

The logo for Blue Financial Services Limited features the word "blue" in a dark blue, lowercase, sans-serif font. The letter "l" is replaced by a stylized blue arrow pointing upwards and to the right. A registered trademark symbol (®) is positioned to the upper right of the "e". Below the logo, the text "2011 Annual Report" is written in a bold, orange, sans-serif font.

blue®
2011 Annual Report

**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2011**

**BLUE FINANCIAL SERVICES LIMITED
REGISTRATION NO. 1996/006595/06**

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CERTIFICATE BY THE COMPANY SECRETARY

I certify that, to the best of my knowledge, in accordance with the Companies Act 1973, the company has lodged with the Registrar all returns as are required by a public company in terms of the Act up to the date of this report for the year ended 28 February 2011 and, furthermore, that all such returns are true and accurate.



E Waldeck
Company Secretary

31 May 2011

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors are required in terms of the Companies Act of South Africa, 1973, to maintain adequate accounting records and are responsible for the content and integrity of the consolidated financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated financial statements fairly present the state of affairs of Blue Financial Services Limited and its subsidiaries (the Group) as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated financial statements.

The errors and risk exposures identified post the finalisation of the Group's 2009 financial results led the directors to conclude in the 2010 financial results that certain legacy controls were not able to cater for the rapid expansion of operations and the sharp increase in overall business complexity experienced by the Group. As a result, the Group embarked on a process of implementing various corrective measures in the financial, accounting and administrative functions as well as the strengthening of the internal audit function.

As noted in the Directors' Report, the Mayibuye Group acquired a majority stake in the Group on 10 December 2010, and is currently implementing a turnaround strategy that is ultimately aimed at returning the Group to sustainable profitability. The turnaround strategy encompasses key improvements in business processes, systems, internal controls and governance that are required, and has provided further impetus to the organisational challenges and initial actions by the board noted in the 2010 financial statements. This Directors' Responsibility Statement should therefore be read in context of this turnaround plan that is currently being implemented.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The focus of risk management in the Group is on identifying, assessing and controlling credit and operational risk across the Group. The Group endeavours to minimise critical uncertainties and exposures by ensuring that appropriate infrastructure, controls, systems and business ethics are applied in an environment of continuous improvement.

The required control standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the

Group and all employees are required to maintain the highest ethical standards in ensuring that the Group's business is conducted in a manner that in all reasonable circumstances is above reproach.

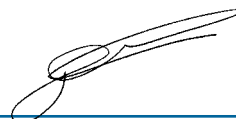
The directors are ultimately responsible for the system of internal controls in the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss. The independent internal audit function provides the Board with an assessment of the Group's compliance to its internal controls and input into ensuring that internal controls are continually assessed in line with best practice.

The directors are of the opinion, that the current control environment, along with the procedures and additional steps being taken as indicated above, provide reasonable assurance that the financial records may be relied on for the preparation of the consolidated financial statements.

The successful recapitalisation of the Group during December 2010, the impact of the Debt Rescheduling Agreement concluded with debt funders and the further debt:equity conversion implemented in February 2011, have restored the Group's balance sheet to a positive net asset value. These transactions marked a significant milestone in ensuring that the Group is a going concern. Based on the Group's cash flow forecast and outlook for the next 12 months, the directors are satisfied that the Group will have access to adequate resources to continue operations, realise its assets and discharge its liabilities for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Group's consolidated financial statements. The consolidated financial statements have been examined by the Group's external auditors and their report is presented on page 5.

The consolidated financial statements set out on pages 6 to 95, which have been prepared on the going concern basis, were approved by the Board on 31 May 2011 and were signed on its behalf by:



J Meiring - Chief Executive Officer



S Strydom - Chief Financial Officer

REPORT OF THE INDEPENDENT AUDITORS

To the members of Blue Financial Services Limited

We have audited the group annual financial statements of Blue Financial Services Limited, which comprise the consolidated statement of financial position as at 28 February 2011, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 6 to 95.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

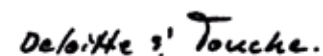
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the condensed consolidated financial statements present fairly, in all material respects, the consolidated financial position of Blue Financial Services Limited as at 28 February 2011, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Emphasis of Matter

We draw attention to the condensed consolidated financial statements which indicate that the Group incurred a net loss of R284.9 million (2010: R1,030.6 billion) for the year ended 28 February 2011, and to notes 2 and 3 of the Directors' Report which detail the progress made on the Group's turnaround strategy and the actions taken, and still required, in returning the Group to profitability to ensure its ongoing liquidity and solvency. Our opinion is not qualified in respect of this matter.



Deloitte & Touche
The Woodlands
20 Woodlands Drive
Woodmead
2052
Registered Auditors
W Klaassen
Partner
31 May 2011

National Executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit DL Kennedy Risk Advisory NB Kader Tax & legal Services L Geeringh Consulting L Bam Corporate Finance JK Mazzocco Human Resources CR Beukman Finance TJ Brown Clients NT Mtoba Chairman of the Board MJ Comber Deputy Chairman of the Board

A full list of partners and directors is available on request

B-BBEE rating: Level 2 contributor/AAA (certified by Empowerdex)

Member of Deloitte Touche Tohmatsu Limited

DIRECTORS' REPORT

The Directors present their report, which forms part of the audited consolidated annual financial statements, for the year ended 28 February 2011.

1. REVIEW OF ACTIVITIES

Main business and operations

The Group is an innovative pan-African financial services provider and the enabler of progress, upliftment and improvement in peoples' lives. The Group operates in the various jurisdictions as a registered bank, insurance company or micro finance provider. The main product lines are micro finance, business finance, housing finance, savings products, insurance and mobile.

On 10 December 2010, the Mayibuye Group (Proprietary) Ltd ("Mayibuye") acquired a majority stake in the Group and is currently implementing a turnaround strategy under the leadership of the Group's new Chief Executive Officer with support from Mayibuye. The Group, through an outsourced arrangement, is further leveraging off the key competencies of the Mayibuye Group specifically in credit, collections and information technology, which were identified as key areas of improvement required throughout the Group.

As a cornerstone of the turnaround strategy, the Group has adopted a new set of core values being Respect, Reliability and Returns.

During the year under review, the Group operated in 12 countries namely: Botswana, Ghana, Kenya, Lesotho, Malawi, Namibia, Nigeria, South Africa, Swaziland, Tanzania, Uganda and Zambia. The Group commenced operations in Ghana during February 2011. It has 213 branches and employed 1800 permanent staff and contract staff members at the date of this report.

2. FINANCIAL RESULTS

The Group incurred a loss of R284.9 million for the year ended 28 February 2011 compared to a loss of R1.0 billion in the 2010 financial year. This translates into a decline in loss per share from 170.25 cents for 2010 to a loss of 29.59 cents per share for 2011. Headline loss per share improved in a similar manner declining from 134.96 cents per share to a headline loss of 27.77 cents per share. The Group reported a loss of R168.2 million for the 6 months ended 31 August 2010. The loss for the second half of the financial year of R116.7 million, which includes once-off costs and loan advance write-offs in excess of R100 million, is an improvement of 30.6% over that for the first 6 months.

The 2011 financial results represent a significant improvement from those reported in 2010, a year which signalled severe financial difficulties in the Group and which brought into question its ability to continue operating as a going concern.

The recapitalisation of the Group by Mayibuye and the commencement of the key phases to its turnaround strategy for the Group from September 2010, have yielded positive and sustainable improvements in financial results and overall business fundamentals which provide the platform to return the Group to profitability.

The Group has, pursuant to this turnaround strategy *inter alia*:

- Restored the net asset value to R46.6 million from the negative R19.4 million at February 2010 and negative R205.8 million at 31 August 2010;
- Concluded a Debt Rescheduling Agreement with lenders to the Group comprising R746.3 million (86.5%) of the Group's total external funding obligations at the reporting date. This agreement allows for a three year stay on principal payments to lenders and remedies all related covenant breaches that existed;
- Successfully converted R274.0 million of debt to equity with shareholder approval to convert a further R50.0 million. The Group will further benefit from a reduced interest expense in future years;
- Received a R300 million capital funding line to grow loan advances as part of the Group's recapitalisation;
- Reduced operating expenses by R193.2 million (27%) or to R22 million per month by February 2011 from that reported in the 2010 financial year. Operating expenses for the year include once-off costs in excess of R75 million relating mainly to costs associated with the recapitalisation of the Group and the turnaround strategy;
- Achieved a reduction in the overall impairment charges on non-performing loan advances of R49.7 million from that reported for the 6 months ended 31 August 2010 due to focused collection efforts. This reduction was achieved despite bad debts written-off amounting to R51.1 million during this period;
- Commenced active new lending totalling R150 million since September 2010. Total new loans for the year amounted to R280.7 million (2010: R690.0 million);
- Reduced the extent of credit impairments on new lending due to improved credit scoring; and
- Reduced the cash flow shortfall between the income from collections and that required to meet the Group's normal operating expenses and interest obligations. The elimination of this shortfall is key to ensuring that capital collected from customers is applied to new loans.

DIRECTORS' REPORT (continued)

2. FINANCIAL RESULTS (continued)

In addition to the above there has been an overall improvement in the Group's operational process, governance, internal controls and business sophistication.

Loan advances have decreased by 30.4% from R783.0 million in 2010 to R544.6 million at 28 February 2011. The Group was required to focus on implementing controls and the turnaround strategy as well as utilising funds to meet operating requirements during the year, thereby restricting the ability to increase the advance of new loans to customers. The impact of a prudent approach to new lending is expected to be more evident in subsequent financial periods. The net impairment charge on loan advances and receivables has reduced following the focused collection efforts on the non-performing loans. Credit impairments on gross loans and advances is 51.5% (2010: 57.1%) after taking into account the reinstatement of loans previously written-off as noted above. The Group is currently focusing on government payroll deduction loans in all territories outside of South Africa where the historic credit impairments trends have been below 5%.

The Group continues to explore ways to minimise its exposure to fluctuations to foreign currencies which resulted in losses of R49.9 million during the year.

The Group is engaged with taxation authorities across all affected entities to address the outstanding tax obligations of the Group.

As reported in the Group's 2010 financial results, the board has launched an investigation which includes a review of the underlying reasons and causes of the restatements to its financial results in prior years. The investigation is ongoing and the Group remains committed to proving its full co-operation to all relevant authorities regarding the findings.

3. GOING CONCERN

The Group incurred a loss of R284.9 million (2010: R1.0 billion) for the year ended 28 February 2011. The recapitalisation of the Group during December 2010, the impact of the Debt Rescheduling Agreement and subsequent debt to equity conversion implemented in February 2011, resulted in the Group's assets now exceeding liabilities by R58.1 million (2010: R2.9 million). The Group has access to a R300 million funding facility through the claims purchase agreement with Leonox (Proprietary) Limited for loan advances. The Debt Rescheduling Agreement provides for inter alia:

- A stay on principal payments to participating funders for a 3 year period;
- The Group's ability to settle ongoing operating expenses and the pre-existing liabilities

at the recapitalisation date through the collections from the loan advances book existing at that date;

- The utilisation of remaining funds for new loan production after settling operating expenses and pre-existing liabilities as noted above; and
- The issue of ordinary shares to settle any shortfall between the principal amounts outstanding to funders after 3 years and the underlying loan advances book that existed at the date of the recapitalisation (10 December 2010), plus growth therein over the 3 year period. Therefore, to the extent that any shortfall exists, the Group would not be required to settle these obligations in cash.

As described in note 2, the turnaround strategy is well underway and the business is now on a solid platform to enable it to return to profitability. Key to this is continuing to manage operating cost levels and growing loan advances, while continuing to manage short term cash requirements to settle pre-existing liabilities. The Group will further strive to enhance all its business processes, internal controls and operational efficiencies on an ongoing basis. The consolidated results have therefore been prepared on a going concern basis.

4. EVENTS SUBSEQUENT TO YEAR END

Nigeria

The Group has reached agreement with its fellow shareholder, Intercontinental Bank PLC (ICB) in the Group's Nigerian operation, Blue Intercontinental Microfinance Bank Limited (BIMFB), which subject to the required regulatory approvals, will address the shareholding and operational issues that were raised by the Central Bank of Nigeria following its review of the entity and industry during 2009. These terms will be formalised in a revised shareholder's agreement to achieve the following:

- The Group to retain a 60% shareholding (currently 65%) and ICB 40% (currently 35%);
- The Group's further capitalisation to be US\$1.0 million (currently US\$6.0 million);
- The Group to write-off as irrecoverable R27.4 million in costs (including Group shared service costs) that are being disputed by ICB and reflected as due to the Group by BIMFB at 28 February 2011. BIMFB is to remain indebted to the Group for R8.9 million (subject to the verification of source documents) for costs that are not in dispute. The write-off of these costs by the Group will not impact on the reported earnings for the 2012 financial year, only the allocation of reported earnings attributable to minorities;

DIRECTORS' REPORT (continued)

4. EVENTS SUBSEQUENT TO YEAR END (continued)

- ICB to write-off all claims for cost recoveries against BIMFB for *inter alia* the use of ICB's infrastructure and systems; and
- BIMFB to be governed in accordance with best practice. In this regard the principles in the Cadbury Report on Corporate Governance will provide the guiding principles therefore.

ICB has also announced the signing of a Memorandum of Understanding with Access Bank which could see the merger of the two organisations into one of the largest financial institutions in Nigeria. Should this merger take place, the Group believes this would positively impact the future opportunities and prospects for BIMFB.

Warranty Claims

In terms of Mayibuye's rights contained in the Subscription Agreement concluded with the Company, a notification of warranty claims has been received from Mayibuye subsequent to year end. Mayibuye is entitled to have such warranty claims settled through the issue of such number of Blue ordinary shares (based on the 30 day VWAP per Blue ordinary share) which in aggregate would be equal to the value of the warranty claim(s). It is envisaged that the assessment of any warranty claims will be dealt with through an independent committee of the Board and will require discussions with the Group's various stakeholders and interested parties. The event(s) that gave rise to the warranty claim(s) have been recorded in the Group's financial statements. In the event that the warranty claims are settled they will not have any further impact on the Company's Income Statement or net asset value.

Refer to note 31 to the Annual Financial Statements for further details in this regard.

Recapitalisation of Group Subsidiaries

As part of its turnaround plan, the Group is assessing the solvency and capital requirements of all its subsidiaries. The Group is in process of capitalising portions of the inter-group loan accounts between the various Group companies as well as injecting capital where required with a view to ensuring that all affected entities are appropriately capitalised.

Refer also to note 31 to the Annual Financial Statements for further details on Group capital commitments.

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

5. AUTHORISED AND ISSUED SHARE CAPITAL

The following changes to ordinary share capital and premium during the financial year are reflected as follows:

- Increase in the authorised share capital by 10 000 000 000 ordinary shares of par value R 0.000001.
- Issue of 1 253 846 154 ordinary shares for a cash consideration of R150 million and R13 million settlement liability to Mayibuye Group (Proprietary) Limited;
- Conversion of long-term liabilities of to the value of R274.8 million into 2 113 705 046 ordinary shares (refer note 19 and 25); and
- Issue of 1 800 068 404 anti-dilution ordinary shares to Mayibuye Group (Proprietary) Limited based on the above debt to equity conversion.

6. SHARE INCENTIVE SCHEME

Refer to Note 20 for detail information about share based payments during the current and prior year.

7. BORROWING LIMITATIONS

In terms of the Articles of Association of the company, the directors may exercise all the powers of the company to borrow money, as they consider appropriate. These borrowing limitations are not restricted by the Debt Rescheduling Agreement, to the extent that such new borrowings are not secured over existing loan advances.

8. DIVIDENDS

No dividends have been declared for the year under review (2010: R Nil).

DIRECTORS' REPORT (continued)

9. DIRECTORS

The directors of the company during the financial year and up to the date of this report are as follows:

Executive Directors

J Meiring (CEO)
S Strydom (CFO)^
CB Klopper
WJ Smit
D van Niekerk

Nationality

South African
South African
South African
South African
South African

Appointment Date

13 December 2010
4 June 2009
26 February 2009
1 October 2005
1 October 2005

Resignation Date

13 December 2010
13 December 2010
2 August 2010

Non-executive Directors

A Ber
RM Mashishi
AR Aime
A Steyn
A Couloubis^

Nationality

South African
South African
United States of America
South African
South African

Appointment Date

13 December 2010
13 December 2010
1 September 2009
11 October 2006
1 June 2007

Resignation Date

13 December 2010
13 December 2010

Independent Non-executive Directors

S Twala (Chairman)^
R Emslie (Deputy Chairman)
J French^
L H Fine
T Till
MG Meehan*
MJ Sondiyazi

Nationality

South African
South African
United States of America
South African
South African
South African
South African

Appointment Date

1 March 2010
13 December 2010
10 November 2009
13 December 2010
13 December 2010
26 February 2009
8 March 2006

Resignation Date

13 December 2010

^ In terms of the recapitalisation agreement, all directors were required to resign one working day after the successful conclusion of the recapitalisation agreement on 13 December 2010, whereafter these directors were reappointed.

* MG Meehan resigned as required in terms of the recapitalisation agreement, and was reappointed to the board on 18 January 2011.

DIRECTORS' REPORT (continued)

10. DIRECTORS' INTEREST IN THE ISSUED SHARE CAPITAL OF THE COMPANY:

	Direct Holding Beneficial ('000)	Indirect Holding Beneficial ('000)	Total ('000)
2011			
Executive Directors			
D van Niekerk-resigned	95 259	18 876	114 135
WJ Smit-resigned	1 000	-	1 000
Non-executive Directors			
MJ Sondiyazi-resigned	63	-	63
2010			
Executive Directors			
D van Niekerk	95 259	18 876	114 135
WJ Smit	1 000	-	1 000
Non-executive Directors			
MJ Sondiyazi	63	-	63

11. EMPLOYMENT CONTRACTS WITH DIRECTORS

At the date of this report all executive directors have signed contracts of employment with the Company.

12. COMPANY SECRETARY

E Waldeck was appointed on 1 March 2010 and fulfilled the role of company secretary during the financial year.

Business address: Mayibuye Place
355 Kent Avenue
Randburg

13. AUDIT COMMITTEE REPORT

The Corporate Laws Amendment Act 24 of 2006 (CLAA) came into effect on 14 December 2007. In compliance with the CLAA, an audit committee was appointed by the board of directors. This committee comprises of 4 independent non-executive directors.

During the financial year ended 28 February 2011, in addition to the duties set out in the audit committee's charter, the audit committee carried out its functions as follows:

- Nominated the appointment of Deloitte & Touche as the registered independent auditor after satisfying itself through enquiry that Deloitte & Touche is independent as defined in terms of the CLAA;
- Determined the fees to be paid to Deloitte & Touche and their terms of engagement;
- Ensured that the appointment of Deloitte & Touche complied with the CLAA and any other legislation relating to the appointment of auditors;
- Approved a non-audit services policy which determines the nature and extent of any non-audit services which Deloitte & Touche may provide to the company;
- Pre-approved any proposed contract with Deloitte & Touche for the provision of non-audit services to the company; and
- Satisfied itself with the appropriateness and expertise of the director responsible for finance.

DIRECTORS' REPORT (continued)

13. AUDIT COMMITTEE REPORT (continued)

The audit committee has satisfied itself through enquiry that Deloitte & Touche and Mr W Klaassen, the designated auditor, are independent of the company.

The audit committee recommended the annual financial statements for the year ended 28 February 2011 for approval to the board. The board has subsequently approved the annual financial statements which will be open for discussion at the forthcoming annual general meeting.

