, 1997. The Company is a provider of financial technology, or fintech, products and services to the unbanked and underbanked primarily in South Africa and neighboring countries. Its universal electronic payment system (“UEPS”) uses biometrically secure smart cards that operate in real-time but offline, which allows users to enter into transactions at any time with other card holders in even the most remote areas. The Company also develops and provides secure transaction technology solutions and services, and offers transaction processing and financial solutions. The Company’s technology is widely used in South Africa today, where it provides financial services (banking, lending and insurance products), processes debit and credit card payment transactions on behalf of retailers through its EasyPay system and processes value-added services such as bill payments and prepaid electricity for the major bill issuers and local councils in South Africa.

Basis of presentation

The accompanying consolidated financial statements include subsidiaries over which Net1 exercises control and have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Impact of COVID-19 on the Company’s business

The Company’s business has been, and continues to be, impacted by government restrictions and quarantines related to COVID-19. South Africa operates with a five-level COVID-19 alert system, with Level 1 being the least restrictive and Level 5 being the most restrictive. South Africa is currently at adjusted Level 3, which has a limited impact on the Company’s businesses. The South Africa government commenced its vaccination program in early calendar 2021, with a stated goal of vaccinating 67% of the South African population by the end of the calendar year.

The broader implications of COVID-19 on the Company’s results of operations and overall financial performance continue to remain uncertain. While the Company has not incurred significant disruptions thus far from the COVID-19 outbreak, apart from the two months in April and May 2020 when loan origination was curtailed, the Company is unable to accurately predict the impact that COVID-19 will have due to numerous uncertainties, including the severity and duration of the outbreak, actions that may be taken by governmental authorities, the impact on the Company’s customers and other factors. The Company will continue to evaluate the nature and extent of the impact on its business, consolidated results of operations, and financial condition.

Restatement of financial statements*Related to overstatement of revenue and cost of goods sold, IT processing, servicing and support*

In November 2020, the Company identified an error with respect to the recognition of certain revenue and related cost of goods sold, IT processing, servicing and support during its assessment and systems development of new products. The Company incorrectly duplicated the recognition of acquiring fees in revenue and recorded an equal and opposite entry in cost of goods sold, IT processing, servicing and support in its consolidated statement of operations due to the misinterpretation of certain system reports. The error did not impact on the Company’s operating loss, net loss, balance sheet or cash flows. The Company determined that the error impacted reported results for the period from July 1, 2018 to September 30, 2020. The error impacts the Company’s reported results and the Company has restated its consolidated statement of operations and certain note presentation, primarily Note 15 (Revenue) and Note 20 (Operating segments) for the years ended June 30, 2020 and 2019, to correct for the error.

NET 1 UEPS TECHNOLOGIES, INC.
Notes to the consolidated financial statements
for the years ended June 30, 2021 and 2020 and 2019
(All amounts stated in thousands of United States Dollars, unless otherwise stated)
1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION (continued)
Restatement of financial statements (continued)
Related to overstatement of revenue and cost of goods sold, IT processing, servicing and support (continued)

The tables below present the impact of the restatement on the Company's consolidated statement of operations for the years ended June 30, 2020 and 2019:

Consolidated statement of operations			
Year ended June 30, 2020			
	As reported	Correction (in thousands)	As restated
Revenue	\$ 150,997	\$ (6,698)	\$ 144,299
Cost of goods sold, IT processing, servicing and support	\$ 109,006	\$ (6,698)	\$ 102,308
Year ended June 30, 2019			
	As reported	Correction (in thousands)	As restated
Revenue	\$ 166,227	\$ (5,592)	\$ 160,635
Cost of goods sold, IT processing, servicing and support	\$ 129,696	\$ (5,592)	\$ 124,104

Related to overstatement of revenue and cost of goods sold, IT processing, servicing and support (continued)

The table below presents the impact of the restatement on the affected lines in the Processing and Total columns included in the revenue note (Note 15) for the years ended June 30, 2020 and 2019:

	Years ended			
	June 30, 2020		June 30, 2019	
	Processing	Total	Processing	Total
Processing fees - as restated	\$ 55,992	\$ 60,895	\$ 82,995	\$ 83,090
As reported	62,690	67,593	88,587	88,682
Correction	(6,698)	(6,698)	(5,592)	(5,592)
South Africa - as restated	50,951	55,854	73,153	73,248
As reported	57,649	62,552	78,745	78,840
Correction	(6,698)	(6,698)	(5,592)	(5,592)
Rest of world	\$ 5,041	\$ 5,041	\$ 9,842	\$ 9,842
Total revenue, derived from the following geographic locations - as restated	\$ 83,628	\$ 144,299	\$ 107,422	\$ 160,635
As reported	90,326	150,997	113,014	166,227
Correction	(6,698)	(6,698)	(5,592)	(5,592)
South Africa - as restated	78,587	139,258	97,580	150,793
As reported	85,285	145,956	103,172	156,385
Correction	(6,698)	(6,698)	(5,592)	(5,592)
Rest of world	\$ 5,041	\$ 5,041	\$ 9,842	\$ 9,842

NET 1 UEPS TECHNOLOGIES, INC.

Notes to the consolidated financial statements

for the years ended June 30, 2021 and 2020 and 2019

(All amounts stated in thousands of United States Dollars, unless otherwise stated)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION (continued)

Restatement of financial statements (continued)

Related to overstatement of revenue and cost of goods sold, IT processing, servicing and support (continued)

The table below presents the impact of the restatement on the Processing operating segment revenue included in the operating segment note (Note 20) for the years ended June 30, 2020 and 2019:

	Revenue (as restated)			
	Reportable Segment	Corporate/ Eliminations	Inter- segment	From external customers
Processing - as restated	\$ 91,786	\$ -	\$ 8,158	\$ 83,628
As reported	98,484	-	8,158	90,326
Correction	(6,698)	-	-	(6,698)
Total for the year ended June 30, 2020 - as restated	156,727	-	12,428	144,299
As reported	163,425	-	12,428	150,997
Correction	(6,698)	-	-	(6,698)
Processing - as restated	\$ 118,088	\$ -	\$ 10,666	\$ 107,422
As reported	123,680	-	10,666	113,014
Correction	(5,592)	-	-	(5,592)
Total for the year ended June 30, 2019 - as restated	195,237	(19,709)	14,893	160,635
As reported	200,829	(19,709)	14,893	166,227
Correction	(5,592)	-	-	(5,592)

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The financial statements of entities which are controlled by Net1, referred to as subsidiaries, are consolidated. Inter-company accounts and transactions are eliminated upon consolidation.

The Company, if it is the primary beneficiary, consolidates entities which are considered to be variable interest entities ("VIE"). The primary beneficiary is considered to be the entity that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both. No entities were required to be consolidated as a result of these requirements during the years ended June 30, 2021, 2020 and 2019.

Business combinations

The Company accounts for its business acquisitions under the acquisition method of accounting. The total value of the consideration paid for acquisitions is allocated to the underlying net assets acquired, based on their respective estimated fair values. The Company uses a number of valuation methods to determine the fair value of assets and liabilities acquired, including discounted cash flows, external market values, valuations on recent transactions or a combination thereof, and believes that it uses the most appropriate measure or a combination of measures to value each asset or liability. The Company recognizes measurement-period adjustments in the reporting period in which the adjustment amounts are determined.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NET 1 UEPS TECHNOLOGIES, INC.**Notes to the consolidated financial statements****for the years ended June 30, 2021 and 2020 and 2019****(All amounts stated in thousands of United States Dollars, unless otherwise stated)****2. SIGNIFICANT ACCOUNTING POLICIES (continued)****Translation of foreign currencies**

The primary functional currency of the consolidated entities is the South African Rand ("ZAR") and its reporting currency is the U.S. dollar. Assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average rates for the period. Translation gains and losses are reported in accumulated other comprehensive income in total equity. The Company releases the foreign currency translation reserve included in accumulated other comprehensive income attributable to a foreign entity upon sale or complete, or substantially complete, liquidation of the investment in that foreign entity and includes the release in the gain or loss reported related to the sale or liquidation of the foreign entity.

Foreign exchange transactions are translated at the spot rate ruling at the date of the transaction. Monetary items are translated at the closing spot rate at the balance sheet date. Transactional gains and losses are recognized in selling, general and administration expense on the Company's consolidated statement of operations for the period.

Cash, cash equivalents and restricted cash

Cash and cash equivalents include cash on hand and funds deposited in bank accounts with financial institutions that are liquid, unrestricted and readily available. Cash that is restricted as to use is classified as restricted cash and includes cash in certain bank accounts that have been ceded to Nedbank Limited ("Nedbank") as well as cash drawn under the Company's borrowings and used to fund its ATMs, refer to Note 11.

Allowance for doubtful accounts receivable*Allowance for doubtful finance loans receivable*

The Company regularly reviews the ageing of outstanding amounts due from borrowers and adjusts the allowance based on management's estimate of the recoverability of the finance loans receivable. The Company writes off microlending finance loans receivable and related service fees and interest if a borrower is in arrears with repayments for more than three months or dies. The Company writes off working capital finance receivables and related fees when it is evident that reasonable recovery procedures, including where deemed necessary, formal legal action, have failed.

Allowance for doubtful accounts receivable

A specific provision is established where it is considered likely that all or a portion of the amount due from customers renting point of sale ("POS") equipment, receiving support and maintenance or transaction services or purchasing licenses or SIM cards from the Company will not be recovered. Non-recoverability is assessed based on a review by management of the ageing of outstanding amounts, the location and the payment history of the customer in relation to those specific amounts.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis and includes transport and handling costs.

Property, plant and equipment

Property, plant and equipment are shown at cost less accumulated depreciation. Property, plant and equipment are depreciated on the straight-line basis at rates which are estimated to amortize the assets to their anticipated residual values over their useful lives. Within the following asset classifications, the expected economic lives are approximately:

Computer equipment	3 to 8 years
Office equipment	2 to 10 years
Vehicles	3 to 8 years
Furniture and fittings	3 to 10 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Company determines whether an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets ("ROU"), operating lease liability - current, and operating lease liability - long term in its consolidated balance sheets. The Company does not have any significant finance leases as of June 30, 2021 and 2020, respectively, but its policy is to include finance leases in property and equipment, other payables, and other long-term liabilities in its consolidated balance sheets.

A ROU asset represents the Company's right to use an underlying asset for the lease term and the lease liabilities represent its obligation to make lease payments arising from the lease arrangement. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company generally uses its incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU asset also includes any lease prepayments made and excludes lease incentives. The terms of the Company's lease arrangements may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company does not recognize right-of-use assets and lease liabilities for lease arrangements with a term of twelve months or less. The Company accounts for all components in a lease arrangement as a single combined lease component. Costs incurred in the adaptation of leased properties to serve the requirements of the Company (leasehold improvements) are capitalized and amortized over the shorter of the estimated useful life of the asset and the remaining term of the lease.

Equity-accounted investments

The Company uses the equity method to account for investments in companies when it has significant influence but not control over the operations of the company. Under the equity method, the Company initially records the investment at cost and thereafter adjusts the carrying value of the investment to recognize the proportional share of the equity-accounted company's net income or loss. In addition, when an investment qualifies for the equity method (as a result of an increase in the level of ownership interest or degree of influence), the cost of acquiring the additional interest in the investee is added to the current basis of the Company's previously held interest and the equity method would be applied subsequently from the date on which the Company obtains the ability to exercise significant influence over the investee.

The Company releases a pro rata portion of the foreign currency translation reserve related to an equity-accounted investment that is included in accumulated other comprehensive income to earnings upon the sale of a portion of its ownership interest in the equity-accounted investment. The release of the pro rata portion of the foreign currency translation reserve is included in the measurement of the gain or loss on sale of a portion of the Company's ownership interest in the equity-accounted investment. The Company does not recognize cumulative losses in excess of its investment or loans in an equity-accounted investment except if it has an obligation to provide additional financial support.

Dividends received from an equity-accounted investment reduce the carrying value of the Company's investment. The Company has elected to classify distributions received from equity method investees using the nature of the distribution approach. This election requires the Company to evaluate each distribution received on the basis of the source of the payment and classify the distribution as either operating cash inflows or investing cash inflows. The Company reviews its equity-accounted investments for impairment whenever events or circumstances indicate that the carrying amount of the investment may not be recoverable.

Goodwill

Goodwill represents the excess of the purchase price of an acquired enterprise over the fair values of the identifiable assets acquired and liabilities assumed. The Company tests for impairment of goodwill on an annual basis and at any other time if events or circumstances change that would more likely than not reduce the fair value of the reporting unit goodwill below its carrying amount.

Circumstances that could trigger an impairment test include but are not limited to: a significant adverse change in the business climate or legal factors; an adverse action or assessment by a regulator; unanticipated competition; loss of key personnel; the likelihood that a reporting unit or significant portion of a reporting unit will be sold or otherwise disposed; and results of testing for recoverability of a significant asset group within a reporting unit. If goodwill is allocated to a reporting unit and the carrying amount of the reporting unit exceeds the fair value of that reporting unit, an impairment loss is recorded in the statement of operations. Measurement of the fair value of a reporting unit is based on one or more of the following fair value measures: the amount at which the unit as a whole could be bought or sold in a current transaction between willing parties; present value techniques of estimated future cash flows; or valuation techniques based on multiples of earnings or revenue, or a similar performance measure.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets are shown at cost less accumulated amortization. Intangible assets are amortized over the following useful lives:

Customer relationships	1 to 15 years
Software and unpatented technology	3 to 5 years
FTS patent	10 years
Exclusive licenses	7 years
Trademarks	3 to 20 years

Intangible assets are periodically evaluated for recoverability, and those evaluations take into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists.

Debt and equity securities

Debt securities

The Company is required to classify all applicable debt securities as either trading securities, available for sale or held to maturity upon investment in the security.

Trading

Debt securities acquired by the Company which it intends to sell in the short-term are classified as trading securities and are initially measured at fair value. These debt securities are subsequently measured at fair value and realized and unrealized gains and losses from these trading securities are included in the Company's consolidated statement of operations. Classification of a debt security as a trading security is not precluded simply because the Company does not intend to sell the security in the short term. The Company had no debt securities that were classified as trading securities as of June 30, 2021 and 2020, respectively.

Available for sale

Debt securities acquired by the Company that have readily determinable fair values are classified as available for sale if the Company has not classified them as trading securities or if it does not have the ability or positive intent to hold the debt security until maturity. The Company is required to make an election to account for these debt securities as available for sale. These available for sale debt securities are initially measured at fair value. These debt securities are subsequently measured at fair value with unrealized gains and losses from available for sale investments in debt securities reported as a separate component of accumulated other comprehensive income, net of deferred income taxes, in shareholders' equity. The Company had no debt securities that were classified as available for sale securities as of June 30, 2021 and 2020, respectively.

Held to maturity

Debt securities acquired by the Company which it has the ability and the positive intent to hold to maturity are classified as held to maturity debt securities. The Company is required to make an election to classify these debt securities as held to maturity and these securities are carried at amortized cost. The amortized cost of held to maturity debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Interest received from the held to maturity security together with this amortization is included in interest income in the Company's consolidated statement of operations. The Company had a held to maturity security as of June 30, 2021 and 2020, respectively, refer to Note 8.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt and equity securities (continued)

Debt securities (continued)

Impairment of debt securities

The Company's available for sale and held to maturity debt securities with unrealized losses are reviewed quarterly to identify other-than-temporary impairments in value.

With regard to available for sale and held to maturity debt securities, the Company considers (i) the ability and intent to hold the debt security for a period of time to allow for recovery of value (ii) whether it is more likely than not that the Company will be required to sell the debt security; and (iii) whether it expects to recover the entire carrying amount of the debt security. The Company records an impairment loss in its consolidated statement of operations representing the difference between the debt securities carrying value and the current fair value as of the date of the impairment if the Company determines that it intends to sell the debt security or if that it is more likely than not that it will be required to sell the debt security before recovery of the amortized cost basis. However, the impairment loss is split between a credit loss and a non-credit loss for debt securities that the Company determines that it does not intend to sell or that it is more likely than not that it will not be required to sell the debt securities before the recovery of the amortized cost basis. The credit loss portion, which is measured as the difference between the debt security's cost basis and the present value of expected future cash flows, is recognized in the Company's consolidated statement of operations. The non-credit loss portion, which is measured as the difference between the debt security's cost basis and its current fair value, is recognized in other comprehensive income, net of applicable taxes.

Equity securities

Equity securities are measured at fair value. Changes in the fair value of equity securities are recorded in the Company's consolidated statement of operations within the caption titled "change in fair value of equity securities". The Company may elect to measure equity securities without readily determinable fair values at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer ("cost minus changes in observable prices equity securities"). Changes in the fair value of the Company's cost minus changes in observable prices equity securities during the year ended June 30, 2021, are discussed in Note 8. There were no changes in the fair value of the Company's cost minus changes in observable prices equity securities during the year ended June 30, 2020. The Company performs a qualitative assessment on a quarterly basis and recognizes an impairment loss if there are sufficient indicators that the fair value of the equity security is less than its carrying value.

Policy reserves and liabilities

Reserves for policy benefits and claims payable

The Company determines its reserves for policy benefits under its life insurance products using a model which estimates claims incurred that have not been reported and total present value of disability claims-in-payment at the balance sheet date. This model allows for best estimate assumptions based on experience (where sufficient) plus prescribed margins, as required in the markets in which these products are offered, namely South Africa.

The best estimate assumptions include (i) mortality and morbidity assumptions reflecting the company's most recent experience and (ii) claim reporting delays reflecting Company specific and industry experience. Most of the disability claims-in-payment reserve is reinsured and the reported values were based on the reserve held by the relevant reinsurer. The values of matured guaranteed endowments are increased by late payment interest (net of the asset management fee and allowance for tax on investment income).

Deposits on investment contracts

For the Company's interest-sensitive life contracts, liabilities approximate the policyholder's account value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance contracts held

The Company enters into reinsurance contracts with reinsurers under which the Company is compensated for the entire amount or a portion of losses arising on one or more of the insurance contracts it issues.

The expected benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within Accounts receivable, net and other receivables) as well as long-term receivables (classified within other long-term assets) that are dependent on the expected claims and benefits arising under the related reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured contracts and in accordance with the terms of each reinsurance contract. Reinsurance assets are assessed for impairment at each balance sheet date. If there is reliable objective evidence that amounts due may not be recoverable, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in its consolidated statement of operations. Reinsurance premiums are recognized when due for payment under each reinsurance contract.

Redeemable common stock

Common stock that is redeemable (1) at a fixed or determinable price on a fixed or determinable date, (2) at the option of the holder, or (3) upon the occurrence of an event that is not solely within the control of Company is presented outside of total Net1 equity (i.e. permanent equity). Redeemable common stock is initially recognized at issuance date fair value and the Company does not adjust the issuance date fair value if redemption is not probable. The Company re-measures the redeemable common stock to the maximum redemption amount at the balance sheet date once redemption is probable. Reduction in the carrying amount of the redeemable common stock is only appropriate to the extent that the Company has previously recorded increases in the carrying amount of the redeemable equity instrument as the redeemable common stock may be not be carried at an amount that is less than the initial amount reported outside of permanent equity.

Redeemable common stock is reclassified as permanent equity when presentation outside permanent equity is no longer required (if, for example, a redemption feature lapses, or there is a modification of the terms of the instrument). The existing carrying amount of the redeemable common stock is reclassified to permanent equity at the date of the event that caused the reclassification and prior period consolidated financial statements are not adjusted.

Revenue recognition

The Company recognizes revenue upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. The Company enters into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities.

Nature of products and services

Processing fees

The Company earns processing fees from transactions processed for its customers. The Company provides its customers with transaction processing services that involve the collection, transmittal and retrieval of all transaction data in exchange for consideration upon completion of the transaction. In certain instances, the Company also provides a funds collection and settlement service for its customers. The Company considers these services as a single performance obligation. The Company's contracts specify a transaction price for services provided. Processing revenue fluctuates based on the type and the volume of transactions processed. Revenue is recognized on the completion of the processed transaction.

Customers that have a bank account managed by the Company are issued cards that can be utilized to withdraw funds at an ATM or to transact at a merchant point of sale device ("POS"). The Company earns processing fees from transactions processed for these customers. The Company's contracts specify a transaction price for each service provided (for instance, ATM withdrawal, balance enquiry, etc.). Processing revenue fluctuates based on the type and volume of transactions performed by the customer. Revenue is recognized on the completion of the processed transaction.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Nature of products and services (continued)

Account holder fees

The Company provides bank accounts to customers and this service is underwritten by a regulated banking institution because the Company is not a bank. The Company charges its customers a fixed monthly bank account administration fee for all active bank accounts regardless of whether the account holder has transacted or not. The Company recognizes account holder fees on a monthly basis on all active bank accounts. Revenue from account holder's fees fluctuates based on the number of active bank accounts.

Lending revenue

The Company provides short-term loans to customers in South Africa and charges up-front initiation fees and monthly service fees. Initiation fees are recognized using the effective interest rate method, which requires the utilization of the rate of return implicit in the loan, that is, the contractual interest rate adjusted for any net deferred loan fees or costs, premium, or discount existing at the origination or acquisition of the loan. Monthly service fee revenue is recognized under the contractual terms of the loan. The monthly service fee amount is fixed upon initiation and does not change over the term of the loan.

Technology products

The Company supplies hardware and licenses for its customers to use the Company's technology. Hardware includes the sale of POS devices, SIM cards and other consumables which can occur on an ad hoc basis. The Company recognizes revenue from hardware at the transaction price specified in the contract as the hardware is delivered to the customer. Licenses include the right to use certain technology developed by the Company and the associated revenue is recognized ratably over the license period.

Insurance revenue

The Company writes life insurance contracts, and policy holders pay the Company a monthly insurance premium at the beginning of each month. Premium revenue is recognized on a monthly basis net of policy lapses. Policy lapses are provided for on the basis of expected non-payment of policy premiums.

Welfare benefit distribution fees

The Company provided a welfare benefits distribution service in South Africa to a customer under a contract which expired on September 30, 2018. The Company was required to distribute social welfare grants to identified recipients using an internally developed payment platform at designated distribution points (pay points) which enabled the recipients to access their grants. The contract specified a fixed fee per account for one or more grants received by a recipient. The Company recognized revenue for each grant recipient paid at the fixed fee.

Telecom products and services

Through DNI, the Company entered into contracts with mobile networks in South Africa to distribute subscriber identity modules ("SIM") cards on their behalf. The Company was entitled to receive consideration based on the activation of each SIM as well as from a percentage of the value loaded onto each SIM. The Company recognizes revenue from these services once the criteria specified for activation had been met as well as when it was entitled to its consideration related to the value loaded onto the SIM. Revenue from contracts with mobile networks fluctuates based on the number of SIMs activated as well as on the value loaded onto the SIMs. As described in Note 23, the Company disposed of its controlling interest in DNI on March 31, 2019.

The Company purchases airtime for resale to customers. The Company recognizes revenue as the airtime is delivered to the customer. Revenue from the resale of airtime to customers fluctuates based on the volume of airtime sold.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Significant judgments and estimates

The Company was subject to a court process regarding the determination of the price to be charged for welfare benefit distribution services provided from April 1, 2018 to September 30, 2018. In December 2018, the Constitutional Court of South Africa clarified that it was not required to ratify the price and stated that the parties should reach an agreement on the price, failing which they should approach the lower courts in South Africa. The Company had initiated discussions with SASSA, but the parties had not reached agreement regarding the pricing for services provided through September 30, 2018. Management determined, under previous revenue guidance, that there was no evidence of an arrangement at a fixed and determinable price other than that noted in the court ordered extension provided in March 2018 and did not record any additional revenue related to the services provided from April 1, 2018 to June 30, 2018, and recorded revenue at the rate specified in the contract. Upon adoption of the new revenue guidance on July 1, 2018, the Company determined that it was unable to estimate the amount of revenue that it is entitled to receive because no agreement with SASSA had been reached at that date. Accordingly, the Company did not record any additional revenue during the year ended June 30, 2020 and 2019, respectively, related to the price to be charged for welfare benefit distribution services provided through September 30, 2018. The Company recorded revenue at the rate specified in the contract. The Company expected to record any additional revenue once there was agreement between the Company and SASSA on the fee. However, agreement had not been reached by May 31, 2020, and following the deconsolidation of CPS, refer to Note 23, any additional revenue earned by CPS after June 1, 2020, would not be included in the Company's consolidated financial statements and therefore this matter is no longer considered an area of judgment.

Accounts Receivable, Contract Assets and Contract Liabilities

The Company recognizes accounts receivable when its right to consideration under its contracts with customers becomes unconditional. The Company has no contract assets or contract liabilities.

Research and development expenditure

Research and development expenditure is charged to net income in the period in which it is incurred. During the years ended June 30, 2021, 2020 and 2019, the Company incurred research and development expenditures of \$0.3 million, \$1.6 million and \$0.7 million, respectively.

Computer software development

Product development costs in respect of software intended for sale to licensees are expensed as incurred until technological feasibility is attained. Technological feasibility is attained when the Company's software has completed system testing and has been determined to be viable for its intended use. The time between the attainment of technological feasibility and completion of software development is generally short with immaterial amounts of development costs incurred during this period.

Costs in respect of the development of software for the Company's internal use are expensed as incurred, except to the extent that these costs are incurred during the application development stage. All other costs including those incurred in the project development and post-implementation stages are expensed as incurred.

Income taxes

The Company provides for income taxes using the asset and liability method. This approach recognizes the amount of taxes payable or refundable for the current year, as well as deferred tax assets and liabilities for the future tax consequence of events recognized in the financial statements and tax returns. Deferred income taxes are adjusted to reflect the effects of changes in tax laws or enacted tax rates.

The Company measured its South African income taxes and deferred income taxes for the years ended June 30, 2021, 2020 and 2019, using the enacted statutory tax rate in South Africa of 28%.

In establishing the appropriate deferred tax asset valuation allowances, the Company assesses the realizability of its deferred tax assets, and based on all available evidence, both positive and negative, determines whether it is more likely than not that the deferred tax assets or a portion thereof will be realized.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Reserves for uncertain tax positions are recognized in the financial statements for positions which are not considered more likely than not of being sustained based on the technical merits of the position on audit by the tax authorities. For positions that meet the more likely than not standard, the measurement of the tax benefit recognized in the financial statements is based upon the largest amount of tax benefit that, in management's judgement, is greater than 50% likely of being realized based on a cumulative probability assessment of the possible outcomes. The Company's policy is to include interest related to unrecognized tax benefits in interest expense and penalties in selling, general and administration in the consolidated statements of operations.

