



blue[®]
2011 Annual Report

Table of contents

1. About Blue
2. Chairman's Statement
3. CEO's Review
4. CFO's Review
5. Risk Management
6. Corporate Governance
7. Operational Overview
8. Our Values, Our People, Our Transformation
9. Corporate Social Investment
10. Board of Directors
11. Consolidated Annual Financial Statements
12. Notice of AGM
13. Proxy



About **blue**

i. Introduction

Blue Financial Services Limited (“Blue” or “the Group”) is a pan-African financial services provider which offers retail and commercial financial services to customers across the continent.

Blue aims to uplift its customers, as well as achieve a positive social impact in the communities it serves. We believe that every person on the African continent should have access to financial empowerment, and we enable progress, upliftment and improvement in peoples’ lives.

It is difficult not to mention in the introduction where Blue was from a profitability perspective in 2010. In this regard it must be noted, as per the Directors’ reports, that Blue’s turnaround is well under way but not yet complete.

Mayibuye Group (Pty) Ltd (‘Mayibuye’), who became the majority shareholder in December 2010, have committed huge resources and capital to the turnaround strategy without which Blue would not have been able to advance as far along the turnaround as it has achieved.

ii. Mayibuye - an overview

Since Mayibuye is playing such a significant part in Blue’s turnaround strategy, it is appropriate to outline a brief overview of the company at this point. Mayibuye focuses primarily on equity acquisitions relating to or associated with the credit environment. Mayibuye’s approach to equity acquisition is born in its unique vision which challenges norms, changes paradigms, adds exceptional value and elevates performance levels. Its investment activities are underpinned and supported by its core investments which provide:

- A sophisticated, full-capability servicing platform
- A leading-edge debt collection facility
- Intellectual capital that applies effectively in the credit space and develops all the time, and
- A value-set and business philosophy that has proven itself to set a firm foundation for well-performing private equity investment in the credit environment

Between them, these business resources provide a platform for equity investments in line with Mayibuye’s investment philosophy.

iii. Blue’s vision

Our dedicated purpose is to be the breath of change in personal financial empowerment on the African continent. We lead by being an outstanding and innovative financial services provider and the enabler of progress, upliftment and improvement in people’s lives.

“Puts the power into your hands”

iv. Blue's mission

To achieve our vision to be the financial services provider of choice, preferred among our customers and investors for excellence in...

- service delivery
- convenience
- effective partnering
- being solution-oriented
- promoting pricing transparency and consumer education
- developing our own people to be the best they can be
- governance, values and ethics
- growing our company to generate optimal returns for all stakeholders

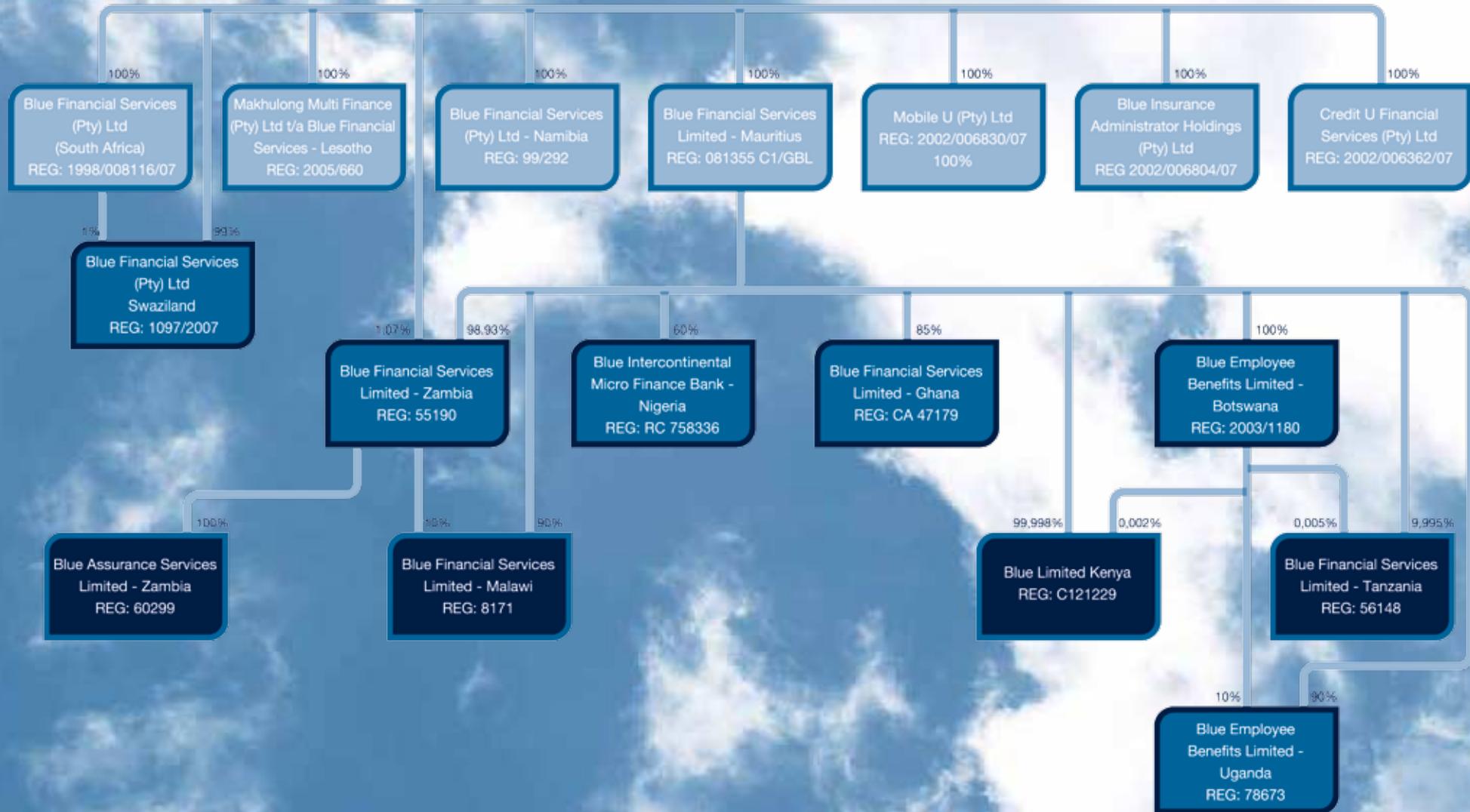
... and in stimulating positive development within the communities we serve across the continent through our practical and hands-on corporate social investment initiatives.

v. Blue's core values

- Respect
- Reliability
- Returns

vi. Group structure

blue®



vii. Salient points of year under review / corporate action

The Johannesburg Stock Exchange News Service announcements during the period 1 March 2010 to 28 February 2011 reflect the highlights of Blue's progress made in financial year 2011 and are summarised here below.

28.02.2011	08h00	Blue Financial Services	BFS - Blue - Results of the meeting of shareholders held on Friday 25 February 2011
16.02.2011	15h55	Blue Financial Services	BFS - Blue - Clarification regarding the inter-conditionality provisions relating to the proposed Early Conversion transaction
10.02.2011	17h43	Blue Financial Services	BFS - Blue - Proposed Blue BEE Transaction Publication of Financial Effects
01.02.2011	15h15	Blue Financial Services	BFS - Blue Financial Services Limited - Trading Update
21.01.2011	13h00	Blue Financial Services	BFS - Blue Financial Services Limited- Confirmations received to convert R266.5m of debt into equity
13.01.2011	17h29	Blue Financial Services	GEN - Blue Financial Services (South Africa): Shares in Issue Update - FTSE/JSE Africa Index Series
10.12.2010	11h08	Blue Financial Services	BFS - Blue - Finalisation of Recapitalisation of Blue changes to the board
30.11.2010	15h36	Blue Financial Services	BFS - Blue Financial Services Limited - Further update regarding the status of the remaining conditions precedent in connection with the recapitalisation of Blue
26.11.2010	14h18	Blue Financial Services	BFS - Blue/ Mayibuye - Further update regarding the status of the remaining of the remaining conditions precedent in connection with the recapitalisation of Blue
19.11.2010	15h25	Blue Financial Services	BFS - Blue Financial Services Limited - Results of the Annual General Meeting
18.11.2010	16h55	Blue Financial Services	BFS - Blue Financial Services Limited - Reviewed condensed consolidated interim financial results
18.11.2010	15h36	Blue Financial Services	BFS - Blue Financial Services Limited - Update regarding the status of the remaining conditions precedent in connection with the recapitalisation of Blue
29.10.2010	17h50	Blue Financial Services	BFS - Blue/ Mayibuye - Results of the meeting of shareholders held on Friday 29 October 2010
27.10.2010	14h50	Blue Financial Services	BFS - Blue Financial Services - Amendments to the purchase of rights agreement
07.10.2010	16h27	Blue Financial Services	BFS - Blue Financial Services Limited - Posting of Circular and Notice of General Meeting
05.10.2010	09h11	Blue Financial Services	GEN - GENERAL - BFS - Emphasis of matter
01.10.2010	14h30	Blue Financial Services	BFS - Blue/ Mayibuye - Update announcement to shareholders of Blue and withdrawal of cautionary announcement
30.09.2010	11h16	Blue Financial Services	BFS - Blue - Change Statement Issue of Annual Report for the financial year ended 28 February 2010
01.09.2010	09h43	Blue Financial Services	GEN - General- Late Submission of Annual Financial Statements
01.09.2010	09h31	Blue Financial Services	BFS - Blue Financial Services Limited - Update on the issue of the financial results of Blue
12.08.2010	17h42	Blue Financial Services	BFS - Blue/ Mayibuye - Trading update and announcement to shareholders of Blue on progress
02.08.2010	14h27	Blue Financial Services	BFS - Blue - Renewal of Cautionary Announcement
02.08.2010	08h30	Blue Financial Services	BFS - Blue Financial Services Limited - Change to the Board
23.06.2010	12h14	Blue Financial Services	BFS - Blue Financial Services Limited - Update On Disclaimer of Conclusion issued
22.06.2010	11h22	Blue Financial Services	GEN - BFS - Disclaimed audit opinion
21.06.2010	16h03	Blue Financial Services	BFS - Blue Financial Services / Mayibuye Group - Announcement to shareholders
21.06.2010	07h05	Blue Financial Services	BFS - Blue - Reviewed provisional condensed results for the year ended 28 February 2010
17.06.2010	09h04	Blue Financial Services	GEN - KIR TCS TBX ADW & BFS - Late submission of provisional financial statements
15.06.2010	09h22	Blue Financial Services	BFS - Blue Financial Services Limited - Trading Statement
10.06.2010	17h40	Blue Financial Services	BFS - Blue - Detailed Cautionary Announcement To Shareholders Of Blue Regarding the Proposed Recapitalisation of the Company
28.05.2010	13h42	Blue Financial Services	BFS - Blue - Further Trading Update And Resumption Of Trading In The Securities of the Company
27.05.2010	12h26	Blue Financial Services	BFS - Blue Financial Services Limited - Temporary halt in trading
10.05.2010	15h29	Blue Financial Services	BFS - Blue Financial Services Limited - Renewal of Cautionary Announcement
24.03.2010	14h49	Blue Financial Services	BFS - Blue Financial Services Limited - Renewal of cautionary announcement
11.03.2010	15h53	Blue Financial Services	BFS - Blue Financial Services Limited - Trading Update
01.03.2010	09h30	Blue Financial Services	BFS - Blue Financial Services - Appointment of Independent Non-Executive Chairman

Full details of the above SENS announcements are available on the website www.blue.co.za.

ix. Blue's geographical business at a glance

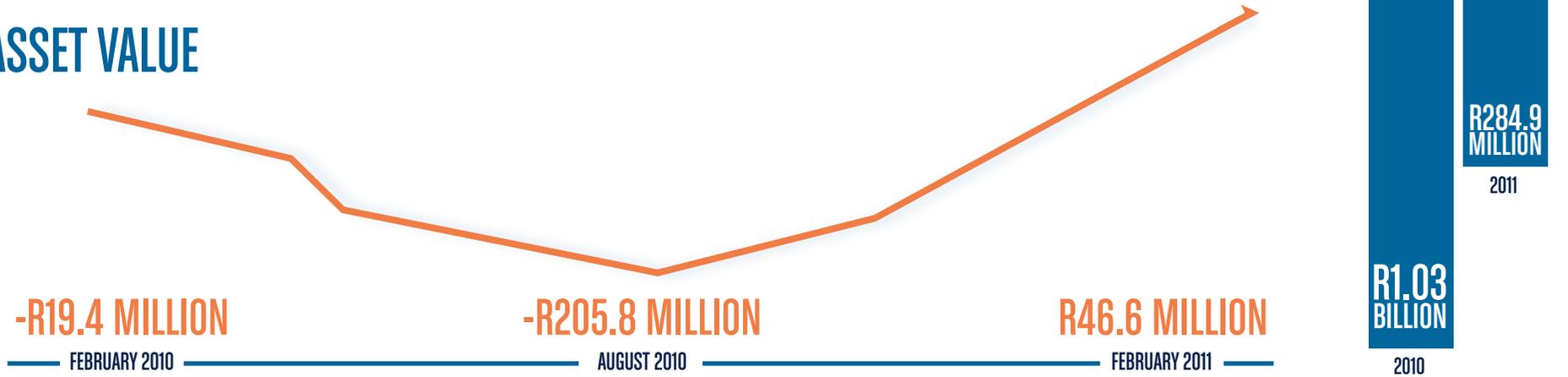
Blue currently has a presence in 14 African countries namely Botswana, Cameroon, Ghana, Kenya, Lesotho, Malawi, Mauritius, Namibia, Nigeria, South Africa, Swaziland, Tanzania, Uganda and Zambia. At present we operate out of 12 of these.



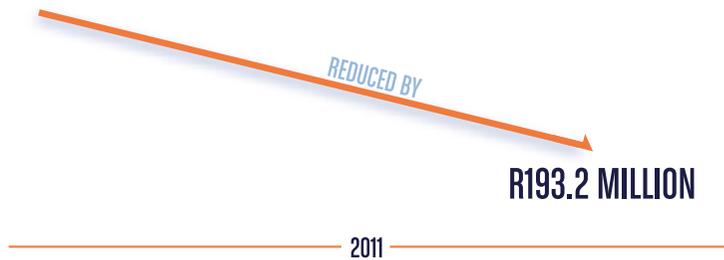
x. Key financial indicators

Below are the Key Financial Indicators (KFI) reflecting Blue's performance during the 2011 financial year.

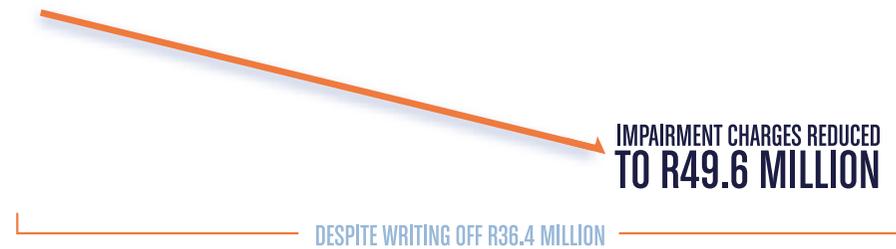
NET ASSET VALUE



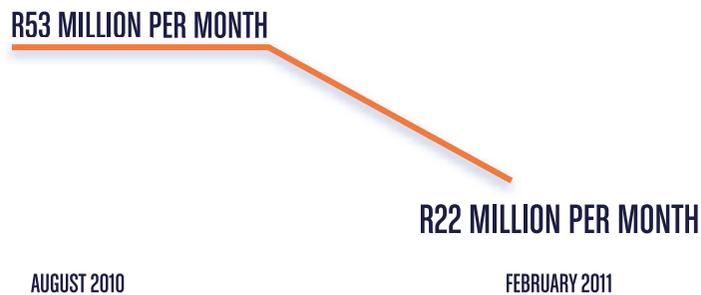
OPERATING EXPENSES



FOCUSED COLLECTION EFFORTS



OPERATING COSTS



x. Delivering on the strategy

When turnaround specialist Mayibuye announced its intention to acquire a majority stake in Blue in June last year, it undertook to return Blue to profitability. In the short time since concluding the recapitalisation deal, new life has been breathed into Blue, and the results are starting to speak for themselves. We recap how the Group has delivered on the strategy to date, as well as touch on our strategic priorities for the year ahead.

A critical aspect of the turnaround was the introduction of an innovative debt rescheduling agreement which allowed Blue to defer cash outflows on the majority of its debt for the next three years, thus assisting the company to recover financially.

The agreement allows Blue to defer repayment on the principal debt amounts for a 36-month period and limits the existing lenders' claims against Blue to the existing loan book only. The objective is to close the shortfall between the existing book and existing liabilities. In addition, lenders were successfully engaged in the process. Institutional funders agreed to convert R274 million of debt into equity, and shareholders have approved the conversion of a further R50 million debt into equity in future. The capital effectively freed up by the conversion has provided significant impetus for the growth of the business and further strengthened Blue's balance sheet.

The turnaround strategy has also focused on vigorously right-sizing Blue's expenditure to sustainable levels, while restructuring the credit recovery systems and improving collections.

Once the rehabilitation process of non-performing loans was put into place, the strategy called for us to start generating new quality loans on a cost-effective basis – a process which is now well underway.

A significant element of the turnaround was to change the organisational culture of Blue. Establishing the new core values of Respect, Reliability and Returns played a critical part in redefining the company's organisational culture and informed the rebranding of the new Blue as part of the turnaround. Further, we also place greater focus on corporate social responsibility.

Our values also entrench the importance of corporate governance and risk management, and protecting the rights and interests of funders. We continue to enhance the Group's compliance and control as another fundamental aspect of the turnaround.

With the turnaround strategy now well underway, Blue's financial results for the year ended 28 February 2011 reported a significant reduction in losses for the year. While this is evidence that the turnaround strategy is starting to bear fruit, we are acutely aware that there is still hard work to be done to ensure a full financial recovery and long-term growth.





xi. Priorities for 2012

With the strategy now in place, it will enable Blue to build on this solid platform to enable it to return to profitability, and sustainably participate in new growth markets.

The focus for 2012 year will be to:

1. Increase the loan book to a critical mass
2. Consolidate compliance and introduce integrated risk management
3. Implement new systems to improve efficiencies and embrace best practice
4. Continue to transform Blue to be an employer of choice
5. Grow Blue's footprint from the current 213 distribution points to more than 750 across the continent
6. Conclude a BEE transaction in 2012
7. Recapitalise all subsidiaries and embark on further Group balance sheet improvements
8. Continue to focus on cost reductions
9. Resolve historical tax issues

The actions taken in the last year to stabilise the business led to a decrease in the advance of new loans for the year ended 28 February 2011. An important part of the turnaround strategy going forward is to refocus on growing our distribution points and ramping up loan production. Blue has started down this route and has already commenced with new lending on which defaults are less than five per cent.

In the 2012 financial year, Blue will continue to leverage off the key competencies made available through its relationship with Mayibuye, particularly around the elements of credit, collections and information technology, which have been identified as areas that require improvement. Our objectives for the next year are to ensure the continuous enhancement of Blue's processes, governance, internal controls and overall business sophistication. Focus must remain on growing Blue's assets, keeping operational costs down and rehabilitating the loan book.

As part of its turnaround plan, the company is assessing the solvency and capital requirements of all its subsidiaries.

Blue aims to correct this by recapitalising portions of the inter-Group loan accounts between its subsidiaries during the year ahead.

Blue plans to introduce a broad-based black economic empowerment (B-BBEE) programme in the 2012 calendar year.

An in-depth analysis has been completed on how to implement BEE most effectively and holistically, taking into account the principles established in the FSC and the B-BBEE Codes relating to key pillars of BEE, including ownership, management control, employment equity and procurement of services.

The process will start with the transformation of Blue's shareholding.

An ongoing focus on human capital development, up-skilling and a continual staff engagement programme is also of paramount importance to our overarching turnaround strategy.

Blue has regained confidence and has renewed determination following the successful implementation of the turnaround strategy. With a bright future ahead, we will continue to entrench our new values with a view to building the refreshed Blue brand in the market.

xii. Overview of achievements / 2011 financial year highlights

Themes: Recapitalisation, Recovery, Realignment, Reach, Responsibility

Recapitalisation

In June 2010, in a deal worth R163 million, private equity company and turnaround specialist Mayibuye concluded a recapitalisation agreement in terms of which it acquired a 61% shareholding in Blue. Following this, since August 2010, Mayibuye has been implementing a turnaround strategy at Blue which has quickly borne fruit.

The multi-faceted strategy has focused on reducing costs, increasing credit recovery and improving collection processes and to ensure that Blue will have impairments and write-offs comparable to its peer group.

A key principle underlying the recapitalisation is that it separates the future business of Blue from the issues of the past. By negotiating a debt rescheduling agreement, Blue is now able to defer repayment on its principal debt for a three-year period. The agreement also ring-fences the existing lenders' claims against Blue to the existing loan book. The objective is to close the shortfall between the existing book and existing liabilities, while allowing lenders to convert debt to equity in Blue at the future share price if there is a shortfall after three years.

Blue also secured R300 million in terms of a claims purchase agreement for loan advances as part of the Mayibuye transaction.

The agreement by key institutional funders to convert R266.5 million of debt into equity was a further important milestone in improving the capital structure of Blue. The capital effectively freed up by the conversion will provide impetus for the growth of the business and further strengthen Blue's balance sheet.

As a result of the debt-to-equity conversion, Blue has gained two new institutional shareholders this year - the Nederlandse Financierings Maatschappij voor Ontwikkelingslanden N.V. (FMO) and RenaissanceAfrica

MasterFund Limited (RenAsset). Existing shareholders International Finance Corporation (IFC), Absa Bank and PineBridge have also increased their shareholding. The successful conclusion of the complex recapitalisation deal, with overwhelming (94%) support from shareholders and all regulatory approvals being achieved rapidly, was a key highlight for the year under review.

Recovery

The Group's operating expenses have been reduced by a substantial 27 per cent (R193.2 million) from the 2010 year.

Realignment

With the introduction of Mayibuye as a strategic investor, Blue has realigned its core values with those of Mayibuye, namely Respect, Reliability and Returns. These new core values establish the norms which now inform everything we do, and the way in which we behave towards each other, our colleagues, our customers, our suppliers and the communities we serve. Blue has also defined and adopted a new vision and mission statement, which are strategically and philosophically aligned with our refreshed set of core values.

March saw the rebranding of Blue to communicate the company's new ethos, direction and values and to mark the birth of a new Blue.

On entering a new era for Blue, it was identified that one of the most important tools in understanding the work environment and sentiment of our people was conducting employee climate surveys. Blue recently conducted its first 'climate survey' to assess the factors that can contribute to creating a good work environment, with the purpose of continual improvement. The climate survey feedbacks and workshops began in March 2011, starting with Blue South Africa and will be rolled out at all of Blue's African offices in the coming months.

Reach

Through Blue's newly established relationship with Mayibuye Group, the past year has seen the creation of strategic partnerships with other subsidiary companies in the Mayibuye stable. A key new product innovation was the development of a Blue home loan offering, combined with a transactional banking product, through partnership with Mayibuye's investment entity, Integer (Pty) Ltd ("Integer"). This was introduced successfully to the market in March 2011.

The incorporation of Integer's Hlano division into Blue earlier in 2011 now allows Hlano to use the extensive Blue network to service its customers. Hlano will continue to offer its Bambanani loan product to the market through our branches, thereby extending Blue's reach and product range.

Internationally, Blue opened new offices in Accra, Ghana, in February 2011. With the country having been identified as an important growth region for the company, Blue Ghana is now in business.

A significant decision taken in 2011 which will facilitate future growth on the continent was the adoption of the 'B1 Index'. This Index establishes a pricing model for Blue based on NCA principles and adapted for country-specific factors that effectively imposes a self-regulated cap and ensures that its loans are priced the same across borders, in all the African countries in which Blue operates.

Responsibility

On the corporate governance front, our new core values of Respect, Reliability and Returns now strongly inform the manner in which we handle compliance. With the appointment of Blue's new Board of Directors, the Group's management has made it their mission to conduct our business with integrity and in adherence to all recognised codes of conduct, including King III.

Blue has in the past year also adopted a new CSI programme in conjunction with Mayibuye. Through our CSI programme, entitled 'Helping Hope Return', we strive to uplift and instil hope in the communities where we operate – particularly those people living in adverse circumstances.

In the past year, Blue has run a number of remarkable projects, which included:

- Partnership with the Action for the Rights of Children Orphanage - Uganda
- Food and clothing drive - Botswana
- Orphanage donations - Kenya
- Children's hostel parties - Namibia



Chairman's statement

From The Chair

It is my pleasure to report to all stakeholders on the developments that have taken place within Blue during the 12 months of the 2011 financial year. At the start of the year, the prospects for Blue were, to say the least, poor. By the end of the year, and following the financial restructuring which became effective on 10 December 2010, as demonstrated and measured by actual results achieved, there has been a dramatic change for the better in Blue's fortunes.

At the outset of the year, few could have predicted the distinctly favourable position in which we now find ourselves.

The previous year had produced staggering losses due to a number of reasons, including the difficult state of world economies. During 2011, however, Blue's Board successfully negotiated a turnaround strategy with new majority shareholder, the Mayibuye Group. Mayibuye turns out to be the perfect partner – or parent - to rejuvenate Blue and bring it back 'from the brink' as well as championing it towards a much brighter future.

Turnaround

The turnaround strategy that included refinancing and debt restructuring has transformed Blue's financial health and set a firm platform for Blue based on sound principles and strong funding.

Mayibuye engineered a new funding facility involving a number of key funders, and I thank all parties involved in creating this facility to take Blue forward with renewed confidence. I also thank them for their support during the difficult and turbulent times prior to the deal with Mayibuye Group being finalised.

It is much more than funding that Mayibuye has brought into the turnaround process. Their active and hands-on approach has helped infuse new life into Blue across all levels and disciplines. The company's operational ethos has changed and continues to be transformed for the better.

Board

Starting at the top, and in line with improved corporate governance and honouring the principles of the King Commission Reports, Blue now has a restructured and fit-for-purpose Board. The Board is supported by the relevant and refreshed sub-committees that have already proven to function well in support of our new business plans and objectives.

Management

In restructuring at the next level of the management team, we have retained all that was excellent in Blue and brought in some new people and improved processes. This has made management more effective in implementing the strategies developed at higher levels.



In practical terms, the management team is driving the turnaround strategy which is translating into positive results in Blue's performance figures. Accordingly, and in recognition of the vital role the management team plays, we are currently in the process of reviewing the executive rewards scheme that will encompass both short-term and long-term incentives.

Corporate identity

As part of breathing new life into Blue, I am delighted to say that the company has a bright new visual identity, with fresh colours and images of which we can all be proud. This visual renewal was not only focused externally at the marketplace but also internally to uplift and revive the spirits of the people who make up Blue's workforce, and without whose wholehearted commitment our turnaround strategy would not have been possible.

Commitment to Blue's people – and thanks

As part of Blue's new values and commitment to improving the working environment, the company commissioned Deloitte & Touche to conduct an Employee Climate Survey so as to afford all staff in every office and branch in each country in which Blue operates the opportunity of participating.

The information and insights this survey has produced form the basis of improvement plans that are currently being formulated and implemented throughout the organisation.

It is the positive motivation and commitment of Blue's people at all levels that will make – and have already made – the current turnaround not only possible but, as results are already showing, a reality. I therefore heartily thank everyone throughout Blue for their support and keen contribution in helping to turn our organisation around.