14. INTEREST IN SUBSIDIARIES

Particulars of the material subsidiaries of Blue Financial Services Limited Group are provided in Addendum A to the consolidated financial statements. The attributable interest in the net profit or losses of subsidiaries before eliminations for the year ended 28 February 2011 is as follows:

	2011	2010
	R'000	R'000
Aggregate amount of profit after taxation	40 955	20 019
Aggregate amount of losses after taxation	(348 231)	(954 636)
	<u>(307 276)</u>	<u>(934 617)</u>

15. ANNUAL GENERAL MEETING

The last annual general meeting of the company was held on 18 November 2010.

The results of the ordinary and special resolutions accepted were published on 18 November 2010 on SENS.

16. REGISTERED OFFICE AND POSTAL ADDRESSES

Registered Office: Mayibuye Place
355 Kent Avenue
Randburg

Postal Address: PO Box 2731
Randburg
South Africa, 2125

17. HOLDING COMPANY

The company is controlled by Mayibuye Group (Proprietary) Limited which owns 51% of the company's ordinary share capital. The company's holding company is incorporated in the Republic of South Africa.

18. AUDITORS

Deloitte & Touche were reappointed as external auditors in accordance with section 270(2) of the Companies Act.

CONSOLIDATED INCOME STATEMENT

	Notes	2011 R'000	2010 R'000
Interest Income		309,034	454,090
Interest Expense		(145,609)	(173,241)
Net Interest Income	4.	163,425	280,849
Administration And Commission Income		87,092	164,790
Other Operating Income	5.	52,990	99,242
Operating Income		303,507	544,881
Net Impairment Of Loan Advances And Receivables	6.	(27,440)	(548,811)
Operating Expenses	7.	(522,084)	(715,235)
Goodwill Impairment	18.	(3,187)	(210,054)
Loss Before Taxation		(249,204)	(929,219)
Taxation	8.	(35,700)	(101,409)
Net Loss		(284,904)	(1,030,628)
Attributable To:			
Equity Holders Of The Parent		(275,559)	(1,019,871)
Non-Controlling Interest		(9,345)	(10,757)
Per Share Ratios:			
Loss Per Share	9.1	(29.59)	(170.25)
Headline Loss Per Share	9.2	(27.77)	(134.96)
Diluted Loss Per Share	9.3	(29.59)	(170.25)
Diluted Headline Loss Per Share	9.4	(27.77)	(134.96)
Net Asset Value Per Share		0.01	(3.11)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2011 R'000	2010 R'000
Net Loss For The Year		(284,904)	(1,030,628)
Other Comprehensive Income:			
Exchange Differences On Translation Of Foreign Operations	27.	(49,888)	(138,635)
Revaluation Of Land And Buildings		-	1,660
Income Tax Relating To Components Of Other Comprehensive Income		-	512
Other Comprehensive Loss For The Year Net Of Taxation		(49,888)	(136,463)
Total Comprehensive Loss		(334,792)	(1,167,091)
Total Comprehensive Loss Attributable To:			
Equity Holders Of The Parent		(332,803)	(1,145,854)
Non-Controlling Interest		(1,989)	(21,237)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2011 R'000	2010 R'000
Assets			
Cash And Cash Equivalents	10.	232,299	88,492
Loan Advances To Customers	11.	544,578	783,017
Trade And Other Receivables	12.	19,697	35,361
Inventories	13.	90	-
Taxation Receivable		504	948
Other Financial Assets	14.	441	7,767
Property, Plant And Equipment	15.	66,540	93,845
Deferred Taxation	16.	19,570	34,310
Intangible Assets	17.	25,190	40,892
Goodwill	18.	422,093	448,881
Total Assets		1,331,002	1,533,513
Equity And Liabilities			
Equity			
Share Capital And Premium	19.	1,366,034	928,250
Other (Deficit) / Reserves	20.	(62,011)	445
Accumulated Loss		(1,257,460)	(948,107)
Equity / (Deficit) Attributable To Equity Holders Of The Parent		46,563	(19,412)
Non-Controlling Interest	21.	11,563	16,529
		58,126	(2,883)
Liabilities			
Bank Overdraft	10.	23,254	110,659
Derivative Financial Liabilities	22.	19,807	13,280
Trade And Other Payables	23.	230,767	149,251
Taxation Payable		116,621	96,195
Finance Lease Obligations	24.	14,002	19,048
Long-Term Liabilities	25.	862,571	1,135,977
Operating Lease Liabilities	26.	1,836	3,350
Deferred Taxation	16.	4,018	8,636
		1,272,876	1,536,396
Total Equity And Liabilities		1,331,002	1,533,513

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital And Premium R'000	Other Reserves / (Deficit) R'000	(Accumulated Loss) / Retained Earnings R'000	Total Attributable To Equity Holders Of The Parent R'000	Non-Controlling Interest R'000	Total Equity R'000
Balance At 1 March 2009	888,566	67,738	131,244	1,087,548	36,227	1,123,775
Total Comprehensive Loss For The Year	-	(125,983)	(1,019,871)	(1,145,854)	(21,237)	(1,167,091)
Share-Based Payment To Employees	2,258	-	(169)	2,089	-	2,089
Functional Currency Change	-	59,527	(59,527)	-	-	-
Redemption Of Convertible Redeemable Preference Shares	37,426	(621)	-	36,805	-	36,805
Business Combinations	-	-	-	-	1,539	1,539
Contingency Reserve	-	(216)	216	-	-	-
Balance At 28 February 2010	928,250	445	(948,107)	(19,412)	16,529	(2,883)
Total Comprehensive Loss For The Year	-	(57,244)	(275,559)	(332,803)	(1,989)	(334,792)
Share-Based Payment To Employees	-	-	2,732	2,732	-	2,732
Issue Of Ordinary Shares Due To Recapitalisation	163,000	-	-	163,000	-	163,000
Issue Of Ordinary Shares On Debt Conversion	271,828	-	-	271,828	-	271,828
Shortfall On Convertible Redeemable Preference Shares Conversion	2,956	-	(2,956)	-	-	-
Convertible Instrument Reserve	-	(4,822)	4,822	-	-	-
Contingency Reserve	-	(390)	390	-	-	-
Business Combinations	-	-	(38,782)	(38,782)	(2,977)	(41,759)
Balance At 28 February 2011	1,366,034	(62,011)	(1,257,460)	46,563	11,563	58,126
Notes	19.	20.				

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2011 R'000	2010 R'000
Cash Flows From Operating Activities			
Cash Generated From Operations	28.	225,577	25,222
Interest Expense		(145,609)	(173,241)
Taxation Paid	29.	(3,642)	(42,805)
Net Cash Generated From / (Utilised In) Operating Activities		76,326	(190,824)
Cash Flows From Investing Activities			
Purchase Of Property, Plant And Equipment	15.	(7,789)	(30,524)
Disposal Of Property, Plant And Equipment	15.	3,937	3,416
Other Investing Activities		7,326	(5,355)
Net Cash Generated From / (Utilised In) Investing Activities		3,474	(32,463)
Cash Flows From Financing Activities			
Proceeds On Share Issue	19.	150,000	-
Net Proceeds From Long-Term Liabilities		9,708	122,678
Net Finance Lease Receipts / (Repayments)		(4,122)	1,182
Net Cash Generated From Financing Activities		155,586	123,860
Total Cash Movement For The Year			
Cash At The Beginning Of The Year	10.	(22,167)	94,393
Effect Of Exchange Rates		(4,174)	(17,133)
Total Cash At The End Of The Year	10.	209,045	(22,167)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

ACCOUNTING POLICIES

1. REPORTING ENTITY

Blue Financial Services Limited is a company domiciled in South Africa. The consolidated annual financial statements for the year ended 28 February 2011 include Blue Financial Services Limited and its subsidiaries.

2. BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets. These annual financial statements are in compliance with International Financial Reporting Standards (IFRS). The principal accounting policies set out below are consistent in all material aspects with those adopted in the previous year.

2.1 CONSOLIDATION

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by of the Group. All inter-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of noncontrolling shareholders may be measured initially either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

2.2 BUSINESS COMBINATIONS

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

2.2 BUSINESS COMBINATIONS (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as at that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as at the acquisition date – and is subject to a maximum of one year.

2.3 INVESTMENT IN SUBSIDIARIES

The consolidated financial statements include those of the holding company and its subsidiaries. The results of the subsidiaries are included from the date that control is obtained until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

On acquisition the Group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

Consolidation

(a) Subsidiaries

Subsidiaries are all entities including special purpose entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

2.3 INVESTMENT IN SUBSIDIARIES (continued)

(b) Minority interests and related transactions

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in profit or loss. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

The Group's share of its associates' post acquisition profits or losses is recognised in profit or loss, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The cost of an investment in a subsidiary is the aggregate of:

- The fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- Any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

2.4 PROPERTY, PLANT AND EQUIPMENT

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

All property, plant and equipment is initially measured at historical cost, except buildings which are carried at revalued amounts.

Historical cost includes costs incurred initially to acquire or manufacture an item of property, plant and equipment. Subsequent costs i.e. to add to or replace part of the item of property, plant and equipment, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Day-to-day servicing costs are recognised in profit or loss.

Properties, which comprise land and buildings are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed every three years to ensure the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such buildings is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

2.4 PROPERTY, PLANT AND EQUIPMENT (continued)

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Furniture and fixtures, equipment and other assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end and adjusted if appropriate, with the effect of any changes in estimate accounted for on a prospective basis. The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The residual value, useful life of each asset and depreciation methods are reviewed annually and adjusted if appropriate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

2.5 GOODWILL

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity, over the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, at acquisition, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, such excess is recognised immediately in profit or loss as a bargain purchase gain (negative goodwill).

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. Goodwill is carried at cost less accumulated impairment losses.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Internally generated goodwill is not recognised as an asset.

2.6 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

2.7 INTANGIBLE ASSETS

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

- Intangible assets acquired separately:

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

- Intangible assets acquired in a business combination:

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end and are listed as part of Note 17 Intangible assets.

Brands, customer lists and items similar in substance which are generated internally, are not recognised as intangible assets.

a) Computer Software development costs

Cost associated with maintaining computer software programs are recognised as an expense incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

- technical feasibility to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- demonstration that the software product will generate probable future economic benefits;
- adequate technical, financial and other resources exist to complete the development and to use or sell the software product are available and
- the expenditure attributable to the software product during its development can be reliably determined.

Computer software development costs recognised as assets are amortised over their estimated useful lives (two to five years)

b) Contractual Relationships

The contractual relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives.

2.8 FINANCIAL INSTRUMENTS

Initial recognition

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as 'at fair value through profit or loss', which are initially measured at fair value.

Financial assets are classified into the following specified categories: 'held-for-trading', 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

2.8 FINANCIAL INSTRUMENTS (continued)

Transaction costs are included in the initial carrying value of the financial instruments except for financial instruments classified at fair value through profit or loss.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Transaction costs are included in the initial carrying value of the financial instruments except for financial instruments classified at fair value through profit or loss.

The effective interest method is the method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Financial assets classified as held for trading

A financial asset is classified as held for trading if;

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Available For Sale (AFS) financial assets

Listed shares and listed redeemable notes that are traded in an active market are classified as being AFS and are stated at fair value. Investments in unlisted shares that are not traded in an active market but are also classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Loan advances to customers

Loan advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention to trade the receivable. All loan advances are in the form of personal unsecured loans or either home loan or small and medium enterprise secured lending, that are repaid in fixed equal instalments.

Advances are classified as loans and receivables and are measured at amortised cost using the effective interest rate method, less any impairment losses through the use of an allowance account whereby the amount of the losses are recognised through profit or loss. Initiation and related fees that are integral to the effective interest rate are capitalised to the value of the loan and amortised through profit or loss over the contractual life of the loan using the effective interest rate method.

Loan advances, which are deemed uncollectible, are written off either fully or partially against the impairment allowance account for non-performing loans.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

2.8 FINANCIAL INSTRUMENTS (continued)

Loan advances previously written off which subsequently yield cash flows are not written back onto the balance sheet. Cash collected on loan advances, which have previously been written off, is recognised through profit or loss as bad debts recovered as and when the cash is received.

Loan advances are disclosed net of deferred initiation fees (consisting of origination, credit life and other relevant fees) and impairment provisions.

Impairment provisions

The Group reviews the carrying amounts of its loan advances to determine whether there is any indication that those loan advances have become impaired using objective evidence at a loan level. A loan or receivable is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event(s) has an adverse impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- significant financial difficulty of the customer or debtor;
- a breach of contract, such as a default or delinquency in the payment of interest or principal;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becoming probable that the borrower is over-indebted;
- indication that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the group; and
 - national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers or adverse changes in industry conditions that affect the borrowers in the group).

Where it is not possible to estimate the recoverable amount of an individual loan or advance, the Group estimates the recoverable amount using portfolio statistics derived based on past performance of similar financial assets, taking into account collection measures.

The recoverable amount is the sum of the estimated future cash flows, discounted to their present value using a discount rate that reflects the portfolio of advances' original effective interest rate.

If the recoverable amount of the advance is estimated to be less than the carrying amount, the carrying amount of the advance is reduced to its recoverable amount by raising an impairment provision, which is recognised as an expense through profit or loss. A write off is effected through profit or loss when the customer or debtor is deemed not recoverable.

Where the impairment loss subsequently reverses, the carrying amount of the advance is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised. A reversal of an impairment loss is immediately recognised in the consolidated statement of comprehensive income.

Impairment provisions raised during the year are recognised in the income statement.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

2.8 FINANCIAL INSTRUMENTS (continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance for doubtful debt. When a trade receivable is considered uncollectible, it is written off against the allowance for doubtful debt. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments issued by the Group:

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Compound instruments

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

2.8 FINANCIAL INSTRUMENTS (continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities 'held for trading' or 'other financial liabilities'.

Financial liabilities classified as held for trading

A financial liability is classified as held for trading if;

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realised or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

2.9 TAXATION

Current taxation assets and liabilities

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates enacted or substantively enacted at the balance sheet date.

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- A transaction or event which is recognised, in the same or a different period, directly in equity, or
- A business combination.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

2.9 TAXATION (continued)

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Deferred taxation assets and liabilities

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

A deferred taxation liability is recognised for all taxable temporary differences.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxation for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

2.10 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

Finance leases – The Group as a lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability, so as to achieve an effective rate of interest on the remaining balance of the liability.

Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent lease costs are recognised as expenses in the periods in which they are incurred.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

2.10 LEASES (continued)

Operating leases -The Group as a lessee

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

Any contingent rentals under operating leases are recognised as an expense in the period in which they are incurred.

2.11 INVENTORIES

Inventories are measured at the lower of cost and net realisable value.

Net realisable value represents the estimated selling price for the inventories, in the ordinary course of business, less all estimated costs of completion less the estimated costs necessary to make the sale.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.12 IMPAIRMENT OF ASSETS

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

Irrespective of whether there is any indication of impairment, the Group also:

- Tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed annually at year end.
- Tests goodwill acquired in a business combination for impairment annually.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

2.12 IMPAIRMENT OF ASSETS (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- First, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- Then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

At each reporting date an assessment as to whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

2.13 SHARE CAPITAL AND EQUITY

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

When the Group acquires its own share capital, the amount of the consideration paid, including directly attributable costs (net of any related tax benefit), is recognised as a change in equity. Shares repurchased by the issuing entity are cancelled. Shares repurchased by Group entities are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued and weighted average number of shares and the cost price of the shares are presented as a deduction from total equity. The par value of the shares is presented as a deduction from ordinary share capital and the remainder of the cost is presented as a deduction from ordinary share premium.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 SHARE-BASED PAYMENTS

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date unless that fair value cannot be estimated reliably.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

2.14 SHARE-BASED PAYMENTS (continued)

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity, indirectly, are measured by reference to the fair value of the equity instruments granted.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, the Group accounts for those services as they are rendered by the counterparty during the vesting period, (or on a straight line basis over the vesting period).

If the share-based payments vest immediately the services received are recognised in full.

For share-based payment transactions in which the terms of the arrangement provide either the entity or the counterparty with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, the components of that transaction are recorded, as a cash-settled share-based payment transaction if, and to the extent that, a liability to settle in cash or other assets has been incurred, or as an equity-settled share based payment transaction if, and to the extent that, no such liability has been incurred.

2.15 EMPLOYEE BENEFITS

Short-term employee benefits

The cost of short-term employee benefits, (those payable within twelve months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an accrual when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

The group has a defined contribution plan. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

For a defined contribution plan, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The group has no further payment obligations once the contributions have been paid.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

2.16 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- The Group has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the provision due to the passage of time is recognised as interest expense.

Where some or all of the economic benefits required to settle a provision is expected to be recovered from a third party, a receivable is recognised as an asset, when, it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition.

After their initial recognition contingent liabilities in business combinations that are recognised separately are subsequently measured at the higher of:

- The amount that would be recognised as a provision; and
- The amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in Note 31.

2.17 INTEREST

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Interest income and expenses are recognised in the income statement for all instruments measured at amortised cost and at fair value using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. When calculating the effective interest rate, the Group estimates the cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate.

In calculating effective interest, the Group estimates cash flows using projections based on its experience of customer behaviour considering all contractual terms of the financial instrument but excluding future credit losses. Cash flows arising from the incremental costs of issuing financial instruments are also taken into account in the calculation.

2.18 RENDERING OF SERVICES

Administration fee and insurance commission income

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past products sold.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

2.18 RENDERING OF SERVICES (continued)

The Group earns administration fee and insurance commission income from a diverse range of services to its customers. This income is accounted for as follows:

- Insurance commission income represents insurance agency commissions received or receivable and are recognised as revenue on the effective commencement or renewal dates of the related policies.
- Income earned from the provision of services is recognised as revenue as the services are provided (i.e., monthly management fees on loan advances and other management advisory and service fees).
- Income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate (i.e., certain loan initiation fees) and recorded in "Net interest income". Loan initiation fees, together with their related direct costs, are deferred and recognised as an adjustment to the effective interest rate on the loan once drawn.

2.19 DIVIDENDS

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

2.20 TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in ZAR (South African Rands).

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in ZAR using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

2.20 TRANSLATION OF FOREIGN CURRENCIES (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

A foreign currency transaction is recorded, on initial recognition, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each balance sheet date:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured in terms of historical cost in foreign currency are not translated; and
- Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Investments in subsidiaries, joint ventures and associates

The results and financial position of a foreign operation are translated into the reporting currency using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement item are translated at an average exchange rate for the reporting period; and
- All resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially in the translation reserve and recognised in profit or loss on disposal of the net investment.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

2.21 SEGMENT REPORTING

The Group discloses its operating segments according to the entity components regularly reviewed by the Executive Committee and chief decision makers. The components comprise of operating segments located in South Africa and other countries.

Segment information is prepared in conformity with the measure that is reported to the Executive Committee. These values have been reconciled to the consolidated annual financial statements. The measure reported by the Group is in accordance with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Segment net interest income and operating income excludes value added taxation and includes intergroup revenue. Consolidated net interest income and operating income represents segment revenue from which intergroup transactions has been eliminated. Sales and related transactions between segments are made on a commercial basis. Segment profit or loss from operations represents segment revenue less segment operating expenses. Segment expenses include direct and operating expenses.

The segment assets and liabilities comprise all assets and liabilities of the different segments that are employed by the segment and that are either directly attributable to the segment, or can be allocated to the segment on a reasonable basis.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

2.22 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call, net of bank borrowings, all of which are available for use by the Group unless otherwise stated.

Cash on hand is recognised at fair value and subsequently measured at its fair value.

Deposits held on call are classified as loans and receivables by the Group and carried at amortised cost. Due to the short-term nature of these, the amortised cost normally approximates its fair value.

