



Corporate governance

Blue - committed to compliance

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

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

National Credit Regulator

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

Financial Services Board

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



Corporate governance

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

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

The Board

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

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

Leadership and accountability

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

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

Transparency

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

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

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

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

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

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

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

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

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

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

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

Board evaluation

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

Interest in contracts and conflict of interest

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

Insurance

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

Board processes

Company secretary and advice

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

Designated advisor

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

Share dealings

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

Price-sensitive information

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

Stakeholder communication and relationships

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

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

Organisational integrity and code of ethics

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

Whistle blowing

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

B-BBEE Transformation

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

Corporate social investment

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

Risk management

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

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

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

Board committees

Three committees assist the Group Board in discharging its responsibilities:

- Audit Committee
- Risk Committee
- Remuneration and Nominations Committee

Note:

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

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

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

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

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

Executive committee's

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

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

Risk committee

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

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

Attendance

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

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

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

Role, purpose and principal functions

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

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

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

Remuneration and Nominations Committee

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

Members:

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

Permanent Invitee

Johan Meiring (CEO)

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

Note to Shareholders:

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

Attendance

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

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

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

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

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

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

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

Role, purpose and principal functions

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

Audit Committee

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

Members:

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

Attendance

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

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

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

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

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

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

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

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

The Audit Committee:

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

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

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

Role, purpose and principal functions

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

Specific responsibilities include:

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

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

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

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

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

Accounting and Auditing

Internal control

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

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

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

External audit

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

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

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

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

Internal audit

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

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

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

Reporting and accountability

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

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

Risk-based auditing

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

Best practices and external relationships

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

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

IT Governance

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

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