My thanks also go to the people of Mayibuye for the new energy they have brought to Blue at what was a crucial time in the company's development. Time will undoubtedly show just how vital this injection of energy has been and its pivotal role in the turnaround strategy.

Auditors

It is both sobering and encouraging to note that for the first time year-on-year we retained the same firm of auditors. I thank them for their role in scrutinising and reporting on the annual financial statements.

Products and markets

Operationally, it is exciting to note that Blue's association with the Mayibuye Group has brought about some fortunate synergies relating to products and markets.

While Blue has an extensive market access infrastructure throughout its pan-African footprint, Mayibuye has added some excellent new products to Blue's current range that complement and materially extend Blue's offerings to the marketplace.

For example, from Blue's new sister company Integer, it now has access to granting leading-edge home loan packages that have been described by a Business Times survey as "the best account for home owners."

Blue now has a winning combination, which is what excites me personally and gives me sustainable confidence in the upturn of Blue's operations going forward.

Final words

Together with Blue's marketing access points throughout Africa, its enhanced products and a brightly refreshed public image, secure funding and a backbone of committed and enthusiastic people, it is not surprising that I can say with confidence that, at the end of the 2011 financial year, Blue is in a distinctly favourable position.

Indeed, I believe Blue is now perfectly poised for a recovery that will reach and even exceed its vision, goals and objectives in such spectacular fashion that it will surprise us all and delight our stakeholders in the years to come.



Siphon Twala
Chairman



CEO's review

New Blue, new values, new ethos

It is only with the understanding that when our values become intrinsic to our corporate culture, can we build a sustainable business that will exert a positive and lasting influence on the lives of our customers and our own people.

Creating this new culture requires a firm commitment to a mutually agreed set of strategic imperatives. I am pleased to report that Blue's new strategic imperatives have provided the framework for the company's turnaround and subsequent growth.

Strategic imperatives

Blue's new strategic imperatives are:

- Core values
- Best practice
- Margins
- Retention
- Acquisition

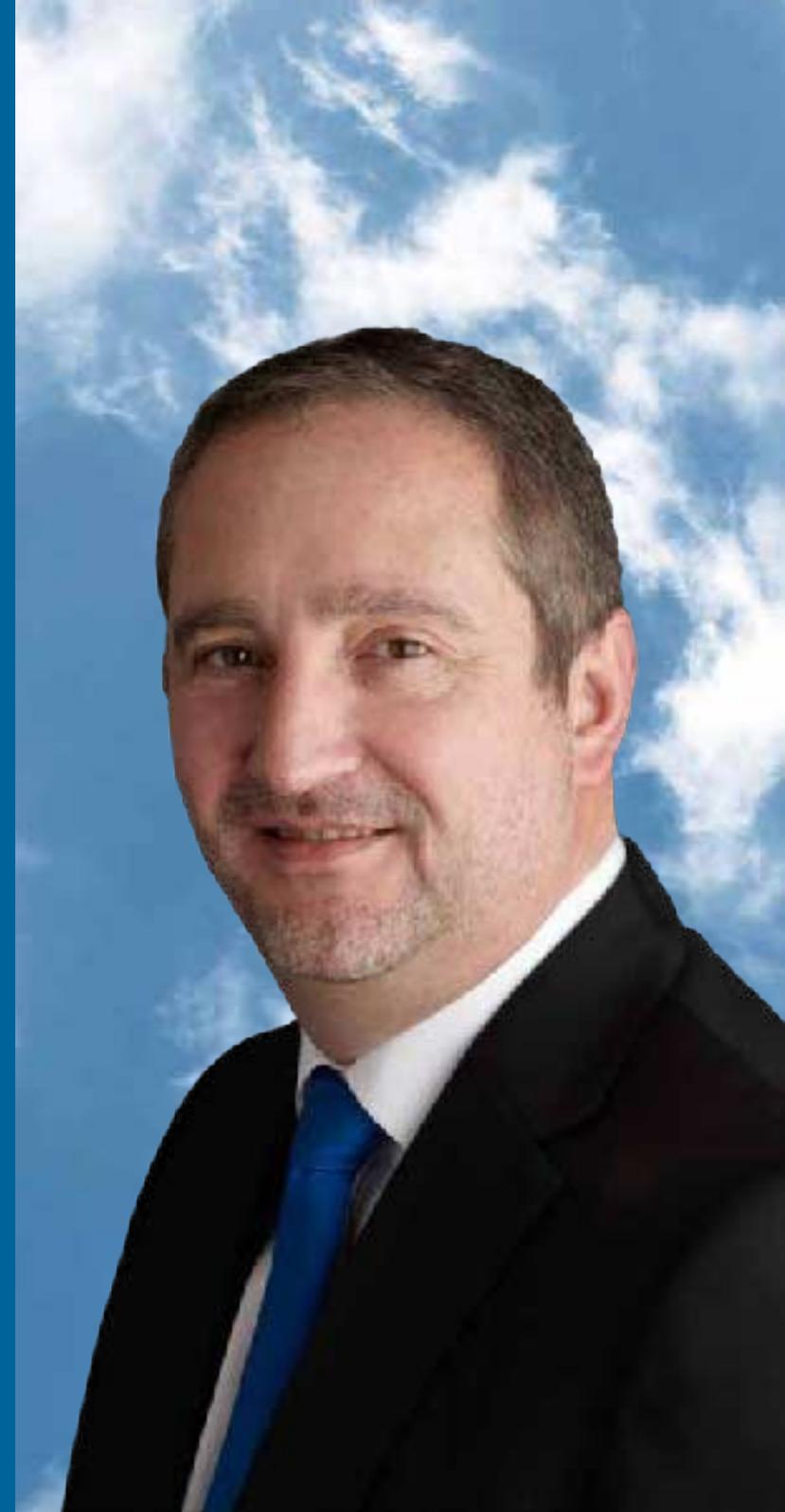
Core values

The establishment of Blue's new values was the first fundamental step in the turnaround process. These values - Respect, Reliability and Returns – form the solid cornerstone on which Blue conducts its business and provide the framework for our business philosophy in all our operations across Africa. Our values are central to everything we do at Blue. As such, I believe we need to explain them further.

Respect

We interact with our colleagues, clients, customers, suppliers and all people with dignity, integrity, honesty, loyalty, openness and sincerity, regardless of their positions, business relationships or cultural differences.

As part of our culture of Respect for our customers and their realities, we have developed a system of self-regulation, the B1 Index, to create affordable limits to the charges and interest rates we are prepared to levy in order to conduct business on a basis that is equitable to all parties involved. Whilst the development and introduction of our B1 Index will reduce our margins, we believe that charging rates above this Index is not appropriate or sustainable, and could be unproductive in the medium to long term. We anticipate implementing the B1 index in the first few months of the new financial year.



Reliability

We keep our promises to each other, to our customers and clients, and to everybody with whom we interact. In this way we build trust and confidence and show reliability. To achieve this, we commit ourselves to discipline, dedication, diligence and responsibility.

Blue's renewed commitment to compliance is an example of the value of Reliability in action.

Returns

Through our courage, creativity and innovation, perseverance and determination, accountability, commitment and teamwork, we optimise returns for ourselves, our clients and customers, our shareholders and all our stakeholders, and we ensure vitality and growth - both personal and corporate. Our results are tangible and measurable.

Best practice

The concept of best practice is the consistent drive to make use of only the proven best ways of doing things in the workplace.

Operationally, our approach has a three-level structure:

1. Compliance with the regulatory environment
2. Compliance with acknowledged best practices, which extend beyond the regulatory environment, by purposefully scanning the worldwide business environment for leading-edge best practices to adopt and implement, sometimes with adaptations to suit our pan-African operations
3. We look beyond what the rest of the business world believes to be best practice and leverage our own innovative culture to find new 'beyond best practice' approaches to take us to the next level

Our culture will develop into one of constantly examining and re-examining how we do business, with an approach that 'we're not quite there yet' and 'we can always improve'.

Part of this includes our adoption of King III to achieve standards of excellence in corporate governance, to stand out from our competitors, to improve efficiencies and, ultimately, to improve service levels for our customers to ensure customer loyalty for our market offerings.

Margins

Our immediate focus is to return the consolidated operations throughout Blue to profitability, and to do this in a manner that is both sustainable and in the best interests of all our stakeholders in the medium and long term.

Our second focus, through selected strategies, is to return every company within the Blue stable to profitability.

In our pan-African context, our focus is to generate excellent and profitable business within the separate and diverse conditions of each country where we have a presence.

We have initiated 'a culture of independent enterprises' to create the best margins in all areas of the business throughout Blue's pan-African footprint. We will achieve this by customising our operations to suit the prevailing circumstances and the social, legislative and business environments in each country.

The basics, however, are similar – optimise costs to suit business plans, and achieve increased sales penetration figures by providing customers with the products they want in order to generate the necessary required production levels.

Retention

A clear understanding of consumer behaviour is a prerequisite in developing successful customer retention plans.

This requires an intentional, diligent and concerted effort over the long term, delivered by everyone in the organisation from the front-lines to the back-offices. This is the real challenge – to get every division, every department, every branch and every person on Board and fully committed to customer service of the highest calibre. This is where Blue is focusing intensive effort.

In addition, we firmly believe that customer loyalty is a two-way bridge and we are in the process of materially rewarding those customers who have been loyal to us during the recent times of uncertainty. These people are particularly important to us in relation to our retention strategies.

Acquisition

Successful new customer acquisition is related to regaining customer trust through appropriately tailored customer service and a re-engineered product range that represents value and affordability. It is the basics of affordable products and reliable service that will rebuild trust in Blue and create new customer relationships based on confidence. With this approach, we will once again be able to say with firm conviction: “Every step with you, trust in Blue”.

It is only by getting these fundamentals right that we can successfully implement our new customer acquisition strategies. We have already achieved some measured improvements in monthly product sales, and we know that we are getting better at it all the time.

Progress

In the process of instilling this ethos and these values into the organisation, I am tremendously pleased with the strides Blue has taken over the past six months from September 2010 to February 2011. The previous Board had requested that I start implementing the turnaround strategy once competition authority approvals had been obtained, which was quite some time before the acquisition was finalised on 10 December 2010.

I firmly believe that we have accomplished a significant amount of work in this initial period and, from these solid foundations, a new Blue is starting to emerge.

Regarding our people, we are firmly committed to obtaining their input in a scientific way and responding to the results we obtain. Accordingly, in December 2010, we commissioned Deloitte & Touche to conduct a pan-African Employee Climate Survey within each of the Blue operations. We are currently implementing a programme of engagement with all staff in response to the survey, with our determined objective being to achieve the status of ‘employer of choice’ in the minds and lives of our staff.

Blue’s Group Head Office has moved to Mayibuye Place in Randburg as Blue’s principal place of business, while a shared-services company has been created, operating from Pretoria, to provide support through a new transfer-pricing facility.

The restructure process has caused a further measurable degree of rationalisation and the leveraging of assets to produce higher efficiencies. This, in turn, has led to a reduction of approximately 700 positions from Blue’s local workforce.



2011 Performance in review

The agreement by institutional funders to convert debt into equity was a strong indication of their confidence in the turnaround strategy and plans. The way in which the debt restructuring agreement was formulated will allow shareholders to benefit from the future business generated, while debts remaining from the past are ring-fenced to the old loan book.

The successful conclusion of the transaction means that Blue will have access to almost R1 billion over the next three years for the growth of the Group's loan books. This is made up of R300 million in terms of a claim purchase agreement facilitated by Mayibuye by which loans are sold to a special purpose vehicle. In addition to that, almost R700 million will be provided by the existing funders of the business in terms of the Debt Rescheduling Agreement, together with the cash components of the increase in capital.

Enhanced operational efficiencies and diligent cost-cutting efforts have seen the Group's monthly expenses shrinking to the levels we had targeted to achieve. A commitment to improving collections has seen a reduction in the overall impairment charges on non-performing loan advances in the amount of R49.6 million.

The journey for Blue to take its place as a profitable corporate citizen has started and I believe that the turnaround process is gaining momentum, with particularly effective results noted in correcting costs to suit operations. Our focus now is on the production of new loans on the basis that we emphasise quality loans and not quantity.

Acknowledgements

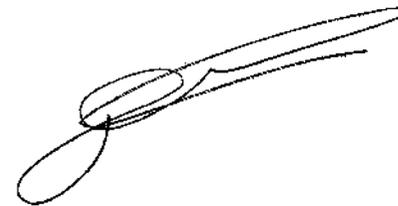
The past year has been one of transition for Blue. I believe there is a very bright future for the company as a leading pan-African financial services Group that makes a positive difference in people's lives.

Without the support of the funders of the Group, the turnaround would not have been possible. I would like to thank them for the professional and responsible way that they have approached Blue during very difficult times.

I would also like to thank the Board and management of Mayibuye for allowing me to start the turnaround process prior to acquisition.

The Chairman, Sipho Twala, and the new Blue Board have been actively supportive and I would also like to thank them for their assistance and valued counsel during the past six months.

It has required enormous commitment, courage and focused energy from each member of the organisation to move Blue onto the starting blocks of the trajectory towards profitability. I extend my sincere thanks to all of our people for sharing in a new vision for our Group and the belief in what we can be.



Johan Meiring
Chief Executive Officer



CFO's review

Building a foundation based on core fundamentals and financial discipline to drive sustainable profitability.

The 2011 financial year will be remembered as a year in which Blue was challenged on numerous fronts. With new strategic direction we have begun a recovery process which is evidenced in the results for the year.

The Group entered the period on shaky financial foundations, with the results for the previous financial year reflecting a loss of liquidity and a significant decline in the company's financial performance. Liabilities exceeded assets by R2.9 million and a loss of R1.03 billion was incurred for 2010 which brought into question the Group's ability to continue as a going concern.

One of the key factors which had impacted the Group most dramatically was rapid expansion. This expansion happened without committed wholesale funding lines being in place, and without adequate operational capacity to respond to challenges and elements of organisational risk. Cost structures were not fit-for-purpose, and the Group did not have robust credit or collections processes. Furthermore, Blue had not developed strategies to mitigate the Group's exposure to foreign exchange movements.

The second major influencing factor was the ill-timing of key acquisitions, which did not meet expectations. These factors negatively impacted the quality and performance of the loan portfolio, the funds available to grow loan advances and the company's ability to recover other assets.

During the later part of 2009 we took strategic action to address these issues. Our short-term strategy has been to restore Blue's liquidity through a recapitalisation plan and the introduction of a strategic shareholder in Mayibuye. We focused on restructuring debt facilities and converting a large portion of debt into equity, to be held by institutional shareholders. We also implemented aggressive cost-reduction initiatives and have generally enhanced operational processes and related efficiencies.

2011 financial highlights

Comparing the results from the 2010 financial year with results for the 2011 year reflects a marked improvement which is a clear indication of the effectiveness of the strategic turnaround actions taken.

The R1.03 billion loss Blue reported in 2010 has been significantly reduced to a R284.9 million loss for 2011. Within this figure it should be noted that the loss of R116.7 million for the second half of the year includes once-off costs and write-offs in excess of R100 million.



The company has restored its net asset value to R46.6 million, up from the negative R19.4 million as at February 2010, and the negative R205.8 million reported at 31 August 2010. This has largely been the result of an injection of R163 million through the recapitalisation deal, as well as the successful conversion of R274 million of debt into equity. In addition, shareholders have approved the future conversion of a further R50 million of debt into equity.

The Group's operating expenses have been reduced by a substantial R193.2 million (27 per cent) from the 2010 year. By February 2011 operational cash costs had dropped to R22 million per month, whereas cash costs per month in August 2009 were as high as R53 million per month. Operating expenses for the year include once-off costs in excess of R75 million, associated mainly with the recapitalisation of the Group and its turnaround strategy.

The Debt Restructuring Agreement has allowed for a stay on the Group's principal repayments for the next three years. This encompasses 86.5 per cent of Blue's total external funding obligations. Blue also has access to a R300 million claims purchase agreement that will assist with growth in loan advances.

Focused collection efforts have led to a reduction in the overall impairment charges on non-performing loan advances by the amount of R49.6 million, compared with the six months ended 31 August 2010. The reduction was achieved despite the writing off of R36.4 million interest on loan advances during this period. Furthermore, Blue reduced the cash flow shortfall between the income from collections and the amount required to meet the Group's normal operating expenses and interest obligations. The elimination of this shortfall is essential to ensuring that capital collected from customers is applied to new loans.

As part of the turnaround strategy, the company had to concentrate on enhancing controls and utilising funds to meet operating requirements during the year. This restricted our ability to advance new loans to customers, and loan advances have decreased by 30.4 per cent from R783.0 million in 2010, to R544.6 million at 28 February 2011. The impact of a prudent approach to new lending is expected to be more evident in subsequent financial periods.

Key challenges

The settlement of Blue's taxation obligations and legacy creditors are both major challenges to our financial performance.

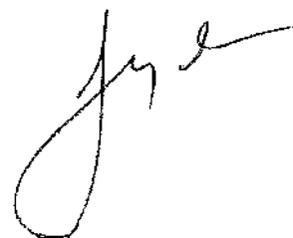
We continue to work towards achieving solvency among Blue's underlying subsidiaries, and the Group is currently considering converting inter-group loan accounts to equity and injecting equity capital into our subsidiaries where required.

We have also suffered from exposure to foreign currencies, which resulted in losses of R49.9 million during the year. The Group is now in the process of decentralising operations as far as possible, in order to reduce undue exposure to foreign currencies as well as tax leakages going forward.

Looking ahead

Having built a solid foundation for growth, the financial outlook for Blue will depend on building on the fundamentals put in place by the turnaround strategy in the 2011 year. The process of restoring the Group to sustainable profitability is firmly underway, and our imperatives for the next year are to maintain cost control, increase production and grow loan advances, while ensuring the collection of the non-performing legacy portfolio and actively securing future funding.

Our key financial targets for Blue's medium- to long-term growth are to achieve a return on assets of greater than 5 per cent, while creating a cost-to-income ratio of less than 40 per cent and keeping credit impairments below 10 per cent. These goals can be achieved through financial discipline and our ongoing adherence to the core fundamentals established in 2011. It should be noted that any forward-looking statements contained in this Annual Report have not been reviewed or reported on by the company's independent auditors.



Shaun Strydom
Chief Financial Officer



Risk management

Introduction

Effective risk management is fundamental to the business activities of the Group. The Group's approach to risk management is based on defined governance processes and relies on both individual responsibility and collective oversight.

The significant challenges and financial deterioration that the Group experienced during the 2010 financial year highlighted the need for a revised focus on risk management processes and methodologies in line with the new direction of the Group. This prompted a review of the entire risk management framework, increased Board oversight and the strengthening of the Group Risk Committee during the 2011 financial year.

Following the conclusion of the recapitalisation transaction with Mayibuye, which became effective on 10 December 2010, the turnaround plan adopted by the Board under the direction of Mayibuye created further impetus in addressing the key risks of the organisation critical to the stabilisation of the business and in ensuring a solid strategic and operational base is in place to grow the business and return it to sustainable profitability.

Significant progress has been made in this regard recognising that the process is ongoing and receiving priority as part of the Group's strategic imperatives aligned to the overall turnaround plan.

Specific actions to date aimed at addressing the key identified risks include:

- Reconstitution of the Group Risk Committee
- Establishment of a Group Credit Committee
- Establishment of a compliance matrix across all operations and countries
- Appointment of PricewaterhouseCoopers as internal auditors to assist with the identification of control weaknesses and the establishment of a robust internal control environment
- Revision of all credit policies (including new scorecards) and collections processes and methodologies
- System enhancements necessary to remove historic weaknesses and provide real-time management information

Significant progress has been made in this regard recognising that the process is ongoing and receiving priority as part of the Group's strategic imperatives aligned to the overall turnaround plan.





We remain committed to increasing shareholder value by developing and growing our business within our Board-determined risk appetite. The progress in this regard should be seen in context of the turnaround plan currently being implemented.

The Board as a principle seeks to limit adverse variations in earnings and capital by managing risk exposures within agreed levels of risk appetite, always cognisant of achieving a balance between risk and reward aligned with the Group's strategic plans.

Governance structures

Group Board of Directors

The Board of Directors is ultimately responsible for appropriate risk management and internal control mechanisms. The Board monitors the implementation of their strategies and objectives through various Board and executive committees. The Board delegates oversight responsibility to the risk committee to deal with the various risk portfolios, set risk tolerance and monitor the entire risk management process.

Sub-committee oversight

The Board, in discharging its risk management responsibilities, is supported by two sub-committees, namely the Group Audit Committee and the Group Risk Committee. These committees are the oversight bodies for the implementation of adequate and effective internal control mechanisms as well as appropriate risk management frameworks.

Management

Management is responsible for the day-to-day implementation of adequate and effective internal control mechanisms. It is responsible for overseeing the development and maintenance of a methodology to effectively manage risk in the Group and drive a risk management culture throughout the organisation.

Risk Classification

Risks for the Group are classified into the following components:

- Enterprise risk
- Operational risk
- Financial risk
- Reputational risk



Corporate governance

Blue - committed to compliance

Blue Financial Services Limited and its subsidiaries are committed to ensuring that fair and honest business practices are integrated into the organisational structure. Our new core values of Respect, Reliability and Returns are becoming a way of life within the Group and the new Board of Directors and management endeavour to conduct the Group's business with integrity, in accordance with King III and any other recognised corporate practices and codes.

The Listing Requirements of the JSE require that companies report on the extent to which they comply with the principles incorporated in the King Report, King III, which came into effect on 1 March 2010. Since then, the company has been implementing improvements to ensure full compliance of the "apply or explain principle" in order to be fully transparent to all stakeholders about any instances where Blue is not able to apply the principles of King III.

National Credit Regulator

The Group is registered as a credit provider with the National Credit Regulator in accordance with the National Credit Act, No 34 of 2005. Blue supports the principles of conduct in operations and lending purposes as prescribed in the Act.

Financial Services Board

Blue is registered with the Financial Services Board (FSB) in South Africa to provide insurance offerings to our client base.



Corporate governance

Key corporate governance developments during the 2011 financial year were as follows:

- A Board charter was adopted on 18 August 2011, detailing the composition, appointment, responsibilities and processes as well as the duties and role of each Director
- A Nominations Committee was implemented during 2010 and combined with the Remuneration Committee in February 2011
- A Social and Ethics function was handled by the Board due to its importance in Blue's development and the Board is now in the process of transferring this to a new committee

The Board

On 13 December 2011, following subscription and the passing of all shareholder resolutions to approve the recapitalisation deal, a new Board of Directors was appointed to lead what would become one of the most exciting and challenging periods in the history of Blue. The turnaround period would be headed by the new Blue Chief Executive Officer, Johan Meiring.

Blue has a unitary board, constituted both to lead and control the company. As required by King III, the Board comprises a majority (nine) of non-executive directors, of whom eight are independent. The Chairman of the Board, Siphon Twala, is independent and was re-appointed in this role for a second term, following a show of confidence from the incumbent Board.

Leadership and accountability

All Directors are tasked with contributing their independent thinking and appropriate experience to the Board's decision-making processes. The underlying principle is that the Board takes overall responsibility for the success of the company. Its role is to exercise leadership and sound judgement in directing the company, together with

the CEO, to achieve sustainable growth and to act in the best interest of Blue and its stakeholders, and that the Board takes overall responsibility for the success of the company. Its role is to exercise leadership and sound judgement in directing the company, together with the CEO, to achieve sustainable growth and to act in the best interest of Blue and its stakeholders.

Transparency

The full, accurate, relevant and timeous disclosure of information must be adhered to, to ensure that stakeholders are provided with timeous, accurate and relevant information.

Blue's CEO is charged with the responsibility of the ongoing operations of the company. He develops Blue's strategy and recommends the business plan and budgets to the Board for consideration.

Appointments to the Board, which are a matter for the Board as a whole with the assistance of the Remuneration and Nominations Committee, are made in terms of formal and transparent procedures and are subject to confirmation by the shareholders at the annual general meeting.

Blue believes that the composition of the incumbent Board, in terms of numbers and expertise, is efficient and appropriate to meet the Group's current needs at Board level. In addition, the Board applies the code's guidelines when considering Director independence.