Bank borrowings, consist of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received, net of direct issue cost. Finance costs, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

3. INCOME AND EXPENSES PER CATEGORY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	Loans and receivables	Financial liabilities at amortised cost	Held for trading	Held to maturity	Non-financial assets and liabilities	Total
	R'000	R'000	R'000	R'000	R'000	R'000
2011						
Interest income	307,140	-	1,710	184	-	309,034
Interest expense	-	(145,609)	-	-	-	(145,609)
Administration and commission income	87,092	-	-	-	-	87,092
Other operating income #	12,850	-	-	-	7,684	20,534
Impairment of loan advances and receivables	(27,440)	-	-	-	-	(27,440)
Fair value adjustment on derivatives	-	-	(6,527)	-	-	(6,527)
	379,642	(145,609)	(4,817)	184	7,684	237,084
2010						
Interest income	452,211	-	1,747	132	-	454,090
Interest expense	-	(173,241)	-	-	-	(173,241)
Administration and commission income	164,790	-	-	-	-	164,790
Other operating income #	26,790	-	-	-	8,690	99,242
Impairment of loan advances and receivables	(548,811)	-	-	-	-	(548,811)
Fair value adjustment on derivatives	-	-	(13,280)	-	-	(13,280)
	94,980	(173,241)	(11,533)	132	8,690	(17,210)

Other operating income stated above excludes net profit/(loss) on foreign exchange differences.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

4. NET INTEREST INCOME

	2011 R'000	2010 R'000
Interest income		
Loan advances to customers	303,093	451,753
Cross currency swap	1,710	1,747
Commercial paper and treasury bills	184	132
Other	4,047	458
	309,034	454,090
Interest expense		
Long-term liabilities	(129,750)	(159,190)
Bank overdraft	(15,534)	(11,370)
Convertible redeemable preference shares	-	(2,350)
Other	(325)	(331)
	(145,609)	(173,241)
Net interest income	163,425	280,849

Administration and commission income includes income that is considered an integral part of the loan agreement and accordingly amortised through profit or loss over the contractual life of the loan on the effective yield method.

5. OTHER OPERATING INCOME

Net mobile revenue	11,053	26,790
Net profit on foreign exchange differences #	32,457	63,762
Profit on disposal of loan advances	4,500	-
Other	4,980	8,690
	52,990	99,242

	2011 R'000	2010 R'000
Net mobile revenue comprises:		
Gross mobile and related cellular revenue	46,120	70,140
Subscriptions and cost of sales	(35,067)	(43,350)
	11,053	26,790
Net profit on foreign exchange differences		
Profit on foreign exchange differences	81,951	81,941
Loss on foreign exchange differences	(49,494)	(18,179)
	32,457	63,762

6. NET IMPAIRMENT OF LOAN ADVANCES AND RECEIVABLES

Increase in impairment provisions	55,929	191,185
Loan advances	49,280	142,924
Mobile receivables	6,649	48,261
Reinstatement of previously written-off loan advances	(54,838)	-
Bad debts written-off	51,156	360,211
Bad debt recoveries	(24,807)	(2,585)
Net impairment charge	27,440	548,811

'Loss on foreign exchange differences', previously reflected as a component of 'Operating Expenses' was reclassified and offset against 'Net profit / (loss) on foreign exchange differences' within 'Other operating income'.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

7. OPERATING EXPENSES

	2011 R'000	2010 R'000
Advertising	9,049	30,169
Auditors remuneration	14,608	14,842
Audit fees	13,710	13,866
Other services	898	976
Bank charges	5,114	21,318
Collection and processing costs	26,452	34,468
Commissions paid	4,315	26,243
Depreciation on property, plant and equipment	29,761	36,022
Amortisation on intangible assets	14,526	13,620
Impairments	3,868	49,276
Intangible assets	-	1,160
Property, plant and equipment	2,007	-
Other financial assets	1,861	48,116
Employee costs	162,306	210,109
Net (profit)/loss on disposal of non-current assets *	(1,268)	561
Motor vehicle expenses	2,091	3,367
Office expenses	2,394	4,715
Other operating expenses	99,554	73,702
Operating lease costs	43,854	63,097
Premises	33,665	49,561
Motor vehicles	575	1,957
Equipment	6,312	11,001
Other	3,302	578
Printing, postage and stationery	4,250	8,863
Professional fees	45,833	42,619
Legal	11,005	8,839
Management	-	1,764
Consultants and other professional fees	34,828	32,016
Repairs and maintenance	4,410	21,039
Settlement expense	13,000	-
Telephone and fax	23,086	30,706
Travelling expenses	8,354	17,219
Fair value movement on derivative financial liability (refer Note 22)	6,527	13,280
	522,084	715,235

Employee costs includes the following:

	2011 R'000	2010 R'000
Share based payments (refer Note 20.5)	2,732	2,089
Termination benefits	7,836	2,546
Defined contribution plan contributions	3,826	6,158

Employee costs includes remuneration and related benefits to directors which have been disclosed as part of Note 32.

* 'Profit on sale of non-current assets', previously disclosed as a separate component under 'Other operating income', was reclassified and offset against 'Net (profit) / loss on sale of non-current assets' within operating expenses.

8. TAXATION

South African normal taxation

	2011 R'000	2010 R'000
Current year	922	14,047
Prior year over provision	(9,738)	(1,798)

Deferred taxation

	2011 R'000	2010 R'000
Current year	684	51,845
Prior year under provision	-	16,584

Secondary taxation on companies

	2011 R'000	2010 R'000
Current year	600	1,030

Foreign taxation

	2011 R'000	2010 R'000
Current year	35,768	10,240
Prior year under provision	-	6,146

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

8. TAXATION (continued)

	2011 R'000	2010 R'000
Foreign deferred taxation	7,464	3,315
Current year	7,464	4,743
Prior year over provision	-	(1,428)
	35,700	101,409
Reconciliation of tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting loss before taxation	(249,204)	(929,219)
Normal taxation on accounting loss at the applicable tax rate of 28% (2010: 28%)	(69,777)	(260,181)
Tax effect of adjustments on taxable income		
Exempt income	(1,680)	(4,107)
Prior year (over)/under provision	(9,738)	19,504
Disallowed expenditure	34,303	73,742
Fair value adjustments	(4,057)	-
Foreign taxation rate differences	(1,975)	(7,291)
Foreign taxation	18,834	14,323
Foreign taxation rebates	(3,243)	(4,742)
Utilisation of taxation losses and rebates	50	(4,776)
Secondary taxation on companies	600	1,030
Deferred taxation assets not recognised	72,088	274,834
Other	295	(927)
Income tax recognised in profit or loss	35,700	101,409

The taxation rate used for the 2011 reconciliation above is the corporate taxation rate of 28% (2010: 28%) payable by corporate entities on taxable profits under taxation law in the Republic of South Africa.

Income tax recognised in other comprehensive income

	2011 R'000	2010 R'000
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Translation of foreign operations	-	(927)
Property revaluations	-	415
	-	(512)

9. EARNINGS RATIO'S

Basic loss per share (cents)	<u>(29.59)</u>	<u>(170.25)</u>
Headline loss per share (cents)	<u>(27.77)</u>	<u>(134.96)</u>
Diluted loss per share (cents)	<u>(29.59)</u>	<u>(170.25)</u>
Diluted headline loss per share (cents)	<u>(27.77)</u>	<u>(134.96)</u>

9.1 Basic loss per share (cents)

Basic attributable loss per share is calculated by dividing the net profit after tax attributable to ordinary equity holders by the weighted average number of ordinary shares in issue during the year.

The loss and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Loss for the year attributable to the owners of the Group	(275,559)	(1,019,871)
Weighted average number of ordinary shares in issue	931,353,321	599,038,228
Basic loss per share (cents)	<u>(29.59)</u>	<u>(170.25)</u>

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

9. EARNINGS RATIO'S (continued)

9.2 Diluted loss per share

Diluted attributable loss per share is calculated using the weighted average number of ordinary shares in issue, adjusted to assume conversion of all potentially dilutive ordinary shares.

	2011 R'000	2010 R'000
Net loss used to determine diluted attributable loss per share	(275,559)	(1,019,871)
Adjusted for :		
Interest paid on convertible redeemable preference shares	-	2,350
Foreign exchange remeasurement of preference share liability, and related costs	-	(13,041)
Diluted loss	(275,559)	(1,030,562)
Weighted average number of ordinary shares in issue	931,353,321	599,038,228
Adjusted for:		
Class C convertible redeemable preference shares	-	24,848,783
Share scheme - issued during the year	-	482,714
Share scheme - to be issued in future	11,829,000	3,000,000
Weighted average number of ordinary shares for diluted attributable loss	943,182,321	627,369,725
Anti-dilutive impact	(29.22) (0.37)	(164.27) (5.98)
Diluted loss per share (cents)	(29.59)	(170.25)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

9. EARNINGS RATIO'S (continued)

9.3 Headline loss per share (cents)

	2011		2010	
	Gross	Net	Gross	Net
Loss for the year attributable to the owners of the Company	-	(275,559)	-	(1,019,871)
Non headline items:				
Net (profit) / loss on sale of property , plant and equipment	(647)	(647)	758	561
Goodwill impairment	3,187	3,187	210,054	210,054
Impairment charge - aircraft	2,007	2,007	-	-
Profit on disposal of subsidiary	(621)	(621)	-	-
Settlement expense	13,000	13,000	-	-
Intangible assets impairment	-	-	1,160	812
Earnings used in the calculation of headline loss per share		(258,633)		(808,444)
Weighted average number of ordinary shares for the purposes of basic (loss) / earnings per share		931,353,321		599,038,228

Headline loss per share (cents)

(27.77) (134.96)

9.4 Diluted Headline loss per share

Loss used in the calculation of headline earnings per share		(258,633)	-	(808,443)
Adjusted for:				
Interest paid on convertible redeemable preference shares	-	-	2,350	2,350
Foreign exchange remeasurement of preference share liability, and related costs	-	-	(13,041)	(13,041)
Diluted loss		(258,633)		(819,134)
Weighted average number of ordinary shares used in the calculation of basic earnings per share		931,353,321		599,038,228
Shares deemed to be issued for no consideration in respect of:				
Class C convertible redeemable preference shares		-		24,848,783
Share scheme - to be issued in future		11,829,000		3,000,000
Weighted average number of ordinary shares used in the calculation of diluted earnings per share		943,182,321		626,887,011
Anti-dilutive impact		(27.42)		(130.67)
Diluted headline loss per share (cents)		<u>(0.35)</u>		<u>(4.29)</u>
		<u>(27.77)</u>		<u>(134.96)</u>

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

9. EARNINGS RATIO'S (continued)

Basic earnings and headline earnings per share are calculated by dividing the relevant earnings by the weighted average number of shares in issue. Diluted earnings and diluted headline earnings per share are calculated by dividing the relevant earnings by the weighted number of shares in issue after taking the dilutive impact of the potential ordinary shares to be issues into account.

The disclosure of headline earnings is a requirement of the JSE Limited ("JSE") and is not a recognised measure under IFRS. It has been calculated in accordance with the South African Institute of Chartered Accountants' circular issued in this regard.

10. CASH AND CASH EQUIVALENTS

	2011 R'000	2010 R'000
Cash and cash equivalents consists of:		
Cash on hand	1,155	276
Bank balances	231,144	88,216
Bank overdraft	(23,254)	(110,659)
	209,045	(22,167)
Current assets	232,299	88,492
Current liabilities	(23,254)	(110,659)
	209,045	(22,167)

Various subsidiaries are incorporated outside of the Republic of South Africa and are subject to exchange controls of that country. These exchange controls could temporarily limit the amount of funds that can be transferred within the Group and to the holding company located in the Republic of South Africa.

The ability of certain countries to remit funds has been significantly impacted by the shortage of foreign exchange available due to significant weakening in local currencies against the Rand and US Dollar which inhibits the flow of funds. At the reporting date the countries affected were Tanzania (R8.0 million) and Malawi (R41.7 million). Cash balances of R7.2 million and R7.5 million serve as supplier and overdraft guarantees. Bank overdrafts to the value of R19.3 million are secured through a cession over loan advances, refer Note 11.

11. LOAN ADVANCES TO CUSTOMERS

	2011 R'000	2010 R'000
Gross loan advances to customers	1,167,122	1,122,920
Less: Deferred initiation fees	(21,038)	(58,667)
Less: Allowance for impairment of loan advances	(601,506)	(281,236)
Net loan advances to customers	544,578	783,017
Movement on allowance for impairment		
Opening balance	(281,236)	(147,034)
Net charge for the year	(49,280)	(142,924)
Reinstatement of previously written-off loan advances	(292,187)	-
Foreign exchange movement	21,197	8,722
	(601,506)	(281,236)
Analysis of gross loan advances by territory		
South Africa	681,759	435,340
Rest of Africa	485,363	687,580
	1,167,122	1,122,920
Analysis of impairment of loan advances by territory		
South Africa	(452,590)	(146,224)
Rest of Africa	(148,916)	(135,012)
	(601,506)	(281,236)

Cessions over loan advances in favour of overdraft providers and long-term funders are limited to R19.3 million and R746.3 million respectively, refer Note 10 and 25.

Impairment provisions are based on the incurred loss principle. Estimated cash flows for loan advances considered to be impaired are discounted using the original contractual effective interest rate. During the year, the Group amended its estimate of loan recoverability in line with the methodology of its holding company, which resulted in the reinstatement of previously written off gross loan advances of R347 million and related impairment provision of R292.2 million.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

11. LOAN ADVANCES TO CUSTOMERS (continued)

This change in estimate is based on the recoveries achieved on written off loan advances as well as the expected recovery based on the historical success rate in reactivation and revival of uncollectible amounts.

The impairment provision for loan advances is classified into two categories i.e. default impairments and portfolio impairments. The default impairment provision of R597.3 million is in respect of the expected loss on non-performing loan advances, whilst the portfolio impairment provision of R4.2 million is in respect to the performing loan book (includes the IBNR component to cover losses incurred but not yet recorded in relation to contractually performing loans, where clients may have suffered distress in making contractual payments, but such information has not formally reached the Group). Refer to Note 34 for further detail.

12. TRADE AND OTHER RECEIVABLES

	2011 R'000	2010 R'000
Trade receivables net of allowances	730	4,241
Prepayments	5,016	3,074
Deposits	1,305	18,035
Value Added Taxation	10,544	5,078
Other receivables	2,102	4,405
Staff loans	-	528
	19,697	35,361

The average credit period granted on sales to mobile contract customers is 30 days (2010: 30 days) from date of invoice.

As at 28 February 2011, trade and other receivables of R6.6 million (2010: R50.3 million) were impaired and provided for.

Trade and other receivables past due not impaired

The ageing of amounts past due not impaired is as follows:

30 days	730	4,241
60 days	-	-
90 days	-	-
120 days and over	-	-

	2011 R'000	2010 R'000
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Doubtful debt allowances

The Group's trade and other receivables are stated after allowances for doubtful debts based on management's assessment of potential recovery, an analysis of which is as follows:

Balance at the beginning of the year	(50,266)	(44,436)
Net charge for the year	(6,649)	(48,261)
Amounts written off during the year as uncollectible	50,266	42,431
Balance at the end of the year	(6,649)	(50,266)

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the mobile contract customer base being large and unrelated.

Ageing of impaired trade receivables - gross

30 days	3,670	3,543
60 days	1,381	7,704
90 days	1,077	977
120 days and over	521	38,042
Total	6,649	50,266

13. INVENTORIES

Mobile handsets and prepaid vouchers	90	-
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The cost of inventories recognised as an expense during the period was R0.2 million (2010: R4.6 million).

The cost of inventories recognised as an expense includes R0.1 million (2010: R3.6 million) in respect of write downs of inventory to net realisable value. There have been no reversals of write downs for the current year and prior years.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

14. OTHER FINANCIAL ASSETS

	2011 R'000	2010 R'000
Loans and receivables		
Blue Easy Build	-	519
Fixed Deposit	-	722
	<u>-</u>	<u>1,241</u>
Held to maturity		
Crest Finance - unlisted	441	6,526
	<u>441</u>	<u>7,767</u>
Directors valuation of unlisted securities	441	6,526
Gross value of impaired loans and receivables	51,172	51,697

Blue Easy Build

The loan represented short term working capital to enable low cost housing and related property development in various African countries. These activities were discontinued in the previous financial year.

Fixed Deposit

90-day fixed deposit was held at a reputable banking institution. This fixed deposit was closed during the financial year. In the prior year it bore interest 6.67% per annum.

Crest Finance - unlisted

Investment in short term Commercial Paper and Government Treasury bills is held with maturity dates of less than 90 days and bears interest at an effective interest rate of between 26 % and 28.5 % per annum.

15. PROPERTY, PLANT AND EQUIPMENT

	Cost / Revaluation and impairment losses R' 000	Accumulated depreciation R' 000	Carrying value R' 000
2011			
Land and buildings	15,271	(728)	14,543
Furniture and fittings	50,586	(29,724)	20,862
Motor vehicles	9,295	(5,789)	3,506
IT equipment	40,528	(38,047)	2,481
Computer software	15,470	(9,949)	5,521
Leasehold improvements	28,338	(21,749)	6,589
Aircraft	19,527	(6,489)	13,038
Total	<u>179,015</u>	<u>(112,475)</u>	<u>66,540</u>
2010			
Land and buildings	16,250	(385)	15,865
Furniture and fittings	51,402	(21,407)	29,995
Motor vehicles	10,653	(5,153)	5,500
IT equipment	41,597	(28,240)	13,357
Computer software	13,124	(9,656)	3,468
Leasehold improvements	21,486	(14,765)	6,721
Aircraft	22,092	(3,153)	18,939
Total	<u>176,604</u>	<u>(82,759)</u>	<u>93,845</u>

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Opening Net Book Value R' 000	Additions R' 000	Additions through business combinations R' 000	Disposals R' 000	Revaluations R' 000	Foreign exchange movements R' 000	Depreciation and impairment R' 000	Closing Net Book Value R' 000
Reconciliation of property, plant and equipment - 2011								
Land and buildings	15,865	-	-	-	-	(951)	(371)	14,543
Furniture and fittings	29,995	1,139	-	(124)	-	(701)	(9,447)	20,862
Motor vehicles	5,500	-	-	(137)	-	(397)	(1,460)	3,506
IT equipment	13,357	-	-	(118)	-	(3,334)	(7,424)	2,481
Computer software	3,468	2,105	-	(10)	-	4,726	(4,768)	5,521
Leasehold improvements	6,721	4,545	-	-	-	-	(4,677)	6,589
Aircraft	18,939	-	-	(2,280)	-	-	(3,621)	13,038
	93,845	7,789	-	(2,669)	-	(657)	(31,768)	66,540

Reconciliation of property, plant and equipment - 2010

Land and buildings	16,077	327	-	-	1,660	(1,802)	(397)	15,865
Furniture and fittings	38,284	5,847	-	(2,988)	-	(2,437)	(8,711)	29,995
Motor vehicles	5,757	2,734	-	(120)	-	(872)	(1,999)	5,500
IT equipment	19,702	6,676	-	(869)	-	(1,302)	(10,850)	13,357
Computer software	8,810	748	-	-	-	(26)	(6,064)	3,468
Leasehold improvements	4,396	9,082	-	-	-	-	(6,757)	6,721
Aircraft	15,073	5,110	-	-	-	-	(1,244)	18,939
	108,099	30,524	-	(3,977)	1,660	(6,439)	(36,022)	93,845

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation is provided on all plant and equipment to write down the cost, less residual value, on a straight line basis over their useful lives as follows:

Item	Average useful life	
Land	Not depreciated	
Buildings	Limited to 20 years	
Furniture and fittings	5-6 years	
Motor vehicles	5 years	
IT equipment	3 years	
Computer Software	2 years	
Leasehold improvements	4-5 years	
Aircraft	8 years	
	2011	2010
	R'000	R'000
Held under property finance (Refer Note 25)		
Land and buildings	14,259	15,537
Held under finance lease obligations (Refer Note 24)		
Motor vehicles	1,817	2,377
Aircraft	13,037	16,600
Computer software	-	2,831
Furniture and fittings	140	132

Revaluations

A revaluation was performed on land and buildings in the prior year. The date of revaluations of land and buildings was 24 February 2010. It is the policy of the Group to revalue its land and buildings every three years.

