

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

The definitions commencing on page 4 of this Circular apply, *mutatis mutandis*, to this cover page, and throughout this Circular.

Shareholders are referred to page 1 of this Circular, which sets out the action required of them in respect of this Circular.

If you are in any doubt as to the action you should take, please consult your broker, CSDP, banker, attorney, accountant or other professional advisor immediately. If you have disposed of all of your Ordinary Shares, please forward this Circular to the person who purchased such Ordinary Shares or the broker, CSDP, banker or other agent through whom you disposed of such Ordinary Shares.

SHAREHOLDERS ARE ADVISED TO READ THIS CIRCULAR IN CONJUNCTION WITH THE RECAPITALISATION CIRCULAR POSTED TO SHAREHOLDERS ON 7 OCTOBER 2010.



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")

CIRCULAR TO BLUE SHAREHOLDERS

relating to the continued financial restructuring of the Company through the proposed specific issue of up to 2,435,269,700 Ordinary Shares for cash at an issue price of 13 cents per Ordinary Share, in order to convert up to a maximum amount of R325 million of existing debt into Ordinary Shares involving:

- the implementation of the Pinebridge Specific Issue, in order to discharge Blue's obligations in respect of the Blue Nigeria Claim Amount being an amount of R40,976,513 and the Blue Claim Amount being an amount of R2,955,066, and the consequent issue of Anti-dilution Shares;
- the implementation of the RenAsset Conversion in order to convert R44,415,999 of existing debt into Ordinary Shares and the consequent issue of Anti-dilution Shares;
- the implementation of the Early Conversion in order to convert R178,237,483 of existing debt into Ordinary Shares, and the consequent issue of Anti-dilution Shares;
- the proposed implementation of the Blue BEE Transaction, whereby the Blue BEE Trust will acquire up to a maximum amount of R50 million of Blue's outstanding debt which will subsequently be converted into Ordinary Shares at 13 cents per Ordinary Share, and the consequent issue of Anti-dilution Shares; and
- the potential issue of Warranty Shares to Mayibuye in terms of the Subscription Agreement;

and incorporating:

- a notice of general meeting; and
- a form of proxy (*blue*) for use by holders of certificated shares and holders of dematerialised shares with own name registration only.

Designated Adviser to Blue



Financial Adviser to Blue



Reporting Accountants to Blue



Independent Expert to Blue regarding Pinebridge



Date of issue: 10 February 2011

This Circular is available in English only. Additional copies of this Circular in its printed format, may be obtained from the registered office of the Company and the transfer secretaries during normal business hours and on business days at the addresses set out in the "Corporate information and advisers" section of this Circular from **Thursday, 10 February 2011 to Friday, 25 February 2011** (both days inclusive).

CORPORATE INFORMATION AND ADVISERS

Company Secretary and Registered Address

Elise Waldeck
Building 10
107 Haymeadow Street
Boardwalk Office Park
Faerie Glen
Pretoria, 0081
(PO Box 72041, Lynnwood Ridge, 0040)

Designated Adviser to Blue

Grindrod Bank Limited
(Registration number 1994/007994/06)
Building 3
1st Floor
North Wing Commerce Square
39 Rivonia Road, corner Helling Road
Sandton, 2146
(PO Box 78011, Sandton, 2146)

Reporting Accountants to Blue

Deloitte & Touche
Building 8
The Woodlands
20 Woodlands Drive
Woodmead, 2196
(Private Bag X6, Gallo Manor, 2052)

Transfer Secretaries in South Africa

Link Market Services South Africa (Proprietary) Limited
(Registration number 2000/007239/07)
16th Floor
11 Diagonal Street
Johannesburg, 2001
(PO Box 4844, Johannesburg, 2000)

Date of incorporation:

28 May 1996

Place of incorporation:

South Africa

Financial Adviser to Blue

PricewaterhouseCoopers Corporate Finance
(Proprietary) Limited
(Registration number 1970/003711/07)
2 Eglin Road
Sunninghill, 2157
(Private Bag X36, Sunninghill, 2157)

Independent Expert to Blue regarding Pinebridge

BDO Corporate Finance (Proprietary) Limited
(Registration number 1983/002903/07)
13 Wellington Road
Parktown, 2193
(Private Bag X60500, Houghton, 2041)

ACTION REQUIRED BY SHAREHOLDERS

1. If you are in any doubt as to the action you should take, please consult your broker, CSDP, banker, attorney, accountant or other professional adviser immediately.
2. If you have disposed of all of your Ordinary Shares, please forward this document to the person who purchased such Ordinary Shares or the broker, CSDP, banker or other agent through whom you disposed of such Ordinary Shares.
3. Shareholders are invited to attend the general meeting to be held at 09:30 on Friday, 25 February 2011 at Building 10, 107 Haymeadow Street, Boardwalk Office Park, Faerie Glen, Pretoria, 0081.

HOLDERS OF CERTIFICATED SHARES AND HOLDERS OF DEMATERIALISED SHARES WITH OWN NAME REGISTRATION

1. You are entitled to attend or be represented by proxy at the general meeting.
2. If you are unable to attend the general meeting, and wish to be represented thereat, you must complete and return the attached form of proxy (*blue*) in accordance with the instructions therein so as to be received by the transfer secretaries, whose details are contained on the inside front cover of this document, by no later than 09:30 on Wednesday, 23 February 2011.

HOLDERS OF DEMATERIALISED SHARES, OTHER THAN WITH OWN NAME REGISTRATION

1. If you wish to attend or be represented at the general meeting, you must advise your CSDP or broker timeously in order for them to issue you with the necessary letter of representation to enable you to attend or be represented at the general meeting. Should you not wish to attend the general meeting in person, you must timeously provide your CSDP or broker with your voting instruction in order for the CSDP or broker to vote in accordance with your instruction at the general meeting.
2. If your CSDP or broker does not contact you, you are advised to contact your CSDP or broker immediately. Instructions to your CSDP or broker must be provided in the manner and time stipulated in the custody agreement governing the relationship between yourself and your CSDP or broker. If your CSDP or broker does not obtain instructions from you, they are obliged to act in terms of the mandate granted to them by you. You must **not** complete the attached form of proxy.

SALIENT DATES AND TIMES

2011

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| Last date to lodge forms of proxy by 09:30 on | Wednesday, 23 February |
| General meeting to be held at 09:30 on | Friday, 25 February |
| Results of the general meeting released on SENS on | Friday, 25 February |

Notes:

1. All dates and times are indicative only and Blue reserves the right to change all or any such dates and times in its sole discretion. If the above dates and times change such changes will be released on SENS and published in the South African press.
2. All dates and times quoted in this document are South African dates and times.

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DEFINITIONS

In this document, unless otherwise stated or the context otherwise indicates, the words in the first column shall have the meanings stated opposite them in the second column hereunder and the words in the singular shall include the plural and *vice versa*, expressions denoting natural persons shall include juristic persons and associations of persons and *vice versa* and an expression denoting any gender shall include the other genders:

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| “Additional Excluded Claims” | the Blue Nigeria Claim and the Blue Claim, which claims have been excluded, in terms of the Pinebridge Amendment Agreement from the claims acquired by Mayibuye in terms of the Pinebridge Agreement; |
| “Aggregate Subscription Consideration” | R163 million; |
| “Alt ^x ” | the Alternative Exchange of the JSE; |
| “Anti-dilution Shares” | such number of Ordinary Shares (if any) to be allotted and issued, in terms of the Subscription Agreement to Mayibuye at par value, to ensure that the shareholding of Mayibuye in Blue does not reduce to below 51% of the entire issued share capital, as a result of the issue of any Dilution Shares; |
| “BEE” | Black Economic Empowerment, as contemplated by the Broad Based Black Economic Empowerment Act, 2003 (Act 53 of 2003), of South Africa; |
| “BEE criteria” | the criteria which needs to be met by those entities or individuals in order to be awarded a pre-defined BEE status or level as contemplated in the Black Economic Empowerment Act, 2003 (Act 53 of 2003), of South Africa; |
| “Blue” or “the Company” | Blue Financial Services Limited (Registration number 1996/006595/06), a public company duly registered and incorporated under the laws of South Africa, the shares of which are listed on Alt ^x and the Botswana Stock Exchange; |
| “Blue BEE Option Agreements” | option agreements to be entered into between the Blue BEE Trust and certain of the Selling Lenders, in terms of which the Blue BEE Trust will have the option to acquire the Blue BEE Transaction Debts; |
| “Blue BEE Transaction” | the proposed BEE transaction to be implemented by Blue, in terms of which, <i>inter alia</i> , certain QBI’s and QBE’s will, from time to time be afforded the opportunity to acquire Ordinary Shares from the Blue BEE Trust at a price per Ordinary Share to be agreed at the time, which Ordinary Shares are proposed to be allotted and issued to the Blue BEE Trust, pursuant to the conversion of the Blue BEE Transaction Debts acquired by the Blue BEE Trust, in terms of the Blue BEE Option Agreements, further details of which are set out in paragraph 3.4 of this Circular; |
| “Blue BEE Transaction Announcement” | Blue’s announcement released on SENS on 10 February 2011, advising shareholders, <i>inter alia</i> , of the salient features of the Blue BEE Transaction; |
| “Blue BEE Transaction Debts” | amounts owed by the Group to the Selling Lenders, which, will, in terms of the Blue BEE Option Agreements, be sold for cash up to an aggregate maximum amount of R50 million; |
| “Blue BEE Trust” | the independent trust to be established in terms of the Blue BEE Trust Deed in order to implement the Blue BEE Transaction, the initial trustee of which is GMG, further details of which are set out in paragraph 3.4 of this Circular; |
| “Blue BEE Trust Deed” | the trust deed entered into by Mayibuye (as the donor of the initial nominal donation to create the trust) and GMG as initial trustee, further details of which are set out in paragraph 3.4 and Annexure 11 to this Circular; |

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| “Blue Claim” | as a result of the restatement of the annual financial statements of Blue in respect of the financial year ended 28 February 2009, Pinebridge alleges that the number of Ordinary Shares allotted and issued to Pinebridge pursuant to the conversion of the class C redeemable convertible preference shares held by it in Blue was incorrect and that it has a claim for the allotment and issue of an additional number of Ordinary Shares; |
| “Blue Claim Amount” | the amount payable by Blue to Pinebridge in terms of the Pinebridge Amendment Agreement in respect of the Blue Claim, being equal to the aggregate of the price per Ordinary Share which the Converting Lenders will be required to pay as part of the Early Conversion, multiplied by 22,731,279, being an amount equal to R2,955,066; |
| “Blue Nigeria” | means Blue Intercontinental Micro-Finance Bank Limited, a limited liability company duly incorporated in the Republic of Nigeria; |
| “Blue Nigeria Claim” | as a result of a directive issued by the Central Bank of Nigeria, Pinebridge is required to transfer all of the shares acquired by it in the share capital of Blue Nigeria, to Blue. Pinebridge alleges it has a claim for repayment of the purchase price originally paid by it as consideration for the applicable shares in Blue Nigeria, to Blue Employee Benefits (Proprietary) Limited, plus interest thereon; |
| “Blue Nigeria Claim Amount” | is the amount payable by Blue to Pinebridge in terms of the Pinebridge Amendment Agreement in respect of the Blue Nigeria Claim being the purchase price originally paid by Pinebridge as consideration for the applicable shares being US\$5,000,000 plus interest thereon accruing at a rate of 8.5% per annum from the date on which payment was made by Pinebridge under the original sale agreement up to and including 10 December 2010 (i.e. the Subscription Date), being an amount equal to R40,976,513; |
| “Blue Nigeria Shares” | the shares in Blue Nigeria that are to be transferred to Blue as part of the settlement of the Blue Nigeria Claim in terms of the Pinebridge Amendment Agreement; |
| “Blue shareholders” or “shareholders” | the registered holders of Ordinary Shares; |
| “the Board of Directors” or “Directors” | the Board of Directors of the Company whose names and details are set out in Annexure 1 to this Circular; |
| “the Borrowers” | Blue and its various subsidiaries who have received loan facilities from the Existing Lenders; |
| “BWP” | Botswana Pula, the official currency of Botswana; |
| “CIPRO” | the Companies and Intellectual Property Registration Office in South Africa; |
| “this Circular” or “this document” | this circular to shareholders, dated 10 February 2011, incorporating a notice of general meeting and a form of proxy (<i>blue</i>); |
| “Claim Amount” | the quantum of any claim which Mayibuye may have against Blue as a result of any breach by Blue of any of the warranties contained in the Subscription Agreement, determined in accordance with the Subscription Agreement (and summarised in paragraph 3.3.4 of this Circular); |
| “Claims Purchase Agreement” | the claims purchase agreement dated 28 September 2010 between Leonox, Blue, certain of Blue’s subsidiaries, Creditedge and OMLACSA, in terms of which, amongst other things, provision is made for Blue and certain of Blue’s subsidiaries to sell to Leonox, for up to R300 million, claims which Blue and certain Group Companies have against debtors who have borrowed monies from Blue and certain Group Companies pursuant to the micro-lending businesses of such entities; |
| “Common Monetary Area” | South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland; |

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| “the Companies Act” or “the Act” | the Companies Act, 1973 (Act 61 of 1973) , as amended or replaced from time to time; |
| “Conversion Limit” | the total aggregate amount of debt owed by the Group which may be converted in to Ordinary Shares in terms of the Early Conversion, the RenAsset Conversion, the Pinebridge Specific Issue and the Blue BEE Transaction, being an amount of R325 million; |
| “Converting Lenders” | those Existing Lenders who have agreed in terms of the Early Conversion Agreement to convert their share of the Existing Facilities or a portion thereof, totalling R178,237,483 into Ordinary Shares; |
| “Creditedge” | Creditedge (Proprietary) Limited (Registration number 1997/007366/07), a private company duly registered and incorporated under the laws of South Africa; |
| “CSDP” | Central Securities Depository Participant, registered in terms of the Securities Services Act; |
| “Debt Rescheduling Agreement” or “DRA” | the Debt Rescheduling Agreement concluded by the Borrowers with the Existing Lenders, as detailed in the Recapitalisation Circular; |
| “Dilution Shares” | any Ordinary Shares to be allotted and issued to: <ul style="list-style-type: none"> (i) any or all of the parties to the DRA in respect of any debt contemplated in the DRA; or (ii) any other person or entity in respect of any debt or obligation of whatsoever nature (whether actual or contingent, present or future) owed by any Group Company to such person or entity (including but not limited to Pinebridge and RenAsset), in terms of any agreement, arrangement or understanding; |
| “Early Conversion” | the proposed specific issue of 1,371,057,562 Ordinary Shares at an issue price of 13 cents per Ordinary Share, in order to convert, in accordance with the terms of the Early Conversion Agreement, a portion of the Existing Facilities owed to the Converting Lenders, which collectively amounts to R178,237,483; |
| “Early Conversion Agreement” | the addendum to the DRA dated 9 December 2010, concluded between the Existing Lenders, the Company, certain Group Companies and Mayibuye in terms of which, the Existing Lenders, <i>inter alia</i> , were granted the option to convert the whole or a portion, of the amounts owing to them, subject to the Conversion Limit, into Ordinary Shares at a conversion price of 13 cents per Ordinary Share, further details of which are set out in paragraph 3.1 of this Circular; |
| “Early Conversion Announcement” | Blue’s announcement released on SENS on 10 December 2010, advising shareholders, <i>inter alia</i> , of the salient terms of the Early Conversion Agreement; |
| “Effective Date” | being the date upon which the conversion notice, as envisaged in terms of the Early Conversion Agreement, is delivered by Blue to the respective Converting Lenders, RenAsset and Pinebridge; |
| “Exchange Control Regulations” | the South African Exchange Control Regulations, as amended, promulgated in terms of section 9 of the Currency and Exchanges Act, 1933 (Act 9 of 1933); |
| “Existing Facilities” | current loan facilities made available to the Borrowers by the Existing Lenders; |
| “Existing Lender(s)” | all the financial institutions who have made the Existing Facilities available to the Borrowers and with whom the DRA was concluded, as listed in Annexure 11 to this Circular; |
| “FMO” | Nederlandse Financierings Maatskappij voor Ontwikkelingslanden N.V. (Dutch Development Bank); |
| “IFC” | International Finance Corporation, a division of the World Bank; |

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| “general meeting” | the general meeting of shareholders to be held at 09:30 on Friday, 25 February 2011 at Building 10, 107 Haymeadow Street, Boardwalk Office Park, Faerie Glen, Pretoria, 0081; |
| “GMG” | GMG Trust Company (SA) (Proprietary) Limited (Registration number 2006/013631/07), a privately owned trust and corporate services company incorporated in South Africa, and a member of the Geneva Management Group of Switzerland. GMG are the appointed independent trustees of the Blue BEE Trust; |
| “Group” | Blue and its subsidiary companies and related associates, details of which are as set out in Annexure 4 to this Circular; |
| “Group Company” | any entity within the Group; |
| “holders of dematerialised shares” | shareholders who have dematerialised their share certificates in respect of the Ordinary Shares held by them in terms of Strate; |
| “IFRS” | International Financial Reporting Standards; |
| “JSE” | JSE Limited (Registration number 2005/022939/06), a public company duly registered and incorporated under the laws of South Africa and licensed to operate a securities exchange under the Securities Services Act; |
| “last practicable date” | the last practicable date before finalisation of this Circular, which date is Thursday, 3 February 2011; |
| “Leonox” | Leonox Investments (Proprietary) Limited (Registration number 2008/016957/07), a private company duly registered and incorporated under the laws of South Africa further details of which are contained in the Recapitalisation Circular; |
| “Listings Requirements” | the Listings Requirements of the JSE, as amended or replaced from time to time; |
| “Mayibuye” | Mayibuye Group (Proprietary) Limited (Registration number 1998/022424/07), a private company duly registered and incorporated under the laws of South Africa, and which currently owns 61.4% of the Ordinary Shares; |
| “Memorandum and Articles” | the Memorandum and Articles of Association of the Company; |
| “OMLACSA” | Old Mutual Life Assurance Company (South Africa) Limited (Registration number 1999/004643/06), a public company duly registered and incorporated under the laws of South Africa; |
| “Ordinary Shares” | ordinary shares with a par value of R0.000001 each in the share capital of the Company; |
| “own name registration” | holders of dematerialised shares where the name of a shareholder; is reflected in electronic form in the sub-register of the Company; |
| “Pinebridge” | Pinebridge Global Emerging Markets Partners II, L.P., a Cayman Islands exempted limited partnership, which holds 13.72% of the Ordinary Shares in issue; |
| “Pinebridge Agreement” | an agreement entered into between Mayibuye and Pinebridge dated on or about 10 August 2010, as amended by a first addendum dated on or about 30 September 2010 as contemplated in the Recapitalisation Circular; |
| “Pinebridge Amendment Agreement” | an agreement entered into between Mayibuye, Pinebridge, Blue and certain Group Companies dated 27 October 2010, which, <i>inter alia</i> : (i) revived the Pinebridge Agreement; (ii) and amended the Pinebridge Agreement by, among other things, excluding the Additional Excluded Claims from the claims acquired by Mayibuye from Pinebridge in terms of the Pinebridge Agreement; |
| “Pinebridge Announcement” | Blue’s announcement released on SENS on 27 October 2010, advising shareholders of the salient terms of the Pinebridge Amendment Agreement; |

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| “Pinebridge Settlement Amount” | the amount of R13 million which was owing by Mayibuye to Pinebridge, in terms of the Pinebridge Agreement and which has been settled by way of the transfer of 100,000,000 Ordinary Shares by Mayibuye to Pinebridge, in exchange for the acquisition by Mayibuye from Pinebridge of any and all rights and claims that Pinebridge had against the Group, save for any rights and claims excluded in terms of the Pinebridge Agreement and the Pinebridge Amendment Agreement; |
| “Pinebridge Specific Issue” | collectively, the proposed specific issue, in terms of the Pinebridge Amendment Agreement, of 337,935,223 Ordinary Shares for cash to Pinebridge, at an issue price of 13 cents per Ordinary Share, in order to discharge Blue’s obligations in respect of the Blue Nigeria Claim Amount and the Blue Claim Amount; |
| “Prime Lending Rate” | means the publicly quoted basic rate of interest, compounded monthly in arrears and calculated on a 365 (three hundred and sixty-five)-day year irrespective of whether or not the year is a leap year, from time to time published by Absa Bank Limited as being its prime overdraft rate, as certified by any representative of that bank whose appointment and designation it will not be necessary to prove; |
| “QBE’s” | Blue employees who qualify in terms of BEE criteria; |
| “QBI’s” | third party investors who qualify in terms of BEE criteria; |
| “Rand” or “R” or “ZAR” | South African Rand, the official currency in South Africa; |
| “Recapitalisation” | the recapitalisation of the Company through the injection of R163 million of equity capital in terms of the Subscription Agreement, the provision of up to R300 million in capital payments received by the Group (as consideration for the sale of any claims by the applicable Group Company in terms of the Claims Purchase Agreement and the implementation of the DRA and Pinebridge Agreement (read with the Pinebridge Amendment Agreement), as described in the Recapitalisation Circular; |
| “Recapitalisation Circular” | the circular to Blue shareholders, dated 7 October 2010; |
| “the Registrar” | the Registrar of Companies appointed under section 7 of the Companies Act; |
| “RenAsset” | Renaissance Africa Master Fund Limited, being one of the Company’s Existing Lenders; |
| “RenAsset Agreement” | the convertible loan agreement dated 18 November 2010, entered into by the Company and RenAsset in terms of which RenAsset has agreed to convert one-half of its outstanding debt and has the right to convert the balance of its outstanding debt into Ordinary Shares prior to the third anniversary of the signature date of the RenAsset Agreement; |
| “RenAsset Announcement” | Blue’s announcement released on SENS on 18 November 2010, advising shareholders, <i>inter alia</i> , of the salient terms of the RenAsset Agreement; |
| “RenAsset Conversion” | the proposed specific issue of 341,661,529 Ordinary Shares at an issue price of 13 cents per Ordinary Share in order to convert, in accordance with the terms of the RenAsset Agreement, the amount owed by the Group to RenAsset, being US\$6,589,246 or R44,415,999, into Ordinary Shares; |
| “Ruling Spot Rate” | means the mid-market exchange rate quoted by Absa Bank Limited on the relevant date of determination; |
| “Securities Services Act” | the Securities Services Act, 2004 (Act 36 of 2004), as amended or replaced from time to time; |
| “Selling Lenders” | any of the Existing Lenders who have elected not to convert the entire amount owing to them into Ordinary Shares in terms of the Early Conversion, the lenders who elected not to participate in the DRA and any other creditor of the Group which enters into a Blue BEE Option Agreement; |

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| “SENS” | the Securities Exchange News Service operated by the JSE; |
| “South Africa” | the Republic of South Africa; |
| “STC” | means the secondary tax on companies which is currently levied under section 64B of the Income Tax Act, 1962, and any tax which replaces that tax provided that such replacement is a tax which becomes payable, in respect of a dividend, by the company which declares that dividend; |
| “Strate” | Strate Limited (Registration number 1998/022242/06), a public company duly registered and incorporated under the laws of South Africa, which is a registered CSDP and which manages the electronic clearing and settlement system for proposed transactions that take place on the JSE and off-market trades; |
| “Subscription Agreement” | the subscription agreement entered into between the Company and Mayibuye on or about 10 June 2010, as amended, restated and/or revived from time to time, in terms of which the specific issue of shares for cash detailed in the Recapitalisation Circular, was implemented; |
| “Subscription Date” | means 10 December 2010, the date on which Mayibuye subscribed for, and Blue allotted and issued to Mayibuye, the Subscription Shares; |
| “Subscription Shares” | means 1,253,846,154 Ordinary Shares allotted and issued in terms of the Subscription Agreement, to Mayibuye at an issue price of 13 cents per Ordinary Share; |
| “the Transaction” | collectively, the Early Conversion, the RenAsset Conversion, the Pinebridge Specific Issue and the Blue BEE Transaction, the details of which are set out in paragraph 3 of this Circular; |
| “transfer secretaries” | Link Market Services South Africa (Proprietary) Limited (Registration number 2000/007239/07), a private company duly registered and incorporated under the laws of South Africa; |
| “US\$” | United States Dollar, the official currency of the United States of America; |
| “30-day VWAP” | means the volume weighted average traded price of Ordinary Shares over the immediately preceding 30 (thirty) days prior to the relevant date of determination during which the Ordinary Shares in fact traded on the JSE; and |
| “Warranty Shares” | such number of Ordinary Shares (if any) to be allotted and issued to Mayibuye, at an issue price to be based on the then ruling 30-day VWAP, arising out of a breach by Blue of any warranty contained in the Subscription Agreement, as detailed in and approved by shareholders pursuant to the Recapitalisation Circular. |



Blue Financial Services Limited

(Incorporated in the Republic of South Africa)
(Registration number 1996/006595/06)
JSE share code: BFS ISIN: ZAE000083655

DIRECTORS

Executive:

Johan Meiring (*Chief Executive Officer*); Shaun Strydom (*Chief Financial Officer*)

Non-executive:

Sipho Twala (*Chairman*)†; Antonios Couloubis; James Albert French†^; Mike Meehan†

Robert Emslie (*Deputy Chairman*)†; Timothy Till†; Leonard Fine†; Alan Ber; Moss Mashishi

† *Independent* ^ *US nationals*

CIRCULAR TO BLUE SHAREHOLDERS

1. INTRODUCTION

- 1.1 The main objective of this Circular is to obtain all of the shareholder approvals required to implement the Transaction
- 1.2 Blue is now a subsidiary of Mayibuye and as a result receives management support and access to Mayibuye's turnaround, credit management and collection skills.
- 1.3 The issue price of 13 cents per Ordinary Share represents a discount of 51.8% to the 30-day VWAP of Ordinary Shares calculated as at 8 December 2010, the day before the Early Conversion Agreement was concluded. The issue price of 13 cents per Ordinary Share represents a discount of 54% to the 30-day VWAP of Ordinary Shares calculated as at the last practicable date.
- 1.4 Notwithstanding the recent Recapitalisation of Blue by Mayibuye, the Company believes that the Transaction will greatly benefit and assist the Company in implementing its turnaround plan, as it will preserve further cash resources of the Company that would otherwise have been used to, *inter alia*, service interest payment due to the Converting Lenders and ultimately debt principal repayments. In addition the Transaction will further strengthen Blue's balance sheet which in turn should assist the Company in securing future funding. The Transaction confirms the support of the Converting Lenders' and RenAsset and their commitment to the turnaround plan to be implemented by Mayibuye.
- 1.5 The Transaction results in a material impact on Blue's earnings per share and net asset value per share. A summary of the impact on loss per share and headline loss per share of the Early Conversion, RensAsset Conversion, Pinebridge Specific Issue and the consequent issue of Anti-dilution Shares to Mayibuye is set out in the table below. For avoidance of doubt the potential issue of Warranty Shares to Mayibuye arising from the Blue Nigeria Claim, the impact of the BEE Transaction and any consequent issue of Anti-dilution Shares to Mayibuye is **not** set out in the table below. The detailed *pro forma* financial information showing the impact of the entire Transaction is set out in paragraph 5 and Annexure 2 to this Circular.

Unaudited *pro forma* financial effects

| | Before ⁽²⁾ (cents) | After Recapita- lisation and Blue Nigeria Claim ⁽³⁾ (cents) | Change (%) | After the Early Conversion and the RenAsset Conversion ⁽⁶⁾ (cents) | Change (%) | After the Early Conversion, RenAsset Conversion and Pinebridge Specific Issue ⁽⁹⁾ (cents) | Change (%) |
|---|----------------------------------|--|---------------|---|---------------|---|---------------|
| Loss per share ("LPS") ⁽⁴⁾⁽⁷⁾⁽¹⁰⁾ | (25.3) | (9.7) | 61.7 | (3.6) | 62.9 | (3.1) | 13.9 |
| Headline loss per share ("HLPS") ⁽⁴⁾⁽⁷⁾⁽¹⁰⁾ | (24.9) | (9.6) | 61.4 | (3.5) | 63.5 | (3.1) | 11.4 |
| Net asset value per share ("NAVPS") ⁽⁵⁾⁽⁸⁾⁽¹¹⁾ | (33.0) | (5.5) | 83.3 | 2.4 | 143.6 | 2.8 | 16.7 |
| Net tangible asset value per share ("NTAVPS") ⁽⁵⁾⁽⁸⁾⁽¹¹⁾ | (112.0) | (31.8) | 71.6 | (7.5) | 76.4 | (5.9) | 21.3 |
| Number of shares in issue ('000) ⁽⁴⁾⁽⁵⁾⁽⁷⁾⁽⁸⁾⁽¹⁰⁾⁽¹¹⁾ | 624,370 | 1,878,216 | 200.8 | 4,973,651 | 164.8 | 5,663,314 | 13.9 |
| Weighted average number of shares ('000) ⁽⁴⁾⁽⁵⁾⁽⁷⁾⁽⁸⁾⁽¹⁰⁾⁽¹¹⁾ | 624,370 | 1,878,216 | 200.8 | 4,973,651 | 164.8 | 5,663,314 | 13.9 |

1.6 Shareholders are referred to the Pinebridge Announcement, the RenAsset Announcement, the Early Conversion Announcement and the Blue BEE Transaction Announcement, whereby the Company advised of the various corporate actions comprising the Transaction, namely:

1.6.1 the implementation of the Pinebridge Amendment Agreement involving the proposed specific issue of 337,935,223 Ordinary Shares at an issue price of 13 cents per Ordinary Share, to discharge Blue's obligations in respect of the Blue Nigeria Claim Amount and the Blue Claim Amount and the consequent issue of Anti-dilution Shares;

1.6.2 the implementation of the RenAsset Agreement involving the specific issue of 341,661,529 Ordinary Shares at an issue price of 13 cents per Ordinary Share in order to convert R44,415,998 of existing debt into Ordinary Shares and the consequent issue of Anti-dilution Shares;

1.6.3 the implementation of the Early Conversion Agreement involving the specific issue of 1,371,057,561 Ordinary Shares at an issue price of 13 cents per Ordinary Share in order to convert R178,237,483 of existing debt into Ordinary Shares and the consequent issue of Anti-dilution Shares;

1.6.4 the proposed implementation of the Blue BEE Transaction, whereby the Blue BEE Trust will acquire up to a maximum amount of R50 million of Blue's outstanding debt which will subsequently be converted into Ordinary Shares at 13 cents per Ordinary Share and the consequent issue of Anti-dilution Shares; and

1.6.5 the potential issue of Warranty Shares in terms of the Subscription Agreement.

1.7 As a result of the above, shareholders will be requested, at the general meeting to be held on Friday, 25 February 2011, to authorise the specific issue of up to a maximum of 2,435,269,300 Ordinary Shares for cash, at an issue price of 13 cents per Ordinary Share, in order to convert the Conversion Limit of existing debt into Ordinary Shares in order to implement the various agreements.

2. PURPOSE OF THIS CIRCULAR

The purpose of this Circular is to:

2.1 provide an overview on the progress made regarding the financial restructuring of the business of the Group;

- 2.2** provide Blue shareholders with information on the Transaction, the proposed ordinary resolutions and the manner in which they will be implemented, in order to comply with the Companies Act and the Listings Requirements; and
- 2.3** convene a general meeting of Blue shareholders in order to pass such ordinary resolutions as are necessary to authorise and implement the Transaction.

3. TRANSACTION STRUCTURE

In addition to the Subscription Agreement, there are four key agreements governing the Transaction, as set out below:

- the Early Conversion Agreement entered into between Blue, certain Group Companies and Mayibuye, in terms of which the Converting Lenders will convert up to R178,237,483 of existing debt into Ordinary Shares, the details of which are set out in paragraph 3.1;
- the RenAsset Agreement entered into between RenAsset and Blue, in terms of which RenAsset will have the right to convert up to R44,415,998 of existing debt into Ordinary Shares, the details of which are set out in paragraph 3.2;
- the Pinebridge Amendment Agreement entered into between Blue, Mayibuye, Pinebridge and certain Group Companies which, *inter alia*, revived the Pinebridge Agreement and excluded the Additional Excluded Claims held by Pinebridge against Blue and certain Group Companies from the claims acquired by Mayibuye from Pinebridge, full details of which are detailed in paragraph 3.3; and
- the Blue BEE Trust Deed, in terms of which the Blue BEE Trust will be entitled to subscribe for Ordinary Shares pursuant to the conversion of the Blue BEE Transaction Debts, acquired under the Blue BEE Option Agreements, further details of which are set out in paragraph 3.4.

The Early Conversion, the RenAsset Conversion and the consequent issue of Anti-dilution Shares to Mayibuye are inter-conditional, however the proposed implementation of the Blue BEE Transaction and the Pinebridge Specific Issue are not conditions for the implementation of the Early Conversion and the RenAsset Conversion.

A schedule setting out the estimated balances, at 31 December 2010, of the Existing Lenders, Borrowers and Existing Facilities, before and after the conversion, appears in Annexure 12 to this Circular.

3.1 The Early Conversion Agreement

3.1.1 Shareholders are referred to the Recapitalisation Circular, wherein it was advised *inter alia* that in terms of the DRA, any amount of the Existing Facilities that is still owed to the Existing Lenders at the end of the prescribed period (being three years from the Subscription Date) will be converted into Ordinary Shares at then ruling 30-day VWAP of Ordinary Shares or alternatively any amount of the Existing Facilities that is still outstanding at the time that the Existing Lenders elect to institute an acceleration event (which event can be called at any time before the end of the prescribed period) will also be converted into Ordinary Shares at then ruling 30-day VWAP of Ordinary Shares.

Shareholders are further referred to paragraph 4.9 of the Recapitalisation Circular wherein it was advised that notwithstanding the conclusion of the DRA, certain of the Existing Lenders had indicated to Blue and Mayibuye their desire to convert a portion of the amounts owed to them into Ordinary Shares in the Company before the end of the prescribed period.

3.1.2 In an update announcement released on SENS on 26 November 2010, shareholders were accordingly advised that during the process of obtaining the approval of the Existing Lenders of the terms of the RenAsset Agreement, certain of the Existing Lenders engaged Mayibuye and Blue with a view to reaching agreement on the basis on which the Existing Lenders can convert the whole or a portion of the amounts owed to them into Ordinary Shares in the Company.

3.1.3 Accordingly, as detailed in the Early Conversion Announcement, the Early Conversion Agreement was concluded between the Existing Lenders, the Company, certain of its subsidiaries and Mayibuye in terms of which, *inter alia*:

- the Existing Lenders were granted the option to convert the whole or a portion of the amounts owing to them, subject to the Conversion Limit, into Ordinary Shares, at a conversion price of 13 cents per Ordinary Share. The Existing Lenders had until 15 December 2010 to elect to convert their outstanding amounts due to them into Ordinary Shares. Those Existing Lenders who did not elect to participate in the Early Conversion no longer have the option to do so unless all of the parties to the DRA reach agreement in this regard;
- the terms of the RenAsset Agreement were approved by the Existing Lenders; and
- it was agreed that Pinebridge was entitled to participate in the Early Conversion in accordance with the terms set out in the Pinebridge Amendment Agreement, as set out in paragraph 3.3.

3.1.4 To date the IFC and Absa have confirmed that they will be converting the entire amount owing to them of *circa* R98 million and FMO has confirmed that it will be converting a portion of the amount owing to it of *circa* R80.2 million. In total, R178.2 million of the Existing Facilities will be converted in terms of the Early Conversion Agreement. The aggregate amount of R178 million that is proposed to be converted represents the balances owing to the Converting Lenders as at 31 August 2010, to which interest accrued thereon between 1 January 2011 and 28 February 2011 (both dates inclusive) will be added and adjusted to reflect foreign currency movement of those Existing Facilities that are not ZAR denominated.