The Company has elected the period cost method and records U.S. inclusions in taxable income related to global intangible low taxed income ("GILTI") as a current-period expense when incurred.

Stock-based compensation

Stock-based compensation represents the cost related to stock-based awards granted. The Company measures equity-based stock-based compensation cost at the grant date, based on the estimated fair value of the award, and recognizes the cost as an expense on a straight-line basis (net of estimated forfeitures) over the requisite service period. In respect of awards with only service conditions that have a graded vesting schedule, the Company recognizes compensation cost on a straight-line basis over the requisite service period for the entire award. The forfeiture rate is estimated using historical trends of the number of awards forfeited prior to vesting. The expense is recorded in the statement of operations and classified based on the recipients' respective functions. The Company records deferred tax assets for awards that result in deductions on the Company's income tax returns, based on the amount of compensation cost recognized and the Company's statutory tax rate in the jurisdiction in which it will receive a deduction. Differences between the deferred tax assets recognized for financial reporting purposes and the actual tax deduction reported on the Company's income tax return are recorded in taxation expense in the statement of operations.

Equity instruments issued to third parties

Equity instruments issued to third parties represents the cost related to equity instruments granted. The Company measures this cost at the grant date, based on the estimated fair value of the award, and recognizes the cost as an expense on a straight-line basis (net of estimated forfeitures) over the requisite service period. The forfeiture rate is estimated based on the Company's expectation of the number of awards that will be forfeited prior to vesting. The Company records deferred tax assets for equity instrument awards that result in deductions on the Company's income tax returns, based on the amount of equity instrument cost recognized and the Company's statutory tax rate in the jurisdiction in which it will receive a deduction. Differences between the deferred tax assets recognized for financial reporting purposes and the actual tax deduction reported on the Company's income tax return are recorded in the statement of operations.

Settlement assets and settlement obligations

Settlement assets comprise (1) cash received from credit card companies (as well as other types of payment services) which have business relationships with merchants selling goods and services via the internet that are the Company's customers and on whose behalf it processes the transactions between various parties, (2), up until the sale of FIHRST, refer to Note 23, cash received from customers on whose behalf the Company processes payroll payments that the Company will disburse to customer employees, payroll-related payees and other payees designated by the customer, and (3), up until the expiration of the SASSA contract on September 30, 2018, cash received from the South African government that the Company holds pending disbursement to recipient cardholders of social welfare grants.

Settlement obligations comprise (1) amounts that the Company is obligated to disburse to merchants selling goods and services via the internet that are the Company's customers and on whose behalf it processes the transactions between various parties and settles the funds from the credit card companies to the Company's merchant customers, (2), up until the sale of FIHRST, amounts that the Company is obligated to pay to customer employees, payroll-related payees and other payees designated by the customer, and (3), up until the expiration of the SASSA contract on September 30, 2018, amounts that the Company is obligated to disburse to recipient cardholders of social welfare grants.

The balances at each reporting date may vary widely depending on the timing of the receipts and payments of these assets and obligations.

Recent accounting pronouncements adopted

There were no new accounting pronouncements adopted by the Company during the year ended June 30, 2021.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements not yet adopted as of June 30, 2021

In June 2016, the Financial Accounting Standards Board (“FASB”) issued guidance regarding *Measurement of Credit Losses on Financial Instruments*. The guidance replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For trade and other receivables, loans, and other financial instruments, an entity is required to use a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses, which reflects losses that are probable. Credit losses relating to available for sale debt securities will also be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. This guidance is effective for the Company beginning July 1, 2023. The Company is currently assessing the impact of this guidance on its financial statements and related disclosures, but does not expect the impact on its financial results to be material.

In August 2018, the FASB issued guidance regarding *Disclosure Framework: Changes to the Disclosure Requirements for Fair Value Measurement*. The guidance modifies the disclosure requirements related to fair value measurement. This guidance is effective for the Company beginning July 1, 2021. Early adoption is permitted. The Company is currently assessing the impact of this guidance on its financial statement’s disclosure.

In November 2019, the FASB issued guidance regarding *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*. The guidance provides a framework to stagger effective dates for future major accounting standards and amends the effective dates for certain major new accounting standards to give implementation relief to certain types of entities, including Smaller Reporting Companies. The Company is a Smaller Reporting Company. Specifically, the guidance changes some effective dates for certain new standards on the following topics in the FASB Codification, namely Derivatives and Hedging (ASC 815); Leases (ASC 842); Financial Instruments — Credit Losses (ASC 326); and Intangibles — Goodwill and Other (ASC 350). The guidance defers the adoption date of guidance regarding *Measurement of Credit Losses on Financial Instruments* by the Company from July 1, 2020 to July 1, 2023, and defers the adoption guidance regarding *Disclosure Framework: Changes to the Disclosure Requirements for Fair Value Measurement* by the Company from July 1, 2020 to July 1, 2021.

In January 2020, the FASB issued guidance regarding *Clarifying the Interactions Between Topic 321, Topic 323, and Topic 815*. The guidance clarifies that an entity should consider observable transactions that require an entity to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative in accordance with U.S. GAAP guidance immediately before applying or upon discontinuing the equity method. The guidance also clarifies that, when determining the accounting for certain forward contracts and purchased options an entity should not consider, whether upon settlement or exercise, if the underlying securities would be accounted for under the equity method or fair value option. This guidance is effective for the Company beginning July 1, 2021. Early adoption is permitted. The Company is currently assessing the impact of this guidance on its financial statement’s disclosure.

NET 1 UEPS TECHNOLOGIES, INC.**Notes to the consolidated financial statements****for the years ended June 30, 2021 and 2020 and 2019****(All amounts stated in thousands of United States Dollars, unless otherwise stated)****3. ACCOUNTS RECEIVABLE, net AND OTHER RECEIVABLES and FINANCE LOANS RECEIVABLE, net****Accounts receivable, net and other receivables**

The Company's accounts receivable, net, and other receivables as of June 30, 2021, and June 30, 2020, are presented in the table below:

	June 30, 2021	June 30, 2020
Accounts receivable, trade, net	\$ 10,493	\$ 8,458
Accounts receivable, trade, gross	10,760	8,711
Allowance for doubtful accounts receivable, end of period	267	253
Beginning of period	253	661
Reversed to statement of operations	(183)	(155)
Charged to statement of operations	233	181
Utilized	(59)	(151)
Deconsolidation	-	(178)
Foreign currency adjustment	23	(105)
Current portion of amount outstanding related to sale of interest in Bank Frick (Note 8)	7,500	-
Loans provided to Carbon, net of allowance: 2021: \$3,000; 2020: \$-	-	3,000
Taxes refundable related to sale of Net1 Korea (Note 23)	-	19,796
Loan provided to DNI	-	2,756
Other receivables	8,590	9,058
Total accounts receivable, net	<u>\$ 26,583</u>	<u>\$ 43,068</u>

Accounts receivable, trade, gross includes amounts due from customers from the provision of transaction processing services, from the sale of hardware, software licenses and SIM cards and rentals from POS equipment. The Company did not record any bad debt expense during the year ended June 30, 2021 and 2020, respectively and bad debts incurred were written off against the allowance for doubtful accounts receivable.

Current portion of amount outstanding related to sale of interest in Bank Frick represents the amount due by the purchaser in October 2021 related to the sale of Bank Frick, refer to Note 8 for additional information regarding the sale.

Taxes refundable related to sale of Net1 Korea relates to the disposal of KSNET as discussed in Note 23 and the entire amount outstanding, or approximately \$20.1 million (KRW 23.8 billion), was received in September 2020.

The current portion of amount outstanding related to sale of remaining interest in DNI as of June 30, 2020, relates to the transaction completed in April 2020 (refer to Note 8). On October 26, 2020, DNI settled the full amount outstanding of \$5.7 million related to the sale of the remaining interest in DNI, including the amounts included in other long-term assets, refer to Note 6. The Company received \$0.3 million on September 30, 2020, for total receipts of \$6.0 million.

The loan provided to Carbon was scheduled to be repaid before June 30, 2020, however, Carbon requested a payment holiday as a result of the impact of the COVID-19 pandemic on its business. The parties had not agreed new repayment terms as of June 30, 2021. However, the Company acknowledges the unexpected and ongoing challenges facing Carbon and determined in June 2021 to create an allowance for doubtful loans receivable due to these circumstances and ongoing consolidated losses incurred by Carbon.

Other receivables include prepayments, deposits, income taxes receivable and other receivables.

NET 1 UEPS TECHNOLOGIES, INC.**Notes to the consolidated financial statements****for the years ended June 30, 2021 and 2020 and 2019****(All amounts stated in thousands of United States Dollars, unless otherwise stated)****3. ACCOUNTS RECEIVABLE, net and OTHER RECEIVABLES and FINANCE LOANS RECEIVABLE, net (continued)****Finance loans receivable, net**

The Company's finance loans receivable, net, as of June 30, 2021, and June 30, 2020, is presented in the table below:

	June 30, 2021	June 30, 2020
Microlending finance loans receivable, net	\$ 21,142	\$ 15,879
Microlending finance loans receivable, gross	23,491	17,737
Allowance for doubtful finance loans receivable, end of period	2,349	1,858
Beginning of period	1,858	3,199
Reversed to statement of operations	(1,004)	(492)
Charged to statement of operations	2,060	1,211
Utilized	(967)	(1,451)
Foreign currency adjustment	402	(609)
Working capital finance loans receivable, net	-	-
Working capital finance loans receivable, gross	-	5,800
Allowance for doubtful finance loans receivable, end of period	-	5,800
Beginning of period	5,800	5,800
Utilized	(5,800)	-
Total accounts receivable, net	<u>\$ 21,142</u>	<u>\$ 15,879</u>

Total finance loans receivable, net, comprises microlending finance loans receivable related to the Company's microlending operations in South Africa.

Gross microlending finance loans receivable as of June 30, 2021, was higher than as of June 30, 2020, partially due to the impact of COVID-19 on the Company's microlending business in 2020. The Company was unable to originate loans in April and early May 2020, and therefore the lending book reduced significantly as customers made scheduled repayments. South Africa was placed under an adjusted Level 4 lockdown towards the end of June 2021, due to an increase in COVID-19 infections, however, this did not impact the gross lending book for June 2021 because the majority of loan originations are made within the first two weeks of a month.

The Company created an allowance for doubtful working capital finance loans receivable related to a receivable due from a customer based in the United States during the year ended June 30, 2018. The Company commenced legal proceedings against the customer in 2018. The customer is engaged in bankruptcy proceedings. In December 2020, the Company withdrew its claim lodged in the bankruptcy proceedings because it did not believe it would recover the receivable via these proceedings, or via any other process. In December 2020, the Company utilized the entire allowance for doubtful working capital finance loans receivable against the outstanding receivable.

4. INVENTORY

The Company's inventory comprised the following categories as of June 30, 2021, and 2020.

	June 30, 2021	June 30, 2020
Finished goods	\$ 22,361	\$ 15,618
Finished goods subject to sale restrictions	-	4,242
	<u>\$ 22,361</u>	<u>\$ 19,860</u>

Finished goods subject to sale restrictions represents airtime inventory purchased in March 2020, that could only be sold by the Company from October 1, 2020. As of June 30, 2021, finished goods includes \$ 16.5 million of airtime inventory that was previously classified as finished goods subject to sale restrictions.

4. INVENTORY (continued)

In support of Cell C's liquidity position, the Company has limited the resale of this airtime through its distribution channels until such time as Cell C's recapitalisation process is concluded. In light of the dynamics in the wholesale airtime inventory market as of June 30, 2020, the Company believed the net realizable value of certain airtime inventory held as of June 30, 2020, measured at amounts reflecting existing market conditions, was below its cost. Accordingly, the Company recorded a loss of \$1.3 million during the year ended June 30, 2020, related to this airtime inventory. The Company believes that these market dynamics in the wholesale airtime inventory market continue as of June 30, 2021, but no further adjustment is necessary.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments

Initial recognition and measurement

Financial instruments are recognized when the Company becomes a party to the transaction. Initial measurements are at cost, which includes transaction costs.

Risk management

The Company manages its exposure to currency exchange, translation, interest rate, customer concentration, credit and equity price and liquidity risks as discussed below.

Currency exchange risk

The Company is subject to currency exchange risk because it purchases inventories that it is required to settle in other currencies, primarily the euro and U.S. dollar. The Company has used forward contracts in order to limit its exposure in these transactions to fluctuations in exchange rates between the South African rand ("ZAR"), on the one hand, and the U.S. dollar and the euro, on the other hand.

Translation risk

Translation risk relates to the risk that the Company's results of operations will vary significantly as the U.S. dollar is its reporting currency, but it earns a significant amount of its revenues and incurs a significant amount of its expenses in ZAR and, prior to the sale of its Korean business, in Korean won ("KRW"). The U.S. dollar to both the ZAR and KRW exchange rates has fluctuated significantly over the past three years. The Company's translation risk exposure to KRW was eliminated following the disposal of Net1 Korea in March 2020, refer to Note 23, and receipt of all cash outstanding related to the transaction. As exchange rates are outside the Company's control, there can be no assurance that future fluctuations will not adversely affect the Company's results of operations and financial condition.

Interest rate risk

As a result of its normal borrowing activities, the Company's operating results are exposed to fluctuations in interest rates, which it manages primarily through regular financing activities. The Company generally maintains investments in cash equivalents and held to maturity investments and has occasionally invested in marketable securities.

Credit risk

Credit risk relates to the risk of loss that the Company would incur as a result of non-performance by counterparties. The Company maintains credit risk policies in respect of its counterparties to minimize overall credit risk. These policies include an evaluation of a potential counterparty's financial condition, credit rating, and other credit criteria and risk mitigation tools as the Company's management deems appropriate. With respect to credit risk on financial instruments, the Company maintains a policy of entering into such transactions only with South African and European financial institutions that have a credit rating of "B" (or its equivalent) or better, as determined by credit rating agencies such as Standard & Poor's, Moody's and Fitch Ratings.

Microlending credit risk

The Company is exposed to credit risk in its microlending activities, which provide unsecured short-term loans to qualifying customers. The Company manages this risk by performing an affordability test for each prospective customer and assigning a "creditworthiness score", which takes into account a variety of factors such as other debts and total expenditures on normal household and lifestyle expenses.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Risk management (continued)

Equity price and liquidity risk

Equity price risk relates to the risk of loss that the Company would incur as a result of the volatility in the exchange-traded price of equity securities that it holds. The market price of these securities may fluctuate for a variety of reasons and, consequently, the amount that the Company may obtain in a subsequent sale of these securities may significantly differ from the reported market value.

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

Financial instruments

Fair value is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including the Company's own credit risk.

Fair value measurements and inputs are categorized into a fair value hierarchy which prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety.

These levels are:

- Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

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

NET 1 UEPS TECHNOLOGIES, INC.**Notes to the consolidated financial statements****for the years ended June 30, 2021 and 2020 and 2019****(All amounts stated in thousands of United States Dollars, unless otherwise stated)****5. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****Financial instruments (continued)***Asset measured at fair value using significant unobservable inputs – investment in Cell C*

The Company's Level 3 asset represents an investment of 75,000,000 class "A" shares in Cell C, a significant mobile telecoms provider in South Africa. The Company used a discounted cash flow model developed by the Company to determine the fair value of its investment in Cell C as of June 30, 2021 and 2020, and valued Cell C at \$0.0 (zero) at June 30, 2021 and 2020. The Company believes the Cell C business plan utilized in the Company's valuation is reasonable based on the current performance and the expected changes in Cell C's business model. The Company changed certain valuation assumptions when preparing the December 31, 2020, valuation compared with the June 30, 2020, valuation, and these updated assumptions have been used for the June 30, 2021 valuation as well. Similar to the approach taken for December 31, 2020, the June 30, 2021, valuation incorporated the payments under the lease liabilities into the cash flow forecasts instead of including the carrying value in net debt and assumed that the deferred tax asset would be utilized over the forecast period instead of including the fair value of the deferred tax asset in the valuation. For the June 30, 2020, valuation, the Company included the carrying value of the lease liabilities within net debt and included the fair value of the deferred tax asset in the valuation. The Company utilized the latest approved business plan provided by Cell C management for the period ended December 31, 2025, for the June 30, 2021, valuation and the period ended December 31, 2024 for the June 30, 2020 valuation.

The following key valuation inputs were used as of June 30, 2021 and 2020:

Weighted Average Cost of Capital ("WACC"):	Between 16% and 24% over the period of the forecast
Long-term growth rate:	3% (3% as of June 30, 2020)
Marketability discount:	10%
Minority discount:	15%
Net adjusted external debt - June 30, 2021: ⁽¹⁾	ZAR 11.2 billion (\$0.8 billion), no lease liabilities included
Net adjusted external debt - June 30, 2020: ⁽²⁾	ZAR 15.8 billion (\$0.9 billion), includes ZAR4.4 billion of lease liabilities
Deferred tax (incl, assessed tax losses) - June 30, 2020: ⁽²⁾	ZAR 2.9 billion (\$167.3 million)

(1) translated from ZAR to U.S. dollars at exchange rates applicable as of June 30, 2021.

(2) translated from ZAR to U.S. dollars at exchange rates applicable as of June 30, 2020.

The fair value of Cell C as of June 30, 2021, utilizing the discounted cash flow valuation model developed by the Company is sensitive to the following inputs: (i) the ability of Cell C to achieve the forecasts in their business case; (ii) the weighted average cost of capital ("WACC") rate used; and (iii) the minority and marketability discount used. Utilization of different inputs, or changes to these inputs, may result in a significantly higher or lower fair value measurement.

The following table presents the impact on the carrying value of the Company's Cell C investment of a 3.0% increase and 2.0% decrease in the WACC rate and the EBITDA margins used in the Cell C valuation on June 30, 2021, all amounts translated at exchange rates applicable as of June 30, 2021:

Sensitivity for fair value of Cell C investment	3.0% increase^(A)	2.0% decrease^(A)
WACC rate	\$ -	\$ 3,055
EBITDA margin	\$ 4,873	\$ -

(A) the carrying value of the Cell C investment is not impacted by a 1.0% increase or a 1.0% decrease and therefore the impact of a 3.0% increase and a 2.0% decrease is presented.

The fair value of the Cell C shares as of June 30, 2021, represented approximately 0% of the Company's total assets, including these shares. The Company expects to hold these shares for an extended period of time and that there will be short-term equity price volatility with respect to these shares particularly given the current situation of Cell C's business.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**Financial instruments (continued)***Liability measured at fair value using significant unobservable inputs – DNI contingent consideration*

The salient terms of the Company's investment in DNI is described in Note 23. Under the terms of its subscription agreements with DNI, the Company agreed to pay to DNI an additional amount of up to ZAR 400.0 million (\$27.6 million, translated at exchange rates applicable as of June 30, 2019), in cash, subject to the achievement of certain performance targets by DNI. The Company expected to pay the additional amount during the first quarter of the year ended June 30, 2020, and recorded an amount of ZAR 373.6 million (\$27.2 million), in long-term liabilities as of June 30, 2018, which amount represented the present value of the ZAR 400.0 million to be paid (amounts translated at the exchange rate applicable as of June 30, 2018, respectively). As described in Note 23 and Note 19, the Company settled the ZAR 400 million (\$27.6 million) due to DNI as of March 31, 2019. The Company recorded accreted interest during the year ended June 30, 2019, of \$1.8 million (ZAR 26.4 million, translated at the applicable average exchange rates during the periods specified).

Derivative transactions - Foreign exchange contracts

As part of the Company's risk management strategy, the Company enters into derivative transactions to mitigate exposures to foreign currencies using foreign exchange contracts. These foreign exchange contracts are over-the-counter derivative transactions. Substantially all of the Company's derivative exposures are with counterparties that have long-term credit ratings of "B" (or equivalent) or better. The Company uses quoted prices in active markets for similar assets and liabilities to determine fair value (Level 2). The Company has no derivatives that require fair value measurement under Level 1 or 3 of the fair value hierarchy.

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

As of June 30, 2021

Notional amount ('000)	Strike price	Fair market	Maturity
EUR 5.7	USD 1.1911	USD 1.1859	July 02, 2021

The Company had no outstanding foreign exchange contracts as of June 30, 2020.

The following table presents the Company's assets measured at fair value on a recurring basis as of June 30, 2021, according to the fair value hierarchy:

	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Investment in Cell C	\$ -	\$ -	\$ -	\$ -
Related to insurance business:				
Cash, cash equivalents and restricted cash (included in other long-term assets)	381	-	-	381
Fixed maturity investments (included in cash and cash equivalents)	3,158	-	-	3,158
Total assets at fair value	<u>\$ 3,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,539</u>

NET 1 UEPS TECHNOLOGIES, INC.

Notes to the consolidated financial statements

for the years ended June 30, 2021 and 2020 and 2019

(All amounts stated in thousands of United States Dollars, unless otherwise stated)

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Financial instruments (continued)

The following table presents the Company's assets measured at fair value on a recurring basis as of June 30, 2020, according to the fair value hierarchy:

	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Investment in Cell C	\$ -	\$ -	\$ -	\$ -
Related to insurance business				
Cash and cash equivalents				
(included in other long-term assets)	490	-	-	490
Fixed maturity investments				
(included in cash and cash equivalents)	4,198	-	-	4,198
Total assets at fair value	<u>\$ 4,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,688</u>

There have been no transfers in or out of Level 3 during the years ended June 30, 2021, 2020 and 2019, respectively.

There was no movement in the carrying value of assets measured at fair value on a recurring basis, and categorized within Level 3, during the years ended June 30, 2021 and 2020. Summarized below is the movement in the carrying value of assets measured at fair value on a recurring basis, and categorized within Level 3, during the year ended June 30, 2021:

	Carrying value
Assets	
Balance as of June 30, 2020	\$ -
Foreign currency adjustment ⁽¹⁾	-
Balance as of June 30, 2021	<u>\$ -</u>

(1) The foreign currency adjustment represents the effects of the fluctuations of the South African rand and the U.S. dollar on the carrying value.

Summarized below is the movement in the carrying value of assets and liabilities measured at fair value on a recurring basis, and categorized within Level 3, during the year ended June 30, 2020:

	Carrying value
Assets	
Balance as at June 30, 2019	\$ -
Foreign currency adjustment ⁽¹⁾	-
Balance as of June 30, 2020	<u>\$ -</u>

(1) The foreign currency adjustment represents the effects of the fluctuations of the South African rand and the U.S. dollar on the carrying value.

Trade, finance loans and other receivables

Trade, finance loans and other receivables originated by the Company are stated at cost less allowance for doubtful accounts receivable. The fair value of trade, finance loans and other receivables approximates their carrying value due to their short-term nature.

Trade and other payables

The fair values of trade and other payables approximates their carrying amounts, due to their short-term nature.

NET 1 UEPS TECHNOLOGIES, INC.**Notes to the consolidated financial statements****for the years ended June 30, 2021 and 2020 and 2019****(All amounts stated in thousands of United States Dollars, unless otherwise stated)****5. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****Financial instruments (continued)***Assets and liabilities measured at fair value on a nonrecurring basis*

The Company measures equity investments without readily determinable fair values at fair value on a nonrecurring basis. The fair values of these investments are determined based on valuation techniques using the best information available, and may include quoted market prices, market comparables, and discounted cash flow projections. An impairment charge is recorded when the cost of the asset exceeds its fair value and the excess is determined to be other-than-temporary. Refer to Note 8 for impairment charges recorded during the reporting periods presented herein. The Company has no liabilities that are measured at fair value on a nonrecurring basis.

6. PROPERTY, PLANT AND EQUIPMENT, net

Summarized below is the cost, accumulated depreciation and carrying amount of property, plant and equipment as of June 30, 2021 and 2020:

	June 30, 2021	June 30, 2020
Cost		
Computer equipment	\$ 33,476	\$ 26,575
Furniture and office equipment	7,492	7,732
Motor vehicles	5,059	1,873
	<u>\$ 46,027</u>	<u>\$ 36,180</u>
Accumulated depreciation:		
Computer equipment	29,662	22,810
Furniture and office equipment	6,587	5,101
Motor vehicles	2,286	1,613
	<u>\$ 38,535</u>	<u>\$ 29,524</u>
Carrying amount:		
Computer equipment	3,814	3,765
Furniture and office equipment	905	2,631
Motor vehicles	2,773	260
	<u>\$ 7,492</u>	<u>\$ 6,656</u>

7. LEASES

The Company has entered into leasing arrangements classified as operating leases under accounting guidance. These leasing arrangements relate primarily to the lease of its corporate head office, administration offices and branch locations through which the Company operates its financial services business in South Africa and, until its closure, its transaction processing activities in Malta. The Company's operating leases have a remaining lease term of between one year to six years. The Company's lease of property in Malta included five separate one year options to extend the lease, which effectively extended the lease term from three years to eight years. At lease inception, the Company expected to exercise these options and these options were included as part of its right-of-use assets and liabilities. The Company has exited this lease following the closure of its Malta operations during the year ended June 30, 2021. The Company also operates parts of its financial services business from locations which it leases for a period of less than one year.

The Company's operating lease expense during the years ended June 30, 2021 and 2020, was \$4.1 million and \$3.6 million, respectively. The Company does not have any significant leases that have not commenced as of June 30, 2021.

The Company has entered into short-term leasing arrangements, primarily for the lease of branch locations and other locations to operate its financial services business in South Africa. The Company's short-term lease expense during the years ended June 30, 2021 and 2020, was \$4.1 million and \$4.2 million, respectively.

NET 1 UEPS TECHNOLOGIES, INC.**Notes to the consolidated financial statements****for the years ended June 30, 2021 and 2020 and 2019****(All amounts stated in thousands of United States Dollars, unless otherwise stated)****7. LEASES (continued)**

The following table presents supplemental balance sheet disclosure related to our right-of-use assets and our operating leases liabilities as of June 30, 2021 and 2020:

	June 30, 2021	June 30, 2020
Right-of-use assets obtained in exchange for lease obligations		
Weighted average remaining lease term (years)	2.77	3.94
Weighted average discount rate	9.6 %	9.3 %
Maturities of operating lease liabilities		
2022	\$ 3,117	
2023	1,278	
2024	592	
2025	200	
2026	-	
Thereafter	-	
Total undiscounted operating lease liabilities	5,187	
Less imputed interest	475	
Total operating lease liabilities, included in	4,712	
Operating lease right-of-use lease liability - current	2,822	
Right-of-use operating lease liability - long-term	\$ 1,890	

Operating lease payments related to premises and equipment were \$10.6 million for the year ended June 30, 2019.