Revaluations were made by an independent valuer, Mr Jane Kitheka BA (Hons) MREIB, of Property World Botswana and have been prepared in accordance with the International Valuation Standard guidelines as adopted by RICS Appraisal and Valuation Model.

The valuation has been prepared on the basis of 'Open Market Value' which is defined as:

An opinion of the best price at which the sale of interest in the property would have been completed unconditionally for cash consideration on date of the valuation assuming there had been reasonable time for proper marketing of the property, the level of values and other circumstances were the same as on the date of the valuation and both parties to the transaction acted knowledgeably, prudently and without compulsion.

The carrying value of the revalued assets under the cost model would have been:

	2011	2010
	R'000	R'000
Buildings:	8,850	7,602
Residential building situated on Plot 21685, Phakalane, Gaborone, Botswana		
- Purchase price: 11 January 2006	1,976	1,976
- Additions since purchase or valuation	1,156	1,156
	3,132	3,132
Office building situated on plot 205, Independence Avenue, Gaborone, Botswana		
- Purchase price: 1 December 2005	7,661	7,661
- Additions since purchase or valuation	3,466	4,744
	11,127	12,405

16. DEFERRED TAXATION

Deferred taxation assets	19,570	34,310
Deferred taxation liabilities	(4,018)	(8,636)
	15,552	25,674

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

16. DEFERRED TAXATION (continued)

	2011 R'000	2010 R'000
Components:		
Capital allowances	(1,080)	(1,232)
Fair value adjustment of intangible assets	(4,018)	(8,636)
Foreign exchange	(2,258)	(7,437)
Impairment provisions	15,854	18,589
Prepayments and other allowances	(591)	(344)
Property revaluation reserve	(1,563)	(1,710)
Net tax losses recognised	9,395	21,703
Withholding taxation rebates	-	4,741
Other	(187)	-
	15,552	25,674
Reconciliation:		
Balance at the beginning of the year	25,674	99,482
Recognised in profit or loss:	(14,739)	(71,744)
Tax losses available for set off against future taxable income	(12,308)	(64,034)
Temporary differences	(2,431)	(7,710)
Recognised directly in equity:	4,617	(2,064)
Foreign exchange differences on consolidation of foreign subsidiaries	4,617	(2,576)
Net investment in foreign operation	-	927
Property valuation reserve	-	(415)
Balance at the end of the year	15,552	25,674

Provision for taxation that could arise if undistributed retained profit of certain subsidiaries is remitted, is only made where a decision has been taken to remit such retained profits. The Group did not provide for Secondary Taxation on Companies ('STC') on its undistributed earnings which is payable when it declares dividends to its shareholders, as the taxation will only be payable once the dividends are declared.

Deferred tax is raised at the normal income taxation rate as the intention of the Group is to hold the assets for use and not for resale.

The Group has estimated unused tax losses of R874 million (2010: R 647.6 million) and net deductible temporary differences of R274 million (2010: R 347.7 million) at the reporting date, for which no deferred taxation was recognised.

17. INTANGIBLE ASSETS

	Cost /Revaluation and impairment losses R' 000	Accumulated amortisation R' 000	Carrying value R' 000
2011			
Brand names	26,448	(16,398)	10,050
Operating rights	12,322	(3,316)	9,006
Technology related software	6,705	(6,705)	-
Customer base	42,248	(36,114)	6,134
Total	87,723	(62,533)	25,190
2010			
Brand names	28,428	(15,631)	12,797
Operating rights	12,900	(3,137)	9,763
Technology related software	6,705	(6,705)	-
Customer base	43,390	(25,058)	18,332
Total	91,423	(50,531)	40,892

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

17. INTANGIBLE ASSETS (continued)

	Opening balance R' 000	Additions R' 000	Additions through business combinations R' 000	Foreign exchange movements R' 000	Amortisation R' 000	Impairment loss R' 000	Closing balance R' 000
Reconciliation of Intangible assets - 2011							
Brand names	12,797	-	-	(999)	(1,748)	-	10,050
Operating rights	9,763	-	-	(155)	(602)	-	9,006
Customer base	18,332	-	-	(22)	(12,176)	-	6,134
	40,892	-	-	(1,176)	(14,526)	-	25,190

Reconciliation of Intangible assets - 2010

Brand names	18,455	-	-	(1,373)	(4,285)	-	12,797
Operating rights	11,683	-	1,538	(1,658)	(640)	(1,160)	9,763
Customer base	27,147	-	-	(120)	(8,695)	-	18,332
	57,285	-	1,538	(3,151)	(13,620)	(1,160)	40,892

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

17. INTANGIBLE ASSETS (continued)

Other information

The estimated useful lives of finite intangible asset are as follows:

Item	2011 Years	2010 Years
Brand names	5-20	5-20
Operating rights	20	20
Technology related software	-	-
Customer base	1-10	1-10

The Group uses the following indicators to determine the useful lives:

- expected usage of the asset and related economic benefits; and
- technical or commercial obsolescence.

The largest component of individual material intangible assets relates to brand names of the Group, that have estimated remaining useful lives of between 1 to 15 years as at 28 February 2011.

During the prior financial year the Group reviewed the estimated useful lives of intangible assets. The review resulted in an increase of R1.5 million in the 2010 year's amortisation charge.

Brand names

A maximum 20 year useful life was adopted on brand names, whilst the specific acquired brand names "Nedfin" and "Credit U" indicated a significantly shorter period of 5 years, which was deemed to be appropriate. Brand names are not likely to have an indefinite life.

Operating rights

Operating rights represent the cost associated with the right and ability to operate within a territory. Because of potential changes to legislation, compliance and operating environment, these rights are unlikely to have an indefinite life and thus a useful life of 20 years has been adopted.

Technology related software

Technologies have been valued based on management's best estimate of replacement cost, based on their understanding of alternative systems and processes. It is estimated that the technology will not have an indefinite useful life, given the current rate of development in the industry, ongoing technological innovation and adaptability of these assets to such changes.

Customer base

Based on historical norms the following data was utilised in the determination of estimated useful lives:

- average renewal contract period; and
- renewal rate and customer retention.

18. GOODWILL

	2011 R'000	2010 R'000
Cost	679 267	702 868
Accumulated impairment losses	(257 174)	(253 987)
	422 093	448 881
Cost:		
Balance at beginning of the year	702 868	747 207
Amounts recognised from business combination	-	-
Effect of foreign currency exchange differences	(23 601)	(44 339)
Balance at end of the year	679 267	702 868
Accumulated impairment losses:		
Balance at beginning of year	(253 987)	(43 933)
Impairment losses recognised during the year	(3 187)	(210 054)
Balance at end of the year	(257 174)	(253 987)

Refer to Note 33 for detail allocation of goodwill, annual impairment testing and identified cash generating units.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

19. SHARE CAPITAL AND PREMIUM

Ordinary shares

	2011 R'000	2010 R'000
Authorised		
11 000 000 000 Ordinary shares of par value R 0.000001	11 000	1 000

(2010 : 1 000 000 000 Ordinary shares of par value R 0.000001)

Issued		
5 791 989 329 Ordinary shares of par value R 0.000001	5 792	624

(2010 : 624 369 725 Ordinary shares of par value R 0.000001)

Reconciliation of the number of ordinary shares issued:

	Number of shares	Share capital Rand	Share premium R' 000
Opening balance 01/03/2009	582 331 007	582,33	888 566
Shares issued out of share staff scheme	2 258 868	2,26	2 258
Conversion of Class C convertible redeemable preference shares	39 779 850	39,78	37 426
Closing balance 28/02/2010	624 369 725	624,37	928 250
Opening balance 01/03/2010	624 369 725	624,37	928 250
Issue of ordinary shares			
- Recapitalisation	1 253 846 154	1 253,85	162 999
Issue of ordinary shares - Conversion of long-term liabilities	2 113 705 046	2 113,71	274 779
Issue of ordinary shares - Anti-dilution provisions	1 800 068 404	1 800,07	-
Closing balance 28/02/2011	5 791 989 329	5 791,99	1 366 028

All ordinary shares are entitled to the right to dividends and carry one voting right per share.

The unissued share capital is under the control of the directors in terms of the resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

Reconciliation of the number of treasury shares issued:

	Number of shares	Share capital Rand	Share premium R' 000
Opening balance 01/03/2009	2 258 868	2,26	2 259
Shares issues out of staff share scheme	(2 258 868)	(2,26)	(2 259)
Closing balance 28/02/2010	-	-	-
Opening balance 01/03/2010	-	-	-
Shares issues out of staff share scheme	-	-	-
Closing balance 28/02/2011	-	-	-

Preference Shares

	2011 R'000	2010 R'000
Authorised		
140 000 000 Class A Convertible Redeemable Preference Shares of R 0.0001 each	-	14 000
90 000 000 Class B Convertible Redeemable Preference Shares of R 0.0001 each	-	9 000
70 000 000 Class C Convertible Redeemable Preference Shares of R 0.0001 each	-	7 000

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

19. SHARE CAPITAL AND PREMIUM (continued)

These shares had certain special rights, including special voting rights and rights to anti-dilution relief. On conclusion of the recapitalisation agreement of the Group, the authorised shares and special rights attached to these shares above were cancelled and the company's Articles of Association were amended accordingly. Further details are available for inspection at the registered offices and are contained within the holding company's Articles of Association.

20. OTHER (DEFICITS) / RESERVES

	2011 R'000	2010 R'000
Foreign currency translation (deficit) / reserve (Note 20.1)	(67 911)	(15 605)
Taxation on foreign currency translation reserve (Note 20.1)	-	4 938
Contingency reserve (Note 20.2)	491	881
Revaluation reserve (Note 20.3)	5 409	5 409
Convertible instrument reserve (Note 20.4)	-	4 822
	(62 011)	445
Reconciliation:		
Balance at the beginning of the year	445	67 738
Foreign currency translation reserve	(57 244)	(67 701)
Foreign currency translation	(52 306)	(128 155)
Deferred taxation	(4 938)	927
Functional currency change (Note 33)	-	59 527
Contingency reserve	(390)	(216)
Revaluation reserve	-	1 245
Revaluation of land and buildings	-	1 660
Taxation on revaluation of land and buildings	-	(415)
Convertible instrument reserve	(4 822)	(621)
Balance at the end of the year	(62 011)	445

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

20. OTHER (DEFICITS) / RESERVES (continued)

20.1 Foreign currency translation reserve

The financial results of foreign operations are translated into South African Rand for incorporation into the consolidated results. Assets and liabilities are translated at the foreign exchange rates ruling at balance sheet date. Income, expenditure and cash flow items are translated at the actual foreign exchange rate or average foreign exchange rates for the period. All resulting unrealised foreign exchange differences are classified as equity.

The reserve also includes gains and losses on the translation of equity loans to foreign entities that are intended to be permanent. Deferred taxation and normal taxation on the foreign currency translation reserve relates only to the translation of equity loans advances of foreign subsidiaries.

20.2 Contingency reserve

In terms of the Short-term Insurance Act ("the Act") of 1998 the Group's cell captive partner, Guardrisk Insurance Company Limited is required to recognise a contingency reserve equal to 10% of the premiums written, less approved reinsurance (as defined). This reserve can be distributed only with the prior permission of the Registrar of Short-term Insurance.

20.3 Revaluation reserve

Land and buildings are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

20.4 Convertible instruments reserve

In the previous financial year the Group reclassified its redeemable convertible preference shares to form part of the long-term financial 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.

This gave rise to an amendment of the carrying value of the instrument on date of conversion, which would normally be converted as part of share premium on ordinary shares. The amendment of the accounting treatment gave rise to a change in the carrying

value on date of conversion based on its US\$ currency denomination, which was recorded as a separate non-distributable reserve in equity. On conversion of the last preference shares, the convertible instrument reserve was reclassified to retained earnings.

20.5 Share based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share based payment transaction or a liability if the goods or services were acquired in a cash settled share-based payment transaction.

For equity-settled share based payment transactions, the goods or services received are measured, and the corresponding increase in equity is measured directly, at the fair value of the goods or services received unless the fair value cannot be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, their value and the value of the corresponding increase in equity, indirectly, are measured by reference to the fair value of the equity instruments granted. The fair value of the equity instruments is determined with reference to the market value on grant date of the ordinary shares which are publicly traded on the Alternative Exchange of the Johannesburg Stock Exchange.

The staff share scheme represents an allocation of shares which vests on 28 February 2013. No discretionary share issues occurred during the financial year. Under this share scheme 9 329 000 ordinary shares were awarded for issue to staff for services rendered (at the reporting date only 8 829 000 shares remained for issue on vesting date). These shares were allocated at a weighted average share price on grant date of R0.32 per share, which is based on the traded market value per share on the date of allocation.

The Blue Share Plan was approved by shareholders on 30 September 2009. Under this scheme 3 000 000 shares, which vest in two equal tranches on 1 June 2010 and 1 June 2011, were allocated to a director in terms of a service contract.

Total expenses of R2.7 million (2010 : R2.0 million) related to equity-settled share based payment transactions, measured based on the fair value of the equity instruments granted, and were recognised in profit or loss (refer Note 7).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

21. NON CONTROLLING INTEREST

	2011 R'000	2010 R'000
Reconciliation:		
Balance at the beginning of the year	16 529	36 227
Loss allocated to minority interests	(9 345)	(10 757)
Foreign currency translation reserve	7 356	(10 480)
Business combinations and other acquisitions	(2 977)	1 539
Balance at the end of the year	11 563	16 529

The Group acquired an additional 10% stake in its Nigerian operations for a consideration of R41.8 million (US\$6.0 million) through a buy-back of the ordinary shares held by Pinebridge Capital Partners LLC. The subsidiary net asset value at date of sale was R29.8 million. The purchase price formed part of the debt to equity conversion on 25 February 2011.

22. DERIVATIVE FINANCIAL LIABILITIES

Fair value of cross currency swap	19 807	13 280
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The Group entered into a cross currency swap on 24 June 2009 that entitles / obliges it to receive interest at a floating rate on US\$ based notional principal amounts and entitles / obliges it to pay interest at floating rates on a set Rand based notional principal amount. The cross currency swap allows the Group to swap its long-term debt from a US\$ based liability into a Rand based liability on both future interest and capital repayments at quarterly intervals. Under the cross currency swap, the Group agrees with other parties to exchange, at specified quarterly intervals, the difference between the US\$ LIBOR based interest amount and Rand JIBAR based interest amount calculated by reference to the agreed notional principle amounts.

The fair value of the cross currency swap liability is represented by a notional principal amount of US\$10 million at a year end Rand:US\$ exchange rate of R6.98 receiving floating interest at a rate of 3 month LIBOR + 2 % and paying floating interest at a rate of 3 month JIBAR + 5.15%.

The termination date of the agreement is 25 September 2018.

Currency derivative-liabilities

	2011 R'000	2010 R'000
- Notional	80 975	80 975
- Fair value	19 807	13 280

The cross currency swap is classified as a Level 2 instrument in the hierarchy of fair value determination, which utilise observable inputs other than quoted prices for identical assets or liabilities in active markets at the measurement date.

23. TRADE AND OTHER PAYABLES

Trade payables	99 816	81 894
Value added taxation	42 959	10 957
Payroll liabilities*	13 763	27 899
Accruals	74 229	28 501
	230 767	149 251

The average credit period granted on trade payables varies between 30-60 days.

No interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest is charged at an interest rate linked to prime on the outstanding balance where applicable.

* Certain trade payables and accruals, previously classified under 'Payroll liabilities', were reclassified to their respective line items.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

24. FINANCE LEASE OBLIGATIONS

24.1 Finance lease liabilities

	2011 R'000	2010 R'000
Minimum lease payments due		
-within one year	10 521	8 886
-later than one year but not later than five years	4 862	15 601
-later than five years	-	-
	<u>15 383</u>	<u>24 487</u>
Less: future finance charges	(1 381)	(5 439)
Present value of minimum lease payments	<u>14 002</u>	<u>19 048</u>
Present value of minimum lease payments due		
-within one year	9 405	6 246
-later than one year but not later than five years	4 597	12 802
-later than five years	-	-
	<u>14 002</u>	<u>19 048</u>

24.2 Leasing arrangements

Finance leases relate to motor vehicles, furniture and fittings, aircraft and computer software.

Lease periods under these agreements vary between 1 and 5 years.

The contractual interest rates in respect of these leases for each asset class are:

Motor vehicles	8-23%
Furniture and fittings	13,75%
Aircraft	9,5%
Computer Software	11%

The contractual interest rates are linked to the prime interest rate applicable in the country.

The Group has an option to purchase the assets held under the finance leases for the nominal amount at the conclusion of the lease agreements for the following countries: South Africa, Namibia, Swaziland, Botswana and Malawi.

The Group's obligation under the finance leases is secured by the lessor's title to the leased assets, refer Note 15.

There are no restrictions imposed by the leasing arrangements, concerning dividends, additional debt or further leasing.

25. LONG-TERM LIABILITIES

	2011 R'000
Held at amortised cost	
Included under the 'Debt Rescheduling Agreement'	
Funder 1	68 286
Funder 2	107 397
Funder 3	71 016
Funder 4	169 818
Funder 5	76 216
Funder 6	110 815
Funder 7	142 731
	<u>746 279</u>
Not included under 'Debt Rescheduling Agreement'	
Funder 8	1 632
Funder 9	11 379
Property finance	5 772
Convertible redeemable preference shares	2 500
Debentures and notes programmes	91 058
Other	3 951
	<u>116 292</u>
Total	<u><u>862 571</u></u>

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

25. LONG-TERM LIABILITIES (continued)

Debt Rescheduling Agreement

The successful conclusion of the Group's recapitalisation transaction, further brought into effect a Debt Rescheduling Agreement concluded with the majority of funders within the Group which provides for a period of 36 months after the effective date (10 December 2010) during which no principal payments will be made to these funders. Interest will be paid to these funders at the rate at which the amounts owing to them currently accrue interest. The existing loan book on the date of conclusion of the Debt Rescheduling Agreement serves as overall security to these lenders.

The rescheduling period is noted as 36 months but effectively comprises:

- an initial six month period during which the funders have agreed that further capital from the existing loan advances book can be utilised to service lag creditors and amounts owing to tax authorities; and
- thereafter at three monthly intervals the funders will assess the progress of the Group and make a determination for the continuance of the structure.

After the rescheduling period, the funders will:

- determine the aggregate amount owing to them comprising balances on the existing loan book;
- award those amounts to the funders on the basis that amounts will first be awarded to secured lenders and thereafter to unsecured lenders; and
- thereafter collect the loan balances and make *pro rata* payments to the funders in settlement of the principal amounts owing to them.

If the aggregate of the principal amounts owing to the funders exceeds the amounts of the balances on the existing loan book at that date:

- that excess will be divided amongst the funders (on the basis that the unsecured lenders will, in the first place, bear that excess whereafter it will be borne *pro rata* by the secured lenders); and
- each funder to whom any portion of that excess is attributed will subscribe for ordinary shares (failing which that funder will be limited to claiming against collections on account of the existing loan book on the last day of the rescheduling period, regarded as non-performing).