Details of directors' attendance at Board and committee meetings during the year are set out in the following tables:

BLUE FINANCIAL SERVICES LIMITED - BOARD MEETINGS FOR THE PERIOD 1 MARCH 2010 TO 13 DECEMBER 2010

	Sipho M Twala	Dave van Niekerk	Wessel Smit	Christo Klopper	Shaun Strydom	Mpumela J Sondiyazi
	Chairman Independent Non-Executive Director	CEO Executive Director	Legal Executive Director	Operations Executive Director	Chief Financial Officer Executive Director	Independent Non-Executive Director
	Appointed 01-03-2010 Resigned 13-12-2010	Appointed: 1-10-2005 Resigned: 30-07-2010	Appointed: 01-10-2005 Resigned: 13-12-2010	Appointed: 26-02-2009 Resigned: 13-12-2010	Appointed: 01-08-2009 Resigned: 13-12-2010	Appointed: 08-03-2006 Resigned: 13-12-2010
11/03/2010	Yes	Yes	Yes	Yes	Yes	Apology
09/04/2010	Yes	Yes	Yes	Apology	Yes	Yes
14/04/2010	Yes	Yes	Yes	Yes	Yes	Apology
20/04/2010	Yes	Yes	Yes	Yes	Yes	Yes
10/05/2010	Yes	Yes	Yes	Yes	Yes	Yes
12/05/2010	Yes	Yes	Yes	Yes	Yes	Apology
18/05/2010	Yes	Yes	Yes	Yes	Yes	Yes
20/05/2010	Yes	Yes	Yes	Yes	Yes	No
27/05/2010	Yes	Yes	Yes	Yes	Yes	Yes
31/05/2010	Yes	Yes	Yes	Yes	Yes	Yes
01/06/2010 @ 08:00	Yes	Yes	Yes	Yes	Yes	Apology
01/06/2010 @ 09:30	Apology	Apology	Yes	Yes	Yes	Apology
02/06/2010	Yes	Yes	Yes	Yes	Yes	Apology
07/06/2010	Yes	Yes	Yes	Apology	Yes	Yes
10/06/2010	Yes	Yes	Yes	Yes	Yes	Yes
14/06/2010	Yes	Apology	Yes	Apology	Yes	Yes
30/06/2010	Yes	Yes	Yes	Apology	Yes	Apology
13/07/2010	Yes	Yes	Yes	Yes	Yes	Apology
30/07/ 2010	Yes	Apology	Yes	Apology	Yes	Apology
06/08/ 2010	Yes	N/A	Yes	Yes	Yes	Apology
12/08/ 2010	Yes	N/A	Apology	Yes	Yes	Yes
19/08/ 2010	Yes	N/A	Yes	Yes	Yes	Yes
26/08/ 2010	Yes	N/A	Yes	Apology	Yes	Yes
11/10/ 2010	Yes	N/A	Yes	Apology	Yes	Yes
27/10/ 2010	Yes	N/A	Apology	Yes	Yes	Apology
15 /11/ 2010	Yes	N/A	Yes	Yes	Yes	Apology

BLUE FINANCIAL SERVICES LIMITED - BOARD MEETINGS FOR THE PERIOD 1 MARCH 2010 TO 13 DECEMBER 2010

	Andre Steyn	Antonios Couloubis	Michael G Meehan	Alex R Aime	James A French	Zain Laher
	Non-Executive Director	Non-Executive Director	Independent Non-Executive Director	Non-Executive Director	Independent Non-Executive Director	Alternate to Alex R Aime
	Appointed: 11-10-2006 Resigned: 13-12-2010	Appointed: 01-06-2007 Resigned: 13-12-2010	Appointed: 26-02-2009 Resigned: 13-12-2010	Appointed: 01-09-2009 Resigned: 13-12-2010	Appointed: 09-11-2009 Resigned: 13-12-2010	Appointed: 01-09-2009 Resigned: 13-12-2010
11/03/2011	Yes	Yes	Yes	Apology	Yes	Apology
09/04/2010	Yes	Yes	Yes	Yes	Yes	Apology
14/04/2010	Yes	Yes	Yes	Yes	Yes	Apology
20/04/2010	Yes	Yes	Yes	Yes	Yes	Yes
10/05/2010	Yes	Yes	Yes	Yes	Yes	Apology
12/05/2010	Yes	Yes	Apology	Yes	Yes	Apology
18/05/2010	Yes	Yes	Yes	Apology	Yes	Yes
20/05/2010	Yes	Yes	Yes	Yes	Yes	Yes
27/05/ 2010	Yes	Yes	Yes	Apology	Yes	Apology
31/05/ 2010	Yes	Yes	Yes	Yes	Yes	Apology
01/06/2010 @ 08:00	Yes	Yes	Yes	Yes	Yes	Yes
01/06/2010 @ 09:30	Yes	Yes	Yes	Yes	Yes	Apology
02/06/2010	Yes	Yes	Yes	Yes	Yes	Apology
07/06/2010	Yes	Yes	Yes	Yes	Yes	Apology
10/06/2010	Yes	Yes	Yes	Yes	Yes	Apology
14/06/2010	Apology	Yes	Yes	Yes	Yes	Apology
30/06/2010	Yes	Yes	Yes	Apology	Yes	Yes
13/07/2010	Yes	Yes	Yes	Apology	Yes	Yes
30/07/2010	Yes	Yes	Yes	Yes	Yes	Apology
06/08/2010	Yes	Yes	Yes	Apology	Yes	Apology
12/08/2010	Yes	Yes	Yes	Apology	Apology	Yes
19/08/2010	Yes	Yes	Yes	Apology	Yes	Yes
26/08/2010	Apology	Apology	Yes	Yes	Yes	Apology
11/10/2010	Apology	Apology	Yes	Apology	Yes	Apology
27/10/2010	Yes	Yes	Yes	Apology	Yes	Apology
15/11/2010	Apology	Yes	Yes	Apology	Yes	Apology

BLUE FINANCIAL SERVICES LIMITED - BOARD MEETINGS FOR THE PERIOD 13 DECEMBER 2010 TO 1 MARCH 2011

	Sipho M Twala	Robert R Emslie	Alan Ber	Antonios Couloubis	Leonard H Fine	James A French
	Chairman Independent Non-Executive Director	Deputy Chairman Independent Non-Executive Director	Independent Non-Executive Director	Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director
	Appointed 13-12-2010	Appointed 13-12-2010	Appointed 13-12-2010	Appointed 13-12-2010	Appointed 13-12-2010	Appointed 13-12-2010
18/01/2011	Yes	Yes	Yes	Yes	Yes	Yes
	Ramotheo M Mashishi	Timothy L Till	Michael G Meehan	Johan Meiring	Shaun Strydom	
	Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director	CEO Executive Director	CFO Executive Director	
	Appointed 13-12-2010	Appointed 13-12-2010	Appointed 18-01-2010	Appointed 13-12-2010	Appointed 13-12-2010	
18/01/2011	Yes	Yes	N/A	Yes	Yes	

Board evaluation

As the new Board had only been in place for less than three months at the end of the 2011 financial year, it was not deemed appropriate to implement an annual effectiveness evaluation in respect of the Board and the Board committees, but this will be done during the forthcoming year.

Interest in contracts and conflict of interest

Directors are required to inform the Board timeously of conflicts or potential conflicts of interest they may have in relation to particular items of business, and are obliged to recuse themselves from discussions or decisions in relation to such matters.

Insurance

The Group has obtained adequate insurance coverage for Directors' and Officers' liability. No claims under the relevant policy were lodged during the year under review.

Board processes

Company secretary and advice

The function of company secretary was outsourced to Elise Waldeck of Corporate Statutory Services with effect 1 March 2010. The company secretary attends all Board, Board committee and executive meetings. Directors have access to the company secretary, who acts as an advisor to the Board and its committees on governance issues, including compliance with rules and procedures, statutory regulations and the code. The company secretary assists the CEO and Chairperson in determining the annual Board plan, Board agendas and formulating governance of Board-related issues. Blue's company secretary has also been delegated the responsibility to develop and oversee the induction of new Directors and to coordinate the attendance of relevant training programmes such as the Alt-X Directors' Induction Programme.

Designated advisor

The Board is supplemented by the services of a designated advisor, Grindrod Bank Limited, whose representatives attend all Board and audit committee meetings.

Share dealings

In terms of JSE Listing Requirements and the Group's closed period policy, Directors, officers and employees who may have access to price-sensitive information are precluded from dealing in Blue's shares. This includes trading in any financial instrument, options and securities as defined in the Financial Markets Control Act and Stock Exchanges Control Act. Details of Directors' and officers' dealings in Blue's shares are disclosed to the Board and the JSE through the JSE's Securities Exchange News Service (SENS).

Price-sensitive information

Blue has a policy regarding the determination of information as price sensitive and confidential, as well as with regard to discussions with and divulging information to the press, institutional investors and analysts. The Group has adopted the "closed period" principle, during which Directors, employees, consultants and agents are prohibited from trading in Blue's securities.

Stakeholder communication and relationships

The Group's stakeholders include shareholders, employees, customers, the community, governments, regulators and various resource and service providers. The Board recognises the importance of ensuring the appropriate balance in meeting the needs and expectations of all stakeholders, building lasting relationships with them and reporting to them in a transparent, balanced and understandable manner.

Blue ensures appropriate communication with shareholders and the investment community. Regular contact is maintained with national and international, individual and institutional shareholders, analysts and fund and asset managers.

Organisational integrity and code of ethics

Blue does not condone any form of unethical behaviour and expects its employees to conduct themselves and the business of the company in accordance with its ethics policy. The Group rewards ethical behaviour but institutes internal disciplinary procedures and, if necessary, will pursue criminal and civil charges for unethical or dishonest behaviour.

Whistle blowing

Blue has an independently monitored whistle-blowing function to facilitate anonymous and unrestricted reporting of possible fraudulent, corrupt or unethical behaviour universally across the Group.

B-BBEE Transformation

As a pan-African organisation, Blue is committed to transformation in all of its operations across Africa. In the South African context, Blue also recognises the need for Broad-Based Black Economic Empowerment and in 2011 will implement a formal B-BBEE initiative for the first time.

Corporate social investment

The company is in the process of developing a strong culture of social responsibility and has adopted a new corporate social investment (CSI) policy during the year under review. The objective is to assist wisely and constructively by uplifting and restoring hope in the lives of children and the old aged, thereby making a sustainable difference to society. A more detailed report appears under section 11 of this report: Corporate Social Investment.

Risk management

Blue's approach to risk management is that all risks must be identified and managed, and that the returns must be commensurate with the risks taken, relative to the Group's risk appetite. Risk management is guided by several principles, including but not limited to:

- Blue's core values
- Integrity and liability of financial and operational information that is used internally and for public reporting
- Safeguarding and maintenance of assets
- Protection against and minimisation of fraud, potential liability, loss and material mis-statements
- Compliance with applicable laws, regulations and policies
- Efficient and effective operations
- The assignment of appropriate responsibility and accountability
- The adoption of a framework for integrated risk management
- Comprehensive risk assessment and measurement.

The management of risk is fundamental to Blue's business and allows management to operate more effectively in an environment characterised by uncertainty and risk. The Board aims to achieve excellence in risk management by creating a culture in which management makes risk identification, risk management and establishment of an efficient control environment an integral part of its regular activities.

Board committees

Three committees assist the Group Board in discharging its responsibilities:

- Audit Committee
- Risk Committee
- Remuneration and Nominations Committee

Note:

- The Social and Ethics Committee is in the process of being implemented
- The IT Governance Committee is in the process of being implemented

Each committee acts within written charters which are reviewed and approved by the Board annually.

The minutes of all Board committees are available to Board members, ensuring transparency and full disclosure to the Board. The Board recognises that it is ultimately accountable for the performance and affairs of the Group and that the use of delegated authorities to support Board committees and management in no way mitigates or dissipates the discharge by the Board and its Directors of their duties and responsibilities.

The office of the company secretary provides secretarial services to all committees. The Board retains effective control through reserving to itself a range of key decisions.

The authorities and responsibilities of the Group's boards and committees are set out in the committee charters. The Board has established limits of authority that have been communicated and delegated to management, and are subject to ongoing monitoring by the Board. This ensures a balance of power and authority that prevents any individual from having unfettered decision-making power.

Executive committee's

During the year under review, Blue operated in 12 countries and as such Blue's operations are performed through 13 Executive Committees (EXCOs). It is Blue's strategy that each operating company has its own EXCO as well as a support services entity providing centralised support. The members of these committees are detailed in a separate section of this report dealing with each country. The process is for all EXCOs to meet at least once per month.

The EXCOs are currently focused on establishing steps to ensure that the turnaround strategy is implemented throughout the various countries.

Risk committee

In pursuit of the Board's goal to improve oversight, the Risk Committee was elevated to a Board-level sub-committee and its membership substantially enhanced during the period under review. The Risk Committee is chaired by the Deputy Chairman of the Board, Robert Emslie, an independent non-executive Director with the relevant skills and experience.

Members:	Robert Emslie James French Timothy Till Tony Couloubis	(Chairman)
Permanent Invitees:	Sipho Twala Mike Meehan Johan Meiring Shaun Strydom	(Chairman of the Board) (Audit Committee Chairman) (CEO) (CFO)

Attendance

Details of attendance at Risk Committee meetings during the year are set out in the table below.

BLUE FINANCIAL SERVICES LIMITED RISK COMMITTEE MEETINGS FROM 1 MARCH 2010 TO 13 DECEMBER 2010						
	Sipho M Twala	Michael G Meehan	Wessel Smit	Shaun Strydom	James A French	Alex R Aime
	Chairman Independent Non-Executive Director	Independent Non-Executive Director	Legal Director Executive Director	Chief Financial Officer Executive Director	Independent Non-Executive Director	Independent Non-Executive Director
	Appointed 01-03-2010	Appointed 02-02-2010			Appointed observer by invitation 13-12-2010	Appointed an invitee on 13-12-2010
24/03/2010	Yes	Yes	Yes	Yes	Yes	Apology
28/04/2010	Apology	Yes	Yes	Yes	Yes	Apology
24/06/2010	Yes	Yes	Apology	Yes	Yes	Apology
04/08/2010	Yes	Yes	Yes	Yes	Yes	Apology

BLUE FINANCIAL SERVICES LIMITED RISK COMMITTEE MEETINGS FROM 1 MARCH 2010 TO 13 DECEMBER 2010								
	Robert Emslie	Tim Till	James A French	Antonios Couloubis	Sipho M Twala	Michael G Meehan	Johan Meiring	Shaun Strydom
	Chairman Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director	Non-Executive Director	Invitee	Invitee	Chief Executive Officer	Chief Financial Officer Executive Director
12/02/2011	Yes	Yes	Yes	Apology	Yes	Yes	Yes	Yes

Role, purpose and principal functions

The principal responsibilities of this committee are to assist the Board in the execution of its duties with regard to overall risk-management risk and in particular:

- Evaluating the adequacy and efficiency of the risk policies, procedures, practices and controls supplied in the day-to-day management of the business
- Identifying the existence and concentration of key risks, and developing a risk-mitigation strategy to ensure that the Group manages these risks optimally
- Establishing an independent risk-management function to coordinate the monitoring of risk management and to facilitate communication regarding risk policies, procedures, practices, controls and related matters.

The Risk Committee establishes a culture of disciplined and effective risk management throughout the organisation. Furthermore, it assists and oversees compliance with relevant statutory, regulatory and supervisory requirements.

Remuneration and Nominations Committee

The Remuneration and Nominations Committees were brought together into the one committee which is chaired by the Chairman of the Board.

Members:

Sipho Twala	–	Independent non-executive director (Chairman)
Alan Ber	–	Independent non-executive director
Moss Mashishi	–	Non-executive director

Permanent Invitee

Johan Meiring (CEO)

A formal charter, which is aligned with King III and reviewed annually, sets out the committee's composition, role and responsibilities. The committee meets as and when required.

Note to Shareholders:

Chapter 2 of King III, requires a company to every year table their remuneration policy to shareholders for a non-binding advisory vote at the annual general meeting. This vote enables shareholders to express their views on the remuneration policies adopted in the remuneration of executive directors and on their implementation. The company places this note to advise shareholders that the company didn't table the remuneration policy to the shareholders taking into consideration where the company is with the restructuring and that it would be premature to ask for Remuneration Policy endorsement.

Attendance

Details of attendance at remuneration committee meetings during the year are set out in the following table.

**BLUE FINANCIAL SERVICES LIMITED
REMUNERATION COMMITTEE MEETINGS FOR THE PERIOD
1 MARCH 2010 TO 10 DECEMBER 2010**

No Remuneration Committee meetings were held from 1 March 2010 to 10 December 2010.
The members of the committee were Michael G Meehan and Andre Steyn.

**BLUE FINANCIAL SERVICES LIMITED
NOMINATION COMMITTEE MEETINGS FOR THE PERIOD
1 MARCH 2010 TO 10 DECEMBER 2010**

	Colin Franks	Michael G Meehan	Johan Meiring
	Chairman Independent Invitee	Independent Member	Invitee
	Appointed 15-07-2010	Appointed 07-07-2010	
07/07/2010	Apology	Yes	Yes
15/07/2010	Attended by Bradley Beck in place of Colin Franks	Yes	Yes
23/07/2010	Yes	Yes	Yes
28/07/2010	Yes	Yes	Yes
11/08/2010	Yes	Yes	Yes
25/08/2010	Yes	Yes	Yes
27/09/2010	Yes	Apology	Yes

**BLUE FINANCIAL SERVICES LIMITED
REMUNERATION AND NOMINATIONS COMMITTEE
13 DECEMBER 2010 TO 28 FEBRUARY 2011**

	Sipho M Twala	Alan Ber	Ramotheo M Mashini	Johan Meiring
	Chairman	Independent Member	Member Non-Executive	CEO - Invitee Executive Director
	Appointed 11-02-2011	Appointed 11-02-2011	Appointed 11-02-2011	
11/02/2011	Yes	Yes	Apology	Yes

Role, purpose and principal functions

The role and purpose of the committee includes consideration and recommendation to the Board on matters such as succession planning, general employee policies, remuneration and benefits, performance bonuses, executive remuneration, Director remuneration and fees. Service contracts and remuneration packages are structured in such a way that short- and long-term incentives are linked to the achievement of business objectives and the delivery of value to the Group.

Audit Committee

The Audit Committee is chaired by an independent non-executive director, who is also a chartered accountant.

Members:

Mike Meehan	CA (SA)	-	Independent non-executive director (Chairman)
Robert Emslie	CA (SA)	-	Independent non-executive director
Alan Ber	CA (SA)	-	Independent non-executive director
Leonard Fine	CA (SA)	-	Independent non-executive director

Attendance

Details of attendance at audit committee meetings during the year are set out in the following table.

BLUE FINANCIAL SERVICES LIMITED AUDIT COMMITTEE MEETINGS FROM 1 MARCH 2010 TO 13 DECEMBER 2010				
	Mpumela J Sondiyazi	Michael G Meehan	Antonios Couloubis	Shaun Strydom
	Chairman Independent Non-Executive	Member Independent Non-Executive	Invitee - PineBridge	Chief Financial Officer
	Resigned 13-12-2010	Resigned 13-12-2010	Resigned 13-12-2010	Resigned as Director on 13-12-2010
15/04/2010	Yes	Yes	Yes	Yes
28/04/2010	Yes	Yes	Apology	Yes
21/05/2010	Yes	Yes	Apology	Yes
26/05/2010	Yes	Yes	Apology	Yes
07/06/2010	Yes	Yes	Apology	Yes
09/06/2010	Yes	Yes	Apology	Yes
22/07/2010	Yes	Yes	Apology	Yes
29/07/2010	Apology	Yes	Apology	Yes
05/08/2010	Yes	Yes	Apology	Yes
26/10/2010	Yes	Yes	Yes	Yes
10/11/2010	Apology	Yes	Yes	Yes

BLUE FINANCIAL SERVICES LIMITED
AUDIT COMMITTEE MEETINGS FROM 13 DECEMBER 2010 TO 28 FEBRUARY 2011

	Michael G Meehan	Robert R Emslie	Alan Ber	Leonard H Fine	Shaun Strydom	Johan Meiring
	Member - Chairman Independent Non-Executive Director	Member Independent Non-Executive Director	Member Independent Non-Executive Director	Member Independent Non-Executive Director	Chief Financial Officer	Chief Executive Officer
	Appointed 31-01-2011	Appointed 13-12-2010	Appointed 13-12-2010	Appointed 13-12-2010		
31/01/2011	Yes	Yes	Yes	Yes	Yes	Yes
09/02/2011	Yes	Yes	Yes	Yes	Yes	Yes

Report of the Chairperson of the Audit Committee for Blue Financial Services Ltd for 2011 AFS

The Committee is charged with overseeing Audit matters at Group level in accordance with a Board-approved charter, which was updated in this period to ensure full compliance with King III.

The previous audit committee, which had served the Board and the company from the commencement of the 2011 financial year, was disbanded on the acquisition of the company by the Mayibuye Group in December 2010. The new audit committee consisting of four independent non-executive directors, all of whom are CA (SA)s, was appointed in January 2011. In addition to these members, the CEO, the CFO, the Internal and External Auditors and the Designated Advisor, Grindrod Bank, are permanent invitees to the Committee. The company secretary attends all meetings and records the minutes, while other members of management are invited as expedient.

The committee met on several occasions during the year and enjoyed significant if not full attendance at all meetings. A schedule of members of the previous and present committees together with their attendance at meetings during the period is set out above in this integrated report.

The Audit Committee:

- Reviewed and acknowledged the independence of the external auditors, Deloitte & Touche
- Reviewed and approved, in consultation with management, the work programme of the external auditors
- Expressed its satisfaction with the competence of the external auditors and the designated partners Wiebe Klaasens and Paul Stedall
- Held separate discussions with the external auditors and determined that there were no matters of concern

- Pre-approved the external auditors engagement on any non-audit assignments in accordance with existing policy for these services
- Approved the actual audit fees for 2010 and the budgeted audit fees for the 2011 audit
- Held several discussions with management on the extent of and improvements to the systems of internal control
- Approved the appointment of PricewaterhouseCoopers as Internal Auditors, who report directly to the Audit Committee
- Approved the work plan of the Internal Auditors, which will be effective during the 2012 financial year
- Reviewed the charters of the Audit Committee and Internal Audit and recommended them to the Board for approval
- Gave guidance on the accounting treatment and reporting of significant matters including the 'going-concern' concept
- Considered and reviewed with management the financial risks facing the Group, particularly in the light of the recovery and restructuring process currently being undertaken by management
- Received feedback from the Risk Committee appointed by the Board on the risk management function via the Chairman of the Risk Committee, who is a member of the Audit Committee and the Chairman of the Audit Committee, and who is an ex-officio member of the Risk Committee
- Expressed its satisfaction with the competence of the Chief Financial Officer, Shaun Strydom CA (SA)
- Approved all announcements to shareholders
- Were satisfied that the annual financial statements were prepared in accordance with International Financial Reporting Standards
- Approved the interim and final results for the 2011 year and recommended them for acceptance by the Board

M G Meehan – Chairman
Blue Financial Services Audit Committee
August 2011

Role, purpose and principal functions

The Audit Committee assists the Board with reporting financial information. Members also select and apply accounting policies, and monitor Blue's internal control systems with regards to compliance-related matters.

Specific responsibilities include:

- Reviewing and recommending both interim and annual financial statements to the Board
- Dealing with matters relating to financial and internal control, accounting policies, reporting and related disclosure
- Dealing with the engagement of the external auditors and fees payable to them
- Approving all announcements to shareholders
- Approving and ensuring compliance with the Group's policy on non-audit services
- Reviewing, approving and improving internal audit compliance, including forensic services, policies, plans, reports and findings
- Monitoring compliance with applicable legislation and regulations
- Reviewing external audit plans, findings and reports
- Making the necessary enquiries to ensure that all risks to which the Group is exposed are covered in the scope of the external audit
- Evaluating the performance of the external auditors
- Considering issues identified by the Risk Committee and its executive sub-committees

Blue's policy on non-audit services, which is reviewed annually by the Audit Committee, sets out the detail of and which services may or may not be provided to the Group by the external auditors.

The Audit Committee conducts a formal external auditor evaluation process. This evaluation occurs annually and includes, *inter alia*, various criteria and standards such as audit planning, technical abilities, audit process and outputs, quality control, business insights, independence and other general factors. Furthermore, the Audit Committee has assessed and positively endorsed the experience and expertise of the current CFO.

Meetings of the Audit Committee are also attended by representatives of the external auditors, Deloitte & Touche, internal audit representatives and other invitees as set out above. Meetings are held at least four times a year. Internal and external auditors have unrestricted access to members of the Audit Committee, which ensures that its independent, non-executive status is not impaired.

The Audit Committee keeps up to date with any current and emerging trends in accounting standards.

Accounting and Auditing

Internal control

The Board of directors is responsible for ensuring that Blue maintains adequate records which effectively disclose the financial performance and position of the Group.

During the past year, the Board has made significant enhancements to the internal control function. Internal control systems are developed by management for approval by the Board. They include policies, standards, procedures, systems and information, which:

- Safeguard assets and reduce risks of loss, error, fraud or other irregularities
- Ensure the accuracy and completeness of accounting records
- Enable timely preparation of reliable financial statements and information in compliance with the relevant legislation and generally-accepted accounting policies and practices.

External audit

Deloitte & Touche have been appointed as independent external auditors to the Group with effect from 30th September 2009. Their procedures include the assessment of the risk of material mis-statement of the financial statements, whether due to fraud or error, by considering internal controls relevant to the entity's preparation and fair presentation of the financial statements. They do not however express an opinion on the effectiveness of the Group's internal control. The Audit Committee, with extensive input from the internal and external auditors, plays a major role in assisting Directors in satisfying themselves as to the adequacy and effectiveness of Blue's accounting systems, records and internal controls.

The Group's current external auditors in the respective countries are:

- | | | |
|----------------|---|-------------------------------|
| • Group | – | Deloitte & Touche |
| • South Africa | – | Deloitte & Touche |
| • Swaziland | – | Synergy Chartered Accountants |
| • Botswana | – | Deloitte & Touche |
| • Kenya | – | Deloitte & Touche |
| • Lesotho | – | Enslins Incorporated |
| • Malawi | – | Deloitte & Touche |
| • Namibia | – | Deloitte & Touche |
| • Nigeria | – | KPMG |

- Tanzania – Deloitte & Touche
- Uganda – Deloitte & Touche
- Zambia – Deloitte & Touche
- Mauritius – Deloitte & Touche
- Rwanda – GPO Partners
(Independent Correspondent Firm of Deloitte & Touche)
- Cameroon – Deloitte & Touche

Internal audit

The Group's internal auditors, PricewaterhouseCoopers, were appointed on 1 March 2011. Blue believes that an appropriately mandated and functional internal audit division is integral to strong corporate governance and risk management. The internal audit function provides independent and objective opinions to the Audit Committee on whether the company's risks are being acceptably managed via appropriate internal controls, or whether there is a need for further measures.

The internal audit charter outlines the functions and responsibilities of the internal audit function in terms of the following:

- Mission, objectives and scope
- Accountability
- Independence
- Responsibility
- Authority
- Standards of audit practice
- External relationships

Reporting and accountability

The internal audit function has been outsourced to an external audit firm, which is autonomous and independent in its functioning. Internal auditors report directly to the Audit Committee and if necessary to the Board in terms of:

- Annually assessing the adequacy and effectiveness of the organisation's processes for controlling activities and managing risks
- Reporting on the status and results of the annual audit plan
- Coordinating with and overseeing other control and monitoring functions such as risk management
- Legislative compliance
- Security
- Ethics
- Equity
- Occupational health
- Environmental and external audit

Risk-based auditing

Blue's internal audit has been actively following a risk-based audit approach. Audit planning and processes are closely aligned to the risks identified by executive management, and the Risk and Audit Committees. Reporting is also risk based.

Best practices and external relationships

All internal audit practices are designed to meet or exceed the standards for the Professional Practice of Internal Auditing, the Statement of Responsibilities of Internal Auditing and the Code of Ethics for Internal Auditing as published by the Institute of Internal Auditors.

Information and communication technology audits are conducted as per the guidelines contained in COBIT, and standards directed by the Information Systems Audit and Control Association (ISACA).

IT Governance

The Board is responsible for IT governance as an integral part of the Group's governance as a whole.

The Group currently places significant reliance on the skills and capacity that CreditEdge – one of Mayibuye Group's investment entities - provides. As part of the turnaround, Blue's systems are in the process of being updated.



Operational overview

Operational overview - Zambia

Introduction

Zambia is a landlocked country in size about 62% of the land area of South Africa, and is the 39th largest country in the world. It borders on no less than eight countries, the Democratic Republic of the Congo, Tanzania, Malawi, Mozambique, Zimbabwe, Botswana, Namibia and Angola. Its population was estimated in 2009 at just under 13 million, making it a 'medium-sized' country in the context of the African continent, and is located a little south of the equator between 8°S and 18°S.

The country's full name is the Republic of Zambia and, until gaining independence from the United Kingdom in 1964, was formerly known as Northern Rhodesia.

Zambia is highly urbanised, with 44% of the population living in the towns and cities or along the lines of the major transport corridors. The two main areas of concentration of the populace are around the capital, Lusaka, in the south and the Copperbelt towards the northwest. Most rural Zambians rely on subsistence farming for their livelihood.

In 2010 Zambia was named by the United Nations as one of the fastest economically-reforming countries in the world. Zambia's economy was heavily impacted in the 1970s by the severe fall in copper prices and subsequent years saw numerous unsuccessful attempts to stimulate the failing economy. However, by 2007 Zambia had experienced seven consecutive years of economic growth that have helped start to put the economy back onto a firmer footing, and inflation had been brought down to a reasonable level of 8,9% from previously 30% in 2000.

Management team

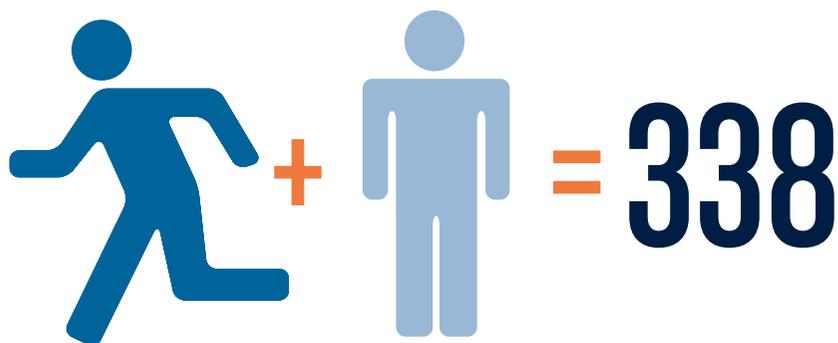
The people who constitute the management team in Zambia are headed up by Deon Verster, as Country Director, supported by Tukuzu Lungu in the role of Operations Director, Godfrey Ngula who is Sales & Marketing Director, and Webster Ndui who is the Financial Director.