3.1.5 It should be noted, that for purposes of this Circular, in terms of which shareholders are being requested to approve the various resolutions comprising the Transaction, the aggregate maximum amount of R325 million provided for in terms of the Early Conversion Agreement, includes the debt and/or obligations owed by the Group which are to be converted into Ordinary Shares in terms of the Early Conversion Agreement, the RenAsset Agreement and the Pinebridge Amendment Agreement. Any headroom available will then be utilised to implement the proposed Blue BEE Transaction, further details of which are set out in paragraph 3.4.

3.1.6 The salient terms of the Early Conversion Agreement are summarised in Annexure 8.

3.2 The RenAsset Agreement

3.2.1 RenAsset entered into the RenAsset Agreement with the Company in terms of which RenAsset will have the right, subject to the fulfilment of certain suspensive conditions detailed in paragraph 3.7 below, to convert the outstanding debt owed to it by the Group into Ordinary Shares at a conversion price of 13 cents per Ordinary Share.

3.2.2 RenAsset is required to initially convert a minimum of 50% of the total outstanding debt owed to it of *circa* R44 million, and thereafter the remaining amount owed may be converted from time to time but in any event prior to the third anniversary of the signature date of the RenAsset Agreement, being 18 November 2010, at a conversion price equal to the 30-day VWAP on such date RenAsset elects to convert (“Long Stop Date”).

3.2.3 In respect of any remaining portion of such outstanding debt owed to RenAsset by the Group on the Long Stop Date, RenAsset shall be treated on the same terms as the unsecured lenders who are party to the DRA.

3.2.4 RenAsset has confirmed that it will be converting 100% of the amount owing to it in support of the turnaround plan to be implemented by Mayibuye.

3.2.5 The salient terms of the RenAsset Agreement are summarised in Annexure 9.

3.3 Pinebridge Amendment Agreement

3.3.1 Introduction

In the Pinebridge Announcement, shareholders were advised that the Pinebridge Agreement had lapsed due to delays in finalising the Recapitalisation and, accordingly, the Pinebridge Amendment Agreement was concluded.

In light of the above, Mayibuye and Pinebridge agreed to exclude the Additional Excluded Claims from the Pinebridge Settlement Amount. At the same time, the letter agreement entered into in the form of Annexure “1” to the Pinebridge Agreement was also terminated.

3.3.2 Salient features

The Company has agreed to settle the Additional Excluded Claims, as follows:

- 3.3.2.1 in respect of the Blue Nigeria Claim, the original sale agreement will be cancelled, against Pinebridge transferring the Blue Nigeria Shares back to the applicable Group Company, the Company acknowledged its indebtedness in respect of the Blue Nigeria Claim Amount, which will be settled by the Company through the allotment and issue of Ordinary Shares to Pinebridge as part of the debt to equity conversion contemplated in the DRA, and/or any debt to equity conversion implemented by the Company prior to the third anniversary of the date on which Mayibuye receives its Ordinary Shares under the Recapitalisation; and
- 3.3.2.2 in respect of the Blue Claim, Blue acknowledges that it is indebted to Pinebridge in an amount equal to the Blue Claim Amount, which amount will be settled by way of the allotment and issue to Pinebridge of 22,731,279 Ordinary Shares.

3.3.3 Conditions

The Company's obligations to issue further Ordinary Shares in order to discharge its obligations arising out of the Additional Excluded Claims, are subject to the Company obtaining all necessary shareholder and regulatory approvals (as the case may be), failing which the obligations arising from the Blue Nigeria Claim will be settled in cash in accordance with the principles contained in the Debt Rescheduling Agreement and the Blue Claim will be settled in accordance with the provisions of the Pinebridge Amendment Agreement.

3.3.4 Warranty claims

Shareholders are referred to paragraph 4.5 of the Recapitalisation Circular in which shareholders were advised that in terms of the Recapitalisation, should the Company breach any of the warranties contained in the Subscription Agreement, Mayibuye may be entitled, at its election, to have its claim settled either in cash or through the issue of such number of Ordinary Shares (based on the 30-day VWAP per Ordinary Share) which in aggregate would be equal to the value of its claim. The claim amount will be equal to the amount agreed between Mayibuye and Blue (provided that no Directors who are not independent of Mayibuye, shall be entitled to vote on any such agreement), an amount determined by an Order of Court or an amount determined by arbitration award.

Accordingly, shareholders are advised that subject to the process as contemplated above being followed and assuming that Mayibuye elects to receive Ordinary Shares in settlement thereof, it is estimated that Mayibuye may have a warranty claim for the allotment and issue to it by Blue of a maximum number of 22,731,279 Ordinary Shares in respect of the Blue Claim Amount and a maximum number of 315,203,946 Ordinary Shares in respect of the Blue Nigeria Claim Amount. In calculating the estimated Warranty Shares to be issued to Mayibuye in connection with the Blue Nigeria Claim, it has been assumed that the interest will accrue for a period of 25 months resulting in an estimated Claim Amount of R40.9 million at an issue price of 13 cents per Ordinary Share. Shareholders are however alerted to the fact that the final determination of the Warranty Shares (if any) that may become payable to Mayibuye in relation to the Blue Nigeria Claim will be dependent on, *inter alia*, an assessment of the fair value of the shares in Blue Nigeria that are to be transferred back to Blue and other issues likely to have a financial impact on this matter. An assessment of the Blue Nigeria Shares has not been undertaken by the Company. In such instance where the determined fair value of the Blue Nigeria Shares is assessed to be equal to the Blue Nigeria Claim Amount (R40.9 million), the likelihood of Warranty Shares being issued to Mayibuye under the Blue Nigeria Claim would be significantly reduced.

For the avoidance of doubt shareholders are reminded of the following:

- that Mayibuye's right to receive Warranty Shares should other valid warranty claims arise in terms of the Subscription Agreement, remains intact; and
- the total maximum amount of Warranty Shares that Mayibuye may become entitled to is capped at an aggregate maximum amount of R163 million, provided that this cap of R163 million shall not apply to any warranty claim arising from any warranties that are expressly excluded from the aforementioned cap as contained in the Subscription

Agreement. Assuming a 30-day VWAP of 20 cents, the aggregate maximum cap of R163 million translates to 815,000,000 Ordinary Shares. Accordingly the potential issue of Warranty Shares in respect of the Blue Claim and Blue Nigeria Claim must be viewed in light of this maximum amount.

3.4 Blue BEE Transaction

3.4.1 Background

The board of Blue would like to propose the Blue BEE Transaction in terms of which, *inter alia*, QBI's and QBE's will, from time to time be afforded the opportunity to acquire Ordinary Shares from the Blue BEE Trust.

Accordingly, Blue shareholders were advised in the Blue BEE Announcement, that Blue was contemplating the Blue BEE Transaction as part of the overall Transaction.

3.4.2 Rationale

One of the provisions contained in the Pinebridge Amendment Agreement is that any Early Conversion undertaken by Blue is capped at R325 million. In terms of the Early Conversion, the RenAsset Conversion and the Pinebridge Specific Issue, the total expected debt and/or obligation to be converted into Ordinary Shares amounts to *circa* R266 million.

As there is potentially *circa* R59 million of headroom between the Conversion Limit and the amount that is expected to be converted (R266 million), it is anticipated that the Blue BEE Trust will sell Ordinary Shares to BEE parties, who qualify in terms of the BEE criteria, at a price to be agreed at the time.

The Company's objective in the medium term is to raise Blue's BEE rating to a Level 3 of which BEE equity ownership will comprise a key element. Accordingly, the Company is of the view that the proposed Blue BEE Transaction will greatly benefit Blue as it will significantly improve the BEE status of the Company and reinforce Blue's stated commitment to transformation, but it will also assist the Company in the implementation of its turnaround strategy which involves *inter alia*, improving the financial strength of its balance sheet as a result of the implementation of the debt equity conversion proposed in terms of the Blue BEE Transaction.

3.4.3 Salient features of the Blue BEE Trust

3.4.3.1 The Blue BEE Trust has been established to specifically implement the Blue BEE Transaction which has been proposed for the benefit of those QBI's and QBE's who elect to participate. The aggregate maximum amount of Blue BEE Transaction Debts acquired by the Blue BEE Trust cannot exceed R50 million.

3.4.3.2 The Blue BEE Trust will be independently administered by GMG in its capacity as trustee of the Blue BEE Trust. Whilst the overriding principle governing the Blue BEE Trust is that it will implement the Blue BEE Transaction for the primary benefit of the QBI's and QBE's, to the extent that there are any residual funds of an immaterial amount that remain in the Blue BEE Trust post the implementation of the Blue BEE Transaction, the Trustees may elect to allocate these to Blue as the sole, legal beneficiary of the Blue BEE Trust.

3.4.3.3 Initially the Blue BEE Trust shall not have less than one trustee in office. In the event that the trustee resigns, the Board is entitled to appoint five natural persons as trustees, provided that at least:

- a. three of the newly appointed trustees are black people; and
- b. two of the newly appointed trustees are not employed by any member of the Group,

thereafter the Blue BEE Trust shall have not less than five trustees in office at any time.

3.4.3.4 The establishment of the Blue BEE Trust is irrevocable and shall endure until it is terminated by means of a unanimous resolution of the trustees. On termination

of the Blue BEE Trust, all the assets of the Blue BEE Trust will be realised and all liabilities be paid. Any remaining proceeds of the sale of the assets shall be paid to Blue, the sole beneficiary of the Blue BEE Trust.

- 3.4.3.5 The specific authority to issue up to 384,615,384 Ordinary Shares at 13 cents per Ordinary Share to the Blue BEE Trust, pursuant to the implementation of the Blue BEE Transaction, will remain in place for a period of up to 15 months from the date that shareholders approve such authority in the general meeting.
- 3.4.3.6 The trustees of the Blue BEE Trust may, *inter alia*, only acquire or hold the following assets in the name of the Blue BEE Trust:
 - a. Ordinary Shares;
 - b. Blue BEE Transaction Debts as described in paragraph 3.4.4 below;
 - c. Ordinary Shares which are obtained by converting the Blue BEE Transaction Debts into Ordinary Shares at a conversion price of 13 cents per Ordinary Share; and
 - d. the proceeds of the sale of the Ordinary Shares which are obtained by the Blue BEE Trust as a result of converting the Blue BEE Transaction Debts into Ordinary Shares.
- 3.4.3.7 All resolutions of the trustees shall be adopted by a majority vote and each trustee shall be entitled to cast one vote. The quorum required for any meeting of the trustees shall be a majority of the number of trustees then in office.
- 3.4.3.8 The Blue BEE Trust is a discretionary trust and Blue, as the sole beneficiary, will benefit to the extent, if any, of any distributions made to Blue in the discretion of the trustees.

3.4.4 Salient features of the Blue BEE Transaction structure

The overarching principle underpinning the proposed Blue BEE Transaction is that an independent trust will essentially seek to facilitate the acquisition of existing debt obligations of the Company from Existing Lenders or creditors and subsequently convert these into Ordinary Shares, at a conversion price of 13 cents per Ordinary Share. These Ordinary Shares will subsequently be sold to BEE investors and Blue employees that meet BEE criteria as contemplated in the BEE Act.

The salient features of the Blue BEE Transaction structure are described below:

- 3.4.4.1 It is proposed that the Blue BEE Trust will acquire, the Blue BEE Transaction Debts, which amounts are capped at an aggregate maximum amount of R50 million.
- 3.4.4.2 Neither Blue nor Mayibuye will provide funding or guarantees to the Blue BEE Trust for purposes of acquiring the Blue BEE Transaction Debts.
- 3.4.4.3 Blue will subsequently grant the option to the Blue BEE Trust to convert the Blue BEE Transaction Debts acquired in terms of the Blue BEE Option Agreements into Ordinary Shares at 13 cents per Ordinary Share.
- 3.4.4.4 The BEE parties that will be entitled to acquire the Ordinary Shares from the Blue BEE Trust will collectively comprise certain QBI's and QBE's who on acquisition of the Ordinary Shares will become direct shareholders of Blue and will rank *pari passu* with all other shareholders (in particular there will be no restrictions placed on these BEE parties in connection with their ability to sell or transfer the Ordinary Shares).
- 3.4.4.5 Only those QBI's and QBE's that are not a related party, as defined in the Listings Requirement, to Blue or Mayibuye will be entitled to participate to acquire the Ordinary Shares from the Blue BEE Trust.
- 3.4.4.6 Neither Blue nor Mayibuye will provide funding or guarantees to any QBI's or QBE's for purposes of acquiring the Ordinary Shares from the Blue BEE Trust.

3.4.4.7 It is proposed that the allocation of Ordinary Shares that may be sold by the Blue BEE Trust to the BEE parties mentioned in paragraphs 3.4.4.4 above will be allocated in the following proportions:

| | |
|-------|-----|
| QBI's | 70% |
| QBE's | 30% |

3.4.4.8 Post the implementation of the proposed Blue BEE Transaction, whereby Ordinary Shares will be sold to QBI's and QBE's, the Blue BEE Trust will not own for the benefit of Blue or Mayibuye, any Ordinary Shares that will be issued as a result of the conversion of the Blue BEE Transaction Debts into Ordinary Shares.

3.4.5 Potential adjustment to the maximum permissible amount

Of the total known amount that is proposed will be converted, namely *circa* R266 million, there is *circa* R85.4 million of debt which is US\$ denominated, and a further R36.7 million of debt that is BWP denominated. The actual amount that will be converted into Ordinary Shares will be calculated by using the Ruling Spot Rate (US\$ and BWP) on the day that a conversion notice is issued by Blue to each of the Converting Lenders, RenAsset and Pinebridge, as the case may be, which conversion notice will only be issued once all shareholder and regulatory approvals have been obtained.

In order to cater for the possible weakening in the exchange rates between ZAR and US\$ and ZAR and BWP, the Blue BEE Trust Deed provides for the maximum permissible amount of R50 million to be reduced by such actual amounts that are required to be paid to the Converting Lenders, RenAsset and Pinebridge as is required to implement the Early Conversion, RenAsset Conversion and the Pinebridge Specific Issue. Should the relevant currencies fluctuate and result in the aggregate debt to be converted in terms of the Early Conversion, RenAsset Conversion and the Pinebridge Specific Issue such that the aggregate debt to be converted exceed an amount of R266 million, there is additional head room of R9 million available before the amount which the Blue BEE Trust is entitled to convert will be reduced by the amount which exceeds R275 million.

3.4.6 The *pro forma* financial effects of, *inter alia*, the Early Conversion, the RenAsset Conversion and the Pinebridge Specific Issue are set out in paragraph 5.1 and Annexure 2 to this Circular, together with the *pro forma* financial effects of the Blue BEE Transaction, the potential issue of further Dilution and Anti-dilution Shares as well as the potential issue of Warranty Shares which are set out in paragraphs 5.2 to 5.4 and Annexure 2 to this Circular.

3.5 Anti-dilution Shares

3.5.1 Existing Approvals in respect of Anti-dilution Shares

3.5.1.1 In terms of resolution number 10 included in the notice of the general meeting to shareholders of Blue contained in the Recapitalisation Circular, shareholders approved the allotment and issue by Blue of Anti-dilution Shares. "Anti-dilution Shares" was defined in the Recapitalisation Circular as:

"such number of Ordinary Shares (if any) to be allotted and issued, in terms of the Subscription Agreement, to Mayibuye at par value, to ensure that the shareholding of Mayibuye in Blue does not reduce to below 51% of the entire issued share capital, as a result of the issue of any Dilution Shares, further details of which are set out in paragraph 4.7 of this Circular (our emphasis)".

3.5.1.2 The definition of "*Dilution Shares*" referred to in the Recapitalisation Circular, in turn, attributed the following meaning to "Dilution Shares":

"such number of Ordinary Shares (if any) to be allotted and issued to the Existing Lenders in terms of the Debt Rescheduling Agreement, at an issue price to be based on the then ruling 30-day VWAP, to convert to the extent required, any debt that may be due and payable at the end of the prescribed period into Ordinary Shares, further details of which are set out in paragraph 4.6 of this Circular (our emphasis)".

3.5.1.3 In terms of the Recapitalisation Circular, shareholders have accordingly approved the allotment and issue to Mayibuye of Ordinary Shares pursuant to the issue and allotment by Blue of any Ordinary Shares to the “Existing Lenders” as contemplated above (i.e. as a result of its right to receive “Anti-dilution Shares” as contemplated in the Subscription Agreement).

3.5.1.4 Shareholders are referred to paragraph 4.7 of the Recapitalisation Circular which sets out Mayibuye’s contractual anti-dilution rights in terms of the Subscription Agreement. In this regard, it is important to note that Mayibuye is entitled, *subject to obtaining the required shareholder approvals*, to also subscribe for any other “Anti-dilution Shares” (as contemplated within the wider meaning contained in the Subscription Agreement), which is defined with reference to “Dilution Shares”. This definition provides as follows:

“2.1.13 **Dilution Shares**” means any Shares to be allotted and issued to:

2.1.13.1 any or all of the parties to the Restructuring Agreement in respect of any debt contemplated in the Restructuring Agreement; or

2.1.13.2 any other person or entity in respect of any debt or obligation of whatsoever nature (whether actual or contingent, present or future) owed by any Group Company to such person or entity (including but not limited to Pinebridge and Renaissance Africa Master Fund Limited),

in terms of any agreement, arrangement or understanding;”.

3.5.1.5 The reason why shareholders were not asked to approve the allotment and issue of the “Anti-dilution Shares” (as contemplated within the wider meaning contained in the Subscription Agreement), is that in order to place shareholders in a position to vote on any specific issue of shares for cash, shareholders must be informed of the number of shares or a maximum number of shares that will be issued (or an appropriate mechanism of determining the specific number or maximum number of shares). This information is required in terms of the Listing Requirements but was not available in respect of the Ordinary Shares to be issued in terms of, *inter alia*, the Early Conversion Agreement, the Pinebridge Amendment Agreement and the RenAsset Agreement, at the time that the Recapitalisation Circular was posted to shareholders of Blue.

3.5.2 Effect of voting in favour of resolution number 8 contained in the notice of general meeting

Shareholders will accordingly be asked to approve the amendment of the definition of “Dilution Shares” as contained in the Recapitalisation Circular to include all Ordinary Shares as may be required to be allotted and issued by the Company in accordance with the provisions of the Debt Rescheduling Agreement (as amended by the Early Conversion Agreement).

In this regard, Shareholders should note that should they vote in favour of ordinary resolution number 8 contained in the notice of the general meeting attached to this Circular they will, in so doing, also be approving any consequential amendments to those resolutions passed at the general meeting of shareholders held on Friday, 29 October 2010. Without limiting the generality of the foregoing, shareholders will be approving the issue of Anti-dilution Shares as explained above.

3.6 Inter-Conditionality of the Transaction

3.6.1 Shareholders are advised that the Transaction as a whole is inter-conditional on the RenAsset Conversion and the Early Conversion being implemented, and that should the required shareholder approvals not be obtained for either of the aforementioned conversions, the Transaction as a whole will not be capable of being implemented (save for ordinary resolution number 8).

3.6.2 Shareholders are also advised that should the required shareholder approvals not be obtained for the implementation of either or both the Pinebridge Specific Issue and/or the Blue BEE Transaction, the implementation of the RenAsset Conversion and the Early Conversion may proceed. In addition, neither the Pinebridge Specific Issue nor the Blue BEE Transaction are inter-conditional and either may be implemented independently of the other.

3.7 Suspensive Conditions

3.7.1 The Early Conversion and the RenAsset Conversion are all conditional upon the Company obtaining the necessary regulatory and shareholder approvals before 28 February 2011. However if all regulatory and shareholder approvals are not obtained, the amounts due in terms of the Early Conversion and the RenAsset Conversion will be settled in terms of the DRA.

3.7.2 With respect to the Pinebridge Amendment Agreement, the settlement of the Additional Excluded Claims by way of the allotment and issue of Ordinary Shares is conditional on the obtaining of any required shareholder and regulatory approvals. However if all required regulatory and shareholder approvals are not obtained, the Blue Nigeria Claim Amount will be settled in cash on the same basis as the settlement of the unsecured lenders' claims in terms of the DRA and the Blue Claim Amount will be settled by the issue of Ordinary Shares to Pinebridge in terms of the Pinebridge Amendment Agreement.

3.8 Independent Advice

3.8.1 At the time the Pinebridge Amendment Agreement was concluded, Pinebridge held in excess of 10% of the Ordinary Shares and is thus considered to be a related party in terms of Section 10 of the Listings Requirements.

3.8.2 Accordingly, the Board of Directors is required to obtain independent advice as to whether the Pinebridge Specific Issue envisaged in terms of the Pinebridge Amendment Agreement is fair.

3.8.3 BDO Corporate Finance (Proprietary) Limited, the independent professional expert appointed by the Directors in terms of the Listings Requirements, has considered the terms and conditions of the Pinebridge Specific Issue in terms of the Pinebridge Amendment Agreement, and is of the opinion that such terms and conditions are fair to shareholders on the basis set out in the fairness opinion included in Annexure 7 to this Circular.

3.9 Financial effects

3.9.1 The financial effects of the Recapitalisation, Blue Nigeria Claim, the Early Conversion, the RenAsset Conversion, the Pinebridge Specific Issue and the consequent issue of Anti-dilution Shares, are set out in paragraph 5.1 and Annexure 2 to this Circular.

3.9.2 The financial effects of the proposed Blue BEE Transaction, the potential issue of further Dilution Shares and Anti-dilution Shares as well as the potential issue of Warranty Shares are set out in paragraphs 5.2 to 5.4 and Annexure 2 to this Circular.

4. SHARE CAPITAL

4.1 The Company's authorised and issued share capital, prior to and after the implementation of the Transaction, is set out below:

4.1.1 The Company's authorised and issued share capital, prior to the implementation of the Transaction

| Authorised | R |
|--|----------------------|
| 11,000,000,000 ordinary shares of R0.000001 each | 11,000 |
| Issued | |
| 1,878,215,879 ordinary shares of R0.000001 each | 1,878 |
| Share premium | 1,091,248,496 |

4.1.2 The Company's authorised and issued share capital, after the implementation of the Early Conversion, the RenAsset Conversion and the Pinebridge Specific Issue and the consequent issue of Anti-dilution Shares to Mayibuye, is expected to be:

| Authorised | R |
|--|----------------------|
| 11,000,000,000 ordinary shares of R0.000001 each | 11,000 |
| Issued | |
| 5,663,314,367 ordinary shares of R0.000001 each | 5, 663 |
| Share premium | 1,357,831,506 |

For avoidance of doubt the potential issue of Warranty Shares to Mayibuye arising from the Blue Nigeria Claim, the impact of the BEE Transaction and any consequent issue of Anti-dilution Shares to Mayibuye is **not** set out in the table above.

4.1.3 The Company's authorised and issued share capital, after the implementation of the Transaction and the consequent issue of Anti-dilution Shares to Maybiuye, is expected to be:

| Authorised | R |
|--|----------------------|
| 11,000,000,000 ordinary shares of R0.000001 each | 11,000 |
| Issued | |
| 6,580,346,377 ordinary shares of R0.000001 each | 6,580 |
| Share premium | 1,416,245,996 |

For avoidance of doubt the potential issue of Warranty Shares to Mayibuye arising from the Blue Nigeria Claim is **not** set out in the table above.

4.2 Alterations to the authorised and issued share capital

Details of the alterations to the authorised and issued share capital of the Company for the three years preceding this Circular, is set out in Annexure 5.

5. FINANCIAL INFORMATION OF BLUE

The financial effects of the Recapitalisation, Blue Nigeria Claim, the Early Conversion, the RenAsset Conversion, the Pinebridge Specific Issue and the consequent issue of Anti-dilution Shares, are set out in paragraph 5.1 and Annexure 2 to this Circular.

The financial effects of the Blue BEE Transaction, the potential issue of further Dilution and Anti-dilution Shares as well as the potential issue of Warranty Shares are set out in paragraphs 5.2 to 5.4 and Annexure 2 to this Circular.

5.1 Unaudited *pro forma* financial effects

The table below illustrates the unaudited *pro forma* financial effects of the Recapitalisation, Blue Nigeria Claim, the Early Conversion, the RenAsset Conversion and the Pinebridge Specific Issue on the published reviewed condensed consolidated interim results of the Company for the six months ended 31 August 2010.

The preparation of the unaudited *pro forma* financial effects is the responsibility of the Directors of Blue. The unaudited *pro forma* financial effects have been prepared for illustrative purposes only to provide information on how the Recapitalisation, Blue Nigeria Claim and the Early Conversion, the RenAsset Conversion and the Pinebridge Specific Issue might have impacted on the financial position and results of the Company and, due to the nature thereof, may not be a fair reflection of the Company's financial position, nor of its future results, after the Recapitalisation, Blue Nigeria Claim and the Early Conversion, the RenAsset Conversion and the Pinebridge Specific Issue. The reporting accountants' report on the financial effects is set out in Annexure 3 to this Circular.

It should be noted that for purposes of preparing the *pro forma* financial effects set out in paragraphs 5.1 to 5.4 and Annexure 2 to this Circular, the issue price of 13 cents per Ordinary Share at which the Ordinary Shares are to be issued in terms of the Early Conversion Agreement, the RenAsset Agreement, the Pinebridge Amendment Agreement and the Blue BEE Trust Deed is assumed to be the fair value of the Ordinary Shares for accounting purposes. For avoidance of doubt the of potential issue of Warranty Shares to Mayibuye arising from the Blue Nigeria Claim, the impact of the BEE Transaction and any consequent issue of Anti-dilution Shares to Mayibuye is **not** set out in the table below.

Unaudited *pro forma* financial effects

| | After Recapitalisation and Blue Nigeria Claim ⁽³⁾ | | | After the Early Conversion and the RenAsset Conversion ⁽⁶⁾ | | After the Early Conversion, RenAsset Conversion and Pinebridge Specific Issue ⁽⁹⁾ | |
|--|--|---------------------------------|---------------|---|---------------|--|---------------|
| | Before ⁽²⁾ (cents) | Claim ⁽³⁾ (cents) | Change (%) | Conversion ⁽⁶⁾ (cents) | Change (%) | Issue ⁽⁹⁾ (cents) | Change (%) |
| Loss per share ("LPS") ⁽⁴⁾⁽⁷⁾⁽¹⁰⁾ | (25.3) | (9.7) | 61.7 | (3.6) | 62.9 | (3.1) | 13.9 |
| Headline loss per share ("HLPS") ⁽⁴⁾⁽⁷⁾⁽¹⁰⁾ | (24.9) | (9.6) | 61.4 | (3.5) | 63.5 | (3.1) | 11.4 |
| Net asset value per share ("NAVPS") ⁽⁵⁾⁽⁸⁾⁽¹¹⁾ | (33.0) | (5.5) | 83.3 | 2.4 | 143.6 | 2.8 | 16.7 |
| Net tangible asset value per share ("NTAVPS") ⁽⁵⁾⁽⁸⁾⁽¹¹⁾ | (112.0) | (31.8) | 71.6 | (7.5) | 76.4 | (5.9) | 21.3 |
| Number of shares in issue ('000) ⁽⁴⁾⁽⁵⁾⁽⁷⁾⁽⁸⁾⁽¹⁰⁾⁽¹¹⁾ | 624,370 | 1,878,216 | 200.8 | 4,973,651 | 164.8 | 5,663,314 | 13.9 |
| Weighted average number of shares ('000) ⁽⁴⁾⁽⁵⁾⁽⁷⁾⁽⁸⁾⁽¹⁰⁾⁽¹¹⁾ | 624,370 | 1,878,216 | 200.8 | 4,973,651 | 164.8 | 5,663,314 | 13.9 |

Notes:

- The unaudited *pro forma* financial effects are based on the accounting policies adopted by the Company and are in accordance with IFRS.
- The 'Before' column is based on the published reviewed condensed consolidated interim results for the 6 months ended 31 August 2010.

Recapitalisation and Blue Nigeria Claim

- The 'After Recapitalisation and Blue Nigeria Claim' column (on which *pro forma* financial effects have been provided previously) has been adjusted for the financial effects of the Recapitalisation as previously presented in the Recapitalisation Circular. It also includes adjustments relating to the recognition of the Blue Nigeria Claim. The following adjustments are made or have been considered:
- For purposes of calculating LPS and HLPS (After Recapitalisation and Blue Nigeria Claim), the unaudited *pro forma* financial effects are calculated on the following assumptions:
 - The Recapitalisation resulting in the issue of 1,253,846,154 Ordinary Shares was implemented on 1 March 2010 and the cash portion (R150 million) of the Aggregate Subscription Consideration was made available to Blue on 1 March 2010;
 - Once-off transaction, implementation and restructuring costs of R10 million (pre-tax) in aggregate are assumed to be settled from the cash portion of the Aggregate Subscription Consideration, and are assumed to be tax deductible;
 - The non-recurring expense of R13 million relating to the settlement of the Pinebridge Settlement Amount in terms of the Pinebridge Agreement has been recognised in the statement of comprehensive income, but this expense is assumed to be non-tax deductible;
 - No income has been assumed to be generated from the balance of R140 million from the Aggregate Subscription Consideration as to do so would be inconsistent with the Listings Requirements which do not permit *pro forma* adjustments relating to future events or decisions. The Company, however intends to deploy the R140 million balance of the cash proceeds received from the Aggregate Subscription Consideration to generate a new book of loans and advances to customers and therefore generate earnings for the Group based on targeted earnings yields;
 - No effect of the Debt Rescheduling Agreement has been recognised as no significant capital repayments, which would have to be rescheduled to 31 August 2010, were made to Existing Lenders during 1 March 2010 to 31 August 2010;
 - The Claims Purchase Agreement is accounted for as follows:
 - A facility will be made available to Blue whereby Claims which at any point may not exceed R300 million will be sold to Leonox. It is assumed that R100 million of Claims were sold to Leonox during 1 March 2010 and 31 August 2010;

- II. An implied cost of funding of 5% above the then prevailing Prime Lending Rate is assumed to be incurred. This implied cost of funding is recognised for the period from 1 March 2010 to 31 August 2010. The total cost of funding recognised for the six months is *circa* R3.4 million (pre-tax); and
 - III. No income has been assumed from the deployment of the net cash made available to Blue to generate new loan advances to customers, as to do so would be inconsistent with the Listings Requirements which do not permit *pro forma* adjustments that are not factually supportable or are based on future events or decisions. However, the Company will utilise the facility made available in terms of the Claims Purchase Agreement to generate a new book of loans and advances to customers and therefore generate earnings for the Group based on targeted earnings yields.
- (g) A full tax rate of 28% has been applied and the impact of any tax losses is ignored. All interest expenses incurred are assumed to be tax deductible;
 - (h) An adjustment of *circa* R2.3 million to non-controlling interest in respect of additional losses arising due to the additional 10% shareholding in Blue Nigeria as a result of the Blue Nigeria Claim as discussed in paragraph 3.3 of this Circular. It is assumed that the Blue Nigeria Claim was effective 1 March 2010; and
 - (i) No value has been attributed to any cost savings or cost synergies expected from Mayibuye's participation in Blue's operations.
5. For purposes of calculating NAVPS and NTAVPS (After Recapitalisation and Blue Nigeria Claim), the unaudited *pro forma* financial effects are calculated on the following assumptions:
- (a) The Recapitalisation was implemented on 31 August 2010;
 - (b) The issue of 1,253,846,154 Ordinary Shares for an Aggregate Subscription Consideration of R163 million which has been added to share capital;
 - (c) The cash portion of the Aggregate Subscription Consideration of R150 million has been added to cash and cash equivalents;
 - (d) Once-off transaction, implementation and restructuring costs of R10 million (pre-tax) or R7.2 million (post-tax), all of which are assumed to be tax deductible, are paid out of cash resources and are adjusted to accumulated losses;
 - (e) The Pinebridge Settlement Amount of R13 million will be settled out of earnings thereby increasing the Company's accumulated loss. This non-recurring cost is assumed to be non-tax deductible;
 - (f) No effect of the Debt Rescheduling Agreement has been recognised as it is assumed that this agreement was implemented on 31 August 2010, and therefore the impact of any rescheduling of debt would not have occurred on this date;
 - (g) No effect of the Claims Purchase Agreement has been recognised as it is assumed that this agreement was implemented on 31 August 2010. The capital facility available in terms of the Claims Purchase Agreement is on a draw down basis and subject to Blue meeting predetermined vetting criteria. Accordingly it is assumed that as at 31 August 2010 no drawdown would have occurred;
 - (h) The recognition of a long-term liability totalling *circa* R41 million arising due to the additional 10% shareholding in Blue Nigeria as a result of the Blue Nigeria Claim as discussed in paragraph 3.3 of this Circular. It is assumed that the Blue Nigeria Claim was effective 31 August 2010. The Blue Nigeria Claim was adjusted to accumulated losses; and
 - (i) An adjustment of *circa* R1.2 million to non-controlling interest (which has been adjusted to accumulated losses) representing the proportionate minority interest value as a result of the additional 10% shareholding in Blue Nigeria which is transferred from minority interest to equity as discussed above.

The Early Conversion and the RenAsset Conversion

6. The 'After the Early Conversion and the RenAsset Conversion' column has been adjusted for the effects of the Early Conversion and the RenAsset Conversion.
7. For purposes of calculating LPS and HLPS (After the Early Conversion and the RenAsset Conversion), the unaudited *pro forma* financial effects are calculated on the following assumptions:
- (a) The Early Conversion and the RenAsset Conversion were implemented on 1 March 2010;
 - (b) An interest saving of R16.5 million (pre-tax) is reversed against interest expense and is assumed to be taxable. The interest saving has been calculated based on the total participants to the Early Conversion and the RenAsset Conversion as at 1 March 2010 and the actual interest incurred and reported for the six months ended 31 August 2010;
 - (c) The reversal of a foreign exchange gain totaling R6,6 million (pre-tax) is reversed against other operating income and is assumed to be tax deductible. The foreign exchange gain reversed has been calculated based on the foreign exchange gain recognised on the conversion of foreign denominated debt due to participants to the Transaction as at 1 March 2010 and the foreign exchange gain reported for the six months ended 31 August 2010.
 - (d) Once-off transaction costs of R2 million (pre-tax) in aggregate are paid out of cash resources, and are assumed to be tax deductible;
 - (e) A full tax rate of 28% has been applied and the impact of any tax losses is ignored;
 - (f) The issue of 1,712,719,093 Dilution Shares as set out in paragraphs 3.1 and 3.2 of this Circular in accordance with the Early Conversion and the RenAsset Agreements; and
 - (g) The issue of 1,382,715,676 Anti-dilution Shares as set out in paragraph 3.5 of this Circular in accordance with the Subscription Agreement.
8. For purposes of calculating NAVPS and NTAVPS (After the Early Conversion and the RenAsset Conversion), the unaudited *pro forma* financial effects are calculated on the following assumptions:
- (a) The Early Conversion and the RenAsset Conversion were implemented on 31 August 2010;
 - (b) Share capital has been adjusted for:

- I. The issue of 1,712,719,093 Dilution Shares as set out in paragraphs 3.1 and 3.2 of this Circular in accordance with the Early Conversion and RenAsset Agreements. Dilution shares are assumed to be issued at a fair value of 13 cents a share giving rise to a R222.7 million adjustment to share capital.
 - II. The issue of 1,382,715,676 Anti-dilution Shares as set out in paragraph 3.5 of this Circular in accordance with the Subscription Agreement. Anti-dilution Shares are assumed to be issued at the par value of 0.0001 cent a share for a cash consideration of R1,382.72.
 - III. The issue of Dilution and Anti-dilution shares are indicative only due to the fact that the debt being converted include foreign denominated borrowings of BWP36.4 million and US\$6.6 million which have been converted at rates of ZAR/BWP = 1.01 and ZAR/US\$ = 6.74, respectively, as at 7 January 2011. The ultimate conversion of the debt will be impacted by the foreign exchange rates prevailing at the Effective Date of the Early Conversion and the RenAsset Conversion.
- (c) Long-term liabilities have been adjusted for the de-recognition of debt to the value of R222.7 million based on the total debt converted into Ordinary Shares as set out in paragraphs 3.1 and 3.2 of this Circular in accordance with the Early Conversion and the RenAsset Agreements; and
 - (d) Accumulated losses have been adjusted for:
 - I. Once-off transaction costs of R2 million (pre-tax) or R1.4 million (post-tax), all of which are assumed to be tax deductible, are paid out of cash resources.