Held at amortised cost

Secured:

Funder 1	*	40 466
Funder 2	*	117 704
Funder 8	*	3 576
Property finance	*	6 390
Term and funding facilities	-	141 947
Former Credit U Holdings Limited shareholders	-	2 520

Unsecured:

Funder 3	*	77 580
Funder 4	*	244 157
Funder 5	*	82 252
Funder 6	*	116 956
Funder 9	*	12 920
Funder 10	-	63 587
Term and funding facilities	*	48 250
Debentures and notes programmes	*	172 950
Other	*	4 722

1 135 977

Non-current	765 533	444 829
Current	97 038	691 148
	862 571	1 135 977

* Refer above for amended terms under the Debt Rescheduling Agreement.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

25. LONG-TERM LIABILITIES (continued)

Funder 1

Funding consists of two separate lines. The first is a US\$8.7 million facility obtained in August 2008, which bears interest at a fixed rate of 17%. The second facility in the amount of BWP45 million was obtained in June 2009 and bears interest at Botswana prime rate less 0.75%.

Funder 2

The facility was originally for amount of US\$70 million obtained in June 2009, of which US\$15 million was drawn down. The facility bears interest at LIBOR plus 2% per annum.

Funder 3

The US\$10 million loan facility was obtained in June 2010 and bears interest at LIBOR plus 2%.

Funder 4

Funding consists of two separate lines. The first is a split facility in the amounts of R50 million and BWP42.6 million obtained November 2007, which bears interest at JIBAR plus 4% (2010: 11.185%) and Bank of Botswana Certificate rate plus 4.3% (2010: 14.3%), respectively. R82 million of this facility was converted into ordinary shares on the 25 February 2011. The second facility in the amount of R130 million obtained in March 2009, bears interest at JIBAR plus 7%.

Funder 5

These loans consist of individual loans ranging between R0.5-R1 million and are repayable between 5-20 years in equal monthly instalments. Interest rates are fixed at transaction date and are on average South African prime less 2%.

Funder 6

The loan in the amount of USD\$15 million obtained in June 2009, bears interest at LIBOR plus 4% per annum.

Funder 7

Funding consists of two separate overdraft facilities. The first facility is BWP7.5 million, with a drawdown date of 1 October 2009. The second funding line consists of an overdraft facility of R50 million and a term loan facility to the amount of R100 million. The overdraft

facility was granted in August 2008 bearing interest at a rate of Botswana prime plus 3% and the term loan facility in May 2007 bearing interest at a rate of South African prime plus 1.5%.

Funder 8

Funding consists of two separate lines. The first is a ZMK2 billion facility obtained in January 2008, repayable in 24 monthly instalments of equal capital plus accrued interest. The second is a ZMK3 billion facility obtained in January 2009, repayable in 36 monthly instalments of equal capital plus accrued interest. Both facilities bear interest at Bank of Zambia base rate plus 5% per annum. These facilities are secured through a cession over all assets of Blue Financial Services (Zambia) Limited (R120 million), a cession of the subsidiary's loan advances (refer Note 11), a guarantee issued by Blue Employee Benefits (Proprietary) Limited (Botswana) and personal unlimited guarantees by directors of Blue Financial Services (Zambia) Limited.

Funder 9

The unsecured loan in the amount of NGN250 million obtained in November 2008, which bears interest at a fixed rate of 10% per annum.

Funder 10

The unsecured facility of R70.8 million obtained in June 2007 bears interest at 3 month JIBAR plus 3.25% and is repayable in 20 quarterly instalments of equal capital commencing September 2009. Outstanding amounts due on this facility, of R61,4 million, were converted into equity on 25 February 2011.

Debentures and notes programmes

Debentures bear interest ranging from 14-24% per annum, are repayable in various instalments up to January 2012, and are guaranteed by the holding company, Blue Financial Services Limited.

Property finance

These comprise two long term facilities of BWP6.4 million and BWP1.4 million respectively, secured over buildings with a carrying value of R14.2 million, refer Note 15. The loans bear interest at Botswana prime rate less 2% and plus 2% respectively, repayable in monthly instalments over 15 years. The loan in respect of Plot 205, Independence Avenue, Gaborone will be repaid by January 2023, while that over Plot 21685, Sehundi Close, Gaborone will be repaid by March 2021.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

25. LONG-TERM LIABILITIES (continued)

Term and funding facilities

These short term funding facilities bear interest up to 22% per annum, up to two years in tenure. Outstanding amounts due under these facilities, of R47.9 million, were converted into equity on 25 February 2011.

Former Credit U Group Holdings shareholders

These loans were settled in full during the 2010 and 2011 financial years and were secured over the loan advances of Credit U Financial Services (Proprietary) Limited, carried interest at South African prime plus 2-6%.

Other

Comprise various other funding facilities, majority short-term in nature, bearing interest up to 14.8% per annum.

25.1 Debt Rescheduling Agreement

During the financial year, the Group has defaulted in the repayment of certain existing liabilities, and was in breach of various covenant requirements as a result of the liquidity constraints in the Group.

The Group however concluded a Debt Rescheduling Agreement with existing lenders as part of the recapitalisation of the Group during December 2010. Group lenders comprising R974 million agreed to participate in the debt rescheduling of which R229.4 million of these amounts were further converted into equity during February 2011. Lenders and overdraft providers comprising R140.3 million were not party to the agreement. The Debt Rescheduling Agreement further remedied all long-term liability covenants that had previously been breached by the Group to these lenders.

26. OPERATING LEASE LIABILITIES

Operating leases relate to various premises, motor vehicles and equipment under non cancellable agreements.

Lease periods under these agreements vary between 1 and 10 years.

There are no restrictions imposed by the leasing arrangements, concerning dividends, additional debt or further leasing.

The contractual instalments under the leases are subject to escalation at an average rate of 9.4% per year.

The Group does not have an option to purchase the assets at the end of the lease term.

	2011 R'000	2010 R'000
Liabilities recognised in terms of the non-cancellable operating lease commitments		
Operating lease liability	1 836	3 350

The liability arises through the recognition of the operating lease expense on a straight line basis over the lease term.

	Within one year R'000	Between one and five years R'000	After five years R'000
Minimum lease payments in terms of non-cancellable operating lease commitment	19 360	34 755	121

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

27. OTHER COMPREHENSIVE INCOME

Components of other comprehensive income

	Gross R'000	Tax R'000	Net before non-controlling interest R'000	Non-controlling interest R'000	Net R'000
2011					
Exchange differences on translation of foreign operations					
Exchange differences arising during the year	(49 888)	-	(49 888)	7 356	(42 532)
Total	(49 888)	-	(49 888)	7 356	(42 532)
2010					
Exchange differences on translation of foreign operations					
Exchange differences arising during the year	(138 635)	927	(137 708)	10 480	(127 228)
Movements on revaluation					
Gains on property revaluation	1 660	(415)	1 245	-	1 245
Total	(136 975)	512	(136 463)	10 480	(125 983)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

28. CASH GENERATED FROM OPERATIONS

	2011 R'000	2010 R'000
Loss before taxation	(252 159)	(929 219)
Adjusted for:		
Depreciation and amortisation	44 287	49 642
Net (profit) / loss on sale of non-current assets	(1 268)	562
Bad debts written-off	1 091	360 211
Net impairment of loan advances	51 156	191 185
Interest expense	145 609	173 241
Fair value adjustments	6 527	13 280
Impairment of property, plant and equipment	2 007	-
Goodwill impairment	3 187	210 054
Impairment on intangible assets	-	1 160
Impairment on other financial assets	1 861	48 116
Inventory write-off	111	-
Movements in operating lease assets and accruals	(1 368)	1 636
Unrealised foreign currency differences	(33 407)	(51 825)
Profit on sale of shares in business combination	(2 553)	-
Settlement expense	13 000	-
Share based payments	2 732	2 090
Changes in working capital:		
Inventories	(201)	3 632
Trade and other receivables	7 998	(29 347)
Loan advances to customers	157 986	(58 468)
Trade and other payables	78 981	39 272
	225 577	25 222

29. TAX PAID

	2011 R'000	2010 R'000
Balance at the beginning of the year	(95 247)	(117 878)
Current tax for the year recognised in profit and loss	(28 117)	(29 665)
Foreign exchange rate movements	3 605	9 491
Balance at end of the year	116 621	95 247
	(3 138)	(42 805)

30. BUSINESS COMBINATIONS AND OTHER ACQUISITIONS

Blue Financial Services Ghana Limited

The Group acquired an operating licence in Blue Financial Services Ghana Limited on 12 October 2009. The fair value of assets and liabilities acquired were determined as follows:

	2011 R'000	2010 R'000
Fair value of assets acquired and liabilities assumed		
Total net assets acquired		
Intangible asset	-	1 538
Non controlling interest	-	(1 538)
Purchase price	-	-
Consideration paid	-	-
Cash	-	-
Net cash outflow on acquisition	-	-
Cash consideration paid	-	-
Cash acquired	-	-

The Group acquired its operating licence through the dilution of 15% shareholding in ordinary shares in Blue Financial Services Ghana Limited, to local minority shareholders.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

31. COMMITMENTS AND CONTINGENCIES

	2011 R'000	2010 R'000
Commitments		
Blue Intercontinental Microfinance Bank Limited	6 998	36 300
Blue Financial Services Zambia Limited	15 000	71 000

In terms of the original shareholders agreement on the establishment of Blue Intercontinental Micro Finance Bank Limited in Nigeria, the Group had an obligation to subscribe for US\$7 million in equity capital. In accordance with this commitment the Group had to date subscribed for US\$1 million in cash. The Group has however reached agreement with its fellow shareholders subsequent to the financial year end which, subject to Regulatory approval, would *inter alia* result in the remaining capital requirement for the Group to be reduced to US\$1 million.

The Group is required to capitalise its Zambian subsidiary with an amount of R15 million to meet the minimum regulatory capital adequacy requirements. The Group has already in accordance with the approval from the Zambian regulatory authorities, capitalised a portion of the Group loan account to the value of R101 million.

	2011 R'000	2010 R'000
Contingent liabilities		
Various legal matters	3 500	5 000

There are certain potential 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 considering their estimated probability of success, and should therefore not exceed R3.5 million (2010: R5 million) in aggregate.

Taxation

The Group has considered all matters in dispute with the taxation authorities and has assessed the deductibility of expenses initially disallowed for taxation purposes. Deferred taxation assets have only been recognised in this regard if it is probable that the Group may succeed in its disagreements with the taxation authorities.

Warranty Shares

In terms of the Subscription Agreement, concluded on 10 December 2010, the Group provided a number of warranties in favour of Mayibuye. Should the Group breach any

of these warranties during a period of up to 3 months in certain instances or up to 12 months in other instances, after the Subscription Date, and upon a final determination of the quantum of Mayibuye's claims, from the Group's perspective, by its Board consisting of only directors of the Group who are independent of Mayibuye, an order of court or arbitration award (Claim Amount), Mayibuye will be entitled to the issue of such number of Ordinary Shares which in aggregate would be equal to the value of the final assessed Claim Amount.

The minimum Claim Amount must exceed R5 million in aggregate and the maximum amount is capped at an amount equivalent to the Aggregate Subscription Consideration being R163 million. The foregoing maximum limitation do not apply in respect of a breach by the Group of the warranty contained in the Subscription Agreement pertaining to regulatory offences.

The Warranty Shares will be allotted and issued to Mayibuye at an issue price per Warranty Share equal to the 30-day VWAP per Ordinary Share as at 12:00 on the business day immediately preceding the date on which Mayibuye first notified the Company of the applicable claim in writing. Upon the allotment and issue of the Warranty Shares to Mayibuye, the obligation of the company to pay the Claim Amount shall be deemed to have been set off against Mayibuye's obligation to pay the subscription consideration for the Warranty Shares. The event(s) that may give rise to a risk of warranty claims have been recorded in the Group's financial statements. To the extent that the warranty claims are settled they will not have any impact on the company's Income Statement or Net Asset Value.

A notification of warranty claims has been received from Mayibuye on 9 and 10 March 2011. The following items, raised in the claim letters and subject to confirmation as described above, at amounts based on the underlying claim event recorded in the financial statements at the reporting date:

i) PineBridge Global Emerging Markets Partners II, L.P. (PineBridge) Agreement dated 27 October 2011 R44 million

As result of a directive issued by the Central Bank of Nigeria, PineBridge was required to transfer all of the shares acquired by it in the share capital of Blue Intercontinental Micro Finance Bank in Nigeria from the Group, back to the Group at the purchase price originally paid being US\$5 million plus interest thereon accruing at a rate of 8.5% per annum from the date the original sale agreement was concluded until the date of Recapitalisation on 10 December 2010.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

31. COMMITMENTS AND CONTINGENCIES (continued)

As a result of the restatement of the annual financial statements of the Group in respect of the financial year ended 28 February 2009, the number of shares allotted and issued to PineBridge pursuant to the conversion of the Class C Preference Shares held by it was incorrect and consequently required the allotment and issue of an additional 22,731,279 ordinary shares at 13 cents.

Pinebridge converted both these amounts into ordinary shares as part of the Groups early debt to equity conversion concluded on 25 February 2011.

ii) Taxation

The Group identified and recorded additional potential taxation obligations in the finalisation of its 2011 financial statements relating to charges levied on Group subsidiaries for shared services costs. R20 million

The Group further continued to accrue for interest and penalties on all overdue taxes in its financial results. R17.5 million

The Group is currently in discussions with various taxation authorities regarding the settlement of the Group taxation obligations.

iii) Lesotho interest rates

Following a High Court ruling in Lesotho, the Group may be required to retrospectively reduce the interest rate charged to customers on loan advances. R15.2 million

iv) Other R23.3 million

32. RELATED PARTIES

The Group defines related parties as:

- Key management personnel being Blue Financial Services Limited executive directors
- Close family members of key management personnel, which may include enterprises which are controlled by these individuals through majority shareholding or an executive role in those companies.

Details of interest in subsidiaries are disclosed in Addendum A to the consolidated financial statements.

Transactions and balances between the holding company and its subsidiaries, which are related parties to the company, are eliminated on consolidation and not disclosed in this note.

Details of the transactions between the Group and other related parties are disclosed below.

32.1 Relationships

Shareholders with significant influence:

Mayibuye Group (Proprietary) Ltd	Majority shareholder
D van Niekerk	Shareholder and former director (2011)
PineBridge Capital Partners LLC	Shareholder
Former Credit U Group Holdings Limited shareholders	Shareholder
Absa Bank Limited	Shareholder
Nederlandse Financierings	
Maatschappij voor Ontwikkelingslanden N.V	Shareholder
International Finance Corporation	Shareholder
Pholosa Asset Management (Proprietary) Limited	Fellow subsidiary

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

32. RELATED PARTIES (continued)

32.2 Trading transactions

During the year, Group entities entered into the following trading transactions in the ordinary course of business on an arms length basis with related parties that are not members of the Group.

	2011 R'000	2010 R'000
Interest expense to related parties:		
D van Niekerk	582	583
Former Credit U Group Holdings Limited Shareholders	40	15 259
Absa Limited	2 247	3 316
International Finance Corporation	8 422	7 744
Nederlandse Financierings Maatschappij voor Ontwikkelingslanden N.V	33 707	-
Settlement expense:		
PineBridge Capital Partners LLC	13 000	-
Collection fee expense:		
Pholosa Asset Management (Proprietary) Limited	2 404	-
Consulting and professional fees:		
PineBridge Capital Partners LLC	-	1 500
T Till (non-executive director)	149	-
Shortfall on conversion of redeemable convertible preference shares:		
PineBridge Capital Partners LLC	2 956	-

Transactions between related parties and the Group were in the ordinary course of business on market-related terms and conditions similar to those arranged with third parties.

32.3 Related party balances

The following balances were outstanding at the end of the reporting period:

	2011 R'000	2010 R'000
Balances owing to related parties		
D van Niekerk	3 719	3 289
Former Credit U Holdings Limited shareholders	-	2 520
Absa Bank Limited - overdraft facilities	-	37 425
Absa Bank Limited - cross currency swap	19 807	13 280
Nederlandse Financierings Maatschappij voor Ontwikkelingslanden N.V	169 818	-
International Finance Corporation	-	63 587

D van Niekerk

The loan from a shareholder is unsecured, bears interest at a fixed rate of 17% per annum and has no fixed terms of repayment.

Former Credit U Group Holdings Limited Shareholders

These loans are secured over the Credit U term loan book, bear interest at South African prime rate plus 2-6 % and are repayable on demand.

Absa Bank Limited

These converted facilities represented a short-term overdraft loans of R37.4 million, bearing interest at South African prime plus 1% secured in the form of guarantees issued in favour of the lender by Blue Financial Services (South Africa) (Proprietary) Limited. Outstanding amounts due, totalling R38.1 million, under these facilities were converted into ordinary shares on 25 February 2011.

International Finance Corporation

This converted facility of R70.8 million was unsecured, obtained in June 2007, bears interest at a 3 month JIBAR plus 3.25% and is repayable in 20 quarterly instalments of equal capital commencing September 2009. This facility was converted into ordinary shares on 25 February 2011.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

32. RELATED PARTIES (continued)

32.4 Directors' emoluments

	2011 R'000	2010 R'000
Executive Directors		
Basic salaries	4 652	6 173
Bonus and performance related payments	-	500
Other employee benefits	1 407	2 533
	6 059	9 206
Non-executive Directors		
Directors' fees	1 635	600

All directors remuneration is paid and accrued by Blue Financial Services Limited. Included in the aggregate director remuneration above are emoluments paid in cash for those directors who were directors of Blue Financial Services Limited during the year ended 28 February 2011.

Executive directors	Directors' fees R'000	Basic Salary R'000	Bonus and performance related payments R'000	Monetary value of other material benefits R'000	Total R'000
2011					
J Meiring	-	-	-	-	-
S Strydom	-	1 903	-	309	2 212
D van Niekerk - resigned	-	819	-	397	1 216
WJ Smit - resigned	-	1 098	-	462	1 560
C Klopper - resigned	-	832	-	239	1 071
	-	4 652	-	1 407	6 059
2010					
D van Niekerk	-	1 674	167	530	2 371
WJ Smit	-	1 258	167	459	1 884
S Strydom	-	1 478	-	180	1 658
C Klopper	-	1 016	166	179	1 361
G Chittenden - resigned	-	747	-	1 185	1 932
	-	6 173	500	2 533	9 206

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

32. RELATED PARTIES (continued)

Included in directors' remuneration above are:

	2011 R'000	2010 R'000
Provident fund contributions	153	99
Medical aid contributions	156	166

Non-executive directors

	Directors' fees R'000	Basic Salary R'000	Bonus and performance related payments R'000	Monetary value of other materail benefits R'000	Total R'000
2011					
S Twala	583	-	-	-	583
J French	324	-	-	-	324
MG Meehan	480	-	-	-	480
R Emslie	58	-	-	-	58
A Ber	58	-	-	-	58
L Fine	51	-	-	-	51
M Mashishi	37	-	-	-	37
T Till	44	-	-	-	44
	1 635	-	-	-	1 635
2010					
MG Meehan	350	-	-	-	350
MJ Sondiyazi	250	-	-	-	250
	600	-	-	-	600

*Other material benefits include travel and car allowance, severance bonus and company contribution to medical aid, UIF, funeral plan, provident fund and Group risk plan. No payments were made to third parties in lieu of directors' fees.

No share option were granted to directors in current or prior financial years.

An allocation of 3 000 000 ordinary shares was made to S Strydom in terms of his service contract in the previous financial year, refer Note 20.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

33. GOODWILL IMPAIRMENT ASSESSMENT

In terms of IFRS 3: Business Combinations (“IFRS 3”), goodwill impairment assessments are performed annually, or more frequently when there is an indication that goodwill may be impaired, to compare the recoverable amount of each of the cash-generating units to its carrying amount. The Group’s judgments regarding the existence of impairment indicators are based on market conditions and operational performance of the business. Future events could cause management to conclude that impairment indicators exist.