8. EQUITY-ACCOUNTED INVESTMENTS AND OTHER LONG-TERM ASSETS**Equity-accounted investments**

The Company's ownership percentage in its equity-accounted investments as of June 30, 2021 and 2020, was as follows:

	June 30, 2021		June 30, 2020	
Finbond Group Limited ("Finbond")	31	%	31	%
Carbon Tech Limited ("Carbon"), formerly OneFi Limited	25	%	25	%
SmartSwitch Namibia (Pty) Ltd ("SmartSwitch Namibia")	50	%	50	%
Revix ("Revix")	15	%	25	%
Bank Frick & Co AG ("Bank Frick")	-		35	%
V2 Limited ("V2")	-		50	%
Walletdoc Proprietary Limited ("Walletdoc")	-		20	%

Finbond

As of June 30, 2021, the Company owned 268,820,933 shares in Finbond representing approximately 31.47% of its issued and outstanding ordinary shares. Finbond is listed on the Johannesburg Stock Exchange and its closing price on June 30, 2021, the last trading day of the month, was ZAR 1.59 per share. The market value of the Company's holding in Finbond on June 30, 2021, was ZAR 427.4 million (\$29.9 million translated at exchange rates applicable as of June 30, 2021). On or about March 9, 2020, Finbond repurchased 47 million of its shares for ZAR 2.91123 per share, or a total consideration of ZAR 136.8 million, in cash, from other Finbond shareholders which resulted in an increase in the Company's shareholding in Finbond. On August 2, 2019, the Company, pursuant to its election, received an additional 1,148,901 shares in Finbond as a capitalization share issue in lieu of a dividend.

Finbond published its half-year results to August 2020 in October 2020, which included the financial impact of the COVID-19 pandemic on its reported results during that reporting period. Finbond incurred losses during the six months to August 2020, and experienced a slow-down in its lending activities. Finbond reported that its lending activities had increased again since August 2020, albeit at a slower pace compared with the prior calendar period. Finbond's share price declined substantially during the period from its fiscal year end (February 2020) to September 30, 2020, and the weakness in its traded share price continued post September 30, 2020.

8. EQUITY-ACCOUNTED INVESTMENTS AND OTHER LONG-TERM ASSETS (continued)**Equity-accounted investments (continued)***Finbond*

The Company considered the combination of the slow-down in business activity and the lower share price as impairment indicators. The Company performed an impairment assessment of its holding in Finbond as of September 30, 2020. The Company recorded an impairment loss of \$16.8 million during the quarter ended September 30, 2020, related to the other-than-temporary decrease in Finbond's value, which represented the difference between the determined fair value of the Company's interest in Finbond and the Company's carrying value (before the impairment). There is limited trading in Finbond shares on the JSE because it has three shareholders that own approximately 90% of its issued and outstanding shares between them. The Company calculated a fair value per share for Finbond by applying a liquidity discount of 15% to the September 30, 2020, Finbond closing price of ZAR 1.04.

The Company performed a further impairment assessment of its holding in Finbond as of December 31, 2020, following a modest further decline in its market price during the quarter ended December 31, 2020. The Company recorded an impairment loss of \$0.8 million during the quarter ended December 31, 2020, related to the other-than-temporary decrease in Finbond's value, which represented the difference between the determined fair value of the Company's interest in Finbond and the Company's carrying value (before the impairment). The Company calculated a fair value per share for Finbond by applying a liquidity discount of 15% to the December 31, 2020, Finbond closing price of ZAR 0.99. The total impairment charge for the year ended June 30, 2021, was \$17.7 million.

Bank Frick

On February 3, 2021, the Company, through its wholly-owned subsidiary, Net1 Holdings LI AG ("Net1 LI"), entered into a share sales agreement with the Frick Family Foundation ("KFS") to sell its entire interest, or 35%, in Bank Frick to KFS for \$30 million. Net1 and certain entities within the IPG group also entered into an indemnity and release agreement with KFS and Bank Frick under which the parties agreed to terminate all existing arrangements with Bank Frick and settle all liabilities related to the Company's activities with Bank Frick through the payment of \$3.6 million to KFS. The Company received \$15.0 million, net, on closing, which comprised \$18.6 million less the \$3.6 million due to KFS to terminate all existing arrangements with Bank Frick and settle all liabilities related to IPG's activities with Bank Frick. The Company included the \$18.6 million within cash flows from investing activities and the \$3.6 million within cash flows from operating activities in the consolidated statement of cash flows for the year ended June 30, 2021. The outstanding balance due by KFS is expected to be paid as follows: (i) \$7.5 million on October 30, 2021, which is included in the caption accounts receivable, net and other receivables in the Company's consolidated balance sheet as of June 30, 2021, and (ii) the remaining amount, of \$3.9 million on July 15, 2022, which is included in the caption other long-term assets, including reinsurance assets in the Company's consolidated balance sheet as of June 30, 2021. The parties entered into a security and pledge agreement under which KFS pledged the Bank Frick shares purchased as security for the amounts outstanding under the share sales agreement.

The Company incurred transaction costs of approximately \$0.04 million.

The following table presents the calculation of the loss on disposal of Bank Frick on February 3, 2021:

	February 3, 2021
Loss on sale of Bank Frick:	
Consideration received in cash on February 3, 2021	\$ 18,600
Consideration received with note on February 3, 2021, refer to (Note 3) and other long-term assets below	11,400
Less: transaction costs	(42)
Less: carrying value of Bank Frick	(32,892)
Add: release of foreign currency translation reserve from accumulated other comprehensive loss	2,462
Loss on sale of Bank Frick ⁽¹⁾	<u>\$ (472)</u>

(1) The Company does not expect to pay taxes related to the sale of Bank Frick because the base cost of its investment exceeds the sales consideration received. The Company does not believe that it will be able to utilize any capital loss, if any, generated because Net1 LI does not own any other capital assets.

8. EQUITY-ACCOUNTED INVESTMENTS AND OTHER LONG-TERM ASSETS (continued)**Equity-accounted investments (continued)***Bank Frick**Payment of option termination fee in April 2020*

On October 2, 2019, the Company exercised its option to acquire an additional 35% interest in Bank Frick from the Frick Family Foundation. The Company had agreed to pay an amount, the “Option Price Consideration”, for an additional 35% interest in Bank Frick, which represented the higher of CHF 46.4 million (\$46.5 million at exchange rates on October 2, 2019) or 35% of 15 times the average annual normalized net income of the Bank over the two years ended December 31, 2018. The shares would have only transferred on payment of the Option Price Consideration, which was expected to occur on the later of (i) 180 days after the date of exercise of the option; (ii) in the event of any regulatory approvals being required, 10 days after receipt of approval (either unconditionally or on terms acceptable to both parties); and (iii) 10 days after the date on which the Option Price Consideration was agreed or finally determined. On April 9, 2020, the Company, through its wholly owned subsidiary, Net1 Holdings LI AG, entered into a termination agreement pursuant to which the option to acquire a further 35% of Bank Frick was cancelled. On April 15, 2020, the Company paid a termination fee of CHF 17.0 million (\$17.5 million) to the Frick Family to cancel the option.

Bank Frick impairment recorded during the year ended June 30, 2020

The Company considered the termination of the exercise of the option to acquire a further 35% of Bank Frick an impairment indicator. The Company recorded an impairment loss of \$18.3 million during the quarter ended March 31, 2020, related to the other-than-temporary decrease in Bank Frick’s value, which represented the difference between the determined fair value of the Company’s interest in Bank Frick and the Company carrying value (before the impairment). The Company, with the assistance of external consultants, considered a multiple based valuation approach in respect of the March 31, 2020 balance sheet date. The Company believes that a price to book methodology is the most appropriate for a valuing a bank, but also took into account a price earnings approach to support the primary methodology. An appropriate peer group was selected based on the activities of Bank Frick and, after applying a regression analysis to compensate for differences in the return on equity in the peer group, a price to book ratio of 1.15 times was determined, but the multiple ranged from 0.7 times to 4.7 times. The Company determined to use a price to book multiple of approximately 0.9 times to value its investment in Bank Frick as of March 31, 2020. The Company used a multiple at the lower end of the peer group range as a result of Bank Frick’s size (based on net asset value) and product mix relative to the peer group. The Company’s 35% portion of approximately 0.9 times Bank Frick’s March 31, 2020, net asset value was lower than the Company’s carrying value in Bank Frick as of March 31, 2020. On April 13, 2020, the Company received a cash dividend of approximately CHF 1.3 million (\$1.3 million).

V2 Limited

In August 2019, the Company made a further equity contribution of \$1.3 million to V2 Limited (“V2”) and in January 2020 it made its final committed equity contribution of \$1.3 million bringing the total equity contribution to \$5.0 million. For its quarter ended March 2020, the Company recorded an impairment loss of \$2.5 million, related to the other-than-temporary decrease in V2’s value. The Company believed that V2’s March 2020 net asset value represented its fair value because it did not have supportable forecasts available at that time to apply other valuation models, including a discounted cash flow. The carrying value of the Company’s investment in V2 (before the impairment) was higher than its portion of V2’s net asset value and therefore the Company recorded the impairment loss. In December 2020, the Company no longer expected to recover its carrying value in V2 and impaired its remaining interest in V2, recording an impairment loss of \$0.5 million during the nine months ended March 31, 2021. The Company sold its investment in V2 on April 22, 2021, for one dollar.

The Company had also committed to provide V2 with a working capital facility of \$5.0 million, which was subject to the achievement of certain pre-defined objectives, and in June 2020 it provided \$0.5 million to V2 under this facility. In September 2020, the Company and V2 agreed to reduce the \$5.0 million working capital facility to \$1.5 million. In October 2020, V2 drew down the remaining available \$1.0 million of the working capital facility. The Company created an allowance for doubtful loans receivable of \$1.5 million during the year ended June 30, 2021, related to the full amount outstanding as of June 30, 2021.

8. EQUITY-ACCOUNTED INVESTMENTS AND OTHER LONG-TERM ASSETS (continued)

Equity-accounted investments (continued)

Carbon

The Company recorded an impairment loss of \$2.9 million during the fourth quarter of fiscal 2021, related to the other-than-temporary decrease in Carbon's value. As of June 30, 2021, Carbon had a negative net book value and incurred an operating loss during the twelve months to June 30, 2021. The Company considered these operating losses and the negative net book value as impairment indicators and performed an impairment assessment as of June 30, 2021. The Company considered a variety of valuation techniques, including the revenue multiple and price to book ratio techniques, and determined to value its interest in Carbon using a price to book ratio. The Company included the price to book ratio of a number of African banks and digital banks in its peer set. However, as Carbon had a negative book value as of June 30, 2021, the result would always be nil regardless of the price to book ratio of the peer group. Therefore, the Company concluded that its investment in Carbon had a fair value of \$0 (nil) and impaired the carrying value in Carbon to \$0 (nil).

Walletdoc

In November 2020, the Company's subsidiary, Net1 SA, signed an agreement with Walletdoc under which Walletdoc agreed to repay the loan due to Net1 SA in full and Net1 SA agreed to dispose of its entire interest in Walletdoc to Walletdoc.

DNI

As of June 30, 2019, the Company owned 30% of the voting and economic rights of DNI. In February 2020, the Company's ownership percentage in DNI reduced from approximately 30% to 27% following the issuance by DNI of additional ordinary no par value shares. The Company did not acquire additional ordinary shares in DNI and therefore its ownership percentage was diluted. The terms and conditions of the option referred to below were unaffected by the additional issuance by DNI. The Company sold its remaining interest in DNI in April 2020.

Sale of remaining interest in April 2020

In May 2019, Net1 Applied Technologies South Africa Proprietary Limited ("Net1 SA") granted an option to DNI, or its nominee, to acquire the 30,394,765 DNI shares Net1 SA held. The option strike price was calculated as ZAR 2.827 billion (\$158.0 million, translated at exchange rates applicable as of March 31, 2020) less any special distribution made by DNI multiplied by Net1 SA's retained interest (i.e. assuming no special distribution, the strike price for the retained interest was ZAR 859.3 million, or \$48.0 million, translated at exchange rates applicable as of June 30, 2020). It was permissible for the call option to be split into smaller denominations, but Net1 SA could not be left with less than 20% unless the whole remaining interest was disposed of. DNI was entitled to nominate another party to exercise the call option in the place of DNI, provided that the nominated party acquired call options representing at least 2.5% of DNI's voting and participation interests.

The option was exercised on March 31, 2020. DNI nominated MIC Investment Holdings Proprietary Limited ("MIC") to exercise a portion of the option to acquire 26,886,310 of the 30,394,765 DNI shares for ZAR 760.0 million (\$42.5 million, translated at exchange rates applicable as of March 31, 2020) from Net1 SA. The transaction closed on April 1, 2020 and MIC settled the option consideration in cash. On March 31, 2020, and together with the MIC transaction, DNI exercised a portion of the option to acquire the remaining 3,508,455 DNI shares from Net1 SA for ZAR 99.2 million (\$5.5 million, translated at exchange rates applicable as of March 31, 2020) through the issue of a note to Net1 SA. The transaction also closed on April 1, 2020.

The note was unsecured. The note principal was repayable in 18 equal monthly installments of ZAR 5.5 million (\$0.3 million, translated at exchange rates applicable as of June 30, 2020) commencing on October 31, 2020. Interest was charged at a fixed rate of 7.25% per annum and accrued monthly from October 1, 2020 and was repayable together with the principal payments. The Company adjusted the 12-month JIBAR interest rate of 6.33% quoted by Rand Merchant Bank by 0.30% to derive a 24-month rate of 6.63% which was used to determine the present value of the ZAR 99.2 million note. The present value of the note as of March 31, 2020, using the derived interest rate and the expected cash repayments was ZAR 95.7 million (\$5.4 million, translated at exchange rates applicable as of March 31, 2020). The portion of the note that was expected to be repaid during the twelve months following June 30, 2020, was included in accounts receivable, net and other receivables in the consolidated balance sheet as of June 30, 2020 (refer to Note 3). The remaining amount (the long-term portion) was included in other long-term assets in the consolidated balance sheet as of June 30, 2020 (refer also to the section "Other long-term assets" below).

The Company incurred transaction costs of approximately \$1.0 million.

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8. EQUITY-ACCOUNTED INVESTMENTS AND OTHER LONG-TERM ASSETS (continued)
Equity-accounted investments (continued)
DNI
Sale of remaining interest in April 2020

The following table presents the calculation of the loss on disposal of DNI on April 1, 2020:

	April 1 2020
Consideration received in cash on April 1, 2020 - 26,886,310 shares	\$ 42,477
Consideration received with note on April 1, 2020 - present value of note - 3,508,455 shares	5,354
Less: transaction costs	(1,010)
Less: carrying value of DNI	(36,508)
Less: release of foreign currency translation reserve from accumulated other comprehensive loss	(11,323)
Loss on sale of DNI before tax	(1,010)
Taxes related to sale of DNI	-
Capital gains tax related to sale of DNI ⁽¹⁾	2,475
Utilization of capital loss carryforwards ⁽¹⁾	(2,475)
Loss on disposal of DNI after tax	\$ (1,010)

(1) Net1 SA recorded a valuation allowance related to capital losses previously generated but not utilized. The Company utilized approximately \$12.0 million of these unutilized capital losses as a result of the disposal of its remaining interest in DNI in April 2020 and, therefore, the equivalent portion of the valuation allowance created was released.

Sale of 8% in May 2019

On May 3, 2019, Net1 SA entered into a transaction with FirstRand Bank Limited, acting through its Rand Merchant Bank division ("RMB"), in terms of which Net1 SA reduced its shareholding in DNI from 38% to 30% through the sale of 7,605,235 ordinary "A" shares in DNI for a transaction consideration of ZAR 215.0 million (\$15.0 million) (the "RMB Disposal"). The parties used a cashless settlement process on closing. The transaction closed on May 3, 2019, and the Company used the proceeds from the sale of these DNI shares and ZAR 15.0 million of its existing cash reserves to settle its outstanding long-term borrowings of ZAR 230.0 million in full.

The following table presents the calculation of the gain on disposal of the 8% retained interest in DNI on May 3, 2019:

	May 3, 2019
May 3, 2019 fair value of consideration received	\$ 15,011
Less: equity-method interest sold	(14,996)
Less: released from accumulated other comprehensive loss – foreign currency translation reserve (as restated) (Note 1 and Note 14)	162
May 2019 gain recognized on disposal, before tax	177
Capital loss related to disposal ⁽¹⁾	-
Gain recognized on disposal, after tax, as of May 3, 2019	\$ 177

(1) The disposal of the 8% interest in DNI resulted in a capital loss for tax purposes of approximately \$23.9 million and the Company provided a valuation allowance of \$23.9 million against this capital loss because it did not have any capital gains to offset against this amount at the time.

DNI impairments recorded during the year ended June 30, 2020

During year ended June 30, 2020, the Company recorded impairment losses of \$13.1 million. These impairment losses included (i) an amount of \$11.5 million related to the difference between the fair value of consideration received on April 1, 2020 following the sale of its remaining interest, and the carrying value of DNI as of March 31, 2020, which included \$11.3 million included in accumulated other comprehensive loss as of March 31, 2020, and (ii) an amount of \$1.6 million representing the excess of recorded earnings from DNI over its carrying value, calculated as the amount that the Company could receive pursuant to the call option granted to DNI in May 2019.

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8. EQUITY-ACCOUNTED INVESTMENTS AND OTHER LONG-TERM ASSETS (continued)
Equity-accounted investments (continued)

Summarized below is the movement in equity-accounted investments during the years ended 2021 and 2020, which includes the investment in equity and the investment in loans provided to equity-accounted investees:

	Finbond	Bank Frick	DNI	Other⁽¹⁾	Total
Investment in equity					
Balance as of June 30, 2019	\$ 32,611	\$ 47,240	\$ 61,030	\$ 7,398	\$ 148,279
Acquisition of shares	274	-	-	2,500	2,774
Stock-based compensation	71	-	-	-	71
Comprehensive (loss) income:	4,067	(17,273)	(9,744)	(4,365)	(27,315)
Other comprehensive income	2,227	-	-	-	2,227
Equity accounted (loss) earnings	1,840	(17,273)	(9,744)	(4,365)	(29,542)
Share of net income (loss)	1,857	1,421	4,676	(1,865)	6,089
Amortization of acquired intangible assets	-	(569)	(1,874)	-	(2,443)
Deferred taxes on acquired intangible assets	-	136	524	-	660
Dilution resulting from corporate transactions	(17)	-	-	-	(17)
Impairment	-	(18,261)	(13,070)	(2,500)	(33,831)
Dividends received	(274)	(1,308)	(1,787)	(454)	(3,823)
Sale of DNI	-	-	(36,508)	-	(36,508)
Foreign currency adjustment ⁽²⁾	(5,873)	1,080	(12,991)	(478)	(18,262)
Balance as of June 30, 2020	30,876	29,739	-	4,601	65,216
Stock-based compensation	(25)	-	-	-	(25)
Comprehensive (loss) income:	(23,976)	1,156	-	(4,025)	(26,845)
Other comprehensive income	(1,967)	-	-	-	(1,967)
Equity accounted (loss) earnings	(22,009)	1,156	-	(4,025)	(24,878)
Share of net income (loss)	(4,359)	1,156	-	(531)	(3,734)
Impairment	(17,650)	-	-	(3,494)	(21,144)
Dividends received	-	-	-	(194)	(194)
Sale of DNI	-	(32,892)	-	(13)	(32,905)
Foreign currency adjustment ⁽²⁾	2,947	1,997	-	(187)	4,757
Balance as of June 30, 2021	\$ 9,822	\$ -	\$ -	\$ 182	\$ 10,004
Investment in loans:					
Balance as of June 30, 2019	\$ -	\$ -	\$ -	\$ 148	\$ 148
Loans granted	-	-	-	1,230	1,230
Allowance for doubtful loans	-	-	-	(730)	(730)
Foreign currency adjustment ⁽²⁾	-	-	-	(28)	(28)
Balance as of June 30, 2020	-	-	-	620	620
Loans repaid	-	-	-	(134)	(134)
Loans granted	-	-	-	1,238	1,238
Allowance for doubtful loans	-	-	-	(1,738)	(1,738)
Foreign currency adjustment ⁽²⁾	-	-	-	14	14
Balance as of June 30, 2021	\$ -	\$ -	\$ -	\$ -	\$ -
			Equity	Loans	Total
Carrying amount as of :					
June 30, 2020			\$ 65,216	\$ 620	\$ 65,836
June 30, 2021			\$ 10,004	\$ -	\$ 10,004

(1) Includes Carbon, SmartSwitch Namibia, V2 and Walletdoc;

(2) The foreign currency adjustment represents the effects of the fluctuations of the Swiss franc, ZAR, Nigerian naira and Namibian dollar, against the U.S. dollar on the carrying value.

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8. EQUITY-ACCOUNTED INVESTMENTS AND OTHER LONG-TERM ASSETS (continued)
Summary financial information of equity-accounted investments

Summarized below is the financial information of equity-accounted investments (during the Company's reporting periods in which investments were carried using the equity-method, unless otherwise noted) as of the stated reporting period of the investee and translated at the applicable closing or average foreign exchange rates (as applicable):

	Finbond⁽¹⁾	Bank Frick⁽²⁾	DNI	Other⁽³⁾
	February 28	June 30	June 30	Various
Balance sheet, as of				
Current assets ⁽⁴⁾				
2021	\$ n/a	\$ n/a	\$ n/a	\$ 24,066
2020	n/a	n/a	n/a	19,910
Long-term assets				
2021	289,260	n/a	n/a	4,977
2020	294,734	1,042,366	n/a	6,145
Current liabilities ⁽⁴⁾				
2021	n/a	n/a	n/a	26,983
2020	n/a	n/a	n/a	7,824
Long-term liabilities				
2021	208,043	n/a	n/a	5,732
2020	189,159	940,948	n/a	18,076
Non-controlling interest				
2021	13,574	n/a	n/a	-
2020	15,795	-	n/a	(73)
Statement of operations, for the period ended	February 28	June 30 ⁽²⁾	June 30 ⁽⁵⁾	Various
Revenue				
2021	95,847	35,641	n/a	6,404
2020	161,378	37,864	68,983	7,862
2019	174,177	41,126	15,898	33,707
Operating income (loss)				
2021	(18,980)	3,860	n/a	(2,413)
2020	17,483	4,815	24,563	(5,064)
2019	20,355	3,633	5,814	(753)
Income (loss) from continuing operations				
2021	(15,466)	3,303	n/a	(2,539)
2020	14,449	4,053	17,092	(5,116)
2019	17,761	3,169	4,306	(915)
Net income (loss)				
2021	(17,889)	3,303	n/a	(2,539)
2020	6,433	4,053	15,772	(5,014)
2019	\$ 9,385	\$ 3,169	\$ 4,481	\$ (1,029)

(1) Finbond balances included were derived from its publicly available information and presented for its years ended February;

(2) Bank Frick disposed of in February 2021. Statement of operations information for Bank Frick is for the period from July 1, 2020 to January 31, 2021, and the full twelve months for both fiscal 2020 and 2019.

(3) Includes Carbon, SmartSwitch Namibia, Revix, Walletdoc and V2, as appropriate. Balance sheet information for Carbon, SmartSwitch Namibia, Revix and V2 is as of June 30, 2021 and 2020, and Walletdoc as of February 29, 2021 and February 28, 2020, respectively. Statement of operations information for Carbon, SmartSwitch Namibia, Revix, and V2 for the year ended June 30, and Walletdoc for the year ended February 28/29 (as appropriate);

(4) Bank Frick and Finbond are banks and do not present current and long-term assets and liabilities. All assets and liabilities of these two entities are included under the long-term caption;

(5) Statement of operations information for DNI is for the period from July 1, 2019 to March 31, 2020, and April 1, 2019 to June 30, 2019.

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8. EQUITY-ACCOUNTED INVESTMENTS AND OTHER LONG-TERM ASSETS (continued)
Other long-term assets

Summarized below is the breakdown of other long-term assets as of June 30, 2021, and June 30, 2020:

	June 30, 2021	June 30, 2020
Total equity investments	\$ 76,297	\$ 26,993
Investment in 11% (2020: 12%) of MobiKwik ⁽¹⁾	76,297	26,993
Investment in 15% of Cell C, at fair value (Note 5)	-	-
Investment in 87.50% of CPS (Note 23) ⁽¹⁾⁽²⁾	-	-
Total held to maturity investments	-	-
Investment in 7.625% of Cedar Cellular Investment 1 (RF) (Pty) Ltd 8.625% notes	-	-
Long-term portion of amount due related to sale of interest in Bank Frick ⁽³⁾	3,890	-
Long-term portion of amount due from DNI related to sale of remaining interest in DNI	-	2,857
Policy holder assets under investment contracts (Note 10)	381	490
Reinsurance assets under insurance contracts (Note 10)	1,298	1,006
Total other long-term assets	<u>\$ 81,866</u>	<u>\$ 31,346</u>

(1) The Company determined that MobiKwik and CPS do not have readily determinable fair values and therefore elected to record these investments at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

(2) On October 16, 2020, the High Court of South Africa, Gauteng Division, Pretoria ordered that CPS be placed into liquidation.

(3) Long-term portion of amount due related to sale of interest in Bank Frick represents the amount due by the purchaser in July 2022.

MobiKwik

The Company signed a subscription agreement with MobiKwik, which is one of India's largest independent mobile payments networks, with over 100 million users and 2.3 million merchants. Pursuant to the subscription agreement, the Company agreed to make an equity investment of up to \$40.0 million in MobiKwik over a 24-month period. The Company made an initial \$15.0 million investment in August 2016 and a further \$10.6 million investment in June 2017, under this subscription agreement. During the year ended June 30, 2019, the Company paid \$1.1 million to subscribe for additional shares in MobiKwik. As of June 30, 2021 and 2020, respectively, the Company owned approximately 11% and 12% of MobiKwik's issued share capital.