Deon Verster has 12 years of experience in the micro-lending industry, having held positions at Money Wise, 724 Africa Finance and Uncedo before commencing his career at Blue in 2003. Since then he has served Blue in various roles in Africa and was part of the founding team which expanded the Zambian network to the current 21 branches. Formerly responsible for Blue Malawi and now serving as Blue Zambia Country Director, Deon is one of the pioneers of the business into Africa.

His vision centres on the transformation of Blue into a world-class, respected, and lean-yet-profitable organisation that steadily eradicates poverty to restore human dignity to millions of people.

In ensuring the strategic management and outreach growth of Blue Zambia's operations, Deon's leadership philosophy is to practice the art of positivity, and to respect and enhance the inherent talents of his people.

Number of employees



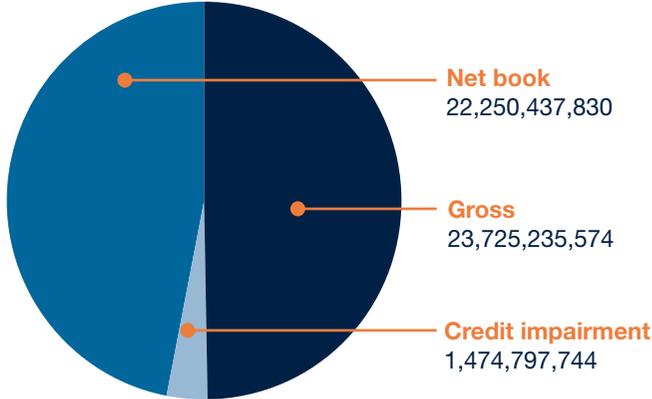
Active agents - 149

Staff - 189

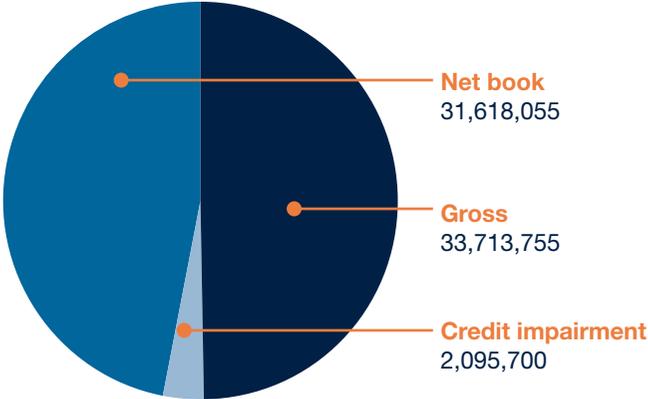


Zambia operational overview

Loan book size



Amount in local currency



Amount in ZAR

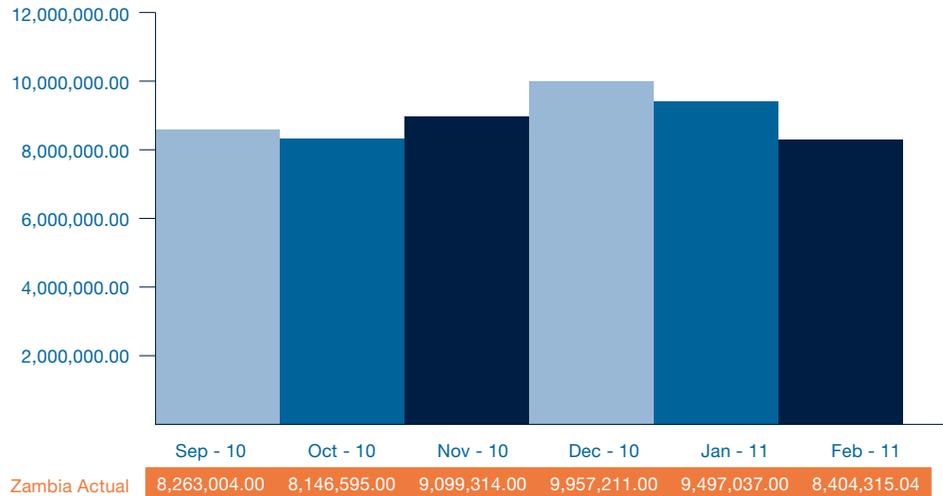
Branches

The retail infrastructure in Zambia consists of eight branches offering CashXpress and 11 branches offering Term Loans.



Please note: major centres often have multiple branches

Production statistics



In Zambia, September and October are generally characterised by lower sales because the staple food, maize, is available in abundance and a significant portion of the population survives by taking the maize seed for milling as opposed to buying mealie meal.

The sales trend changes favourably from November to December and demand becomes influenced by three factors:

- Preparation for the farming season
- The increase in staple food price
- Christmas commercial activity

The favourable sales trend continues into January as schools reopen and parents borrow to pay fees.

Sales then decline in February due to cash flow constraints created by Christmas spending and back-to-school related commercial activity in January.

Overall, production volumes were restricted by a limited availability of cash and by impaired reputation, and it was only at the end of this period that new initiatives started to become effective and the turnaround itself could start to achieve its momentum.

Business lending

We have not yet commenced business lending in Zambia.

Insurance

In Zambia we are operating as Blue Assurance Services which has an insurance licence selling long-term individual and group risk products. In addition to this we sell embedded insurance products that complement our loan offering to our customers in the micro insurance space. This is something that we will actively develop going forward.

Operational overview - Kenya

Introduction

Kenya has nearly 540 kilometres of coastline on the Indian Ocean and is bordered by Tanzania to the south, Uganda to the west, the Sudan and Ethiopia to the north and Somalia to the northeast. The main seaport is Mombasa and the capital is Nairobi, both of which are in the south of Kenya. The country straddles the equator, from 5°N to 5°S.

In size, Kenya is just under 50% of the size of South Africa and ranks as the world's 47th largest country. Its population is currently estimated in 2011 at 41 million, making it one of the larger populations in Africa.

The country's name is taken from that of its highest mountain, Mount Kenya, at altitude 5200m, and is officially called the Republic of Kenya which was formed in December of 1963 at the time of independence from the United Kingdom.

Kenya contains numerous wildlife reserves with thousands of animal species, while Nairobi is the major commercial hub of the country's economy. By Gross Domestic Product, Kenya's economy is the largest of all those in the east and central African regions.

Among its best known products are tea and coffee of world-renowned high quality and has today also become an exporter of fresh flowers to Europe. In the past two decades, tourism, ICT and financial services have joined agriculture as significant contributors to the economy.

Kenya is also renowned internationally as producing some of the world's leading athletes, with long-distance running being the mainstay sport in the eyes of the world.

Management team

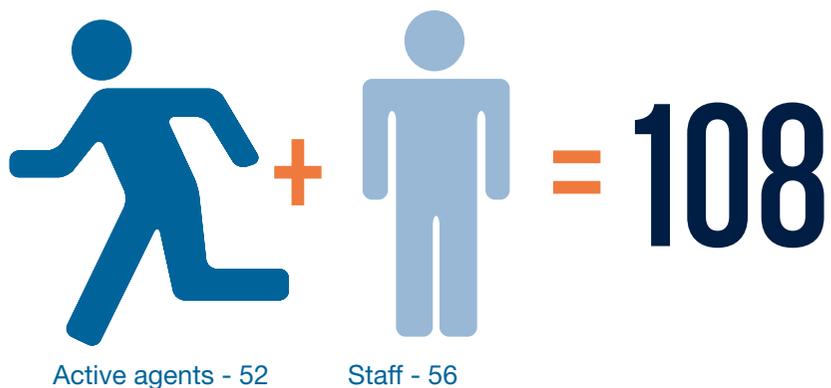
The people who constitute the management team in Kenya are headed up by Philip Muturi, as Deputy CEO, supported by Elizer Mutai in the role of Administration Manager and Martin Njoroge who is Collections Manager.

Philip Muturi, a Certified Public Accountant with an MBA from the University of Nairobi, is now in the process of completing his doctoral thesis on social performance management and the social impacts of micro-finance. Philip has served as Chief Accountant at Morris and Company Limited and Financial Controller at Olsuswa Limited in Kenya.

With this impressive financial background and experience in Kenya, he has been Financial Manager at Blue Kenya since 2008 and has recently stepped into the role of Acting Deputy CEO.

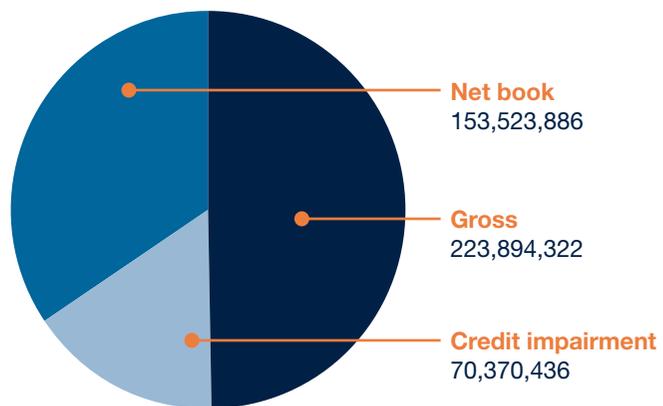
Philip's management philosophy is to work, think, explore and find ways to enable his people to realise their full potential. His situational leadership style ensures that respect and integrity are valued and upheld at all times.

Number of employees

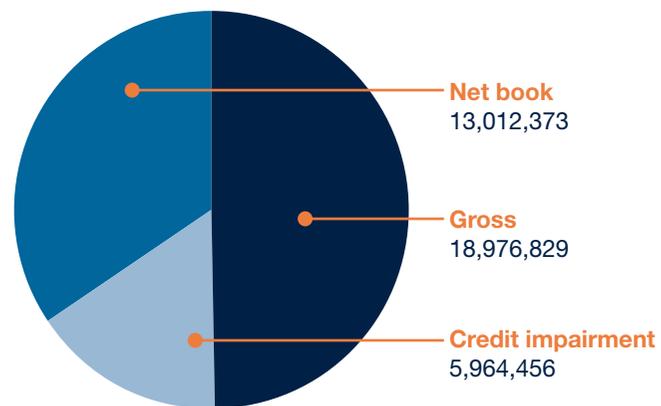


Kenya operational overview

Loan book size



Amount in local currency



Amount in ZAR

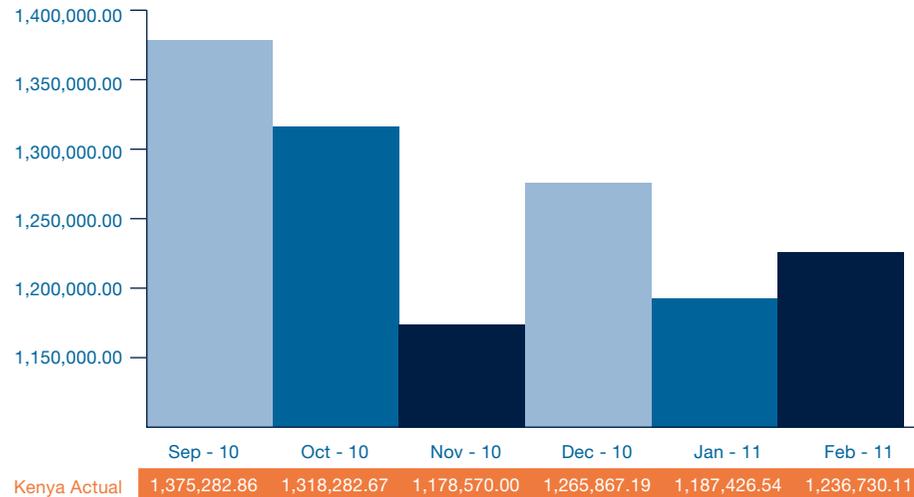
Branches

Retail operations in Kenya split down into eight branches, all of which offer both CashXpress and Term Loans.



Please note: major centres often have multiple branches

Production statistics



In Kenya, September is characterised by high demand for credit as schools reopen and parents borrow to pay fees. Currently, demand has also been stimulated by the renewed optimism as the new constitution is adopted.

Late in October all new private payroll business was terminated to align with the Group's product-risk profile and this impacted partially on the October figures and more heavily on November's, as can be seen.

The upturn noted in December reflects the traditional Christmas commercial activity.

Following December, sales decline in January due to cash flow constraints created by the Christmas.

In February 2011, the agency force was implemented contributing to an increase in production.

Overall, production volumes were restricted by a limited availability of cash and by impaired reputation, and it was only at the end of this period that new initiatives started to become effective and the turnaround itself could start to achieve its momentum.

Business lending

We have not yet commenced business lending in Kenya.

Insurance

In Kenya we sell embedded insurance products that complement our loan offering to our customers in the micro-insurance space. This is something that we will actively continue to develop going forward with our insurance partners in Kenya.

Operational overview - Nigeria

Introduction

Nigeria has about 850 kilometres of coastline on the Gulf of Guinea, including the vast area of the Niger River delta, and is bordered by the Republic of Benin to the west, Chad and Cameroon to the east, and Niger to the north.

The main seaport is Lagos, which is also the city with the highest population, although Abuja, which lies in the centre of Nigeria, is the capital city. The country lies north of the equator, from 4°N to 14°N.

In size, Nigeria is 75% of the size of South Africa and ranks as the world's 32nd largest country. Its population is currently estimated in 2010 at just over 155 million, making it the most highly populated country in Africa and the seventh highest in the world.

The country's name is taken from that of its biggest river, the Niger River, which flows from the highlands in Guinea, through Mali and Niger, along the border of Benin and then through the western areas of Nigeria. The official name is the Federal Republic of Nigeria, constituting 37 states. Independence from the United Kingdom was gained in October of 1960 and the republic was declared in 1963.

Following this there were many years of turbulence after the military take-over in 1973. However, the adoption of a new constitution in 1999 has led the way to stability and the succession of a civil government in 2007 and again in 2011.

With a tremendous contribution from the oil industry, Nigeria's economy is officially rated by the Worldbank as a mixed economy emerging market, and has already reached middle income status. It has been nominated as the 15th fastest-growing economy in the world. With 50% of the population urbanised, the country has 73 million cellular phones and 44 million internet users. This has made Nigeria very attractive to telecommunication services and mobile communications providers, and the market is still growing at a rate unsurpassed elsewhere in Africa.

Blue Intercontinental Micro Finance Bank is one of less than 10 State Micro Finance Banks operating successfully in Lagos and Oyo State and set for further growth in neighbouring and other states. The bank is operating from two major centres in each of the states, with a distribution channel of 28 outlets making it the micro-finance bank with the largest footprint in Nigeria.

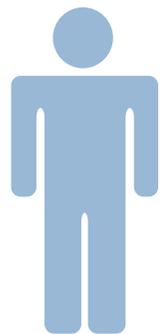
Management team

The people who constitute the management team in Nigeria are headed up by Len Pretorius, as CEO, and he is joined by Frank Ajilore and Raji Muftau who are both Executive Directors.

Len Pretorius joined Blue in 2009 after an esteemed career in the public and corporate service sectors spanning nearly 40 years. Of these, Len spent 30 years in executive positions at Transnet, and has also accumulated valuable experience and understanding through working in Nigeria in his role as Managing Director for IT company Arivia.kom Nigeria.

A firm believer that we must “be the change we want to see in the world”, Len’s management philosophy centres on exemplary leadership and on stretching oneself beyond what has been known and done before in order to accomplish things that have not yet been achieved.

Number of employees

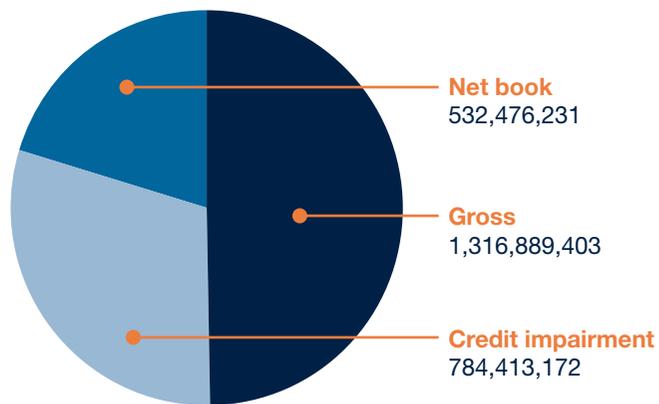
 = 102

Staff - 102

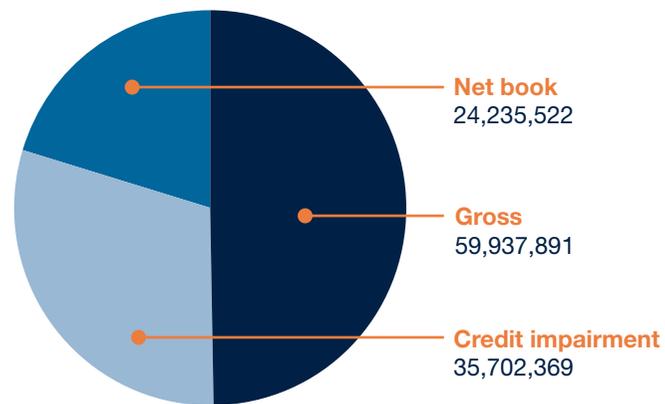


Nigeria operational overview

Loan book size



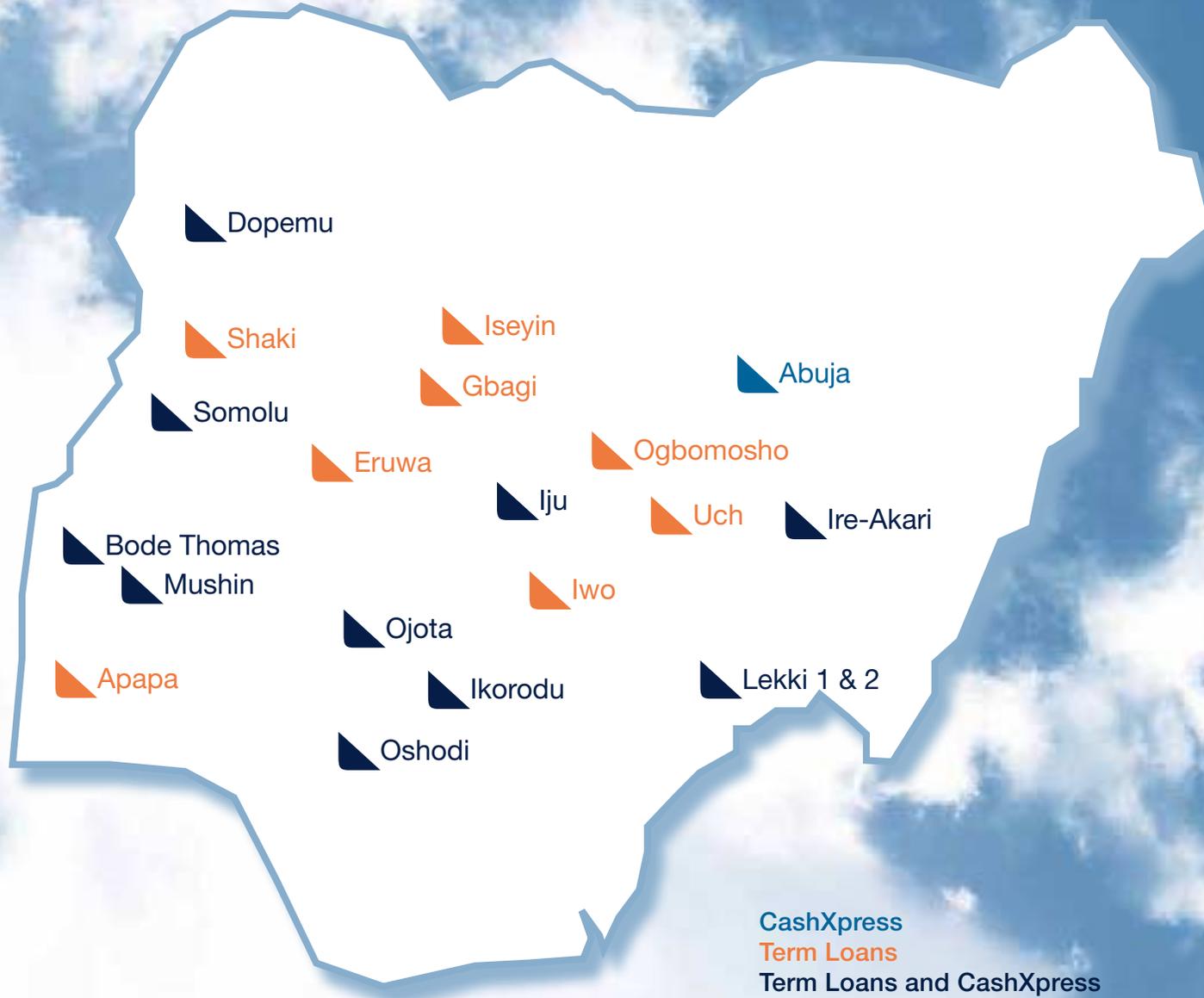
Amount in local currency



Amount in ZAR

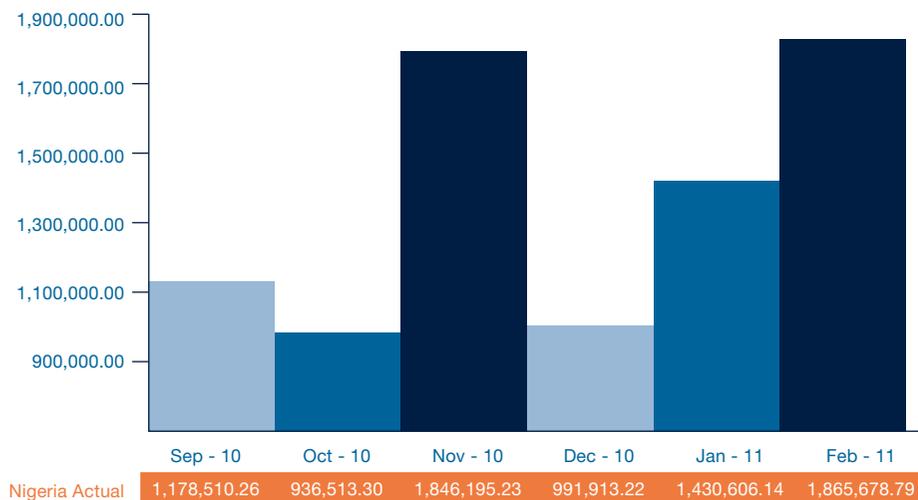
Branches

The retail infrastructure in Nigeria consists of 17 CashXpress branches and 12 Term Loan branches.



Please note: major centres often have multiple branches

Production statistics



In Nigeria during September and October the trends of previous months continued in that there was uncertainty about the future business profile and on managing the dynamic.

By November the situation was clarified regarding Blue's future, and the early demand preceding the Christmas period pushed through into increased sales.

Sales in December, however, reduce considerably owing to the migration of huge numbers of workers out of the main cities back to their rural environments and to neighbouring states.

January, though a short month because migrant workers and other city dwellers only return in the third week, saw the sales start to pick up again.

In February there was increased confidence as the effect of the new shareholders started to be more apparent, and the new upward spiral of business was seen to take effect.

Overall, production volumes were restricted by a limited availability of cash and by impaired reputation, and it was only at the end of this period that new initiatives started to become effective and the turnaround itself could start to achieve its momentum.

Business lending

Blue in Nigeria is currently re-advancing loans to existing customers.

Insurance

In Nigeria we sell embedded insurance products that complement our loan offering to our customers in the micro-insurance space. This is something that we will actively continue to develop going forward with our insurance partners in Nigeria.

Operational overview - Swaziland

Introduction

Swaziland is a landlocked country, bordered by South Africa to the north, west and south, and by Mozambique to the east. The country lies south of the equator and just south of the tropic of Capricorn at 26°S.

In size, Swaziland is one of the smallest countries on Africa, being about 1,4% of the size of South Africa and ranks as the world's 157th largest country. It is about 200km north to south and 130km east to west. Its population was estimated in 2009 at just over 1 million, making it one of the smallest populations on the African continent.

The country is named after the great King Mswati II who lived from about 1820 to 1868 and was called "The greatest of the Swazi fighting kings." The official name of the country is the Kingdom of Swaziland, and it gained independence from the United Kingdom in September 1968.

In terms of human history, Swaziland is the site of the oldest known mine in the world, dated at forty-thousand years old.

Swaziland has enjoyed a peaceful existence since independence and its economy is closely linked to its much larger neighbour, South Africa, with the Swazi currency, the lilangeni, being pegged to the South African rand. Agriculture, forestry and mining account for 13% of the Gross Domestic Product, with manufacturing at 37%, and services at 50% - headed up by government services, with tourism also strong.

Management team

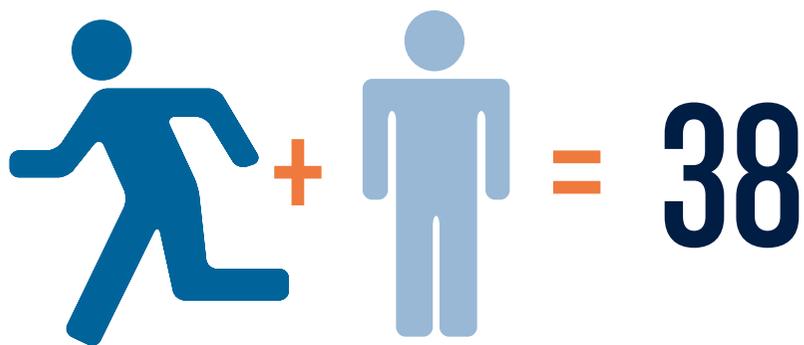
The people who constitute the management team in Swaziland are headed up by Pieter van der Merwe, as Country Manager, supported by Innocent S'Khosana in the role of Collections Officer and Godfrey Ngula who is Credit Officer.

Pieter's career at Blue spans six years, during which time he has held management positions in several regions, including the role of General Manager of Blue Nigeria from 2009 to 2010.

In his current post as Blue Swaziland Country Manager, he harnesses broad sales, marketing, operational and financial advisory experience across the retail and insurance sectors.

In performing his strategic management responsibilities, Pieter's goal is to ensure Blue Swaziland is the leading micro-finance institution in the country within the next five years, and is a household name for all Swazi people, with a view to expanding Blue's services to Mozambique.