The Group has elected the fair value option in the determination of goodwill at year-end, in contrast to value-in-use, because of the various uncertainties with respect to funding and the restructuring of the Group. Fair value was determined with reference to the 30 day volume weighted average share price leading up to year-end, while basis of allocation was determined on expected cash flows from net loan advances per cash generating unit.

Goodwill impairment testing for the 2009 was conducted at cash-generating unit levels of the business and based on a discounted cash flow valuation model (value-in-use) to determine the recoverable amount of the cash-generating unit. The assumptions used in estimating future cash flows was based upon the business forecasts and incorporated external information from industry sources, where applicable. Changes in certain of these estimates could have an effect on the estimated recoverable amount of the cash-generating unit. Judgments in estimating discounted cash flows also include the selection of the pre-taxation discount rate (weighted average cost of capital) to be used in the valuation model. The discount rate used in the valuation model considered a targeted debt to equity mix, a market risk premium, and other factors considered with valuation methodologies.

Based on the results of the impairment evaluations described above, the recorded goodwill for 2009 was not impaired as the recoverable amount of each of the cash-generating units exceeded its carrying amount, except in the case of Cameroon cash-generating unit. Minor changes to the valuation model would not significantly impact the results of the valuation. However, if future cash flows were materially different to the forecasts, then the assessment of the potential impairment of the recorded goodwill may be impaired.

The results of the 2011 impairment evaluations reflected impairments to the Zambia (2010: South Africa, Zambia, Kenya, Rwanda and Uganda) cash-generating units, amounting to R3.2 million (2010: R 210.1 million).

Goodwill acquired in business combinations has been allocated, for impairment testing purposes, to the following cash-generating units that are expected to benefit from synergies of the business combinations:

South Africa	Credit U Holdings Limited, and its subsidiaries Blue Financial Services (South Africa) (Proprietary) Limited, which includes operations of Future Finance , Blue Employee Benefits and Blue Incremental Housing Finance.
Botswana	Blue Employee Benefits (Proprietary) Limited
Zambia	Blue Financial Services Limited Blue CashXpress Limited (previously Nedfin Limited) Blue Assurance Services Limited
Tanzania	Blue Financial Services Limited
Uganda	Blue Employee Benefits Limited
Namibia	Bonus Finance (Proprietary) Limited
Lesotho	Makhulong Multi Finance (Proprietary) Limited
Rwanda	Blue Financial Services Rwanda Limited
Kenya	Blue Limited

2011 and 2010 Assessment

The recoverable amounts of each cash-generating unit were based on a fair value determination. These cash-generating units operate in different economic environments for which the key assumptions were amended accordingly.

The fair value of the Group net assets was determined as a starting point.

Fair value of Group equity with reference to market prices.

Adjusted for:

Long-term liabilities
Overdrafts regarded as funding liabilities
Cash balances in operations

Adjusted fair value of Group net remaining assets

The above fair value was allocated to all cash generating units, based on relative contribution to the Group net loan advances to customers (i.e. net loan book size).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

33. GOODWILL IMPAIRMENT ASSESSMENT (continued)

The carrying value of the adjusted net asset base per cash-generating unit was determined as follows:

Carrying value of net equity per cash generating unit

Adjusted for:

- Intangible assets recognised on consolidation
- Investment in subsidiaries and Group companies
- Intergroup funding loans
- Long-term liabilities
- Overdrafts regarded as funding liabilities
- Cash balances in operations

Adjusted net remaining assets per cash generating unit

For each cash generating unit, the allocated fair value was measured against the adjusted net remaining assets, to determine the required impairment charge.

Management believes that this allocation does not exceed the long-term outlook for the cash generating unit for the market in which it operates. Management believes that any reasonable possible change in the key assumptions, other than share price as stipulated above, would not cause the aggregate carrying amount of these units to further exceed the aggregate recoverable amount of these units.

The allocation of fair value of the Group net remaining assets per cash generating unit can be summarised as follows:

	2011	2010
South Africa	42,69%	37,89%
Botswana	8,68%	11,96%
Zambia	8,26%	8,49%
Tanzania	7,74%	7,96%
Uganda	4,02%	4,76%
Namibia	9,31%	8,59%
Lesotho	4,05%	6,80%
Rwanda	0,00%	0,56%
Kenya	2,41%	1,69%
Cameroon	0,00%	0,03%

The proportional allocation of carrying value of the Group net remaining assets per cash generating unit can be summarised as follows:

	2011	2010
South Africa	60,80%	48,45%
Botswana	6,17%	9,83%
Zambia	10,68%	12,56%
Tanzania	7,02%	5,90%
Uganda	5,81%	4,48%
Namibia	4,05%	5,24%
Lesotho	2,18%	3,86%
Kenya	3,03%	2,68%
Rwanda	0,26%	0,96%

The remainder of fair value and carrying value allocation not included above relates to cash generating units without any allocated goodwill or intangible assets.

	2011 R'000	2010 R'000
Impairment charge per cash generating unit:		
South Africa	-	138 816
Zambia	3 187	50 488
Kenya	-	13 687
Rwanda	-	7 063
	3 187	210 054

Carrying amount of goodwill

South Africa	264 490	264 490
Botswana	48 817	51 864
Zambia	47 987	59 020
Tanzania	12 732	15 455
Uganda	25 843	34 248
Namibia	13 921	13 921
Kenya	8 303	9 883
	422 093	448 881

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

33. GOODWILL IMPAIRMENT ASSESSMENT (continued)

Key assumptions and basis for determining values assigned to key assumptions

The following key assumptions and basis for determining values assigned to key assumptions are applicable to all the cash-generating units, as listed above, unless specified otherwise:

Key assumptions:

Fair value:

Fair value allocation to cash-generating units: Net loan book of each cash-generating unit as a percentage of the Group consolidated loan book. Existing loan book, net of impairments is best approximation of expected cashflows and value when the future funding is excluded. Other financial assets and liabilities for both lending and non-lending entities were also affected.

Value in use:

Expected loan book and client base: Closing client based and loan book for the financial year immediately preceding the forecast period, increased at the expected growth rate. Reflected past experience on collections, write-offs and maturity. Growth factor is based on market outlook, industry norms and funding expectations.

Net Interest Yield: Average yield achieved for the financial year immediately preceding the forecast period, adjusted for expected product, pricing and interest rate changes.

Capital expenditure: Total capital expenditure incurred in the financial year immediately preceding the forecast period, adjusted for the exclusion of items related to future expansion and branch roll out (i.e. only maintenance capital). Represents management's expectation of maintaining current infrastructure.

Local currency/USD exchange rate during the forecast period: Average market forward exchange rates over the forecast period, consistent with external sources of information.

Fair value allocation to cash-generating units: Net loan book of each cash-generating unit, as percentage of the Group consolidated loan book. Existing loan book, net of impairments is best approximation of expected cashflows and value when future funding is excluded.

34. FINANCIAL RISK

34.1 Risk management framework

As noted in the Statement of Responsibility by the Board of Directors, the Group is currently implementing a turnaround strategy and this section should therefore be read in context with this.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training, management standards and procedures, aims to develop a disciplined constructive control environment, in which all employees understand their roles and obligations.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established a Risk Committee, which is responsible for developing and monitoring Group risk management policies in their specific areas. The Risk Committee reports regularly to the Board of Directors on their activities.

The Group's Risk Committee is responsible for monitoring compliance with the Group's risk management policies and procedures. To achieve these objectives, various sub-committees have been nominated to execute, monitor and report on the ongoing assessment, improvement and other changes within the risk environment.

34.2 Liquidity risk

The table below analyses the Group's assets and liabilities at the balance sheet date, into relevant maturity groupings based on the remaining period up to contractual maturity. The matching and controlled mismatching of the maturity profiles and relevant interest rates attached to these assets and liabilities are fundamental to the appropriate management of risk within the Group. Financial services Group's rarely achieve a completely matched position as business transactions and ongoing changes carry an element of uncertainty with respect to term, type and nature. An unmatched position enhances potential profitability, but also increases the risk of loss. Therefore the maturity of assets and liabilities and the Group's ability to replace interest-bearing liabilities, at an acceptable cost, as they mature, are key factors in the continual assessment of Group liquidity and its exposure to changes in interest rates.

Liquidity risk is defined either as the risk that the Group will encounter difficulty in meeting obligation associated with financial liabilities, or the Groups ability to realise financial assets in the market at its fair value at the required maturity or trading dates.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

34. FINANCIAL RISK (continued)

34.2 Liquidity risk (continued)

2011	Up to one year R'000	Between one and five years R'000	Beyond five years R'000	Total R'000
Assets				
Cash and cash equivalents	232 299	-	-	232 299
Loan advances to customers	385 648	122 739	36 191	544 578
Trade and other receivables	19 697	-	-	19 697
Inventory	90	-	-	90
Taxation receivable	504	-	-	504
Other financial assets	441	-	-	441
Property, plant and equipment	-	-	66 540	66 540
Deferred taxation	-	-	19 570	19 570
Intangible assets	-	-	25 190	25 190
Goodwill	-	-	422 093	422 093
Total assets	638 679	122 739	569 584	1 331 002
Liabilities				
Bank overdraft	23 254	-	-	23 254
Derivative financial instrument	19 807	-	-	19 807
Trade and other payables	230 767	-	-	230 767
Taxation payable	116 621	-	-	116 621
Finance lease obligations	9 405	4 597	-	14 002
Long-term liabilities	97 038	748 237	17 296	862 571
Operating lease liabilities	655	1 177	4	1 836
Deferred taxation	-	-	4 018	4 018
Total liabilities	497 547	754 011	21 318	1 272 876
Net liquidity gap	141 132	(631 272)	548 266	58 126

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

34. FINANCIAL RISK (continued)

34.2 Liquidity risk (continued)

2010	Up to one year R'000	Between one and five years R'000	Beyond five years R'000	Total R'000
Assets				
Cash and cash equivalents	88,492	-	-	88,492
Loan advances to customers	591,467	148,977	42,573	783,017
Trade and other receivables	35,361	-	-	35,361
Taxation receivable	948	-	-	948
Other financial assets	7,767	-	-	7,767
Property, plant and equipment	-	-	93,845	93,845
Deferred taxation	-	-	34,310	34,310
Intangible assets	-	-	40,892	40,892
Goodwill	-	-	448,881	448,881
Total assets	724,035	148,977	660,501	1,533,513
Liabilities				
Bank overdraft	110,659	-	-	110,659
Derivative financial instrument	13,280	-	-	13,280
Trade and other payables	149,251	-	-	149,251
Taxation payable	96,195	-	-	96,195
Finance lease obligations	6,246	12,802	-	19,048
Long-term liabilities	691,148	298,497	146,332	1,135,977
Operating lease liabilities	-	-	3,350	3,350
Deferred taxation	-	-	8,636	8,636
Total liabilities	1,066,779	311,299	158,318	1,536,396
Net liquidity gap	(342,744)	(162,322)	502,183	(2,883)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

34. FINANCIAL RISK (continued)

34.3 Interest rate risk

The Group is exposed to interest rate risk associated with the effects of fluctuations in the prevailing levels of market rates on future cash flows of a financial instrument and the fair value of the financial instrument based on changes in the market interest rates. The Group takes on exposure to the effects of fluctuation in the prevailing levels of market interest rates on both the value and cash flow risks. The table below summarises the exposure to interest rate risk through grouping assets and liabilities into repricing categories, determined to be the earlier of contractual repricing date to maturity.

	Up to one year R'000	Between one and five years R'000	Beyond five years R'000	Non-interest sensitive R'000	Total R'000
2011					
Assets					
Cash and cash equivalents	232 299	-	-	-	232 299
Loan advances to customers	494 261	48 259	2 058	-	544 578
Trade and other receivables	-	-	-	19 697	19 697
Inventory	-	-	-	90	90
Taxation receivable	-	-	-	504	504
Other financial assets	441	-	-	-	441
Property, plant and equipment	-	-	-	66 540	66 540
Deferred taxation	-	-	-	19 570	19 570
Intangible assets	-	-	-	25 190	25 190
Goodwill	-	-	-	422 093	422 093
Total assets	727 001	48 259	2 058	553 684	1 331 002
Liabilities					
Bank overdraft	23 254	-	-	-	23 254
Derivative financial instrument	19 807	-	-	-	19 807
Trade and other payables	40 977	-	-	189 790	230 767
Taxation payable	-	-	-	(116 621)	(116 621)
Finance lease obligations	14 002	-	-	-	14 002
Long-term liabilities	848 692	-	13 879	-	862 571
Operating lease liabilities	-	-	-	1 836	1 836
Deferred taxation	-	-	-	4 018	4 018
Total liabilities	946 732	-	13 879	79 023	1 039 634
On-balance sheet interest sensitivity	(219 731)	48 259	(11 821)	474 661	291 368

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

34. FINANCIAL RISK (continued)

34.3 Interest rate risk

2010	Up to one year R'000	Between one and five years R'000	Beyond five years R'000	Non-interest sensitive R'000	Total R'000
Assets					
Cash and cash equivalents	88 492	-	-	-	88 492
Loan advances to customers	667 290	110 202	5 525	-	783 017
Trade and other receivables	528	-	-	34 833	35 361
Taxation receivable	-	-	-	948	948
Other financial assets	7 767	-	-	-	7 767
Property, plant and equipment	-	-	-	93 845	93 845
Deferred taxation	-	-	-	34 310	34 310
Intangible assets	-	-	-	40 892	40 892
Goodwill	-	-	-	448 881	448 881
Total assets	764 077	110 202	5 525	653 709	1 533 513
Liabilities					
Bank overdraft	110 659	-	-	-	110 659
Derivative financial instrument	13 280	-	-	-	13 280
Trade and other payables	-	-	-	149 251	149 251
Taxation payable	-	-	-	96 195	96 195
Finance lease obligations	19 048	-	-	-	19 048
Long-term liabilities	1 120 557	-	15 420	-	1 135 977
Operating lease liabilities	-	-	-	3 350	3 350
Deferred taxation	-	-	-	8 636	8 636
Total liabilities	1 263 544	-	15 420	257 432	1 536 396
On-balance sheet interest sensitivity	(499 467)	110 202	(9 895)	396 277	(2 883)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

34. FINANCIAL RISK (continued)

Interest rate sensitivity analysis

On the assumption that the financial assets and liabilities on hand at 28 February 2011 were to remain on hand until maturity or settlement without any action to alter the resulting interest rate exposure, an immediate and sustained 1% parallel shift in the yield curve would result in the net profit for the next twelve months to increase/ decline by:

	2011 R'000	2010 R'000
Net profit	19 887	8 445

34.4 Foreign exchange risk

Foreign exchange risk is defined as the risk that the carrying or fair value of an unhedged financial asset or financial liability, denominated in a foreign currency, different to that of the local operating (functional) currency, can vary based on changes in foreign exchange rates.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and major operating currencies of its international operations. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Foreign exchange risk represents future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's policy requires Group companies to manage currency risk with reference to their functional currency and limitation of exposure. Group companies are required where possible to hedge significant foreign exchange risk exposure, where a cost effective method or alternative is available. The Group also makes use of natural hedge positions where opportunities arise, especially where the availability of appropriate hedging instrument are limited in certain markets based on the thin level of trading in certain currencies and the premium attached to these instruments.

The Group is exposed to potential foreign exchange gains/losses in different operating companies, based on monetary assets and liabilities being originated in a currency that is different from the relevant functional currency.

These exposures are limited to:

- US Dollar
- Botswana Pula
- South African Rand (Intergroup funding)

At 28 February 2011, if all relevant functional currencies of operation had weakened or strengthened by 10% against the above currencies with all other variables held constant the impact on net profit would have been as set out below:

	2011 R'000	2010 R'000
Net profit	12 817	15 964

Functional currencies in various operations also presents potential foreign exchange gains/losses directly in equity on the translation of foreign operations to the Group reporting currency.

At 28 February 2011, if the relevant functional currencies of operation had weakened or strengthened by 10% against the Group reporting currency (South African Rand) with all other variables held constant the impact on equity and reserves would have been as set out below:

Foreign currency translation reserve	61 601	76 470
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The Group's segmentation of financial assets and liabilities by currency denomination can be summarised as follows at the reporting date:

Financial assets

Cash and cash equivalents

Botswana Pula (BWP)	2 365	651
Zambian Kwacha (ZMK)	13 430	13 531
Malawi Kwacha (MWK)	44 221	12 747
Tanzanian Shillings (TZS)	4 976	13 900
Uganda Shillings (UGX)	4 255	314
Kenyan Shillings (KES)	5 816	1 658
Nigeria Naira (NGN)	20 591	20 676
Rwanda Franc (RWF)	599	2 040
Cameroon Central African Franc (XAF)	1	275
US Dollar (USD)	9 901	1 203
Ghanaian New Cedi (GHS)	4 263	80
Not exposed to currency risk	121 881	21 417
	232 299	88 492

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

34. FINANCIAL RISK (continued)

	2011 R'000	2010 R'000		2011 R'000	2010 R'000
34.4 Foreign exchange risk					
Loan advances to customers					
Botswanan Pula (BWP)	45 331	91 822	Botswana Pula (BWP)	(20 499)	(91 580)
Zambian Kwacha (ZMK)	43 140	62 156	Zambian Kwacha (ZMK)	-	(3 784)
Malawi Kwacha (MWK)	35 379	49 772	Malawi Kwacha (MWK)	(487)	(443)
Tanzanian Shillings (TZS)	40 425	52 833	Tanzanian Shillings (TZS)	-	(2)
Uganda Shillings (UGX)	20 982	36 508	Nigeria Naira (NGN)	(272)	(97)
Kenyan Shillings (KES)	12 599	12 099	Rwanda Franc (RWF)	-	(26)
Nigeria Naira (NGN)	37 608	49 594	US Dollar (USD)	(588)	-
Rwanda Franc (RWF)	19	3 280	Egyptian Pound (EGP)	-	(696)
Cameroon Central African Franc (XAF)	-	122	Not exposed to currency risk	(1 408)	(14 031)
Not exposed to currency risk	309 095	424 831		(23 254)	(110 659)
	544 578	783 017	Trade and other payables		
Trade and other receivables					
Botswana Pula (BWP)	125	115	Botswana Pula (BWP)	(18 645)	(7 977)
Zambian Kwacha (ZMK)	1 610	930	Zambian Kwacha (ZMK)	(29 432)	(17 579)
Malawi Kwacha (MWK)	-	407	Malawi Kwacha (MWK)	(10 151)	(4 511)
Tanzanian Shillings (TZS)	432	411	Tanzanian Shillings (TZS)	(4 858)	(815)
Uganda Shillings (UGX)	113	267	Uganda Shillings (UGX)	(5 232)	(1 455)
Kenyan Shillings (KES)	193	366	Kenyan Shillings (KES)	(3 316)	(1 871)
Nigeria Naira (NGN)	1 833	3 182	Nigeria Naira (NGN)	(3 381)	(3 393)
Rwanda Franc (RWF)	-	118	Rwanda Franc (RWF)	(420)	(669)
Cameroon Central African Franc (XAF)	-	1 004	Cameroon Central African Franc (XAF)	(46)	(314)
Not exposed to currency risk	15 391	28 561	US Dollar (USD)	(56)	-
	19 697	35 361	Ghanaian New Cedi (GHS)	(149)	(91)
Other financial assets					
Zambian Kwacha (ZMK)	-	519	Not exposed to currency risk	(155 081)	(110 576)
Ghanaian New Cedi (GHS)	441	6 526		(230 767)	(149 251)
Not exposed to currency risk	-	722	Long-term liabilities		
	441	7 767	Botswana Pula (BWP)	(135 536)	(148 050)
Financial liabilities					
Finance lease obligation					
Botswana Pula (BWP)	(597)	(904)	Zambian Kwacha (ZMK)	(1 632)	(43 001)
Malawi Kwacha (MWK)	(77)	-	Uganda Shillings (UGX)	-	(8 385)
Not exposed to currency risk	(13 328)	(18 144)	Kenyan Shillings (KES)	-	(426)
	(14 002)	(19 048)	Nigeria Naira (NGN)	(11 379)	(12 920)
			US Dollar (USD)	(315 897)	(369 479)
			Not exposed to currency risk	(398 127)	(553 716)
				(862 571)	(1 135 977)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

34. FINANCIAL RISK (continued)

Net currency position of financial assets and liabilities listed above.