During the year ended June 30, 2021, MobiKwik entered into a number of separate agreements with new shareholders to raise additional capital through the issuance of additional shares. Specifically, the Company used the following transactions as the basis for its fair value adjustments to its investment in MobiKwik during the year ended June 30, 2021: (i) in early November 2020, \$135.54 per share; March 2021, \$170.33 per share; and June 2021, \$245.50 per share. The Company considered each of these transactions to be an observable price change in an orderly transaction for similar or identical equity securities issued by MobiKwik. The Company used the November 2020 valuation as the basis for its adjustment to increase the carrying value in its investment in MobiKwik by \$15.1 million from \$27.0 million to \$42.1 million as of December 31, 2020. The Company used the March 2021 valuation as the basis for its adjustment to increase the carrying value in its investment in MobiKwik by \$10.8 million from \$42.1 million to \$52.9 million as of March 31, 2021. The Company used the June 2021 valuation as the basis for its adjustment to increase the carrying value in its investment in MobiKwik by \$24.0 million from \$52.9 million to \$76.3 million as of June 30, 2021. The change in the fair value of MobiKwik for the year ended June 30, 2021, of \$49.3 million, is included in the caption "Change in fair value of equity securities" in the consolidated statement of operations for the year ended June 30, 2021.

Cell C

On August 2, 2017, the Company, through its subsidiary, Net1SA, purchased 75,000,000 class "A" shares of Cell C for an aggregate purchase price of ZAR 2.0 billion (\$151.0 million) in cash. The Company funded the transaction through a combination of cash and a borrowing facility. Net1 SA has pledged, among other things, its entire equity interest in Cell C as security for the South African facilities described in Note 11 used to partially fund the acquisition of Cell C. The Company's investment in Cell is carried at fair value. Refer to Note 5 for additional information regarding changes in the fair value of Cell C.

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8. EQUITY-ACCOUNTED INVESTMENTS AND OTHER LONG-TERM ASSETS (continued)
Other long-term assets (continued)
CPS

The Company deconsolidated its investment in CPS in May 2020, refer to Note 23. As of June 30, 2021 and 2020, respectively, the Company owned 87.5% of CPS' issued share capital.

Cedar Cellular

No interest income from the Cedar Cellular note was recorded during the years ended June 30, 2021 and 2020, respectively. The Company recognized interest income of \$2.4 million related to the Cedar Cellular notes during the year ended June 30, 2019. Interest on this investment will only be paid, at Cedar Cellular's election, on maturity in August 2022. The Company's effective interest rate on the Cedar Cellular note was 24.82% as of June 30, 2019.

The Company does not expect to recover the amortized cost basis of the Cedar Cellular notes due to a reduction in the amount of future cash flows expected to be collected from the debt security compared to previous expectations. The Company does not expect to generate any cash flows from the debt security at maturity in August 2022 or prior to the maturity date due to the current challenges facing the business and the uncertainties over the future value of the current equity in Cell C. Accordingly, the Company believes it is unlikely that Cedar Cellular will generate sufficient cash inflows to settle any outstanding accumulated interest and principal due to the note holders on maturity in August 2022.

The Company cannot calculate an effective interest rate on the Cedar Cellular note because the carrying value is currently zero (\$0.0 million) as of June 30, 2021 and 2020. The Company therefore cannot calculate the present value of the expected cash flows to be collected from the debt security by discounting these cash flows at the interest rate implicit in the security upon acquisition (at a rate of 24.82%) because there are no future cash flows to discount. The present value of the expected cash flows of zero (\$0.0 million) is less than the amortized cost basis recorded of \$12.8 million (before the cumulative 2019 impairments for the year ended June 30, 2019). Accordingly, the Company recorded an other-than-temporary impairment related to a credit loss of \$12.8 million during the year ended June 30, 2019. The impairment of \$12.8 million is included in the caption "Impairment of Cedar Cellular note" in the consolidated statement of operations for the year ended June 30, 2019.

Summarized below are the components of the Company's equity securities without readily determinable fair value and held to maturity investments as of June 30, 2021:

	Cost basis	Unrealized holding gains	Unrealized holding losses	Carrying value
Equity securities:				
Investment in Mobikwik	\$ 26,993	\$ 49,304	\$ -	\$ 76,297
Investment in CPS	-	-	-	-
Held to maturity:				
Investment in Cedar Cellular notes	-	-	-	-
Total	<u>\$ 26,993</u>	<u>\$ 49,304</u>	<u>\$ -</u>	<u>\$ 76,297</u>

Summarized below are the components of the Company's equity securities without readily determinable fair value and held to maturity investments as of June 30, 2020:

	Cost basis	Unrealized holding gains	Unrealized holding losses	Carrying value
Equity securities:				
Investment in MobiKwik	\$ 26,993	\$ -	\$ -	\$ 26,993
Investment in CPS	-	-	-	-
Held to maturity:				
Investment in Cedar Cellular notes	-	-	-	-
Total	<u>\$ 26,993</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,993</u>

NET 1 UEPS TECHNOLOGIES, INC.**Notes to the consolidated financial statements****for the years ended June 30, 2021 and 2020 and 2019****(All amounts stated in thousands of United States Dollars, unless otherwise stated)****8. EQUITY-ACCOUNTED INVESTMENTS AND OTHER LONG-TERM ASSETS (continued)****Contractual maturities of held to maturity investments**

Summarized below is the contractual maturity of the Company's held to maturity investment as of June 30, 2021:

	<u>Cost basis</u>	<u>Estimated fair value⁽¹⁾</u>
Due in one year or less	\$ -	\$ -
Due in one year through five years ⁽²⁾	-	-
Due in five years through ten years	-	-
Due after ten years	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

(1) The estimated fair value of the Cedar Cellular note has been calculated utilizing the Company's portion of the security provided to the Company by Cedar Cellular, namely, Cedar Cellular's investment in Cell C.

(2) The cost basis is zero (\$0.0 million).

9. GOODWILL AND INTANGIBLE ASSETS, net**Goodwill**

Summarized below is the movement in the carrying value of goodwill for the years ended June 30, 2021, 2020 and 2019:

	<u>Gross value</u>	<u>Accumulated impairment</u>	<u>Carrying value</u>
Balance as of July 1, 2018	\$ 73,572	\$ (20,773)	\$ 52,799
Impairment loss	-	(14,440)	(14,440)
Foreign currency adjustment ⁽¹⁾	(1,099)	56	(1,043)
Balance as of June 30, 2019	72,473	(35,157)	37,316
Impairment loss	-	(5,589)	(5,589)
Disposal of FIHRST (Note 23)	(599)	-	(599)
Deconsolidation of CPS (Note 23)	(1,346)	1,346	-
Foreign currency adjustment ⁽¹⁾	(7,334)	375	(6,959)
Balance as of June 30, 2020	63,194	(39,025)	24,169
Liquidation of subsidiaries ⁽²⁾	(26,629)	26,629	-
Foreign currency adjustment ⁽¹⁾	6,384	(1,400)	4,984
Balance as of June 30, 2021	<u>\$ 42,949</u>	<u>\$ (13,796)</u>	<u>\$ 29,153</u>

(1) – The foreign currency adjustment represents the effects of the fluctuations between the South African Rand and the Euro, and the U.S. dollar on the carrying value.

(2) – The Company deconsolidated the goodwill and accumulated impairment related to entities it substantially liquidated during the year ended June 30, 2021.

Impairment loss

The Company assesses the carrying value of goodwill for impairment annually, or more frequently, whenever events occur and circumstances change indicating potential impairment. The Company performs its annual impairment test as at June 30 of each year.

Year ended June 30, 2021

The Company did not impair any goodwill during the year ended June 30, 2021.

9. GOODWILL AND INTANGIBLE ASSETS, net (continued)

Goodwill (continued)

Impairment loss (continued)

Year ended June 30, 2020 (continued)

During the third quarter of fiscal 2020, the Company performed an impairment analysis and recognized an impairment loss of \$5.6 million, related to goodwill allocated to its EasyPay business within its South African transaction processing operating segment. The impairment loss resulted from a reassessment of the business's growth prospects given the challenging economic environment in South Africa. The impairment is included within the caption impairment loss in the consolidated statement of operations for the year ended June 30, 2020.

In order to determine the amount of the EasyPay goodwill impairment, the estimated fair value of EasyPay's business assets and liabilities were compared to the carrying value of its assets and liabilities. The Company used a discounted cash flow model in order to determine the fair value of EasyPay. Based on this analysis, the Company determined that the carrying value of EasyPay's assets and liabilities exceeded their fair value at the reporting date.

Year ended June 30, 2019

During the second quarter of fiscal 2019, the Company performed an impairment analysis and recognized an impairment loss of approximately \$8.2 million, of which approximately \$7.0 million related to goodwill allocated to its IPG business within its international transaction processing operating segment and \$1.2 million related to goodwill within its South African transaction processing operating segment. Given the consolidation and restructuring of IPG over the period to December 31, 2018, several business lines were terminated or meaningfully reduced, resulting in lower than expected revenues, profits and cash flows. IPG's new business initiatives were still in their infancy, and it was expected to generate lower cash flows than initially forecast.

In order to determine the amount of the IPG goodwill impairment, the estimated fair value of the Company's IPG business assets and liabilities was compared to the carrying value of IPG's assets and liabilities. The Company used a discounted cash flow model in order to determine the fair value of IPG. The allocation of the fair value of IPG required the Company to make a number of assumptions and estimates about the fair value of assets and liabilities where the fair values were not readily available or observable. Based on this analysis, the Company determined that the carrying value of IPG's assets and liabilities exceeded their fair value at the reporting date.

The Company also identified and recognized an impairment loss of \$6.2 million related to goodwill allocated to its financial inclusion and applied technologies operating segment as a result of its June 30, 2019, annual impairment test. The June 2019 impairment loss resulted from on-going losses incurred in the latter half of the fiscal year that were greater than, and were incurred for a longer duration, than initially expected.

The estimated fair value of the business assets and liabilities were compared to the carrying value of the assets and liabilities of the reporting unit within the financial inclusion and applied technologies operating segment in order to determine the \$6.2 million goodwill impairment. The Company used an EV/EBITDA multiple valuation model to determine the fair value of the reporting unit.

The allocation of the fair value of the reporting unit required the Company to make a number of assumptions and estimates about the fair value of assets and liabilities where the fair values were not readily available or observable. Based on this analysis, except for the impairments recognized, the Company determined that the carrying value of the reporting unit's assets and liabilities exceeded their fair value at the reporting date.

In the event that there is deterioration in the Company's operating segments, or in any other of the Company's businesses, this may lead to additional impairments in future periods.

NET 1 UEPS TECHNOLOGIES, INC.**Notes to the consolidated financial statements****for the years ended June 30, 2021 and 2020 and 2019****(All amounts stated in thousands of United States Dollars, unless otherwise stated)****9. GOODWILL AND INTANGIBLE ASSETS, net (continued)****Goodwill (continued)**

Refer to Note 20 for additional information regarding changes to the Company's reportable segments during the year ended June 30, 2021. Goodwill has been allocated to the Company's reportable segments as follows:

	Processing	Financial services	Technology	Carrying value
Balance as of July 1, 2018	\$ 28,614	\$ -	\$ 24,185	\$ 52,799
Impairment loss	(8,191)	-	(6,249)	(14,440)
Foreign currency adjustment ⁽¹⁾	(558)	-	(485)	(1,043)
Balance as of June 30, 2019	19,865	-	17,451	37,316
Impairment loss	(5,589)	-	-	(5,589)
Disposal of FIHRST (Note 23)	(599)	-	-	(599)
Foreign currency adjustment ⁽¹⁾	(3,688)	-	(3,271)	(6,959)
Balance as of June 30, 2020	9,989	-	14,180	24,169
Foreign currency adjustment ⁽¹⁾	1,978	-	3,006	4,984
Balance as of June 30, 2021	<u>\$ 11,967</u>	<u>\$ -</u>	<u>\$ 17,186</u>	<u>\$ 29,153</u>

(1) – The foreign currency adjustment represents the effects of the fluctuations between the South African rand and the Euro, and the U.S. dollar on the carrying value.

Intangible assets***Impairment loss***

The Company assesses the carrying value of intangible assets for impairment whenever events occur or circumstances change indicating that the carrying amount of the intangible asset may not be recoverable. Except as discussed below, no intangible assets have been impaired during the years ended June 30, 2021, 2020 and 2019, respectively.

Year ended June 30, 2020

During the third quarter of fiscal 2020, the Company determined that its indefinite-lived intangible asset, a Maltese e-money license, of \$0.7 million was impaired. The facts and circumstances leading up to the impairment include the losses incurred by the Company's IPG business unit. In fiscal 2019, IPG formulated a plan to return to profitability, however, it missed a number of key deliverable deadlines and was reformulating its growth plans following the decision not to acquire a controlling stake in Bank Frick. The impairment is included within the caption impairment loss to the consolidated statement of operations for the year ended June 30, 2020. The intangible asset was not allocated to an operating segment and is included within corporate/ eliminations (refer to Note 20).

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9. GOODWILL AND INTANGIBLE ASSETS, net
Intangible assets (continued)
Carrying value and amortization of intangible assets

Summarized below is the carrying value and accumulated amortization of the intangible assets as of June 30, 2021, and June 30, 2020:

	As of June 30, 2021			As of June 30, 2020		
	Gross carrying value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value
Finite-lived intangible assets:						
Customer relationships	\$ 10,340	\$ (10,340)	\$ -	\$ 19,064	\$ (18,806)	\$ 258
Software and unpatented technology	1,726	(1,726)	-	3,931	(3,931)	-
FTS patent	2,679	(2,679)	-	2,211	(2,211)	-
Trademarks	2,015	(1,658)	357	2,731	(2,377)	354
Total finite-lived intangible assets	<u>\$ 16,760</u>	<u>\$ (16,403)</u>	<u>357</u>	<u>\$ 27,937</u>	<u>\$ (27,325)</u>	<u>612</u>
Indefinite-lived intangible assets:						
Financial institution licenses ⁽¹⁾			-			-
Total indefinite-lived intangible assets			-			-
Total intangible assets			<u>\$ 357</u>			<u>\$ 612</u>

(1) The Company deconsolidated the Malta e-money licence following the substantial liquidation of its Malta business during the year ended June 30, 2021.

Aggregate amortization expense on the finite-lived intangible assets for the years ended June 30, 2021, 2020 and 2019, was approximately \$0.4 million, \$0.3 million and \$7.1, respectively.

Future estimated annual amortization expense for the next five fiscal years and thereafter, assuming exchange rates that prevailed on June 30, 2021, is presented in the table below. Actual amortization expense in future periods could differ from this estimate as a result of acquisitions, changes in useful lives, exchange rate fluctuations and other relevant factors.

Fiscal 2022	\$ 72
Fiscal 2023	72
Fiscal 2024	71
Fiscal 2025	71
Fiscal 2026	71
Total future estimated annual amortization expense	<u>\$ 357</u>

NET 1 UEPS TECHNOLOGIES, INC.**Notes to the consolidated financial statements****for the years ended June 30, 2021 and 2020 and 2019****(All amounts stated in thousands of United States Dollars, unless otherwise stated)****10. ASSETS AND POLICYHOLDER LIABILITIES UNDER INSURANCE AND INVESTMENT CONTRACTS****Reinsurance assets and policyholder liabilities under insurance contracts**

Summarized below is the movement in reinsurance assets and policyholder liabilities under insurance contracts during the years ended June 30, 2021 and 2020:

	Reinsurance Assets⁽¹⁾	Insurance contracts⁽²⁾
Balance as of July 1, 2019	\$ 1,163	\$ (1,880)
Increase in policy holder benefits under insurance contracts	509	(3,024)
Claims and policyholders' benefits under insurance contracts	(449)	3,182
Foreign currency adjustment ⁽³⁾	(217)	352
Balance as of June 30, 2020	1,006	(1,370)
Increase in policy holder benefits under insurance contracts	711	8,032
Claims and policyholders' benefits under insurance contracts	(632)	(8,383)
Foreign currency adjustment ⁽³⁾	213	(290)
Balance as of June 30, 2021	<u>\$ 1,298</u>	<u>\$ (2,011)</u>

(1) Included in other long-term assets (refer to Note 8);

(2) Included in other long-term liabilities;

(3) Represents the effects of the fluctuations of the ZAR against the U.S. dollar.

The Company has agreements with reinsurance companies in order to limit its losses from large insurance contracts, however, if the reinsurer is unable to meet its obligations, the Company retains the liability. The value of insurance contract liabilities is based on the best estimate assumptions of future experience plus prescribed margins, as required in the markets in which these products are offered, namely South Africa. The process of deriving the best estimates assumptions plus prescribed margins includes assumptions related to claim reporting delays (based on average industry experience).

Assets and policyholder liabilities under investment contracts

Summarized below is the movement in assets and policyholder liabilities under investment contracts during the years ended June 30, 2021 and 2020:

	Assets⁽¹⁾	Investment contracts⁽²⁾
Balance as of July 1, 2019	\$ 619	\$ (619)
Increase in policy holder benefits under investment contracts	17	(17)
Claims and decrease in policyholders' benefits under investment contracts	(29)	29
Foreign currency adjustment ⁽³⁾	(117)	117
Balance as of June 30, 2020	490	(490)
Increase in policy holder benefits under investment contracts	13	(13)
Claims and decrease in policyholders' benefits under investment contracts	(227)	227
Foreign currency adjustment ⁽³⁾	105	(105)
Balance as of June 30, 2021	<u>\$ 381</u>	<u>\$ (381)</u>

(1) Included in other long-term assets (refer to Note 8);

(2) Included in other long-term liabilities;

(3) Represents the effects of the fluctuations of the ZAR against the U.S. dollar.

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

11. BORROWINGS

South Africa

The amounts below have been translated at exchange rates applicable as of the dates specified.

July 2017 Facilities, as amended, comprising long-term borrowings (all repaid) and a short-term facility (Facility E)

On July 21, 2017, Net1 SA entered into a Common Terms Agreement, Subordination Agreement, Security Cession & Pledge and certain ancillary loan documents (collectively, the “Original Loan Documents”) with RMB, a South African corporate and investment bank, and Nedbank Limited (acting through its Corporate and Investment Banking division), an African corporate and investment bank (collectively, the “Lenders”). Since 2017, these agreements have been amended to add additional facilities. Facilities A, B, C, D and F have been repaid and cancelled. As of June 30, 2021, the only remaining available facility is an overdraft facility (“Facility E”).

Available short-term facility - Facility E

On September 26, 2018, Net1 SA further revised its amended July 2017 Facilities agreement with RMB to include Facility E, an overdraft facility of up to ZAR 1.5 billion (\$104.5 million, translated at exchange rates applicable as of June 30, 2021) to fund the Company’s ATMs. The Facility E overdraft facility was subsequently reduced to ZAR 1.2 billion (\$83.9 million, translated at exchange rates applicable as of June 30, 2021) in September 2019. On August 2, 2021, Net1 SA and RMB entered into a Letter of Amendment to increase Facility E from ZAR 1.2 billion to ZAR 1.4 billion (\$97.9 million, translated at exchange rates applicable as of June 30, 2021). Interest on the overdraft facility is payable on the first day of month following utilization of the facility and on the final maturity date based on the South African prime rate. The overdraft facility amount utilized must be repaid in full within one month of utilization and at least 90% of the amount utilized must be repaid within 25 days. The overdraft facility is secured by a pledge by Net1 SA of, among other things, cash and certain bank accounts utilized in the Company’s ATM funding process, the cession of Net1 SA’s shareholding in Cell C, the cession of an insurance policy with Senate Transit Underwriters Managers Proprietary Limited, and any rights and claims Net1 SA has against Grindrod Bank Limited. As at June 30, 2021, the Company had utilized approximately ZAR 0.2 billion (\$14.2 million) of this overdraft facility. This overdraft facility may only be used to fund ATMs and therefore the overdraft utilized and converted to cash to fund the Company’s ATMs is considered restricted cash. The prime rate on June 30, 2021, was 7.00%.

Repaid and cancelled facilities - Facility A, B, C, D and F

As part of the Original Loan Documents concluded on July 21, 2017, Net1 SA also entered into Senior Facility A Agreement, Senior Facility B Agreement and Senior Facility C Agreement, pursuant to which, among other things, Net1 SA borrowed ZAR 1.25 billion to finance a portion of its investment in Cell C and to fund its on-going working capital requirements. On March 8, 2018, the Company amended its South African long-term facility to include an additional term loan, Facility D, of up to ZAR 210.0 million. All amounts under these facilities were repaid in full during the year ended June 30, 2019.

On September 4, 2019, Net1 SA further amended the July 2017 Facilities agreement, which included adding Main Street 1692 (RF) Proprietary Limited (“Debt Guarantor”), a South African company incorporated for the sole purpose of holding collateral for the benefit of the Lenders and acting as debt guarantor. The covenants were also amended and now include customary covenants that require Net1 SA to maintain a specified total asset cover ratio and restrict the ability of Net1 SA, and certain of its subsidiaries to make certain distributions with respect to their capital stock, prepay other debt, encumber their assets, incur additional indebtedness, make investment above specified levels, engage in certain business combinations and engage in other corporate activities. Net1 also agreed that in the event of any sale of KSNET, Inc., it would deposit a portion of the proceeds in an amount of the USD equivalent of the Facility F loan and the Nedbank general banking facility commitment into a bank account secured in favor of the Debt Guarantor. Net1 SA also entered into a pledge and cession agreement with the Debt Guarantor pursuant to which, among other things, Net1 SA agreed to cede its shareholdings in Cell C, DNI and Net1 FIHRST Holdings (Pty) Ltd to the Debt Guarantor. The shareholdings in DNI and Net 1 FIHRST Holdings (Pty) Ltd were released pursuant to the transactions to dispose of these investments.

On September 4, 2019, Net1 SA further amended its amended July 2017 Facilities agreement with RMB and Nedbank to include a facility (“Facility F”) of up to ZAR 300.0 million (\$17.3 million, translated at exchange rates applicable as of June 30, 2020) for the sole purpose of funding the acquisition of airtime from Cell C. Net1 SA could not dispose of the airtime acquired from Cell C before April 1, 2020, without the prior consent of RMB, Absa Bank Limited and Investec Asset Management Proprietary Limited. Facility F comprised (i) a first Senior Facility F loan of ZAR 220.0 million (ii) a second Senior Facility F loan of ZAR 80.0 million, or such lesser amount as may be agreed by the facility agent. The first loan was utilized on September 5, 2019, while the second loan was never utilized. Facility F was required to be repaid in full within nine months following the first utilization of the facility. Net1 SA was required to prepay Facility F subject to customary prepayment terms. Interest on Facility F was based on JIBAR plus a margin of 5.50% per annum and was due in full on repayment of the loan. The margin on the Facility F increased by 1% on November 1, 2019, because the Company had not disposed of its remaining shareholding in DNI and FIHRST by that date.

11. BORROWINGS (continued)

South Africa (continued)

July 2017 Facilities, as amended, comprising long-term borrowings (all repaid) and a short-term facility (Facility E) (continued)

Repaid and cancelled facilities - Facility A, B, C, D and F (continued)

Net1 SA paid a non-refundable structuring fee of ZAR 2.2 million (\$0.1 million) to the Lenders in September 2019, and the Company expensed this amount in full during the first quarter of fiscal 2020. The Company settled the facility in full on April 1, 2020, utilizing a portion of the proceeds received from the sale of its remaining stake in DNI, and the facility was cancelled.

Nedbank facility, comprising short-term facilities

As of June 30, 2021, the aggregate amount of the Company's short-term South African credit facility with Nedbank Limited was ZAR 406.6 million (\$28.4 million). The credit facility comprises an overdraft facility of up to ZAR 250.0 million (\$17.5 million), which may only be used to fund mobile ATMs and indirect and derivative facilities of up to ZAR 156.6 million (\$10.9 million), which include guarantees, letters of credit and forward exchange contracts.

On November 2, 2020, the Company amended its short-term South African credit facility with Nedbank Limited to increase the indirect and derivative facilities component of the facility from ZAR 150.0 million to ZAR 159.0 million. On June 1, 2021, the Company further amended its short-term South African credit facility with Nedbank Limited to reduce the indirect and derivative facilities component of the facility from ZAR 159.0 million to ZAR 157.0 million, and to cancel its ZAR 50 million general banking facility.

The Company has entered into cession and pledge agreements with Nedbank related to certain of its Nedbank credit facilities (the general banking facility and a portion of the indirect facility) and the Company has ceded and pledged certain bank accounts to Nedbank and also provided a the cession of Net1 SA's shareholding in Cell C. The funds included in these bank accounts are restricted as they may not be withdrawn without the express permission of Nedbank. These funds, of ZAR 156.6 million (\$10.9 million translated at exchange rates applicable as of June 30, 2021), are included within the caption restricted cash related to ATM funding and credit facilities on the Company's consolidated balance sheet as of June 30, 2021.

The Company has also ceded all of its title and interest in an insurance policy issued by Fidelity Risk Proprietary Limited as security for its repayment obligations under the facility. A commitment fee of 0.35% per annum is payable on the monthly unutilized amount of the overdraft portion of the short-term facility. The Company is required to comply with customary non-financial covenants, including, without limitation, covenants that restrict its ability to dispose of or encumber its assets, incur additional indebtedness or engage in certain business combinations.

The short-term facility provides Nedbank with the right to set off funds held in certain identified Company bank accounts with Nedbank against any amounts owed to Nedbank under the facility. As of June 30, 2021, the Company had total funds of \$0.2 million in bank accounts with Nedbank which have been set off against \$0.2 million drawn under the Nedbank facility, for a net utilized facility balance of \$0 (nil) as of June 30, 2021. As of June 30, 2020, the Company had total funds of \$12.4 million in bank accounts with Nedbank which have been set off against \$12.4 million drawn under the Nedbank facility, for a net amount drawn under the facility of \$0.1 million. As of June 30, 2021, the interest rate on the overdraft facility was 5.85%.

As of June 30, 2021, the Company had not utilized its ZAR 250.0 million overdraft facility to fund ATMs. As of June 30, 2020, the Company had utilized approximately ZAR 1.0 million (\$0.1 million) of its ZAR 300.0 million overdraft facility to fund ATMs, and none of its ZAR 50.0 million general banking facility. As of June 30, 2021 and June 30, 2020, the Company had utilized approximately ZAR 156.6 million (\$10.9 million) and ZAR 93.6 million (\$5.4 million), respectively, of its indirect and derivative facilities of ZAR 156.6 million (2020: ZAR 150 million) to enable the bank to issue guarantees, letters of credit and forward exchange contracts, in order for the Company to honor its obligations to third parties requiring such guarantees (refer to Note 21).