Number of employees



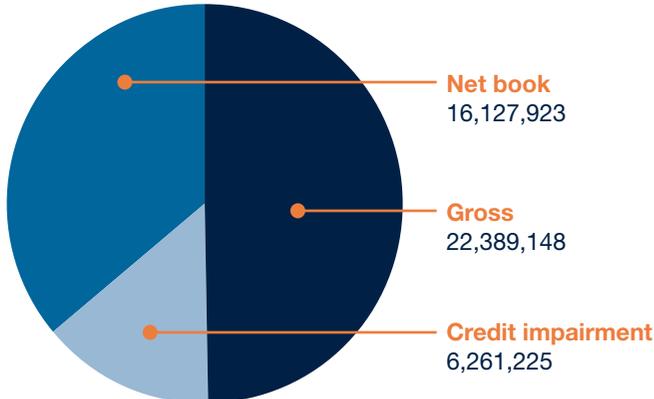
Active agents - 17

Staff - 21

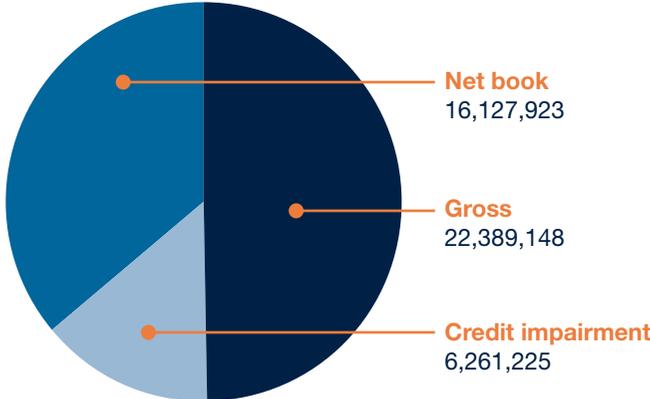


Swaziland operational overview

Loan book size



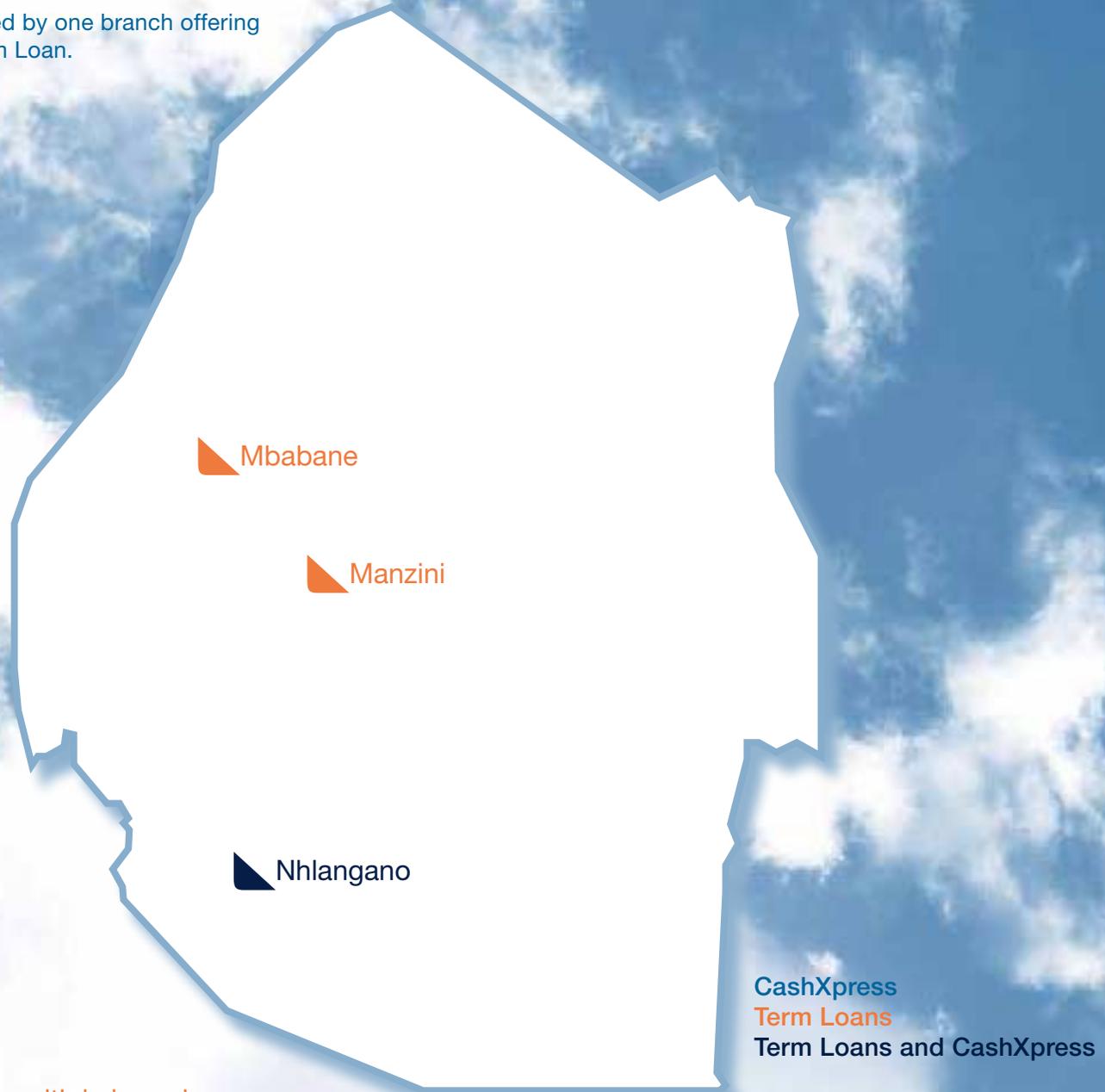
Amount in local currency



Amount in ZAR

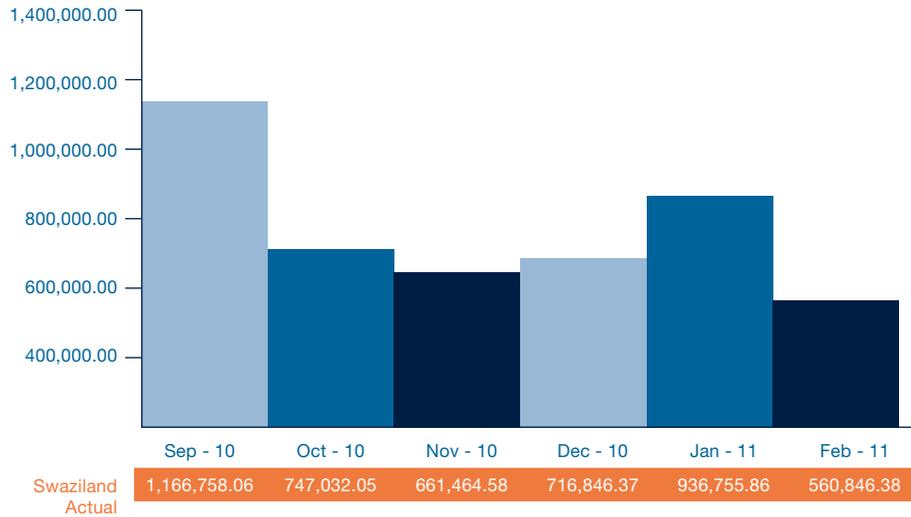
Branches

Retail operations in Swaziland are represented by one branch offering CashXpress and three branches offering Term Loan.



Please note: major centres often have multiple branches

Production statistics



In Swaziland, during October all new private payroll business was terminated to align to group's product risk profile, which had negative impacts on production in October, November and December.

January 2011 saw an uplift in production figures because of the back-to-school effects of the new school term and parents needing money for school fees.

Annually in Swaziland, February records the lowest production numbers as a result of temporary government staff receiving their renewed contracts only at the end of February.

Overall, production volumes were restricted by a limited availability of cash and by impaired reputation, and it was only at the end of this period that new initiatives started to become effective and the turnaround itself could start to achieve its momentum.

Business lending

We have not yet commenced business lending in Swaziland.

Insurance

In Swaziland we sell embedded insurance products that complement our loan offering to our customers in the micro-insurance space. This is something that we will actively continue to develop going forward with our insurance partners in Swaziland.

Operational overview - Tanzania

Introduction

Tanzania has about 700 kilometres of coastline on the Indian Ocean and is bordered by Kenya and Uganda to the north, Rwanda, Burundi, and the Democratic Republic of the Congo to the west, and Zambia, Malawi, and Mozambique to the south. It also has extensive lake-shorelines with Lake Victoria in the north: about 500km; Lake Tanganyika to the west: over 500km; and Lake Malawi (sometimes called Lake Nyasa) in the southwest: about 250km.

Tanzania also has the highest mountain peak in Africa, Mount Kilimanjaro at 5895m altitude. Tanzania is blessed with numerous parks and reserves, including the internationally famed Serengeti. But the Serengeti is not the largest – that is the Selous Game Reserve.

Tanzania lies just south of the equator, from 1°S to 12°S.

In size, Tanzania is 77% of the size of South Africa and ranks as the world's 31st largest country. Its population was estimated in 2009 at just under 44 million, making it one of the larger populations in Africa.

In pre-historic terms, Tanzania is probably one of the oldest known inhabited areas on the planet with humanoid remains dating back over 2 million years.

The country's name is taken from the two states of Tanganyika and Zanzibar that came together to form what is today officially called the United Republic of Tanzania after independence from the United Kingdom in 1961 (Tanganyika) and 1963 (Zanzibar) and later merging as the one united republic in 1964. Interestingly, the area was part of what had previously been known as German East Africa.

Tanzanians have enjoyed a largely peaceful time development without violence because of a shared language, little or no political or economic dominance by any one ethnic group, and the strong leadership of Julius Nyerere (1922–1999), the first president of Tanzania.

The capital city is Dodoma, and the largest city and the commercial hub is Dar es Salaam. The economy is mostly based on agriculture, which represents about half of the Gross Domestic Product and produces about 75% of exports and of employment. However, the mountainous nature of the country and other factors limit the cultivated area to only 4% of the landmass. Tourism is well represented in the economy.

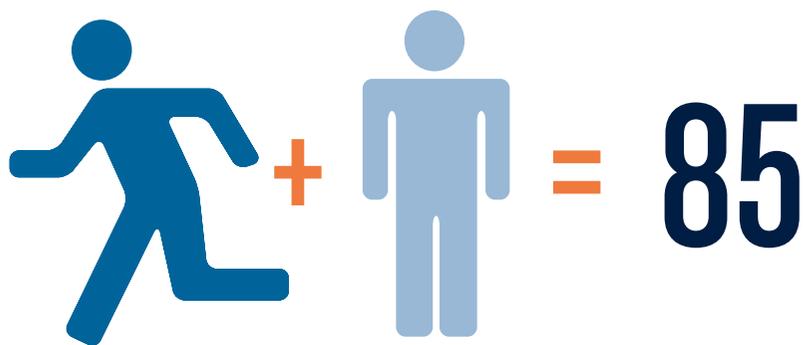
Management team

The people who constitute the management team in Tanzania are headed up by Ricardo Agrela, as Country Manager, supported by Rekha Divecha in the role of Operations Manager.

Ricardo Agrela is responsible for all Blue's branches and staff in Tanzania. A former Exec Mobile business owner, and prior to that a consultant and branch manager for Busnet Finance, Ricardo's management skills and operational knowledge are critical to the optimal running of the Blue Tanzania organisation.

As a young, up-and-coming business leader, Ricardo believes that vision must go hand-in-hand with action, and that personal and professional core values need to be integrated in order to succeed. He subscribes to the notion that the positive thinker can see the invisible, feel the intangible and achieve the impossible – and that this is equally true for himself as an individual as it is for the enterprise he leads.

Number of employees



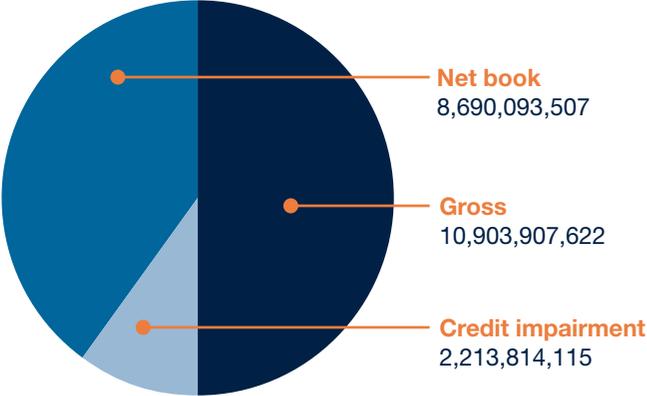
Active agents - 30

Staff - 55

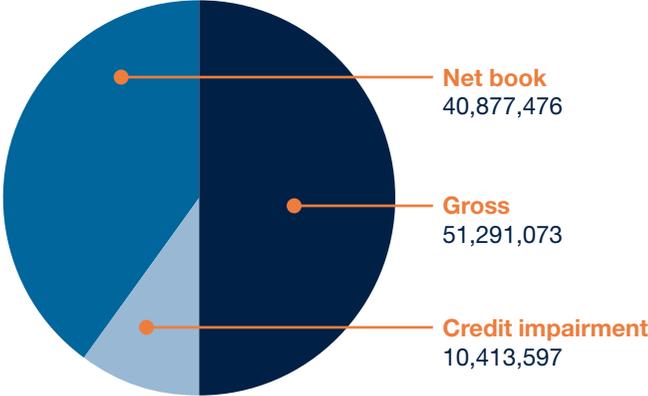


Tanzania operational overview

Loan book size



Amount in local currency



Amount in ZAR

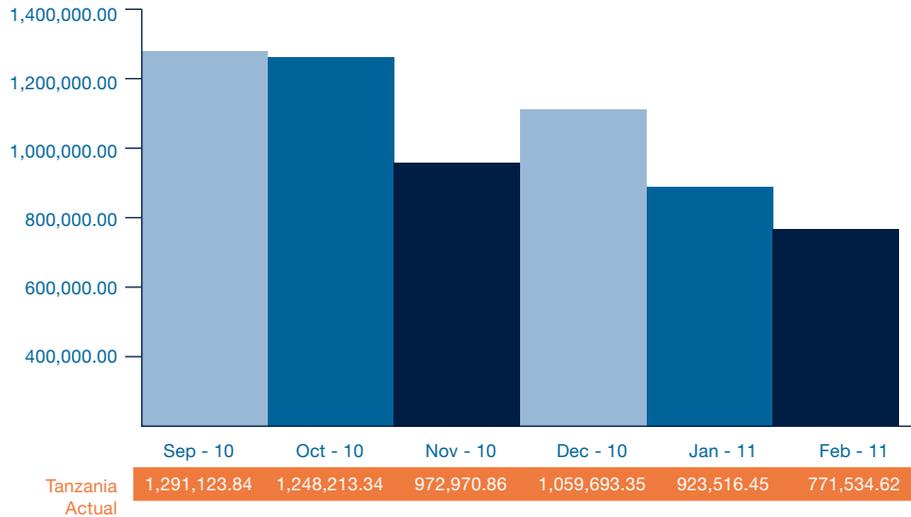
Branches

Retail operations in Tanzania are represented by nine branches.



Please note: major centres often have multiple branches

Production statistics



In Tanzania, September and October were characterised by high demand as the country prepared for elections and consequentially for the migration of voters to rural areas. November, therefore, saw a slight reduction in production volumes as demand returned to previous levels.

December enjoyed an increase over November due to Christmas commercial activity.

In January sales traditionally decline as government workers spend their holidays with their families in rural areas, and in February the reduction in production is attributed to changes in the management structure in Nigeria.

Overall, production volumes were restricted by a limited availability of cash and by impaired reputation, and it was only at the end of this period that new initiatives started to become effective and the turnaround itself could start to achieve its momentum.

Business lending

We have not yet commenced business lending in Tanzania.

Insurance

In Tanzania we sell embedded insurance products that complement our loan offering to our customers in the micro-insurance space. This is something that we will actively continue to develop going forward with our insurance partners in Tanzania.

Operational overview - Ghana

Introduction

Ghana has nearly 560 kilometres of coastline on the Gulf of Guinea and is bordered by Côte d'Ivoire in the west, Burkina Faso in the north, and Togo in the east. It lies just north of the equator, from 4°N to 12°N.

In size, Ghana is one of the smaller countries of Africa at 20% of the size of South Africa and ranks as the world's 81st largest country. Its population was estimated in 2010 at just over 24 million, making it one of the medium-sized populations in Africa.

The country's name, Ghana, means 'Warrior King' from the times of the West African Ghana Empire, which was situated about 800km north and west of modern Ghana, and became officially the Republic of Ghana after independence from the United Kingdom as early as 1957, making Ghana the first African country south of the Sahara to gain independent status.

The capital city is Accra, which is also the largest city, the commercial hub, and a harbour for the fishing industry.

The economy of Ghana was listed as the world's fastest-growing economy in 2011 according to 'Economy Watch' using IMF data, with approximately 20% per annum Gross Domestic Product growth. Ghana is still today one of the world's highest gold producers, also exporting cocoa, oil, timber, electricity, diamond, bauxite and manganese, and the oil industry is in the process of developing after rich oilfields were discovered in 2007 bearing light oil. Production and marketing are right now starting to open up.

The Government of Ghana has given indications that it is determined to maintain and improve the favourable and stable macroeconomic environment the country has experienced over the last two and a half years. A situation that creates opportunities for private sector companies like Blue to implement value-adding growth strategies relatively predictably.

Management team

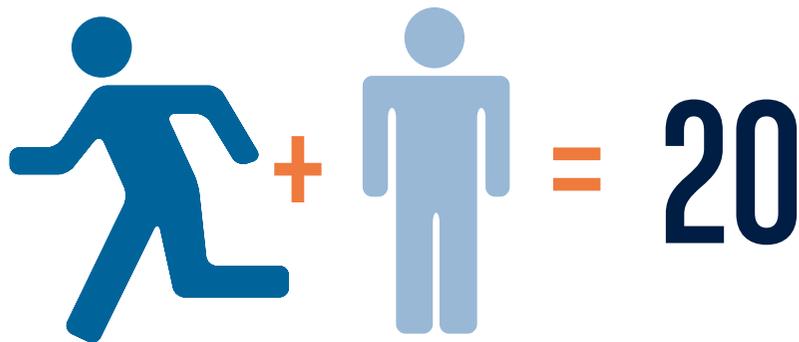
The people who constitute the management team in Ghana are headed up by Hammond Mensah, as Deputy CEO, and he is supported by Samuel Cudjoe in the role of Branch Manager and Felix Nyalemegbe who is the Administration Officer.

Trained as an investment advisor and securities analyst at the Ghana Stock Exchange, Hammond Mensah holds two MBAs and a BSc in mathematics. With a strong and diverse skill set, he has been a part-time mathematics lecturer at the Kwame Nkrumah University of Science and Technology, an auditor for the Internal Revenue Services, Ghana, and has held a variety of roles for Ghana's largest pension fund: Social Security and National Insurance Trust.

Prior to his appointment at Blue, Hammond held senior management positions at Intelligent Card Production Systems, where he was Chief Operating Officer for two years, and project consulting firm International Management Partners, where he was Country Manager.

In his new role as Deputy CEO of Blue Ghana, Hammond will draw on his diverse experience and invaluable understanding of the local business environment in Ghana.

Number of employees



Active agents - 11

Staff - 9



There are no figures for the 2011 financial year because selling operations started in March 2011.

Branches

The retail infrastructure in Ghana consists of one branch in Accra.



Accra

CashXpress
Term Loans
Term Loans and CashXpress

Production statistics

Not applicable for 2011.

Business lending

We have not yet commenced business lending in Ghana.

Insurance

In Ghana we sell embedded insurance products that complement our loan offering to our customers in the micro-insurance space.

This is something that we will actively continue to develop going forward with our insurance partners in Ghana.

Operational overview - Namibia

Introduction

Namibia has an extensive western coastline on the South Atlantic Ocean in the order of 1300 kilometres and is bordered by Angola and Zambia to the north, Botswana to the east and South Africa to the south and east. It lies well south of the equator and straddles the Tropic of Capricorn from 17°S to 29°S.

In size, Namibia is one of the larger countries of Africa at 67% of the size of South Africa and ranks as the world's 34th largest country. Its population was estimated in 2009 at just over 2 million, making it one of the smaller populations in Africa. As such, it is ranked as the second least densely populated country in the world after Mongolia.

The country is named after the Namib Desert, considered to be the oldest desert in the world, and was formerly known as South-West Africa before it gained independence from South Africa in March 1990.

The capital city is Windhoek, which is also the largest city and commercial hub. The economy is made up largely of agriculture, tourism and mining for gem diamonds, gold, silver and base metals. It has a well developed banking sector with modern infrastructural elements such as online banking and cellphone banking.

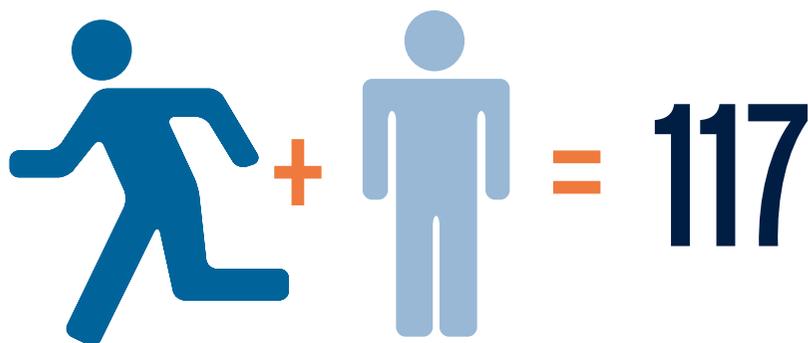
Management team

The people who constitute the management team in Namibia are headed up by Charl Deacon, as Country Manager, supported by Charmaine Diergaardt in the role of General Manager of CashXpress. Also based in Namibia is Pieter Swartz who is Regional Manager.

Before his appointment as Blue Namibia Country Director, Charl Deacon was a Regional Manager and Acting Country Manager for Blue South Africa, as well as being a Blue branch owner. These roles, coupled with prior sales experience at African Life and branch management positions at African Bank and Unity Financial Services, have given Charl invaluable understandings of Blue's customers' needs.

Now tasked with identifying trends and opportunities to expand Blue's client base and product range in Namibia, Charl's aim is to create a culture of teamwork where all employees have a place and a support function in the bigger picture of the company's success. He considers it essential for his people's hard work to be paired with enthusiasm and enjoyment for what they do, and works positively towards making Blue Namibia a great place to work.

Number of employees



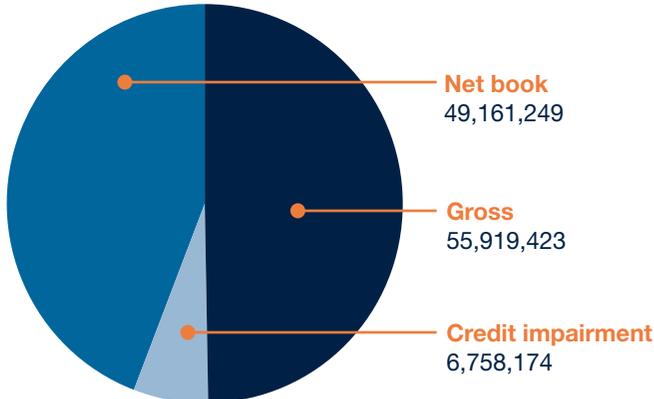
Active agents - 64

Staff - 53

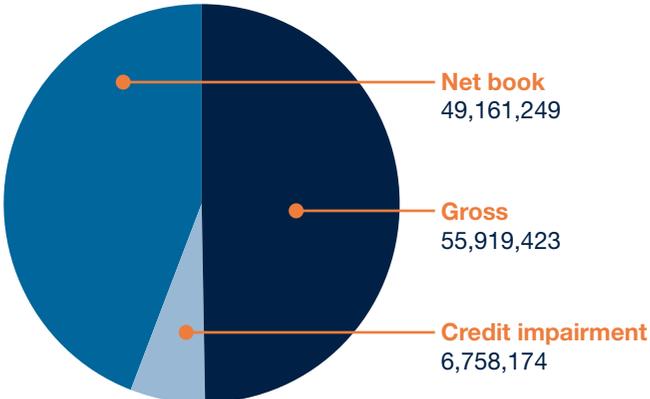


Namibia operational overview

Loan book size



Amount in local currency



Amount in ZAR

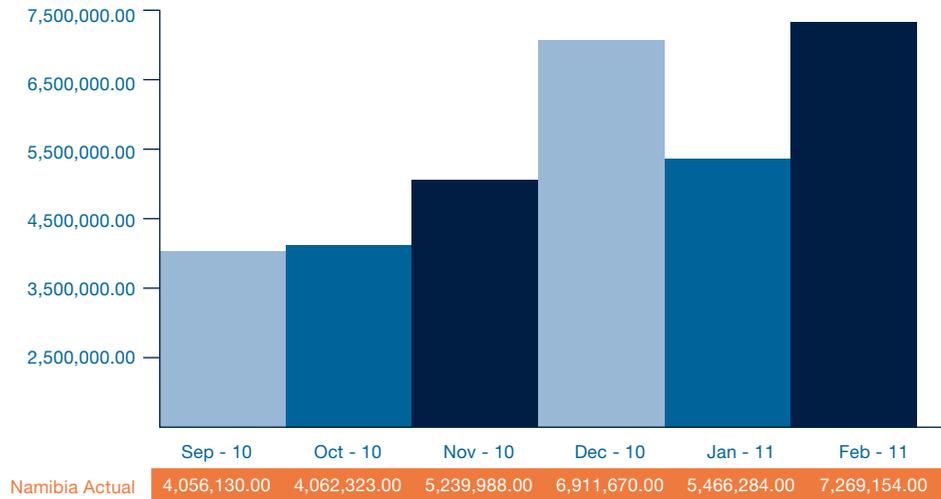
Branches

Retail operations in Namibia split down into five branches offering CashXpress and twelve branches offering Term Loan.



Please note: major centres often have multiple branches

Production statistics



In Namibia, as can be seen, apart from the Christmas commercial effect in December, there is an upward trend overall, despite the slight fall-off in January, which is a normal market reaction after December's spending.

The growth in figures through November, December and February is driven by seasonal demand, while the successful launch of a new agent force cemented the sustainability of the growth trend.

Overall, production volumes were restricted by a limited availability of cash and by impaired reputation, and it was only at the end of this period that new initiatives started to become effective and the turnaround itself could start to achieve its momentum.

Business lending

We have not yet commenced business lending in Namibia.

Insurance

In Namibia we sell embedded insurance products that complement our loan offering to our customers in the micro-insurance space. This is something that we will actively continue to develop going forward with our insurance partners in Namibia

Operational overview - Botswana

Introduction

Botswana is a landlocked country bordered by South Africa to the south and southeast, Namibia to the west and north, and Zimbabwe to the northeast, with a single-point contact with Zambia. It lies well south of the equator and straddles the Tropic of Capricorn from 17°S to 27°S. Seventy per cent of the country is covered by the Kalahari Desert.

In size, Botswana is one of the medium-sized countries of Africa at 48% of the size of South Africa and ranks as the world's 47th largest country. Its population was estimated in 2010 at just over 2 million, making it one of the smaller populations in Africa.

The country, formerly called Bechuanaland, took the name Botswana, which relates closely to the name the citizens give themselves of the 'Batswana' people whose singular version is 'Motswana', after independence from the United Kingdom in 1966. The official name is the Republic of Botswana.

The capital city is Gaborone, which is also the largest city and commercial hub.

The economy has grown spectacularly since independence and was, for all the years of Sir Seretse Khama's presidency, recorded as the world's fastest-growing economy and today has negligible foreign debt. It has earned the highest sovereign credit rating in Africa. Diamond mining, agriculture, tourism and an export-led economy are the main features of Botswana's Gross Domestic Product. Uranium mining is in the process of opening up at present, and international interests have based themselves in Botswana to prospect for widely varied minerals. Banking in Botswana is sophisticated and competitive. Amongst its growth opportunities is the proposed innovation hub project which will catapult the country into the world of innovations and innovation technology and researches in line with other institutions both local and international.