The Pinebridge Specific Issue

9. The 'After the Early Conversion, RenAsset Conversion and Pinebridge Specific Issue' column has been adjusted for the effects of the Early Conversion and the RenAsset Conversion as detailed above, as well as the effects of the Pinebridge Specific Issue.
10. For purposes of calculating LPS and HLPS (After the Early Conversion, RenAsset Conversion and Pinebridge Specific Issue), the unaudited *pro forma* financial effects have been calculated based on the assumptions detailed above for the purposes of the Early Conversion and RenAsset Conversion as well as the following additional assumptions, specifically pertaining to the Pinebridge Specific Issue:
 - (a) The Pinebridge Specific Issue was implemented on 1 March 2010;
 - (b) The issue of 337,935,223 Dilution Shares as set out in paragraph 3.3 of this Circular in accordance with the Pinebridge Amendment Agreement; and
 - (c) The issue of 351,728,497 Anti-dilution Shares as set out in paragraph 3.5 of this Circular in accordance with the Subscription Agreement.
11. For purposes of calculating NAVPS and NTAVPS (After the Early Conversion, the RenAsset Conversion and Pinebridge Specific Issue), the unaudited *pro forma* financial effects have been calculated based on the assumptions detailed above for the purposes of the Early Conversion and RenAsset Conversion as well as the following additional assumptions specifically pertaining to the Pinebridge Specific Issue:
 - (a) The Pinebridge Specific Issue was implemented on 31 August 2010;
 - (b) Share capital has been adjusted for:
 - I. The issue of 337,935,223 Dilution Shares as set out in paragraph 3.3 of this Circular in accordance with the Pinebridge Amendment Agreement. Dilution shares are assumed to be issued at a fair value of 13 cents a share giving rise to a R43.9 million adjustment to share capital.
 - II. The issue of 351,728,497 Anti-dilution Shares as set out in paragraph 3.5 of this Circular in accordance with the Subscription Agreement. Anti-dilution Shares are assumed to be issued at the par value of 0.0001 cent a share for a cash consideration of R351.73.
 - III. The issue of Dilution and Anti-dilution Shares are indicative only due to the fact that the debt being converted include foreign denominated borrowings of US\$6.1 million which have been converted at a rate of ZAR/US\$ = 6.74 as at 7 January 2011. The ultimate conversion of the debt will be impacted by the foreign exchange rates prevailing at the Effective Date of the Pinebridge Specific Issue.
 - (c) Long-term liabilities have been adjusted for the de-recognition of debt to the value of R41 million based on the total debt converted into Ordinary Shares as set out in paragraph 3.3 of this Circular in accordance with the Pinebridge Amendment Agreement; and
 - (d) Accumulated losses have been adjusted for:

The Blue Claim of *circa* R3 million which gives rise to the issue of 22,731,277 Ordinary Shares as discussed in paragraph 3.2 of Annexure 10 to this Circular. The Blue Claim Amount constitutes a change in estimate of the number of Ordinary Shares to be issued on the conversion of the Class C Convertible Redeemable Preference Shares, as such represents an equity transaction and not the recognition of an additional liability.

5.2 Illustrative effects of the potential issue of additional Dilution Shares up to the Conversion Limit incorporating the Blue BEE Transaction

The following table sets out the unaudited *pro forma* financial effects of the potential issue of further Dilution Shares up to the Conversion Limit as a result of the Blue BEE Transaction (as described in paragraph 3.4 of this Circular), the potential adjustment to the maximum permissible amount (as described in paragraph 3.4.5 of this Circular) as well as Anti-dilution Shares as contemplated in the Subscription Agreement (as described in paragraph 3.5 of this Circular).

Illustrative effects of the potential issue of the maximum permissible Early Conversion shares

| | <i>Pro forma</i> Before ⁽¹⁾ (cents) | After Maximum Early Conversion ⁽²⁾ (cents) | Change (%) |
|--|--|---|---------------|
| Loss per share | (3.1) | (2.6) | 16 |
| Headline loss per share | (3.1) | (2.6) | 16 |
| Net asset value per share ("NAVPS") | 2.8 | 3.3 | 18 |
| Net tangible asset value per share ("NTAVPS") | (5.9) | (4.2) | 29 |
| Number of shares in issue ('000) | 5,663,314 | 6,580,346 | 16 |
| Weighted number of shares ('000) | 5,663,314 | 6,580,346 | 16 |
| Further shares issued to Existing Lenders ('000) | | 449,346 | |
| Further shares issued to Mayibuye ('000) | | 467,686 | |
| Mayibuye shareholding (%) | 51.0 | 51.0 | – |
| Additional Lenders shareholding (%) | 0.0 | 6.8 | 100 |
| Existing Blue shareholders (%) | 49.0 | 42.2 | (14) |

Notes:

- The '*Pro forma Before*' column is based on the unaudited *pro forma* financial effects for the six months ended 31 August 2010 after adjusting for the Early Conversion, RenAsset Conversion and Pinebridge Specific Issue as set out in paragraph 5.1 of this Circular.
- The 'After Maximum Early Conversion' column is based on a scenario whereby relevant qualifying BEE parties will be offered to participate in the Blue BEE transaction by virtue of acquiring Blue BEE Transaction Debts up to a maximum amount of R50 million as well as the potential adjustment to the maximum permissible amount. The unaudited *pro forma* financial effects are calculated on the following assumptions:
 - The potential scenario where the Blue BEE Transactions Debts as well as the remaining outstanding debt to Existing Lenders amount to R58.4 million. The R58.4 million has been arrived at by reducing the Conversion Limit per the Early Conversion Agreement, with the R266.6 million debt converted for the purposes of the Transaction in order to cater for the potential adjustment to the maximum permissible amount as described in paragraph 3.4.5 of this Circular;
 - The issue of 449,345,685 Dilution Shares in accordance with the Blue BEE Transaction and the potential adjustment to the maximum permissible amount as described in paragraph 3.4.5 of this Circular. Dilution Shares are assumed to be issued at a fair value of 13 cents a share giving rise to a R58.4 million adjustment to share capital;
 - The issue of 467,686,325 Anti-dilution Shares as set out in paragraph 4.7 in the Recapitalisation Circular in accordance with the Subscription Agreement are issued to Mayibuye and its resulting shareholding is 51%. Anti-dilution shares are assumed to be issued at the par value of R0.000001 a share for a cash consideration of R467.69;
 - The interest expense that is attributable to the outstanding debt to Existing Lenders is assumed to have an average interest rate of 15% per annum. Consequently, an interest saving of *circa* R4.4 million (pre-tax), is added back to earnings for an assumed six-month period. The interest saving is assumed to be fully taxable;
 - The Dilution Shares and Anti-dilution Shares are assumed to be in issue for the period from 1 March 2010 to 31 August 2010 for the purposes of calculating the LPS and HLPS, illustrative effects; and
 - The Dilution Shares and Anti-dilution Shares are assumed to be issued on 31 August 2010 for the purposes of calculating the NAVPS and NTAVPS illustrative effects.

5.3 Illustrative effects of the potential issue of Dilution Shares and Anti-dilution Shares

The following table sets out the unaudited *pro forma* financial effects of the potential issue of future Dilution Shares and Anti-dilution Shares under the high case scenario as detailed in the Recapitalisation Circular after assuming the capital payment holiday of 36 months as contemplated in the Debt Rescheduling Agreement and described in paragraphs 4.6 and 4.7 of the Recapitalisation Circular.

Illustrative effects of the potential issue of Dilution Shares and Anti-dilution Shares

| | <i>Pro forma</i> Before ⁽¹⁾ (cents) | High case ⁽²⁾ (cents) | Change (%) |
|--|--|-------------------------------------|---------------|
| Loss per share | (3.1) | (2.4) | 23 |
| Headline loss per share | (3.1) | (2.4) | 23 |
| Net asset value per share ("NAVPS") | 2.8 | 4.2 | 50 |
| Net tangible asset value per share ("NTAVPS") | (5.9) | (2.9) | 51 |
| Number of shares in issue ('000) | 5,663,314 | 7,024,691 | 24 |
| Weighted number of shares ('000) | 5,663,314 | 7,024,691 | 24 |
| Further shares issued to Existing Lenders ('000) | | 667,075 | |
| Anti-dilution Shares issued to Mayibuye ('000) | | 694,302 | |
| Mayibuye shareholding (%) | 51.0 | 51.0 | – |
| Additional Lenders shareholding (%) | 0.0 | 9.5 | 100 |
| Existing Blue shareholders (%) | 49.0 | 39.5 | (19) |

Notes:

- The 'Pro forma Before' column is based on the unaudited *pro forma* financial effects for the six months ended 31 August 2010 after adjusting for the Early Conversion, RenAsset Conversion and Pinebridge Specific Issue as set out in paragraph 5.1 of this Circular.
- The 'High case' column is based on a scenario whereby there remains outstanding debt to Existing Lenders of R133.4 million that will result in Dilution Shares and Anti-dilution Shares being issued as set out in paragraphs 4.6 and 4.7 of the Recapitalisation Circular. The unaudited *pro forma* financial effects are calculated on the following assumptions:
 - The potential scenario where the outstanding debt to Existing Lenders amount to R133.4 million. The R133.4 million has been arrived at by reducing the high case scenario of R400 million per section 4 of Annexure 2 to the Recapitalisation Circular, with the R266.6 debt converted for the purposes of the Transaction.
 - The issue of 667,074,695 Dilution Shares as set out in paragraph 4.6 in the Recapitalisation Circular in accordance with the Debt Rescheduling Agreement. Dilution shares are assumed to be issued at a 30-day VWAP of 20 cents a share giving rise to a R133.4 million adjustment to share capital.
 - The issue of 694,301,234 Anti-dilution Shares as set out in paragraph 4.7 in the Recapitalisation Circular in accordance with the Subscription Agreement are issued to Mayibuye and its resulting shareholding is 51%. Anti-dilution Shares are assumed to be issued at the par value of R0.000001 per share for a cash consideration of R694.03.
 - The interest expense that is attributable to the outstanding debt to Existing Lenders is assumed to have an average interest rate of 15% per annum. Consequently, an interest saving of *circa* R10 million (pre-tax), is added back to earnings for an assumed six-month period. The interest saving is assumed to be fully taxable.
 - The Dilution and Anti-dilution Shares are assumed to be in issue for the period from 1 March 2010 to 31 August 2010 for the purposes of calculating the LPS and HLPS, illustrative effects.
 - The Dilution and Anti-dilution Shares are assumed to be issued on 31 August 2010 for the purposes of calculating the NAVPS and NTAVPS illustrative effects.

5.4 Illustrative effects of the potential issue of Warranty Shares

The following table sets out the unaudited *pro forma* financial effects of the potential issue of Warranty Shares assuming a high case scenario, however before the impact on the BEE Transaction:

Illustrative effects of the potential issue of Warranty Shares

| | <i>Pro forma</i> Before ⁽¹⁾ (cents) | High case ⁽²⁾ (cents) | Change (%) |
|---|--|-------------------------------------|---------------|
| Loss per share | (3.1) | (5.3) | (71) |
| Headline loss per share | (3.1) | (5.2) | (68) |
| Net asset value per share ("NAVPS") | 2.8 | (0.1) | (104) |
| Net tangible asset value per share ("NTAVPS") | (5.9) | (7.7) | (31) |
| Number of shares in issue ('000) | 5,663,314 | 6,478,314 | 14 |
| Weighted number of shares ('000) | 5,663,314 | 6,478,314 | 14 |
| Further shares issued to Mayibuye ('000) | | 815,000 | |
| Mayibuye shareholding (%) | 51.0 | 57.2 | 12 |
| Existing Blue shareholders (%) | 49.0 | 42.8 | (13) |

Notes:

1. The 'Pro forma Before' column is based on the unaudited *pro forma* financial effects for the six months ended 31 August 2010 after adjusting for the Early Conversion, RenAsset Conversion and Pinebridge Specific Issue as set out in paragraph 5.1 of this Circular.
2. The 'High case' column is based on a potential scenario whereby a warranty Claim Amount raised by Mayibuye will result in Warranty Shares being issued as set out in paragraph 4.5 of the Recapitalisation Circular. The unaudited *pro forma* financial effects are calculated on the following assumptions:
 - (a) The post-tax warranty Claim Amount is R163 million. The R163 million is consistent with the high case scenario per section 3 of Annexure 2 to the Recapitalisation Circular. The high case warranty Claim Amount must be viewed in light of an existing Claim Amount estimated at R43.9 million as set out in paragraph 3.3.4 of this Circular and the potential Claim Amount estimated at R8 million as set out in paragraph 5.6 of this Circular;
 - (b) The issue of 815,000,000 Warranty Shares. Warranty Shares are assumed to be issued at a 30-day VWAP of 20 cents per Blue share; and
 - (c) The associated cost of issuing the Warranty Shares is credited against share capital and debited against accumulated loss.
3. The once-off net after tax expense attributable to the potential warranty Claim Amount is adjusted against the earnings of the Company and will result in a cash outflow for Blue in order to settle the associated expense.

5.5 Unaudited pro forma statement of comprehensive income and statement of financial position

The unaudited *pro forma* statement of comprehensive income and statement of financial position, based on the published reviewed condensed consolidated interim results for the six months ended 31 August 2010 are presented in Annexure 2 to this Circular.

The independent reporting accountants' report on the unaudited *pro forma* income statement of comprehensive income and statement of financial position is set out in Annexure 3 to this Circular.

5.6 Historical financial information

The reviewed published interim results for the six months ended 31 August 2010 is set out in Annexure 14. The independent auditors have issued an unqualified review opinion. However, such review opinion contains an emphasis of matter in relation to the going concern on the Company.

Shareholders are referred to *note 11, Subsequent Events* whereby shareholders were advised that, on 22 October 2010, the Lesotho Court of Appeal passed a judgement in accordance with which all fees and charges that relate to money lending agreements that have been concluded in terms of the Money Lender Act, 6 of 1993, are limited to a rate of 25% per annum. At the time of publication of the interim results the Group was still in the process of reviewing the judgement and its impact. Subsequent to the publication of the interim results, management is of the view that the outcome of this judgement is estimated will impact the results of the Company by *circa* R8 million before tax, for the period 1 September 2010 to 28 February 2011. To the extent that this matter falls within Mayibuye's entitlement to receive Warranty Shares, further shares may be issued in due course in terms of the Subscription Agreement.

6. SALIENT INFORMATION ON BLUE**6.1 Incorporation and History**

Blue was incorporated in Pretoria under the name JR 17 Investments (Proprietary) Limited on 28 May 1996, thereafter the name was changed to G.F.S. Konstruksie Oranje Vrystaat (Proprietary) Limited on 2 July 1996 and thereafter to Blue Financial Services (Proprietary) Limited on 23 May 2005. The Company was converted to a public company, Blue Financial Services Limited, on 30 November 2005 and listed on AltX in October 2006.

6.2 The Business

6.2.1 Blue is a South African-based company with operations in several African countries which focuses primarily on providing ethical, innovative and affordable credit solutions to people within Africa.

6.2.2 As a financial services enterprise it predominantly partners with employers (governments, parastatals and businesses) to provide their employees with a range of financial services, including personal loans, mortgages, home-improvement loans, insurance offerings, telecommunications packages and small business loans. These partnerships enable Blue to offer the above solutions to its client base at affordable rates while limiting its risk in doing so.

- 6.2.3** Blue targets creditworthy employees below LSM 7 (Living Standard Measurement) standards, a sector that remains largely excluded from mainstream credit markets.
- 6.2.4** During the 2010 financial year Blue operated in Botswana, Cameroon, Kenya, Lesotho, Malawi, Namibia, Nigeria, Rwanda, South Africa, Swaziland, Tanzania, Uganda and Zambia. The Group has been granted an operating license in Ghana but operations have not yet commenced. Since the year-end the Group has suspended operations in Cameroon and Rwanda out of concern for lower than expected performance, and in the case of Rwanda, regulatory compliance challenges.
- 6.2.5** At its peak, the Group operated in 14 countries in Africa, through more than 300 branches and employed 1 714 permanent staff. These have now been reduced to 240 and 1 158, respectively, at the date of this Circular. Details of Blue's material subsidiaries are set out in Annexure 4 to this Circular.

6.3 Prospects

- 6.3.1** The implementation of the recapitalisation of the Group and the turnaround plan for the business, as set out in the Recapitalisation Circular, is ongoing.
- 6.3.2** Mayibuye has recapitalised the business in terms of the Subscription Agreement and has commenced the execution of a turnaround plan aimed at restoring the Group to profitability in the medium term through addressing important areas of business and product improvement.
- 6.3.3** Key actions to be implemented by Blue in conjunction with Mayibuye include:
- 6.3.3.1 Stabilising the financial position with the provision of the funding required to facilitate growth in the business;
 - 6.3.3.2 Leveraging Mayibuye's turnaround experience, whereby it is expected that Mayibuye will assist Blue in right-sizing its operations to sustainable levels such that Blue will be able to return to profitability. This will entail, *inter alia*, further cost reductions. The Group embarked on a significant cost reduction programme during the second half of the 2010 financial year whereby cash operating costs, which were approximately R53 million per month in August 2009, were reduced to below R40 million per month at 28 February 2010. By November 2010 the cash operating costs were below R30 million per month;
 - 6.3.3.3 Enhancing the overall operational performance of the Company, specifically in collections, risk management and finance by leveraging Mayibuye's credit collection experience and which will be key for Blue in order to realise the maximum value from its impaired loan advances. Mayibuye also has relevant experience in credit granting and will be able to assist Blue in improving its credit granting processes to improve the performance of its future loan advances. It is envisaged that the collection of the loan advances book and the servicing and management of the loan advances book will be outsourced;
 - 6.3.3.4 Assessing business segments, product mix and products lines as well as the introduction of new products in line with overall business optimisation and capital deployment; and
 - 6.3.3.5 Focusing on organic growth and scalability of its existing operations.
- 6.3.4** The Board of Directors believes that these strategic actions can restore Group profitability and ensure that the Group benefits in the future from its market position, distribution, brand and products on the African continent.

6.4 Share price history

The share price history of Blue on the JSE since 31 December 2007 until the last practicable date is set out in Annexure 13 to this Circular.

6.5 Directors

The full names, functions, date of appointment, ages, nationalities, business addresses, qualifications and experience of the Directors are set out in Annexure 1 to this Circular.

6.6 Senior management

The full names, functions, date of appointment, ages, nationalities, business addresses, qualifications and experience of the senior management of Blue and its subsidiaries are set out in Annexure 1 to this Circular.

6.7 Board and management changes

6.7.1 Following the implementation of the recapitalisation as set out in the Recapitalisation Circular, Mayibuye became the majority shareholder in Blue on 10 December 2010. Mayibuye reconstituted both the Board and executive management of Blue. Furthermore, the new Board re-appointed Mike Meehan as an independent non-executive director with effect from 21 January 2011.

6.7.2 The reconstituted Board consists of two executive Directors and nine non-executive Directors of whom at least six are independent non-executive Directors (including an independent non-executive chairman). In anticipation of its compliance with King III, the Audit Committee consists of three independent non-executive Directors, of whom the independent non-executive chairman of the Board is not a member. In addition to the Audit Committee, the Company continues to operate a Risk Committee, Remuneration and Nominations Committee and Executive Committee to assist the new Board in discharging its responsibilities.

6.7.3 The new Board of the Company is comprised as follows:

| Name | Designation |
|----------------|---|
| Sipho Twala | Independent non-executive and Chairman |
| Robert Emslie | Independent non-executive and Deputy Chairman |
| Johan Meiring | Chief Executive Officer |
| Shaun Strydom | Chief Financial Officer |
| Alan Ber | Non-executive |
| Moss Mashishi | Non-executive |
| Tony Couloubis | Non-executive |
| Leonard Fine | Independent non-executive |
| Timothy Till | Independent non-executive |
| James French | Independent non-executive |
| Mike Meehan* | Independent non-executive |

* Re-appointed on 21 January 2011

A brief *curricula vitae* of each of the above Directors is set out in Annexure 1 to this Circular.

6.7.4 A detailed and extensive evaluation of the total management structure of the Group is currently being undertaken. Details of current senior management are set out in Annexure 1 to this Circular.

6.8 Directors' emoluments

There will be no resultant variation in the remuneration receivable by any of the Directors of Blue as a consequence of the Transaction.

6.8.1 The aggregate *pro rata* emoluments to be paid to the executive Directors for the period 13 December 2010 to 28 February 2011 is set out in paragraph 6.8.2.1 below. The aggregate *pro rata* emoluments to be paid to the non-executive Directors, listed in paragraph 6.7.3 above, for the period 13 December 2010 to 28 February 2011, will be calculated on the following basis:

- Each non-executive Director will earn a retainer of R140,000 per annum and R7,000 per Board or Committee meeting attended. The Chairman of the Board will earn a retainer of R240,000 per annum and R7,000 per Board or Committee meeting attended.

6.8.2 An analysis of the aggregate emoluments paid and/or accrued for each Director as payable since the reconstitution of the Board at 13 December 2010, is set out in the tables below:

6.8.2.1 **Executive Directors**

| Director | Bonus and other benefits (R'000) | Directors' fees (R'000) | Basic remuneration (R'000) | Total (R'000) |
|-----------------|---|--------------------------------|-----------------------------------|----------------------|
| J Meiring | – | – | – | – |
| S Strydom | 26 | – | 159 | 185 |
| | 26 | – | 159 | 185 |

6.8.3 The aggregate emoluments paid/accrued to each Director for the period 1 March 2010 to 10 December 2010 is set out below:

6.8.3.1 **Executive Directors**

| Director | Bonus and other benefits (R'000) | Directors' fees (R'000) | Basic remuneration (R'000) | Total (R'000) |
|-----------------|---|--------------------------------|-----------------------------------|----------------------|
| D van Niekerk | 397 | – | 819 | 1,216 |
| W J Smit | 344 | – | 824 | 1,168 |
| S Strydom | 230 | – | 1,428 | 1,658 |
| C B Klopper | 132 | – | 681 | 813 |
| | 1,103 | – | 3,752 | 4,855 |

6.8.3.2 **Non-Executive Directors**

| Director | Bonus and other benefits (R'000) | Directors' fees (R'000) | Basic remuneration (R'000) | Total (R'000) |
|-----------------|---|--------------------------------|-----------------------------------|----------------------|
| M J Sondiyazi | – | 294 | – | 294 |
| M G Meehan | – | 330 | – | 330 |
| J A French | – | 280 | – | 280 |
| S Twala | – | 343 | – | 343 |
| | – | 1,247 | – | 1,247 |

Notes:

- Other than as disclosed in the tables above, no other emoluments and/or directors' fees were paid to any other directors of Blue.
- Details of the Board appointments and resignations are set out in paragraph 6.8.5 below.

6.8.4 The aggregate emoluments paid/accrued to each director for the period ended 28 February 2010 is set out below:

6.8.4.1 **Executive Directors**

| Director | Bonus and other benefits (R'000) | Directors' fees (R'000) | Basic remuneration (R'000) | Total (R'000) |
|-----------------|---|--------------------------------|-----------------------------------|----------------------|
| D van Niekerk | 697 | – | 1,674 | 2,371 |
| W J Smit | 626 | – | 1,258 | 1,884 |
| S Strydom | 180 | – | 1,478 | 1,658 |
| C B Klopper | 345 | – | 1,016 | 1,361 |
| G Chittenden | 1,185 | – | 747 | 1,932 |
| | 3,033 | – | 6,173 | 9,206 |

6.8.4.2 *Non-Executive Directors*

| Director | Bonus and other benefits (R'000) | Directors' fees (R'000) | Basic remuneration (R'000) | Total (R'000) |
|-----------------|---|--|---|--------------------------|
| M J Sondiyazi | – | 250 | – | 250 |
| M G Meehan | – | 350 | – | 350 |
| | – | 600 | – | 600 |

Notes:

- Other than as disclosed in the tables above, no other emoluments and/or Directors' fees were paid to any other Directors of Blue.
- Details of the Board appointments and resignations are set out in paragraph 6.8.5 below.

6.8.5 The following appointments and resignations to the Blue Board during the last two years are set out below:

| Resigned | Effective date |
|------------------|---|
| G Chittenden | 31 July 2009 |
| G L Sangudi | 1 September 2009 |
| D v Niekerk | 30 July 2010 |
| S Strydom | 13 December 2010 |
| S Twala | 13 December 2010 |
| J A French | 13 December 2010 |
| A Couloubis | 13 December 2010 |
| A Steyn | 13 December 2010 |
| A R Aime | 13 December 2010 |
| C B Klopper | 13 December 2010 |
| M. Sondiyazi | 13 December 2010 |
| M G Meehan | 13 December 2010 |
| W J Smit | 13 December 2010 |
| Appointed | Effective date |
| J Meiring | 13 December 2010 |
| S Strydom | 4 June 2009 and re-appointed on 13 December 2010 |
| S Twala | 1 March 2010 and re-appointed on 13 December 2010 |
| J A French | 10 November 2009 and re-appointed on 13 December 2010 |
| A Couloubis | 1 June 2007 and re-appointed on 13 December 2010 |
| R Emslie | 13 December 2010 |
| T Till | 13 December 2010 |
| L Fine | 13 December 2010 |
| A Ber | 13 December 2010 |
| M Mashishi | 13 December 2010 |
| C B Klopper | 26 February 2009 |
| A R Aime | 1 September 2009 |
| M G Meehan | 26 February 2009 and re-appointed on 21 January 2011 |

6.9 Blue Share Plan

6.9.1 The shareholders approved the Blue Employee Share Incentive Scheme 30 September 2009 (“**the Blue Share Plan**”), which aims to attract, motivate and reward eligible employees who are able to influence the performance of Blue on a basis which aligns their interests with those of the Group and the shareholders of Blue.

6.9.2 The Blue Share Plan incorporates the following elements:

6.9.2.1 Allocations of equity settled Share Appreciation Rights (“**SARs**”); and

6.9.2.2 Awards of equity settled Performance Shares (“**PSs**”).

6.9.3 The Blue Share Plan is established whereby executive Directors and selected employees of Blue and its subsidiaries will receive shares in Blue based on their individual allocations and/or awards, after:

6.9.3.1 the time for such vesting has arrived;

6.9.3.2 when any specific conditions attached to the allocations and/or awards have been met;

6.9.3.3 the payment by the participants of employee tax, as applicable; and

6.9.3.3.1 in the case of SARs, the share price of Blue has exceeded its required thresholds; and

6.9.3.3.2 in the case of PSs, to the extent that performance conditions have been met.

6.9.4 Share Appreciation Rights

Vesting of each allocation of SARs will occur annually in equal thirds commencing either on the second or third anniversary of the date of allocation, provided that individuals may elect to defer exercise by one year after the vesting date, where after, if not exercised, the SARs will lapse and be cancelled.

6.9.5 Performance Shares

The conditional award will, depending on the determination of the Board at the time an award is made, vest after either two or three years if, and to the extent that the performance conditions have been satisfied. The conditional awards which do not vest at the end of the three-year period will lapse.

Details of awards and/or allocations made to Blue executive Directors and employees, to date, are set out in Annexure 1 to this Circular.

6.10 Directors' interests

6.10.1 Directors' interests in the issued share capital of the Company

6.10.1.1 The Directors' direct and indirect beneficial interests in the share capital of Blue for the period 13 December 2010 to the date of this Circular, including Directors that have resigned during the last 18 months, is set out below:

6.10.1.1.1 Executive Director

| Director | Direct Holding ('000) | Indirect Holding ('000) | Total ('000) |
|------------|-----------------------|-------------------------|----------------|
| J Meiring* | – | 787,150 | 787,150 |
| | – | 787,150 | 787,150 |

* The JMF Trust indirectly holds 41.91% (forty-one point nine-one *per centum*) of Blue. That trust is a discretionary trust and its trustees have been vested with a discretion to award the whole or any portion of its income and/or capital to any of the beneficiaries of the trust, but no such beneficiary is absolutely entitled to be awarded any amount by the trustees. The beneficiaries of the trust are Johan Meiring, his spouse, each natural or adopted child of Johan Meiring and his parents.

6.10.1.1.2 Non-Executive Director

| Director | Direct Holding ('000) | Indirect Holding ('000) | Total ('000) |
|------------|-----------------------|-------------------------|---------------|
| M Mashishi | – | 74,997 | 74,997 |
| | – | 74,997 | 74,997 |

Notes:

- Other than as disclosed above, no other Directors, including Directors that have resigned during the last 18 months, hold any interest in Ordinary Shares.
- Details of the Board appointments and resignations are set out in paragraph 6.8.5 above.

6.10.1.2 The Directors' direct and indirect beneficial interests in the share capital of Blue for the period 1 March 2010 to 10 December 2010, including Directors that have resigned during the last 18 months, are set out below:

6.10.1.2.1 Executive Director

| Director | Direct Holding ('000) | Indirect Holding ('000) | Total ('000) |
|---------------|-----------------------|-------------------------|----------------|
| D van Niekerk | 95,259 | 18,876 | 114,135 |
| W J Smit | 1,000 | – | 1,000 |
| | 96,259 | 18,876 | 115,135 |

6.10.1.2.2 Non-Executive Director

| Director | Direct Holding ('000) | Indirect Holding ('000) | Total ('000) |
|---------------|-----------------------|-------------------------|--------------|
| M J Sondiyazi | 63 | – | 63 |
| | 63 | – | 63 |

Notes:

- Other than as disclosed above, no other Directors, including Directors that have resigned during the last 18 months, hold any interest in Ordinary Shares.
- Details of the Board appointments and resignations are set out in paragraph 6.8.5 above.

6.10.1.3 The Directors' direct and indirect beneficial interests in the share capital of Blue for the period ended 28 February 2010, including Directors that have resigned during the last 18 months, is set out below:

| Director | Direct Holding ('000) | Indirect Holding ('000) | Total ('000) |
|----------------------|------------------------------|--------------------------------|---------------------|
| 2010 | | | |
| Executive | | | |
| D van Niekerk | 95,259 | 18,876 | 114,135 |
| W J Smit | 1,000 | – | 1,000 |
| Non-Executive | | | |
| M J Sondiyazi | 63 | – | 63 |
| S M Twala | 55 | – | 55 |
| | 96,377 | 18,876 | 115,253 |

Notes:

- Other than as disclosed above, no other Directors, including Directors that have resigned during the last 18 months, hold any interest in Ordinary Shares.
- Details of the Board appointments and resignations are set out in paragraph 6.8.5 above.

6.10.2 Directors' interests in transactions

6.10.2.1 Other than the Subscription Agreement, Pinebridge Agreement, Pinebridge Amendment Agreement and the shareholders loan from Dave van Niekerk (which currently has an outstanding balance of *circa* R3.3 million), none of the Directors, including Directors who have resigned in the 18 months prior to this Circular, have any material direct or indirect beneficial interest in any transaction that was effected by the Group during the current or immediately preceding financial year, which remains in any respect outstanding or unperformed.

6.10.3 Interest of Directors in contracts

6.10.3.1 During the current or immediately preceding financial year, no contracts other than the Subscription Agreement, Pinebridge Agreement and Pinebridge Amendment Agreement were entered into, in which Directors and officers, including Directors who have resigned in the 18 months prior to this Circular, of the Company had a material direct or indirect beneficial interest which significantly affected the Group.

6.10.4 Corporate Governance

6.10.4.1 Blue is committed to the principles of openness, integrity and accountability in its dealings with all stakeholders and supports the Code of Corporate Practices and Conduct as recommended by the King II Report on Corporate Governance. Extracts of the corporate governance policies adopted by Blue are set out in Annexure 6 to this Circular.

6.10.5 Shareholder analysis

6.10.5.1 The shareholder analysis of Blue, as at the last practicable date is set out below:

| | Number of Holders | Percentage of total share-holders | Number of shares | Percentage of total issued share capital |
|----------------------------------|--------------------------|--|-------------------------|---|
| Analysis of shareholdings | | | | |
| 1 – 1 000 | 348 | 19.07 | 177,071 | 0.01 |
| 1 001 – 10 000 | 673 | 36.88 | 3,206,616 | 0.17 |
| 10 001 – 100 000 | 577 | 31.62 | 21,505,470 | 1.14 |
| 100 001 – 1 000 000 | 179 | 9.80 | 50,275,860 | 2.68 |
| 1000 001 – and above | 48 | 2.63 | 1,803,050,862 | 96.00 |
| Totals | 1,825 | 100.00 | 1,878,215,879 | 100.00 |

| | Number of Holders | Percentage of total shareholders | Number of shares | Percentage of total issued share capital |
|--|-------------------|----------------------------------|----------------------|--|
| Categories of shareholders | | | | |
| Banks | 13 | 0.71 | 271,404,751 | 14.45 |
| Collective investment schemes and mutual funds | 42 | 2.30 | 205,713,314 | 10.95 |
| Trusts | 62 | 3.40 | 9,098,614 | 0.49 |
| Private companies and close corporations | 79 | 4.33 | 1,194,945,243 | 63.62 |
| Individuals | 1,629 | 89.26 | 197,053,957 | 10.49 |
| Totals | 1,825 | 100.00 | 1,878,215,879 | 100.00 |
| Shareholder Spread | | | | |
| Non-public | 3 | 0.16 | 1,411,588,671 | 75.16 |
| Over 10% of issued capital | 2 | 0.11 | 1,411,533,671 | 75.15 |
| Directors and associates | 1 | 0.05 | 55,000 | 0.003 |
| Public | 1,822 | 99.84 | 466,627,208 | 24.84 |
| Totals | 1,825 | 100.00 | 1,878,215,879 | 100.00 |
| Major shareholders (5% and more of the shares in issue) | | | | |
| | | | Number | Percentage |
| Mayibuye | | | 1,153,846,154 | 61.43 |
| Pinebridge | | | 257,687,517 | 13.72 |
| Absa Bank | | | 126,382,400 | 6.73 |
| D van Niekerk | | | 94,809,367 | 5.05 |

6.11 Material contracts

6.11.1 Other than the Subscription Agreement, the Pinebridge Agreement, the Debt Rescheduling Agreement and the Claims Purchase Agreement, as set out in the Recapitalisation Circular and the Early Conversion Agreement, the Pinebridge Amendment Agreement and the RenAsset Agreement, the subject of this Circular, no material contracts, other than contracts entered into in the ordinary course of business, were entered into during the current year.

6.12 Service contracts with Directors

6.12.1 The chief financial officer has signed a contract of employment with Blue. The newly appointed chief executive officer is in the process of finalising a contract of employment with Blue. Standard restraint of trade and confidentiality agreements form part of the service contracts.

7. EXCHANGE CONTROL REGULATIONS

The following is a summary of the Exchange Control Regulations as they affect emigrant and non-resident shareholders, and is intended as a guide to the Exchange Control Regulations and is not, therefore, a comprehensive statement. In the event that Blue shareholders have any doubts as to the effect of these regulations in, or the applicability of them to their particular case, they should consult their professional advisers without delay. Shareholders who are not resident in, or who have a registered address outside South Africa must satisfy themselves as to the full observance of the laws of any relevant jurisdiction concerning the receipt of the cash distribution, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territory.