United States, a short-term facility (this facility has been repaid and cancelled)

On September 14, 2018, the Company renewed its \$10.0 million overdraft facility from Bank Frick and on February 4, 2019, the Company increased the overdraft facility to \$20.0 million. As of June 30, 2019, the Company had utilized approximately \$9.5 million of this facility. The Company's \$20 million facility from Bank Frick was settled in full and cancelled in March 2020. The facility was secured by a pledge of the Company's investment in Bank Frick and the shares under the pledge were released upon cancellation.

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11. BORROWINGS (continued)
Movement in short-term credit facilities

Summarized below are the Company's short-term facilities as of June 30, 2021, and the movement in the Company's short-term facilities from as of June 30, 2020 to as of June 30, 2021:

	South Africa		United States	
	Amended July 2017	Nedbank	Bank Frick	Total
Short-term facilities available as of June 30, 2021	\$ 83,910	\$ 28,428		\$ 112,338
Overdraft restricted as to use for ATM funding only	83,910	17,481		101,391
Indirect and derivative facilities	-	10,947		10,947
Movement in utilized overdraft facilities:				
Balance as of June 30, 2019	69,566	5,880	\$ 9,544	84,990
Utilized	603,134	69,245	17,384	689,763
Repaid	(647,990)	(73,017)	(26,928)	(747,935)
Foreign currency adjustment ⁽¹⁾	(9,954)	(2,050)	-	(12,004)
Balance as of June 30, 2020 ⁽²⁾	14,756	58	-	14,814
Restricted as to use for ATM funding only	14,756	58		14,814
No restrictions as to use	-	-		-
Utilized	340,655	19,428		360,083
Repaid	(346,187)	(19,253)		(365,440)
Foreign currency adjustment ⁽¹⁾	5,021	(233)		4,788
Balance as of June 30, 2021 ⁽³⁾	14,245	-		14,245
Restricted as to use for ATM funding only	14,245	-		14,245
Movement in utilized indirect and derivative facilities:				
Balance as of June 30, 2019	-	6,643	-	6,643
Foreign currency adjustment ⁽¹⁾	-	(1,245)	-	(1,245)
Balance as of June 30, 2020	-	5,398	-	5,398
Utilized	-	4,009	-	4,009
Foreign currency adjustment ⁽¹⁾	-	1,540	-	1,540
Balance as of June 30, 2021	\$ -	\$ 10,947	\$ -	\$ 10,947

(1) Represents the effects of the fluctuations between the ZAR and the U.S. dollar.

(2) As of June 30, 2020, there were no amounts offset against the Nedbank overdraft facilities.

(3) As of June 30, 2021, there was \$0.2 million offset against the Nedbank overdraft facilities.

Movement in long-term borrowings

The Company had no long-term borrowings as of June 30, 2021. Summarized below is the movement in the Company's long-term borrowing from as of June 30, 2019, to as of June 30, 2020:

	South Africa Amended July 2017	Total
Balance as of July 1, 2019	\$ -	\$ -
Utilized	14,798	14,798
Repaid from sale of DNI shares (Note 8)	(14,503)	(14,503)
Foreign currency adjustment ⁽¹⁾	(295)	(295)
Balance as of June 30, 2020	\$ -	\$ -

(1) Represents the effects of the fluctuations between the ZAR and the U.S. dollar.

Interest expense incurred under the Company's South African long-term borrowing during the years ended June 30, 2020 and 2019, was \$0.6 million and \$2.9 million, respectively. There was no prepaid facility fee amortization during the year ended June 30, 2020. Prepaid facility fees amortized during the years ended June 30, 2019, was \$0.3 million.

NET 1 UEPS TECHNOLOGIES, INC.**Notes to the consolidated financial statements****for the years ended June 30, 2021 and 2020 and 2019****(All amounts stated in thousands of United States Dollars, unless otherwise stated)****12. OTHER PAYABLES**

Summarized below is the breakdown of other payables as of June 30, 2021 and 2020:

	June 30, 2021	June 30, 2020
Accruals	\$ 7,501	\$ 6,045
Provisions	5,343	4,926
Payroll-related payables	884	887
Participating merchants' settlement obligation	137	463
Value-added tax payable	435	129
Other	13,288	11,329
	<u>\$ 27,588</u>	<u>\$ 23,779</u>

Other includes transactions-switching funds payable, deferred income, client deposits and other payables.

13. COMMON STOCK**Common stock**

Holders of shares of Net1's common stock are entitled to receive dividends and other distributions when declared by Net1's board of directors out of legally available funds. Payment of dividends and distributions is subject to certain restrictions under the Florida Business Corporation Act, including the requirement that after making any distribution Net1 must be able to meet its debts as they become due in the usual course of its business.

Upon voluntary or involuntary liquidation, dissolution or winding up of Net1, holders of common stock share ratably in the assets remaining after payments to creditors and provision for the preference of any preferred stock according to its terms. There are no pre-emptive or other subscription rights, conversion rights or redemption or scheduled installment payment provisions relating to shares of common stock. All of the outstanding shares of common stock are fully paid and non-assessable.

Each holder of common stock is entitled to one vote per share for the election of directors and for all other matters to be voted on by shareholders. Holders of common stock may not cumulate their votes in the election of directors, and are entitled to share equally and ratably in the dividends that may be declared by the board of directors, but only after payment of dividends required to be paid on outstanding shares of preferred stock according to its terms. The shares of Net1 common stock are not subject to redemption.

The Company's number of shares, net of treasury, presented in the consolidated balance sheets and consolidated statement of changes in equity includes participating non-vested equity shares (specifically contingently returnable shares) as described below in Note 16 "— Amended and Restated Stock Incentive Plan—Restricted Stock—General Terms of Awards".

The following table presents a reconciliation between the number of shares, net of treasury, presented in the consolidated statement of changes in equity and the number of shares, net of treasury, excluding non-vested equity shares that have not vested during the years ended June 30, 2021, 2020 and 2019:

	2021	2020	2019
Number of shares, net of treasury:			
Statement of changes in equity – common stock	56,716,620	57,118,925	56,568,425
Less: Non-vested equity shares that have not vested as of end of year (Note 16)	<u>384,560</u>	<u>1,115,500</u>	<u>583,908</u>
Number of shares, net of treasury excluding non-vested equity shares that have not vested	<u>56,332,060</u>	<u>56,003,425</u>	<u>55,984,517</u>

13. COMMON STOCK (continued)

Redeemable common stock issued pursuant to transaction with the IFC Investors

Holders of redeemable common stock have all the rights enjoyed by holders of common stock, however, holders of redeemable common stock have additional contractual rights. On April 11, 2016, the Company entered into a Subscription Agreement (the "Subscription Agreement") with International Finance Corporation, IFC African, Latin American and Caribbean Fund, LP, IFC Financial Institutions Growth Fund, LP, and Africa Capitalization Fund, Ltd. (collectively, the "IFC Investors"). Under the Subscription Agreement, the IFC Investors purchased, and the Company sold in the aggregate, approximately 9.98 million shares of the Company's common stock, par value \$0.001 per share, at a price of \$10.79 per share, for gross proceeds to the Company of approximately \$107.7 million. The Company has accounted for these 9.98 million shares as redeemable common stock as a result of the put option discussed below.

On May 19, 2020, the Africa Capitalization Fund, Ltd sold its entire holding of 2,103,169 shares of the Company's common stock and therefore the additional contractual rights, including the put option rights related to these 2,103,169 shares, expired. The Company reclassified \$22.7 million related to these 2,103,169 shares sold from redeemable common stock to additional paid-in-capital during the year ended June 30, 2020.

The Company has entered into a Policy Agreement with the IFC Investors (the "Policy Agreement"). The material terms of the Policy Agreement are described below.

Board Rights

For so long as the IFC Investors in aggregate beneficially own shares representing at least 5% of the Company's common stock, the IFC Investors will have the right to nominate one director to the Company's board of directors. For so long as the IFC Investors in aggregate beneficially own shares representing at least 2.5% of the Company's common stock, the IFC Investors will have the right to appoint an observer to the Company's board of directors at any time when they have not designated, or do not have the right to designate, a director.

Put Option

Each IFC Investor will have the right, upon the occurrence of specified triggering events, to require the Company to repurchase all of the shares of its common stock purchased by the IFC Investors pursuant to the Subscription Agreement (or upon exercise of their preemptive rights discussed below). Events triggering this put right relate to (1) the Company being the subject of a governmental complaint alleging, a court judgment finding or an indictment alleging that the Company (a) engaged in specified corrupt, fraudulent, coercive, collusive or obstructive practices; (b) entered into transactions with targets of economic sanctions; or (c) failed to operate its business in compliance with anti-money laundering and anti-terrorism laws; or (2) the Company rejecting a bona fide offer to acquire all of its outstanding Common Stock at a time when it has in place or implements a shareholder rights plan, or adopting a shareholder rights plan triggered by a beneficial ownership threshold of less than twenty percent. The put price per share will be the higher of the price per share paid by the IFC Investors pursuant to the Subscription Agreement (or paid when exercising their preemptive rights) and the volume weighted average price per share prevailing for the 60 trading days preceding the triggering event, except that with respect to a put right triggered by rejection of a bona fide offer, the put price per share will be the highest price offered by the offeror. The Company believes that the put option has no value and, accordingly, has not recognized the put option in its consolidated financial statements.

Registration Rights

The Company has agreed to grant certain registration rights to the IFC Investors for the resale of their shares of the Company's common stock, including filing a resale shelf registration statement and taking certain actions to facilitate resales thereunder.

Preemptive Rights

For so long as the IFC Investors hold in aggregate 5% of the outstanding shares of common stock of the Company, each Investor will have the right to purchase its pro-rata share of new issuances of securities by the Company, subject to certain exceptions.

NET 1 UEPS TECHNOLOGIES, INC.**Notes to the consolidated financial statements****for the years ended June 30, 2021 and 2020 and 2019****(All amounts stated in thousands of United States Dollars, unless otherwise stated)****13. COMMON STOCK (continued)****Common stock repurchases***Executed under share repurchase authorizations*

On February 5, 2020, the Company's Board of Directors approved the replenishment of its share repurchase authorization to repurchase up to an aggregate of \$100 million of common stock. The authorization has no expiration date. The share repurchase authorization will be used at management's discretion, subject to limitations imposed by SEC Rule 10b-18 and other legal requirements and subject to price and other internal limitations established by the Board. Repurchases will be funded from the Company's available cash. Share repurchases may be made through open market purchases, privately negotiated transactions, or both. There can be no assurance that the Company will purchase any shares or any particular number of shares. The authorization may be suspended, terminated or modified at any time for any reason, including market conditions, the cost of repurchasing shares, liquidity and other factors that management deems appropriate. The Company did not repurchase any of its shares during the years ended June 30, 2021, 2020 and 2019, respectively, either under or outside of the authorization.

14. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

The table below presents the change in accumulated other comprehensive (loss) income per component during the years ended June 30, 2021, 2020 and 2019:

	Accumulated foreign currency translation reserve	Total
Balance as of July 1, 2018	\$ (184,350)	\$ (184,350)
Release of foreign currency translation reserve related to DNI disposal (Note 23)	5,841	5,841
Release of foreign currency translation reserve related to disposal of DNI interest as an equity method investment (Note 8)	(162)	(162)
Movement in foreign currency translation reserve related to equity-accounted investment	4,251	4,251
Movement in foreign currency translation reserve	(21,392)	(21,392)
Balance as of July 1, 2019	(195,812)	(195,812)
Release of foreign currency translation reserve related to deconsolidation of CPS (Note 23)	32,451	32,451
Release of foreign currency translation reserve related to disposal of Net1 Korea (Note 23)	14,228	14,228
Release of foreign currency translation reserve related to disposal of DNI interest as an equity method investment (Note 8)	11,323	11,323
Release of foreign currency translation reserve related to disposal of FIHRST (Note 23)	1,578	1,578
Movement in foreign currency translation reserve related to equity-accounted investment	2,227	2,227
Movement in foreign currency translation reserve	(35,070)	(35,070)
Balance as of July 1, 2020	(169,075)	(169,075)
Release of foreign currency translation reserve related to the disposal of Bank Frick (Note 8)	(2,462)	(2,462)
Release of foreign currency translation reserve related to liquidation of subsidiaries	605	605
Movement in foreign currency translation reserve related to equity-accounted investment	(1,967)	(1,967)
Movement in foreign currency translation reserve	27,178	27,178
Balance as of June 30, 2021	<u>\$ (145,721)</u>	<u>\$ (145,721)</u>

NET 1 UEPS TECHNOLOGIES, INC.**Notes to the consolidated financial statements****for the years ended June 30, 2021 and 2020 and 2019****(All amounts stated in thousands of United States Dollars, unless otherwise stated)****14. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME (continued)**

During the year ended June 30, 2021, the Company reclassified the following amounts from accumulated other comprehensive loss (accumulated foreign currency translation reserve) to net loss: \$2.5 million related to the disposal of Bank Frick (refer to 23) and (ii) \$0.6 million related to the liquidation of subsidiaries.

During the year ended June 30, 2020, the Company reclassified the following amounts from accumulated other comprehensive loss (accumulated foreign currency translation reserve) to net (loss) income: (i) \$32.5 million related to the deconsolidation of CPS (refer to Note 23), (ii) \$14.2 million related to the disposal of Net1 Korea (refer to Note 23); (iii) \$1.6 million related to the disposal of FIHRST (refer to Note 23), and (iv) \$11.3 million related to the disposal of its DNI interest (refer to Note 8).

During the year ended June 30, 2019, the Company reclassified the following amounts from accumulated other comprehensive loss (accumulated foreign currency translation reserve) to net (loss) income: (i) \$5.8 million related to the DNI disposal (refer to Note 23) and (ii) \$0.2 million related to the disposal of the DNI interest as an equity method investment (refer to Note 8).

15. REVENUE

The Company is a provider of transaction processing services, financial inclusion products and services and secure payment technology. The Company operates market-leading payment processors in South Africa. The Company offers debit, credit and prepaid processing and issuing services for all major payment networks. In South Africa, the Company provides innovative low-cost financial inclusion products, including banking, lending and insurance.

Disaggregation of revenue

The following table represents our revenue disaggregated by major revenue streams, including reconciliation to operating segments for the year ended June 30, 2021:

	Processing	Financial services	Technology	Total
Processing fees	\$ 60,982	\$ 2,338	\$ -	\$ 63,320
South Africa	57,664	2,338	-	60,002
Rest of world	3,318	-	-	3,318
Technology products	2,054	330	16,630	19,014
Telecom products and services	13,422	-	-	13,422
Lending revenue	-	20,672	-	20,672
Insurance revenue	-	6,605	-	6,605
Account holder fees	-	5,342	-	5,342
Other	1,204	318	889	2,411
Total revenue, derived from the following geographic locations	77,662	35,605	17,519	130,786
South Africa	74,344	35,605	17,519	127,468
Rest of world	\$ 3,318	\$ -	\$ -	\$ 3,318

NET 1 UEPS TECHNOLOGIES, INC.
Notes to the consolidated financial statements
for the years ended June 30, 2021 and 2020 and 2019
(All amounts stated in thousands of United States Dollars, unless otherwise stated)
15. REVENUE (continued)

The following table represents our revenue disaggregated by major revenue streams, including reconciliation to operating segments for the year ended June 30, 2020:

	Processing (as restated)	Financial services	Technology	Total (as restated) ⁽¹⁾
Processing fees	\$ 55,992	\$ 4,903	\$ -	\$ 60,895
South Africa ⁽¹⁾	50,951	4,903	-	55,854
Rest of world	5,041	-	-	5,041
Technology products	981	-	17,280	18,261
Telecom products and services	22,631	-	-	22,631
Lending revenue	-	19,955	-	19,955
Insurance revenue	-	5,212	-	5,212
Account holder fees	-	12,628	-	12,628
Other	4,024	626	67	4,717
Total revenue, derived from the following geographic locations	83,628	43,324	17,347	144,299
South Africa	78,587	43,324	17,347	139,258
Rest of world	\$ 5,041	\$ -	\$ -	\$ 5,041

(1) Processing fees South Africa and Total columns have been restated for the error described in Note 1.

The following table represents our revenue disaggregated by major revenue streams, including reconciliation to operating segments for the year ended June 30, 2019:

	Processing (as restated)	Financial services	Technology	Corporate/ Eliminations	Total (as restated) ⁽¹⁾
Processing fees	\$ 82,995	\$ 95	\$ -	\$ -	\$ 83,090
South Africa ⁽¹⁾	73,153	95	-	-	73,248
Rest of world	9,842	-	-	-	9,842
Technology products	1,928	-	18,666	-	20,594
Telecom products and services	15,025	-	-	-	15,025
Welfare benefit distribution	3,086	-	-	-	3,086
Lending revenue	-	27,512	-	-	27,512
Insurance revenue	-	5,858	-	-	5,858
Account holder fees	-	17,428	-	-	17,428
Other	4,388	280	3,083	-	7,751
Revenue refund related to CPS	-	-	-	(19,709)	(19,709)
Total revenue, derived from the following geographic locations	107,422	51,173	21,749	(19,709)	160,635
South Africa	97,580	51,173	21,749	(19,709)	150,793
Rest of world	\$ 9,842	\$ -	\$ -	\$ -	\$ 9,842

(1) Processing fees South Africa and Total columns have been restated for the error described in Note 1.

As the Company previously disclosed, in June 2014, the Company received approximately ZAR 317.0 million, including VAT, from SASSA, related to the recovery of additional implementation costs its subsidiary, CPS, incurred during the beneficiary re-registration process in fiscal 2012 and 2013.

After the award of the tender, SASSA requested that CPS biometrically register all social grant beneficiaries (including child grant beneficiaries) and collect additional information for each child grant recipient. CPS agreed to SASSA's request and, as a result, it performed approximately 11 million additional registrations beyond those that CPS tendered for in the quoted service fee. Accordingly, CPS sought reimbursement from SASSA of the cost of this exercise, supported by a factual findings certificate from an independent auditing firm. SASSA paid CPS ZAR 317.0 million, including VAT, as full settlement of the additional costs CPS incurred.

15. REVENUE (continued)

In March 2015, Corruption Watch, a South African non-profit civil society organization, commenced legal proceedings in the Gauteng Division, Pretoria of the High Court of South Africa (“High Court”) seeking an order by the High Court to review and set aside the decision of SASSA’s Chief Executive Officer to approve a payment to CPS of ZAR 317.0 million and directing CPS to repay the aforesaid amount, plus interest. Corruption Watch claimed that there was no lawful basis to make the payment to CPS, and that the decision was unreasonable and irrational and did not comply with South African legislation. CPS was named as a respondent in this legal proceeding.

On February 22, 2018, the matter was heard by the High Court. On March 23, 2018, the High Court ordered that the June 15, 2012 variation agreement between SASSA and CPS be reviewed and set aside. CPS was ordered to refund ZAR 317.0 million to SASSA, plus interest from June 2014 to date of payment.

On September 30, 2019, the Supreme Court declined CPS’ appeal and awarded costs against CPS. CPS is liable to repay SASSA ZAR 317.0 million, plus interest from June 2014 to date of payment. As a result, CPS recorded the liability at June 30, 2019, of \$34.0 million (ZAR 479.4 million, translated at exchange rates applicable as of June 30, 2019, comprising a revenue refund of \$19.7 million (ZAR 277.6 million), accrued interest of \$11.4 million (ZAR 161.0 million), unclaimed indirect taxes of \$2.8 million (ZAR 39.4 million) and estimated costs of \$0.1 million (ZAR 1.4 million)). The Company reduced revenue by \$19.7 million during the year ended June 30, 2019, because it interpreted the Supreme Court ruling as a price variation and not a nonreciprocal transaction. The Company deconsolidated the accrual for the refund of implementation costs in May 2020, following the deconsolidation of CPS (refer to Note 23).

16. STOCK-BASED COMPENSATION

Amended and Restated Stock Incentive Plan

The Company’s Amended and Restated 2015 Stock Incentive Plan (the “Plan”) was most recently amended and restated on November 11, 2015, after approval by shareholders. No evergreen provisions are included in the Plan. This means that the maximum number of shares issuable under the Plan is fixed and cannot be increased without shareholder approval, the plan expires by its terms upon a specified date, and no new stock options are awarded automatically upon exercise of an outstanding stock option. Shareholder approval is required for the repricing of awards or the implementation of any award exchange program.

The Plan permits Net1 to grant to its employees, directors and consultants incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, performance-based awards and other awards based on its common stock. The Remuneration Committee of the Company’s Board of Directors (“Remuneration Committee”) administers the Plan.

The total number of shares of common stock issuable under the Plan is 11,052,580. The maximum number of shares for which awards, other than performance-based awards, may be granted in any combination during a calendar year to any participant is 569,120. The maximum limits on performance-based awards that any participant may be granted during a calendar year are 569,120 shares subject to stock option awards and \$20 million with respect to awards other than stock options. Shares that are subject to awards which terminate or lapse without the payment of consideration may be granted again under the Plan. Shares delivered to the Company as part or full payment for the exercise of an option or to satisfy withholding obligations upon the exercise of an option may be granted again under the Plan in the Remuneration Committee’s discretion. No awards may be granted under the Plan after August 19, 2025, but awards granted on or before such date may extend to later dates.

Options

General Terms of Awards

Option awards are generally granted with an exercise price equal to the market price of the Company's stock at the date of grant, with vesting conditioned upon the recipient’s continuous service through the applicable vesting date and expire 10 years after the date of grant. The options generally become exercisable in accordance with a vesting schedule ratably over a period of three years from the date of grant. The Company issues new shares to satisfy stock option award exercises but may also use treasury shares.

Valuation Assumptions

The fair value of each option is estimated on the date of grant using the Cox Ross Rubinstein binomial model that uses the assumptions noted in the table below. The estimated expected volatility is generally calculated based on the Company’s 750-day volatility. The estimated expected life of the option was determined based on historical behavior of employees who were granted options with similar terms.

16. STOCK-BASED COMPENSATION (continued)**Amended and Restated Stock Incentive Plan (continued)***Options (continued)**Valuation Assumptions (continued)*

The table below presents the range of assumptions used to value options granted during the years ended 2021, 2020 and 2019:

	2021	2020	2019
Expected volatility	62 %	57 %	44 %
Expected dividends	0 %	0 %	0 %
Expected life (in years)	3	3	3
Risk-free rate	0.19 %	1.57 %	2.75 %

*Restricted Stock**General Terms of Awards*

Shares of restricted stock are considered to be participating non-vested equity shares (specifically contingently returnable shares) for the purposes of calculating earnings per share (refer to Note 18) because, as discussed in more detail below, the recipient is obligated to transfer any unvested restricted stock back to the Company for no consideration and these shares of restricted stock are eligible to receive non-forfeitable dividend equivalents at the same rate as common stock. Restricted stock generally vests ratably over a three year period, with vesting conditioned upon the recipient's continuous service through the applicable vesting date and under certain circumstances, the achievement of certain performance targets, as described below.

Recipients are entitled to all rights of a shareholder of the Company except as otherwise provided in the restricted stock agreements. These rights include the right to vote and receive dividends and/or other distributions. However, the restricted stock agreements generally prohibit transfer of any nonvested and forfeitable restricted stock. If a recipient ceases to be a member of the Board of Directors or an employee for any reason, all shares of restricted stock that are not then vested and nonforfeitable will be immediately forfeited and transferred to the Company for no consideration. Forfeited shares of restricted stock are available for future issuances by the Remuneration Committee.

The Company issues new shares to satisfy restricted stock awards.

Valuation Assumptions

The fair value of restricted stock is generally based on the closing price of the Company's stock quoted on The Nasdaq Global Select Market on the date of grant.

Forfeiture of 150,000 shares of restricted stock with Performance Conditions awarded in August 2016

In August 2016, the Remuneration Committee approved an award of 350,000 shares of restricted stock to executive officers. In May 2017, the Company determined to accelerate the vesting of all (200,000) of the shares of restricted stock awarded to its former CEO. The shares of restricted stock awarded to executive officers in August 2016 were subject to time-based and performance-based vesting conditions. In order for any of the shares to vest, the recipient was required to remain employed by the Company on a full-time basis on the date that it files its Annual Report on Form 10-K for the fiscal year ended June 30, 2019. If that condition is satisfied, then the shares will vest based on the level of Fundamental EPS the Company achieves for the fiscal year ended June 30, 2019 ("2019 Fundamental EPS"), as follows:

- One-third of the shares will vest if the Company achieves 2019 Fundamental EPS of \$2.60;
- Two-thirds of the shares will vest if the Company achieves 2019 Fundamental EPS of \$2.80; and
- All of the shares will vest if the Company achieves 2019 Fundamental EPS of \$3.00.

At levels of 2019 Fundamental EPS greater than \$2.60 and less than \$3.00, the number of shares that will vest will be determined by linear interpolation relative to 2019 Fundamental EPS of \$2.80. All shares of restricted stock have been valued utilizing the closing price of shares of the Company's common stock quoted on The Nasdaq Global Select Market on the date of grant.

16. STOCK-BASED COMPENSATION (continued)

Amended and Restated Stock Incentive Plan (continued)

Restricted Stock (continued)

Forfeiture of 150,000 shares of restricted stock with Performance Conditions awarded in August 2016 (continued)

Any shares that did not vest in accordance with the above-described conditions would be forfeited. During the year ended June 30, 2019, the Company reversed the stock-based compensation charge recognized related to 150,000 shares of restricted stock because the Company did not achieve the 2019 Fundamental EPS target. The 150,000 shares of restricted stock were forfeited.

Forfeiture of 150,000 shares of restricted stock with Market Conditions awarded in August 2017

In August 2017, the Remuneration Committee approved an award of 210,000 shares of restricted stock to executive officers. The shares of restricted stock awarded to executive officers in August 2017 were subject to a time-based vesting condition and a market condition and would vest in full only on the date, if any, that the following conditions were satisfied: (1) the price of the Company's common stock must equal or exceed certain agreed VWAP levels (as described below) during a measurement period commencing on the date that it filed its Annual Report on Form 10-K for the fiscal year ended June 30, 2020 and ending on December 31, 2020 and (2) the recipient is employed by the Company on a full-time basis when the condition in (1) is met. If either of these conditions was not satisfied, then none of the shares of restricted stock would vest and they would be forfeited. The \$23.00 price target represents an approximate 35% increase, compounded annually, in the price of the Company's common stock on Nasdaq over the \$9.38 closing price on August 23, 2017. The VWAP levels and vesting percentages related to such levels were as follows:

- Below \$15.00 (threshold)—0%
- At or above \$15.00 and below \$19.00—33%
- At or above \$19.00 and below \$23.00—66%
- At or above \$23.00—100%

The 210,000 shares of restricted stock were effectively forward starting knock-in barrier options with multi-strike prices of zero. The fair value of these shares of restricted stock was calculated utilizing a Monte Carlo simulation model which was developed for the purpose of the valuation of these shares. For each simulated share price path, the market share price condition was evaluated to determine whether or not the shares would vest under that simulation. A standard Geometric Brownian motion process was used in the forecasting of the share price instead of a "jump diffusion" model, as the share price volatility was more stable compared to the highly volatile regime of previous years. Therefore, the simulated share price paths capture the idiosyncrasies of the observed Company share price movements.