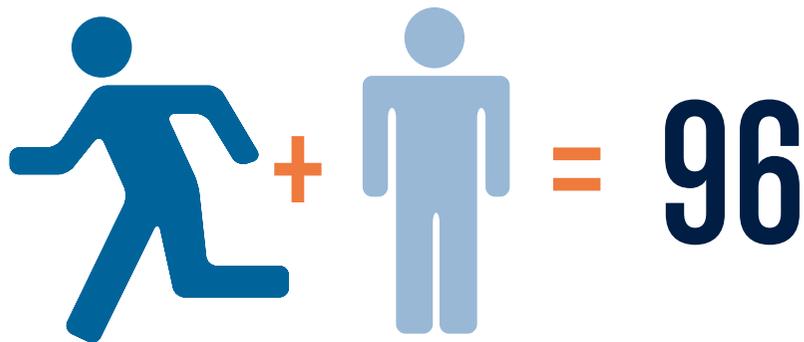
Management team

The people who constitute the management team in Botswana are headed up by Andre Heunes, as Country Manager, supported by Pieter van Tonder in the role of Sales Support Manager and Abigail Mampane who is the Back Office Manager.

In his role as Country Director of Blue Botswana, Andre Heunes draws on his wealth of experience in the banking and micro-lending sectors gained during his years at Absa, Alternative Finance Limited and African Bank. Before joining Blue, Andre owned and managed a debt tracing company, Bo-Kaone Services, and he was formerly a member of the SAPS.

His philosophy of honest and responsible 'leadership by example', his focus on ethics and his belief in consistently providing the highest levels of service help Andre create and maintain excellent professional relationships with clients, funders, employees and government stakeholders. In his directorial role, Andre is steering the growth of Blue's lending in Botswana.

Number of employees



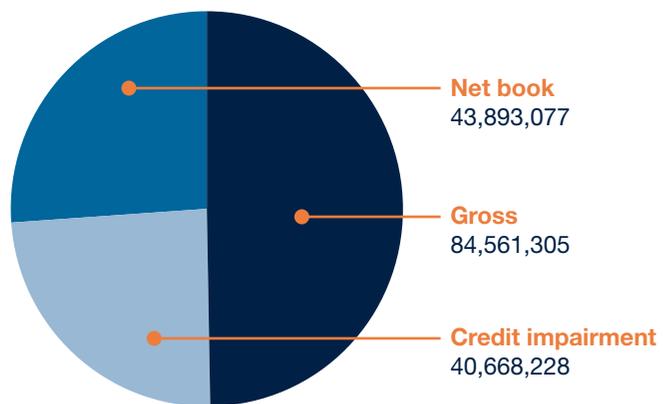
Active agents - 26

Staff - 70

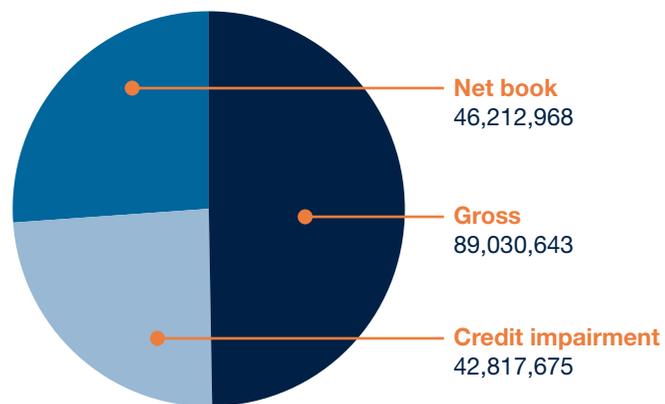


Botswana operational overview

Loan book size



Amount in local currency



Amount in ZAR

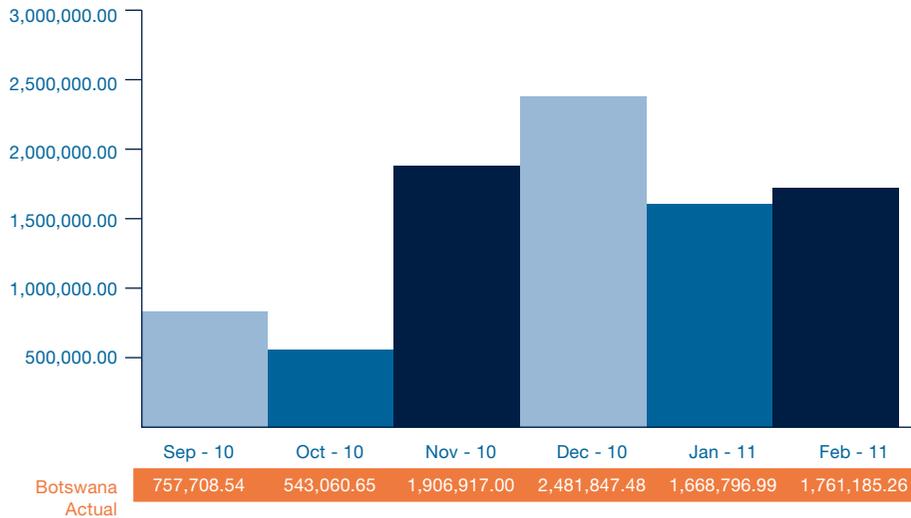
Branches

Retail operations in Botswana are represented by an infrastructure of 11 branches.



Please note: major centres often have multiple branches

Production statistics



In Botswana, the trends of the previous months, which were characterised by reputational impact having a negative trend, continued during September and October as can be seen from the graph above.

In November, the positive impact of implementing the new agency force led to an increase in production, followed by seasonal demand which drove the growth in December.

Annually, sales decline in January and February due to cash flow constraints created by the Christmas period spending.

Overall, production volumes were restricted by a limited availability of cash and by impaired reputation, and it was only at the end of this period that new initiatives started to become effective and the turnaround itself could start to achieve its momentum.

Business lending

We have not yet commenced business lending in Botswana.

Insurance

In Botswana we sell embedded insurance products that complement our loan offering to our customers in the micro-insurance space. This is something that we will actively continue to develop going forward with our insurance partners in Botswana.

Operational overview - Lesotho

Introduction

Lesotho, known as “The Mountain Kingdom”, is a landlocked country surrounded on all sides by South Africa. It lies well south of the equator from 28°S to 31°S and is the only independent state in the world that lies entirely above 1400m altitude. Its lowest point of 1400m is thus the highest lowest point of any country, and 80% of Lesotho lies above 1800m above sea level and has several peaks over 3000m.

In size, Lesotho is one of the smaller countries of Africa at 2,4% of the size of South Africa and ranks as the world’s 140th largest country. Its population was estimated in 2009 at just over 2 million, making it one of the smaller populations in Africa.

The country, formerly called Basutoland, attained independence from the United Kingdom as the Kingdom of Lesotho in 1966.

The capital city is Maseru, which is also the largest city and commercial hub.

The economy is based on the export of diamonds all over the world and on the sale of water to South Africa via the Lesotho Highlands Water Project which in essence comprises a system of several large dams and tunnels throughout Lesotho and South Africa that divert the flow of the Malibamatso, Matsoku, Senqunyane and Senqu rivers. It also has a hydro-electric component to provide electrical power. It is Africa’s largest water transfer scheme.

Lesotho has benefitted from the African Growth and Opportunity Act (AGOA) to become the largest exporter of clothing to the United States from sub-Saharan Africa. The South African rand can be used interchangeably with the loti, the Lesotho currency, as the loti is pegged to at par to the rand.

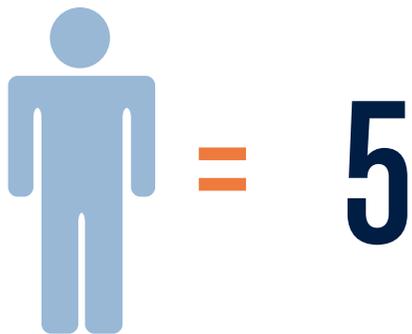
Management team

The people who constitute the management team in Lesotho are headed up by Jacques Janse van Rensburg, as Acting Country Manager, supported by Manthatisi Matsoso in the role of Collections Manager and Kojang Mohale who is Branch Manager.

Jacques Janse van Rensburg has brought many years of financial services and branch management experience to Blue Lesotho, having performed management roles for Louhen Financial Services, Capitec division Finaid Financial Services, Future Finance, EG Finance and Thuthukani Financial Services since 2003.

In performing his diverse operational, sales support and staff management responsibilities as Acting Country Manager, Jacques focuses on setting a clear organisational purpose and on inspiring loyalty and mutual respect amongst his staff. He believes in the inclusion of his team in decision-making processes and places high importance on ensuring that the unique strengths, culture and values of Blue, and particularly Blue Lesotho, are reflected in his direction and strategy.

Number of employees

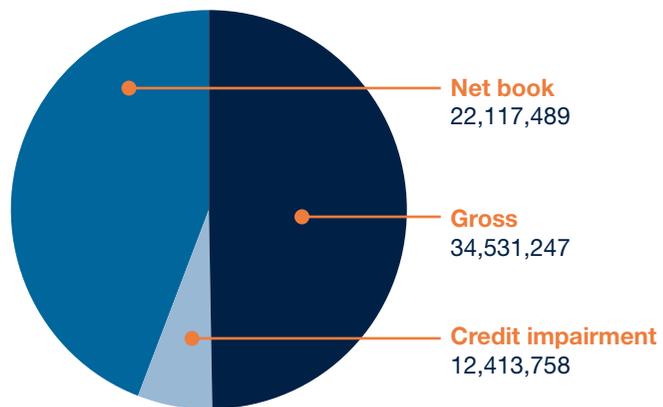


Staff - 5

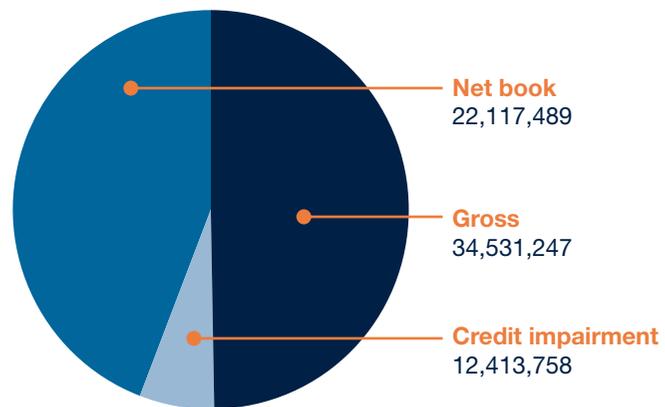


Lesotho operational overview

Loan book size



Amount in local currency



Amount in ZAR

Branches

The retail infrastructure in Lesotho is currently represented by the one branch in Maseru



CashXpress
Term Loans
Term Loans and CashXpress



Production statistics

Lending operations were suspended in Lesotho awaiting statutory developments at national level.

Business lending

We have not yet commenced business lending in Lesotho.

Insurance

In Lesotho we sell embedded insurance products that complement our loan offering to our customers in the micro-insurance space. This is something that we will actively continue to develop going forward with our insurance partners in Lesotho.

Operational overview - Malawi

Introduction

Malawi is a landlocked country bordered by Zambia to the northwest, Tanzania to the northeast, and Mozambique on the east, south and west. It lies south of the equator between 9°S and 18°S.

In size, Malawi is one of the smaller countries of Africa at 10% of the size of South Africa and ranks as the world's 99th largest country. Its population was estimated in 2010 at just under 15 million, making it one of the small-to-medium populations in Africa.

The country, formerly called Nyasaland, attained independence from the United Kingdom in 1964 and is officially named the Republic of Malawi.

The capital city is Lilongwe, but the largest city is Blantyre. About 85% of the population lives in rural areas and about 35% of the Gross Domestic Product is represented by agriculture. About 90% of export is also based on agriculture. General industry accounts for 19% and services take up 46%.

Malawi is quoted as having one of the lowest per capita incomes in the world, but the poverty rate is also quoted as decreasing. Malawi ranked as “the 119th safest investment destination in the world in the March 2011 Euromoney Country Risk rankings.” Malawi is also renowned for the unequalled friendliness of its people and promoted as the ‘Warm Heart of Africa’. The name Malawi comes from the Maravi and is an old name of the Nvanja people who inhabit the area. Lake Malawi is the third largest lake in Africa and the eighth largest lake in the world.

Management team

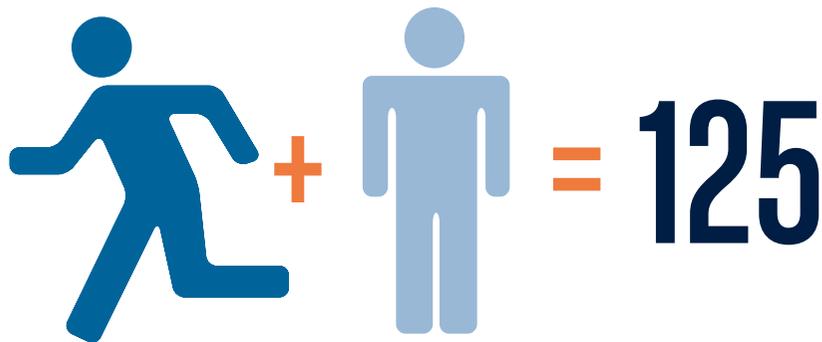
The people who constitute the management team in Malawi are headed up by Michael Hodgkiss, as Country Manager, supported by Chris Sukasuka in the role of General Manager of CashXpress and Sonia Mwalwanda who is the Administration Manager.

Michael Hodgkiss has focused on the areas of operational management and execution for over 20 years. He spent much of his earlier career in the retail industry at Edcon Retail Apparel Group where he was responsible for several of the company's operations in Africa.

Now Country Manager for Blue Malawi, Michael uses a systematic and logical approach to investigate challenges, and enjoys operating in an environment where precision and accuracy are important to achieve the defined end result.

In ensuring that Blue retains its position as one of the leading micro-finance institutions in Malawi, he believes relationship building with all Blue's stakeholders within the region is key to a healthy and sustainable business unit.

Number of employees



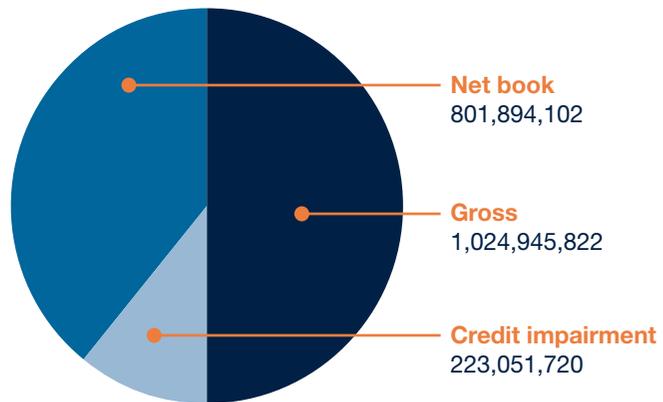
Active agents - 58

Staff - 67

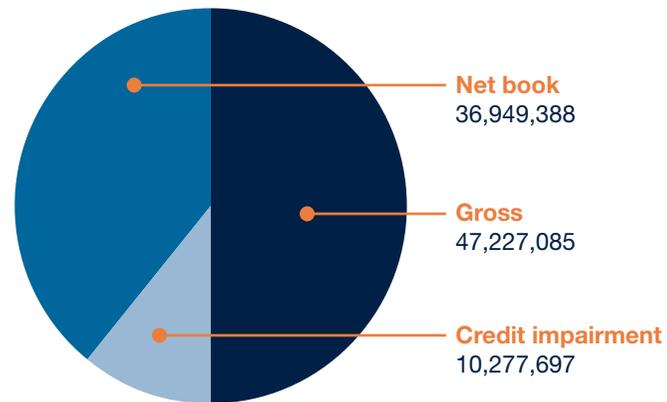


Malawi operational overview

Loan book size



Amount in local currency



Amount in ZAR

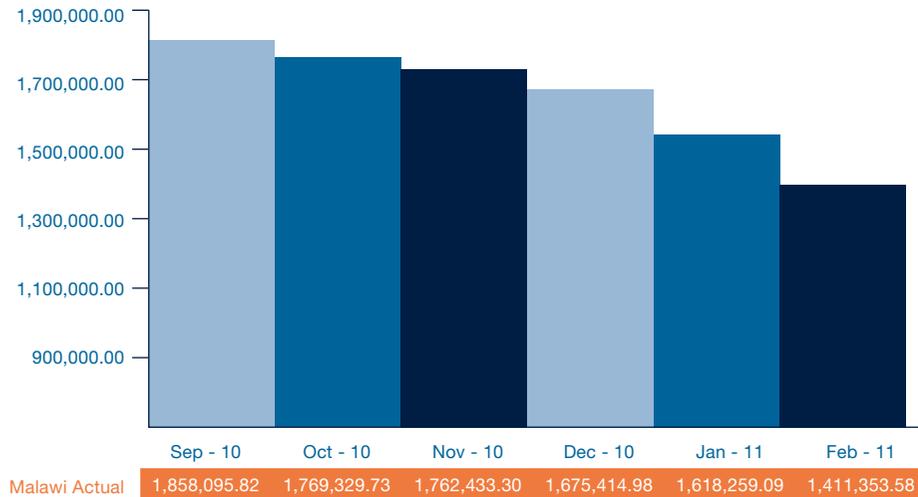
Branches

The retail operations in Malawi consist of three CashXpress and five Term Loan branches.



Please note: major centres often have multiple branches

Production statistics



In Malawi, debit order business was terminated towards the end of September which resulted in a gradual decrease in production carrying through towards December.

In January the downward trend continued due to all new private payroll business being terminated to align to the Group's product risk profile and specific focus on the 30-day CashXpress product.

In February, although there was increased focus on the CashXpress product, there was a decline in term loan business that outweighed the new CashXpress production volumes.

Overall, production volumes were restricted by a limited availability of cash and by impaired reputation, and it was only at the end of this period that new initiatives started to become effective and the turnaround itself could start to achieve its momentum.

Business lending

We have not yet commenced business lending in Malawi.

Insurance

In Malawi we sell embedded insurance products that complement our loan offering to our customers in the micro-insurance space. This is something that we will actively continue to develop going forward with our insurance partners in Malawi.

Operational overview - Uganda

Introduction

Uganda is a landlocked country bordered by Kenya to the east, by South Sudan to the north, by the Democratic Republic of the Congo to the west, and by Tanzania to the south, and includes a large part of Lake Victoria also to the south. It straddles the equator, lying between 4°N and 2°S and averages 1000m above sea level.

In size, Uganda is one of the smaller countries of Africa at 19% of the size of South Africa and ranks as the world's 81th largest country. Its population was estimated in 2009 at just over 32 million, making it one of the medium-sized populations in Africa.

The country takes its name from the Bugandan peoples of the area, and attained independence from the United Kingdom in 1962. It is officially named the Republic of Uganda.

The capital city is Kampala, which is also the largest city and the commercial hub.

For decades, during times of political instability, Uganda's economy suffered from poor policies and general turmoil, leaving Uganda as one of the world's poorest countries. In recent years, however, there has been economic rebuilding that has resulted in actual economic growth. In fact, even during global downturn, the growth figure for 2008 was strong at 7%.

The economy, in general, is agricultural, with many forms of produce going for export, such as coffee. Tourism is another contributor, with the mountains, trekking opportunities and mountain gorillas adding to the attractions. Uganda's great beauty led Winston Churchill to refer to it as the 'Pearl of Africa'.

The potential for growth is good, with many natural resources, including copper, cobalt, oil and gas – all of which are desirable commodities. Inflation – which had been as high as 240% in 1987 – has been brought under control and down to 5,1% by 2003.

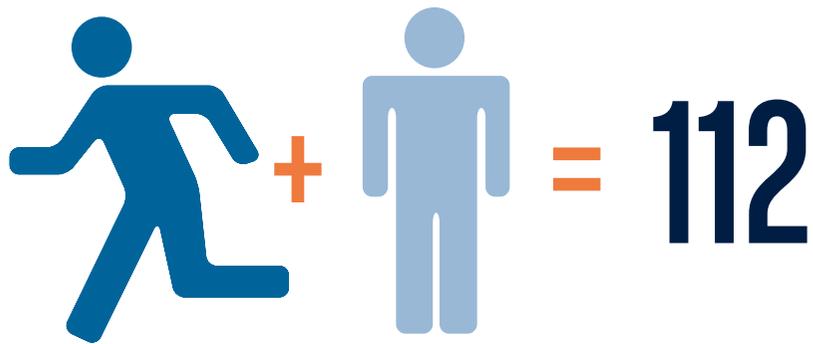
Management team

The people who constitute the management team in Uganda are headed up by Gerrie Fourie, as Country Manager, supported by Coutts Muhenda in the role of Administration Manager and Peter Mugogo who is Operations Manager.

Gerrie Fourie started his career at Blue South Africa's credit department and has risen successfully through the ranks to the position of Blue Uganda Country Manager. During his rising career at Blue so far and prior to his current area of responsibility, Gerrie served in various management roles and as an internal auditor for Blue's companies across Africa.

In developing strategies to optimise Blue's growth and supporting services in Uganda, Gerrie draws on his training in business and risk management to identify trends and opportunities. With a strong communication style, ambition and a dedication to perfection, Gerrie constantly adds value and makes a measurable difference to Blue's pan-African operations.

Number of employees



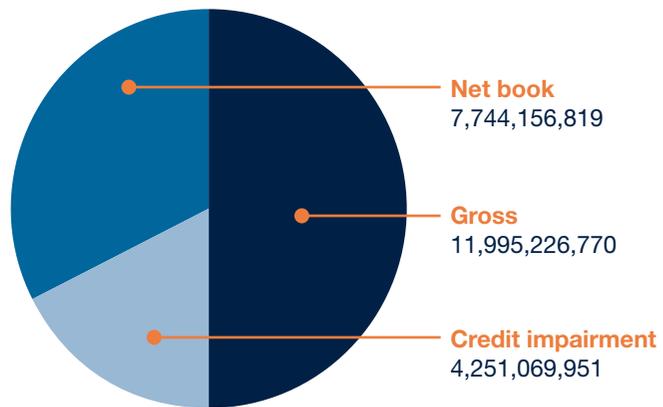
Active agents - 49

Staff - 63

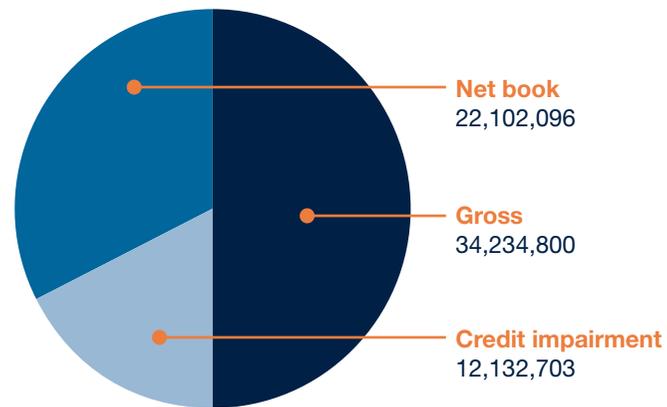


Uganda operational overview

Loan book size



Amount in local currency



Amount in ZAR

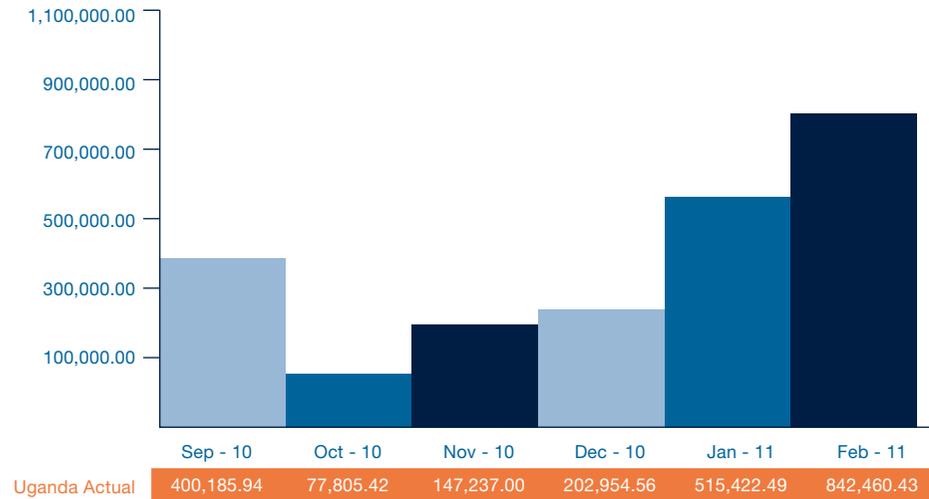
Branches

The retail operations in Uganda consists of ten branches.



Please note: major centres often have multiple branches

Production statistics



In Uganda, the drop in production volumes from September to October, carrying through into November and December, was characterised by a change-management process with focus on improvement of controls, training and management reorganisation.

In January 2011, with the reopening of the schools, production volumes increased owing to parents needing to pay school fees, and in February the agency force was implemented contributing to a further increase in production.

Overall, production volumes were restricted by a limited availability of cash and by impaired reputation, and it was only at the end of this period that new initiatives started to become effective and the turnaround itself could start to achieve its momentum.

Business lending

We have not yet commenced business lending in Uganda.

Insurance

In Uganda we sell embedded insurance products that complement our loan offering to our customers in the micro-insurance space. This is something that we will actively continue to develop going forward with our insurance partners in Uganda.

Operational overview - South Africa

Introduction

Within the region of half if its borders being the coastlines of the Atlantic and Indian Oceans, South Africa is abundantly catered for by port facilities mainly in Cape Town, Durban, Port Elizabeth and East London. It is bordered on land by Namibia, Botswana, Zimbabwe, Mozambique and Swaziland, and it completely surrounds Lesotho. It lies south of the equator 22°S and 35°S, just taking in the Tropic of Capricorn at its most northerly limits.

In size, South Africa covers 1,221,037 square kilometres which makes it the world's 25th largest country. Its population was estimated in 2011 at just over 50 million, making it one of the largest populations in Africa.

The official name of the country is the Republic of South Africa, and it progressively achieved relative degrees of independence by declaration as the Union of South Africa in 1910, and again in 1931 under the Statute of Westminster, although it only gained full independence from the United Kingdom in May 1961.

The capital city is not one but three. Pretoria is the Executive capital, Bloemfontein is the Judicial capital, and Cape Town is the Legislative capital. Despite these three capital cities, Johannesburg is the largest, and it is the commercial hub. South Africa is divided into nine provinces.

By United Nations classification South Africa is a 'middle-income' country with a mixed economy. It has abundant mineral resources and other natural resources that create the platform for a primary-driven economy with a growing secondary manufacturing sector. Its financial structures and banking systems are highly sophisticated and in parts are globally leading-edge. The South African rand is the most actively traded emerging market currency in the world. According to the Bloomberg Currency Scorecard, the SA rand was the best-performing currency against the US dollar in the world from 2002 to 2005 (no later statistics known at the time of writing). Its transport and telecommunications are well developed and connect smoothly into neighbouring countries. Its service industries are well developed and in some cases competitive worldwide.

The Gross Domestic Product of South Africa is ranked 25th in the world (data as at 2008). South Africa is the largest energy producer on the African continent, and the largest energy consumer.

For many decades now, South Africa has fulfilled the role as the gateway to southern Africa.

South Africa is multi-cultural in nature with eleven official languages. While English is the business language, it is only the fifth most spoken home language.

Management team

The people who constitute the management team in South Africa are Gavin Clark who fills the role of Blue SA Executive and Paulo Andrade in his capacity as Group Operations Executive.