7.1 Emigrants

7.1.1 The sale of shares due to a shareholder who is an emigrant from the Common Monetary Area, whose registered address is outside the Common Monetary Area, will:

7.1.1.1 in the case of a certificated ordinary shareholder whose documents of title have been restrictively endorsed under the Exchange Control Regulations, be deposited in a blocked Rand account with the authorised dealer in foreign exchange in South Africa controlling such certificated ordinary shareholder's blocked assets in accordance with his instructions; and

7.1.1.2 in the case of a dematerialised ordinary shareholder, be credited directly to the ordinary shareholder's blocked Rand account by his duly appointed CSDP and held to the order of the authorised dealer in foreign exchange in South Africa.

7.2 All other non-residents of the Common Monetary Area

7.2.1 The issue of shares due to non-resident shareholders whose registered addresses are outside of the Common Monetary Area and who are not emigrants from the Common Monetary Area will:

7.2.1.1 in the case of a certificated ordinary shareholder whose documents of title have been endorsed "non-resident" under the Exchange Control Regulations, be posted to their registered address, unless written instructions to the contrary are received and an address is provided; and

7.2.1.2 in the case of a dematerialised ordinary shareholder, be credited directly to the ordinary shareholder's non-resident account held with the authorised dealer in foreign exchange in South Africa.

8. LITIGATION STATEMENT

8.1 There are certain potential legal claims against the Group, the outcome of which cannot at present be foreseen. The claims are not regarded as substantial either on an individual or Group basis, and should not exceed R5 million.

8.2 Other than as set out in paragraph 8.1 above there are no legal or arbitration proceedings, either pending or threatened against the Company or its subsidiaries of which the Company is aware which may have, or have had in the last 12 months, a material effect on the financial position of the Company or its subsidiaries.

9. PRELIMINARY EXPENSES

9.1 Other than the costs incurred by the Company as set out in paragraphs 9.2 to 9.4 below, there have been no preliminary expenses incurred by the Company in the three years immediately preceding the date of this Circular.

9.2 The costs incurred in relation to the Recapitalisation Circular dated 7 October 2010 to shareholders totalled R8.2 million (excluding VAT) and comprised the following:

| Nature of expense | Name | R |
|------------------------------------|---|------------------|
| Documentation inspection fee | JSE | 11,135 |
| Listing fee | JSE | 80,982 |
| Documentation and inspection fee | SRP | 77,100 |
| Printing and publication | Ince (Pty) Limited | 75,000 |
| Designated Adviser | Grindrod Bank Limited | 1,100,000 |
| Legal adviser | Garlicke & Bousfield Inc. | 350,000 |
| Financial adviser | N M Rothchild & Sons (SA) (Pty) Ltd | 6,000,000 |
| Reporting accountants and auditors | Deloitte & Touche | 120,000 |
| Competition Authorities | Competition Commission | 350,000 |
| Transfer secretaries | Link Market Services South Africa (Pty) Ltd | 5,000 |
| | | 8,169,217 |

- 9.3** The costs paid in relation to the acquisition of Credit U Limited in September 2008 totalled R3.8 million (excluding VAT) and comprised the following:

| Cost | R |
|--|------------------|
| JSE listing fees | 100,000 |
| Corporate and Designated adviser – PSG Capital | 1,000,000 |
| Legal costs – Competition Commission | 150,000 |
| Due diligence advisers – PwC and Glynn Marais | 550,000 |
| Pinebridge – consulting services | 1,500,000 |
| Securities transfer tax | 500,000 |
| | 3,800,000 |

- 9.4** The costs incurred in relation to the issue of Ordinary Shares to ECP in August 2008 resulting from the conversion of the US\$10 million convertible unsecured bonds, totalled R170,000 (excluding VAT) and comprised the following:

| Cost | R |
|---|----------------|
| JSE documentation fees | 10,000 |
| Independent reporting accountants – PKF | 20,000 |
| Designated Advisor – Ernst & Young | 60,000 |
| Printing and publication | 80,000 |
| | 170,000 |

10. ESTIMATED EXPENSES

- 10.1** It is estimated that Blue's expenses relating to the Transaction will amount to approximately R2 million. These expenses will be paid from the cash resources of the Company. The expenses (excluding VAT) relating to the Transaction are detailed below:

| Nature of expense | Name | R |
|------------------------------------|---|------------------|
| Documentation inspection fee | JSE | 22,742 |
| Listing fee | JSE | 106,630 |
| Printing and publication | Ince (Pty) Ltd | 60,000 |
| Designated adviser | Grindrod Bank Limited | 700,000 |
| Independent Expert | BDO Corporate Finance (Pty) Ltd | 150,000 |
| Financial adviser | PwC Corporate Finance (Pty) Ltd | 500,000 |
| Reporting accountants and auditors | Deloitte & Touche | 160,000 |
| Transfer secretaries | Link Market Services South Africa (Pty) Ltd | 5,000 |
| | | 1,704,372 |

11. GENERAL MEETING

- 11.1** This Circular incorporates a notice convening a general meeting of shareholders to be held at 09:30 on Friday, 25 February 2011 at Building 10, 107 Haymeadow Street, Boardwalk Office Park, Faerie Glen, Pretoria, 0081 in order to consider and if deemed fit, pass with or without modification, the ordinary resolutions contained therein.

- 11.2** The form of proxy (*blue*) for use by holders of certificated shares and holders of dematerialised shares with own name registration who are unable to attend the general meeting and who wish to vote at the general meeting, also forms part of this Circular. Duly completed forms of proxy must be received by the transfer secretaries by no later than 09:30 on Wednesday, 23 February 2011. Holders of dematerialised shares, other than with own name registration, must inform their CSDP or broker of their intention to attend the general meeting and obtain the necessary letters of representation to attend, or provide their CSDP or broker with their voting instructions should they wish to vote and are not able to attend the general meeting in person. This must be done in terms of the agreement entered into between the shareholders and the CSDP or broker concerned.

12. UNDERTAKINGS TO VOTE

12.1 Shareholders holding in aggregate 73.21% of the Ordinary Shares and entitled to vote in respect of certain of the ordinary resolutions, have provided the Company with irrevocable undertakings to vote in favour of those resolutions set out in the notice of general meeting.

The following parties will be precluded from voting (to the extent applicable) on the following ordinary resolutions proposed in the notice of general meeting:

- Ordinary resolution 4 – Specific issue for cash to the Existing Lenders – ABSA, FMO and IFC.
- Ordinary resolution 5 – Specific issue for cash to RenAsset – RenAsset.
- Ordinary resolution 6 – Specific issue for cash to Pinebridge – Pinebridge.
- Ordinary resolution 8 – Amending the definition of Dilution Shares – Mayibuye.

13. DIRECTORS' RESPONSIBILITY STATEMENT

13.1 The Directors, whose names are set out in Annexure 1 to this Circular, insofar as any information in this Circular relates to Blue, collectively and individually:

13.1.1 accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no other facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this document contains all information required by law and the Listings Requirements; and

13.1.2 to the best of the knowledge and belief of the Directors, any beneficial shareholders of the Company whose shares are registered in the names of one or more nominees, do not include any person that may be acting in concert with any other person insofar as it may affect their classification as public shareholders.

14. OPINIONS AND RECOMMENDATIONS

14.1 The Board of Directors has considered the terms and conditions of the Early Conversion Agreement and the RenAsset Agreement and is of the opinion that the Early Conversion and RenAsset Conversion is in the best interests of all of Blue's key stakeholders.

14.2 The Blue Board has engaged BDO Corporate Finance to act as Independent Expert in connection with the Pinebridge Specific Issue. On 13 January 2011 BDO Corporate Finance delivered to the Board an opinion to the effect that, at the date of the opinion and based upon and subject to the factors and assumptions detailed in its letter, the terms and conditions of the Pinebridge Specific Issue is fair to shareholders.

14.3 The full text of BDO Corporate Finance's opinion delivered to the Board is included in Annexure 7 to this document. The foregoing is qualified by reference to this opinion and shareholders are urged to read this opinion carefully in its entirety.

14.4 The Board, having considered the terms and conditions of the Pinebridge Specific Issue and, *inter alia*, the opinion of BDO Corporate Finance, is of the view that the terms of the Pinebridge Specific Issue are fair to shareholders and recommends that shareholders vote in favour of the Pinebridge Specific Issue.

14.5 All Directors who own shares, directly or indirectly, intend to vote in favour of the Pinebridge Specific Issue at the general meeting.

15. CONSENTS

15.1 Each of the independent reporting accountants, independent expert, financial advisers, Designated Adviser, company secretary, legal advisers and transfer secretaries have consented in writing to act in the capacity stated and to their names being stated in this Circular and have not withdrawn their consent prior to the issue of this Circular.

15.2 The independent reporting accountants have consented in writing to the inclusion of their report in this Circular in the form and context in which it appears and have not withdrawn such consent prior to the publication of this Circular.

16. DOCUMENTS AVAILABLE FOR INSPECTION

16.1 Copies of the following documents will be available for inspection at the registered office of Blue and at the Johannesburg office of Grindrod Bank Limited (details of which are set out on the inside front cover of this Circular) during normal business hours (excluding Saturdays, Sundays and public holidays) from the date of issue of this Circular up to and including Friday, 25 February 2011:

- 16.1.1** the Memorandum and Articles of Blue and each of its subsidiaries, as amended;
- 16.1.2** the interim results for the six months ended 31 August 2010;
- 16.1.3** a copy of the standard Directors' service agreement;
- 16.1.4** the unaudited *pro forma* statement of comprehensive income and statement of financial position of Blue;
- 16.1.5** the signed independent reporting accountants' report on the *pro forma* financial information of Blue;
- 16.1.6** the signed Fairness Opinion issued by BDO Corporate Finance;
- 16.1.7** the irrevocable undertakings from Absa Bank Limited and Dave van Niekerk;
- 16.1.8** the Subscription Agreement and all addenda thereto;
- 16.1.9** the Debt Rescheduling Agreement and the Early Conversion Agreement;
- 16.1.10** the Pinebridge Agreement, the Pinebridge Amendment Agreement and all addenda thereto;
- 16.1.11** the RenAsset Agreement and all addenda thereto;
- 16.1.12** the Blue BEE Trust Deed;
- 16.1.13** trust deeds and/or agreements affecting the governance of the Company or the interests of shareholders;
- 16.1.14** the special or notarial contracts bearing on the trust deed or memorandum and articles of association entered into within the last three years;
- 16.1.15** the latest sworn appraisals or valuations relative to movable and immovable property;
- 16.1.16** all material contracts;
- 16.1.17** written consents of the independent reporting accountants, independent expert, financial advisers, designated adviser, legal advisers, company secretary and transfer secretaries to the inclusion of their names in this Circular in the context and form in which they appear;
- 16.1.18** the Recapitalisation Circular; and
- 16.1.19** a signed copy of this Circular.

By order of the Board

For and on behalf of Blue Financial Services Limited

J Meiring

Chief Executive Officer

Pretoria

10 February 2011

INFORMATION RELATING TO THE DIRECTORS AND SENIOR MANAGEMENT AND EMPLOYEE INCENTIVE AWARDS

EXECUTIVE DIRECTORS:

JOHAN MEIRING (44)

Chief Executive Officer

Board appointment: 13 December 2010

BLC; LLB

An attorney by training, Johan 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, Johan 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 (Pty) 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 (39)

Chief Financial Officer

Board appointment: 4 June 2009 and re-appointed on 13 December 2010

CA(SA); HDip Strategic Management and Corporate Governance

Shaun 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. Until recently, Shaun was the Head of Corporate Development and Group Tax at Absa Group involved in various strategic initiatives across the Group and throughout sub-Saharan Africa. Shaun was also a member of the Absa Group's senior leadership team. Prior to Absa, Shaun 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.

Business address: Building 10, 107 Haymeadow Street, Boardwalk Office Park, Faerie Glen, Pretoria, 0081

NON-EXECUTIVE DIRECTORS:

SIPHO TWALA (52)

Chairman

Independent

Board appointment: 1 March 2010 and re-appointed on 13 December 2010

BCom (UBS), HDip Co (RAU)

Sipho was appointed as independent non-executive chairman of the Company 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, Nestlé, Otis Elevator and African Bank. Mr. Twala has over 20 years' financial experience, having been exposed to different industries such as micro-finance, FMCG, mining and oil. Sipho 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. Sipho is currently an executive director of Safomar Aviation.

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

TONY COULOUBIS (42)**Board appointment: 1 June 2007 and re-appointed on 13 December 2010***CA(SA) BCom; BCompt (Hons); CTA*

Tony is a Chartered Accountant and currently serves as a director of PineBridge Investments. Tony 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, Tony was with a leading private equity firm in South Eastern Europe. Prior to that, he 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. Tony has served on several boards and executive committees.

Business address: 34 Whiteley Road, Melrose Arch, Johannesburg, 2076**JAMES ALBERT FRENCH (46)****Independent****Board appointment: 10 November 2009 and re-appointed on 13 December 2010***BA, MBA*

James is a US national who was nominated to the Board by the International Finance Corporation as an independent non-executive. 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**ROBERT EMSLIE (52)****Deputy Chairman****Independent****Board appointment: 13 December 2010***CA(SA), BCom (Hons)*

Robert 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. Robert 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**ELISE WALDECK (51)****Company secretary****Board appointment: 1 March 2010***Qualifications: Higher Diploma in Corporate Law (RAU)*

Elise has been in association with William Somerville for the past three years under the name Corporate Statutory Services. Prior to that Elise practiced on her own since 2001 providing secretarial and governance services. Her expertise lies with meeting administration, governance advisory and compliance in accordance with King III and the Companies Act, CIPRO preparation and liaison and drafting Special Resolutions. She is a regular speaker at the Annual Company Secretary Symposium held by The Institute for International Research on several related topics in South Africa and Botswana. Elise is also a member of the Institute of Directors.

Business address: Building 10, 107 Haymeadow Street, Boardwalk Office Park, Faerie Glen, Pretoria, 0081

ALAN BER (42)**Board appointment: 13 December 2010***CA(SA); BCom Accounting Science (with honours)*

Alan 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. Alan is currently the non-executive chairperson of Mayibuye Group and also holds directorships at GloCell (Pty) Limited and Hlano Investments (Pty) Limited.

Business address: Corner Bekker and Montrose Streets, Vorna Valley, Waterfall Park, Midrand, 1685**MOSS MASHISHI (47)****Board appointment: 13 December 2010***BA; LLB*

Moss holds BA and LLB degrees from the University of the Witwatersrand. He is currently Chairman of Matemeku Group (Pty) Limited, 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. Moss is currently also a non-executive director of Mayibuye Group, and is Chairperson of CreditEdge.

Business address: 54 Peter Place, Sandton, 2146**TIMOTHY TILL (45)****Independent****Board appointment: 13 December 2010***CA(SA)*

Tim is a registered Chartered Accountant with The South African Institute of Chartered Accountants. Until recently, Tim 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. Tim 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**LEONARD FINE (69)****Independent****Board appointment: 13 December 2010***CA(SA)*

Leonard 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 JSE-listed private equity fund. During that time he was involved in the formation of three other private equity funds responsible for managing over \$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, Leonard 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 in strategic corporate right sizing and the repositioning of businesses. He has consulted to businesses in South Africa, Europe and North America. Leonard 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

MIKE MEEHAN (63)**Independent****Board appointment: 26 February 2009 and re-appointed on 21 January 2011***CA(SA)*

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 a.b.e Construction Chemicals Limited, Rare Holdings Limited and William Tell Holdings Limited as an independent non-executive director.

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

DETAILS RELATING TO THE SENIOR MANAGEMENT OF BLUE

The table below sets out details of senior management of Blue as detailed in paragraph 6.6.

| Country | Branch/Dept | Employee | Job title (Function) | Date of appointment | Age | Nationality | Qualifications | Experience |
|---------|--------------------|-------------------|-------------------------|---------------------|-----|---------------|---|---|
| BFS Ltd | cashXpress | MR P C T ANDRADE | General Manager | 2008/01/12 | 39 | South African | BA (Law) | General Manager and Managing Director: 10 years – Busnet cashXpress General Manager: 1,6 years – Blue |
| BFS Ltd | Collections Africa | MR A J DE JAGER | Collections Executive | 2002/01/21 | 49 | South African | BCom Accountancy | Statistic Clerk: 1 year – Pretoria Municipality Senior Cost Accountant: 2 years – Nissan Credit Manager: 4 years – Maizecor Milling Group Admin Manager: 7 years – BB Cereals Admin Director: 2 years – Genfood Collections Manager: 3 years – African Bank General Manager: 2 years – Greenstart Collections Executive: 2008 – to date – Blue |
| BFS Ltd | Finance | MR G P OOSTHUIZEN | Group Finance Manager | 2009/01/08 | 31 | South African | CA(SA) BCom (Hons) Accounting Sciences | Audit Clerk: 3 years – Deloitte Audit Manager: 1,5 years – Deloitte Corporate Finance Manager: 1 year – Deloitte Business Analyst: 1 year – Cummins Africa Financial Controller: 1,5 years – Cummins Southern Africa |
| BFS Ltd | Group Systems | MR C L DREYER | Group Systems Executive | 2008/01/06 | 39 | South African | BCom (Financial Management) | Financial Director: 6 years – Group 4 Faick Financial Director: 3 years – Bowline Fulfillment Managing Director: 3 years – Soleflex Financial Manager/Group Systems Executive: 2 years – Blue |

| Country | Branch/Dept | Employee | Job title (Function) | Date of appointment | Age | Nationality | Qualifications | Experience |
|---------|----------------|-----------------|-------------------------------|---------------------|-----|---------------|--|---|
| BFS Ltd | HR | MS T ROBERTS | Group HR Executive | 2006/05/06 | 30 | South African | B.Tech Human Resources, Advanced Labour Law, LLB (current) | Debt Collector: 1,5 years – Alexander Forbes HR Officer: 4 years – SAVF HR Consultant: 1 year – Blue HR Manager/Executive: 3,5 years – Blue |
| BFS Ltd | IT | MR J S F BRINK | Group IT Executive | 2007/01/12 | 30 | South African | MCSE, Diploma PC Engineering | IT Engineering: 5 years – Intergrate and Millennium Business Solutions, IT Manager/Executive: 2007 – date – Blue |
| BFS Ltd | Operations | MR M N HODGKISS | Acting Country Manager Malawi | 2008/10/11 | 40 | South African | Matric, various courses | Store Manager: 3 years – Edcon Operations Manager: 1 year – Retail Apparel Group Senior Regional Manager: 2 years – Beyond Outsourcing Assistant Country Manager/Roaming CM: 2008 – to date – Blue |
| BFS Ltd | Small Business | MR K J FISHER | General Manager | 2008/01/03 | 54 | South African | BA Honours (Training Management), various diplomas | Marketing Manager: 6 months – Schoon Spruit Spa Training Manager: 1 year – Bradlows Dept Manager: 2 years – Rebel Group Marketing Manager: 1 year – International Wine and Food Company Senior Training Manager: 5 years – SB Development Corporation General Manager: 5 years – NWDC General Manager: 2 years – Mike's Kitchen Own Company: 2 years General Manager: 4 years – Khula Enterprise General Manager 1 year – Own Company General Manager: 3 years – Wiesenhoff Group SMME General Manager: 2008 – to date – Blue |

| Country | Branch/Dept | Employee | Job title (Function) | Date of appointment | Age | Nationality | Qualifications | Experience |
|----------------|--------------------|------------------|-----------------------------|----------------------------|------------|--------------------|---|---|
| Botswana | National Office | MR A HEUNES | Country Manager | 2007/06/02 | 44 | South African | Matric and various courses | More than 10 years' Micro-finance experience, African Bank Country Manager: 2007 to date – Blue |
| Lesotho | National Office | MR J C COETZEE | Country Manager | 2006/10/04 | 41 | South African | Matric, various courses and certificates | Sales Manager: 2 years – Monty Fichter Brokers Contract Manager: 2 years – Vapes Construction CC Branch Manager: 2 years – African National Botshabelo Branch Manager/ Sales Manager/ Area Manager: 6 years – African Bank Branch Manager/Country Manager: 4 years – Blue |
| Namibia | National Office | MR C DEACON | Country Manager | 2006/07/24 | 33 | South African | Matric | Banking Supervisor: 3 years – Trust Bank Branch Manager: 1 year – Unity Financial Services Branch Manager/Sales Manager: 5 years – African Bank Sales Manager: 1 year – African Life Assurance Branch Manager/Regional Manager/ Country Manager 2006 to date – Blue |
| Nigeria | National Office | MR L L PRETORIUS | Country Manager | 2009/01/04 | 58 | South African | Honours, Business Management and Administration, BA Psychology and other diplomas | 20 years' experience ranging from Senior Manager to Chief Executive Officer, mainly Transnet and arivia.kom |

| Country | Branch/Dept | Employee | Job title (Function) | Date of appointment | Age | Nationality | Qualifications | Experience |
|----------------|--------------------|-----------------|----------------------------------|----------------------------|------------|--------------------|----------------------------------|--|
| Tanzania | National Office | MR O S JOSEPH | Acting Assistant Country Manager | 2009/06/26 | 29 | Tanzanian | Bachelor of Education Management | Vice President: 3 years – Training |
| Zambia | National Office | MR G J VERSTER | Country Manager | 2003/08/04 | 29 | South African | Matric | Assistant Branch Manager: 4 years – MoneyWise Branch Manager: 1 year – Uncedo Cash Loans Approvals/Assistant Country Manager/Country Manager: 7 years – Blue |

DETAILS RELATING TO EMPLOYEE INCENTIVE AWARDS

The table below sets out details of Performance shares awarded to employees during the current financial year in terms of the Blue Share Plan as detailed in paragraph 6.9:

| Employee name | Position | Grant date | Vesting date | Total number of rights granted |
|---------------------------|-----------------------------|--------------|-----------------------------------|--------------------------------|
| Performance Shares | | | | |
| Pretorius, Jan | RSA Collections Manager | 1 March 2010 | 1 March 2013 | 150 000 |
| Engelbrecht, Eune* | Corporate Finance Manager | 1 March 2010 | 1 March 2013 | 150 000 |
| Duvenage, Erike | Executive Bond Products | 1 March 2010 | 1 March 2013 | 150 000 |
| Strydom, Neville* | Group Risk & Comp | 1 March 2010 | 1 March 2013 | 150 000 |
| Coetzee, Jaco | Assistant Country Manager | 1 March 2010 | 1 March 2013 | 150 000 |
| Hodgkiss, Mike | Roaming Country | 1 March 2010 | 1 March 2013 | 150 000 |
| Vosloo, Nollie | Reg Loan Off – SMME | 1 March 2010 | 1 March 2013 | 150 000 |
| Ndui, Webster | Financial Manager Zambia | 1 March 2010 | 1 March 2013 | 194 000 |
| Lungu, Tukuza | Assistant Credit Manager | 1 March 2010 | 1 March 2013 | 185 000 |
| Dreyer, Stiaan | Group Systems Executive | 1 March 2010 | 1 March 2013 | 175 000 |
| Roberts, Tanya | HR Executive | 1 March 2010 | 1 March 2013 | 175 000 |
| De Kock, Martin | Operations Manager | 1 March 2010 | 1 March 2013 | 175 000 |
| Deacon, Charl | Country Manager | 1 March 2010 | 1 March 2013 | 235 000 |
| Heunis, Andre | Country Manager | 1 March 2010 | 1 March 2013 | 210 000 |
| Brink, Sam | Group IT Executive | 1 March 2010 | 1 March 2013 | 230 000 |
| Nel, Anton | Country Manager | 1 March 2010 | 1 March 2013 | 400 000 |
| Niemand, Greg | Insurance Manager | 1 March 2010 | 1 March 2013 | 400 000 |
| Reinders, Morné* | Investor Relations Manager | 1 March 2010 | 1 March 2013 | 266 667 |
| Senekal, Johan | Country Manager | 1 March 2010 | 1 March 2013 | 333 333 |
| Verster, Deon | Country Manager | 1 March 2010 | 1 March 2013 | 250 000 |
| Earle, George* | Home Loans Executive | 1 March 2010 | 1 March 2013 | 250 000 |
| Andrade, Paulo | General Manager cashXpress | 1 March 2010 | 1 March 2013 | 200 000 |
| De Jager, Andre | General Manager Collections | 1 March 2010 | 1 March 2013 | 200 000 |
| Kruger, Casper | Group OPS Manager | 1 March 2010 | 1 March 2013 | 200 000 |
| Fisher, Kenneth | General Manager – SMME | 1 March 2010 | 1 March 2013 | 200 000 |
| Oosthuizen, Gert | Group Finance Manager | 1 March 2010 | 1 March 2013 | 500 000 |
| Strydom, Shaun | Group CFO | 4 June 2009 | 1 June 2010 and 1 June 2011 | 3 000 000 |

* These employees have since left the employment of the Company and therefore the vesting dates may change.

UNAUDITED *PRO FORMA* FINANCIAL INFORMATION

The financial effects of the Recapitalisation, Blue Nigeria Claim and the Early Conversion, the RenAsset Conversion and the Pinebridge Specific Issue, are set out in paragraph 5.1 and Annexure 2 to this Circular.

The financial effects of the Blue BEE Transaction, the potential issue of further Dilution and Anti-dilution Shares as well as the potential issue of Warranty Shares are set out in paragraphs 5.2 to 5.4 and Annexure 2 to this Circular.

The unaudited *pro forma* consolidated statement of comprehensive income and consolidated statement of financial position are set out below. The unaudited *pro forma* consolidated statement of comprehensive income and consolidated statement of financial position have been prepared for illustrative purposes only to provide information on how the Recapitalisation, Blue Nigeria Claim and the Early Conversion, the RenAsset Conversion and the Pinebridge Specific Issue might have impacted on the financial position and results of the Company. Because of their nature, the unaudited *pro forma* consolidated statement of comprehensive income and consolidated statement of financial position may not be a fair reflection of the Company's financial position, nor of its future results, after implementation of the Recapitalisation, Blue Nigeria Claim and the Early Conversion, the RenAsset Conversion and the Pinebridge Specific Issue.

The unaudited *pro forma* consolidated statement of comprehensive income and consolidated statement of financial position have been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the published reviewed condensed consolidated interim results of Blue for the six months ended 31 August 2010.

The Directors of Blue are responsible for the compilation, contents and preparation of the unaudited *pro forma* financial information contained in this Circular and for the financial information from which it has been prepared. Their responsibility includes determining that: the unaudited *pro forma* financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of Blue; and the *pro forma* adjustments are appropriate for the purposes of the unaudited *pro forma* financial information disclosed in terms of the Listings Requirements.

The unaudited *pro forma* consolidated statement of comprehensive income and consolidated statement of financial position as set out below should be read in conjunction with the report of the independent reporting accountants which is included as Annexure 3 to this Circular.

It should be noted that for purposes of preparing the *pro forma* financial effects set out in paragraphs 5.1 to 5.4 and Annexure 2 to this Circular, the issue price of 13 cents per Ordinary Share at which the Ordinary Shares are to be issued in terms of the Early Conversion Agreement, the RenAsset Agreement, the Pinebridge Amendment Agreement and the Blue BEE Trust Deed is assumed to be the fair value of the Ordinary Shares for accounting purposes.

1. Unaudited *Pro Forma* Statement of Comprehensive Income

The unaudited *pro forma* consolidated statement of comprehensive income set out below presents the *pro forma* effects of the Recapitalisation, Blue Nigeria Claim and the Early Conversion, the RenAsset Conversion and the Pinebridge Specific Issue on the interim results of Blue for the six months ended 31 August 2010. It has been assumed for purposes of presenting the unaudited *pro forma* consolidated statement of comprehensive income, that the Recapitalisation, Blue Nigeria Claim and the Early Conversion, the RenAsset Conversion and the Pinebridge Specific Issue, were implemented with effect from 1 March 2010.

Unaudited pro forma Statement of Comprehensive Income

| | 31 August 2010 Actual Before (1)(2) | Recapitalisation and Blue Nigeria Claim (1)(3) | Pro forma After Recapitalisation and Blue Nigeria Claim | The Early Conversion and the RenAsset Conversion (1)(4) | Pro forma after Early Conversion and RenAsset Conversion | Pinebridge Specific Issue (1)(5) | Pro forma After |
|---|--|---|--|--|---|---|------------------------|
| R'000 | | | | | | | |
| Interest income | 150,585 | | 150,585 | | 150,585 | | 150,585 |
| Interest expense | (71,743) | (3,438) | (75,181) | 16,483 | (58,698) | | (58,698) |
| Net interest income | 78,842 | (3,438) | 75,404 | 16,483 | 91,887 | | 91,887 |
| Administration and commission income | 55,809 | | 55,809 | | 55,809 | | 55,809 |
| Other operating income | 56,443 | | 56,443 | (6,641) | 49,802 | | 49,802 |
| Operating income | 191,094 | (3,438) | 187,656 | 9,842 | 197,498 | | 197,498 |
| Net impairment of loan advances and receivables | (77,087) | | (77,087) | | (77,087) | | (77,087) |
| Operating expenses | (274,585) | (23,000) | (297,585) | (2,000) | (299,585) | | (299,585) |
| Goodwill impairment | (3,187) | | (3,187) | | (3,187) | | (3,187) |
| Loss before taxation | (163,765) | (26,438) | (190,203) | 7,842 | (182,361) | | (182,361) |
| Taxation | (4,399) | 3,763 | (636) | (2,196) | (2,832) | | (2,832) |
| Loss for the period | (168,164) | (22,675) | (190,839) | 5,646 | (185,193) | | (185,193) |
| <i>Attributable to:</i> | | | | | | | |
| Equity holders of the parent | (157,882) | (24,953) | (182,835) | 5,646 | (177,189) | | (177,189) |
| Non-controlling interest | (10,282) | 2,278 | (8,004) | | (8,004) | | (8,004) |
| Earnings ratios: | | | | | | | |
| Loss per share (cents) | (25.3) | 15.6 | (9.7) | 6.1 | (3.6) | 0.5 | (3.1) |
| Headline loss per share (cents) | (24.9) | 15.3 | (9.6) | 6.1 | (3.5) | 0.4 | (3.1) |
| Diluted loss per share (cents) | (25.3) | 15.6 | (9.7) | 6.1 | (3.6) | 0.5 | (3.1) |
| Diluted headline loss per share (cents) | (24.9) | 15.3 | (9.6) | 6.1 | (3.5) | 0.4 | (3.1) |
| Number of shares in issue – weighted average ('000) | 624,370 | 1,253,846 | 1,878,216 | 3,095,435.0 | 4,973,651 | 689,663 | 5,663,314 |
| Loss attributable to ordinary equity holders of the parent entity (R'000) | (157,882) | (24,953) | (182,835) | 5,646 | (177,189) | – | (177,189) |
| Adjusted for (R'000): | | | | | | | |
| Net loss on the disposal of plant and equipment | (582) | – | (582) | – | (582) | – | (582) |
| Goodwill impairment | 3,187 | – | 3,187 | – | 3,187 | – | 3,187 |
| Intangible asset impairment | – | – | – | – | – | – | – |
| Total tax effects of adjustments | – | – | – | – | – | – | – |
| Headline loss (R'000) | (155,277) | (24,953) | (180,230) | 5,646 | (174,584) | – | (174,584) |

Notes:

1. The unaudited *pro forma* financial information is based on the accounting policies adopted by the Company and are in accordance with IFRS.
2. The 'Before' column is based on the published reviewed condensed consolidated interim results for the six months ended 31 August 2010.

Recapitalisation and Blue Nigeria Claim

3. The 'Recapitalisation and Blue Nigeria Claim' column includes adjustments relating to the financial effects of the Recapitalisation as previously presented in the Recapitalisation Circular. It also includes adjustments relating to the recognition of the Blue Nigeria Claim. The following adjustments are made or have been considered:
 - (a) The Recapitalisation resulting in the issue of 1,253,846,154 Ordinary Shares was implemented on 1 March 2010 and the cash portion (R150 million) of the Aggregate Subscription Consideration was made available to Blue on 1 March 2010;
 - (b) Once-off transaction, implementation and restructuring costs of R10 million (pre-tax) in aggregate are assumed to be settled from the cash portion of the Aggregate Subscription Consideration and are assumed to be tax deductible. Costs are adjusted against operating expenses;
 - (c) The non-recurring expense of R13 million relating to the settlement of the Pinebridge Settlement Amount in terms of the Pinebridge Agreement has been recognised in the statement of comprehensive income, but this expense is assumed to be non-tax deductible. The expense is adjusted against operating expenses;
 - (d) No income has been assumed to be generated from the balance of R140 million from the Aggregate Subscription Consideration as to do so would be inconsistent with the Listings Requirements which do not permit *pro forma* adjustments relating to future events or decisions. The Company however intends to deploy the R140 million balance of the cash proceeds received from the Aggregate Subscription Consideration to generate a new book of loans and advances to customers and therefore generate earnings for the Group based on targeted earnings yields;
 - (e) No effect of the Debt Rescheduling Agreement has been recognised as no significant capital repayments, which would have had to be rescheduled to 31 August 2010, were made to Existing Lenders during 1 March 2010 to 31 August 2010;
 - (f) The Claims Purchase Agreement is accounted for as follows:
 - I. A facility will be made available to Blue whereby Claims which at any point may not exceed R300 million will be sold to Leonox. It is assumed that R100 million of Claims were sold to Leonox during 1 March 2010 and 31 August 2010.
 - II. An implied cost of funding of 5% above the then prevailing Prime Lending Rate is assumed to be incurred. This implied cost of funding is recognised for the period from 1 March 2010 to 31 August 2010. The total cost of funding recognised for the year is *circa* R3.4 million (pre-tax).
 - III. No income has been assumed from the deployment of the net cash made available to Blue to generate new loan advances to customers, as to do so would be inconsistent with the Listings Requirements which do not permit *pro forma* adjustments that are not factually supportable or are based on future events or decisions. However, the Company will utilise the facility made available in terms of the Claims Purchase Agreement to generate a new book of loans and advances to customers and therefore generate earnings for the Group based on targeted earnings yields.
 - (g) A full tax rate of 28% has been applied and the impact of any tax losses is ignored. All interest expenses incurred are assumed to be tax deductible;
 - (h) The adjustment of *circa* R2.3 million to non-controlling interest represents additional losses due to the additional 10% shareholding in Blue Nigeria as a result of the Blue Nigeria Claim as discussed in paragraph 3.3 of this Circular. It is assumed that the Blue Nigeria Claim was effective 1 March 2010; and
 - (i) No value has been attributed to any cost savings or cost synergies expected from Mayibuye's participation in Blue's operations.

The Early Conversion and the RenAsset Conversion

4. The 'The Early Conversion and the RenAsset Conversion' column represents adjustments relating to the Early Conversion and the RenAsset Conversion (excluding the Blue BEE Transaction) as follows:
 - (a) The Early Conversion and the RenAsset Conversion were implemented on 1 March 2010;
 - (b) An interest saving of R16.5 million (pre-tax) is reversed against interest expense and is assumed to be taxable. The interest saving has been calculated based on the total participants to the Early Conversion and the RenAsset Conversion as at 1 March 2010 and the actual interest incurred and reported for the six months ended 31 August 2010;
 - (c) The reversal of a foreign exchange gain totalling R6.6 million (pre-tax) is reversed against other operating income and is assumed to be tax deductible. The foreign exchange gain reversed has been calculated based on the foreign exchange gain recognised on the conversion of foreign denominated debt due to participants to the Transaction as at 1 March 2010 and the foreign exchange gain reported for the six months ended 31 August 2010;
 - (d) Once-off transaction costs of R2 million (pre-tax) in aggregate are paid out of cash resources, and are assumed to be tax deductible;
 - (e) A full tax rate of 28% has been applied and the impact of any tax losses is ignored;
 - (f) The issue of 1,712,719,093 Dilution Shares as set out in paragraphs 3.1 and 3.2 of this Circular in accordance with the Early Conversion and RenAsset Agreements; and
 - (g) The issue of 1,382,715,676 Anti-dilution Shares as set out in paragraph 3.5 of this Circular in accordance with the Subscription Agreement.