In scenarios where the shares do not vest, the final vested value at maturity is zero. In scenarios where vesting occurs, the final vested value on maturity is the share price on vesting date. The value of the grant is the average of the discounted vested values. The Company used an expected volatility of 44.0%, an expected life of approximately three years, a risk-free rate ranging between 1.275% to 1.657% and no future dividends in its calculation of the fair value of the restricted stock. The estimated expected volatility was calculated based on the Company's 30 day VWAP share price using the exponentially weighted moving average of returns.

On August 5, 2020, the Company and its then chief executive officer and member of its board of directors, Mr. Herman G. Kotzé, entered into a Separation and Release of Claims Agreement (the "Separation Agreement"). The parties agreed that Mr. Kotzé's last day of employment with the Company would be September 30, 2020, unless terminated earlier by the Company for cause. Upon separation from the Company, Mr. Kotzé forfeited 150,000 shares of restricted stock that were subject to the market conditions described above because he was no longer an employee of the Company as of the vesting date. The VWAP market conditions were not achieved and all outstanding shares of restricted stock were forfeited on December 31, 2020.

16. STOCK-BASED COMPENSATION (continued)

Amended and Restated Stock Incentive Plan (continued)

Restricted Stock (continued)

Market Conditions - Restricted Stock Granted in September 2018

In September 2018, the Remuneration Committee approved an award of 148,000 shares of restricted stock to executive officers. The 148,000 shares of restricted stock awarded to executive officers in September 2018 are subject to a time-based vesting condition and a market condition and vest in full only on the date, if any, that the following conditions are satisfied: (1) the price of the Company's common stock must equal or exceed certain agreed VWAP levels (as described below) during a measurement period commencing on the date that it files its Annual Report on Form 10-K for the fiscal year ended June 30, 2021 and ending on December 31, 2021 and (2) the recipient is employed by the Company on a full-time basis when the condition in (1) is met. If either of these conditions is not satisfied, then none of the shares of restricted stock will vest and they will be forfeited. The \$23.00 price target represents an approximate 55% increase, compounded annually, in the price of the Company's common stock on Nasdaq over the \$6.20 closing price on September 7, 2018. The VWAP levels and vesting percentages related to such levels are as follows:

- Below \$15.00 (threshold)—0%
- At or above \$15.00 and below \$19.00—33%
- At or above \$19.00 and below \$23.00—66%
- At or above \$23.00—100%

The fair value of these shares of restricted stock was calculated using a Monte Carlo simulation of a stochastic volatility process. The choice of a stochastic volatility process as an extension to the standard Black Scholes process was driven by both observations of larger than expected moves in the daily time series for the Company's VWAP price, but also the observation of the strike structure of volatility (i.e. skew and smile) for out-of-the money calls and out-of-the money puts versus at-the-money options for both the Company's stock and NASDAQ futures.

In scenarios where the shares do not vest, the final vested value at maturity is zero. In scenarios where vesting occurs, the final vested value on maturity is the share price on vesting date. In its calculation of the fair value of the restricted stock, the Company used an average volatility of 37.4% for the VWAP price, a discounting based on USD overnight indexed swap rates for the grant date, and no future dividends. The average volatility was extracted from the time series for VWAP prices as the standard deviation of log prices for the three years preceding the grant date. The mean reversion of volatility and the volatility of volatility parameters of the stochastic volatility process were extracted by regressing log differences against log levels of volatility from the time series for at-the-money options 30 day volatility quotes, which were available from January 2, 2018 onwards.

Executive officers forfeited 88,000 shares of restricted stock that were subject to the market conditions described above following their separation from the Company during the year ended June 30, 2021.

Performance Conditions - Restricted Stock Granted in February 2020

The 454,400 shares of restricted stock awarded to executive officers in February 2020 are subject to time-based and performance-based vesting conditions and vest in full only on the date, if any, that the following conditions are satisfied: (1) the achievement of an agreed return on average net equity per year during a measurement period commencing from July 1, 2021, through June 30, 2023, and (2) the recipient is employed by the Company on a full-time basis when the condition in (1) is met. Net equity is calculated as total equity attributable to the Company's shareholders plus redeemable common stock, in conformity with GAAP. The net equity as of June 30, 2021, was set as the base year for the measurement period. The average net equity is calculated as the simple average between the opening net equity and closing net equity during each fiscal year within the measurement period. The targeted return per year within the measurement period is derived from GAAP net income attributable to the Company per fiscal year.

The performance-based awards vest based on the achievement of the following targeted return on average net equity during the measurement period, of:

- 8% per year: 50% vest;
- 14% per year: 100% vest.

No shares of restricted stock will vest at a return on average net equity of less than 8%. Calculation of the award based on the returns between 8% and 14% will be interpolated on a linear basis. The Company's Remuneration Committee may use its discretion to adjust any component of the calculation of the award on a fact-by-fact basis, for instance, as the result of an acquisition.

16. STOCK-BASED COMPENSATION (continued)

Amended and Restated Stock Incentive Plan (continued)

Restricted Stock (continued)

Performance Conditions - Restricted Stock Granted in February 2020 (continued)

Executive officers forfeited 374,400 shares of restricted stock that were subject to the performance conditions described following their separation from the Company during the year ended June 30, 2021.

Market Conditions - Restricted Stock Granted in May 2021

In May 2021, the Remuneration Committee approved an award of 158,734 shares of restricted stock to executive officers. The 158,734 shares of restricted stock awarded to executive officers in May 2021 are subject to a time-based vesting condition and a market condition and vest in full only on the date, if any, that the following conditions are satisfied: (1) a compounded annual 20% appreciation in the Company's stock price over the measurement period commencing on June 30, 2021 through June 30, 2024, and (2) the recipient is employed by the Company on a full-time basis when the condition in (1) is met. If either of these conditions is not satisfied, then none of the shares of restricted stock will vest and they will be forfeited. The Company's closing stock price on Nasdaq on June 30, 2021, was \$4.71.

The appreciation levels (times and price) and vesting percentages as of each period ended related to such levels are as follows:

- Prior to the first anniversary of the grant date: 0%
- Fiscal 2022, stock price as of June 30, 2022 is 1.2 times higher (i.e. \$5.65 or higher) than \$4.71: 33%;
- Fiscal 2023, stock price as of June 30, 2023 is 1.44 times higher (i.e. \$6.78 or higher) than \$4.71: 67%;
- Fiscal 2024, stock price as of June 30, 2024 is 1.728 times higher (i.e. \$8.14) than \$4.71: 100%.

The fair value of these shares of restricted stock was calculated using a Monte Carlo simulation of a stochastic volatility process. The choice of a stochastic volatility process as an extension to the standard Black Scholes process was driven by both observations of larger than expected moves in the daily time series for the Company's closing price, but also the observation of the strike structure of volatility (i.e. skew and smile) for out-of-the money calls and out-of-the money puts versus at-the-money options for both the Company's stock and NASDAQ futures.

In scenarios where the shares do not vest, the final vested value at maturity is zero. In scenarios where vesting occurs, the final vested value on maturity is the share price on vesting date. In its calculation of the fair value of the restricted stock, the Company used an average volatility of 61.6% for the closing price, a discounting based on USD overnight indexed swap rates for the grant date, and no future dividends. The average volatility was extracted from the time series for closing prices as the standard deviation of log prices for the three years preceding the grant date. The mean reversion of volatility and the volatility of volatility parameters of the stochastic volatility process were extracted by regressing log differences against log levels of volatility from the time series for at-the-money options 30 day volatility quotes, which were available for the three years preceding May 5, 2021.

Stock Appreciation Rights

The Remuneration Committee may also grant stock appreciation rights, either singly or in tandem with underlying stock options. Stock appreciation rights entitle the holder upon exercise to receive an amount in any combination of cash or shares of common stock (as determined by the Remuneration Committee) equal in value to the excess of the fair market value of the shares covered by the right over the grant price. No stock appreciation rights have been granted.

NET 1 UEPS TECHNOLOGIES, INC.

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16. STOCK-BASED COMPENSATION (continued)

Stock option and restricted stock activity

Options

The following table summarizes stock option activity for the years ended June 30, 2021, 2020 and 2019:

	Number of shares	Weighted average exercise price (\$)	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (\$'000)	Weighted average grant date fair value (\$)
Outstanding - July 1, 2018	809,274	13.99	2.67	370	4.20
Granted – September 2018	600,000	6.20	10.00	1,212	2.02
Expired unexercised	(370,000)	19.27		-	5.00
Forfeited	(174,695)	6.65		-	2.00
Outstanding - June 30, 2019	864,579	7.81	7.05	-	2.62
Granted – October 2019	561,000	3.07	10.00	676	1.20
Forfeited	(93,928)	7.50		-	2.81
Outstanding - June 30, 2020	1,331,651	5.83	7.56	-	2.01
Granted – August 2020	150,000	3.50	3.00	166	1.11
Granted – November 2020	560,000	3.01	10.00	691	1.23
Exercised	(17,335)	3.07		35	
Forfeited	(729,484)	6.65		-	2.24
Outstanding - June 30, 2021	<u>1,294,832</u>	3.93	7.68	1,624	1.45

These options have an exercise price range of \$3.01 to \$11.23.

On August 5, 2020, the Company granted one of its non-employee directors, Mr. Ali Mazanderani, in his capacity as a consultant to the Company, 150,000 stock options with an exercise price of \$3.50. These stock options are subject to the non-employee director's continuous service through the applicable vesting date, and half of the options vest on each of the first and second anniversaries of the grant date.

During the years ended June 30, 2021 and 2020, 331,833 and 170,335 stock options became exercisable, respectively. No stock options became exercisable during the year ended June 30, 2019. During the year ended June 30, 2021, the Company received approximately \$0.5 million from the exercise of 17,335 stock options. No stock options were exercised during the years ended June 30, 2020 and 2019, respectively.

During the years ended June 30, 2021, 2020 and 2019, employees forfeited 729,484, 93,928 and 174,695 stock options, respectively. The number of forfeitures during the year ended June 30, 2021, increased significantly compared to prior periods as a result of the closure of our IPG operations during the latter half of calendar 2020 and the unrelated (to the IPG closure) resignation of various employees in the first half of calendar 2021. These stock options forfeited had strike prices ranging from \$3.01 to \$11.23. In addition, the Company's former chief executive officer forfeited 250,034 stock options with strike prices ranging from \$6.20 to \$11.23 per share following his separation from the Company. During the year ended June 30, 2019, 200,000 stock options awarded in August 2008 and 170,000 stock options awarded in May 2009 expired unexercised.

NET 1 UEPS TECHNOLOGIES, INC.**Notes to the consolidated financial statements****for the years ended June 30, 2021 and 2020 and 2019****(All amounts stated in thousands of United States Dollars, unless otherwise stated)****16. STOCK-BASED COMPENSATION (continued)***Options (continued)*

The following table presents stock options vested and expected to vest as of June 30, 2021:

	Number of shares	Weighted average exercise price (\$)	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (\$'000)
Vested and expecting to vest - June 30, 2021	1,294,832	3.93	7.68	1,624

These options have an exercise price range of \$3.01 to \$11.23.

The following table presents stock options that are exercisable as of June 30, 2021:

	Number of shares	Weighted average exercise price (\$)	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (\$'000)
Exercisable - June 30, 2021	326,677	5.57	7.43	206

NET 1 UEPS TECHNOLOGIES, INC.

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16. STOCK-BASED COMPENSATION (continued)

Restricted stock

The following table summarizes restricted stock activity for the years ended June 30, 2021, 2020 and 2019:

	Number of shares of restricted stock	Weighted average grant date fair value (\$'000)
Non-vested – July 1, 2018	765,411	6,162
Granted – September 2018	148,000	114
Total vested	(64,003)	503
Vested – August 2018	(52,594)	459
Vested – March 2019	(11,409)	44
Total forfeitures	(265,500)	1,060
Forfeitures – employee terminations	(115,500)	460
Forfeitures – August 2016 awards with performance conditions	(150,000)	600
Non-vested – June 30, 2019	583,908	3,410
Granted – February 2020	568,000	2,300
Total vested	(18,908)	70
Vested – March 2020	(11,408)	42
Vested – March 2020 - accelerated vesting	(7,500)	28
Forfeitures	(17,500)	65
Non-vested – June 30, 2020	1,115,500	5,354
Granted – May 2021	254,560	1,035
Total vested	(311,300)	1,037
Vested – August 2020	(244,500)	812
Vested – September 2020 - accelerated vesting	(66,800)	225
Total forfeitures	(674,200)	2,690
Forfeitures - employee terminations	(644,200)	2,542
Forfeitures – August 2017 awards with market conditions	(30,000)	148
Non-vested – June 30, 2021	384,560	1,123

The May 2021 grants comprise 158,734 shares of restricted stock awarded to executive officers that are subject to a market condition (related to share price performance) and time-based vesting, and 95,826 shares of restricted stock awarded to employees, including 77,040 shares of restricted stock awarded to Mr. Mali, our Chief Executive Officer: Southern Africa, that are subject to time-based vesting. During the year ended June 30, 2021, 244,500 shares of restricted stock with time-based vesting conditions vested. In connection with the Company's former chief executive officer's separation, the Company agreed to accelerate the vesting of 66,800 shares of restricted stock which were granted in February 2020, and which were subject to time-based vesting. These shares of restricted stock vested on September 30, 2020. The 644,200 shares of restricted stock that were forfeited during the year ended June 30, 2021, includes 475,200 shares of restricted stock forfeited by the Company's former chief executive officer upon his separation from the Company. The 30,000 shares were forfeited by an executive officer as the market condition (related to share price performance) was not achieved.

The February 2020 grants comprise 113,600 shares of restricted stock awarded to executive officers that are subject to time-based vesting and 454,400 shares of restricted stock awarded to executive officers that are subject to performance and time-based vesting. On March 1, 2018, 22,817 shares of restricted stock with time-based vesting conditions were granted to our chief financial officer and these awards vest in two tranches, of which 11,408 vested on March 1, 2020, and 11,409 vested on March 1, 2019. During the year ended June 30, 2020, employees forfeited 17,500 shares of restricted stock upon termination and 7,500 shares (50% of the original award) of restricted stock with time-based vesting conditions were forfeited by an executive officer upon the disposal of Net1 Korea. The Company's Board of Directors accelerated the vesting of the other half of the award and 7,500 vested.

The September 2018 grants comprise 148,000 shares of restricted stock awarded to executive officers that are subject to market and time-based vesting. On March 1, 2019, 11,409 of the 22,817 shares of restricted stock awarded to our chief financial officer vested. The 52,594 shares of restricted stock represent awards made to non-employee directors that vested. During the year ended June 30, 2019, employees forfeited 115,500 shares of restricted stock upon termination which had either time-based or market conditions. In addition, an executive officer forfeited 150,000 shares of restricted stock as the performance conditions were not achieved.

NET 1 UEPS TECHNOLOGIES, INC.**Notes to the consolidated financial statements****for the years ended June 30, 2021 and 2020 and 2019****(All amounts stated in thousands of United States Dollars, unless otherwise stated)****16. STOCK-BASED COMPENSATION (continued)***Restricted stock (continued)*

The fair value of restricted stock which vested during the years ended June 30, 2021, 2020 and 2019, was \$1.0 million, \$0.1 million and \$0.5 million, respectively.

July 1 award to new Group Chief Executive Officer

On June 30, 2021, the Company entered into employment agreements with Mr. Chris G.B. Myer, under which Mr. Meyer was appointed Group Chief Executive Officer of the Company effective July 1, 2021. Mr. Meyer was awarded 117,304 shares of restricted stock on July 1, 2021, which were subject to time-based vesting and vest in full on June 30, 2024, subject to Mr. Meyer's continued service to the Company through June 30, 2024. In addition, under the terms of Mr. Meyer's engagement, the Company's Remuneration Committee also awarded Mr. Meyer 117,304 shares of restricted stock which include performance conditions and which only vested on June 30, 2024 if the conditions are met and Mr. Meyer remains employed with the Company through June 30, 2024. Vesting of half of these awards, or 58,652 shares of restricted stock, is subject to the Company achieving its three-year financial services plan during the specific measurement period from June 30, 2021, to June 30, 2024, and the other half is subject to share price growth targets, and only vest if the Company's share price is \$8.14 or higher on June 30, 2024.

The parties also agreed that, on or about January 1, 2022, the Company will issue such number of shares of restricted stock equal to the aggregate amount of the Company's common stock purchased by Mr. Meyer between when the Company files its Annual Report on Form 10-K for the year ended June 30, 2021, and December 31, 2021. The number of shares of restricted stock to be issued will be calculated using a base amount of up to \$ 1.0 million, in each case, divided by the Fair Market Value (as defined in the Company's Amended and Restated 2015 Stock Incentive Plan) of the Company's common stock as determined by the Company's Remuneration Committee. These shares of restricted stock are also expected to include time-based vesting conditions and will be subject to Mr. Meyer's continuous service to the Company through the applicable vesting date.

Stock-based compensation charge and unrecognized compensation cost

The Company has recorded a net stock compensation charge of \$0.3 million, \$1.7 million and \$0.4 million for the years ended June 30, 2021, 2020 and 2019, respectively, which comprised:

	Total charge	Allocated to IT processing, servicing and support	Allocated to selling, general and administration
Year ended June 30, 2021			
Stock-based compensation charge	\$ 1,430	\$ -	\$ 1,430
Reversal of stock compensation charge related to stock options and restricted stock forfeited	(1,086)	-	(1,086)
Total - years ended June 30, 2021	<u>\$ 344</u>	<u>\$ -</u>	<u>\$ 344</u>
Year ended June 30, 2020			
Stock-based compensation charge	\$ 1,873	\$ -	\$ 1,873
Reversal of stock compensation charge related to stock options and restricted stock forfeited	(145)	-	(145)
Total - years ended June 30, 2020	<u>\$ 1,728</u>	<u>\$ -</u>	<u>\$ 1,728</u>
Year ended June 30, 2019			
Stock-based compensation charge	\$ 2,319	\$ -	\$ 2,319
Reversal of stock compensation charge related to stock options and restricted stock forfeited	(1,926)	-	(1,926)
Total - years ended June 30, 2019	<u>\$ 393</u>	<u>\$ -</u>	<u>\$ 393</u>

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

NET 1 UEPS TECHNOLOGIES, INC.**Notes to the consolidated financial statements****for the years ended June 30, 2021 and 2020 and 2019****(All amounts stated in thousands of United States Dollars, unless otherwise stated)****16. STOCK-BASED COMPENSATION (continued)****Stock-based compensation charge and unrecognized compensation cost (continued)**

As of June 30, 2021, the total unrecognized compensation cost related to stock options was approximately \$0.8 million, which the Company expects to recognize over approximately two years. As of June 30, 2021, the total unrecognized compensation cost related to restricted stock awards was approximately \$1.2 million, which the Company expects to recognize over approximately three years.

Tax consequences

The Company recorded a deferred tax asset of approximately \$0.1 million and \$0.4 million, respectively, for the years ended June 30, 2021 and June 30, 2020. As of June 30, 2021 and 2020, the Company recorded a valuation allowance of approximately \$0.1 million and \$0.4 million respectively, related to the deferred tax asset because it does not believe that the stock-based compensation deduction would be utilized as it does not anticipate generating sufficient taxable income in the United States. The Company deducts the difference between the market value on date of exercise by the option recipient and the exercise price from income subject to taxation in the United States.

17. INCOME TAX**Income tax provision**

The table below presents the components of (loss) income before income taxes for the years ended June 30, 2021, 2020 and 2019:

	2021	2020	2019
South Africa	\$ (30,825)	\$ (26,230)	\$ (273,265)
United States	(6,686)	(8,984)	(23,479)
Liechtenstein	(810)	(17,519)	-
Other	32,702	(12,283)	(22,699)
Loss before income taxes	<u>\$ (5,619)</u>	<u>\$ (65,016)</u>	<u>\$ (319,443)</u>

Presented below is the provision for income taxes by location of the taxing jurisdiction for the years ended June 30, 2021, 2020 and 2019:

	2021	2020	2019
Current income tax expense (benefit)	\$ 859	\$ 1,652	\$ 4,789
South Africa	866	1,552	3,689
United States	(75)	12	1,100
Other	68	88	-
Deferred taxation charge (benefit)	6,691	932	(8,917)
South Africa	(2,039)	653	(8,538)
United States	9,136	-	4
Other	(406)	279	(383)
Foreign tax credits generated – United States	10	72	(944)
Income tax provision (benefit)	<u>\$ 7,560</u>	<u>\$ 2,656</u>	<u>\$ (5,072)</u>

There were no changes to the enacted tax rate in the years ended June 30, 2021, 2020 and 2019.

During the years ended June 30, 2021, 2020 and 2019, the Company incurred net operating losses through certain of its South African wholly-owned subsidiaries and recorded a deferred taxation benefit related to these losses. However, the Company has created a valuation allowance for these net operating losses which reduced the deferred taxation benefit recorded.

The Company incurred a net capital gain, after the application of capital loss carryforwards, related to the internal restructuring of a wholly-owned subsidiary during the year ended June 30, 2020. The Company also generated taxable capital gains during the year ended June 30, 2020, related to the disposal of FIHRST (refer to Note 23) and the sale of DNI (refer to Note 8) but utilized capital loss carryforwards to reduce the capital gains on these transactions to zero (\$0).

NET 1 UEPS TECHNOLOGIES, INC.**Notes to the consolidated financial statements****for the years ended June 30, 2021 and 2020 and 2019****(All amounts stated in thousands of United States Dollars, unless otherwise stated)****17. INCOME TAX (continued)****Income tax provision (continued)**

The Company calculated its Transition Tax liability as of June 30, 2018, and incurred a Transition Tax, before the application of any foreign tax credits, of \$55.8 million, and has no liability after the application of generated foreign tax credits. During the year ended June 30, 2019, the Company recorded the difference of \$1.1 million between the Transition Tax liability of \$56.9 million and the provisional Transition Tax liability of \$55.8 million in current income tax, United States. During the year ended June 30, 2019, the Company also included the additional foreign tax credits utilized of \$1.1 million against this Transition Tax in foreign tax credits generated – United States.

A reconciliation of income taxes, calculated at the fully-distributed South African income tax rate to the Company's effective tax rate, for the years ended June 30, 2021, 2020 and 2019, is as follows:

	2021	2020	2019
Income taxes at fully-distributed South African tax rates	28.00 %	28.00 %	28.00 %
Movement in valuation allowance	(250.16) %	1.64 %	(22.98) %
Non-deductible items	(58.40) %	(10.38) %	(3.33) %
Foreign tax rate differential	51.21 %	(4.17) %	(0.07) %
Capital gains differential	93.03 %	(1.59) %	(1.46) %
Prior year adjustments	1.77 %	(0.01) %	(0.03) %
Release from FCTR	- -	(14.65) %	- -
Subpart F inclusions	- -	(2.85) %	- -
Foreign tax credits	- -	(0.08) %	0.35 %
Taxation on deemed dividends in the United States	- -	- -	1.45 %
Transition Tax	- -	- -	(0.34) %
Income tax provision	<u>(134.55) %</u>	<u>(4.09) %</u>	<u>1.59 %</u>

Percentages included in the 2021, 2020 and 2019 columns in the reconciliation of income taxes presented above are impacted by the loss incurred by the Company during the year ended June 30, 2021, 2020 and 2019. For instance, the income tax provision of \$ 7.6 million represents (134.55%) multiplied by the net loss before tax of \$ (5,619). Movement in the valuation allowance for the year ended June 30, 2021, includes allowances created related to net operating losses incurred during the year. Non-deductible items for the year ended June 30, 2021, includes the impact of the allowance for doubtful loans created. The foreign tax rate differential relates primarily to the difference between the fully-distributed South African income tax rate and the rate used (21%) to measure the deferred tax liability created related to the fair adjustment to the Company's investment in MobiKwik (refer to Note 8). The capital gains differential for the year ended June 30, 2021, represents the impact of the reversal of the deferred tax liability related to one of the Company's equity-accounted investments following its impairment (refer to Note 8).

Movement in the valuation allowance for the year ended June 30, 2020, includes allowances created related to net operating losses incurred during the year and valuation allowances created for a deferred tax asset recorded related to the deconsolidation of CPS and other corporate transactions. Release from FCTR for the year ended June 30, 2020, relates to the releases from accumulated other comprehensive loss (refer to Note 14) that are not deductible for tax purposes. Non-deductible items for the year ended June 30, 2020, includes the option termination fee paid and the goodwill impairment loss recognized.

Movement in the valuation allowance for the year ended June 30, 2019, includes allowances created related to net operating losses incurred during the year and a valuation allowance created for a deferred tax asset recorded related to the DNI disposal capital losses generated (refer to Note 8) and the Cell C capital loss following the fair value adjustment (refer to Note 5). Non-deductible items for the year ended June 30, 2019, includes the impairment losses recognized related to goodwill impaired.

NET 1 UEPS TECHNOLOGIES, INC.**Notes to the consolidated financial statements****for the years ended June 30, 2021 and 2020 and 2019****(All amounts stated in thousands of United States Dollars, unless otherwise stated)****17. INCOME TAX (continued)****Deferred tax assets and liabilities**

Deferred income taxes reflect the temporary differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The primary components of the temporary differences that gave rise to the Company's deferred tax assets and liabilities as of June 30, and their classification, were as follows:

	June 30, 2021	June 30, 2020
Total deferred tax assets		
Capital losses related to investments	\$ 47,518	\$ 36,721
Net operating loss carryforwards	36,329	32,459
Foreign tax credits	32,737	32,799
Provisions and accruals	2,123	3,936
FTS patent	163	181
Other	654	815
Total deferred tax assets before valuation allowance	119,524	106,911
Valuation allowances	(118,777)	(106,433)
Total deferred tax assets, net of valuation allowance	747	478
Total deferred tax liabilities:		
Intangible assets	100	171
Investments	10,354	1,755
Other	87	53
Total deferred tax liabilities	10,541	1,979
Reported as		
Long-term deferred tax assets	622	358
Long-term deferred tax liabilities	10,415	1,859
Net deferred income tax liabilities	<u>\$ 9,793</u>	<u>\$ 1,501</u>

Increase in total net deferred income tax liabilities*Capital losses related to investments*

Capital losses as of June 30, 2021 and 2020, comprises the capital loss arising from the difference between the amount paid for Cell C in August 2017 and the its fair value as of the respective year end, of \$0.0 million, and difference between the amount paid for CPS in 2004 and the its fair value as of the respective year end, of \$0.0 million. The change in capital losses related to investments relates primarily to the impact of currency changes between the South Africa Rand against the United States dollar.