Net exposure

	2011 R'000	2010 R'000
Botswana Pula (BWP)	(127 456)	(155 923)
Zambian Kwacha (ZMK)	27 116	12 772
Malawi Kwacha (MWK)	68 885	57 972
Tanzanian Shillings (TZS)	40 975	66 327
Uganda Shillings (UGX)	20 118	27 249
Kenyan Shilling (KES)	15 292	11 826
Nigeria Naira (NGN)	45 000	57 042
Rwanda Franc (RWF)	198	4 743
Cameroon Central African Franc (XAF)	(45)	1 087
US Dollar (USD)	(306 584)	(368 276)
Egyptian Pound (EGP)	(56)	(696)
Ghanaian New Cedi (GHS)	4 555	6 515
Not exposed to currency risk	(121 576)	(220 936)
	(333 578)	(500 298)

Exchange rates used for conversion of foreign denominated items to South African Rand were:

	Closing		Average	
	2011	2010	2011	2010
Botswana Pula (BWP)	1,053	1,119	1,067	1,152
Zambian Kwacha (ZMK)	0,001	0,002	0,001	0,002
Malawi Kwacha (MWK)	0,046	0,052	0,048	0,056
Tanzanian Shillings (TZS)	0,005	0,006	0,005	0,006
Uganda Shillings (UGX)	0,003	0,004	0,003	0,004
Kenyan Shilling (KES)	0,085	0,101	0,090	0,104
Cameroon Central African Franc (XAF)	0,015	0,016	0,015	0,017
Nigeria Naira (NGN)	0,046	0,052	0,048	0,053
Namibia Dollar (NAD)	1,000	1,000	1,000	1,000
Rwanda Franc (RWF)	0,012	0,014	0,012	0,014
Mauritius Rupee (MUR)	0,238	0,256	0,235	0,255
Lesotho Loti (LSL)	1,000	1,000	1,000	1,000
Swaziland Lilangeni (SZL)	1,000	1,000	1,000	1,000
US Dollar (USD)	6,985	7,725	7,228	-
Ghanaian New Cedi (GHS)	4,625	-	4,998	-

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

34. FINANCIAL RISK (continued)

34.5 Credit risk

Credit risk is the risk of financial loss to the Group where a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loan advances to customers. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual customer default risk, and sector risk). In order to manage this risk, a defined documented credit policy forms the basis of all credit decisions within the Group. The Group structures the levels of credit risk it undertakes, placing limits on the amounts of risk accepted in relation to any one borrower, or a Group of related borrowers. The Group also makes allowance for impairment against both performing and non-performing loans, where recoverability is doubtful.

The majority of loans by the Group are granted as unsecured loans. Credit granted to SMME and home loan customers is secured over the financial item where appropriate.

The Group manages its exposure to credit losses through the following (but not limited to):

- Affordability assessment in respect to loan repayment, customer risk profile, stability and employment status.
- Formulating credit policies, matrices and authorisation levels specific to products and related business units.
- Exposure limits imposed on selected industries, country risk and product types, based on market conditions and changes in economic climate.
- Active management of arrear accounts on an ongoing basis through various industry recognised methods.

Impaired loan advances

Impaired loan advances are loans for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

Loans past due but not impaired

Loans, where contractual interest or principal payments are past due but the Group believes that the specific impairment is not appropriate on the basis of the level of security or the stage of collection of amounts owed to the Group.

Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are default impairment, which represent a specific loss component related to individually significant exposures, portfolio impairment where a group of performing loans have an arrears element and statistically a component thereof will translate into a specific loss component and an incurred but not reported component related to contractually performing loans.

Maximum exposure to credit risk

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses represents the Group's maximum exposure to credit risk.

The Group takes collateral only on SMME and home loans, predominately in the form of non-current assets, the nature of which renders it impracticable to determine their fair value.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

34. FINANCIAL RISK (continued)

The table provides details of exposure to credit risk in respect of loan advances to customers:

	CashXpress	Term loans 1-12 Months	Term loans 13 + Months	Home Loans	SMME Loans	Total
	R'000	R'000	R'000	R'000	R'000	R'000
2011						
Loan advances that are neither past due nor impaired	12 323	22 257	69 266	60 624	43 396	207 866
Loan advances past due not specifically impaired:						
Past due up to 30 days	8 887	6 155	37 744	4 141	11 663	68 590
Past due 31-60 days	73	11 252	29 701	3 316	2 619	46 961
Impaired loan advances	811	219 196	557 008	23 878	42 812	843 705
	22 094	258 860	693 719	91 959	100 490	1 167 122
Less: Allowance for impairments	(2 679)	(161 315)	(409 925)	(5 169)	(22 417)	(601 505)
Total credit exposure						565 617
Less: Deferred income						(21 038)
Net loan advances to customers						544 578
2010						
Loan advances that are neither past due nor impaired	11 668	68 309	337 732	62 931	30 571	511 211
Loan advances past due not specifically impaired:						
Past due up to 30 days	1 183	23 617	86 920	6 256	13 138	131 114
Past due 31-60 days	1 104	17 892	44 503	6 490	16 762	86 751
Impaired loan advances	3 755	102 586	242 528	20 403	24 572	393 844
	17 710	212 404	711 683	96 080	85 043	1 122 920
Less: Allowance for impairments	(6 045)	(87 981)	171 167)	(2 403)	(13 640)	(281 236)
Total credit exposure						841 684
Less: Deferred income						(58 667)
Net loan advances to customers						783 017

Refer to Note 11 for a geographical split of loan advances and Note 34.4 for the foreign exchange denomination.

Secured loan advances

Secured lending is limited to home loans and SMME loans and by nature the collateral held, is limited to a mortgage bond over the said property for home loans, whereas a combination of notarial bond, cession of trade debtors or mortgage bonds over the business or other premises are retained.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

34. FINANCIAL RISK (continued)

34.6 Insurance risk

Exposure to insurance risk

Insurance risk is the risk assumed under any one insurance contract that the insured event occurs. By the very nature of an insurance contract, the risk is random and unpredictable. The Group underwrites risks that natural persons wish to transfer to an insurer. Such risks include the perils around death, disability and loss of employment that may give rise to an insured event. As such the Group is exposed to uncertainty surrounding the timing and severity of the claims under insurance contracts. The principal risk is that the frequency and/or severity of the claims are greater than expected. Insurance events are, by their very nature, random and the actual number and size of events during any one year may vary from those estimated and experienced in prior periods.

Insurance risks underwritten predominantly relate to clients in respect of loan advances due to the Group and individual insurance products offered to clients. These risks are limited to the Group's operations in Zambia as an insurance licence holder and South Africa through a cell captive structure, administered by Guardrisk. Insurance risk in all other countries is passed onto external insurance providers, whereby the Group acts only in an agent capacity. The cell captive structure represents a separate insurance cell, of which all risks and rewards pertaining to residual or shortfall in cashflows lie with the Group, including maintenance of required insurance and financial ratios that underpin the functioning thereof.

The product features of insurance contracts that have an effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below:

- Death and disability - provides indemnity for disability to the insured by settling the amount due to the Group, or amount of personal policy cover.
- Loss of employment - provides indemnity for losses on Group credit exposure in relation to unemployment due to retrenchment.

Benefits are primarily paid to settle the outstanding debt owing by the customer to the Group or benefit to nominated beneficiaries.

The majority of insurance claims are paid from the relevant insurer to the Group's operating companies in respect of credit life cover in settlement of outstanding customer debt obligations. Insurance risk per customer is limited based on type of product, tenure, claims history and continual change in insurance strategy.

Limiting exposure to insurance risk

The exposure to insurance risk is limited through an underwriting strategy, limits and adopting appropriate risk assessment techniques. The risk base of the Group is concentrated to selected geographical regions of operation based on risk profiles, whilst in other regions the insurance risk is entirely passed onto an external insurance provider, operating in the specific local market. For these, the credit and related risk associated with the external insurance provider is measured.

Underwriting risk

Underwriting risk is the risk that the actual claims will exceed the expected claims and the premium income received. Insured events are random and the actual number and amount of claims will vary from estimates. These risks are managed through product development and underwriting processes.

The development of claim liabilities provides a measure of the ability to estimate the ultimate value of the claims. The Group mainly underwrites short term risks, as opposed to long term risks thereby limiting the uncertainty related to the timing of claim payments. Regular estimates of claims are performed in reviewing the adequacy of the claims provision and corrective action is taken where necessary.

Annual actuarial valuations are also performed in order to assist in the timely identification of cyclical changes and estimates variances against updated historical data.

34.7 Capital adequacy risk

Capital adequacy risk is the risk that the Group will not have sufficient capital reserves to meet materially adverse market conditions beyond that which has already been factored into the business model. The group is not exposed to any externally imposed capital requirements other than those detailed in Note 31, and therefore no further capital adequacy risk. All previously imposed requirements were waived based on the signed debt rescheduling agreement.

34.8 Liquidity analysis

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities, or the Groups ability to realise financial assets in the market at its fair value at the required maturity or trading dates.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

34. FINANCIAL RISK (continued)

The following table represents the Group's undiscounted contractual cash flows of liabilities per remaining maturity and includes all cash outflows related to the principal amount as well as the future payments. The analysis is based on the earliest date on which the Group can be required to pay and is not necessarily the date at which the Group is expected to pay.

The analysis of cash flows will not agree directly with the balances on the balance sheet and therefore the analysis of the discounts has been provided for each maturity period.

	Up to one year R'000	Between one and five years R'000	Beyond five years R'000	Total R'000
2011				
Bank overdraft	23 254	-	-	23 254
Derivative financial liabilities	19 807	-	-	19 807
Trade and other payables	40 977	-	-	40 977
Taxation payable	(116 621)	-	-	(116 621)
Finance lease obligations	10 471	4 599	-	15 070
Long-term liabilities	164 178	1 035 769	18 496	1 218 443
Operating lease liabilities	19 360	34 755	121	54 236
Deferred taxation	-	-	4 018	4 018
Total liabilities	161 426	1 075 123	22 635	1 259 184
2010				
Bank overdraft	110 659	-	-	110 659
Derivative financial liabilities	13 280	-	-	13 280
Trade and other payables	149 251	-	-	149 251
Taxation payable	96 195	-	-	96 195
Finance lease obligations	8 886	15 601	-	24 487
Long-term liabilities	740 204	431 867	284 005	1 456 076
Operating lease liabilities	-	-	3 350	3 350
Deferred taxation	-	-	8 636	8 636
Total liabilities	1 118 475	447 468	295 991	1 861 934

34.9 Market price risk

Market price risk is the risk that the value of a financial asset will fluctuate as a result of changes in the market prices or changes in the market interest rates.

The Group is currently not exposed to any significant market price risk.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group determines fair value with the maximum possible use of quoted market prices and/or observable market data as indicated in the accounting policy note. If market prices are not available or the market for a financial instrument is not active, fair value is determined by using valuation techniques that make maximum use of market inputs.

Where market inputs are not observable, market inputs such as risk premiums, liquidity discount rates, credit spreads, volatilities and correlations are calculated based on similar instruments with observable market inputs. These inputs are then used in appropriate valuation models to calculate the fair value.

Valuation techniques applied by the Group that incorporates non observable market inputs include, *inter alia*, discounted cash flows, earnings multiples, the underlying net asset value of the business and/or recent similar transactions. Refer below for a description of the principal methods and assumptions used to determine the fair value of financial instruments.

Changes to the Group's best estimate of the non observable inputs could affect the disclosed fair values. However, changing these inputs to reasonably possible alternatives is not likely to change the fair value significantly.

The following describes the principal methods and assumptions used to determine the fair value of financial instruments:

Cash and cash equivalents

Cash and cash equivalents represents non term products, based on the nature and short term maturity profile, it is assumed that fair value will approximate the amortised cost.

Trade and other receivables

The carrying value is deemed to approximate fair value, except where the credit term of a specific group of receivables is outside normal trading terms. The fair value of such receivables is determined by discounting the expected cash flows using a discount rate adjusted by an appropriate risk premium.

Treasury bills and commercial paper

Where market prices are not available, the fair value of treasury bills and commercial paper is estimated using quoted market prices of securities with similar credit, maturity and yield characteristics. Fair value will only be applied to these instruments having a maturity profile of longer than 9 days. For instruments with a maturity profile below 90 days, it is assumed that the fair value will approximate the amortised cost.

Loan advances to customers

The fair value of loans and advances is the present value of the expected future cash flows determined using an appropriate discount rate adjusted for credit spreads and change in market rates where necessary. Projected cash flows, taking into account behaviour, loss given default and probability of default are grouped according to their maturity dates.

Bank overdrafts

Bank overdrafts represents non term products, based on the nature, simplicity and short maturity profile, it is assumed that fair value will approximate the amortised cost.

Derivatives

Swaps are valued by discounting the expected cash flows with market related interest rates. The expected cash flows are calculated based in either the contractual fixed rate or market forward rates depending on the contractual terms of the swap. Reset dates and payment dates are determined in terms of legal documents pertaining to the swap.

Trade and other payables

The carrying value is deemed to approximate fair value, except where the credit term of a specific group of payables is outside of normal trading terms. The fair value of such payables is determined by discounting the expected cash outflows using a discount rate adjusted by an appropriate risk premium.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

35. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Long-term liabilities

Fair value of funding liabilities, term loans, debentures and other long-term liabilities is determined by discounting the future cash flows at market related interest rates.

The Group was in breach of certain loan covenants and contractual terms during the financial year, which was remedied prior to the end of the reporting period through the conclusion of a Debt Rescheduling Agreement as disclosed in Note 25. This resulted in the deferral of all capital repayment components for a period of three years, whereafter these long-term liabilities mature. The maturity of these obligations are under the direct control and discretion of the lender committee, which was established to evaluate ongoing improvement and business turnaround. Contractually these long-term liabilities are to be settled through the cashflows generated from maintaining the existing loan advances book from 10 December 2013 onwards, but also have the option to refinance debt, schedule payment terms or convert debt to equity. The outcome under various scenarios can have a significant impact on the determined fair values. As such, certain assumptions have been adopted in the determination of the fair value of long-term liabilities.

The amortised cost of all long-term liabilities with a maturity of less than 12 months was deemed to approximate its fair value based on its short term nature. For those long-term liabilities that form part of the debt rescheduling agreement, interest only payments were assumed for the period under this agreement, whereafter all debt obligations will continue to be settled in line with the original contractual terms (therefore a lateral shift of capital repayment from 10 December 2010 to 10 December 2013). A 1% increase in the estimated market interest rates, used to discount the future cash flows, would result in the fair value of long-term liabilities decreasing by R19.9 million.

Finance lease liabilities

Fair value of finance lease liabilities of which the maturity exceeds 12 months is determined by discounting the future cash flows at market related interest rates. For all short term balances it is assumed that fair value approximate the amortised cost.

	Carrying amount	Fair value
	R'000	R'000
2011		
Assets		
Cash and cash equivalents	232 299	232 299
Loan advances to customers	544 578	584 648
Trade and other receivables	19 697	19 697
Other financial assets	441	441
Liabilities		
Bank overdraft	23 254	23 254
Derivative financial liabilities	19 807	19 807
Trade and other payables	230 767	230 767
Finance lease obligations	14 002	13 561
Long-term liabilities	862 571	827 244
2010		
Assets		
Cash and cash equivalents	88 492	88 492
Loan advances to customers	783 017	813 590
Trade and other receivables	27 209	27 209
Other financial assets	7 767	7 767
Liabilities		
Bank overdraft	110 659	110 659
Derivative financial liabilities	13 280	13 280
Trade and other payables	138 294	138 294
Finance lease obligations	19 048	18 012
Long-term liabilities	1 135 977	1 082 360

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

36. STATEMENT OF FINANCIAL POSITION - CATEGORIES OF FINANCIAL INSTRUMENTS

2011	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Held for trading and liabilities R'000	Available- for-sale R'000	Held to maturity R'000	Non-financial assets R'000	Total R'000
Assets							
Cash and cash equivalents	232,299	-	-	-	-	-	232,299
Loan advances to customers	544,578	-	-	-	-	-	544,578
Trade and other receivables	19,697	-	-	-	-	-	19,697
Inventory	-	-	-	-	-	90	90
Current tax receivable	-	-	-	-	-	504	504
Other financial assets	-	-	-	-	441	-	441
Property, plant and equipment	-	-	-	-	-	66,540	66,540
Deferred taxation	-	-	-	-	-	19,570	19,570
Intangible assets	-	-	-	-	-	25,190	25,190
Goodwill	-	-	-	-	-	422,093	422,093
Total assets	796,574	-	-	-	441	533,987	1,331,002
Equity and liabilities							
Share capital	-	-	-	-	-	1,366,034	1,366,034
Other deficit	-	-	-	-	-	(62,011)	(62,011)
Accumulated loss	-	-	-	-	-	(1,257,460)	(1,257,460)
Non-controlling interest	-	-	-	-	-	11,563	11,563
Bank overdraft	-	23,254	-	-	-	-	23,254
Derivative financial liabilities	-	-	19,807	-	-	-	19,807
Trade and other payables	-	230,767	-	-	-	-	230,767
Taxation payable	-	-	-	-	-	116,621	116,621
Finance lease obligations	-	14,002	-	-	-	-	14,002
Long-term liabilities	-	862,571	-	-	-	-	862,571
Operating lease liabilities	-	-	-	-	-	1,836	1,836
Deferred taxation	-	-	-	-	-	4,018	4,018
Total equity and liabilities	-	1,130,594	19,807	-	-	180,601	1,331,002

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

36. STATEMENT OF FINANCIAL POSITION - CATEGORIES OF FINANCIAL INSTRUMENTS (continued)

2010	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Held for trading and liabilities R'000	Available- for-sale R'000	Held to maturity R'000	Non-financial assets R'000	Total R'000
Assets							
Cash and cash equivalents	88,492	-	-	-	-	-	88,492
Loan advances to customers	783,017	-	-	-	-	-	783,017
Trade and other receivables	27,209	-	-	-	-	8,152	35,361
Current tax receivable	-	-	-	-	-	948	948
Other financial assets	1,241	-	-	-	6,526	-	7,767
Property, plant and equipment	-	-	-	-	-	93,845	93,845
Deferred taxation	-	-	-	-	-	34,310	34,310
Intangible assets	-	-	-	-	-	40,892	40,892
Goodwill	-	-	-	-	-	448,881	448,881
Total assets	899,959	-	-	-	6,526	627,028	1,533,513
Equity and liabilities							
Share capital	-	-	-	-	-	928,250	928,250
Other reserves	-	-	-	-	-	445	445
Accumulated loss	-	-	-	-	-	(948,107)	(948,107)
Non-controlling interest	-	-	-	-	-	16,529	16,529
Bank overdraft	-	110,659	-	-	-	-	110,659
Derivative financial liabilities	-	-	13,280	-	-	-	13,280
Trade and other payables	-	138,294	-	-	-	10,957	149,251
Taxation payable	-	-	-	-	-	96,195	96,195
Finance lease obligations	-	19,048	-	-	-	-	19,048
Long-term liabilities	-	1,135,977	-	-	-	-	1,135,977
Operating lease liabilities	-	-	-	-	-	3,350	3,350
Deferred taxation	-	-	-	-	-	8,636	8,636
Total equity and liabilities	-	1,403,978	13,280	-	-	116,255	1,533,513

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

37. CURRENT/NON-CURRENT SPLIT OF AMOUNTS RECOGNISED ON THE STATEMENT OF FINANCIAL POSITION

2011	Carrying amount R'000	Current R'000	Non- current R'000
Term to maturity			
Assets			
Cash and cash equivalents	232,299	232,299	-
Loan advances to customers	544,578	385,648	158,930
Trade and other receivables	19,697	19,697	-
Inventory	90	90	-
Current tax receivable	504	504	-
Other financial assets	441	441	-
Property, plant and equipment	66,540	-	66,540
Deferred taxation	19,570	19,570	-
Intangible assets	25,190	-	25,190
Goodwill	422,093	-	422,093
Total assets	1,331,002	658,249	672,753
Equity and liabilities			
Shareholders equity	46,563	-	46,563
Non-controlling interest	11,563	-	11,563
Bank overdraft	23,254	23,254	-
Derivative financial liabilities	19,807	19,807	-
Trade and other payables	230,767	230,767	-
Taxation payable	116,621	116,621	-
Finance lease obligations	14,002	9,405	4,597
Long-term liabilities	862,571	97,038	765,533
Operating lease liabilities	1,836	655	1,181
Deferred taxation	4,018	-	4,018
Total equity and liabilities	1,331,002	497,547	833,455

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

37. CURRENT/NON-CURRENT SPLIT OF AMOUNTS RECOGNISED ON THE STATEMENT OF FINANCIAL POSITION (continued)

2010	Carrying amount R'000	Current R'000	Non- current R'000
Term to maturity			
Assets			
Cash and cash equivalents	88,492	88,492	-
Loan advances to customers	783,017	591,467	191,550
Trade and other receivables	35,361	35,361	-
Current tax receivable	948	948	-
Other financial assets	7,767	7,767	-
Property, plant and equipment	93,845	-	93,845
Deferred taxation	34,310	-	34,310
Intangible assets	40,892	-	40,892
Goodwill	448,881	-	448,881
Total assets	1,533,513	724,035	809,478
Equity and liabilities			
Shareholders deficit	(2,883)	-	(2,883)
Bank overdraft	110,659	110,659	-
Derivative financial liabilities	13,280	13,280	-
Trade and other payables	149,251	149,251	-
Taxation payable	96,195	96,195	-
Finance lease obligations	19,048	6,246	12,802
Long-term liabilities	1,135,977	691,148	444,829
Operating lease liabilities	3,350	-	3,350
Deferred taxation	8,636	-	8,636
Total equity and liabilities	1,533,513	1,066,779	466,734

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

38. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION AND UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Impairment of loan advances

The Group assesses its loan advances for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The Group reviews its loan portfolios to assess impairment based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and for purposes of determining the IBNR portion, scaled to the estimated loss emergence.