The Pinebridge Specific Issue

5. The 'Pinebridge Specific Issue' column represents adjustments relating to the Pinebridge Specific Issue (excluding the Blue BEE Transaction) as follows:
 - (a) The Pinebridge Specific Issue was implemented on 1 March 2010;
 - (b) The issue of 337,935,223 Dilution Shares as set out in paragraph 3.3 of this Circular in accordance with the Pinebridge Amendment Agreement; and
 - (c) The issue of 351,728,497 Anti-dilution Shares as set out in paragraph 3.5 of this Circular in accordance with the Subscription Agreement.

2. Unaudited Pro Forma Consolidated Statement of Financial Position

The unaudited *pro forma* consolidated statement of financial position set out below presents the *pro forma* effects of the Recapitalisation, Blue Nigeria Claim and the Early Conversion, the RenAsset Conversion and the Pinebridge Specific Issue on the financial position of Blue as at 31 August 2010. It has been assumed for purposes of presenting the unaudited *pro forma* consolidated statement of financial position, the Recapitalisation, Blue Nigeria Claim and the Early Conversion, the RenAsset Conversion and the Pinebridge Specific Issue was implemented on 31 August 2010.

Unaudited Pro Forma Statement of Financial Position

| | 31 August 2010 Actual Before (1)(2) | Recapitalisation and Blue Nigeria Claim (1)(3) | Pro forma after Recapitalisation and Blue Nigeria Claim | The Early Conversion and the RenAsset Conversion (1)(4) | Pro forma After Conversion and RenAsset Conversion | Pinebridge Specific Issue (1)(5) | Pro forma After |
|---------------------------------|---|--|--|--|---|---|--------------------|
| R' 000 | | | | | | | |
| ASSETS | | | | | | | |
| Cash and cash equivalents | 107,007 | 142,800 | 249,807 | (1,439) | 248,368 | 1 | 248,369 |
| Loans and advances to customers | 532,474 | | 532,474 | | 532,474 | | 532,474 |
| Trade and other receivables | 29,540 | | 29,540 | | 29,540 | | 29,540 |
| Inventories | 542 | | 542 | | 542 | | 542 |
| Taxation receivable | 720 | | 720 | | 720 | | 720 |
| Other financial assets | 5,260 | | 5,260 | | 5,260 | | 5,260 |
| Property, plant and equipment | 75,755 | | 75,755 | | 75,755 | | 75,755 |
| Deferred taxation | 37,747 | | 37,747 | | 37,747 | | 37,747 |
| Intangible assets | 32,275 | | 32,275 | | 32,275 | | 32,275 |
| Goodwill | 429,993 | | 429,993 | | 429,993 | | 429,993 |
| Total assets | 1,251,313 | 142,800 | 1,394,113 | (1,439) | 1,392,674 | 1 | 1,392,675 |

| | 31 August 2010 Actual Before (1)(2) | Recapitalisation and Blue Nigeria Claim (1)(3) | Pro forma After Recapitalisation and Blue Nigeria Claim | The Early Conversion and the RenAsset Conversion (1)(4) | Pro forma After Early Conversion and RenAsset Conversion | Pinebridge Specific Issue (1)(5) | Pro forma After |
|--|---|--|--|--|---|---|--------------------|
| EQUITY AND LIABILITIES | | | | | | | |
| Equity | | | | | | | |
| Share capital | 928,250 | 163,000 | 1,091,250 | 222,654 | 1,313,904 | 43,933 | 1,357,837 |
| Other reserves | (30,019) | | (30,019) | | (30,019) | | (30,019) |
| Accumulated loss | (1,103,986) | (60,021) | (1,164,007) | (1,440) | (1,165,447) | (2,955) | (1,168,402) |
| (Losses)/Reserves attributable to equity holders of parent | (205,755) | 102,979 | (102,776) | 221,214 | 118,438 | 40,978 | 159,416 |
| Non-controlling interest | 6,099 | (1,156) | 4,943 | | 4,943 | | 4,943 |
| Shareholder (loss)/funds | (199,656) | 101,823 | (97,833) | 221,214 | 123,381 | 40,978 | 164,359 |
| Liabilities | | | | | | | |
| Bank overdraft | 73,784 | | 73,784 | | 73,784 | | 73,784 |
| Trade and other payables | 153,315 | | 153,315 | | 153,315 | | 153,315 |
| Taxation payable | 103,857 | | 103,857 | | 103,857 | | 103,857 |
| Finance lease obligation | 22,937 | | 22,937 | | 22,937 | | 22,937 |
| Derivative financial liabilities | 16,903 | | 16,903 | | 16,903 | | 16,903 |
| Long-term liabilities | 1,070,793 | 40,977 | 1,111,770 | (222,653) | 889,117 | (40,977) | 848,140 |
| Operating lease liability | 3,138 | | 3,138 | | 3,138 | | 3,138 |
| Deferred taxation | 6,242 | | 6,242 | | 6,242 | | 6,242 |
| | 1,450,969 | 40,977 | 1,491,946 | (222,653) | 1,269,293 | (40,977) | 1,228,316 |
| Total equity and liabilities | 1,251,313 | 142,800 | 1,394,113 | (1,439) | 1,392,674 | 1 | 1,392,675 |
| NAV per share (cents) | (33.0) | 27.5 | (5.5) | 7.9 | 2.4 | 0.4 | 2.8 |
| NTAV per share (cents) | (112.0) | 80.2 | (31.8) | 24.3 | (7.5) | 1.6 | (5.9) |
| Shares in issue ('000) | 624,370 | 1,253,846 | 1,878,216 | 3,095,435 | 4,973,651 | 689,663 | 5,663,314 |

Notes:

1. The unaudited *pro forma* financial information is based on the accounting policies adopted by the Company and are in accordance with IFRS.
2. The 'Before' column is based on the published reviewed condensed consolidated interim results for the six months ended 31 August 2010.

Recapitalisation and Blue Nigeria Claim

3. The 'Recapitalisation and Blue Nigeria Claim' column includes adjustments relating to the financial effects of the Recapitalisation as previously presented in the Recapitalisation Circular. It also includes adjustments relating to the Blue Nigeria Claim. The following adjustments are made or have been considered:
 - (a) The Recapitalisation was implemented on 31 August 2010;
 - (b) The issue of 1,253,846,154 Ordinary Shares for an Aggregate Subscription Consideration of R163 million which has been added to share capital;
 - (c) The cash portion of the Aggregate Subscription Consideration of R150 million has been added to cash and cash equivalents;
 - (d) Once-off transaction, implementation and restructuring costs of R10 million (pre-tax) or R7.2 million (post-tax), all of which are assumed to be tax deductible, are paid out of cash resources and are adjusted to accumulated losses;
 - (e) The Pinebridge Settlement Amount of R13 million will be settled out of earnings thereby increasing the Company's accumulated loss. This non-recurring cost is assumed to be non-tax deductible;
 - (f) No effect of the Debt Rescheduling Agreement has been recognised as it is assumed that this agreement was implemented on 31 August 2010, and therefore the impact of any rescheduling of debt would not have occurred on this date;
 - (g) No effect of the Claims Purchase Agreement has been recognised as it is assumed that this agreement was implemented on 31 August 2010. The capital facility available in terms of the Claims Purchase Agreement is on a draw down basis and subject to the Company meeting pre-determined vetting criteria. Accordingly it is assumed that as at 31 August 2010 no drawdown would have occurred;
 - (h) The recognition of a Long-term liability totalling *circa* R41 million arising due to the additional 10% shareholding in Blue Nigeria as a result of the Blue Nigeria Claim as discussed in paragraph 3.3 of this Circular. It is assumed that the Blue Nigeria Claim was effective 31 August 2010. The Blue Nigeria Claim was adjusted to accumulated losses; and
 - (i) The adjustment of *circa* R1.2 million to non-controlling interest (which has been adjusted to accumulated losses) represents additional losses arising as a result of the additional 10% shareholding in Blue Nigeria as discussed above.

The Early Conversion and the RenAsset Conversion

4. The 'The Early Conversion and the RenAsset Conversion' column represents adjustments relating to the Early Conversion and the RenAsset Conversion (excluding the Blue BEE Transaction) as follows:
 - (a) The Early Conversion and the RenAsset Conversion were implemented on 31 August 2010;
 - (b) Share capital has been adjusted for:
 - I. The issue of 1,712,719,093 Dilution Shares as set out in paragraphs 3.1 and 3.2 of this Circular in accordance with the Early Conversion and RenAsset Agreements. Dilution shares are assumed to be issued at a fair value of 13 cents a share giving rise to a R222.7 million adjustment to share capital.
 - II. The issue of 1,382,715,676 Anti-dilution Shares as set out in paragraph 3.5 of this Circular in accordance with the Subscription Agreement. Anti-dilution Shares are assumed to be issued at the par value of R0.000001 cent a share for a cash consideration of R1,382.72.
 - III. The issue of Dilution and Anti-dilution Shares are indicative only due to the fact that the debt being converted include foreign denominated borrowings of BWP36.4 million and US\$6.6 million which have been converted at rates of ZAR/BWP = 1.01 and ZAR/US\$ = 6.74, respectively, as at 7 January 2011. The ultimate conversion of the debt will be impacted by the foreign exchange rates prevailing at the Effective Date of the Early Conversion and the RenAsset Conversion.
 - (c) Long-term liabilities have been adjusted for the de-recognition of debt to the value of R222.7 million based on the total debt converted into Ordinary Shares as set out in paragraphs 3.1 and 3.2 of this Circular in accordance with the Early Conversion and RenAsset Agreements; and
 - (d) Accumulated losses have been adjusted for:

Once-off transaction costs of R2.0 million (pre-tax) or R1.4 million (post-tax), all of which are assumed to be tax deductible, are paid out of cash resources.

The Pinebridge Specific Issue

5. The 'Pinebridge Specific Issue' column represents adjustments relating to the Pinebridge Specific Issue (excluding the Blue BEE Transaction) as follows:
 - (a) The Pinebridge Specific Issue was implemented on 31 August 2010;
 - (b) Share capital has been adjusted for:
 - I. The issue of 337,935,223 Dilution Shares as set out in paragraph 3.3 of this Circular in accordance with the Pinebridge Amendment Agreement. Dilution shares are assumed to be issued at a fair value of 13 cents a share giving rise to a R43.9 million adjustment to share capital.
 - II. The issue of 351,728,497 Anti-dilution Shares as set out in paragraph 3.5 of this Circular in accordance with the Subscription Agreement. Anti-dilution Shares are assumed to be issued at the par value of 0.0001 cent a share for a cash consideration of R351.73.
 - III. The issue of Dilution and Anti-dilution Shares are indicative only due to the fact that the debt being converted include foreign denominated borrowings of US\$6.1 million which have been converted at a rate of ZAR/US\$ = 6.74 as at 7 January 2011. The ultimate conversion of the debt will be impacted by the foreign exchange rates prevailing at the Effective Date of the Pinebridge Specific Issue.
 - (c) The Blue Claim Amount constitutes a change in estimate of the number of Ordinary Shares to be issued on the conversion of the Class C Convertible Redeemable Preference Shares, as such represents an equity transaction and not the recognition of an additional liability;
 - (d) Long-term liabilities have been adjusted for the de-recognition of debt to the value of R41.0 million based on the total debt converted into Ordinary Shares as set out in paragraph 3.3 of this Circular in accordance with the Pinebridge Amendment Agreement; and
 - (e) Accumulated losses have been adjusted for:

The Blue Claim of *circa* R3 million which gives rise to the issue of 22,731,277 Ordinary Shares as discussed in paragraph 3.2 of Annexure 10 to this Circular.

3. Illustrative effects of the potential issue of additional Dilution Shares up to the Conversion Limit incorporating the Blue BEE Transaction

The following table sets out the unaudited *pro forma* financial effects of the potential issue of further Dilution Shares up to the Conversion Limit as a result of the Blue BEE Transaction (as described in paragraph 3.4 of this Circular) the potential adjustment to the maximum permissible amount (as described in paragraph 3.4.5 of this Circular) as well as Anti-dilution Shares as contemplated in the Subscription Agreement (as described in paragraph 3.5 to this Circular).

Illustrative effects of the potential issue of the maximum permissible Early Conversion shares

| | <i>Pro forma</i> Before (1) | <i>Pro forma</i> adjustments (2) | Maximum Early Conversion <i>Pro forma</i> After (2) |
|---|-----------------------------------|--|--|
| Abridged statement of comprehensive income | | | |
| Interest expense | (58,698) | 4,381 | (54,317) |
| Taxation | (2,832) | (1,227) | (4,059) |
| Loss attributable to ordinary equity holders of the parent entity | (177,189) | 3,154 | (174,035) |
| Headline loss | (174,584) | 3,154 | (171,430) |
| Abridged statement of financial position | | | |
| Share capital | 1,357,837 | 58,415 | 1,416,252 |
| Reserves attributable to equity holders of the parent | 159,416 | 58,415 | 217,831 |
| Long-term liabilities | 848,140 | (58,415) | 789,725 |
| Loss per share (cents) | (3.1) | 0.5 | (2.6) |
| Headline loss per share (cents) | (3.1) | 0.5 | (2.6) |
| NAV per share (cents) | 2.8 | 0.5 | 3.3 |
| NTAV per share (cents) | (5.9) | 1.7 | (4.2) |
| Weighted number of shares ('000) | 5,663,314 | 917,032 | 6,580,346 |
| Total number of shares in issue ('000) | 5,663,314 | 917,032 | 6,580,346 |
| Dilution shares issued to Existing lenders ('000) | – | 449,346 | 449,346 |
| Anti-dilution Shares issued to Mayibuye ('000) | – | 467,686 | 467,686 |
| Mayibuye shareholding (%) | 51.0% | 0.0% | 51.0% |
| Additional Lenders shareholding (%) | 0.0% | 6.8% | 6.8% |
| Existing Blue shareholders (%) | 49.0% | (6.8%) | 42.2% |

Notes:

- The 'Pro forma Before' column reflects the abridged statements of comprehensive income and abridged statement of financial position and is based on the unaudited *pro forma* financial information for the six months ended 31 August 2010 after adjusting for the Early Conversion, RenAsset Conversion and Pinebridge Specific Issue as set out in paragraphs 1 and 2 of Annexure 2 to this Circular.
- The 'Maximum Early Conversion' column is based on a scenario whereby relevant qualifying BEE parties will be offered to participate in the Blue BEE Transaction by virtue of acquiring Blue BEE Transaction Debts up to a maximum amount of R50 million as well as the potential adjustment to the maximum permissible amount. The unaudited *pro forma* financial effects are calculated on the following assumptions:
 - The potential scenario where the Blue BEE Transactions Debts as well as the remaining outstanding debt to Existing Lenders amount to R58.4 million. The R58.4 million has been arrived at by reducing the Conversion Limit per the Early conversion Agreement, with the R266.6 million debt converted for the purposes of the Transaction in order to cater for the potential adjustment to the maximum permissible amount as described in paragraph 3.4.5 of this Circular;
 - The issue of 449,345,685 Dilution Shares in accordance with the Blue BEE Transaction and the potential adjustment to the maximum permissible amount as described in paragraph 3.4.5 of this Circular. Dilution shares are assumed to be issued at an assumed fair value of 13 cents a share giving rise to a R58.4 million adjustment to share capital;
 - The issue of 467,686,325 Anti-dilution Shares as set out in paragraph 4.7 in the Recapitalisation Circular in accordance with the Subscription Agreement are issued to Mayibuye and its resulting shareholding is 51%. Anti-dilution Shares are assumed to be issued at the par value of 0.0001 cent a share for a cash consideration of R467.69;
 - The interest expense that is attributable to the outstanding debt to Existing Lenders is assumed to have an average interest rate of 15% per annum. Consequently, an interest saving of *circa* R4.4 million (pre-tax), is added back to earnings for an assumed six-month period. The interest saving is assumed to be fully taxable;
 - The Dilution and Anti-dilution Shares are assumed to be in issue for the period from 1 March 2010 to 31 August 2010 for the purposes of calculating the LPS and HLPS, illustrative effects; and
 - The Dilution and Anti-dilution Shares are assumed to be issued on 31 August 2010 for the purposes of calculating the NAVPS and NTAVPS illustrative effects.

4. Illustrative effects of the potential issue of Dilution Shares and Anti-dilution Shares

The following table sets out the unaudited *pro forma* financial effects of the potential issue of future Dilution Shares and Anti-dilution Shares under the high case scenario as detailed in the Recapitalisation Circular after assuming the capital payment holiday of 36 months as contemplated in the Debt Rescheduling Agreement and described in paragraphs 4.6 and 4.7 of the Recapitalisation Circular:

Illustrative effects of the potential issue of Dilution Shares and Anti-dilution Shares

| | <i>Pro forma</i> Before (1) | <i>Pro forma</i> adjustments (2) | High case <i>Pro forma</i> After (2) |
|---|--|---|---|
| Abridged statement of comprehensive income | | | |
| Interest expense | (58,698) | 10,006 | (48,692) |
| Taxation | (2,832) | (2,802) | (5,634) |
| Loss attributable to ordinary equity holders of the parent entity | (177,189) | 7,204 | (169,985) |
| Headline loss | (174,584) | 7,204 | (167,380) |
| Abridged statement of financial position | | | |
| Share capital | 1,357,837 | 133,415 | 1,491,252 |
| Reserves attributable to equity holders of the parent | 159,416 | 133,415 | 292,831 |
| Long-term liabilities | 848,140 | (133,415) | 714,725 |
| Loss per share (cents) | (3.1) | 0.7 | (2.4) |
| Headline loss per share (cents) | (3.1) | 0.7 | (2.4) |
| NAV per share (cents) | 2.8 | 1.4 | 4.2 |
| NTAV per share (cents) | (5.9) | 3.0 | (2.9) |
| Weighted number of shares ('000) | 5,663,314 | 1,361,377 | 7,024,691 |
| Total number of shares in issue ('000) | 5,663,314 | 1,361,377 | 7,024,691 |
| Dilution shares issued to Existing lenders ('000) | – | 667,075 | 667,075 |
| Anti-dilution Shares issued to Mayibuye ('000) | – | 694,302 | 694,302 |
| Mayibuye shareholding (%) | 51.0 | 0.0 | 51.0 |
| Additional Lenders shareholding (%) | 0.0 | 9.5 | 9.5 |
| Existing Blue shareholders (%) | 49.0 | (9.5) | 39.5 |

Notes:

1. The '*Pro forma* Before' column reflects the abridged statements of comprehensive income and abridged statement of financial position and is based on the unaudited *pro forma* financial information for the six months ended 31 August 2010 after adjusting for the Early Conversion, RenAsset Conversion and Pinebridge Specific Issue as set out in paragraphs 1 and 2 of Annexure 2 to the Circular.
2. The 'High case' column is based on a potential scenario whereby there remains an outstanding debt to Existing Lenders that will result in Dilution Shares and Anti-dilution Shares being issued as set out in paragraphs 4.6 and 4.7 of the Recapitalisation Circular. The unaudited *pro forma* financial effects are calculated on the following assumptions:
 - (a) The potential scenario where the outstanding debt to Existing Lenders amount to R133.4 million. The R133.4 million has been arrived at by reducing the high case scenario of R400 million per paragraph 4 of Annexure 2 to the Recapitalisation Circular, with the R266.6 million debt converted for the purposes of the Transaction;
 - (b) The issue of 667,074,695 Dilution Shares as set out in paragraph 4.6 in the Recapitalisation Circular in accordance with the Debt Rescheduling Agreement. Dilution shares are assumed to be issued at a 30-day VWAP of 20 cents a share giving rise to a R133.4 million adjustment to share capital;(c) The issue of 694,301,234 Anti-dilution Shares as set out in paragraph 4.7 in the Recapitalisation Circular in accordance with the Subscription Agreement are issued to Mayibuye and its resulting shareholding is 51%. Anti-dilution Shares are assumed to be issued at the par value of 0.0001 cent a share for a cash consideration of R694.03;
 - (d) The interest expense that is attributable to the outstanding debt to Existing Lenders is assumed to have an average interest rate of 15% per annum. Consequently, an interest saving of *circa* R10 million (pre-tax), is added back to earnings for an assumed six-month period. The interest saving is assumed to be fully taxable;
 - (e) The Dilution and Anti-dilution Shares are assumed to be in issue for the period from 1 March 2010 to 31 August 2010 for the purposes of calculating the LPS and HLPS, illustrative effects; and
 - (f) The Dilution and Anti-dilution Shares are assumed to be issued on 31 August 2010 for the purposes of calculating the NAVPS and NTAVPS illustrative effects.

5. Illustrative effects of the potential issue of Warranty Shares

The following table sets out the unaudited *pro forma* financial effects of the potential issue of Warranty Shares assuming a high case scenario, however before the impact of the BEE Transaction:

Illustrative effects of the potential issue of Warranty Shares

| | <i>Pro forma</i> Before (1) | <i>Pro forma</i> adjustments (2)(3) | High case <i>Pro forma</i> After (2) |
|---|--|--|---|
| Abridged statement of comprehensive income | | | |
| Loss attributable to ordinary equity holders of the parent entity | (177,189) | (163,000) | (340,189) |
| Headline loss | (174,584) | (163,000) | (337,584) |
| Abridged statement of financial position | | | |
| Cash and cash equivalents | 248,369 | (163,000) | 85,369 |
| Share capital | 1,357,837 | 163,000 | 1,520,837 |
| Accumulated loss | (1,168,402) | (326,000) | (1,494,402) |
| Reserves attributable to equity holders of the parent | 159,416 | (163,000) | (3,584) |
| Loss per share (cents) | (3.1) | (2.2) | (5.3) |
| Headline loss per share (cents) | (3.1) | (2.1) | (5.2) |
| NAV per share (cents) | 2.8 | (2.9) | (0.1) |
| NTAV per share (cents) | (5.9) | (1.8) | (7.7) |
| Weighted number of shares ('000) | 5,663,314 | 815,000 | 6,478,314 |
| Total number of shares in issue ('000) | 5,663,314 | 815,000 | 6,478,314 |
| Further shares issued to Mayibuye ('000) | – | 815,000 | 815,000 |
| Mayibuye shareholding (%) | 51.0 | 6.2 | 57.2 |
| Existing Blue shareholders (%) | 49.0 | (6.2) | 42.8 |

Notes:

- The '*Pro forma* Before' column reflects the abridged statements of comprehensive income and abridged statement of financial position and is based on the unaudited *pro forma* financial information for the six months ended 31 August 2010 after adjusting for the Early Conversion, RenAsset Conversion and Pinebridge Specific Issue as set out in paragraphs 1 and 2 of Annexure 2 to this Circular.
- The 'High case' column is based on a potential scenario whereby a warranty Claim Amount raised by Mayibuye will result in Warranty Shares being issued as set out in paragraph 4.5 of the Recapitalisation Circular. The unaudited *pro forma* financial effects are calculated on the following assumptions:
 - The post-tax warranty Claim Amount is R163 million. The R163 million is consistent with the high case scenario per paragraph 3 of Annexure 2 to the Recapitalisation Circular. The high case warranty Claim Amount must be viewed in light of an existing Claim Amount estimated at R43.9 million as set out in paragraph 3.3.4 of this Circular and the potential Claim Amount estimated at R8 million as set out in paragraph 5.6 of this Circular.
 - The issue of 815,000,000 Warranty Shares. Warranty Shares are assumed to be issued at a 30-day VWAP of 20 cents per Blue share; and
 - The associated cost of issuing the Warranty Shares is credited against share capital and debited against accumulated loss.
- The once-off net after-tax expense attributable to the potential warranty Claim Amount is adjusted against the earnings of the Company and will result in a cash outflow for Blue in order to settle the associated expense.

**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED
PRO FORMA FINANCIAL INFORMATION**

"The Directors
Blue Financial Services Limited
Building 10, 107 Haymeadow Street
Boardwalk Office Park, Faerie Glen
Pretoria
0081

Dear Sirs

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE UNAUDITED
PRO FORMA FINANCIAL INFORMATION OF BLUE FINANCIAL SERVICES LIMITED ("Blue")****Introduction**

We have performed our limited assurance engagement in respect of the unaudited *pro forma* financial effects and the unaudited *pro forma* consolidated statement of financial position and statement of comprehensive income (collectively, "the *pro forma* financial information") set out in paragraph 5 and Annexure 2 to the circular to Blue shareholders ("the circular"), to be dated on or about 10 February 2011 and issued in connection with the continued financial restructuring of Blue through the proposed specific issue of up to 2,435,269,700 Ordinary Shares for cash at an issue price of 13 cents per Ordinary Share, in order to convert up to a maximum amount of R325 million of existing debt into Ordinary Shares, involving:

- the implementation of the Pinebridge Specific Issue, in order to discharge Blue's obligations relating to the Blue Nigeria Claim Amount being R40,976,513 and the Blue Claim Amount being R2,955,066 and the consequent issue of Anti-dilution Shares;
- the implementation of the RenAsset Conversion in order to convert R44,415,999 of existing debt into Ordinary Shares, and the consequent issue of Anti-dilution Shares;
- the implementation of the Early Conversion in order to convert R178,237,483 of existing debt into Ordinary Shares, and the consequent issue of Anti-dilution Shares;
- the proposed implementation of the Blue BEE Transaction, whereby the Blue BEE Trust will acquire up to a maximum amount of R50 million of Blue's outstanding debt which will subsequently be converted into Ordinary Shares at 13 cents per Ordinary Share, and the consequent issue of Anti-dilution Shares; and
- the potential issue of Warrant Shares to Mayibuye in terms of the Subscription Agreement,

("the Transaction") that is the subject of the circular of Blue.

The *pro forma* financial information has been prepared in accordance with the requirements of the JSE Limited ("JSE") Listings Requirements, for illustrative purposes only, to provide information about how the transaction might have affected the reported historical financial information presented, had the corporate action been undertaken at the commencement of the period or at the date of the *pro forma* consolidated statement of financial position being reported on.

Directors' responsibility

The Directors of Blue are responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the circular and for the financial information from which it has been prepared. Their responsibility includes determining that: the *pro forma* financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of Blue; and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

Reporting accountants' responsibility

Our responsibility is to express our limited assurance conclusion on the *pro forma* financial information included in the circular to Blue shareholders. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and the *Guide on Pro Forma Financial Information* issued by SAICA. This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Sources of information and work performed

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Blue the issuer, considering the evidence supporting the *pro forma* adjustments and discussing the adjusted *pro forma* financial information with the Directors of the company in respect of the corporate action that are the subject of the circular.

In arriving at our conclusion, we have relied upon financial information prepared by the Directors of Blue and other information from various public, financial and industry sources. While our work performed has involved an analysis of the historical published audited financial information and other information provided to us, our assurance engagement does not constitute an audit or review of any of the underlying financial information conducted in accordance with *International Standards on Auditing* or *International Standards on Review Engagements* and, accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that:

- the *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of Blue; and
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed in terms of the Sections 8.17 and 8.30 of the JSE Listings Requirements.

Consent

We consent to the inclusion of this report, which will form part of the circular, to be issued on or about 10 February 2011, in the form and context in which it will appear.

Deloitte & Touche Registered Auditors

Per: W Klaassen
Partner
Deloitte & Touche
Deloitte Place
The Woodlands
20 Woodlands Drive
Woodmead
2196

4 February 2011

National Executive: G G Gelink Chief Executive A E Swiegers Chief Operating Officer G M Pinnock Audit D L Kennedy Risk Advisory N B Kader Tax & Legal L Geeringh Consulting L Bam Corporate Finance J K Mazzocco Human Resources C R Beukman Finance T J Brown Clients & Markets N T Mtoba Chairman of the Board M J Comber Deputy chairman of the Board

A full list of partners and directors is available on request."

INVESTMENT IN SUBSIDIARIES

Subsidiary companies of Blue Financial Services Limited

| Name and registration number | Date and place of incorporation | Issued share capital | Percentage held by Blue | Nature of business | Date of becoming a subsidiary | Director(s) |
|--|--|-----------------------------|--------------------------------|---------------------------|--------------------------------------|---|
| Blue Employee Benefits (Pty) Ltd | 14/11/2000 South Africa | 9 433 Ordinary | 100 | Micro-Finance | 01/03/2006 | W J Smit C B Klopper |
| Blue Incremental Housing Finance (Pty) Ltd | 26/02/200 South Africa | 11 000 Ordinary | 100 | Housing Finance | 01/03/2006 | W J Smit C B Klopper |
| Blue Financial Services (South Africa) (Pty) Ltd | 29/04/1998 South Africa | 4 000 Ordinary | 100 | Micro-Finance | 16/01/2007 | W J Smit C B Klopper |
| Greenstart Homeloans (Pty) Ltd | 04/08/2000 South Africa | 100 Ordinary | 100 | Housing Finance | 03/04/2007 | W J Smit A J De Jager |
| Makhulong Multi Finance (Pty) Ltd | 14/10/2005 Lesotho | 1 000 Ordinary | 100 | Micro-Finance | 29/03/2007 | W J Smit |
| Blue Financial Services (Pty) Ltd | 07/07/1999 (Namibia) | 100 Ordinary | 100 | Micro-Finance | 30/08/2007 | W J Smit S Mbumba E Hiskia |
| Credit U Group Holdings Ltd | 20/02/2002 South Africa | 115 750 000 Ordinary | 100 | Micro-Finance | 17/12/2008 | C B Klopper |
| Blue Financial Services Swaziland Ltd | 23/08/2007 Swaziland | 100 Ordinary | 100 | Micro-Finance | 01/10/2007 | W J Smit |
| Blue Financial Services (Mauritius) Ltd | 18/06/2008 Mauritius | 1 000 000 Ordinary | 100 | Treasury Functions | 18/06/2008 | W J Smit S Strydom D Naik A Bheenick |

Subsidiary companies of Blue Financial Services (Mauritius) Ltd

| | | | | | | |
|---|------------------------|------------------|------|---------------|------------|---|
| Blue Employee Benefits (Pty) Ltd – Botswana | 12/03/2003 Botswana | 1 000 Ordinary | 100% | Micro Finance | 01/03/2006 | W J Smit A Heunes M T Lekalake |
| Blue Financial Services Zambia Ltd | 28/04/2004 Zambia | 375 000 Ordinary | 100% | Micro Finance | 01/03/2006 | W J Smit W Ndui G Ngula G J Verster |
| Blue Ltd – Kenya | 19/12/2005 Kenya | 60 000 ordinary | 100% | Micro Finance | 05/06/2007 | W J Smit |
| Blue Employee Benefits Ltd – Uganda | 15/02/2006 Uganda | 120 Ordinary | 100% | Micro Finance | 15/02/2006 | A Henderson D Ofinga W J Smit O Kahika |

| Name and registration number | Date and place of incorporation | Issued share capital | Percentage held by Blue | Nature of business | Date of becoming a subsidiary | Director(s) |
|---|--|-----------------------------|--------------------------------|----------------------------------|--------------------------------------|--|
| Blue Financial Services Cameroon S.A.R.L – Cameroon | Cameroon 24/02/2009 | 100 Ordinary | 100 | Intermediary Holding Company | 24/02/2009 | W J Smit |
| Blue Financial Services Ltd – Tanzania | 05/04/2006 Tanzania | 20 000 Ordinary | 100 | Micro-Finance | 05/04/2006 | W J Smit CB Klopper L K Masha S N Kanabar |
| Blue Financial Services Ltd – Rwanda | 11/04/2006 Rwanda | 30 000 Ordinary | 100 | Micro-Finance | 11/04/2006 | W J Smit C B Klopper |
| Blue Financial Services Ltd – Malawi | 25/01/2007 Malawi | 10 000 Ordinary | 100 | Micro-Finance | 25/01/2007 | C B Klopper B C Mkandawire L Nsapato |
| Blue Intercontinental Microfinance Bank Ltd Nigeria | 08/07/2008 Nigeria | 1 404 461 538 Ordinary | 55 | Micro-Finance and Deposit-taking | 08/07/2008 | W J Smit L Pretorius S Yusuf F Ajilore N R Muftau A Steyn |
| Subsidiary company of Blue Financial Services (South Africa) (Pty) Ltd | | | | | | |
| African Mobile Cellular (Pty) Ltd | 11/05/2005 South Africa | 100 Ordinary South Africa | 100% | Cellular and Airtime Sales | 01/03/2007 | C B Klopper C J H Kruger |
| Subsidiary company of Blue Financial Services Ltd – Zambia | | | | | | |
| Nedfin Ltd – Zambia | 10/11/2004 Zambia | 500 000 000 Ordinary | 100% | Micro-Finance | 07/08/2008 | W J Smit W Ndui G Ngula G J Verster |

ALTERATIONS TO THE AUTHORISED AND ISSUED SHARE CAPITAL

The authorised share capital of the Company was increased to 11,000,000,000 Ordinary Shares by the creation of 10,000,000,000 Ordinary Shares, on 10 December 2010, the date the Subscription Agreement became effective.

Details of the alterations to the issued share capital of the Company for the three years preceding this Circular are set out below:

| Date | Receiving party | Number of shares issued | Closing balance | Nature of share | Description |
|-------------|--|--------------------------------|----------------------------|------------------------------------|---|
| 2006/03/08 | Allotment to pre-IPO shareholders | 1 000 000 299 000 000 | 1 000 000 300 000 000 | Ordinary Shares Ordinary Shares | Start-up capital Private placement pre-listing |
| 2006/10/12 | Allotment to public shareholders | 20 000 000 | 320 000 000 | Ordinary Shares | Issued on listing |
| 2006/12/04 | Future Finance vendors Listing Cost | 32 000 000 | 352 000 000 352 000 000 | Ordinary Shares Ordinary Shares | Future Finance transaction |
| 2007/04/20 | Pinebridge Class A | 10 057 143 | 362 057 143 | Ordinary Shares | Partial conversion of Series A preference shares |
| 2007/04/23 | Greenstart | 838 197 | 362 895 340 | Ordinary Shares | Purchase of minorities |
| 2007/04/23 | BIHF | 100 000 | 362 995 340 | Ordinary Shares | Purchase of minorities |
| 2007/07/26 | Pinebridge Class A | 78 445 774 | 441 441 114 | Ordinary Shares | Remaining conversion of Series A preference shares |
| 2007/10/24 | IFC | 23 838 384 | 465 279 498 | Ordinary Shares | IFC subscription |
| 2007/12/28 | Millennium | 5 000 000 | 470 279 498 | Ordinary Shares | Exercise of option to subscribe for Ordinary Shares |
| 2008/08/20 | Emerging Capital Partners | 14 339 623 | 484 619 121 | Ordinary Shares | Conversion of unsecured convertible bonds issued to ECP |

| Date | Receiving party | Number of shares issued | Closing balance | Nature of share | Description |
|-------------|------------------------|--------------------------------|------------------------|------------------------|--|
| 2008/09/19 | Pinebridge Class B | 48 461 893 | 533 081 014 | Ordinary Shares | Conversion of Series B preference shares |
| 2008/12/08 | Credit U shareholders | 51 508 750 | 584 589 764 | Ordinary Shares | Issued in Credit U transaction |
| 2009/10/14 | Pinebridge Class C | 39 779 850 | 624 369 614 | Ordinary Shares | Conversion of Series C preference shares |
| 2009/10/14 | Error shares per JSE | 111 | 624 369 725 | Ordinary Shares | Error in Credit U transaction corrected |
| 2010/12/10 | Mayibuye | 1 253 846 154 | 1 878 215 879 | Ordinary Shares | Specific Issue of Shares |
| | Total | 1 878 215 879 | | | |

CORPORATE GOVERNANCE

Corporate Governance

The current board of Directors and management understand the importance and responsibility to conduct the Group's business with integrity and in accordance with recognised corporate practices and codes.