Gavin Clark has significant commercial and retail banking experience, gained during 15 years at Standard Bank and 20 years with Absa where he was at the forefront of the group's transformation and led several divisions. Before his appointment as Blue South Africa Country Manager in February this year, he owned and managed retail and debt consulting businesses for four years and became a qualified debt counsellor. Gavin therefore brings with him a strong foundation of banking and business development knowledge to the company, together with finely-honed managerial and leadership skills.

Now responsible for the performance of Blue in South Africa, Gavin is driven by a value-system which recognises the importance of integrating different cultures and backgrounds. He believes in empowering people and engendering a system in which individuals and groups can exceed their own expectations through positive self-belief.

Paulo Andrade started working in the Micro Finance industry sector in 1998 and over the years has gained broad, deep and practical industry experience. He has worked for Busnet in the role of Managing Director, 1998 to 2006, and at Thutukhuni Financial Services as a General Manager, 2006 to 2008. Paulo joined Blue Financial Services in December 2008 in the role of General Manager: Blue CashXpress. Since April 2010 he has filled the role of Senior General Manager (Operations) for the Group.

Number of employees

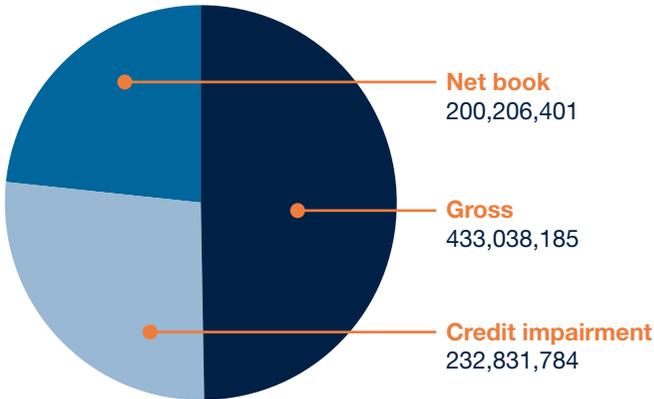


Staff - 274

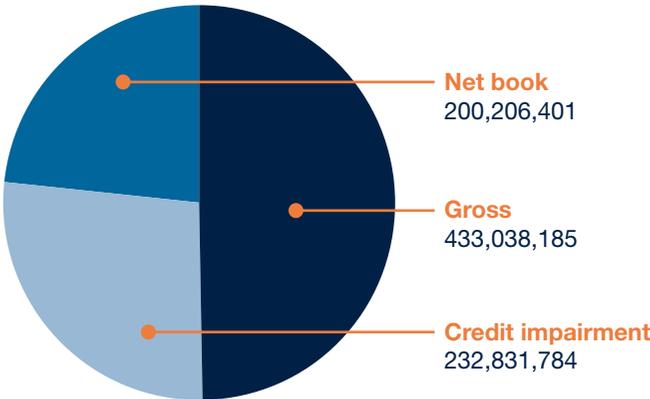


South Africa operational overview

Loan book size



Amount in local currency



Amount in ZAR

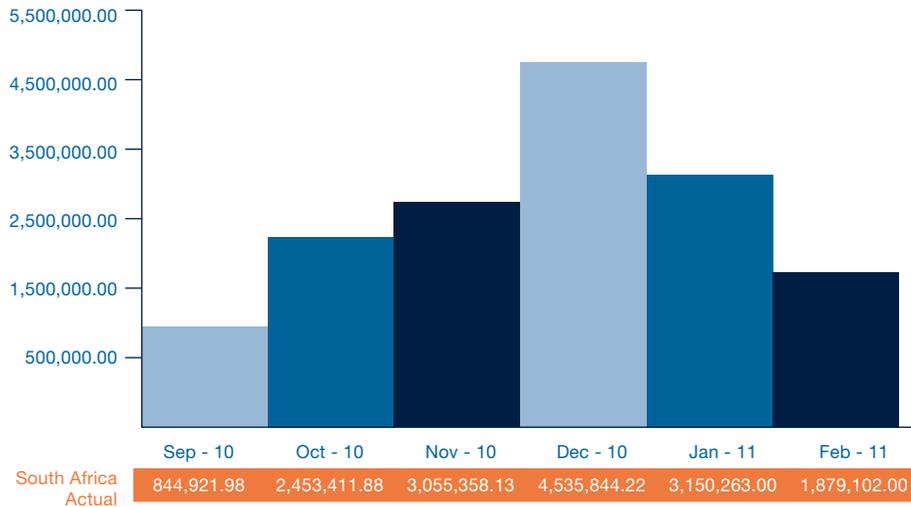
Branches

Retail operations in South Africa include a total of 95 branches which are split down into nine regions.



Please note: major centres often have multiple branches

Production statistics



In South Africa, September reflected the trend of previous months in which reputational impact had caused reductions in production volumes.

However, the Christmas end-of-year commercial demand effect drove increases, starting as early as October and carrying through into December.

January always sees a reduction in spending following the Christmas period, and this was added to by terminating all new debit order business to align to the Group's product risk profile and the impending launch of new product offerings in March 2011.

February was also impacted by the factors prevailing in January, with the added impact of having no 'back-to-school' injection of support to the figures.

Overall, production volumes were restricted by a limited availability of cash and by impaired reputation, and it was only at the end of this period that new initiatives started to become effective and the turnaround itself could start to achieve its momentum.

Business lending

South Africa has an active business unit which extends credit to small and medium enterprises in South Africa with an enviable record of success.

Insurance

In South Africa we sell embedded insurance products that complement our loan offering to our customers in the micro-insurance space. This is something that we will actively continue to develop going forward. In South Africa we conduct our insurance business through a cell captive arrangement.



**Our values,
our people,
our transformation**

Introduction

In 2011, Blue has redefined its philosophy and core values, breathing fresh life into the business in line with the turnaround actions taken during the year. Holistic transformation - not only in our business approach but very specifically in relation to our people - is our highest priority. The fundamental shifts that we have made as an organisation in the last year have naturally had a significant impact on our most valuable asset - our people. Blue places enormous value on its human capital and in the last year we have established an exciting new people-development strategy.

Human capital - The BEE and transformation viewpoints

The focus on BEE is of course a critical aspect of the business environment in South Africa. The concept of BEE requires the empowerment of certain groups of people in South Africa who were previously left behind and disadvantaged commercially to varying degrees.

The Blue staff complement analysis presented here is broken down into Blue's employment figures in South Africa as one focus, and the whole of the African continent as the second focus. Numbers and percentages of Historically Disadvantaged Individuals ('HDI') and Previously Disadvantaged Individuals ('PDI') are normally particularly noted in South African analyses, and here they are extended throughout Blue's African operations.

HDI & PDI Statistics	HDI		PDI		Total
	Number	Per cent	Number	Per cent	
Blue: RSA	361	84%	278	65%	429
Blue: Total (RSA & Africa)*	1,037	93%	950	86%	1,111

Numbers and percentages of males and females are also of primary focus.

Gender Statistics	Number	Per cent
Blue: Total RSA - Male	154	36%
Blue: Total RSA - Female	275	64%
Blue: Total RSA - Male & Female	429	100%
Blue: Total (RSA & Africa) - Male	497	45%
Blue: Total (RSA & Africa) - Female	614	55%
Blue: Total (RSA & Africa) - Male & Female	1,111	100%

A focus on transformation is of utmost importance across our organisation and Blue is committed to strengthening and improving our business from a transformation point of view.

Transformation at Blue

As a pan-African organisation, our transformation strategy must be adaptable to the specific climate and unique needs of each country in which we operate. We believe it is vital to uphold the rich cultural diversity of our organisation. Transformation naturally takes different shapes in different regions, and we are acutely aware of the need to empower local people in each country.

Broadly speaking, our objective is to develop our people across the African continent to enable them to rise confidently into leadership positions, and successfully take the business forward.

In South Africa, transformation is precisely defined and regulated, with the focus being on developing the skills and capabilities of historically disadvantaged and previously disadvantaged people in conjunction with providing work experience at all levels throughout an organisation. That is to say that certain groups now receive preference at times of hiring or promoting so that inequities of the past are eliminated and better balance is achieved.

In order to address the imperatives in South Africa, we need to be specific in our intentions and plans. To achieve this we have developed our Transformation Charter which provides the structure and direction for achieving our transformation objectives. The Charter also doubles as our Transformation Policy document, and is the guiding plan to ensure transformation works positively within Blue and in the best interests of Blue.

Our Transformation Charter:

- Includes a comprehensive ‘how to get there’ handbook
- Binds us to support and promote the principles of transformation
- Fully satisfies our goals and intentions, and complies with all the requirements of our BEE strategy, our Employment Equity plans, and our commitment to B-BBEE (Broad-Based Black Economic Empowerment)
- Is completely transparent to our staff members

Firm foundations – Blue climate survey

As an essential component in Blue’s human capital strategy, Deloitte & Touche was commissioned to conduct an Employee Climate Survey in December 2010. The survey established the dimensions of the existing situation throughout Blue’s pan-African footprint and provided valuable information as the foundation on which to build plans for improvement.

Based now on measured facts, Blue’s strategy can move forward with confidence that the plans for improvement address realities not assumptions. This is not only the firm foundation on which to build, it is also the benchmark against which Blue’s progress will be measured.

Highlights of the results include a country-by-country analysis, shown at a glance in the table below, from the highest to the lowest scoring countries.

Points to note about the table:

- Countries lying in the upper dark blue section ranked as ‘Positive / Favourable’
- Countries lying in the middle orange section ranked as ‘Area of Concern’
- Countries lying in the lower pale blue section ranked as ‘Problematic’
- The two countries in the bottom white section were not separately analysed

Country		
Namibia	Nigeria	Positive / Favourable
Tanzania	South Africa	Area of concern
Swaziland	Malawi	Area of concern
Botswana	Zambia	Problematic
Uganda	Kenya	Problematic
Lesotho	Ghana	Not seperately analysed

Not only does the survey provide this league table of how each country measures against all others, it provides a mass of information on the different issues that need to be addressed in each country. This is the real value of the survey, giving information on which countries require action plans for improvement.

Blue now has clear knowledge and insight into the prevailing parameters, has gained incisive understandings of what is needed, and is moving forward with precise focus on what needs to be done.

Blue's human capital development strategy

Concerning Blue's workforce, it is a self-evident statement that people who are in the peak of personal wellness are in a better position to deliver excellent performance in their workplace environment.

Always moving closer to becoming 'The Best We Can Be' as an organisation is one of Blue's wider-based generalised commitments. To achieve this, Blue has embraced the concept that this is only possible through helping, encouraging, pushing, developing and educating every one of our people themselves to become the best they can be - in other words: all-round holistic wellness.



This is a big challenge, because the concept applies to the entire person in all aspects of life. Blue is addressing the holistic challenge by introducing a new Wellness Programme that actively looks at different aspects of wellness each month and drives wellness initiatives throughout the year. It is our Wellness Wheel concept, which we believe pays enormous dividends in terms of the involvement, loyalty and commitment of our people towards the success of our organisation. The positive response we have observed since adopting the Wellness Wheel initiative has been hugely gratifying, and is clearly releasing the power that in many cases had previously remained untapped and hidden inside our people.

Blue has set this process in motion through numerous workshops, development programmes and interactions, combined with our commitment of money, people, time and resources to bring it into practical reality and through the Wellness Wheel programme.

Our Wellness Wheel programme encompasses every aspect of life, including career development, social and cultural commitment, physical, spiritual and emotional wellbeing, environmental concern and action, financial wellbeing and life balance. It is a powerful, holistic tool that addresses personal development for all our people from every angle and from within a comprehensive framework.

We believe that helping our people to achieve their own goals in life – no matter what they may be – is an essential pre-requisite for us as a company to achieve our visions and exceed our corporate objectives.



Corporate social investment

Blue is committed to transformation, and firmly holds the belief that CSI in the African context plays a pivotal role in transformation on the continent.

Blue has a wonderful CSI legacy and, over the last ten years, we have been dedicated to contributing to communities from all over Africa. As part of the integration of Blue into the Mayibuye Group, at the beginning of 2011 we were pleased to expand and realign our CSI programme to incorporate Mayibuye's social responsibility initiatives. Our brand new CSI mission statement of 'Helping Hope Return' now sits at the heart of all of our CSI activities.



We believe that the most important gift we can give to those less fortunate is to help bring hope back into their lives and to inspire them to dream about a brighter future. Without hope, life is barren and pointless. With hope, there can be a better life. Fostering new hope in the hearts and minds of everyone, young and old, is what adding value to people's lives is all about.

As a responsible pan-African corporate citizen, Blue is committed to using its resources for the social benefit and upliftment of all peoples throughout the African continent. Through our CSI programme, we constantly work towards uplifting and instilling hope in the communities where we operate – particularly those living in adverse circumstances which have made them almost forget how to hope and to have worthwhile aspirations for themselves and their lives.

Blue is passionate about bringing hope to those who need it most, helping them to identify their aspirations, to dream their dreams and to work towards achieving them.

“Whatever enlarges hope will also exalt courage.”

Samuel Johnson



Helping hope return through our CSI projects and activities

In 2011 we will roll out and integrate the Helping Hope Return CSI programme at all of Blue's subsidiaries. It is our vision to extend the Helping Hope Return initiatives to every country in which we operate across the continent.

The Helping Hope Return programme consists of a variety of annual activities, each of which helps bring hope in some way to underprivileged communities.

Our CSI programme comprises four focus areas, namely:

- Turning Dreams into Reality – an annual menu of events at important times of the year designed to improve living conditions and uplift the spirits of those living at the homes in the communities we serve
- Future Focus for Young People™ – a youth career-development initiative
- Environmental initiatives – a drive to protect and conserve the environment for future generations
- Community development across Africa – implementing elements of the above projects across our pan-African footprint.

“Hope sees the invisible, feels the intangible and achieves the impossible.”

Author unknown, sometimes attributed to Helen Keller.

Turning Dreams Into Reality

Blue has chosen to support a number of orphanages and day-care centres through a dedicated programme of activities themed 'Turning Dreams into Reality'. In line with our CSI statement, our activities aim to foster hope in the hearts and minds of people who have almost forgotten its meaning. This programme includes:

- Winter Warmers drive
- Christmas celebrations
- Christmas Card design competition
- Easter parties

Future Focus for Young People™

Helping Hope Return takes many forms. Central to our philosophy is the nurturing of young people while still at school to help them develop aspirations for their future, and to open up ways for them to create fulfilling lives.

Our programme will take the form of two initiatives: Our Work Day Experience, in which young people spend time in the work environment experiencing the opportunities available to them, and Our Work Aptitude, in which we engage external experts to conduct career aptitude testing to assist young people in their choices of future careers.

Protecting and conserving the environment

As an organisation and as individuals we have an obligation to commit ourselves to the protection and conservation of the environment for the benefit of all future generations.

We have adopted two environmental initiatives, War on Waste and Energy Conservation, which will commence in 2011, and which are designed to contribute materially to the conservation of forests and the planet's energy resources.

*“When it's all over, it's not who you were;
it's whether you made a difference.”*

Bob Dole

Community development throughout Africa

Blue has traditionally run CSI programmes across Africa, helping hope return to communities where we operate throughout the continent. In the past year, Blue has run a number of successful CSI projects, which include Partnership with the Action for the Rights of Children Orphanage in Uganda, a Food and Clothing Drive in Botswana, Orphanage Donations in Kenya, and a Children's Hostel Party in Namibia.

In closing

In 2011, Blue will continue its corporate responsibility legacy by rolling out suitable elements from its new CSI programme across our pan-African footprint, with the goal of helping hope to return to more and more people as it gains momentum.

“Alone we can do so little; together we can do so much.”

Helen Keller



Board of Directors



SIPHO TWALA (54)

Chairman
Independent Non-Executive Director
BCom (UBS), HDip Co (RAU)

Board appointment:
Appointed on 1 March 2010 / Resigned on 13 December 2010 and re-appointed on 13 December 2010 to join the new Board of Directors of the company

Twala was appointed as independent non-executive chairman of the Blue Financial Services Limited on 1 March 2010.

He served his articles with Deloitte & Touche in 1985 after completing his studies. He has held senior positions at Shell Oil, Nestle, Otis Elevator and African Bank. Twala has been active in the housing environment where he was the Finance Director of the Johannesburg Housing Company, one of the pioneering companies involved in the rejuvenation of the inner city of Johannesburg.

He further went to chair the board of the Ekurhuleni Development Company, an entity also involved in social housing development. He is also a founding member of Litha Healthcare, a company that was recently acquired by Myriad Medicals and listed on the main board of the JSE.

He serves as non-executive chairman of 1time Holdings Limited and with Dust-A-Side SA (Pty) Limited as a non-executive director. Twala is currently an executive director of Safomar Aviation.

Business Address: Unit 12, Jan Smuts Park, Jones Road, Jet Park 1620.

ROBERT EMSLIE (53)

Deputy Chairman
Independent Non-Executive Director
BCom Hons, CA (SA)

Board appointment:
13 December 2010

Emslie is a chartered accountant. He held various positions in the Absa Group during a period of 21 years ending at the end of 2008 of which the last were the head of Absa Corporate and Business Bank and also of Absa Africa.

Emslie was also a member of the Absa Group Executive Committee from 2005 to 2008. He currently holds a number of non-executive directorships.

Business address: 283 Pinto Place, Beaulieu, Midrand, 1682.

JOHAN MEIRING (45)

Chief Executive Officer
BLC, LLB

Board appointment:
13 December 2010

An attorney by training, Meiring holds a Baccalaureus Legum Civilium from the University of Pretoria and a Baccalaureus Legum from Rand Afrikaans University (RAU).

Since 2000 he has been Chief Executive Officer of Mayibuye Group, in which position he specialises in company turnaround. As the driving force behind the group, Meiring has engineered several ground-breaking developments that have created exciting new paradigms in many areas of business endeavour in South Africa.

He has recently been appointed as Chief Executive Officer of Blue Financial Services Limited, a role he will hold concurrently with his position as CEO of Mayibuye Group.

Business Address: Mayibuye Place, 355 Kent Avenue, Randburg, 2194.

SHAUN STRYDOM (40)

Chief Financial Officer
CA (SA), HDip Strategic Management and Corporate Governance

Board appointment:
Appointed on 4 June 2009 / Resigned on 13 December 2010 and again re-appointed on 13 December 2010 to join the new Board of Directors of the company

Strydom is a registered chartered accountant with the South African Institute of Chartered Accountants and also holds a strategic management and corporate governance qualification from UNISA.

Prior to his appointment at Blue, Strydom was the Head of Corporate Development and Group Tax at Absa Group.

In this capacity he was involved in various strategic initiatives across the Group and throughout sub-Saharan Africa. He was also a member of the Banks senior leadership team.

Prior to Absa, Strydom was a partner at Deloitte in both audit and corporate finance, in which capacity he also established and led the Deloitte corporate finance office in Pretoria and was involved in various key transactions in the market, both in Africa and internationally.

Strydom first took the role of the Chief Financial Officer of Blue in August 2009 and was instrumental in assisting the Group in averting the collapse of the Group prior to the transaction with Mayibuye.

Business Address: Mayibuye Place, 355 Kent Avenue, Randburg, 2194.





ALAN BER (42)

Independent Non-Executive Director
CA (SA), Bachelor of Accountancy

Board appointment:
13 December 2010

Ber is a registered chartered accountant with the South African Institute of Chartered Accountants and completed his articles at Grant Thornton. Since November 2000 he has held the position of Chief Executive Officer of Glomail Group, where he has been the architect of the group's successful turnaround.

Prior to his appointment as CEO of Glomail, he was Financial Director for the company. Ber is currently the non-executive chairperson of Mayibuye Group and also holds directorship at Hlano Investments (Pty) Ltd.

He has with effect from 4 April 2011, been appointed the Executive Chairman of Glomail Africa Holdings (Pty) Ltd.

Business Address: Cnr Bekker & Montrose Streets, Vorna Valley, Waterfall Park, Midrand, 1685.

ANTONIOS COULOUBIS (42)

Non-Executive Director
CA (SA)

Board appointment:
Appointed on 1 March 2007 / Resigned on 13 December 2010 and re-appointed on 13 December 2010 to join the new Board of Directors of the company

Couloubis is a chartered accountant and currently serves as a director of PineBridge Investments. Couloubis was part of the team at AIG African Infrastructure Fund a US\$400 million private equity fund, and at subsequent PineBridge Investments sponsored funds in the region.

Previously, Couloubis was with a leading private equity firm in South Eastern Europe. Prior to that, Couloubis was with Citibank Private Equity and Headed the Analyst Group for Citibank Corporate and Investment Banking in South Africa.

His background includes a number of successful restructuring and turnaround situations, and Black Economic Empowerment transactions. Previously, he held managerial positions with Deloitte & Touche. Couloubis has served on several boards and executive committees.

Business Address: 34 Whiteley Road, Melrose Arch, Johannesburg, 2076.

LEONARD FINE (70)

Independent Non-Executive Director
CA (SA), FCMA (UK)

Board appointment:
13 December 2010

Fine has over 40 years of International management experience of which over 16 have been in private equity fund management.

Fine was co-founder of NSA Investments, a listed Johannesburg Stock Exchange private equity fund. During that time he was involved in the formation of three other private equity funds responsible for managing over US\$500 million.

Fine is co-founder of Glenhove, which is responsible for the management of Cycad, a technology fund and Women Private Equity Fund. During his business career, Fine has built and run his own business interests in management consultancy, commerce and industry.

He has been involved in the IPO's of more than 10 companies and held directorships in these and other boards in South Africa and the United Kingdom.

He specialised for over 30 years in strategic corporate right sizing and the repositioning of businesses to earn acceptable long-term returns, both in the public and private sectors. He has consulted to businesses in South Africa, Europe and North America. He is the author of a number of articles on management and two books on computer security.

Fine is also a Fellow of the Chartered Institute of Management Accountants (UK) and a Fellow of the British Computer Society.

Business Address: 37 Glenhove Road,
Melrose Estate, 2196.

JAMES ALBERT FRENCH (47)

Independent Non-Executive Director
BA, MBA

Board appointment:
Appointed on 9 November 2009 / Resigned on 13 December 2010 and re-appointed on 13 December 2010 to join the new Board of Directors of the company

French is a US national who was originally nominated to the Board by the International Finance Corporation as an independent non-executive director. He has extensive experience in capital markets development, treasury management, corporate finance, financial engineering and advanced risk management of major international bank portfolios.

He was the principle advisor on sovereign debt and capital markets development to the Government of Algeria for the United States Department of Treasury.

Prior to this he served as a treasury and financial engineering executive with Citigroup in francophone Africa and is also a founding member of Pangea Global Financial Solutions, an emerging markets consulting practice which provides treasury management, consulting and capital markets advisory to governments, regulators, investment funds and financial institutions in African markets.

Business Address: 1124 Colombia Road,
N.W. Washington, D.C. United States of America.





MOSS MASHISHI (48)

Non-Executive Director
BA, LLB

Board appointment:
13 December 2010

Mashishi holds BA and LLB degrees from University of Witwatersrand. He is currently the Executive Chairman of Matemeku Group (Pty) Ltd, which position he has held since April 2003.

Prior to this, he has filled numerous high-profile executive leadership positions in nationally and internationally renowned organisations, including Chief Executive Officer of Johannesburg World Summit, Chief Executive Officer of South African Tourism and Chief Executive Officer of Moribo Leisure Limited.

Mashishi is a non-executive Director of several companies including a non-executive director of Mayibuye Group, and Chairperson of CreditEdge.

Business Address: 54 Peter Place Road, Block H 1st Floor, Peter Place Office Park, Bryanston, 2191.

MICHAEL GAVIN MEEHAN (64)

Independent Non-Executive
CA (SA)

Board appointment:
Appointed on 26 February 2009 / Resigned on 13 December 2010 and re-appointed on 18 January 2011 to join the new Board of Directors of the company

Meehan completed his articles and practiced as a chartered accountant in Durban before commencing a 23- year career in shipping and ship owning with the Grindrod Group, where he served as a main board director, as chief executive officer of Unicorn Shipping and chief executive officer of the listed Griffin Shipping Holdings.

He subsequently co-founded and listed Trematon Capital Investments. He has filled the roles of president of the Durban Chamber of Commerce and president of the South African Ship Owners Association.

He now operates in the property, investment, venture capital and business consultancy fields in Durban. Meehan also serves on the boards of Lenmed Investments Ltd and William Tell Holdings Limited as an independent non-executive director.

Business Address: Suite 9 Tinsley House, 255 Musgrave Road, Durban, 4001.

TIMOTHY TILL (46)

Independent Non-Executive Director
CA (SA)

Board appointment:
13 December 2010

Till is a registered chartered accountant with the South African Institute of Chartered Accountants.

Until recently, Till was the head of risk and operations at Investec Private Bank and a member of the Investec Private Bank leadership team. He chaired the Private Bank Risk Committee and the Private Bank Recoveries Committee.

Till has been at Investec Bank for 16 years having played a key role in the development and growth of Investec Private Bank into the pre-eminent position that it holds today.

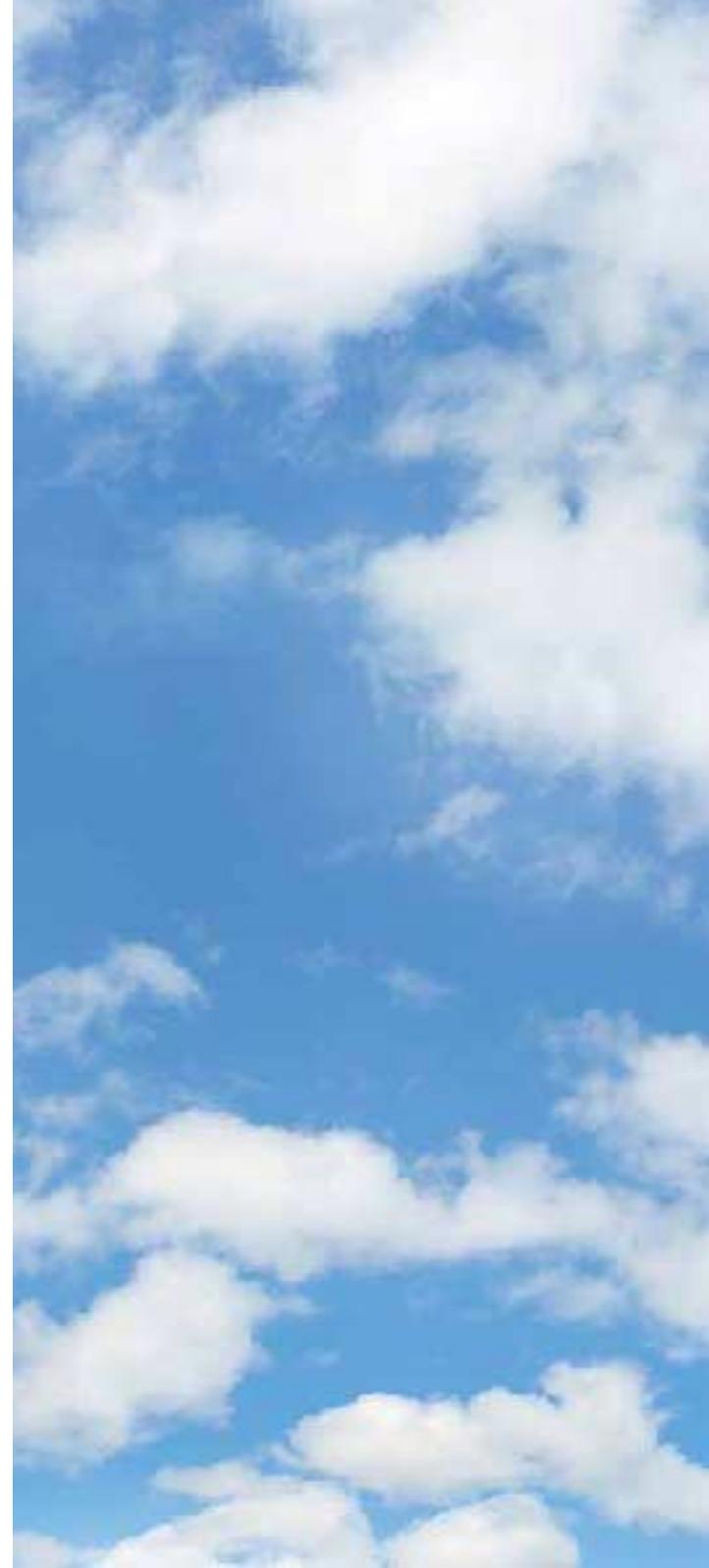
Business Address: 279A Bryanston Drive, Bryanston, 2021.