Net operating loss carryforwards

Net operating loss carryforwards have increased due to losses incurred by certain of the Company's subsidiaries and the impact of currency changes between the South Africa Rand against the United States dollar, which was partially offset by net operating losses carryforwards forfeited following the substantial liquidation of certain of the Company's subsidiaries.

Investments

Investment increased during the year ended June 30, 2021, primarily as a result of the fair value adjustments to the carrying value of MobiKwik (refer to Note 8).

Decrease in valuation allowance

At June 30, 2021, the Company had deferred tax assets of \$0.7 million (2020: \$0.5 million), net of the valuation allowance. Management believes, based on the weight of available positive and negative evidence it is more likely than not that the Company will realize the benefits of these deductible differences, net of the valuation allowance. However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised.

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17. INCOME TAX (continued)
Deferred tax assets and liabilities (continued)
Decrease in valuation allowance (continued)

At June 30, 2021, the Company had a valuation allowance of \$118.8 million (2020: \$106.4 million) to reduce its deferred tax assets to estimated realizable value. The movement in the valuation allowance for the years ended June 30, 2021 and 2020, is presented below:

	Total	Capital losses related to investments	Net operating loss carry- forwards	Foreign tax credits	Other
July 1, 2019	\$ 125,887	\$ 43,569	\$ 35,861	\$ 32,799	\$ 13,658
Charged to statement of operations	27,700	5,399	20,602	-	1,699
Reversed to statement of operations	(14,314)	(5,486)	(77)	-	(8,751)
Deconsolidation	(16,130)	-	(15,830)	-	(300)
Utilized	(3,896)	-	(3,632)	-	(264)
Foreign currency adjustment	(12,814)	(6,761)	(4,651)	-	(1,402)
June 30, 2020	106,433	36,721	32,273	32,799	4,640
Charged to statement of operations	16,376	3,532	13,264	-	(420)
Reversed to statement of operations	(14,840)	-	(13,687)	(62)	(1,091)
Utilized	(1,422)	-	(135)	-	(1,287)
Foreign currency adjustment	12,230	7,265	4,555	-	410
June 30, 2021	<u>\$ 118,777</u>	<u>\$ 47,518</u>	<u>\$ 36,270</u>	<u>\$ 32,737</u>	<u>\$ 2,252</u>

Net operating loss carryforwards and foreign tax credits
United States

Net operating loss generated are carried forward indefinitely, but the loss carryforward that may be used against future taxable income is limited to 80% of taxable income before the net operating loss deduction.

In March 2020, the Coronavirus Aid, Relief and Economic Security Act (the “Cares Act”) was enacted. The Cares Act, among other items, provides for a temporary repeal of the 80 percent net operating loss limitation and provides temporary modifications to the limitation on deductibility of business interest.

As of June 30, 2021, Net1 had net operating loss carryforwards that will expire, if unused, as follows:

Year of expiration	U.S. net operating loss carry forwards
2024	\$ 775

Net1 had no net unused foreign tax credits that are more likely than not to be realized as of June 30, 2021 and 2020, respectively.

Uncertain tax positions

As of June 30, 2021 and 2020, the Company had no unrecognized tax benefits which would impact the Company’s effective tax rate. The Company files income tax returns mainly in South Africa, Germany, Hong Kong, India, Malta, the United Kingdom, Botswana and in the U.S. federal jurisdiction. As of June 30, 2021, the Company’s South African subsidiaries are no longer subject to income tax examination by the South African Revenue Service for periods before June 30, 2017. The Company is subject to income tax in other jurisdictions outside South Africa, none of which are individually material to its financial position, statement of cash flows, or results of operations. The Company does not expect the change related to unrecognized tax benefits will have a significant impact on its results of operations or financial position in the next 12 months.

NET 1 UEPS TECHNOLOGIES, INC.

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18. (LOSS) EARNINGS PER SHARE

The Company has issued redeemable common stock (refer to Note 13) which is redeemable at an amount other than fair value. Redemption of a class of common stock at other than fair value increases or decreases the carrying amount of the redeemable common stock and is reflected in basic earnings per share using the two-class method. There were no redemptions of common stock, or adjustments to the carrying value of the redeemable common stock during the years ended June 30, 2021, 2020 and 2019. Accordingly, the two-class method presented below does not include the impact of any redemption.

Basic (loss) earnings per share include shares of restricted stock that meet the definition of a participating security because these shares are eligible to receive non-forfeitable dividend equivalents at the same rate as common stock. Basic (loss) earnings per share has been calculated using the two-class method and basic (loss) earnings per share for the years ended June 30, 2021, 2020 and 2019, reflects only undistributed earnings. The computation below of basic (loss) earnings per share excludes the net loss attributable to shares of unvested restricted stock (participating non-vested restricted stock) from the numerator and excludes the dilutive impact of these unvested shares of restricted stock from the denominator.

Diluted (loss) earnings per share have been calculated to give effect to the number of shares of additional common stock that would have been outstanding if the potential dilutive instruments had been issued in each period. Stock options are included in the calculation of diluted (loss) earnings per share utilizing the treasury stock method and are not considered to be participating securities, as the stock options do not contain non-forfeitable dividend rights. The calculation of diluted (loss) earnings per share includes the dilutive effect of a portion of the restricted stock granted to employees in August 2016, August 2017, March 2018, September 2018, February 2020 and May 2021 as these shares of restricted stock are considered contingently returnable shares for the purposes of the diluted (loss) earnings per share calculation and the vesting conditions in respect of a portion of the restricted stock had been satisfied. The vesting conditions are discussed in Note 16.

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18. (LOSS) EARNINGS PER SHARE (continued)

The following table presents net (loss) income attributable to Net1 and the share data used in the basic and diluted (loss) earnings per share computations using the two-class method for the years ended June 30, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	(in thousands except percent and per share data)		
Numerator:			
Net loss attributable to Net1	\$ (38,057)	\$ (78,358)	\$ (311,007)
Undistributed (loss) earnings	(38,057)	(78,358)	(311,007)
Continuing	(38,057)	(97,214)	(311,761)
Discontinued	\$ -	\$ 18,856	\$ 754
Percent allocated to common shareholders (Calculation 1)	99%	98%	99%
Numerator for (loss) earnings per share: basic and diluted	\$ (37,825)	\$ (76,827)	\$ (306,640)
Continuing	(37,825)	(95,315)	(307,383)
Discontinued	\$ -	\$ 18,488	\$ 743
Denominator			
Denominator for basic (loss) earnings per share: weighted-average common shares outstanding	56,332	56,003	55,963
Effect of dilutive securities:			
Stock options	259	-	18
Denominator for diluted (loss) earnings per share: adjusted weighted average common shares outstanding and assumed conversion	<u>56,591</u>	<u>56,003</u>	<u>55,981</u>
(Loss) Earnings per share:			
Basic	\$ (0.67)	\$ (1.37)	\$ (5.48)
Continuing	\$ (0.67)	\$ (1.70)	\$ (5.49)
Discontinued	\$ -	\$ 0.33	\$ 0.01
Diluted	\$ (0.67)	\$ (1.37)	\$ (5.48)
Continuing	\$ (0.67)	\$ (1.70)	\$ (5.49)
Discontinued	\$ -	\$ 0.33	\$ 0.01
(Calculation 1)			
Basic weighted-average common shares outstanding (A)	56,332	56,003	55,963
Basic weighted-average common shares outstanding and unvested restricted shares expected to vest (B)	56,678	57,119	56,760
Percent allocated to common shareholders (A) / (B)	99%	98%	99%

Options to purchase 282,832, 1,331,651 and 864,579 shares of the Company's common stock at prices ranging from \$6.20 to \$11.23 (2021), \$3.07 to \$11.23 (2020) and \$6.20 to \$11.23 (2019) per share were outstanding during the year ended June 30, 2021, 2020 and 2019, respectively, but were not included in the computation of diluted (loss) earnings per share because the options' exercise prices were greater than the average market price of the Company's common shares. The options, which expire at various dates through October 14, 2029, were still outstanding as of June 30, 2021.

NET 1 UEPS TECHNOLOGIES, INC.**Notes to the consolidated financial statements****for the years ended June 30, 2021 and 2020 and 2019****(All amounts stated in thousands of United States Dollars, unless otherwise stated)****19. SUPPLEMENTAL CASH FLOW INFORMATION**

The following table presents supplemental cash flow disclosures for the years ended June 30, 2021, 2020 and 2019:

	2021	2020	2019
Cash received from interest	\$ 2,222	\$ 3,057	\$ 5,596
Cash paid for interest	\$ 3,056	\$ 6,050	\$ 10,636
Cash paid for income taxes	\$ 16,608	\$ 5,001	\$ 13,110

Investing activities

The transaction referred to in Note 23 under which the Company reduced its shareholding in DNI from 55% to 38% and used the proceeds, of \$27.6 million, from the sale to settle its obligation, of \$27.6 million, to subscribe for additional shares in DNI was closed using a cashless settlement process. Therefore, the proceeds from sale and the settlement of the obligation to subscribe for additional shares in DNI were not included in net cash provided by investing activities in the Company's consolidated statement of cash flows for the year ended June 30, 2019.

The transaction referred to in Note 23 and Note 11 under which the Company reduced its shareholding in DNI from 38% to 30% and used the proceeds from the sale to settle a portion of its long-term borrowings, of \$15.0 million, was closed using a cashless settlement process. Therefore, the proceeds from sale was not included in net cash provided by (used in) investing activities in the Company's consolidated statement of cash flows for the year ended June 30, 2019.

Financing activities

The transaction referred to in Note 23 and Note 8 under which the Company reduced its shareholding in DNI from 38% to 30% and used the proceeds from the sale to settle a portion of its long-term borrowings, of \$15.0 million was closed using a cashless settlement process. Therefore, the part settlement of the long-term borrowings was not included in net cash (used in) provided by financing activities in the Company's consolidated statement of cash flows for the year ended June 30, 2019.

Disaggregation of cash, cash equivalents and restricted cash

Cash, cash equivalents and restricted cash included on the Company's consolidated statement of cash flows includes restricted cash related to cash withdrawn from the Company's various debt facilities to fund ATMs. This cash may only be used to fund ATMs and is considered restricted as to use and therefore is classified as restricted cash. Cash, cash equivalents and restricted cash also includes cash in certain bank accounts that have been ceded to Nedbank. As this cash has been pledged and ceded it may not be drawn and is considered restricted as to use and therefore is classified as restricted cash as well. Refer to Note 11 for additional information regarding the Company's facilities. The following table presents the disaggregation of cash, cash equivalents and restricted cash as of June 30, 2021, 2020 and 2019:

	2021	2020	2019
Continuing	\$ 198,572	\$ 217,671	\$ 20,014
Discontinued	-	-	26,051
Cash and cash equivalents	198,572	217,671	46,065
Restricted cash	25,193	14,814	75,446
Cash, cash equivalents and restricted cash	<u>\$ 223,765</u>	<u>\$ 232,485</u>	<u>\$ 121,511</u>

Leases

The following table presents supplemental cash flow disclosure related to leases for the years ended June 30, 2021 and 2020:

	2021	2020
Cash paid related to lease liabilities		
Operating cash flows from operating leases	\$ 4,050	\$ 3,603
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	\$ 3,000	\$ 2,974

20. OPERATING SEGMENTS

Change to internal reporting structure and restatement of previously reported information

During September 2020, the Company's chief operating decision maker changed the Company's operating and internal reporting structures following the Company's decisions to focus primarily on the South African market and to exit its operating activities performed through IPG. The chief operating decision maker has decided to analyze the Company's operating performance primarily based on reported information for statutory entities, statutory groups, clustered statutory entities or clustered statutory groups, with certain reallocations, based on the activity of the reporting unit. Previously reported information has been restated.

Reallocation of certain activities among operating segments

During the first quarter of fiscal 2021, the Company reorganized its operating segments by combining what were previously the South African transaction processing segment and the International transaction processing segment into what is now the Processing segment and bifurcating what was previously the Financial inclusion and applied technologies segment into what are now the Financial services segment and the Technology segment. Segment results for the year ended June 30, 2021, reflect these changes to the operating segments.

Operating segments

The Company discloses segment information as reflected in the management information systems reports that its chief operating decision maker uses in making decisions and to report certain entity-wide disclosures about products and services, and the countries in which the entity holds material assets or reports material revenues.

The Company currently has three reportable segments: Processing, Financial services and Technology. All three segments operate mainly within South Africa and certain of our activities outside of South Africa have been allocated to Processing. The Company's reportable segments offer different products and services and require different resources and marketing strategies but share the Company's assets.

The Processing segment includes fees earned by the Company from processing activities performed for its customers and revenue generated from the distribution of prepaid airtime. The Company provides its customers with transaction processing services that involve the collection, transmittal and retrieval of all transaction data. Customers that have a bank account managed by the Company are issued cards that can be utilized to withdraw funds at an ATM or to transact at a merchant point of sale device ("POS"). The Company earns processing fees from transactions processed for these customers. The Company also earns fees on transactions performed by other banks' customers utilizing its ATM, POS or bill payment infrastructure. The Processing segment includes IPG's processing activities. During the years ended June 30, 2020 and 2019, the operating segment incurred goodwill impairment losses of \$5.6 million and \$8.2 million, respectively (refer to Note 9).

The Financial services segment includes activities related to the provision of financial services to customers, including a bank account, loans and insurance products. The Company charges monthly administration fees for all bank accounts. The Company provides short-term loans to customers in South Africa for which it earns initiation and monthly service fees. The Company writes life insurance contracts, primarily funeral-benefit policies, and policy holders pay the Company a monthly insurance premium.

The Technology segment includes sales of hardware and licenses to customers. Hardware includes the sale of POS devices, SIM cards and other consumables which can occur on an ad hoc basis. Licenses include the right to use certain technology developed by the Company. During the year ended June 30, 2019, the operating segment incurred goodwill impairment losses of \$6.2 million (refer to Note 9).

Corporate/Eliminations includes the Company's head office cost center and the amortization of acquisition-related intangible assets. The \$17.5 million termination fee paid to terminate the Bank Frick option (refer to Note 8) during the year ended June 30, 2020, has been allocated to corporate/ elimination.

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20. OPERATING SEGMENTS (continued)
Operating segments (continued)

The reconciliation of the reportable segment's revenue to revenue from external customers for the years ended June 30, 2021, 2020 and 2019, respectively, is as follows:

	Revenue (as restated) ⁽¹⁾			
	Reportable Segment	Corporate/ Eliminations	Inter-segment	From external customers
Processing	\$ 82,435	\$ -	\$ 4,773	\$ 77,662
Financial services	38,996	-	3,391	35,605
Technology	17,751	-	232	17,519
Total for the years ended June 30, 2021	<u>\$ 139,182</u>	<u>\$ -</u>	<u>\$ 8,396</u>	<u>\$ 130,786</u>
Processing ⁽¹⁾	\$ 91,786	\$ -	\$ 8,158	\$ 83,628
Financial services	46,870	-	3,546	43,324
Technology	18,071	-	724	17,347
Total for the years ended June 30, 2020	<u>\$ 156,727</u>	<u>\$ -</u>	<u>\$ 12,428</u>	<u>\$ 144,299</u>
Processing ⁽¹⁾	\$ 118,088	\$ -	\$ 10,666	\$ 107,422
Financial services	57,034	-	5,861	51,173
Technology	20,115	-	(1,634)	21,749
Reportable segments	195,237	-	14,893	180,344
Corporate/Eliminations – revenue refund (Note 15)	-	(19,709)	-	(19,709)
Total for the years ended June 30, 2019	<u>\$ 195,237</u>	<u>\$ (19,709)</u>	<u>\$ 14,893</u>	<u>\$ 160,635</u>

(1) Processing for the years ended June 30, 2020 and 2019, has been restated for the error described in Note 1.

The Company does not allocate interest income, interest expense or income tax expense to its reportable segments. The Company evaluates segment performance based on segment operating income before acquisition-related intangible asset amortization which represents operating income before acquisition-related intangible asset amortization and expenses allocated to Corporate/Eliminations, all under GAAP.

The reconciliation of the reportable segments measures of profit or loss to income before income taxes for the years ended June 30, 2021, 2020 and 2019, respectively, is as follows:

	2021	2020 ⁽¹⁾	2019
Reportable segments measure of profit or loss	\$ (40,085)	\$ (34,642)	\$ (86,937)
Operating loss: Corporate/Eliminations	(13,787)	(9,606)	(47,995)
Change in fair value of equity securities (Note 23)	49,304	-	(167,459)
Loss on disposal of equity-accounted investment - Bank Frick (Note 8)	(472)	-	-
Loss on disposal of equity-accounted investment (Note 8)	(13)	-	-
Gain on disposal of FIHRST (Note 23)	-	9,743	-
(Loss) Gain on disposal of DNI interest as an equity method investment (Note 23)	-	(1,010)	177
Loss on deconsolidation of CPS (Note 23)	-	(7,148)	-
Termination fee to cancel Bank Frick option	-	(17,517)	-
Interest income	2,416	2,805	5,424
Interest expense	(2,982)	(7,641)	(9,860)
Impairment of Cedar Cellular Note	-	-	(12,793)
Loss before income taxes	<u>\$ (5,619)</u>	<u>\$ (65,016)</u>	<u>\$ (319,443)</u>

(1) - Operating loss: Corporate/Eliminations includes \$34.0 million related to an accrual CPS recorded at June 30, 2019, comprising a revenue refund of \$19.7 million (ZAR 277.6 million), accrued interest of \$11.4 million (ZAR 161.0 million), unclaimed indirect taxes of \$2.8 million (ZAR 39.4 million) and estimated costs of \$0.1 million (ZAR 1.4 million).

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20. OPERATING SEGMENTS (continued)
Operating segments (continued)

The following tables summarize segment information for the years ended June 30, 2021, 2020 and 2019:

	2021	2020 (as restated) ⁽¹⁾	2019 (as restated) ⁽¹⁾
Revenues			
Processing	\$ 82,435	\$ 91,786	\$ 118,088
All others	80,742	88,476	109,931
IPG	1,693	3,310	8,157
Financial services	38,996	46,870	57,034
Technology	17,751	18,071	20,115
Total	139,182	156,727	195,237
Operating (loss) income			
Processing ⁽²⁾	(34,283)	(33,836)	(51,575)
All others ⁽²⁾	(23,556)	(21,488)	(35,474)
IPG	(10,727)	(12,348)	(16,101)
Financial services ⁽²⁾	(8,429)	(3,621)	(30,068)
Technology	2,627	2,815	(5,294)
Subtotal: Operating segments ⁽²⁾	(40,085)	(34,642)	(86,937)
Corporate/Eliminations	(13,787)	(9,606)	(47,995)
Total ⁽²⁾	(53,872)	(44,248)	(134,932)
Depreciation and amortization			
Processing	2,900	3,298	3,915
Financial services	473	790	1,002
Technology	615	168	90
Subtotal: Operating segments	3,988	4,256	5,007
Corporate/Eliminations	359	391	7,096
Total	4,347	4,647	12,103
Expenditures for long-lived assets			
Processing	1,173	4,297	4,419
Financial services	174	138	1,142
Technology	2,938	-	181
Subtotal: Operating segments	4,285	4,435	5,742
Corporate/Eliminations	-	-	-
Total	\$ 4,285	\$ 4,435	\$ 5,742

(1) Revenues-Processing-All others for the years ended June 30, 2020 and 2019, have been restated for the error described in Note 1.

(2) Processing and Financial services include retrenchment costs for the year ended June 30, 2019, of: \$4,665 and \$1,604, respectively, for total retrenchment costs for the year ended June 30, 2019, of \$6,269. The retrenchment costs are included in selling, general and administration expense on the consolidated statement of operations for the year ended June 30, 2019.

The segment information as reviewed by the chief operating decision maker does not include a measure of segment assets per segment as all of the significant assets are used in the operations of all, rather than any one, of the segments. The Company does not have dedicated assets assigned to a particular operating segment. Accordingly, it is not meaningful to attempt an arbitrary allocation and segment asset allocation is therefore not presented.

NET 1 UEPS TECHNOLOGIES, INC.**Notes to the consolidated financial statements****for the years ended June 30, 2021 and 2020 and 2019****(All amounts stated in thousands of United States Dollars, unless otherwise stated)****20. OPERATING SEGMENTS (continued)****Geographic Information**

Long-lived assets based on the geographic location for the years ended June 30, 2021, 2020 and 2019, are presented in the table below:

	Long-lived assets		
	2021	2020	2019
South Africa	\$ 50,754	\$ 68,521	\$ 141,235
Liechtenstein - investment in Bank Frick (Note 8)	-	29,739	47,240
India - investment in MobiKwik (Note 8)	76,297	26,993	26,993
South Korea (Note 23)	-	-	149,390
Rest of world	6,962	9,119	9,739
Total	<u>\$ 134,013</u>	<u>\$ 134,372</u>	<u>\$ 374,597</u>

21. COMMITMENTS AND CONTINGENCIES**Capital commitments**

As of June 30, 2021 and 2020, the Company had outstanding capital commitments of approximately \$0.3 million and \$0.1 million, respectively.

Purchase obligations

As of June 30, 2021 and 2020, the Company had purchase obligations totaling \$2.5 million and \$1.7 million, respectively. The purchase obligations as of June 30, 2021, primarily include inventory that will be delivered to the Company and sold to customers in the second half of calendar 2021.

Guarantees

The South African Revenue Service and certain of the Company's customers, suppliers and other business partners have asked the Company to provide them with guarantees, including standby letters of credit, issued by a South African bank. The Company is required to procure these guarantees for these third parties to operate its business.

Nedbank has issued guarantees to these third parties amounting to ZAR 156.6 million (\$10.9 million, translated at exchange rates applicable as of June 30, 2021) thereby utilizing part of the Company's short-term facilities. The Company pays commission of between 0.4% per annum to 1.94% per annum of the face value of these guarantees and does not recover any of the commission from third parties.

The Company has not recognized any obligation related to these guarantees in its consolidated balance sheet as of June 30, 2021. The maximum potential amount that the Company could pay under these guarantees is ZAR 156.6 million (\$10.9 million, translated at exchange rates applicable as of June 30, 2021). As discussed in Note 11, the Company has ceded and pledged certain bank accounts to Nedbank as security for certain of these guarantees with an aggregate value of ZAR 156.6 million (\$10.9 million translated at exchange rates applicable as of June 30, 2021). The guarantees have reduced the amount available under its indirect and derivative facilities in the Company's short-term credit facility described in Note 11.

21. COMMITMENTS AND CONTINGENCIES (continued)

Contingencies

The Company is subject to a variety of insignificant claims and suits that arise from time to time in the ordinary course of business. Management currently believes that the resolution of these other matters, individually or in the aggregate, will not have a material adverse impact on the Company's financial position, results of operations or cash flows.

22. RELATED PARTY TRANSACTIONS

Disgorgement proceeds from VCP

In late September 2020, Value Capital Partners (Pty) Ltd ("VCP"), a significant shareholder, notified the Company that it would make payment to the Company related to the disgorgement of short-swing profits from the purchase of common stock by VCP pursuant to Section 16(b) of the Securities Exchange Act of 1934, as amended and the Company's insider trading policy. The Company recognized these proceeds as a capital contribution from shareholders and recorded an increase of \$0.1 million, net of taxes of \$0.02 million, to additional paid-in capital in its unaudited condensed consolidated statement of changes in equity for the three months ended September 30, 2020. The gross proceeds of \$0.12 million are recorded within cash flows from financing activities in the Company's consolidated statement of cash flow for the year ended June 30, 2021. The Company expects to pay the taxes due of \$0.02 million in calendar 2021.

Transactions between an executive officer and a company controlled by the executive officer's spouse

A subsidiary, Transact24, had an existing relationship in place between itself and a company controlled by the spouse of Transact24's Managing Director at the time of the Transact24 acquisition during the year ended June 30, 2016. This arrangement therefore was also in place before the Managing Director became an executive officer of the Company. This relationship was disclosed to the Company during the due diligence process and was considered by the Company's management to be critical to the ongoing operations of Transact24. The company controlled by the spouse of the managing director performed transaction processing and Transact24 provided technical and administration services to the company. These services ceased during the year ended June 30, 2019.

The Company has recorded revenue of approximately \$0.4 million related to this relationship during the years ended June 30, 2019. Transact24's Managing Director had an indirect interest in these transactions as a result of his relationship with his spouse, with an approximate value of \$0.1 million during the year ended June 30, 2019. Transact24's Managing Director resigned on October 30, 2020.

23. ACQUISITIONS AND DISPOSITIONS

Acquisitions

The Company did not make any acquisitions during the years ended June 30, 2021, 2020 and 2019.

Dispositions

2020 Dispositions

March 2020 disposal of KSNET

On January 23, 2020, the Company, through its wholly owned subsidiary Net1 Applied Technologies Netherlands B.V. ("Net1 BV"), a limited liability private company incorporated in The Netherlands, entered into an agreement with PayletterHoldings LLC, a limited liability private company incorporated in the Republic of Korea, in terms of which Net1 BV agreed to sell its entire shareholding in Net1 Applied Technologies Korea Limited ("Net1 Korea"), a limited liability private company incorporated in the Republic of Korea and the sole shareholder of KSNET, Inc. for \$237.2 million. The transaction was subject to customary closing conditions and closed on March 9, 2020. The Company no longer controls Net1 Korea and its subsidiaries and deconsolidated its investment effective March 1, 2020, and had no continued involvement going forward.

KSNET was acquired in October 2010, and was a profitable and cash generative business, but operated autonomously and in a more developed economy, with limited overlap with the Company's other activities. The Company also believed that the intrinsic value of KSNET was not appropriately reflected in the Company's overall valuation. The Company's board of directors commenced a strategic review of its various businesses and investments during calendar 2019, and ultimately evaluated and decided to sell KSNET in January 2020 in order to focus more on the Company's core strategy, boost liquidity and to maximize shareholder returns.