The Group is committed to responsible, transparent, and sustainable management and supervision to fulfil the legal and social demands of our stakeholders.

The principles that guide us

Since the Group is domiciled in South Africa, it derives its legal framework from South African law; in particular the principles of the Code of Corporate Practice and Conduct ("the Code") as set out by the King Report on Corporate Governance for South Africa 2002 ("King II Report"). The Group is currently assessing the principles of King III with a view to adopting those to the extent not already adopted in the Group.

Compliance with the Code

The Directors are of the opinion that the Group has complied with the requirements of the King II Report for the year under review in all material respects.

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), and supports the principles of conduct in operations and lending purposes as prescribed therein.

Financial Services Board

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

Price-sensitive information

The Group has a policy regarding the determination of information as price sensitive, confidential, 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.

The Board of Directors

The Group is governed by a unitary Board of Directors.

Following the recapitalisation, as set out in the Recapitalisation Circular, the Blue Board was reconstituted.

The reconstituted Board consists of two executive Directors and nine non-executive Directors of whom at least six are independent non-executive Directors (including an independent non-executive chairman). In anticipating its compliance with King III, the Audit Committee consists of three independent non-executive Directors, of whom the independent non-executive chairman of the Board will not be a member. The Audit Committee meets at least three times per financial year. The Audit Committee has expressed its satisfaction with the competence of the chief financial officer. In addition to the reconstituted Audit Committee, the Company is in the process of reconstituting its Risk Committee, Remuneration and Nominations Committee and Executive Committee to assist the new board in discharging its responsibilities.

The CEO resigned on 30 July 2010 and J Meiring was appointed in his stead on 13 December 2010 after the chairperson acted as CEO from 1 August 2010 to 12 December 2010. The chairperson of the Board is an independent non-executive and the roles of the chairperson and the chief executive officer (CEO), are separate.

All Directors are tasked with contributing their independent thinking and appropriate experience to the Board's decision-making processes.

Independent advice, where appropriate, may be sought by Directors at the cost of the Group, in the pursuit of proper execution of their duties. Directors have direct and unfettered access to the external auditors, any professional advisers and the advice of the Company Secretary.

The Company's Chief Executive Officer is charged with the responsibility of the ongoing operations of the Company. He develops the Company's strategy and recommends the business plan and budgets to the Board for consideration. He is assisted in this regard by the Executive Committee.

Appointments to the Board, which are a matter for the Board as a whole, are made in terms of formal and transparent procedures and are subject to confirmation by the shareholders at the annual general meeting. Although the Board retains overall responsibility for Group affairs, the boards of subsidiary companies have key roles in the Group's overall governance and decision-making.

The Group believes that its Board's current composition 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.

The Board has not yet implemented an annual effectiveness evaluation in respect of the Board and the Board Committees, but plans to do so during the forthcoming year.

The Board also plans to implement a Board Charter detailing its composition, appointment, responsibilities and processes as well as the duties and role of each Director.

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.

Company Secretary and advice

In pursuance of its stated intention to improve corporate governance, the company secretarial function has been outsourced to an independent consultant. The Company Secretary attends all Board, Board committee and executive meetings. Directors have access to the Company Secretary, who acts as an adviser 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. The Company Secretary has now also been delegated the responsibility to develop and oversee the induction of new Directors and to co-ordinate the attendance of relevant training programmes such as the Alt^x directors induction programme.

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.

Designated Adviser

The Board is also supplemented by the services of a designated adviser, Grindrod Bank Limited, whose representatives attend all Board and Audit Committee meetings.

Share dealings

In terms of JSE Listings 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 SENS.

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, fund and asset managers.

Internal control

The Board of Directors is responsible for ensuring that the Group maintains adequate records that 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.

Internal and external audit

The Group's internal audit function has been outsourced to PKF auditors to ensure independence in this function. The external auditors independently appraise the adequacy and effectiveness of internal controls. 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 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 – PKF
- Botswana – Deloitte & Touche
- Kenya – Deloitte & Touche
- Lesotho – Enslin Auditors
- Malawi – Deloitte & Touche
- Namibia – Deloitte & Touche
- Nigeria – KPMG
- Tanzania – Deloitte & Touche
- Uganda – Deloitte & Touche
- Zambia – Deloitte & Touche
- Mauritius – Deloitte & Touche
- Rwanda – Deloitte & Touche
- Cameroon – Deloitte & Touche

Organisational integrity and Code of Ethics

The Group 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.

Whistleblowing

The Group has introduced an independently monitored whistleblowing function to facilitate anonymous and unrestricted reporting of possible fraudulent, corrupt or unethical behaviour universally across the Group.

Board committees

Other than the reconstituted Audit Committee the following three remaining committees are in the process of being reconstituted to assist the Board in discharging its responsibilities:

1. Executive Committee
2. Risk Committee
3. Remuneration and Nomination Committee

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 and responsible for the performance and affairs of the Group and that the use of delegated authorities to 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.

INDEPENDENT EXPERT'S FAIRNESS OPINION

"The Directors
Blue Financial Services Limited
Boardwalk Office Park
107 Haymeadow Street
Faerie Glen
Pretoria
0043

13 January 2011

Dear Sirs

REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT TO BLUE FINANCIAL SERVICES LIMITED REGARDING THE PROPOSED TRANSACTION WITH PINEBRIDGE GLOBAL EMERGING MARKETS PARTNERS II L.P.

INTRODUCTION

BDO Corporate Finance has been appointed by the Board of Directors of Blue Financial Services Limited ("Blue" or "the Company") to provide an independent fairness opinion to the shareholders of Blue with regard to the following proposed transactions with Pinebridge Global Emerging Markets Partners II L.P. ("Pinebridge"), in terms of which certain claims held by Pinebridge against Blue will be converted into Ordinary Shares in Blue at a conversion price of R0.13 per Ordinary Share, namely:

- the issue of 22,731,279 shares to Pinebridge as settlement of a claim to 22,731,279 shares in Blue arising as a result of the restatement of the annual financial statements of Blue in respect of the financial year ended 28 February 2009, resulting in an adjustment to the number of shares issued to Pinebridge pursuant to the conversion of the class C Preference Shares held by Pinebridge in Blue (the "Blue Claim Amount"); and
- the issue of 315,203,945 shares to Pinebridge as settlement of a claim of US\$5,000,000 together with interest thereon at 8.5% from 14 September 2008 as a result of a directive issued by the Central Bank of Nigeria, instructing Pinebridge to transfer all of the shares acquired by it in the share capital of Micro-Finance Bank Limited, Blue's Nigerian operating subsidiary ("Blue Nigeria") from Blue, being equivalent of the purchase price originally paid by Pinebridge in respect of the its interest in Blue Nigeria, plus interest thereon (the "Blue Nigeria Claim"),

(the "Transaction").

FAIRNESS OPINION REQUIRED IN TERMS OF SECTION 5 OF THE JSE LISTINGS REQUIREMENTS

Pinebridge is a related party to Blue as defined in section 10.1(b) of the JSE Limited ("JSE") Listings Requirements. The Transaction is an issue of shares for cash (the "Specific Issue") and the Board of Directors of Blue (the "Directors") is required, in terms of Section 5 of the JSE Listings Requirements, to issue a statement confirming whether the Transaction is fair as far as the shareholders (excluding related parties) of Blue are concerned. The Directors must obtain a fairness opinion from an independent professional expert in respect of the Transaction ("the Fairness Opinion").

BDO Corporate Finance (Proprietary) Limited has been appointed by Blue to provide the Fairness Opinion.

RESPONSIBILITY

Compliance with the JSE Listings Requirements is the responsibility of the Directors of Blue. Our responsibility is to report to the shareholders on the fairness of the terms and conditions of the Transaction.

EXPLANATION AS TO HOW THE TERM “FAIR” APPLIES IN THE CONTEXT OF THE TRANSACTION

Schedule 5.7 of the JSE Listings Requirements states that the “fairness” of a transaction is based on quantitative issues. In the case of the issue of shares to a related party, a transaction may be said to be fair if the value of the consideration received (i.e. the extinguishing of the claims held by Pinebridge with a face value of R43,931,580) is greater than or equal to the value of the shares that are the subject of the transaction, being 337,935,224 Ordinary Shares in Blue (the “Consideration Shares”).

The Transaction would therefore be considered fair to the shareholders of Blue if the value received by Blue in terms of the Transaction is equal to or greater than the value of the shares issued to Pinebridge, or unfair if the value received in terms of the Transaction is less than the value of the shares issued to Pinebridge.

DETAILS AND SOURCES OF INFORMATION

In arriving at our opinion we have relied upon the following principal sources of information:

- Draft circular in respect of the Transaction, dated 4 February 2010, setting out the terms and conditions for the Transaction;
- The circular to Blue shareholders, dated 7 October 2010, which involved amongst others, the specific issue of 1,253,846,154 Ordinary Shares to Mayibuye Group (Pty) Limited (“Mayibuye”) for cash at an issue price of 13 cents per Ordinary Share, for an aggregate subscription consideration of R163 million (the “Recapitalisation Circular”);
- The Claims Purchase Agreement, dated 28 September 2010, between Leonox Investments (Proprietary) Limited (“Leonox”), Blue, certain of Blue’s subsidiaries, Creditedge (Proprietary) Limited and Old Mutual Life Assurance Company, in terms of which, amongst other things, provision is made for Blue and certain of Blue’s subsidiaries to sell to Leonox, for up to R300 million, claims which Blue and Blue subsidiaries have against debtors who have borrowed monies from Blue and the Blue subsidiaries (the “Claims Purchase Agreement”);
- The Debt Rescheduling Agreement concluded by Blue and its various subsidiaries (the “Group”) and certain financial institutions who have made loan facilities available to Blue (the “Existing Lenders”) and its various subsidiaries as detailed in the Recapitalisation Circular (the “DRA”);
- The addendum to the DRA, dated 9 December 2010, concluded between the Existing Lenders, the Company, certain of its subsidiaries and Mayibuye whereby the Existing Lenders were granted an option to convert, up to a total aggregate amount of R325 million of the amounts owing to them into Ordinary Shares at a conversion price of 13 cents per Ordinary Share (the “Early Conversion Agreement”);
- The agreement entered into between Mayibuye and Pinebridge, dated on or about 7 August 2010, as amended by a first addendum, dated on or about 30 September 2010, as detailed in the Recapitalisation Circular (the “Pinebridge Agreement”);
- an agreement entered into between Mayibuye, Pinebridge, Blue and certain Group Companies, dated 27 October 2010 which, *inter alia*: revived the Pinebridge Agreement; and excluded the Blue Claim and Blue Nigeria claim held by Pinebridge against Blue (the “Additional Excluded Claims”) and certain Group companies from the claims acquired by Mayibuye from Pinebridge in terms of the Pinebridge Agreement (the “Pinebridge Amendment Agreement”);
- Historical financial information in respect of Blue’s operating segments for the years ended February 2009 and February 2010;
- Annual reports of Blue for the years ended February 2008, 2009 and 2010;
- Published, unaudited interim results of Blue for the six months ended 31 August 2010;
- Forecast financial information in respect of Blue for the three years ending February 2013 prepared by Mayibuye and its advisers;
- Discussions with Blue Directors and advisers regarding the rationale for the Transaction;
- Discussions with Blue Directors and advisers regarding the forecast information presented;
- Discussions with Blue Directors and advisers on prevailing market, economic, legal and other conditions which may affect underlying value;
- Analyst reports relating to Blue;

- 30-, 60- and 90-day VWAP of Blue shares up to 13 January 2011;
- Securities Exchange News Service (“SENS”) announcements in respect of the Transaction and related matters; and
- Publicly available information relating to the industry in which Blue operates that we deemed to be relevant, including company announcements and media articles.

The information above was sourced from:

- Directors and management of Blue and their advisers; and
- Third party sources, insofar as such information related to publicly available economic, market and other data applicable to or potentially influencing Blue.

ASSUMPTIONS

We arrived at our opinion based on the following assumptions:

- That all agreements that will be entered into in terms of the Transaction will be legally enforceable; and
- That reliance can be placed on the financial information of Blue.

APPROPRIATENESS AND REASONABLENESS OF UNDERLYING INFORMATION AND ASSUMPTIONS

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- Reliance on audit reports in the financial statements of Blue;
- Conducting analytical reviews on the financial results and forecasts, such as key ratio and trend analyses;
- Determining the extent to which representations from management were confirmed by documentary evidence as well as our understanding of Blue and the economic environment in which it operates.

LIMITING CONDITIONS

This opinion is provided to the Board of Directors and shareholders of Blue in connection with and for the purposes of the Transaction. The opinion does not purport to cater for each individual shareholder’s perspective, but rather that of the general body of Blue shareholders.

Individual shareholder’s decisions regarding the Transaction may be influenced by such shareholder’s particular circumstances and, accordingly, individual shareholders should consult an independent adviser if in any doubt as to the merits or otherwise of the Transaction

We have relied upon and assumed the accuracy of the information provided to us in deriving our opinion. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management and the advisers to Blue, by reference to publicly available or independently obtained information. While our work has involved an analysis of, *inter alia*, the annual financial statements, and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

Where relevant, forward-looking information on Blue relates to future events and is based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of Blue will correspond to those projected. Where practicable, we have compared the forecast financial information to past trends as well as discussing the assumptions inherent therein with management and Blue’s advisers.

We have also assumed that the Transaction will have the legal consequences described in discussions with, and materials furnished to us by representatives and advisers of Blue and we express no opinion on such consequences.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect this opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

INDEPENDENCE

In terms of Schedule 5.1(a) of the JSE Listings Requirements, we confirm that BDO Corporate Finance has no equity interest in Blue or in any other party to the Transaction. In terms of Schedule 5.1(b) of the JSE Listings Requirements, we confirm that there is no existing relationship between BDO Corporate Finance and any of the parties to the Transaction.

Furthermore, we confirm that our professional fees are not contingent upon the success of the Transaction.

VALUATION

BDO Corporate Finance performed a valuation of Blue to determine the value of the shares to be issued to Pinebridge, as well as a valuation of the consideration received, i.e. the value of the claims extinguished.

The valuation methodologies employed included the net assets value methodology and discounted cash flow methodology. The net assets value methodology was the primary valuation methodology applied in the valuation of Blue. The value obtained was tested for reasonableness using the discounted cash flow to equity methodology.

The valuations were performed taking cognisance of risk and other market and industry factors affecting Blue. Additionally, sensitivity analyses were performed considering key value drivers.

Under the net asset valuation approach in respect of Blue, total equity value is based on the sum of tangible and intangible net asset value. Net asset value is determined by marking every asset and liability on and off- the company's balance sheet to current market values.

Under a DCF approach, forecast cash flows are discounted back to the present date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value for Blue

The rate at which the future cash flows are discounted ("the discount rate") should reflect not only the time value of money, but also the risk associated with Blue's future operations. Capital at financial services firms is defined as including only equity, since debt is effectively the firm's "raw material", i.e. something that can be repackaged into products and on-sold at a higher price. As a result, we have valued Blue on an equity basis, i.e. free cash flows to equity, discounted at the cost of equity. We determined a cost of equity of 20.82% in terms of the Capital Asset Pricing Model.

Key internal value drivers to the net asset value methodology included the book value of gross loans and advances (the "loan book"). Key external value drivers included market norms in respect of allowances for impairments in respect of the loan book and market multiples in respect of the fair market value of the loan book (the "multiple of loan book"). The net asset value methodology included an analysis of transaction multiples in respect of the acquisitions of comparable loan books within the sector.

Key internal value drivers to the discounted cash flow to equity valuation included the cost of equity, reinvestment rate and expected future growth in the business. External value drivers, including interest rates, headline inflation rates and prevailing market and industry conditions were also considered in assessing the forecast cash flows and risk profile of Blue's operations.

The fair value of the Blue Claim Amount and Blue Nigeria Claim is equal to the face value of the claims, amounting to R43,931,580.

In undertaking the valuation exercise detailed above in respect of Blue, we determined a fair value range for Blue of 11.31 cents per Ordinary Share to 12.45 cents per Ordinary Share amounting to a valuation of the Consideration Shares of R38,220,474 to R42,072,935.

Based on our determined value ranges, the value of Additional Excluded Claims exceeds the value of the Consideration Shares.

PROCEDURES

In arriving at our opinion we have undertaken the following procedures and taken into account the following factors in evaluating the fairness of the Transaction:

- Reviewed the terms and conditions of the Transaction;
- Reviewed the audited and unaudited financial information of Blue, as detailed above;
- Held discussions with Directors and management of Blue and their advisers and considered such other matters as we consider necessary, including assessing the prevailing economic and market conditions and trends;
- Reviewed Blue forecasts and the basis of the assumptions therein including the prospects of Blue's operations. This review included an assessment of the recent historical performance to date as well as the reasonableness of the outlook assumed based on discussions with management and advisers;
- Compiled a net asset value model and applied BDO Corporate Finance's assumptions regarding gross value of loan book, allowances for impairments and market multiples of loan book to produce a net asset valuation of Blue;
- Compiled a free cash flow to equity financial model using the forecast financial information and applied BDO Corporate Finance's assumptions regarding cost of capital to the forecast cash flows to produce a discounted cash flow valuation of Blue;
- Performed a sensitivity analysis on key assumptions included in the financial models, specifically relating to value of loan book, growth in loan book, net margins, cost of capital and growth in the businesses;
- Assessed the 30-, 60- and 90-day VWAP of Blue;
- Assessed the long-term potential of Blue;
- Evaluated the relative risks associated with Blue and the industry in which it operates;
- Reviewed certain publicly available information relating to Blue that we deemed to be relevant, including company announcements, analysts' reports and media articles; and
- Where relevant, representations made by management and/or Directors were corroborated to source documents or independent analytical procedures were performed by us, to examine and understand the industry in which Blue operates, and to analyse external factors that could influence the business of Blue.

OPINION

BDO Corporate Finance has considered the terms and conditions of the Transaction and, based on and subject to the conditions set out herein, is of the opinion that the Transaction is fair to the shareholders of Blue.

Our opinion is necessarily based upon the information available to us up to 13 January 2011, including in respect of the financial information as well as other conditions and circumstances existing and disclosed to us. We have assumed that all conditions precedent, including any material regulatory and other approvals or consents required in connection with the Transaction have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

Yours faithfully

BDO Corporate Finance (Pty) Limited

Andrew Naude

Director

BDO Corporate Finance
7 West Street
Houghton
2198

SALIENT FEATURES OF THE EARLY CONVERSION AGREEMENT

1. Absa Bank Limited, African Banking Corporation of Botswana Limited, African Banking Corporation of Zambia Limited, Nederlandse Financierings-Maatshappij voor Ontwikkelingslanden N.V., Overseas Private Investment Corporation, Standard Chartered Bank Botswana Limited, Standard Chartered Bank (the Johannesburg branch), the OPEC Fund for International Development, WorldBusiness Capital Inc, the National Housing Finance Corporation (collectively, "**Participating Lenders**"), International Finance Corporation ("**IFC**"), Mayibuye Group (Proprietary) Limited, Blue Financial Services Limited ("**Blue**") and certain of its subsidiaries (namely, Blue Financial Services Limited (Mauritius), Blue Employee Benefits Limited (Uganda), BFS (Proprietary) Limited, Blue Financial Services Limited (Zambia) and Blue Employee Benefits (proprietary) Limited (Botswana)) entered into an addendum to the Debt Rescheduling Agreement (the "**Early Conversion Agreement**").
2. The Early Conversion Agreement was entered into to:
 - 2.1 confirm that the Debt Rescheduling Agreement is valid and binding despite the fact that Renaissance Africa Master Fund Limited ("**RenAsset**") did not sign the Debt Rescheduling Agreement;
 - 2.2 make provision for the early conversion of debt into Ordinary Shares; and
 - 2.3 revive the Debt Rescheduling Agreement to the extent necessary.
3. The Early Conversion Agreement makes provision for an early conversion of debt into Ordinary Shares in Blue at a conversion price of 13 cents per share. The salient terms of the Early Conversion Agreement are the following:
 - 3.1 IFC undertook to convert the entire principal amount owing to it into shares in Blue;
 - 3.2 each other Participating Lender was afforded the opportunity to apply to Blue in writing, on or before 15 December 2010, to convert the whole or any portion of the principal amounts owing to it into Ordinary Shares in Blue;
 - 3.3 the terms and conditions of the RenAsset Agreement (in terms of which RenAsset undertook to convert one-half the amount owed to it by the Group into Ordinary Shares in Blue, and could elect to convert the other half as well) were noted;
 - 3.4 Blue: (1) undertook to obtain, by 15 December 2010, instructions from Pinebridge in relation to the amount of the debt which Pinebridge wished to convert and (2) was given the right to invite any of its other creditors to participate in the early conversion;
 - 3.5 all conversions of debt into equity which take place as part of the early conversion will be effected at a conversion price of 13 cents per share;
 - 3.6 the aggregate amount of debt which will be converted into shares as part of the early conversion will not exceed R325 000 000 (three hundred and twenty-five million Rand);
 - 3.7 the early conversion is subject to the obtaining of all required approvals (which include the consent of the JSE, the requisite resolutions by the shareholders of Blue and Exchange Control approval);
 - 3.8 Blue undertook to present a plan setting out the details of each party and the amounts which those parties would convert into Ordinary Shares in Blue, and Blue presented such a plan to the other parties to the Early Conversion Agreement on 7 January 2011;
 - 3.9 accrued interest on the principal amounts which IFC, RenAsset, Participating Lenders and Pinebridge had applied to convert up to 1 January 2011 would be paid on 7 January 2011;

- 3.10 Blue undertook to deliver a subscription notice to the parties who applied to convert their outstandings to Ordinary Shares, subject to the proviso that Blue obtains all the required approvals referred to in paragraph 3.7 before 28 February 2011;
- 3.11 outstandings which are denominated in foreign currency and will be converted into Ordinary Shares in Blue as part of the early conversion will be converted into rand at the applicable spot rate on the date on which Blue delivers the subscription notice; and
- 3.12 Blue undertook to stipulate a date on which the outstandings will be converted into Ordinary Shares, and that date cannot be later than three business days after the subscription notice is delivered.

SALIENT FEATURES OF THE RENASSET AGREEMENT

1. Blue Financial Services Limited (“Blue”) and Renaissance Africa Master Fund Limited (“RenAsset”) entered into a convertible loan agreement on 18 November 2010 (the “**RenAsset Agreement**”) as amended by an addendum thereto, dated 6 December 2010.
2. The RenAsset Agreement was entered into:
 - 2.1 as RenAsset did not sign the Debt Rescheduling Agreement; and
 - 2.2 to make provision for the early conversion of the debt owed to RenAsset on the same basis as set out in the Early Conversion Agreement.
3. The salient terms of the RenAsset Agreement are the following:
 - 3.1 RenAsset undertook to convert one-half of the outstandings owing to it by Blue and its subsidiaries into Ordinary Shares in Blue and could elect to convert the remaining one-half of its outstandings into Ordinary Shares in Blue;
 - 3.2 in respect of the portion of any outstandings which RenAsset elected not to convert into Ordinary Shares, RenAsset would be treated on the same basis as an unsecured lender in terms of the Debt Rescheduling Agreement; and
 - 3.3 the conversion of RenAsset’s outstandings into Ordinary Shares would occur on the same basis and at the same conversion price (13 cents per ordinary share) as the early conversion as set out in the Early Conversion Agreement; and the accrued interest on the outstandings which RenAsset would convert into Ordinary Shares would be paid on the same basis as set out in the Early Conversion Agreement.

SALIENT FEATURES OF THE PINEBRIDGE AMENDMENT AGREEMENT

Mayibuye, Pinebridge, Blue and certain members of the Group (Blue Financial Services (Mauritius) Limited (“**Blue Mauritius**”) and Blue Employee Benefits (Proprietary) Limited entered into an agreement on 27 October 2010, in terms of which the parties amended the Pinebridge Agreement (the “**Pinebridge Amendment Agreement**”).

The salient terms of the Pinebridge Amendment Agreement are the following:

1. Amendments to the Pinebridge Agreement

The Blue Claim and the Blue Nigeria Claim were excluded from the claims acquired by Mayibuye in terms of the Pinebridge Agreement.

2. Termination of Nigeria Letter Agreement

The letter agreement concluded between Blue and Pinebridge (which was Annexure 1 to the Pinebridge Agreement) was terminated with effect from the date on which Mayibuye subscribed for shares in Blue (the “**Subscription Date**”).

3. Settlement of the Additional Excluded Claims

Pinebridge and Blue agreed that:

3.1 in respect of the Blue Nigeria Claim:

3.1.1 Pinebridge and Blue Mauritius:

3.1.1.1 would cancel the sale agreement in terms of which Pinebridge acquired the shares in Blue Financial Services (Nigeria) (the “**Applicable Shares**”), with effect from the Subscription Date;

3.1.1.2 agree that Pinebridge shall transfer the Applicable Shares back to Blue Mauritius on the Subscription Date (or as soon as reasonably possible thereafter) and Blue Mauritius hereby acknowledge that it will, once that transfer has taken place, be indebted to Pinebridge in an amount of US\$5,000,000 (five million United States Dollars) plus interest thereon accruing at a rate of 8.5% (eight point five percent), nominal annual compounded monthly in arrears, from the date on which the purchase consideration for the Applicable Shares were actually paid to Blue Employee Benefits (Proprietary) Limited up to and including the Subscription Date (“**Blue Nigeria Claim Amount**”); and

3.1.1.3 agree that on the Subscription Date (or as soon as reasonably possible thereafter), Pinebridge shall deliver to Blue Mauritius the original share certificates in respect of the Applicable Shares and the share transfer forms in respect of the Applicable Shares duly completed by the registered holders thereof and currently dated but in blank as to the transferee, whereupon ownership of, risk in, and benefit attaching to the Applicable Shares will pass back to Blue Mauritius;

3.1.2 Blue Mauritius delegated to Blue the debt represented by the Blue Nigeria Claim Amount and in exchange for Blue accepting such delegation, Blue Mauritius acknowledged that it shall be indebted to Blue in an amount equal to the Blue Nigeria Claim Amount. Pinebridge consented to the aforementioned delegation;

3.1.3 the debt represented by the Blue Nigeria Claim Amount is only capable of being settled by Blue by way of the allotment and issue of Ordinary Shares (unless expressly provided otherwise in the Pinebridge Amendment Agreement);

3.1.4 if Blue agrees, prior to the 3rd anniversary of the Subscription Date, with any of its existing funders that it will convert all or a portion of the debt owed by the Group to them into Ordinary Shares (as contemplated in the agreement Debt Rescheduling Agreement, Pinebridge shall

have the right to convert all or a portion (provided that such portion shall in no event be less than its *pro rata* amount having regard to the Blue Claim Amount and the total debt to be converted in terms of the Debt Rescheduling Agreement), as the case may be, of the Blue Nigeria Claim Amount to Ordinary Shares as part of the Early Conversion. Any remaining portion of the Blue Nigeria Claim Amount upon implementation of the Early Conversion shall be referred to in this Agreement as the “**Remaining Blue Nigeria Claim Amount**”;

3.1.5 if Pinebridge has not converted all or a portion of the Blue Nigeria Claim Amount as part of the Early Conversion, Pinebridge will have the right, exercisable within 90 (ninety) days of the date on which any and all Ordinary Shares subject to the Early Conversion have been allotted and issued by Blue, in respect of all but not part of the Remaining Blue Nigeria Claim Amount, to either:

3.1.5.1 require Blue to sell such number of Applicable Shares to Pinebridge at the then fair market value thereof which would be equal to (but shall not exceed) the shareholding in Blue Nigeria determined by applying the following formula, provided that such sale will not result in a change of control in Blue Nigeria and provided further that any and all required regulatory approvals have been obtained, the shareholders of Blue Nigeria have given any and all required consents or approvals, have waived any and all rights to such Applicable Shares to the extent required and have passed any and all resolutions required for the implementation of the transactions contained in the Pinebridge Amendment Agreement:

$A = B/C \times 100 \times 10\%$;

A = shareholding in Blue Nigeria expressed as a percentage;

B = Remaining Blue Nigeria Claim Amount;

C = Blue Nigeria Claim Amount; or

3.1.5.2 should Blue have invested (directly or indirectly) in any business or entity in Nigeria (other than Blue Financial Services (Nigeria)) (“**Alternative Blue Entity**”) at the applicable time, then Blue shall use commercially reasonable endeavours, acting in good faith at all times, to procure that Pinebridge is given an opportunity to invest in the Alternative Blue Entity on substantially similar terms and conditions as Blue’ investment in that Alternative Blue Entity, to the extent of such shareholding in that Alternative Blue Entity determined *mutatis mutandis* in accordance with the formula contained in paragraph 3.1.5.1,

it being specifically recorded that:

3.1.5.3 notwithstanding that the fair market value of “A” in the above formula is for any reason less than the face value of the Remaining Nigeria Blue Claim Amount, the entire Remaining Nigeria Blue Claim Amount will be deemed to have been applied towards the discharge of the purchase consideration payable by Pinebridge for the Ordinary Shares or converted into equity in the Alternative Blue Entity; and

3.1.5.4 notwithstanding anything to the contrary contained in this paragraph 3.1, if Pinebridge’s rights contained in paragraphs 3.1.5.1 and/or 3.1.5.2 are not capable of being implemented due to any requirement or obligation of whatsoever nature on the Group to advance any monies to Blue Financial Services (Nigeria), Pinebridge’s rights contained in 3.1.5.1 and/or 3.1.5.2 shall fall away and no longer be of any force or effect upon receipt of written notice thereof from Blue;

3.1.6 if Pinebridge has:

3.1.6.1 exercised its rights to participate in the Early Conversion, the Blue Nigeria Claim Amount or the portion thereof to be converted into Ordinary Shares shall be converted to South African Rand at the average spot rate (as published by the JSE Limited) over the immediately preceding 14-day period and the Remaining Blue Nigeria Claim Amount shall remain designated in United States Dollars;

3.1.6.2 exercised its rights under paragraph 3.1.5, the entire Remaining Blue Nigeria Claim Amount shall remain designated in United States Dollars; and

- 3.1.6.3 elected not to or has failed for any reason to exercise its rights under paragraph 3.1.5 within the 90 (ninety)-day period referred to in that paragraph, the entire Remaining Blue Nigeria Claim Amount shall be converted into South African Rand on the 1st (first) business day following the 3rd (third) anniversary of the Subscription Date at the average spot rate (as published by the JSE Limited) over the immediately preceding 14-day period;
- 3.1.7 in the event that Pinebridge did not exercise its rights referred to in paragraph 3.1.5, the Remaining Blue Nigeria Claim Amount will be converted into Ordinary Shares as part of the conversion currently contemplated in the Debt Rescheduling Agreement (“**DRA Conversion**”);
- 3.2 in respect of the Blue Claim:
- 3.2.1 the entire dispute comprising the Blue Claim (including but not limited to any future claims which Pinebridge may have due to any further restatements by Blue of its annual financial statements in respect of the financial year ended 28 February 2009) is settled finally and in full by Blue acknowledging that it is indebted to Pinebridge in an amount equal to the aggregate of:
- 3.2.1.1 13 cents multiplied by the lesser of 22,731,279 (twenty-two million seven hundred and thirty-one thousand two hundred and seventy-nine) and such number of Ordinary Shares as Pinebridge may be entitled to as part of the Early Conversion; and/or
- 3.2.1.2 the price per Ordinary Share which the applicable funders will be required to pay as part of the DRA Conversion, multiplied by the difference between 22,731,279 (twenty-two million seven hundred and thirty-one thousand two hundred and seventy-nine) and such number of Ordinary Shares allotted and issued to Pinebridge as part of Early Conversion; and
- hereinafter referred to as “**Blue Claim Amount**”;
- 3.2.2 subject to the provisions of paragraph 4, the debt represented by the Blue Claim Amount shall only be capable of being settled by way of the allotment and issue of Ordinary Shares as contemplated in this paragraph 3.2;
- 3.2.3 in the event of an Early Conversion, Blue shall use its commercially reasonable endeavours to procure that Pinebridge shall have the right to convert as much as possible of the Blue Claim Amount to Ordinary Shares as part of the Early Conversion;
- 3.2.4 to the extent that Pinebridge was either not entitled to participate in the DRA Conversion for any reason or less than 22,731,279 (twenty-two million seven hundred and thirty-one thousand two hundred and seventy-nine) Ordinary Shares were allotted and issued to Pinebridge as part of the Early Conversion, Blue shall use its commercially reasonable endeavours to procure that Pinebridge shall have the right to convert the balance of the Blue Claim Amount to Ordinary Shares as part of the DRA Conversion; and
- 3.2.5 notwithstanding anything to the contrary contained in this Agreement and irrespective of the price at which the debt represented by the Blue Claim Amount shall be converted, Blue shall allot and issue 22,731,279 (twenty-two million seven hundred and thirty-one thousand two hundred and seventy-nine) Ordinary Shares to Pinebridge as part of the conversion contemplated in this paragraph 3.2.

4. Failure to Obtain Approvals and Alternative Settlement

- 4.1 Notwithstanding anything to the contrary contained in this paragraph 4, if:
- 4.1.1 by 31 August 2011 (or such later date as the parties may agree upon in writing), Pinebridge fails to become a party to the Debt Rescheduling Agreement or the “**Lender Committee**” constituted in terms of the Debt Rescheduling Agreement does not give any relevant approvals required for the allotment and issue of any Ordinary Shares to Pinebridge as contemplated in this paragraph 4;

4.1.2 by 31 March 2011 (or such later date as the parties may agree upon in writing), any and all approvals and registrations, as may be necessary or required by any regulatory body or in terms of any law, are not obtained for the allotment and issue of any Ordinary Shares to Pinebridge in terms of either the Early Conversion or the DRA Conversion, as the case may be, and the “Anti-Dilution Shares” to Mayibuye in terms of the Subscription Agreement; or

4.1.3 by 31 March 2011 (or such later date as the parties may agree upon in writing), the shareholders of Blue have not passed any and all resolutions as may be necessary or required for the allotment and issue of any Ordinary Shares to Pinebridge in terms of either the Early Conversion or the DRA Conversion, as the case may be, and the “Anti-Dilution Shares” to Mayibuye in terms of the Subscription Agreement,

Pinebridge shall be entitled to claim from Blue an amount, in cash, equal to the aggregate of the debts represented by the Blue Nigeria Claim Amount and the Blue Claim Amount, provided that:

4.1.4 should such failure by Pinebridge to become a party to the Debt Rescheduling Agreement or to obtain any required approvals from the Lender Committee, be attributable to the willful or negligent conduct of Pinebridge, the provisions of this paragraph 4 shall fall away and no longer be of any force or effect;

4.1.5 Pinebridge shall be limited in claiming payment of the amounts determined in accordance with the “**Distribution Principles**” as contained in clause 7.12 of the Debt Rescheduling Agreement (as if Pinebridge had been an “**Unsecured Lender**”, as contemplated in the Debt Rescheduling Agreement), such payments to be made at the times envisaged in the Debt Rescheduling Agreement;

4.1.6 for the purposes of the Distribution Principles, Pinebridge shall be treated as an Unsecured Lender;

4.1.7 upon the occurrence of an “Acceleration Event” as contemplated in the Debt Rescheduling Agreement, the provisions of paragraph 4.1.5 shall apply.