Consolidated annual financial statements

The full consolidated financial statements are included on the attached disc, and also appear on the website at www.blue.co.za





Notice of annual general meeting

Notice of annual general meeting

NOTICE IS HEREBY GIVEN to shareholders as recorded in the Company's securities register on Wednesday, 31 August 2011, that the Annual General Meeting of the shareholders of the Company will be held at Mayibuye Place, 355 Kent Avenue, Ferndale, Randburg, 2196 on Monday, 10 October 2011 at 10:00 for purposes of considering and, if deemed fit, passing with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008 ("the Act"), as read with the Listings Requirements of the JSE Limited ("JSE Listings Requirements") which meeting is to be participated in and voted at by shareholders as at the record date of Wednesday, 5 October 2011.

Kindly note that meeting participants (including shareholders and proxies) are required to provide reasonably satisfactory identification and the person presiding at the Annual General Meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as a shareholder or as proxy for a shareholder) has been reasonably verified.

Reference made to the "Memorandum of Incorporation" of the Company in this notice of the annual general meeting, means the Memorandum and Articles of Association of the Company as it existed prior to the commencement of the Act on 1 May 2011. As of 1 May 2011, the Memorandum of Association and Articles of Association of a pre-existing company are deemed to be the "Memorandum of Incorporation" of a company in terms of the definition of "Memorandum of Incorporation" contained in Section 1 of the Act. Accordingly, we refer to the "Memorandum of Incorporation" of the Company throughout the document, instead of the "Memorandum and Articles of Association" of the Company.

1. Ordinary resolution number 1 – Presentation of annual financial statements

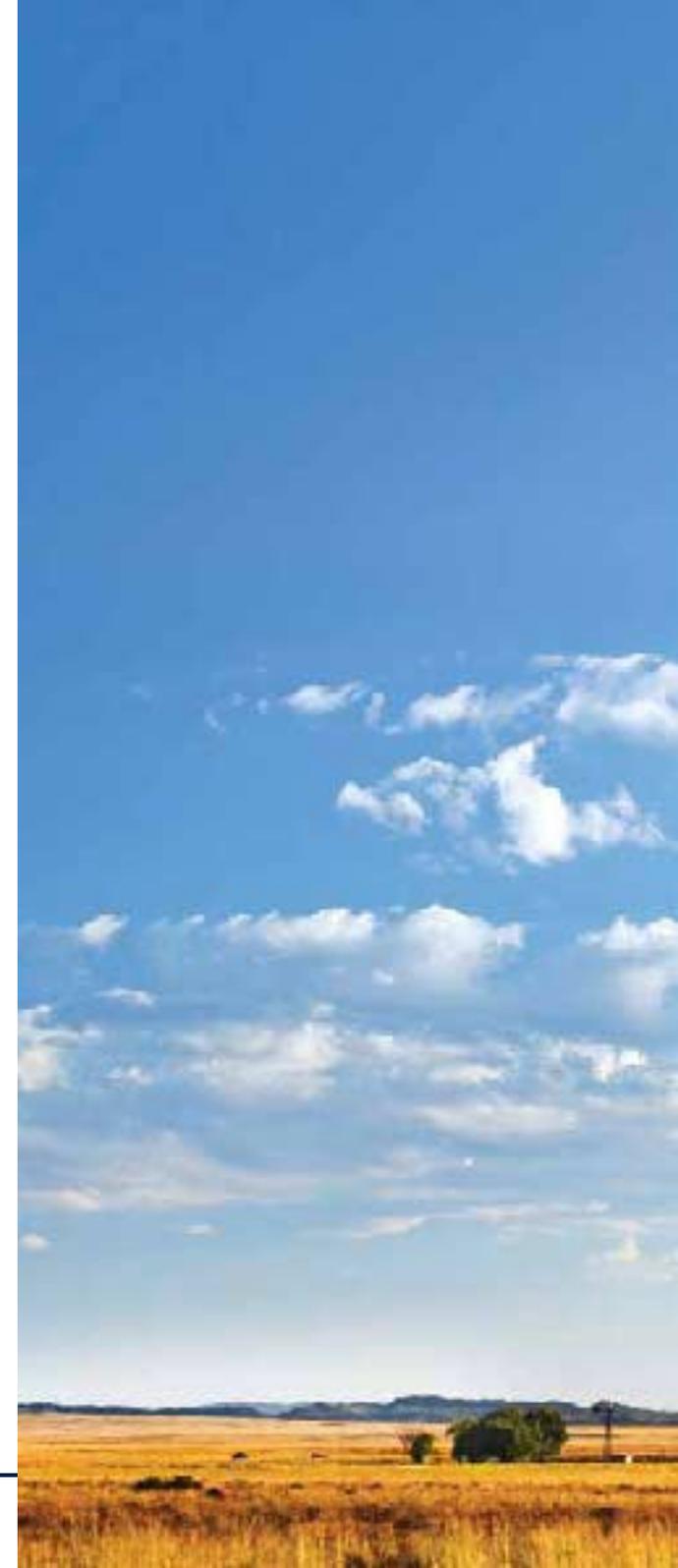
That the audited annual financial statements of the Company and the Group for the year ended 28 February 2011 (as approved by the board of directors of the Company), including the directors' report, the report of the auditors and the report of the Audit Committee be considered.

The percentage of voting rights required for ordinary resolution number 1 to be adopted: more than 50% (fifty percent) of the voting rights exercised on the resolution.

2. Ordinary resolution number 2 – Confirmation of appointment of director

That the appointment of Michael Gavin Meehan as a director of the Company, having been appointed by the Board of Directors of the Company to the Board on 18 January 2011, be and is hereby confirmed. Refer to section 10 of the annual report of which this notice forms part, for a brief curriculum vitae of this director.

The percentage of voting rights required for ordinary resolution number 2 to be adopted: more than 50% (fifty percent) of the voting rights exercised on the resolution.



3. Ordinary resolution number 3 – Re-election of directors due to rotation

That in terms of Article 83 of the Memorandum of Incorporation of the Company, the following directors are obliged to retire by rotation at this Annual General Meeting. Having so retired, and who, being eligible, have offered themselves for re-election by way of separate resolutions:

- 3.1 Siphon M Twala
- 3.2 James French
- 3.3 Antonios Couloubis

That the re-election of Siphon M Twala, James French and Antonios Couloubis be and are hereby approved.

Refer to section 10 of the annual report of which this notice forms part for a brief curriculum vitae of each director.

The percentage of voting rights required for each of the elections under ordinary resolution number 3: more than 50% (fifty percent) of the voting rights exercised on the resolution.

4. Ordinary resolution number 4 – Election of audit committee members

That the shareholders elect, each by way of a separate resolution, the following independent, non-executive directors, as members of the Company's Audit Committee, until the conclusion of the next annual general meeting of the Company:

- 4.1 Michael Gavin Meehan
- 4.2 Alan Ber
- 4.3 Leonard Fine
(subject to special resolution number 1 below being duly adopted)
- 4.4 Robert Emslie

The percentage of voting rights required for each of the elections under ordinary resolution number 4: more than 50% (fifty percent) of the voting rights exercised on the resolution.

5. Ordinary resolution number 5 – Re-appointment of Deloitte & Touche as auditors of the Company

That the re-appointment of Deloitte & Touche, as recommended by the Company's Audit Committee, as independent auditors of the Company and to hold office until the conclusion of the next annual general meeting of the Company be and is hereby approved.

The percentage of voting rights required for ordinary resolution number 5 to be adopted: more than 50% (fifty percent) of the voting rights exercised on the resolution.

6. Special resolution number 1 – Amendment to the Memorandum of Incorporation

In terms of Article 74 of the Memorandum of Incorporation of the Company, any director shall vacate his office at the close of the annual general meeting of the Company relating to the financial year in which that director reaches the age of seventy years. Leonard Fine, an independent non executive director and a member of the Audit Committee has turned 70 years of age during the past financial year. That having considered Leonard Fine's vacation of office versus his contribution to the board of directors and the Audit Committee, the board recommends that despite his age, the shareholders consider and re-elect Leonard Fine as a director to the board of directors.

Accordingly, the following special resolution is proposed: "That Article 74 of the Memorandum of Incorporation be and is hereby deleted in its entirety with immediate effect".

Explanatory Note:

The reason for deleting Article 74 is to make provision for directors older than 70 years of age that can contribute to the board and committees and the business of the Company and to serve as directors on the board of the Company. The effect of deleting this Article 74 is that there will be no age limit for directors that can serve on the board of directors of the Company.

The percentage of voting rights required for special resolution number 1 to be adopted: at least 75% (seventy five percent) of the voting rights exercised on the resolution.

7. Ordinary resolution number 6 – Re-election Leonard Fine as director

That, with immediate effect from the adoption of special resolution number 1 and its filing with the Companies and Intellectual Property Commission in order for it to take effect, the shareholders re-elect Leonard Fine as director of the Company. Refer to section 10 of the annual report of which this notice forms part for a brief curriculum vitae of this director.

The percentage of voting rights required for ordinary resolution number 6 to be adopted: more than 50% (fifty percent) of the voting rights exercised on the resolution.

8. Special resolution number 2 – Remuneration of Independent and Non-Executive Directors

Resolved as a special resolution in terms of Section 66(9) of the Act, that with immediate effect and until the next annual general meeting in 2012, the fees payable to the independent and non-independent non-executive directors for services as directors remain unchanged as follows:

- The chairman of the board, a retainer of R240 000 per annum and R7 000 per meeting.
- Independent non-executive and non-independent non-executive directors, a retainer of R140 000 per annum and R7 000 per meeting.
- Committee members, including the chairmen of these committees, R7 000 per meeting.

Explanatory Note:

In terms of Section 66(8) and (9) of the Act, which took effect on 1 May 2011, remuneration may only be paid to directors, for their service as directors, in accordance with a special resolution approved by the shareholders within the previous two years and if not prohibited in terms of a company's Memorandum of Incorporation.

Special resolution number 2 is required in order to obtain the approval of the Company, in general meeting, of the remuneration payable to the independent and non-independent non-executive directors for the period commencing immediately until the next annual general meeting. Increases in remuneration are implemented only after formal approval by shareholders.

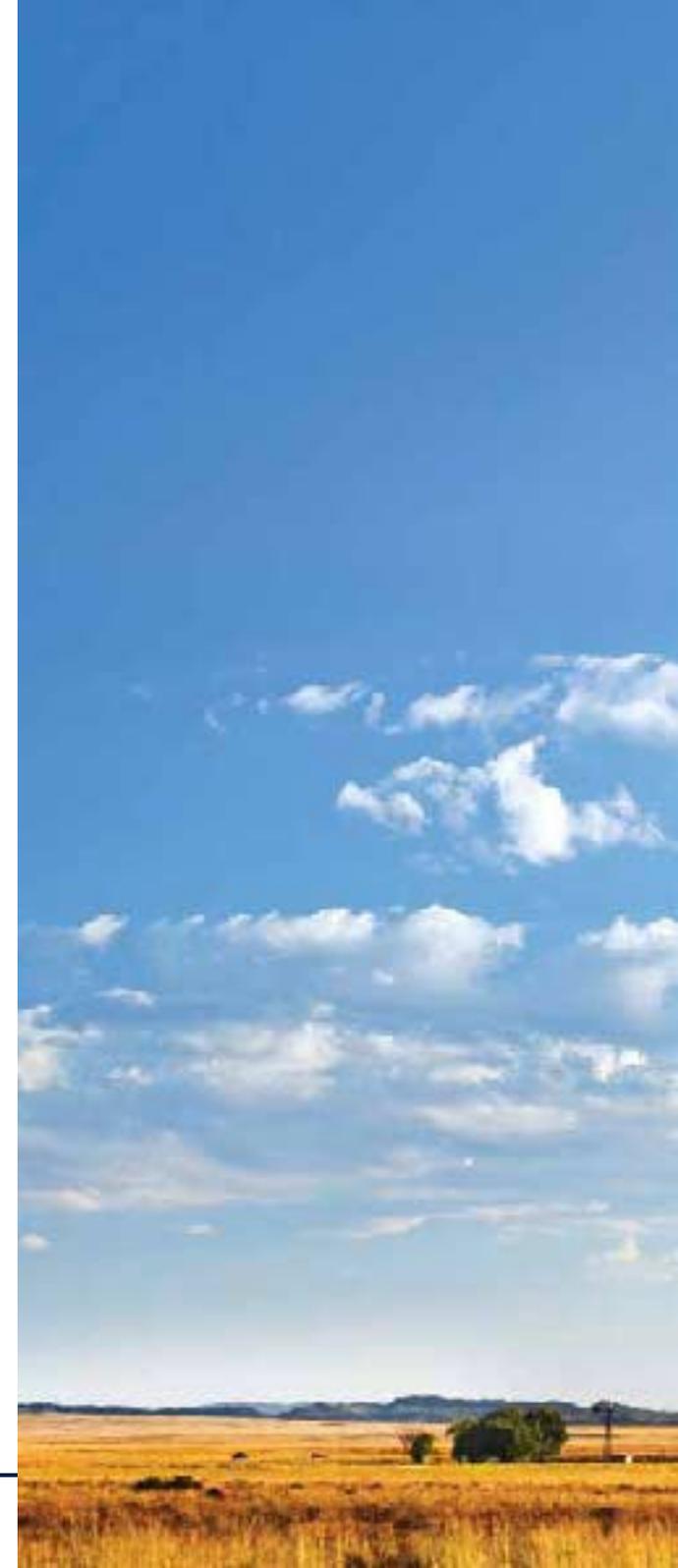
The percentage of voting rights required for special resolution number 2 to be adopted: at least 75% (seventy five percent) of the voting rights exercised on the resolution.

9. Special resolution number 3 – Financial Assistance to related or interrelated companies and corporations and financial assistance to any person in connection with acquisition of securities

That the board of directors of the Company may, subject to Sections 44 and/or 45 of the Act, as the case may be, and the requirements (if applicable) of the

- i) Company's Memorandum of Incorporation; and
- ii) JSE Listings Requirements.

authorise the Company (to the extent such authority of the shareholders is required under the aforesaid) to provide direct or indirect financial assistance:



- to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company,
- or to one or more related or interrelated companies or corporations of the Company, or to any one or more members of any such related or interrelated company or corporation, or to any one or more persons related to any such company or corporation, on such terms and conditions as the Board of directors of the Company, or any one or more persons authorised by the Board of directors of the Company from time to time for such purpose, deems fit and for purposes of the recipient of such financial assistance being able to meet its operational obligations and expenditure provided that no such financial assistance may be provided at any time in terms of this authority after the expiry of two years from the date of the adoption of this special resolution number 3. The approval of financial assistance in terms of section 44 and 45 respectively shall be voted on by way of separate resolutions.

Explanatory Note:

Section 44

The reason for and effect of acquiring this special resolution contemplated under Section 44 of the Act is to grant the board of directors of the Company the authority to authorise the Company to provide financial assistance by way of a loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company, subject to the provisions of Section 44.

Section 45

The reason for and effect of this special resolution is to grant the board of directors of the Company the authority to authorise the Company to provide direct or indirect financial assistance as contemplated in Section 45 of the Act to a related or inter-related company or corporation, or to a member of a related or inter-related or corporation, or to a person related to any such company or corporation so that the recipient of the financial assistance can meet its operational obligations and expenditure subject to the provisions of Section 45.

Notice to shareholders of the Company in terms of Section 45(5) of the Act of a resolution adopted by the Board authorising the Company to provide such direct or indirect financial assistance. This Notice will also be provided to any trade union representing any employees of the Company:

(a) By the time that this notice of annual general meeting is delivered to shareholders, the Board will have adopted a resolution (“the Section 45 Board Resolution) authorising the Company to provide, at any time and from time to time during the period of 2 (two) years commencing on the date of adoption of this special resolution number 3 is adopted, any direct or indirect financial assistance, as contemplated in Section 45 of the Act to any one or more related or inter-related companies or corporations of the Company and/or to any or more members of any such related or inter-related company or corporation and/or to any one or more persons related to any such company or corporation.

(b) This Section 45 Board Resolution will be effective only if and to the extent that special resolution number 3 pertaining to the Section 45 financial assistance is adopted by the shareholders of the Company, and the provision of any such direct or indirect financial assistance by the Company, pursuant to such resolution, will always be subject to the Board being satisfied that (i) immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in Section 45(3)(b)(i) of the Act, and that (ii) the terms under which such financial assistance is to be given are fair and reasonable to the Company as referred to in Section 45(3)(b)(ii) of the Act.

(c) The Section 45 Board Resolution contemplates that such financial assistance may in the aggregate exceed one-tenth of 1% of the Company’s net worth at the date of adoption of such resolution, and as such the Company hereby provides notice of the Section 45 Board Resolution to shareholders of the Company. Such notice will also be provided to any trade union representing any employees of the Company.

The percentage of voting rights required for special resolution number 3 to be adopted: at least 75% (seventy five percent) of the voting rights exercised on the resolution.

10. Ordinary Resolution No 7

To consider that any director or the company secretary of the Company be and is hereby authorised to sign all such documentation and do all such things as may be necessary to implement the above mentioned special and ordinary resolutions which are passed by the shareholders.

The percentage of voting rights required for ordinary resolution number 7 to be adopted: more than 50% (fifty percent) of the voting rights exercised on the resolution.

Proxy and voting procedure

Certificated shareholders and dematerialised shareholders with “own name” registration are entitled to attend or vote at the annual general meeting and are entitled to appoint a proxy to attend, speak and vote in their stead. The person so appointed need not be a shareholder of the Company.

If certificated shareholders or dematerialised shareholders with “own name” registration are unable to attend the annual general meeting, but wish to be represented thereat, they must complete the proxy form attached hereto.

In compliance with the provisions of Section 58(8)(b)(i) of the Act, a summary of the rights of a shareholder to be represented by proxy, as set out in Section 58 of the Act, is set out immediately below:

- 1. An ordinary shareholder entitled to attend and vote at the annual general meeting may appoint any individual (or two or more individuals) as a proxy or as proxies to attend, participate in and vote at the annual general meeting in the place of the shareholder. A proxy need not be a shareholder of the Company.**
- 2. A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the annual general meeting.**
- 3. A proxy may delegate the proxy’s authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.**
- 4. The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.**
- 5. The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy’s authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the Company as required in the first sentence of this paragraph.**
- 6. If the instrument appointing the proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Act or the Company’s Memorandum of Incorporation to be delivered by the Company to the shareholder, must be delivered by the Company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the Company to do so in writing; and (ii) paid any reasonable fee charged by the Company for doing so.**



Attention is also drawn to the “Notes to the form of proxy”.

In order to be effective, proxy forms should be delivered to the transfer secretaries, Link Market Services South Africa (Pty) Ltd, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) so as to reach this address by no later than 10:00 on Thursday, 6 October 2011.

Shareholders who have dematerialised their shares, other than with “own name” registration, should contact their Central Securities Depository Participant (“CSDP”) or stockbroker:

- To furnish their CSDP or stockbroker with their voting instructions; or
- In the event that they wish to attend the meeting, to obtain the necessary

Letter of Representation to do so.

This must be done in terms of the agreement entered into between the shareholder and the CSDP or stockbroker concerned.

Any shareholder having difficulties or queries with regard to the above may contact the Company Secretary on 011 482 4019.

By order of the board
Elise Waldeck
Company Secretary
31 August 2011
Johannesburg

Proxy



Blue Financial Services Limited
(Incorporated in the Republic of South Africa)
(Registration Number 1996/006595/06), JSE Share code: BFS
ISIN: ZAE000083655, (“Blue” or the “Company”)

Form of proxy

For use at the Annual General Meeting to be held on Monday, 10 October 2011, at 10:00 at 355 Kent Avenue, Ferndale, Randburg, 2194.

To be completed by holders of certificated shares and holders of dematerialised shares with own name registration only

Shareholders who have dematerialised their shares with a CSDP or broker, other than with own name registration, must arrange with the CSDP or broker concerned to provide them with the necessary authorisation to attend the annual general meeting or the shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

I/We (BLOCK LETTERS)

of (address)

Telephone (work) ()

Telephone (home) ()

being the registered holder(s) of

ordinary shares in the Company hereby appoint (see note 1):

1. or failing him/her,

2. or failing him/her,

3. the Chairman of the annual general meeting,

as my/our proxy to act on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof and to vote for or against the ordinary and special resolutions or to abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions (see note 2):

	No. of votes (one vote per ordinary share)		
	FOR	AGAINST	ABSTAIN
Ordinary resolution Number 1 To consider the audited annual financial statements of the Company and the Group for the year ended 28 February 2011, including the directors' report, the report of the auditors and the report of the audit committee.			
Ordinary resolution Number 2 To confirm the appointment of Michael Gavin Meehan as a director of the Company having been appointed by the board of directors of the Company on 18 January 2011.			
Ordinary Resolution Number 3 To re-elect the following directors by way of separate resolutions who have retired by rotation in terms of the Company's Memorandum of Incorporation:			
3.1 The re-election of Siphon M Twala as independent non-executive director.			
3.2 The re-election of James A French as independent non-executive director.			
3.3 The re-election of Antonios Couloubis as non-executive director.			
Ordinary resolution Number 4 To elect the following independent, non-executive directors, as members of the Company's audit committee by way of separate resolutions:			
4.1 Michael Gavin Meehan			
4.2 Alan Ber			
4.3 Leonard Fine			
4.4 Robert Emslie			
Ordinary resolution Number 5 To re-appoint Deloitte & Touche, as recommended by the Company's audit committee, as independent auditors of the Company until the next annual general meeting of the Company.			

	No. of votes (one vote per ordinary share)		
	FOR	AGAINST	ABSTAIN
Special Resolution Number 1 Resolved that the following Article 74 of the Memorandum of Incorporation be deleted in its entirety: "That any director shall vacate his office at the close of the annual general meeting of the company relating to the financial year in which that director reaches the age of seventy years."			
Ordinary Resolution number 6 Resolved that Leonard Fine be re-elected a director of the Company.			
Special Resolution Number 2 Resolved that the remuneration of the independent and non executive directors be determined as specified in the notice of the meeting.			
Special Resolution Number 3 – S44 Authorising financial assistance in terms of Section 44 as specified in the notice of the meeting.			
Special Resolution Number 3 – S45 Authorising financial assistance in terms of Section 45 as specified in the notice of the meeting.			
Ordinary resolution Number 7 To authorise any director or the company secretary of the Company to sign all such documentation to give effect to the special and ordinary resolutions that are passed by members.			

(Please indicate in the space provided above by the insertion therein of the relevant number of votes exercisable.)

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak, and on a poll, vote in place of that shareholder at the annual general meeting.

Signed at _____ on _____

Signature(s) _____

Capacity and authorisation (see note 7)

Please read the notes on the reverse side hereof.

Notes to the form of proxy

1. An ordinary shareholder holding dematerialised shares by “own name” registration, or who holds shares that are not dematerialised, may insert the name of a proxy or the names of two alternative proxies of the ordinary shareholder’s choice in the space provided, with or without deleting “the chairman of the annual general meeting”. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. Should a proxy not be specified, this will be exercised by the chairman of the annual general meeting. A proxy need not be a shareholder of the company.
2. An ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to that proportion of the total votes in the company which the aggregate amount of the nominal value of the shares held by him/her bears to the aggregate amount of the nominal value of all the shares issued by the company. An ordinary shareholder’s instruction to the proxy must be indicated by inserting the relevant number of votes exercisable by the ordinary shareholder in the appropriate boxes. An “X” in the appropriate box indicates the maximum number of votes exercisable by that shareholder. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of the entire shareholder’s votes exercisable thereat. An ordinary shareholder or his/her proxy is not obliged to use all the votes exercisable by the ordinary shareholder, or to cast all those votes exercised in the same way, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the ordinary shareholder.
3. If any ordinary shareholder does not indicate on this instrument that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or give contradictory instructions, or should any further resolution(s) or any amendment(s) which may be properly put before the annual general meeting be proposed, the proxy shall be entitled to vote as he/she thinks fit.
4. The completion and lodging of this proxy form will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat instead of any proxy appointed in terms hereof.
5. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this form, unless previously recorded by the company or waived by the chairman of the annual general meeting.
6. The chairman of the annual general meeting may reject or accept any proxy form which is completed and/or received other than in compliance with these notes.
7. A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person.
8. Shareholders who have dematerialised their shares with a CSDP or broker, other than with own name registration, must arrange with the CSDP or broker concerned to provide them with the necessary authorisation to attend the annual general meeting or the shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.
9. Any alteration to this form of proxy, other than the deletion of alternatives, must be signed, not initialled, by the signatory/(ies).
10. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. on behalf of a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy, unless previously recorded by the company or waived by the chairman of the annual general meeting.
11. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her capacity are produced or have been registered by the company.
12. Where there are joint holders of shares:
 - any one holder may sign the form of proxy; and
 - the vote of the senior joint holder, as determined by the order in which the names stand in the Company’s register of members, will be accepted.
13. Forms of proxy should be lodged at or posted to the transfer secretaries, Link Market Services South Africa (Proprietary) Limited, 5th Floor, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) so as to be received by no later than 10:00 on Thursday, 6 October 2011.



ELECTION FORM FOR ELECTRONIC POST

TO BE COMPLETED BY SHAREHOLDERS AND FOR RETURN TO THE COMPANY AS PER DETAIL BELOW

Blue Financial Services Limited
(Incorporated in the Republic of South Africa)
Registration Number: 1996/006595/06
Share code: BFS
ISIN: ZAE000083655 (“the Group” or “the Company” or “Blue”)

To:
The Directors
Blue Financial Services Limited

I/We, the undersigned (please print)

of (address)

being the registered holder(s) of ordinary shares in the capital of the company

do hereby elect to receive any documents or notices from Blue, by electronic post, to the extent that the Company is permitted to do so distribute any notices, documents, records or statements in terms of the Companies Act, No 71 of 2008 and any and every other statute, ordinance, regulation or rule in force from time to time, including the JSE Listings Requirements, concerning companies and affecting Blue.

I/We hereby furnish the following email address and/or fax number for such electronic communication:

Email address

Fax number

Any written amendment or withdrawal of any such notice of consent by me/us, shall only take effect if signed by me/us and received by the company.

Signed at

on

2011

Signature

Assisted by me (where applicable)

Please complete, detach and return this election form to Blue’s transfer secretaries, Link Market Services South Africa (Proprietary) Limited, 5th Floor, 11 Diagonal Street, Johannesburg, 2001(PO Box 4844, Johannesburg, 2000) or by email: ewaldeck@mweb.co.za or by telefax to +27 866 706 915