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23. ACQUISITIONS AND DISPOSITIONS (continued)
Dispositions (continued)
2020 Dispositions (continued)
March 2020 disposal of KSNET (continued)

The table below presents the impact of the deconsolidation of Net1 Korea and its subsidiaries and the calculation of the net gain recognized on deconsolidation:

Net1 Korea	
	March 2020
Proceeds from disposal of Net1 Korea, net of cash disposed	\$ 192,619
Add: Cash and cash equivalents disposed	23,473
Add: Cash withheld by purchaser to settle South Korean taxes ⁽¹⁾	21,128
Fair value of consideration received	237,220
Less: carrying value of Net1 Korea, comprising	200,843
Cash and cash equivalents	23,473
Accounts receivable, net	30,467
Finance loans receivable, net	13,695
Inventory	2,377
Property, plant and equipment, net	7,601
Operating lease right of use asset	181
Goodwill (Note 9)	107,964
Intangible assets, net	4,655
Deferred income taxes assets	1,719
Other long-term assets	10,984
Accounts payable	(5,484)
Other payables	(5,523)
Operating lease liability - current	(69)
Income taxes payable	(3,481)
Deferred income taxes liabilities	(1,497)
Operating lease liability – long-term	(112)
Other long-term liabilities	(335)
Released from accumulated other comprehensive income – foreign currency translation reserve (Note 14)	14,228
Settlement assets	44,111
Settlement liabilities	(44,111)
Gain recognized on disposal, before transaction costs and tax	36,377
Transaction costs ⁽²⁾	8,644
Gain recognized on disposal, before tax	27,733
Taxes related to gain recognized on disposal ⁽¹⁾	15,279
Gain recognized on disposal, after tax	\$ 12,454

(1) Represents taxes paid related to the disposal of Net1 Korea (refer to Note 17). The Company also agreed that the purchaser withhold potential capital gains taxes of \$19.9 million (approximately KRW 23.8 billion) and non-refundable securities transaction taxes of \$1.2 million (approximately KRW 1.4 billion), for a total withholding of \$21.1 million, from the purchase price and pay such amounts, on behalf of Net1 BV, to the South Korean tax authorities. Net1 BV commenced a process to claim a refund from the South Korean tax authorities of the potential amount withheld and received this amount of approximately \$20.1 million (KRW 23.8 billion) in September 2020. The Company included the expected amount to be refunded in the caption Accounts receivable, net and other receivables in its consolidated balance sheet as of June 30, 2020, refer also to Note 3.

(2) Transaction costs include expenses incurred by the Company of \$7.5 million directly related to the disposal of Net1 Korea and paid in cash and a non-refundable securities transfer tax of approximately \$1.2 million which was also withheld from the purchase price and paid to the South Korean tax authorities directly by the purchaser.

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23. ACQUISITIONS AND DISPOSITIONS (continued)
Dispositions (continued)
2020 Dispositions (continued)
December 2019 disposal of FIHRST

In November 2019, the Company through its wholly owned subsidiary, Net1 Applied Technologies South Africa Proprietary Limited (“Net1 SA”), entered into an agreement with Transaction Capital Payment Solutions Proprietary Limited, or its nominee, a limited liability private company incorporated in the Republic of South Africa, pursuant to which Net1 SA agreed to sell its entire shareholding in Net1 FIHRST Holdings Proprietary Limited (“FIHRST”) for \$10.9 million (ZAR 159.7 million). The transaction closed in December 2019. FIHRST was deconsolidated following the closing of the transaction. Net1 SA was obliged to utilize the full purchase price received from the sale of FIHRST to partially settle its obligations under its lending arrangements and applied the proceeds received against its outstanding borrowings – refer to Note 11.

The table below presents the impact of the deconsolidation of FIHRST and the calculation of the net gain recognized on deconsolidation:

FIHRST	
	December 31, 2019
Proceeds from disposal of FIHRST, net of cash disposed	\$ 10,895
Add: Cash and cash equivalents disposed	854
Fair value of consideration received	11,749
Less: carrying value of FIHRST, comprising	1,870
Cash and cash equivalents	854
Accounts receivable, net	367
Property, plant and equipment, net	64
Goodwill (Note 9)	599
Intangible assets, net	30
Deferred income taxes assets	42
Accounts payable	(7)
Other payables	(1,437)
Income taxes payable	(220)
Released from accumulated other comprehensive income – foreign currency translation reserve (Note 14)	1,578
Settlement assets	17,406
Settlement liabilities	(17,406)
Gain recognized on disposal, before tax	9,879
Taxes related to gain recognized on disposal, comprising:	-
Capital gains tax	2,654
Release of valuation allowance related to capital losses previously unutilized ⁽¹⁾	(2,654)
Transaction costs	136
Gain recognized on disposal, after tax	<u>\$ 9,743</u>

(1) Net1 SA recorded a valuation allowance related to capital losses previously generated but not utilized. A portion of these unutilized capital losses was utilized as a result of the disposal of FIHRST and, therefore, the equivalent portion of the valuation allowance created was released.

May 2020 deconsolidation of CPS

On February 5, 2020, the Constitutional Court of South Africa denied CPS’ leave to appeal lower court judgments ordering CPS to repay additional implementation costs that SASSA paid to CPS in 2014, thereby exhausting all legal recourse for CPS in the matter. As a result, CPS’ board of directors adopted a resolution to put CPS into business rescue under South African law and filed the required resolution with the Companies and Intellectual Property Commission. On May 18, 2020, the resolution was officially registered and business rescue practitioners were appointed. The business rescue process could have led to either a compromise with creditors and a continuation of CPS’ business or the liquidation of CPS. The Company had no means of exercising any control over CPS or the business rescue process because the Company has ceded control of CPS to the business rescue practitioners on the commencement of the business rescue process. The business rescue practitioners are independent third parties and controlled CPS through the business rescue process. The Company no longer controls CPS and therefore it determined to deconsolidate CPS.

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23. ACQUISITIONS AND DISPOSITIONS (continued)
Dispositions (continued)
2020 Dispositions (continued)
May 2020 deconsolidation of CPS (continued)

As a practical matter, the Company deconsolidated CPS as of May 31, 2020. The Company does not believe that the utilization of this date, compared to May 18, 2020, has had a significant impact on its consolidated financial statements.

On March 26, 2020, CPS' holding company, Net1 SA, submitted a filing to Gauteng Division of the High Court of South Africa ("High Court") under which it commenced a process to place CPS into business rescue due to administrative delays experienced in the CPS business rescue application process. Net1 SA proposed in its March 2020 High Court filing that it was willing to contribute ZAR 50.0 million (\$2.9 million translated at exchange rates applicable as of June 30, 2020) into CPS if CPS and SASSA reached a settlement on their claims and counterclaims. Given that SASSA was contesting the CPS business rescue process (refer below), the Company did not believe that it, through Net1 SA, would be required to make the investment of ZAR 50.0 million and therefore it did not record a liability as of June 30, 2020. On June 18, 2020, SASSA launched an urgent application with the High Court to place CPS into liquidation and declare the business rescue process invalid. On July 7, 2020, the business rescue practitioners, on behalf of CPS, responded to this application correcting a number of inaccuracies contained therein. The matter was heard on October 16, 2020, and the High Court ordered that CPS be placed into liquidation.

The Company provided accounting, tax and general administrative services to CPS while it was in business rescue and continues to provide these services during the liquidation process. In addition, the Company had an arrangement with CPS to rent certain bespoke payment vehicles from CPS, and it was expected that this arrangement would continue while CPS was in business rescue. These vehicles largely comprise the fleet of customized mobile ATMs used to deliver a service to rural communities. The value of these arrangements was not significant and was determined on an arms-length basis. On October 15, 2020, the Company purchased the bespoke vehicles from CPS for an arms-length price of ZAR 50.0 million (approximately \$3.0 million, translated at the applicable exchange rate) to use in its mobile ATM business.

The table below presents the impact of the deconsolidation of CPS and the calculation of the net loss recognized on deconsolidation:

CPS	
	May 2020
Fair value of consideration received	\$ -
Less: carrying value of CPS, comprising	(68)
Cash and cash equivalents	328
Accounts receivable, net	303
Inventory	12
Property, plant and equipment, net	236
Goodwill (Note 9)	-
Deferred income taxes assets (Note 17)	-
Accounts payable	(238)
Other payables	(33,160)
Released from accumulated other comprehensive income – foreign currency translation reserve (Note 14)	32,451
Gain recognized on deconsolidation, before tax	68
Intercompany accounts written off/ provided for ⁽¹⁾	7,216
Taxes related to loss recognized on deconsolidation, comprising:	-
Capital loss generated upon deconsolidation ⁽²⁾	5,399
Valuation allowance related to capital losses generated upon deconsolidation ⁽²⁾	(5,399)
Loss recognized on deconsolidation, after tax	\$ 7,148

(1) Certain of the Company's subsidiaries had funds due from CPS as of May 31, 2020. The Company wrote these amounts off as it did not believe that they were recoverable.

(2) The Company recorded a deferred tax asset related to the capital loss generated on deconsolidation of CPS. The Company is only able to claim the capital loss for South African capital gains tax purposes once it deregisters or disposes of its interest in CPS. The Company has recorded a valuation allowance related to the full CPS capital loss deferred tax asset recognized because it does not believe that this capital loss will be utilized in the foreseeable future.

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23. ACQUISITIONS AND DISPOSITIONS (continued)
Dispositions (continued)
2019 Dispositions
March 2019 disposal of DNI

On February 28, 2019, the Company through its wholly owned subsidiary, Net1 Applied Technologies South Africa Proprietary Limited ("Net1 SA"), entered into a transaction with JAA Holdings Proprietary Limited, a limited liability private company duly incorporated in the Republic of South Africa, and PK Gain Investment Holdings Proprietary Limited, a limited liability private company duly incorporated in the Republic of South Africa, in terms of which Net1 SA reduced its shareholding in DNI from 55% to 38%. The transaction closed on March 31, 2019. The parties used a cashless settlement process on closing, refer to Note 19. Net1 SA used the proceeds from the sale of the DNI shares to settle its ZAR 400 million (\$27.6 million, translated at exchange rates applicable as of March 31, 2019), obligation to DNI to subscribe for an additional share as part of the contingent consideration settlement process. The Company no longer controlled DNI and deconsolidated its investment in DNI effective March 31, 2019.

The table below presents the impact of the deconsolidation of DNI and the calculation of the net loss recognized on deconsolidation:

	DNI				
	Equity method investment as of June 30, 2019				Attributed to non- controlling interest
	Total	17% sold	8% retained interest sold in May 2019	30% retained interest	
Fair value of consideration received	\$ 27,626	\$ 27,626	\$ -	\$ -	\$ -
Fair value of retained interest in DNI ⁽¹⁾	74,195	-	14,849	59,346	-
Carrying value of non-controlling interest	88,934	-	-	-	88,934
Subtotal	190,755	27,626	14,849	59,346	88,934
Less: carrying value of DNI, comprising	199,930	38,346	14,540	58,110	88,934
Cash and cash equivalents	2,114	354	158	633	969
Accounts receivable, net	24,577	4,116	1,841	7,358	11,262
Finance loans receivable, net	1,030	173	77	308	472
Inventory	893	149	66	268	410
Property, plant and equipment, net	1,265	212	95	379	579
Equity-accounted investments	242	41	19	72	110
Goodwill	113,003	18,924	8,466	33,834	51,779
Intangible assets, net	80,769	13,526	6,051	24,183	37,009
Deferred income taxes	28	5	2	8	13
Other long-term assets	26,553	4,447	1,989	7,950	12,167
Accounts payable	(5,186)	(868)	(389)	(1,553)	(2,376)
Other payables ⁽²⁾	(16,484)	(2,760)	(1,235)	(4,936)	(7,553)
Income taxes payable	(2,482)	(416)	(186)	(743)	(1,137)
Deferred income taxes	(22,083)	(3,698)	(1,654)	(6,612)	(10,119)
Long-term debt	(10,150)	(1,700)	(760)	(3,039)	(4,651)
Released from accumulated other comprehensive income – foreign currency translation reserve (Note 14)	5,841	5,841	-	-	-
Loss recognized on disposal, before tax, comprising	(9,175)	(10,720)	309	1,236	-
Related to sale of 17% of DNI	(10,720)	(10,720)	-	-	-
Related to fair value adjustment of retained interest in 38% of DNI	1,545	-	309	1,236	-
Taxes related to gain recognized on disposal ⁽³⁾	-	505	(3,836)	3,331	-
Loss recognized on disposal of discontinued operation, after tax	\$ (9,175)	\$ (11,225)	\$ 4,145	\$ (2,095)	-

23. ACQUISITIONS AND DISPOSITIONS (continued)**Dispositions (continued)***2019 Dispositions***March 2019 disposal of DNI (continued)**

(1) The fair value of the retained interest in 38% of DNI of \$74.2 million (\$14.9 million plus \$59.3 million) was calculated using the implied fair value of DNI pursuant to the RMB Disposal and was calculated as ZAR 215.0 million divided by 7.605235% multiplied by 38%, translated to dollars at the March 31, 2019, rate of exchange.

(2) Other payables include a short-term loan of ZAR 60.5 million (\$4.3 million, translated at exchange rates applicable as of June 30, 2019) due to the Company. The short-term loan is included in accounts receivable, net and other receivables on the Company's consolidated balance sheet as of June 30, 2019, and was repaid in full on July 31, 2019. Interest on the loan was charged at the South African prime rate.

(3) Amounts presented are net of a valuation allowance provided. The disposal of DNI resulted in a capital loss for tax purposes of approximately \$1.5 million and the Company provided a valuation allowance of \$1.5 million against this capital loss because it did not have any capital gains to offset against this amount at the time. On an individual basis, the transaction to dispose of 17% of DNI resulted in a capital gain of \$0.5 million and the re-measurement of the retained 38% interest has resulted in a capital loss of \$2.0 million (\$5.3 million (8% transaction) less \$3.3 million (30% transaction)). The valuation allowance of \$1.5 million was provided against the \$5.3 million, for a net amount presented in the table above of \$3.8 million (\$5.3 million less \$1.5 million).

24. DISCONTINUED OPERATIONS*Discontinued operations – Net1 Korea and DNI*

The Company determined that, following the disposal of its controlling interest, Net1 Korea (in fiscal 2020) and DNI (in fiscal 2019) (refer to Note 23), should be classified as discontinued operations because the disposal of these businesses represented a strategic shift that would have a major effect on the Company's operations and financial results. The facts and circumstances leading to the disposal of Net1 Korea and DNI are described in Note 23. The gain related to the disposal of Net1 Korea and the loss related to the disposal of DNI are presented in Note 23.

Net1 Korea, as a stand-alone holding company, and the amortization of intangible assets identified and recognized related to the KSNET acquisition, were allocated to corporate/eliminations and Net1 Korea's subsidiaries, including KSNET, were allocated to the Company's international transaction processing operating segment prior to the re-segmentation of the Company's operating segments during the year ended June 30, 2021. Net1 Korea did not have any equity method investments or any non-controlling interests. DNI was allocated to the Company's financial inclusion and applied technologies operating segment, prior to the re-segmentation of the Company's operating segments during the year ended June 30, 2021, and the amortization of intangible assets identified and recognized related to the DNI acquisition were allocated to corporate/eliminations. Net1 Korea and DNI are not included in the operating segments presented in Note 20 because these entities are discontinued operations and the operating segments in Note 20 only presents operating segment information for continuing operations.

The Company retained a continuing involvement in DNI through its 38% interest in DNI (refer to Note 8) following the March 31, 2019, transaction disclosed in Note 23. As disclosed in Note 8, the Company sold an 8% interest in DNI in May 2019, and entered into an agreement under which it provided a call option to DNI to repurchase the then remaining 30% interest in DNI. The Company recorded earnings under the equity method related to its retained investment in DNI during the nine months ended March 31, 2020, refer to Note 8. The Company recorded earnings under the equity method related to its retained investment in DNI during the three months ended June 30, 2019 of \$0.9 million, which comprised the Company's share of DNI's net income of \$1.4 million, less amortization of acquired intangible assets, net, of \$0.5 million (gross \$0.7 million less deferred taxes of \$0.2 million). The table below presents revenues and expenses between the Company and DNI, after the DNI disposal transaction, during the year ended June 30, 2020 (i.e. for the nine months ended March 31, 2020), and 2019 (i.e. for the three months ended June 30, 2019), respectively:

	DNI	
	Years ended June 30,	
	2020	2019
Revenue generated from transactions with DNI	\$ -	\$ -
Expenses incurred related to transactions with DNI	\$ -	\$ 2,902

Refer to Note 8 for the dividends received from DNI and accounted for under the equity method during the year ended June 30, 2020. The Company received dividends of \$0.9 million during the year ended June 30, 2019.

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24. DISCONTINUED OPERATIONS (continued)
Discontinued operations – Net1 Korea and DNI (continued)

The table below presents certain major captions to the Company's consolidated statement of operations and consolidated statement of cash flows for the years ended June 30, 2020 and 2019, that have not been separately presented on those statements related to the presentation of Net1 Korea and DNI as discontinued operations:

	2020		2019	
	Total (Net1 Korea)		Total	Net1 Korea DNI
Consolidated statement of operations				
Discontinued:				
Revenue	\$ 85,375	\$ 194,763	\$ 138,426	\$ 56,337
Cost of goods sold, IT processing, servicing and support	37,377	85,652	57,984	27,668
Selling, general and administration	30,562	57,136	53,479	3,657
Depreciation and amortization	8,652	25,246	17,220	8,026
Impairment loss	-	5,305	-	5,305
Operating income	8,784	21,424	9,743	11,681
Interest income	678	1,805	1,098	707
Interest expense	106	864	52	812
Net income before tax	9,356	22,365	10,789	11,576
Income tax expense	2,954	8,750	4,989	3,761
Net income before earnings from equity-accounted investments	6,402	13,615	5,800	7,815
Earnings from equity-accounted investments	-	15	-	15
Net income from discontinued operations	<u>\$ 6,402</u>	<u>\$ 13,630</u>	<u>\$ 5,800</u>	<u>\$ 7,830</u>
Consolidated statement of cash flows				
Discontinued:				
Total net cash provided by operating activities ⁽¹⁾	\$ 3,758	\$ 11,976	\$ 5,341	\$ 6,635
Total net cash provided by (used) in investing activities	\$ 1,524	\$ (6,816)	\$ (6,300)	\$ (516)

(1) Total net cash (used in) provided by operating activities for the year ended June 30, 2019, includes dividends received of \$0.9 million (refer to Note 8) from DNI while it was accounted for using the equity method during the three months ended June 30, 2019.

25. UNAUDITED QUARTERLY RESULTS
Restatement of financial statements – impact on unaudited quarterly results
Related to overstatement of revenue and cost of goods sold, IT processing, servicing and support

As discussed in Note 1, in November 2020, the Company identified an error with respect to the recognition of certain revenue and related cost of goods sold, IT processing, servicing and support during its assessment and systems development of new products. The error impacts the Company's reported results for three months ended September 30, 2020, and the Company restated its consolidated statement of operations and certain note presentation, primarily Revenue and Operating segments, to correct for the error. The tables below present the impact of the restatement on the Company's unaudited condensed consolidated statement of operations for the three months ended September 30, 2020:

	Unaudited condensed consolidated statement of operations		
	Three months ended September 30, 2020⁽¹⁾		
	As reported	Correction	As restated
		(in thousands)	
Revenue	\$ 37,113	\$ (1,977)	\$ 35,136
Cost of goods sold, IT processing, servicing and support	\$ 28,437	\$ (1,977)	\$ 26,460

(1) The error for the three months ended September 30, 2020, also impacted the year ended June 30, 2021, by the same amount and therefore the amounts reported for the year ended June 30, 2021, includes the correction of the error.

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25. UNAUDITED QUARTERLY RESULTS (continued)
Restatement of financial statements – impact on unaudited quarterly results (continued)
Related to overstatement of revenue and cost of goods sold, IT processing, servicing and support (continued)

The table below presents the unaudited impact of the restatement on the affected lines in the Processing and Total columns included in the revenue note for the three months ended September 30, 2020:

	Unaudited Three months ended September 30, 2020	
	Processing	Total
Processing fees - as restated ⁽¹⁾	\$ 16,330	\$ 16,929
As reported	18,307	18,906
Correction	(1,977)	(1,977)
South Africa - as restated	14,774	15,373
As reported	16,751	17,350
Correction	(1,977)	(1,977)
Rest of world	\$ 1,556	\$ 1,556
Total revenue, derived from the following geographic locations - as restated	\$ 21,518	\$ 35,136
As reported	23,495	37,113
Correction	(1,977)	(1,977)
South Africa - as restated	19,962	33,580
As reported	21,939	35,557
Correction	(1,977)	(1,977)
Rest of world	\$ 1,556	\$ 1,556

(1) The error for the three months ended September 30, 2020, also impacted the year ended June 30, 2021, by the same amount and therefore the amounts reported for the year ended June 30, 2021, include the correction of the error.

The table below presents the unaudited impact of the restatement on the Processing operating segment revenue included in the operating segment note for the three months ended September 30, 2020:

	Unaudited Revenue (as restated)			
	Reportable Segment	Corporate/ Eliminations	Inter- segment	From external customers
Processing - as restated ⁽¹⁾	\$ 22,506	\$ -	\$ 988	\$ 21,518
As reported	24,483	-	988	23,495
Correction	(1,977)	-	-	(1,977)
Total for the three months ended September 30, 2020 - as restated	36,982	-	1,846	35,136
As reported	38,959	-	1,846	37,113
Correction	\$ (1,977)	\$ -	\$ -	(1,977)

(1) The error for the three months ended September 30, 2020, also impacted the year ended June 30, 2021, by the same amount and therefore the amounts reported for the year ended June 30, 2021, include the correction of the error.

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25. UNAUDITED QUARTERLY RESULTS (continued)

The following tables contain selected unaudited consolidated statements of operations information for each quarter of fiscal 2021 and 2020:

	Three months ended				
	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	June 30, 2021
	(In thousands except per share data)				
Revenue	\$ 34,517	\$ 28,828	\$ 32,305	\$ 35,136	\$ 130,786
Operating loss	(13,600)	(14,292)	(15,205)	(10,775)	(53,872)
Net income (loss) attributable to Net1	\$ 1,639	\$ (6,204)	\$ (4,534)	\$ (28,958)	\$ (38,057)
Net earnings (loss) per share, in United States dollars					
Basic earnings (loss) attributable to Net1 shareholders	\$ 0.03	\$ (0.11)	\$ (0.08)	\$ (0.51)	\$ (0.67)
Diluted earnings (loss) attributable to Net1 shareholders	\$ 0.03	\$ (0.10)	\$ (0.08)	\$ (0.52)	\$ (0.67)

	Three months ended				
	Jun 30, 2020 (as restated) ^(A)	Mar 31, 2020 (as restated) ^(A)	Dec 31, 2019 (as restated) ^(A)	Sep 30, 2019 (as restated) ^(A)	June 30, 2020 (as restated) ^(A)
	(In thousands except per share data)				
Revenue	\$ 24,551	\$ 34,614	\$ 38,918	\$ 46,216	\$ 144,299
Operating loss	(13,180)	(14,212)	(10,420)	(6,436)	(44,248)
Net (loss) income attributable to Net1	(38,880)	(34,881)	(205)	(4,392)	(78,358)
Continuing	(38,601)	(48,361)	(2,925)	(7,327)	(97,214)
Discontinued	\$ (279)	\$ 13,480	\$ 2,720	\$ 2,935	\$ 18,856
Net (loss) income per share, in United States dollars					
Basic (loss) earnings attributable to Net1 shareholders	\$ (0.68)	\$ (0.61)	\$ -	\$ (0.08)	\$ (1.37)
Continuing	\$ (0.68)	\$ (0.85)	\$ (0.05)	\$ (0.13)	\$ (1.70)
Discontinued	\$ -	\$ 0.24	\$ 0.05	\$ 0.05	\$ 0.33
Diluted (loss) earnings attributable to Net1 shareholders	\$ (0.69)	\$ (0.62)	\$ -	\$ (0.08)	\$ (1.37)
Continuing	\$ (0.69)	\$ (0.86)	\$ (0.05)	\$ (0.13)	\$ (1.70)
Discontinued	\$ -	\$ 0.24	\$ 0.05	\$ 0.05	\$ 0.33

(A) Certain amounts have been restated to correct the misstatements discussed in Note 1. The impact of the restatements for the years ended June 30, 2020 and 2019, were first recorded in the unaudited condensed consolidated financial statements included in the Company's Quarterly Report on Form 10-Q for the three and six months ended December 31, 2020 which was filed on February 4, 2021.

26. SUBSEQUENT EVENTS
July 2021 civil unrest in South Africa

Two of South Africa's nine provinces experienced significant civil unrest in July 2021 resulting in mass looting, loss of life, disruption of transport and supply routes, and widespread destruction of property. In total 337 South Africans lost their lives in the unrest - fortunately none of the Company's employees were injured or harmed. There was widespread damage to bank and ATM infrastructure in the affected provinces. In total approximately 1,800 ATMs and 300 branches were damaged, and the Banking Association of South Africa, or BASA, estimates that total damage to banking infrastructure amounted to ZAR 1.6 billion. The South African Special Risks Insurance Association, or SASRIA, a public enterprise and a non-life insurance company that provides coverage for damage caused by special risks such as politically motivated malicious acts, riots, strikes and terrorism and public disorders, estimates that the total damage to property across South Africa will be in the order of between ZAR 19.0 to 20.0 billion.

26. SUBSEQUENT EVENTS (continued)

July 2021 civil unrest in South Africa (continued)

The Company suffered damage at 19 of its branches and to 173 ATMs. The disruption and related closure of branches has also impacted the Company's efforts to grow EPE customer numbers. The Company has also seen an impact on transaction volumes through its ATMs with July 2021 volumes 13% lower than June 2021, and August 2021 3% lower than July 2021.

The Company estimates that it will cost approximately ZAR 40.0 million to repair its branches and damaged ATMs and to replace ATMs that have been completely destroyed. The Company believes that these losses suffered through destruction of property will be fully covered under its various insurance policies, through the government backed SASRIA cover.

As a result of the disruption to ATM coverage and availability, BASA and South Africa's banks agreed that the fee which customers pay to utilize other bank's ATMs will be waived for August and September 2021. The Company estimates that it will forgo transaction fee revenue of approximately ZAR 6.0. million during the first quarter of fiscal 2022 as a result of this decision.