4.2 The provisions of paragraphs 4.1.5, 4.1.6 and 4.1.7 shall apply whether or not Pinebridge becomes a party to the Debt Rescheduling Agreement.

SALIENT FEATURES OF THE BLUE BEE TRUST DEED

General

1. Mayibuye and GMG (as the first trustee) concluded the Blue BEE Trust Deed on 9 February 2011, in terms of which they established the Blue BEE Trust.
2. Mayibuye has agreed to donate R100.00 to the first trustee of the Blue BEE Trust.
3. Blue is the sole beneficiary of the Blue BEE Trust.
4. The Blue BEE Trust is irrevocable and can only be terminated by a unanimous resolution of the trustees.
5. The Blue BEE Trust is a discretionary trust, and Blue will only be entitled to benefit from the Blue BEE Trust to the extent, if any, to which distributions are made to it in the discretion of the trustees.
6. The trustees have the powers to carry out all of the objects of the Blue BEE Trust.

Objects of the Blue BEE Trust

7. The objects of the Blue BEE Trust are:
 - 7.1 to acquire Ordinary Shares from time to time;
 - 7.2 to acquire debt owed by the Group to the Selling Lenders from such Selling Lenders which in the aggregate shall not exceed R50,000,000 (fifty million Rand) (the "Acquired Debt"), provided that all approvals required from all persons in relation to the conversion of the Acquired Debt into Ordinary Shares at a conversion price of 13 (thirteen) cents per Ordinary Share are obtained;
 - 7.3 to deal with such Acquired Debt by converting it into Ordinary Shares at a conversion price of 13 (thirteen) cents per Ordinary Share;
 - 7.4 to procure that not less than 40% (forty percent) of all the Ordinary Shares acquired by the Blue BEE Trust are sold to a QBI;
 - 7.5 in respect of the Ordinary Shares in Blue remaining after the transfer of Ordinary Shares to the QBI, to operate:
 - 7.5.1 a share incentive scheme for the employees of Blue on a basis to be approved by the directors of Blue and the JSE, provided that no more than 30% (thirty percent) of all the Ordinary Shares acquired by the Blue BEE Trust are to be used for this purpose; and
 - 7.5.2 a broad-based ownership scheme in terms of which the Trust will offer shares in Blue for sale to customers of Blue who qualify with pre-determined criteria determined by the directors of Blue, provided that no more than 30% (thirty percent) of all the Ordinary Shares acquired by the Blue BEE Trust are to be used for this purpose;
 - 7.6 if the trustees in their reasonable discretion deem it fit:
 - 7.6.1 to sell the whole or a portion of all the Ordinary Shares acquired by the Blue BEE Trust allocated to the broad based ownership scheme contemplated in paragraph 7.5.2; and
 - 7.6.2 thereafter, to sell the whole or a portion of all the Ordinary Shares acquired by the Blue BEE Trust allocated to the share incentive scheme contemplated in paragraph 7.5.1, to the QBI.

Trustees

8. GMG is the first trustee of the Blue BEE Trust, and once GMG resigns as trustee, 5 (five natural persons must be appointed as trustees. 2 (two) of the 5 (five) trustees must not be employed by any Group Company and 3 (three) of the 5 (five) trustees must meet the BEE criteria.

9. **The funders that have elected not to participate in the DRA are listed in the table below:**

| No. | Excluded funder | Amount |
|------------|--------------------------------|---------------|
| 1. | Barclays Botswana | R903,650 |
| 2. | Greenstart Home Loans | R2,500,000 |
| 3. | OYO State | R11,259,790 |
| 4. | Minlam | R4,071,000 |
| 5. | FNB (Office Building Mortgage) | R4,553,092 |
| 6. | FNB (Phakalane Mortgage) | R1,310,719 |
| 7. | FNB – Botswana | R7,583,852 |
| 8. | FNB – Swaziland | R987,140 |
| 9. | P-Life (Zambia Notes) | R1,786,844 |
| 10. | Capital Bank | R9,668,851 |
| 11. | Debenture – Botswana | R494,330 |
| 12. | Debentures Limited | R5,151,522 |
| 13. | Standard Bank – Namibia | R3,000,000 |
| 14. | Zanaco | R2,361,571 |
| 15. | Botswana Building Society | R29,983,529 |
| 16. | Stanbic Botswana | R63,104,744 |

10. **The Existing Lenders are listed in the table below**

| No. | Lender |
|------------|--|
| 1. | Absa Bank Limited |
| 2. | African Banking Corporation of Botswana Limited |
| 3. | African Banking Corporation Zambia Limited |
| 4. | International Finance Corporation |
| 5. | Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. |
| 6. | Overseas Private Investment Corporation |
| 7. | Standard Chartered Bank Botswana Limited |
| 8. | Standard Chartered Bank, Johannesburg Branch |
| 9. | The OPEC Fund for International Development |
| 10. | WorldBusiness Capital Inc. |
| 11. | National Housing Finance Corporation |

SCHEDULE OF EXISTING LENDERS, BORROWERS AND EXISTING FACILITIES

(Estimated Rand Funder Balances 31 December 2010)

| Lender | Facility type | Currency | Secured/ Borrower | Unsecured | Estimated December 2010 Balances | Estimated December 2010 Post-conversion Balances |
|--|---------------|----------|--|-----------|--|---|
| African Banking Corporation of Botswana Limited | Overdraft | BWP | Blue Employee Benefits (Pty) Ltd – Botswana | Secured | 40,087,698 | 40,087,698 |
| African Banking Corporation of Zambia Limited | Term loan | US\$ | Blue Financial Services Ltd | Secured | 24,940,875 | 24,940,875 |
| ABSA Bank Limited | Overdraft | ZAR | BFS Limited – South Africa | Unsecured | 29,873,145 | – |
| ABSA Bank Limited | Overdraft | ZAR | Credit U Financial Services (Pty) Ltd – South Africa | Unsecured | 7,562,277 | – |
| Standard Chartered Bank Botswana Limited | Overdraft | BWP | Blue Employee Benefits (Pty) Ltd – Botswana | Secured | 1,707,538 | 1,707,538 |
| Standard Chartered Bank (Johannesburg branch) | Term loan | ZAR | BFS Limited – South Africa | Secured | 75,344,829 | 75,344,829 |
| Standard Chartered Bank Botswana Limited | Overdraft | ZAR | BFS Limited – South Africa | Secured | 65,855,354 | 65,855,354 |
| Nederlandse Financierings Maatschappij voor Ontwikkelingslanden N.V. | Term loan | ZAR | Blue Financial Services Ltd – Mauritius | Unsecured | 162,852,715 | 162,852,715 |
| Nederlandse Financierings Maatschappij voor Ontwikkelingslanden N.V. | Term loan | ZAR/BWP | Blue Financial Services Ltd – South Africa | Unsecured | 80,268,061 | – |
| International Finance Corporation | Term loan | ZAR | BFS Limited – South Africa | Unsecured | 60,534,000 | – |
| The OPEC Fund for International Development (“OFID”) | Term loan | US\$ | Blue Financial Services Ltd – Mauritius | Unsecured | 103,612,355 | 103,612,355 |

| Lender | Facility type | Currency | Secured/ Borrower | Unsecured | Estimated December 2010 Balances | Estimated December 2010 Post-conversion Balances |
|--|----------------------|-----------------|--|------------------|---|---|
| Overseas Private Investment Corporation ("OPIC") | Term loan | US\$ | BFS Limited – South Africa (SMIME loan facility) | Secured | 101,203,217 | 101,203,217 |
| WorldBusiness Capital Incorporated | Term loan | ZAR | BFS Limited – South Africa | Unsecured | 67,220,282 | 67,220,282 |
| National Housing Finance Corporation Limited | Term loan | ZAR | BFS SA (Pty) Limited – South Africa | Secured | 77,809,538 | 77,809,538 |
| Pinebridge | Term loan | US\$ | Blue Financial Services Ltd – Mauritius | Unsecured | 40,976,513 | – |
| Pinebridge | Settlement | ZAR | BFS Limited – South Africa | Unsecured | 2,955,066 | – |
| Renaissance Africa Master Fund | Prom notes | US\$ | Blue Financial Services Ltd – Mauritius, Blue Employee Benefits Ltd – Uganda, Blue Financial Services Ltd – Zambia | Unsecured | 44,415,999 | |
| | | | | | 987,219,462 | 720,634,401 |

Estimated balances at 31 December 2010, assumes that arrears and accrued interest to converting funders were settled, therefore only remaining capital.

SHARE PRICE HISTORY OF BLUE

Daily

The highest, lowest and closing price of Blue shares on the JSE for each trading day commencing from 23 December 2010 to 3 February 2011 (being the last practicable date) and the daily volume and value is as follows:

| DATE | HIGH (cents) | LOW (cents) | CLOSE (cents) | VOLUME | VALUE (R) |
|-------------|-------------------------|------------------------|--------------------------|---------------|----------------------|
| 3 Feb 2011 | 28 | 26 | 26 | 600,746 | 16,354,300 |
| 2 Feb 2011 | 28 | 25 | 26 | 664,326 | 17,270,400 |
| 1 Feb 2011 | 28 | 27 | 27 | 112,030 | 3,094,800 |
| 31 Jan 2011 | 28 | 26 | 28 | 77,350 | 2,160,300 |
| 28 Jan 2011 | 27 | 26 | 27 | 40,000 | 1,065,000 |
| 27 Jan 2011 | 28 | 26 | 28 | 106,950 | 2,973,000 |
| 26 Jan 2011 | 29 | 27 | 28 | 149,000 | 4,209,000 |
| 25 Jan 2011 | 30 | 29 | 29 | 209,495 | 6,080,400 |
| 24 Jan 2011 | 29 | 28 | 29 | 148,927 | 4,242,700 |
| 21 Jan 2011 | 28 | 27 | 28 | 143,000 | 3,975,400 |
| 20 Jan 2011 | 27 | 26 | 27 | 49,307 | 1,330,200 |
| 19 Jan 2011 | 27 | 24 | 26 | 157,272 | 4,113,100 |
| 18 Jan 2011 | 27 | 25 | 25 | 113,759 | 2,970,400 |
| 17 Jan 2011 | 27 | 25 | 25 | 312,140 | 7,804,400 |
| 14 Jan 2011 | 28 | 24 | 26 | 774,292 | 20,284,200 |
| 13 Jan 2011 | 31 | 28 | 28 | 320,450 | 9,565,000 |
| 12 Jan 2011 | 31 | 30 | 30 | 166,327 | 5,020,400 |
| 11 Jan 2011 | 30 | 29 | 30 | 68,000 | 1,982,600 |
| 10 Jan 2011 | 30 | 29 | 29 | 201,542 | 5,969,100 |
| 7 Jan 2011 | 31 | 31 | 31 | 30,000 | 930,000 |
| 6 Jan 2011 | 31 | 30 | 31 | 209,490 | 6,444,100 |
| 5 Jan 2011 | 31 | 29 | 31 | 227,295 | 6,818,500 |
| 4 Jan 2011 | 30 | 29 | 29 | 283,700 | 8,461,800 |
| 3 Jan 2011 | 30 | 30 | 30 | 15,300 | 459,000 |
| 31 Dec 2010 | 30 | 29 | 30 | 90,000 | 2,658,000 |
| 30 Dec 2010 | 29 | 28 | 29 | 235,300 | 6,604,800 |
| 29 Dec 2010 | 30 | 30 | 30 | 25,000 | 750,000 |
| 28 Dec 2010 | 30 | 29 | 29 | 21,585 | 645,900 |
| 24 Dec 2010 | 29 | 29 | 29 | 25,915 | 751,500 |
| 23 Dec 2010 | 31 | 29 | 29 | 480,465 | 14,773,400 |

Monthly

The highest, lowest and closing price of the shares of Blue on the JSE for each month commencing from 26 February 2010 to 3 February 2011 and the aggregate monthly volume and value is as follows:

| DATE | HIGH (cents) | LOW (cents) | CLOSE (cents) | VOLUME | VALUE (R) |
|-------------|-------------------------|------------------------|--------------------------|---------------|----------------------|
| 3 Feb 2011 | 28 | 25 | 26 | 1,377,102 | 36,719,500 |
| 31 Jan 2011 | 31 | 24 | 28 | 3,803,596 | 106,858,600 |
| 31 Dec 2010 | 31 | 22 | 30 | 7,344,882 | 200,791,400 |
| 30 Nov 2010 | 40 | 14 | 26 | 22,995,791 | 652,741,500 |
| 29 Oct 2010 | 20 | 11 | 14 | 15,694,620 | 216,480,300 |
| 30 Sep 2010 | 14 | 2 | 10 | 15,085,097 | 143,719,100 |
| 31 Aug 2010 | 16 | 11 | 12 | 12,132,241 | 155,778,000 |
| 30 Jul 2010 | 13 | 9 | 11 | 14,050,302 | 160,711,000 |
| 30 Jun 2010 | 23 | 9 | 9 | 37,726,328 | 573,336,100 |
| 31 May 2010 | 34 | 20 | 23 | 2,606,304 | 66,392,600 |
| 30 Apr 2010 | 36 | 32 | 35 | 1,413,943 | 48,245,200 |
| 31 Mar 2010 | 36 | 22 | 35 | 11,919,373 | 318,822,100 |
| 26 Feb 2010 | 40 | 30 | 34 | 3,611,587 | 130,926,700 |

Quarterly

The highest, lowest and closing price of Blue shares on the JSE for each quarter commencing from 31 December 2007 to 31 December 2009 and the aggregated quarterly volume and value is as follows:

| DATE | HIGH (cents) | LOW (cents) | CLOSE (cents) | VOLUME | VALUE (R) |
|-------------|-------------------------|------------------------|--------------------------|---------------|----------------------|
| 31 Dec 2009 | 190 | 41 | 46 | 28,058,189 | 2,250,643,200 |
| 30 Sep 2009 | 247 | 163 | 187 | 21,163,384 | 4,341,163,400 |
| 30 Jun 2009 | 275 | 137 | 165 | 2,223,495 | 3,460,445,600 |
| 31 Mar 2009 | 450 | 141 | 240 | 20,956,857 | 5,334,122,100 |
| 31 Dec 2008 | 650 | 330 | 437 | 26,130,217 | 15,132,540,600 |
| 30 Sep 2008 | 700 | 570 | 640 | 21,335,507 | 12,829,648,500 |
| 30 Jun 2008 | 660 | 495 | 610 | 14,467,779 | 8,705,648,400 |
| 31 Mar 2008 | 540 | 415 | 520 | 30,694,783 | 13,993,360,400 |
| 31 Dec 2007 | 500 | 325 | 460 | 10,046,227 | 4,211,372,400 |

Source: McGregors BFA

SUMMARY HISTORIC FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 31 August 2010

| | Reviewed six months ended 31 Aug 2010 R'000 | Restated six months ended 31 Aug 2009# R'000 | Percentage change | Audited year ended 28 Feb 2010 R'000 |
|--|--|---|----------------------|---|
| Interest income | 150,585 | 280,295 | (46) | 454,090 |
| Interest expense | (71,743) | (98,720) | (27) | (173,241) |
| Net interest income | 78,842 | 181,575 | (57) | 280,849 |
| Administration and commission income | 55,809 | 101,832 | (45) | 164,790 |
| Other operating income | 56,443 | 101,499 | (44) | 117,616 |
| Operating income | 191,094 | 384,906 | (50) | 563,255 |
| Net impairment of loan advances and receivables | (77,087) | (235,055) | (67) | (548,811) |
| Operating expenses | (274,585) | (354,731) | (23) | (733,609) |
| Goodwill impairments | (3,187) | – | – | (210,054) |
| Loss before taxation | (163,765) | (204,880) | (20) | (929,219) |
| Taxation | (4,399) | 48,208 | >(100) | (101,409) |
| Loss for the period | (168,164) | (156,672) | 7 | (1,030,628) |
| Attributable to: | | | | |
| Equity holders of the parent | (157,882) | (152,481) | 4 | (1,019,871) |
| Minority interest | (10,282) | (4,191) | >100 | (10,757) |
| | (168,164) | (156,672) | 7 | (1,030,628) |
| Earnings ratios | | | | |
| Loss per share (cents) | (25.29) | (26.11) | (3) | (170.25) |
| Headline loss per share (cents) | (24.87) | (26.15) | (5) | (134.96) |
| Diluted loss per share (cents) | (25.29) | (26.11) | (3) | (170.25) |
| Diluted headline loss per share (cents) | (24.87) | (26.15) | (5) | (134.96) |
| Net asset value per share (cents) | (32.95) | 141.08 | >(100) | (3.11) |

Details of changes in accounting policies, restatement and reclassifications of comparative results are contained in note 6.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 31 August 2010 (continued)

| | Reviewed six months ended 31 Aug 2010 R'000 | Restated six months ended 31 Aug 2009# R'000 | Percentage change | Audited year ended 28 Feb 2010 R'000 |
|--|--|---|------------------------------|---|
| Loss for the period | (168,164) | (156,672) | 7 | (1,030,628) |
| Other comprehensive (loss)/income: | | | | |
| Exchange differences on translation of foreign operations | (30,392) | (102,356) | (70) | (138,635) |
| Revaluation of land and buildings | – | – | – | 1,660 |
| Income tax relating to components of other comprehensive income | – | (20,954) | – | 512 |
| Other comprehensive income for the period, net of tax | (30,392) | (123,310) | (75) | (136,463) |
| Total comprehensive loss for the period | (198,556) | (279,982) | (29) | (1,167,091) |
| Total comprehensive loss attributable to: | | | | |
| Equity holders of the parent | (188,126) | (265,505) | (29) | (1,145,854) |
| Minority interest | (10,430) | (14,477) | (28) | (21,237) |
| | (198,556) | (279,982) | (29) | (1,167,091) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 August 2010

| | Reviewed six months ended 31 Aug 2010 R'000 | Audited year ended 28 Feb 2010 R'000 | Percentage change |
|--|--|---|------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | 107,007 | 88,492 | 21 |
| Loan advances to customers | 532,474 | 783,017 | (32) |
| Trade and other receivables | 29,540 | 35,361 | (16) |
| Inventories | 542 | – | – |
| Taxation receivable | 720 | 948 | (24) |
| Other financial assets | 5,260 | 7,767 | (32) |
| Property, plant and equipment | 75,755 | 93,845 | (19) |
| Deferred taxation | 37,747 | 34,310 | 10 |
| Intangible assets | 32,275 | 40,892 | (21) |
| Goodwill | 429,993 | 448,881 | (4) |
| Total assets | 1,251,313 | 1,533,513 | (18) |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 928,250 | 928,250 | – |
| Other reserves | (30,019) | 445 | >(100) |
| Accumulated loss | (1,103,986) | (948,107) | 16 |
| Deficit attributable to equity holders of parent | (205,755) | (19,412) | >100 |
| Non-controlling interest | 6,099 | 16,529 | (63) |
| Total equity | (199,656) | (2,883) | >100 |
| Liabilities | | | |
| Bank overdraft | 73,784 | 110,659 | (33) |
| Derivative financial liabilities | 16,903 | 13,280 | 27 |
| Trade and other payables | 153,315 | 149,251 | 3 |
| Taxation payable | 103,857 | 96,195 | 8 |
| Finance lease obligations | 22,937 | 19,048 | 20 |
| Long-term liabilities | 1,070,793 | 1,135,977 | (6) |
| Operating lease liabilities | 3,138 | 3,350 | (6) |
| Deferred taxation | 6,242 | 8,636 | (28) |
| Total liabilities | 1,450,969 | 1,536,396 | (6) |
| Total equity and liabilities | 1,251,313 | 1,533,513 | (18) |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 31 August 2010

| | Share capital R'000 | (Accumulated loss)/ Retained income R'000 | Other reserves R'000 | Total R'000 | Non- control- ling interest R'000 | Total equity R'000 |
|---|---------------------------|---|----------------------------|------------------|---|--------------------------|
| Balance at 1 March 2009 – audited | 888,566 | 131,244 | 67,738 | 1,087,548 | 36,227 | 1,123,775 |
| Total comprehensive loss for the period | – | (152,481) | (113,024) | (265,505) | (14,477) | (279,982) |
| Functional currency change | – | (59,527) | 59,527 | – | – | – |
| Share-based payment to employees | 1,022 | 1,144 | – | 2,166 | – | 2,166 |
| Contingency reserve | – | (944) | 944 | – | – | – |
| Balance at 31 August 2009 – restated | 889,588 | (80,564) | 15,185 | 824,209 | 21,750 | 845,959 |
| Balance at 1 March 2009 – audited | 888,566 | 131,244 | 67,738 | 1,087,548 | 36,227 | 1,123,775 |
| Total comprehensive loss for the year | – | (1,019,871) | (125,983) | (1,145,854) | (21,237) | (1,167,091) |
| Functional currency change | – | (59,527) | 59,527 | – | – | – |
| Share-based payment to employees | 2,258 | (169) | – | 2,089 | – | 2,089 |
| Redemption of convertible redeemable preference shares | 37,426 | – | (621) | 36,805 | – | 36,805 |
| Contingency reserve | – | 216 | (216) | – | – | – |
| Business combinations | – | – | – | – | 1,539 | 1,539 |
| Balance at 28 February 2010 – audited | 928,250 | (948,107) | 445 | (19,412) | 16,529 | (2,883) |
| Balance at 1 March 2010 – audited | 928,250 | (948,107) | 445 | (19,412) | 16,529 | (2,883) |
| Total comprehensive loss for the period | – | (157,882) | (30,244) | (188,126) | (10,430) | (198,556) |
| Share-based payment to employees | – | 1,783 | – | 1,783 | – | 1,783 |
| Contingency reserve | – | 220 | (220) | – | – | – |
| Balance at 31 August 2010 – reviewed | 928,250 | (1,103,986) | (30,019) | (205,755) | 6,099 | (199,656) |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended 31 August 2010

| | Reviewed six months ended 31 Aug 2010 R'000 | Restated six months ended 31 Aug 2009 R'000 | Percentage change | Audited year ended 28 Feb 2010 R'000 |
|---|--|--|------------------------------|---|
| Cash flows from operating activities | | | | |
| Cash generated from/(used in) operations | 150,500 | (24,850) | >(100) | 25,222 |
| Interest expense | (71,743) | (98,720) | (27) | (173,241) |
| Tax paid | (984) | (24,466) | (96) | (42,805) |
| Net cash from/(used in) operating activities | 77,773 | (148,036) | >(100) | (190,824) |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | (1,494) | (20,618) | (93) | (30,524) |
| Sale of property, plant and equipment | 3,063 | 226 | >100 | 3,416 |
| Other investing activities | 2,507 | (3,657) | >(100) | (5,355) |
| Net cash from investing activities | 4,076 | (24,049) | >(100) | (32,463) |
| Cash flows from financing activities | | | | |
| Net proceeds from long-term liabilities | (29,534) | 105,926 | >(100) | 122,678 |
| Net finance lease receipts/(payments) | (1,133) | (2,348) | (52) | 1,182 |
| Net cash from financing activities | (30,667) | 103,578 | >(100) | 123,860 |
| Total net cash movement for the period | 51,182 | (68,507) | >100 | (99,427) |
| Net cash at the beginning of the period | (22,167) | 94,393 | >(100) | 94,393 |
| Effect of exchange rates | 4,208 | (9,020) | >100 | (17,133) |
| Total net cash at end of the period | 33,223 | 16,866 | 97 | (22,167) |

SEGMENT REPORT

Reviewed six months 31 August 2010

| | South Africa R'000 | Botswana R'000 | Zambia R'000 | Uganda R'000 | Tanzania R'000 | Malawi R'000 | Mauritius R'000 | Nigeria R'000 | CMA R'000 | Other R'000 | Elimination R'000 | Consolidated R'000 |
|--|-----------------------|-------------------|-----------------|-----------------|-------------------|-----------------|--------------------|------------------|--------------|----------------|----------------------|-----------------------|
| Interest income | 70,464 | 35,675 | 15,923 | 8,630 | 10,964 | 9,438 | 8 | 5,455 | 31,498 | 4,993 | (42,463) | 150,585 |
| – External customers | 43,691 | 20,260 | 15,656 | 8,630 | 10,964 | 9,438 | – | 5,455 | 31,498 | 4,993 | – | 150,585 |
| – Inter-segment interest | 26,773 | 15,415 | 267 | – | – | – | 8 | – | – | – | (42,463) | – |
| Interest expense | (34,866) | (5,944) | (11,019) | (10,363) | (9,234) | (8,428) | (14,379) | (3,065) | (8,578) | (8,330) | 42,463 | (71,743) |
| Net interest income | 35,598 | 29,731 | 4,904 | (1,733) | 1,730 | 1,010 | (14,371) | 2,390 | 22,920 | (3,337) | – | 78,842 |
| Administration and commission income | 51,221 | 5,735 | 9,694 | 3,140 | 6,508 | 2,227 | – | 2,275 | 15,707 | 1,329 | (42,027) | 55,809 |
| – External customers | 9,194 | 5,735 | 9,694 | 3,140 | 6,508 | 2,227 | – | 2,275 | 15,707 | 1,329 | – | 55,809 |
| – Inter-segment interest | 42,027 | – | – | – | – | – | – | – | – | – | (42,027) | – |
| Other operating income | 50,229 | 10,861 | 4,303 | 519 | 5,753 | 4,763 | 11,516 | 1,009 | 802 | 636 | (33,948) | 56,443 |
| Operating income | 137,048 | 46,327 | 18,901 | 1,926 | 13,991 | 8,000 | (2,855) | 5,674 | 39,429 | (1,372) | (75,975) | 191,094 |
| Net impairment of loan advances and receivables | (37,425) | (14,967) | 1,448 | (4,037) | (1,618) | 2,020 | – | (13,830) | (5,961) | (2,717) | – | (77,087) |
| Operating expenses | (146,812) | (15,480) | (25,404) | (21,618) | (29,435) | (15,282) | (7,259) | (13,160) | (12,596) | (20,570) | 33,031 | (274,585) |
| Goodwill impairments | – | – | (3,187) | – | – | – | – | – | – | – | – | (3,187) |
| Management operating (loss)/Profit | (47,189) | 15,880 | (8,242) | (23,729) | (17,062) | (5,262) | (10,114) | (21,316) | 20,872 | (24,659) | (42,944) | (163,765) |
| Segment result: | | | | | | | | | | | | |
| (Loss)/Profit before taxation | (47,189) | 15,880 | (8,242) | (23,729) | (17,062) | (5,262) | (10,114) | (21,316) | 20,872 | (24,659) | (42,944) | (163,765) |
| Taxation | (2,967) | (1,770) | 3,871 | – | (3) | 3 | (1,957) | (5) | (3,573) | (7) | 2,009 | (4,399) |
| (Loss)/Profit after taxation | (50,156) | 14,110 | (4,371) | (23,729) | (17,065) | (5,259) | (12,071) | (21,321) | 17,299 | (24,666) | (40,935) | (168,164) |
| Net investment in foreign operation adjustment | – | – | (120) | (14,094) | (15,972) | (5,096) | – | (1,910) | – | (8,899) | 46,091 | – |
| Management (loss)/profit after taxation | (50,156) | 14,110 | (4,491) | (37,823) | (33,037) | (10,355) | (12,071) | (23,231) | 17,299 | (33,565) | 5,156 | (168,164) |
| Other material non-cash items included in segment profit/(loss): | | | | | | | | | | | | |
| Depreciation on property, plant and equipment | 10,456 | 415 | 568 | 200 | 359 | 514 | – | 1,129 | 640 | 624 | – | 14,905 |
| Amortisation of intangible assets | 6,413 | 432 | 175 | 30 | 30 | – | – | – | 89 | 105 | – | 7,274 |

SEGMENT REPORT

Reviewed six months 31 August 2010 (continued)

| | South Africa R'000 | Botswana R'000 | Zambia R'000 | Uganda R'000 | Tanzania R'000 | Malawi R'000 | Mauritius R'000 | Nigeria R'000 | CMA R'000 | Other R'000 | Elimination R'000 | Consolidated R'000 |
|---|--------------------|----------------|--------------|--------------|----------------|--------------|-----------------|---------------|-----------|-------------|-------------------|--------------------|
| Segment assets | 216,088 | 148,280 | 114,164 | 57,360 | 63,329 | 68,305 | 344,559 | 59,741 | 125,424 | 37,374 | 16,689 | 1,251,313 |
| Segment liabilities | (316,691) | (206,367) | (135,276) | (115,830) | (105,858) | (103,703) | (756,595) | (48,178) | (87,772) | (107,964) | 533,265 | (1,450,969) |
| Non-current assets other than financial instruments and deferred taxation | 344,725 | 71,738 | 42,489 | 30,824 | 14,682 | 2,424 | 103,874 | 5,460 | 19,415 | 13,081 | (110,689) | 538,023 |

Audited year ended 28 February 2010

| | South Africa R'000 | Botswana R'000 | Zambia R'000 | Uganda R'000 | Tanzania R'000 | Malawi R'000 | Mauritius R'000 | Nigeria R'000 | CMA R'000 | Other R'000 | Elimination R'000 | Consolidated R'000 |
|---|--------------------|----------------|--------------|--------------|----------------|--------------|-----------------|---------------|-----------|-------------|-------------------|--------------------|
| Interest income | 260,396 | 59,063 | 44,721 | 14,319 | 40,076 | 16,554 | 13,492 | 34,181 | 43,139 | 13,116 | (84,967) | 454,090 |
| - External customers | 194,604 | 45,768 | 38,841 | 14,319 | 40,076 | 16,554 | 13,492 | 34,181 | 43,139 | 13,116 | - | 454,090 |
| - Inter-segment interest | 65,792 | 13,295 | 5,880 | - | - | - | - | - | - | - | (84,967) | - |
| Interest expense | (105,646) | (22,923) | (21,394) | (15,206) | (16,478) | (11,780) | (24,451) | (4,134) | (25,490) | (10,139) | 84,400 | (173,241) |
| Net interest income | 154,750 | 36,140 | 23,327 | (887) | 23,598 | 4,774 | (10,959) | 30,047 | 17,649 | 2,977 | (567) | 280,849 |
| Administration and commission income | 172,649 | 8,605 | 10,623 | 5,461 | 4,725 | 5,343 | - | 6,752 | 42,415 | 1,626 | (93,409) | 164,790 |
| - External customers | 79,240 | 8,605 | 10,623 | 5,461 | 4,725 | 5,343 | - | 6,752 | 42,415 | 1,626 | - | 164,790 |
| - Inter-segment interest | 93,409 | - | - | - | - | - | - | - | - | - | (93,409) | - |
| Other operating income | 85,928 | 25,110 | 8,482 | - | 26 | 236 | 464 | - | - | - | (2,630) | 117,616 |
| Operating income | 413,327 | 69,855 | 42,432 | 4,574 | 28,349 | 10,353 | (10,495) | 36,799 | 60,064 | 4,603 | (96,606) | 563,255 |
| Net impairment of loan advances and receivables | (357,828) | (43,501) | (15,002) | (17,626) | (14,107) | (26,837) | - | (26,620) | (33,882) | (13,408) | - | (548,811) |
| Operating expenses | (482,758) | (49,820) | (66,926) | (50,724) | (53,711) | (49,108) | (7,420) | (31,748) | (54,669) | (49,299) | 162,574 | (733,609) |
| Goodwill impairments | (138,816) | - | (50,488) | - | - | - | - | - | - | (20,750) | - | (210,054) |
| Management operating (loss)/profit | (566,075) | (23,466) | (89,984) | (63,776) | (39,469) | (65,592) | (17,915) | (21,569) | (28,487) | (78,854) | 65,968 | (929,219) |
| Segment result: (Loss)/profit before taxation | (566,075) | (23,466) | (89,984) | (63,776) | (39,469) | (65,592) | (17,915) | (21,569) | (28,487) | (78,854) | 65,968 | (929,219) |
| Taxation | (102,129) | (1,144) | 6,456 | (4,534) | (5,897) | (445) | (1,402) | (1,522) | 7,154 | (2,698) | 4,752 | (101,409) |
| (Loss)/Profit after taxation | (668,204) | (24,610) | (83,528) | (68,310) | (45,366) | (66,037) | (19,317) | (23,091) | (21,333) | (81,552) | 70,720 | (1,030,628) |

Restated six months 31 August 2009 (continued)

| | South Africa | Botswana | Zambia | Uganda | Tanzania | Malawi | Mauritius | Nigeria | CMA | Other | Elimination | Consolidated |
|--|---------------------|-----------------|---------------|---------------|-----------------|---------------|------------------|----------------|--------------|--------------|--------------------|---------------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Advances and receivables | (211,094) | (5,921) | (309) | (6,105) | (6,766) | 1,128 | - | (864) | (2,317) | (2,807) | - | (235,055) |
| Operating expenses | (242,174) | (9,812) | (33,671) | (32,562) | (40,496) | (29,724) | (61) | (17,220) | (18,070) | (26,972) | 96,031 | (354,731) |
| Goodwill impairments | - | - | - | - | - | - | - | - | - | - | - | - |
| Management operating (loss)/profit | (215,012) | 27,420 | 4,233 | (32,749) | (27,759) | (14,634) | (13,870) | (12,358) | 27,260 | (24,345) | 76,934 | (204,880) |
| Segment result: (loss)/profit before taxation | (215,012) | 27,420 | 4,233 | (32,749) | (27,759) | (14,634) | (13,870) | (12,358) | 27,260 | (24,345) | 76,934 | (204,880) |
| Taxation | 58,651 | 100 | 26 | 6,176 | 1,385 | 4,803 | 4,463 | 4,018 | (10,545) | (1,767) | (19,102) | 48,208 |
| (Loss)/Profit after taxation | (156,361) | 27,520 | 4,259 | (26,573) | (26,374) | (9,831) | (9,407) | (8,340) | 16,715 | (26,112) | 57,832 | (156,672) |
| Net investment in foreign operation adjustment | - | - | 2,308 | 15,432 | 14,750 | 14,172 | - | 2,373 | - | 13,516 | (62,551) | - |
| Management (loss)/profit after taxation | (156,361) | 27,520 | 6,567 | (11,141) | (11,624) | 4,341 | (9,407) | (5,967) | 16,715 | (12,596) | (4,719) | (156,672) |

Restated six months 31 August 2009 (continued)

| | South Africa R'000 | Botswana R'000 | Zambia R'000 | Uganda R'000 | Tanzania R'000 | Malawi R'000 | Mauritius R'000 | Nigeria R'000 | CMA R'000 | Other R'000 | Elimination R'000 | Consolidated R'000 |
|---|--------------------|----------------|--------------|--------------|----------------|--------------|-----------------|---------------|-----------|-------------|-------------------|--------------------|
| Other material non-cash items included in segment profit/(loss): | | | | | | | | | | | | |
| Depreciation on property, plant and equipment | 14,762 | 438 | 598 | 256 | 484 | 440 | - | 684 | 773 | 637 | - | 19,072 |
| Amortisation of intangible assets | 5,569 | 467 | 334 | 35 | 37 | - | - | - | 51 | 124 | - | 6,617 |
| Segment assets | 1,806,385 | 345,635 | 207,867 | 63,921 | 85,397 | 116,151 | 397,123 | 84,677 | 237,303 | 37,821 | (954,613) | 2,427,667 |
| Segment liabilities | (1,011,074) | (261,914) | (155,176) | (92,588) | (113,463) | (90,269) | (385,548) | (37,245) | (181,566) | (72,421) | 819,556 | (1,581,708) |
| Non-current assets other than financial instruments and deferred taxation | 494,565 | 75,448 | 118,618 | 36,251 | 18,677 | 2,722 | - | 5,208 | 21,549 | 36,068 | - | 809,106 |

The Group's reportable segments are geographical business units that offer comparable business products and solutions, which are managed and measured regionally.

Blue has nine reportable segments: South Africa, Botswana, Zambia, Uganda, Tanzania, Malawi, Mauritius, Nigeria and CMA. The segments offer a variety of products and services as well as equipment sales.

"CMA" comprises the aggregated segment results and financial position of the 'Common Monetary Area' countries outside South Africa, namely Lesotho, Namibia and Swaziland.

"Other" comprises the aggregated segment information for the remainder of operations based in Kenya, Cameroon and Rwanda.

BASIS OF PREPARATION

The condensed consolidated interim financial results of the Group for the six-month period ended 31 August 2010, comprise the company and its subsidiaries. These reviewed interim financial results have been prepared in accordance with the recognition and measurement criteria of IFRS, interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), the AC 500 standards as issued by the Accounting Practices Board, International Accounting Standard: Interim Financial Reporting (IAS 34), the JSE Listings Requirements and the South African Companies Act. In the preparation of these interim financial results, the Group has applied key assumptions concerning the future and other indeterminate sources in recording various assets and liabilities.

The Group's principal accounting policies and assumptions have been applied consistently over the current and prior financial period, except for:

- IAS 34: Interim Financial Reporting (Improvements effective for annual periods beginning on or after 1 January 2011, early adopted), refer note 7.

Refer note 6 for detail disclosure and impact of restatements and reclassifications.

1. OTHER OPERATING INCOME

| | Reviewed six months ended 31 Aug 2010 R'000 | Restated six months ended 31 Aug 2009 R'000 | Audited year ended 28 Feb 2010 R'000 |
|--|--|--|---|
| Net mobile revenue | 5,261 | 21,031 | 26,790 |
| Profit on disposal of non-current assets | 582 | 226 | 195 |
| Profit on exchange differences | 39,812 | 78,612 | 81,941 |
| Other | 10,788 | 1,630 | 8,690 |
| | 56,443 | 101,499 | 117,616 |
| Net mobile revenue comprise | 5,261 | 21,031 | 26,790 |
| Gross mobile and related revenue | 24,143 | 47,691 | 70,140 |
| Subscriptions and cost of sales | (18,882) | (26,660) | (43,350) |

'Recoveries' on written-off loans, previously disclosed as part of 'other operating income' was reclassified as part of 'net impairment of loan advances and receivables'.

2. LOAN ADVANCES TO CUSTOMERS

| | Reviewed six months ended 31 Aug 2010 R'000 | Audited year ended 28 Feb 2010 R'000 |
|---|--|---|
| Gross loan advances to customers | 897,394 | 1,122,920 |
| Less: Deferred initiation fees | (38,349) | (58,667) |
| Allowance for impairment of loan advances | (326,571) | (281,236) |
| | 532,474 | 783,017 |
| Movement on allowance for impairment: | | |
| Opening balance | (281,236) | (147,034) |
| Net charge for the period | (62,885) | (142,924) |
| Foreign exchange movement | 17,550 | 8,722 |
| | (326,571) | (281,236) |
| Analysis of gross loan advances by territory: | | |
| South Africa | 389,939 | 435,340 |
| Rest of Africa | 507,455 | 687,580 |
| | 897,394 | 1,122,920 |
| Analysis of impairment on loan advances by territory: | | |
| South Africa | (176,899) | (146,224) |
| Rest of Africa | (149,672) | (135,012) |
| | (326,571) | (281,236) |

3. GOODWILL

Reviewed six months 31 August 2010

| | Cost/ Valuation R'000 | Accumulated impairment R'000 | Carrying value R'000 |
|----------|--------------------------------------|---|-------------------------------------|
| Goodwill | 687,167 | (257,174) | 429,993 |

Audited year ended 28 February 2010

| | Cost/ Valuation R'000 | Accumulated impairment R'000 | Carrying value R'000 |
|----------|--------------------------------------|---|-------------------------------------|
| Goodwill | 702,868 | (253,987) | 448,881 |

Reconciliation of goodwill

Reviewed six months ended 31 August 2010

| | Opening balance R'000 | Impairment loss R'000 | Foreign exchange movements R'000 | Total R'000 |
|----------|--------------------------------------|--------------------------------------|---|------------------------|
| Goodwill | 448,881 | (3,187) | (15,701) | 429,993 |

Audited year ended 28 February 2010

| | Opening balance R'000 | Impairment loss R'000 | Foreign exchange movements R'000 | Total R'000 |
|----------|--------------------------------------|--------------------------------------|---|------------------------|
| Goodwill | 703,274 | (210,054) | (44,339) | 448,881 |

4. LONG-TERM LIABILITIES

Contractual repayment profile of interest bearing debt:

| | Less than 1 year R'000 | 2 – 5 years R'000 | +5 years R'000 | Total R'000 |
|------------------|-----------------------------------|------------------------------|---------------------------|------------------------|
| 31 August 2010* | (1,047,817) | (5,467) | (17,509) | (1,070,793) |
| 28 February 2010 | (691,148) | (298,497) | (146,332) | (1,135,977) |

* Refer note 8.

Included as part of long-term liabilities – owing to related parties:

| | Reviewed six months ended 31 Aug 2010 R'000 | Audited year ended 28 Feb 2010 R'000 |
|---|--|---|
| Short-term loan from D van Niekerk | 3,421 | 3,289 |
| Funding loan from Credit U shareholders | 1,184 | 2,520 |
| Overdraft funding from ABSA Limited | 37,348 | 37,425 |
| Funding loan from International Finance Corporation | 64,341 | 63,587 |

5. RECONCILIATION OF HEADLINE LOSS

| | Reviewed six months ended 31 Aug 2010 R'000 | Restated six months ended 31 Aug 2009 R'000 | Audited year ended 28 Feb 2010 R'000 |
|--|--|--|---|
| Loss attributable to ordinary equity holders of the parent entity | (157,882) | (152,481) | (1,019,871) |
| Non-headline items: | | | |
| Net (profit)/loss on disposal of non-current assets | (582) | (226) | 758 |
| Goodwill impairment | 3,187 | – | 210,054 |
| Intangible asset impairment | – | – | 1,160 |
| Total tax effects of adjustments | – | – | (544) |
| Headline loss | (155,277) | (152,707) | (808,443) |
| Number of shares in issue (net of treasury shares) (in millions) | 624.37 | 584.23 | 624.37 |
| Weighted number of shares in issue (in millions) | 624.37 | 584.00 | 599.04 |
| Diluted weighted number of shares in issue (in millions) | 627.37 | 627.90 | 626.89 |

6. RESTATEMENT AND RECLASSIFICATIONS OF COMPARATIVE RESULTS

The restatement and reclassification of 31 August 2009 comparative results stems directly from the adjustments to the 28 February 2009 financial results. No additional restatements or reclassifications occurred during the period under review.

As a result of the above restatements, loss per share previously reported of 27.07 cents per share was amended to 26.11 cents per share.

| | Previously reported R'000 | Investment recognition R'000 | Preference share classification R'000 | Loan book conversion R'000 |
|---|---------------------------------|------------------------------------|--|----------------------------------|
| | | 6.1 | 6.2 | 6.3 |
| Reconciliation – 31 August 2009: | | | | |
| Income statement: | | | | |
| Interest income | (293,301) | – | – | 13,006 |
| Interest expense | 100,902 | – | – | – |
| Other operating income | (103,167) | – | (10,828) | – |
| Operating expenses | 360,352 | (2,070) | – | – |
| Taxation | (35,743) | (7,790) | – | (3,030) |
| Net loss for the period (loss after taxation) | 162,266 | (9,860) | (10,828) | 9,976 |
| Retained earnings – opening balance | (179,181) | 17,525 | 17,864 | 28,879 |
| Statement of financial position: | | | | |
| Loan advances to customers | 1,216,573 | – | – | (49,864) |
| Deferred tax (net) | 191,782 | 14,018 | – | 3,164 |
| Share capital | (927,014) | – | 37,426 | – |
| Other reserves | 3,567 | (23,241) | (5,444) | (2,206) |
| Accumulated loss | 38,221 | 7,665 | 7,036 | 38,855 |
| Taxation payable | (131,781) | 1,558 | – | 10,051 |
| Long-term liabilities | (1,185,931) | – | (39,018) | – |

| | Effective interest accrual R'000 | Net investment in foreign operation R'000 | Balance as restated R'000 |
|---|---|--|--|
| | 6.4 | 6.5 | |
| Reconciliation – 31 August 2009 | | | |
| Income statement: | | | |
| Interest income | – | – | (280,295) |
| Interest expense | (2,182) | – | 98,720 |
| Other operating income | 12,496 | – | (101,499) |
| Operating expenses | – | (3,551) | 354,731 |
| Taxation | (2,888) | 1,243 | (48,208) |
| Net loss for the period (loss after taxation) | 7,426 | (2,308) | 156,672 |
| Retained earnings – opening balance | (6,500) | (9,831) | (131,244) |
| Statement of financial position: | | | |
| Loan advances to customers | – | – | 1,166,709 |
| Deferred tax (net) | 971 | – | 209,935 |
| Share capital | – | – | (889,588) |
| Other reserves | – | 12,139 | (15,185) |
| Accumulated loss | 926 | (12,139) | 80,564 |
| Taxation payable | (611) | – | (120,783) |
| Long-term liabilities | (1,286) | – | (1,226,235) |

Restatements impacting net loss or profit

6.1 Investment recognition

The Group has amended its recognition of its investment in the Zambia-based operation, Nedfin Limited, previously accounted for as a subsidiary under its Botswana-based operations Blue Employee Benefits (Proprietary) Limited. The investment is a subsidiary of Blue Financial Services (Zambia) Limited, based on the initial purchase agreement and share certificate registration. The resultant change requires a restatement of the foreign currency translation reserve of R23.2 million on inter-Group flow of funds, related to the purchase of the company, which was previously recorded as part of profit and loss with related deferred taxation recognition.

6.2 Preference share classification

The Group has revised its accounting classification of preference shares, in accordance with the guidance under IAS 32 “Financial Instruments Presentation”, which requires the issuer to classify the instrument as a financial liability or equity instrument. These redeemable convertible preference shares, previously reflected as part of equity, have been restated to form part of long-term liabilities, as the ability of the holder of the instrument to redeem or convert at its discretion gives rise to the existence of a contractual obligation of one party to deliver cash or another financial asset to another party, or to exchange financial assets or liabilities under conditions that are potentially unfavourable. The impact on net profit of R10.8 million for the period ended 31 August 2009 relates to the foreign exchange gain on remeasurement of the foreign denominated liabilities up to the relevant conversion into equity at the end of the interim reporting period.

6.3 Loan book conversion

The Group has restated the outstanding balances on certain subsidiary loan books, based on take on balance discrepancies and conversion differences related to the transfer of the existing loan database onto an improved operating platform and loan management software. The restatement resulted in a decrease in the gross loan book and interest income of R49.9 million and R13.0 million, respectively, for the period ended 31 August 2009.

6.4 Effective interest accrual

The Group has restated the accrual of interest on long-term liabilities, based on the effective interest rate applicable to the individual financial instruments in terms of IAS 32 “Financial Instruments Presentation”. As a result, an amendment was required to adjust the interest expense on long-term liabilities and unrealised foreign exchange on remeasurement of R2.2 million and R12.5 million, respectively, for the period ended 31 August 2009.

6.5 Net investment in foreign operation

The Group adopted IAS 21 “The Effects of Changes in Foreign Exchange Rates” related to ‘net investment in a foreign operation’ for the interim period ended 31 August 2009. As a direct result of the restatement related to the Nedfin Limited investment classification (refer 6.1) an amendment was made to the unrealised foreign exchange gains and losses arising on inter-Group monetary investments for which settlement is neither planned nor likely to occur in the foreseeable future, in substance, forming a part of the entity’s net investment in that foreign operation (deemed equity).

7. CHANGES IN ACCOUNTING POLICIES – EARLY ADOPTION OF IMPROVEMENTS TO IFRS

Interim financial reporting and presentation

The Group has elected to early adopt the improvements effective for annual periods beginning on or after 1 January 2011, related to the disclosure about significant events and transactions in interim periods that provide an update of the relevant information presented in the most recent annual financial report.

8. LONG-TERM LIABILITY COVENANTS

A Debt Rescheduling Agreement, which is conditional on the conclusion of the recapitalisation of the Group, was concluded with major funders during September 2010. The Debt Rescheduling Agreement, which plays a significant part of the process of restructuring and recapitalisation of the Group, has the effect of ring fencing debt facilities and establishing a 36-month moratorium on principal payments to these funders. As the contractual terms of these loans were not remedied before the reporting date, the outstanding facilities were classified as current and payable.

9. COMMITMENTS AND CONTINGENCIES

Commitments

Blue Intercontinental Microfinance Bank Limited

In terms of the original shareholders agreement concluded on the formation of Blue Intercontinental Micro Finance Bank Limited in Nigeria, the Group had an obligation to subscribe for US\$7.0 million in equity capital. To date the Group has subscribed for US\$1.0 million in cash and a further US\$1.3 million capitalisation via the inter-Group loan. Accordingly, the Group has a capital commitment to fund its 55% held subsidiary, with a further US\$4.7 million.

The Group is currently in discussions with its fellow shareholders in Nigeria, aimed at addressing certain shareholding and operational matters that have been raised by the Central Bank of Nigeria following its review of the entity and industry during 2009. These discussions could result in a change in shareholding in the operation and could affect the ability of the Group to recover costs incurred on behalf of the Nigerian subsidiary, as well as its commitment to contribute capital to this subsidiary.

Blue Financial Services Zambia Limited

The Group was required to capitalise its Zambian subsidiary with an amount of R71 million at 28 February 2010. The Zambian regulatory authorities have permitted a capitalisation of a portion of the Group loan account to the value of R35 million, which was concluded during the interim period. It is envisaged that the remaining capital commitment will be provided through a cash contribution of R15 million and a further capitalisation of the Group loan account.

South African Reserve Bank

As reported at 28 February 2010, during previous financial years the Group made third party payments of approximately R28 million through a subsidiary company, on behalf of the South African operations, without following the required Exchange Control (Excon) reporting process. The Group has made full disclosure to the South African Reserve Bank (SARB) of this matter. The SARB may, due to the contravention of the applicable Excon regulation, impose a penalty on the Group which is currently not quantifiable.

10. GOING CONCERN

The Group's liabilities exceed its assets by R205.8 million. The Group is in breach of a number of loan covenants at the reporting date. The results have been prepared on a going concern basis.

During the period, the Group focused on the following key strategic actions aimed at sustaining the Group by arresting the decline in financial performance and providing a sound platform from which the business can be positioned for growth in the future:

- aggressive cost reduction initiatives aimed at right-sizing the organisation and establishing a fit for purpose structure;
- conclusion of a Debt Rescheduling Agreement with the majority of funders to address covenant breaches and improve liquidity. The agreement ring fences debt facilities and establishes a 36 months' moratorium on principal payments to these funders. At term, any shortfall between the outstanding obligations and loan advances to customers designated as security for these liabilities will be settled through an equity issue;
- recapitalisation of the Group and the introduction of a new strategic shareholder;
- enhancements in credit granting and collection processes; and
- improvement of financial reporting and corporate governance throughout the Group.

On 29 October 2010, shareholders approved the transaction which will result in Mayibuye Group (Proprietary) Limited ("Mayibuye"), becoming the controlling shareholder through a specific issue of shares for cash of R163 million. In addition, Mayibuye (or its nominees) will make further capital of up to R300 million available to the Group to develop a new loan advances book.

This recapitalisation is subject to the fulfilment or waiver (as the case may be) of the remaining key conditions precedent, namely:

- final approval by the Zambian competition authority following the unconditional interim authorisation already received; and
- approval by the other lenders, who are party to the Debt Rescheduling Agreement, of the Renaissance Africa Master Fund convertible loan agreement entered into.

The Group's ability to continue as a going concern is dependent on:

- the successful implementation of the recapitalisation of the Group through a combination of equity and debt capital;
- the implementation of an effective turnaround plan, which includes further cost reductions, increases in operational efficiencies and business sophistication;
- the continued support of funders not party to the Debt Rescheduling Agreement;
- the ability to access future funding.

11. SUBSEQUENT EVENTS

On 22 October 2010, the Lesotho Court of Appeal passed a judgement in accordance with which all fees and charges that relate to money lending agreements that have been concluded in terms of the Money Lender Act, 6 of 1993, are limited to a rate of 25% per annum. The Group is currently reviewing the judgement and its impact.

Pinebridge Agreement

On 27 October 2010, an agreement was entered into between Mayibuye, Pinebridge Global Emerging Markets Partners II, L.P. ("Pinebridge"), the Group and certain Group Companies. The agreement deals with the following key matters:

- as a result of a directive issued by the Central Bank of Nigeria, Pinebridge is required to transfer all of the shares, which it acquired in the share capital of Blue Intercontinental Microfinance Bank Nigeria from the Group in 2008, back to the Group. The Group will therefore obtain a further 10% stake in the Nigerian operations for a purchase consideration equal to the price originally paid by Pinebridge being US\$5 million, plus interest thereon at 8.5% per annum from the date of the original sale agreement; and
- as a result of the restatement of the 2009 annual financial statements, the number of shares in the Company allotted and issued to Pinebridge pursuant to the conversion of the Class C Preference Shares was incorrect. As a result an additional 22,731,279 Blue Ordinary Shares are required to be issued to Pinebridge. Assuming a share price of 13c per share, the value of this claim is R2.95 million.

The matters above may be settled through the issue of shares to Pinebridge. This would be subject to the Company obtaining all necessary shareholder and regulatory approvals, failing which they will be settled in cash in accordance with the principles contained in the Debt Rescheduling Agreement.

Any obligations arising from the above may result in Mayibuye receiving warranty shares in terms of the Subscription Agreement. The extent of the warranty shares to be issued will be determined as follows:

- with regard to the 10% stake in the Nigerian operations, a warranty obligation can only occur to the extent that the fair value of the 10% acquired is less than the price paid; and
- in respect of the Class C conversion, the obligation will be number of shares multiplied by the applicable share price.

General Meeting of Shareholders on 29 October 2010

The results of the ordinary and special resolutions accepted were released on SENS on 29 October 2010. All resolutions were passed by shareholders.

Other than the matters noted above, no subsequent events were identified.

12. COMMENTARY ON THE RESULTS

Nature of business:

The Group is a pan-African financial services provider of ethical, innovative and affordable credit solutions to people within Africa. Blue operated in Botswana, Cameroon, Kenya, Lesotho, Malawi, Namibia, Nigeria, Rwanda, South Africa, Swaziland, Tanzania, Uganda and Zambia.

Financial overview:

The Group has decreased its loss before taxation by 20.1% from R204.9 million in the comparative period to R163.8 million for the six months ended 31 August 2010. Net cash flows from operating activities increased by 152.5% from an outflow of R148.0 million in the comparative period to an inflow of R77.8 million. These improvements in financial performance were achieved despite a significant decline in new loan advances to customers due to the Group's current liquidity constraints. The Group was unable to raise any new funding during the period compared to the R431 million raised in the comparative period.

Interest income and administration and commission income declined by 46.3% and 45.2%, respectively, with operating costs reflecting a decrease of 22.6% when compared to the comparative period. The full impact of operating cost reductions already achieved will only become fully evident on the release of the full year and August 2011 interim period financial results. The Group has reduced its monthly cash costs from R53 million in the comparative period to below R30 million at the interim date and these are now below R25 million at the date of this report. The Group will exceed its target of achieving R100 million sustainable cash cost savings by February 2011. Weakening in most of the African currencies to the Rand during the period continues to provide challenging trading conditions, whilst the Group benefits from the Rand's strength against the currencies of its foreign funding lines. The Group has not brought to account the majority of deferred taxation assets that it should be able to realise as it returns to profitability.

Net loan advances to customers declined by R250.5 million or 32.0% from the prior year-end. This decline has a negative impact when comparing the credit impairments as a percentage of gross loan advances to customers, which increased to 36.39% from 24.04% for the comparative interim period and 25.05% as at 28 February 2010. Credit impairments have declined in absolute terms by 67.2% when compared to the corresponding previous period. The credit impairments on loan advances to customers are summarised as follows:

South Africa

| | 31 Aug 2010 R'000 | 28 Feb 2010 R'000 | 31 Aug 2009 R'000 |
|----------------------------------|------------------------------|------------------------------|------------------------------|
| Gross loan advances to customers | 389,939 | 435,340 | 721,140 |
| Credit impairment | (176,899) | (146,224) | (319,258) |
| Credit impairment (%) | 45.37 | 33.59 | 44.27 |

Rest of Africa

| | 31 Aug 2010 R'000 | 28 Feb 2010 R'000 | 31 Aug 2009 R'000 |
|----------------------------------|------------------------------|------------------------------|------------------------------|
| Gross loan advances to customers | 507,455 | 687,580 | 835,911 |
| Credit impairment | (149,672) | (135,012) | (55,105) |
| Credit impairment (%) | 29.49 | 19.64 | 6.59 |

Total

| | 31 Aug 2010 R'000 | 28 Feb 2010 R'000 | 31 Aug 2009 R'000 |
|----------------------------------|------------------------------|------------------------------|------------------------------|
| Gross loan advances to customers | 897,394 | 1,122,920 | 1,557,051 |
| Credit impairment | (326,571) | (281,236) | (374,363) |
| Credit impairment (%) | 36.39 | 25.05 | 24.04 |

The Group is confident that the impact of the skills and expertise that the Mayibuye transaction brings to the Group in the form of improved credit granting and collection processes will further enhance the quality of the loan portfolio in future periods.

The changes in trading activity, cost reductions and operational enhancements described above, translate into a decrease in loss per share from 26.11 cents for 2009 to a loss of 25.29 cents per share for 2010. The headline loss per share decreased from 26.15 cents per share to 24.87 cents per share.

FORWARD-LOOKING STATEMENT

The envisaged recapitalisation of the Group on an improved operational platform now provides the impetus to grow the business and return to profitability. On the conclusion of the recapitalisation transaction, Mayibuye will drive the turnaround plan for the Group with the objective of achieving profitability within 18 months of the transaction. Key components of the turnaround plan include:

- further cost reductions aimed at reducing the Group's cash operating expenditure to below R20 million per month by the first quarter of the 2011 calendar year;
- enhancements in the credit granting and collections processes utilising the expertise of Mayibuye group companies;
- controlled growth in loan advances to customers through the utilisation of the equity and debt capital provided as part of the Mayibuye transaction;
- a specific focus on improvements in customer service;
- introduction of new complementary service offerings to customers;
- improvements in governance and compliance structures including the reconstitution of the Board of Directors and key management; and
- an increase in overall operational efficiencies and business sophistication.

The board is confident that these actions will restore the Group to profitability and ensure that the Group remains well-positioned to benefit from its market position, distribution, brand and products on the continent.

DIVIDENDS

No dividend has been declared for the period under review.

REVIEW CONCLUSION

The accompanying financial information of the Group up to and including note 11 has been reviewed by the Group's independent auditors, Deloitte & Touche. An unqualified review conclusion has been issued, however an emphasis of matter was added to the review conclusion expressed on the accompanying financial information, as follows:

"Without qualifying our review conclusion, we draw attention to the interim financial information which indicates that the Group incurred a net loss of R168.2 million for the period ended 31 August 2010 and, as at that date, the Group's total liabilities exceeded its total assets, by R205.8 million and the Group is in breach of a number of loan covenants and terms.

"As indicated in Note 10 to the interim financial information, the Group's ability to continue as a going concern is contingent on:

- the successful conclusion of the share Subscription Agreement entered into subsequent to period end which will bring effect to the implementation of the proposed recapitalisation of the Group through a combination of equity and debt capital and the rescheduling of the majority of debt facilities;
- the successful implementation of an effective turnaround plan, which includes further cost reductions and increases in operational efficiencies; and
- the continued support of funders not forming part of the Debt Rescheduling Agreement and the ability to access future funding.

"These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business."

Forward-looking statement

This announcement contains certain forward-looking statements with respect to the financial condition and results of operations of Blue Financial Services Limited and its Group companies, which by their nature involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. Any forward-looking statement included in this report has not been reviewed or reported on by the Group's independent auditors.

The full review report is available for inspection at Blue's registered office.



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")

NOTICE OF GENERAL MEETING

Unless otherwise stated or the context otherwise indicates, words and expressions used in this notice of general meeting shall bear the meanings ascribed to them in the Circular to which this notice of general meeting is attached.

Notice is hereby given that a general meeting of ordinary shareholders will be held at 09:30 on Friday, 25 February 2011 at Building 10, 107 Haymeadow Street, Boardwalk Office Park, Faerie Glen, Pretoria, 0081 for the purpose of considering and, if deemed fit, passing, with or without modification, the following ordinary resolutions:

1. ORDINARY RESOLUTION NUMBER 1 – SPECIFIC AUTHORITY TO ISSUE SHARES IN TERMS OF THE COMPANIES ACT

"Resolved that, subject to the passing of ordinary resolutions numbers 4 and 5, the Directors be and are hereby authorised, by way of a specific authority in terms of section 221 of the Companies Act, to allot and issue such number of Ordinary Shares as may be required to be allotted and issued by the Company in accordance with the provisions of the Early Conversion Agreement and the RenAsset Agreement, and such number of Anti-dilution Shares to be allotted and issued by the Company pursuant to the allotment and issue of the aforementioned Ordinary Shares in accordance with the provisions of the Subscription Agreement."

2. ORDINARY RESOLUTION NUMBER 2 – SPECIFIC AUTHORITY TO ISSUE SHARES IN TERMS OF THE COMPANIES ACT

"Resolved that, subject to the passing of ordinary resolutions numbers 1, 4, 5 and 6, the Directors be and are hereby authorised, by way of a specific authority in terms of section 221 of the Companies Act, to allot and issue such number of Ordinary Shares as may be required to be allotted and issued by the Company in accordance with the provisions of the Pinebridge Amendment Agreement, and such number of Anti-dilution Shares to be allotted and issued by the Company pursuant to the allotment and issue of the aforementioned Ordinary Shares in accordance with the provisions of the Subscription Agreement."

3. ORDINARY RESOLUTION NUMBER 3 – SPECIFIC AUTHORITY TO ISSUE SHARES IN TERMS OF THE COMPANIES ACT

"Resolved that, subject to the passing of ordinary resolutions numbers 1, 4, 5 and 7, the Directors be and are hereby authorised, by way of a specific authority in terms of section 221 of the Companies Act, to allot and issue such number of Ordinary Shares as may be required to be allotted and issued by the Company in accordance with the provisions of the Blue BEE Trust Deed, provided that the amount to be converted into Ordinary Shares does not exceed R50,000,000, and such number of Anti-dilution Shares to be allotted and issued by the Company pursuant to the allotment and issue of the aforementioned Ordinary Shares in accordance with the provisions of the Subscription Agreement."

4. ORDINARY RESOLUTION NUMBER 4 – APPROVAL FOR A SPECIFIC ISSUE OF SHARES FOR CASH TO THE EXISTING LENDERS

“Resolved that, subject to the passing of ordinary resolutions numbers 1 and 5, the Directors be and are hereby authorised by way of specific authority in terms of Section 5.51 of the Listings Requirements of the JSE to allot and issue such number of Ordinary Shares to the Existing Lenders as may be required to be allotted and issued by the Company in accordance with the provisions of the Early Conversion Agreement, and such number of Anti-dilution Shares to be allotted and issued by the Company pursuant to the allotment and issue of the aforementioned Ordinary Shares in accordance with the provisions of the Subscription Agreement.”

A 75% majority of votes cast by those shareholders present or represented and voting at the general meeting will be required in order for this ordinary resolution number 4 to become effective, excluding any parties and associates participating in the specific issue of shares for cash, namely Absa, FMO and IFC.

5. ORDINARY RESOLUTION NUMBER 5 – APPROVAL FOR A SPECIFIC ISSUE OF SHARES FOR CASH TO RENASSET

“Resolved that, subject to the passing of ordinary resolutions numbers 1 and 4, the Directors be and are hereby authorised by way of a specific authority in terms of Section 5.51 of the Listings Requirements of the JSE to allot and issue such number of Ordinary Shares as may be required to be allotted and issued by the Company in accordance with the provisions of the RenAsset Agreement, and such number of Anti-dilution Shares to be allotted and issued by the Company pursuant to the allotment and issue of the aforementioned Ordinary Shares in accordance with the provisions of the Subscription Agreement.”

A 75% majority of votes cast by those shareholders present or represented and voting at the general meeting will be required in order for this ordinary resolution number 5 to become effective, excluding any parties and associates participating in the specific issue of shares for cash, namely RenAsset.

6. ORDINARY RESOLUTION NUMBER 6 – APPROVAL FOR A SPECIFIC ISSUE OF SHARES FOR CASH TO PINEBRIDGE

“Resolved that, subject to the passing of ordinary resolutions numbers 1, 2, 4 and 5, the Directors of the Company be and are hereby authorised by way of a specific authority in terms of Section 5.51 of the Listings Requirements of the JSE to allot and issue such number of Ordinary Shares as may be required to be allotted and issued by the Company in accordance with the provisions of the Pinebridge Amendment Agreement (read with the Pinebridge Agreement), and such number of Anti-dilution Shares to be allotted and issued by the Company pursuant to the allotment and issue of the aforementioned Ordinary Shares in accordance with the provisions of the Subscription Agreement.”

A 75% majority of votes cast by those shareholders present or represented and voting at the general meeting will be required in order for this ordinary resolution number 6 to become effective, excluding any parties and associates participating in the specific issue of shares for cash, namely Pinebridge.

7. ORDINARY RESOLUTION NUMBER 7 – APPROVAL FOR A SPECIFIC ISSUE OF SHARES FOR CASH TO THE BLUE BEE TRUST

“Resolved that, subject to the passing of ordinary resolutions numbers 1, 3, 4 and 5, the Directors be and are hereby authorised by way of a specific authority in terms of Section 5.51 of the Listings Requirements of the JSE to allot and issue such number of Ordinary Shares as may be required to be allotted and issued by the Company in accordance with the provisions of the Blue BEE Trust Deed, provided that the amount to be converted into Ordinary Shares does not exceed R50,000,000, and such number of Anti-dilution Shares to be allotted and issued by the Company pursuant to the allotment and issue of the aforementioned Ordinary Shares in accordance with the provisions of the Subscription Agreement.”

A 75% majority of votes cast by those shareholders present or represented and voting at the general meeting will be required in order for this ordinary resolution number 7 to become effective, excluding any parties and associates participating in the specific issue of shares for cash.

8. ORDINARY RESOLUTION NUMBER 8 – DEFINITION OF DILUTION SHARES (AS CONTAINED IN THE RECAPITALISATION CIRCULAR)

“Resolved that the definition of “Dilution Shares” (as contained in the Recapitalisation Circular) be and is hereby amended to include all Ordinary Shares as may be required to be allotted and issued by the Company in accordance with the provisions of the Debt Rescheduling Agreement (as amended by the Early Conversion Agreement), and all applicable resolutions passed at the general meeting of shareholders held on Friday, 29 October 2010 shall be deemed to have been amended accordingly.”

A 75% majority of votes cast by those shareholders present or represented and voting at the general meeting will be required in order for this ordinary resolution number 8 to become effective, excluding any parties and associates precluded from voting, namely Mayibuye.

VOTING AND PROXIES

Each shareholder is entitled to appoint one or more proxies (who need not be a member of the Company) to attend, speak and vote in his stead.

A form of proxy (*blue*) is attached for completion by holders of certificated shares and holders of dematerialised shares with own name registration who are unable to attend the general meeting in person and who wish to vote at the general meeting. Forms of proxy must be completed and received by the transfer secretaries, Link Market Services South Africa (Proprietary) Limited, 16th Floor, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) so as to be received by no later than 09:30 on Wednesday, 23 February 2011.

Holders of dematerialised shares, other than own name registrations, must inform their CSDP or broker of their intention to attend the general meeting and obtain the necessary letter of representation from their CSDP or broker to attend the general meeting or provide their CSDP or broker with their voting instructions.

By order of the Board

For and on behalf of Blue Financial Services Limited

J Meiring

Chief Executive Officer

10 February 2011

Registered office

Building 10, 107 Haymeadow Street
Boardwalk Office Park
Faerie Glen
Pretoria, 0081, South Africa
(PO Box 72041, Lynnwood Ridge, 0040)

Transfer secretaries

Link Market Services South Africa (Proprietary) Limited
16th Floor
11 Diagonal Street
Johannesburg, 2001
(PO Box 4844, Johannesburg, 2000)



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 general meeting to be held at 09:30 on Friday, 25 February 2011 at Building 10, 107 Haymeadow Street, Boardwalk Office Park, Faerie Glen, Pretoria, 0081.

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 letter of representation to attend the 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 holder(s) of Ordinary Shares in the Company, appoint (see note 1):

1. or failing him/her,

2. or failing him/her,

3. the Chairman of the general meeting,

as my/our proxy to act on my/our behalf at the general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions to be proposed thereat and at any adjournment thereof and to vote for or against the ordinary 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):

| | Number of votes (one vote per ordinary share) | | |
|---|---|---------|---------|
| | For | Against | Abstain |
| Ordinary resolution number 1 Specific authority to allot and issue Ordinary Shares (Early Conversion Agreement and the RenAsset Agreement) | | | |
| Ordinary resolution number 2 Specific authority to allot and issue Ordinary Shares (Pinebridge Amendment Agreement) | | | |
| Ordinary resolution number 3 Specific authority to allot and issue Ordinary Shares (Blue BEE Trust Deed) | | | |
| Ordinary resolution number 4 Specific issue of shares for cash (Early Conversion) | | | |
| Ordinary resolution number 5 Specific issue of shares for cash (RenAsset Conversion) | | | |
| Ordinary resolution number 6 Specific issue of shares for cash (Pinebridge Specific Issue) | | | |
| Ordinary resolution number 7 Specific issue of shares for cash (Blue BEE Trust) | | | |
| Ordinary resolution number 8 Definition of Dilution Shares | | | |

(Please indicate instructions to proxy 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 general meeting.

Signed at _____ on _____ 2011

Signature(s)

Capacity and authorisation (see note 7)

Please read the notes on the reverse side hereof.

NOTES:

1. A member may insert the name of a proxy or the names of two alternate proxies of the member's choice in the space(s) provided, with or without deleting "the Chairman of the general meeting". The person whose name stands first on this form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A member should insert an "X" in the relevant space according to how he wishes his votes to be cast. If, however, a member wishes to cast a vote in respect of a lesser number of Ordinary Shares than he owns in the Company, he should insert the number of Ordinary Shares held in respect of which he wishes to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he deems fit in respect of all the member's votes exercisable at the general meeting. A member is not obliged to use all the votes exercisable by him, but the total of the votes cast and abstentions recorded may not exceed the total number of the votes exercisable by the member.
3. The completion and lodging of this form of proxy will not preclude the relevant member from attending the general meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
4. The Chairman of the general meeting may reject or accept any form of proxy, which is completed and/or received, other than in compliance with these notes.
5. 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 letter of representation to attend the 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 shareholders and the CSDP or broker concerned.
6. Any alteration to this form of proxy, other than the deletion of alternatives, must be signed, not initialled, by the signatory/(ies).
7. 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 general meeting.
8. A minor must be assisted by his or her parent or guardian, unless the relevant documents establishing his or her capacity are produced or have been registered by the Company.
9. Where there are joint holders of shares:
 - any one holder may sign this 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.
10. Forms of proxy should be lodged at or posted to the transfer secretaries, Link Market Services South Africa (Proprietary) Limited, 16th Floor, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) so as to be received by no later than 09:30 on Wednesday, 23 February 2011.