Goodwill impairment testing

Determining whether goodwill is impaired requires an estimate of the fair value or value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value, whilst fair value determination requires the allocation of Group fair value on a reasonable basis to existing cash generating units which represent the contribution to the Group loan advances, which is indicative of the present customer base, relative size of operations and the associated cash flows expected to be derived from it in the absence of any future funding.

Valuation of intangible assets acquired as part of a business combination

The carrying values of intangible assets were determined by applying various assumptions and judgements. This is as a result of the fact that no active market exists for these assets. Carrying values were determined over the estimated useful lives of the assets. In estimating the useful life of an intangible asset, the following factors were considered:

- The expected usage of the asset by the entity and whether the asset could be managed efficiently by another management team;
- Typical product life cycles for the asset and public information on estimates of useful lives of similar assets that are used in a similar way;
- Technical, technological, commercial or other types of obsolescence;
- The stability of the industry in which the asset operates and changes in the market demand for the products or services output from the asset;
- Expected actions by competitors or potential competitors;
- The level of maintenance expenditure required to obtain the expected future economic benefits from the asset and the entity's ability and intention to reach such a level;
- The period of control over the asset and legal or similar limits on the use of the asset, such as expiry dates of related assets; and
- Whether the useful life of the asset is dependent on the useful life of other asset of the entity.

Taxation

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group is regularly subjected to an evaluation, by the taxation authorities, of its direct and indirect taxation filings. The consequence of such reviews is that disputes can arise with the taxation authorities over the interpretation or application of certain taxation rules applicable to the Group's business. These disputes may not necessarily be resolved in a manner that is favourable to the Group and could result in obligations which cannot be determined.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

38. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION AND UNCERTAINTY (continued)

The Group is therefore in frequent discussions with relevant taxation authorities on specific matters regarding the application and interpretation of taxation legislation affecting the Group and the industry in which it operates. All reliable assessments of taxation exposure identified have been quantified and accounted for as appropriate.

An annual assessment of the recognition of deferred taxation assets and the likelihood of generating future taxable income to enable the reversal of temporary differences and utilise taxation losses is required, which entails the use of estimates and certain assumptions with respect to the outlook of its various operations.

Deferred taxation assets recognised were limited to the following entities, which have a profit history and where the current operational position indicates that it is probable that sufficient taxable profit will be generated in the foreseeable future to enable appropriate utilisation of tax losses and reversal of temporary differences. Typically the forecast period is limited to only three years as the degree of uncertainty increases beyond this period.

Deferred taxation assets can be summarised as follows:

	2011 R'000	2010 R'000
South Africa	-	4,741
Lesotho	-	5,510
Namibia	1,419	907
Swaziland	1,900	1,637
Zambia	11,197	18,596
Botswana	5,054	2,919
	19,570	34,310

Warranty claims

In terms of the Subscription Agreement, the Group has provided a number of warranties in favour of Mayibuye. Should the Group breach any of these warranties during a period of up to 3 months in certain instances or up to 12 months in other instances, after the Subscription Date, and upon a final determination of the quantum of Mayibuye's claims, losses or liabilities against the Group by agreement between Mayibuye and Blue. Mayibuye will be entitled to the issue of such number of Ordinary Shares which in aggregate would be equal to the value of the Claim Amount. The Warranty Shares will be allotted and issued to Mayibuye at an issue price per Warranty Share equal to the 30-day VWAP per Ordinary Share as at 12:00 on the business day immediately preceding the date on which Mayibuye first notified the Company of the applicable claim in writing.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

39. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

In the current year, the company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee of the IASB that are relevant to its operations.

IFRS/IFRIC	Title and Details	Effective Date
IFRS 1	First-time Adoption of International Financial Reporting Standards Revised and restructured	Annual periods beginning on or after 1 July 2009
IFRS 1	First-time Adoption of International Financial Reporting Standards Amendments relating to oil and gas assets and determining whether an arrangement contains a lease	Annual periods beginning on or after 1 January 2010
IFRS 2	Share-based Payment Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009
IFRS 2	Share-based Payment Amendments relating to group cash-settled share-based payment transactions	Annual periods beginning on or after 1 January 2010
IFRS 3	Business Combinations Comprehensive revision on applying the acquisition method	Annual periods beginning on or after 1 July 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IFRS 8	Operating Segments Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 1	Presentation of Financial Statements Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 7	Statement of Cash Flows Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

39. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (continued)

IFRS/IFRIC	Title and Details	Effective Date
IAS 17	Leases Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 27	Consolidated and Separate Financial Statements Consequential amendments arising from amendments to IFRS 3	Annual periods beginning on or after 1 July 2009
IAS 28	Investments in Associates Consequential amendments arising from amendments to IFRS 3	Annual periods beginning on or after 1 July 2009
IAS 31	Interests in Joint Ventures Consequential amendments arising from amendments to IFRS 3	Annual periods beginning on or after 1 July 2009
IAS 32	Financial Instruments: Presentation Amendments relating to classification of rights issues	Annual periods beginning on or after 1 February 2010
IAS 36	Impairment of Assets Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 38	Intangible Assets Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement Amendments for eligible hedged items	Annual periods beginning on or after 1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

39. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (continued)

At the date of authorisation of the annual financial statements, the following Standards and Interpretations applicable to the company were in issue, but not yet effective.

IFRS/IFRIC	Title and Details	Effective Date
IFRS 1	First-time Adoption of International Financial Reporting Standards Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	Annual periods beginning on or after 1 July 2010
IFRS 1	First-time Adoption of International Financial Reporting Standards Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2011
IFRS 1	First-time Adoption of International Financial Reporting Standards Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'	Annual periods beginning on or after 1 July 2011
IFRS 1	First-time Adoption of International Financial Reporting Standards Additional exemption for entities ceasing to suffer from severe hyperinflation	Annual periods beginning on or after 1 July 2011
IFRS 2	Share Based Payment Amendments relating to group cash-settled share-based payment transactions	Annual periods beginning on or after 1 January 2010
IFRS 3	Business Combinations Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2010
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IFRS 7	Financial Instruments: Disclosures Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2011
IFRS 7	Financial Instruments: Disclosures Amendments enhancing disclosures about transfers of financial assets	Annual periods beginning on or after 1 July 2011

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

39. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (continued)

IFRS/IFRIC	Title and Details	Effective Date
IFRS 9	Financial Instruments Classification and Measurement	Annual periods beginning on or after 1 January 2013
IAS 1	Presentation of Financial Statements Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2011
IAS 12	Income Taxes Limited scope amendment (recovery of underlying assets)	Annual periods beginning on or after 1 January 2012
IAS 24	Related Party Disclosures Revised definition of related parties	Annual periods beginning on or after 1 January 2011
IAS 27	Consolidated and Separate Financial Statements Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2010
IAS 34	Interim Financial Reporting Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2011

GROUP SEGMENTAL ANALYSIS

For the year ended 28 February 2011

	South Africa R'000	Botswana R'000	Zambia R'000	Uganda R'000	Tanzania R'000	Malawi R'000
Interest income	150,751	70,124	35,700	14,475	32,898	18,681
- External customers	90,812	39,139	35,617	14,475	32,898	18,681
- Inter-segment	59,939	30,985	83	-	-	-
Interest expense	(108,629)	(27,437)	(18,240)	(17,072)	(14,754)	(15,038)
Net interest income	42,122	42,687	17,460	(2,597)	18,144	3,643
Administration and commission income	57,976	5,945	17,161	7,283	1,685	3,592
- External customers	23,065	5,945	17,161	7,283	1,685	3,592
- Inter-segment	34,911	-	-	-	-	-
Other operating income	74,284	15,897	(5,493)	(32,681)	(22,727)	(8,201)
Operating income	174,382	64,529	29,128	(27,995)	(2,898)	(966)
Net impairment of loan advances	(21,835)	(6,788)	9,154	2,020	3,152	12,781
Operating expenses	(354,025)	(38,209)	(42,578)	(14,713)	(15,819)	(21,121)
Goodwill impairment	-	-	(3,187)	-	-	-
Management operating (loss) / profit	(201,478)	19,532	(7,483)	(40,688)	(15,565)	(9,306)
Segment result: (Loss) / profit before taxation	(201,478)	19,532	(7,483)	(40,688)	(15,565)	(9,306)
Taxation	(8,653)	(6,605)	(5,176)	(19)	(20)	(305)
(Loss) / profit after taxation	(210,131)	12,927	(12,659)	(40,707)	(15,585)	(9,611)
Net investment in foreign operation adjustment	-	-	378	(28,840)	(20,660)	(9,580)
Management (loss) / profit after taxation	(210,131)	12,927	(12,281)	(69,547)	(36,245)	(19,191)
Other material non-cash items included in segment profit / (loss)						
Depreciation on property, plant and equipment	20,990	812	1,166	387	625	963
Amortisation of intangible assets	12,833	853	333	60	57	-
Segment assets	1,171,018	321,384	130,245	52,450	63,051	81,641
Segment liabilities	(967,078)	(209,391)	(68,366)	(112,344)	(102,440)	(116,005)
Included in reportable segment assets:						
Non-current assets other than financial instruments and deferred taxation	718,135	69,899	118,362	27,232	14,222	2,336

GROUP SEGMENTAL ANALYSIS

For the year ended 28 February 2011

	Mauritius R'000	Nigeria R'000	CMA R'000	Other R'000	Elimination R'000	Consolidated R'000
Interest income	53,519	15,368	53,154	8,890	(144,526)	309,034
- External customers	-	15,368	53,154	8,890	-	309,034
- Inter-segment	53,519	-	-	-	(144,526)	-
Interest expense	(62,819)	(4,834)	(9,348)	(10,699)	143,261	(145,609)
Net interest income	(9,300)	10,534	43,806	(1,809)	(1,265)	163,425
Administration and commission income	-	2,374	22,490	3,497	(34,911)	87,092
- External customers	-	2,374	22,490	3,497	-	87,092
- Inter-segment	-	-	-	-	(34,911)	-
Other operating income	8,522	(4,214)	2,642	(15,363)	40,324	52,990
Operating income	(778)	8,694	68,938	(13,675)	4,148	303,507
Net impairment of loan advances	-	(21,226)	(6,118)	1,420	-	(27,440)
Operating expenses	3,735	(21,164)	(28,906)	(17,361)	28,077	(522,084)
Goodwill impairment	-	-	-	-	-	(3,187)
Management operating (loss) / profit	2,957	(33,696)	33,914	(29,616)	32,225	(249,204)
Segment result: (Loss) / profit before taxation	2,957	(33,696)	33,914	(29,616)	32,225	(249,204)
Taxation	(9,900)	(91)	(13,016)	9	8,076	(35,700)
(Loss) / profit after taxation	(6,943)	(33,787)	20,898	(29,607)	40,301	(284,904)
Net investment in foreign operation adjustment	-	(3,824)	-	(13,684)	76,210	-
Management (loss) / profit after taxation	(6,943)	(37,611)	20,898	(43,291)	116,511	(284,904)
Other material non-cash items included in segment profit / (loss)						
Depreciation on property, plant and equipment	-	2,127	1,664	1,027	-	29,761
Amortisation of intangible assets	-	-	176	214	-	14,526
Segment assets	459,439	39,996	118,525	43,671	(1,150,418)	1,331,002
Segment liabilities	(866,347)	(51,530)	(77,722)	(104,043)	1,402,390	(1,272,876)
Included in reportable segment assets:						
Non-current assets other than financial instruments and deferred taxation	361,189	4,407	18,303	12,472	(832,734)	513,823

GROUP SEGMENTAL ANALYSIS

For the year ended 28 February 2010

	South Africa R'000	Botswana R'000	Zambia R'000	Uganda R'000	Tanzania R'000	Malawi R'000
Interest income	260,396	59,063	44,721	14,319	40,076	16,554
- External customers	194,604	45,768	38,841	14,319	40,076	16,554
- Inter-segment	65,792	13,295	5,880	-	-	-
Interest expense	(105,646)	(22,923)	(21,394)	(15,206)	(16,478)	(11,780)
Net interest income	154,750	36,140	23,327	(887)	23,598	4,774
Administration and commission income	172,649	8,605	10,623	5,461	4,725	5,343
- External customers	79,240	8,605	10,623	5,461	4,725	5,343
- Inter-segment	93,409	-	-	-	-	-
Other operating income	85,928	25,110	2,925	-	26	(3,102)
Operating income	413,327	69,855	36,875	4,574	28,349	7,015
Net impairment of loan advances	(357,828)	(43,501)	(15,002)	(17,626)	(14,107)	(26,837)
Operating expenses	(482,758)	(49,820)	(61,369)	(50,724)	(53,711)	(45,770)
Goodwill impairment	(138,816)	-	(50,488)	-	-	-
Management operating (loss) / profit	(566,075)	(23,466)	(89,984)	(63,776)	(39,469)	(65,592)
Segment result: (Loss) / profit before taxation	(566,075)	(23,466)	(89,984)	(63,776)	(39,469)	(65,592)
Taxation	(102,129)	(1,144)	6,456	(4,534)	(5,897)	(445)
(Loss) / profit after taxation	(668,204)	(24,610)	(83,528)	(68,310)	(45,366)	(66,037)
Net investment in foreign operation adjustment	-	-	1,721	(20,984)	(23,357)	(23,143)
Management (loss) / profit after taxation	(668,204)	(24,610)	(81,807)	(89,294)	(68,723)	(89,180)
Other material non-cash items included in segment profit / (loss)						
Depreciation on property, plant and equipment	26,924	572	1,926	421	858	911
Amortisation of intangible assets	11,138	920	1,033	70	70	-
Segment assets	1,093,674	377,777	183,597	39,979	76,806	65,433
Segment liabilities	(1,025,046)	(329,757)	(268,738)	(112,285)	(123,209)	(93,003)
Included in reportable segment assets:						
Non-current assets other than financial instruments and deferred taxation	78,997	16,881	3,687	881	1,455	2,919

GROUP SEGMENTAL ANALYSIS

For the year ended 28 February 2010

	Mauritius R'000	Nigeria R'000	CMA R'000	Other R'000	Elimination R'000	Consolidated R'000
Interest income	13,492	34,181	43,139	13,116	(84,967)	454,090
- External customers	13,492	34,181	43,139	13,116	-	454,090
- Inter-segment	-	-	-	-	(84,967)	-
Interest expense	(24,451)	(4,134)	(25,490)	(10,139)	84,400	(173,241)
Net interest income	(10,959)	30,047	17,649	2,977	(567)	280,849
Administration and commission income	-	6,752	42,415	1,626	(93,409)	164,790
- External customers	-	6,752	42,415	1,626	-	164,790
- Inter-segment	-	-	-	-	(93,409)	-
Other operating income	464	(4,268)	-	(5,211)	(2,630)	99,242
Operating income	(10,495)	32,531	60,064	(608)	(96,606)	544,881
Net impairment of loan advances	-	(26,620)	(33,882)	(13,408)	-	(548,811)
Operating expenses	(7,420)	(27,480)	(54,669)	(44,088)	162,574	(715,235)
Goodwill impairment	-	-	-	(20,750)	-	(210,054)
Management operating (loss) / profit	(17,915)	(21,569)	(28,487)	(78,854)	65,968	(929,219)
Segment result: (Loss) / profit before taxation	(17,915)	(21,569)	(28,487)	(78,854)	65,968	(929,219)
Taxation	(1,402)	(1,522)	7,154	(2,698)	4,752	(101,409)
(Loss) / profit after taxation	(19,317)	(23,091)	(21,333)	(81,552)	70,720	(1,030,628)
Net investment in foreign operation adjustment	-	(5,139)	-	(12,474)	83,376	-
Management (loss) / profit after taxation	(19,317)	(28,230)	(21,333)	(94,026)	154,096	(1,030,628)
Other material non-cash items included in segment profit / (loss)						
Depreciation on property, plant and equipment	-	1,765	1,414	1,231	-	36,022
Amortisation of intangible assets	-	-	239	150	-	13,620
Segment assets	335,508	80,494	180,930	34,000	(934,685)	1,533,513
Segment liabilities	(333,808)	(47,418)	(164,213)	(93,659)	1,054,740	(1,536,396)
Included in reportable segment assets:						
Non-current assets other than financial instruments and deferred taxation	-	6,832	4,485	4,315	463,166	583,618

GROUP SEGMENTAL ANALYSIS

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 aggregates segment information for the remainder of operations based in Kenya, Cameroon, Rwanda and Ghana.

ADDENDUM A - INVESTMENTS IN SUBSIDIARIES

Name of company	Held by	Country of incorporation	% holding Feb 2011	% holding Feb 2010
Subsidiaries				
Financial Services-Direct				
Blue Financial Services (South Africa) (Proprietary) Ltd	Blue Financial Services Limited	RSA	100%	100%
Makhulong Multi Finance (Proprietary) Ltd	Blue Financial Services Limited	Lesotho	100%	100%
Bonus Finance (Proprietary) Ltd	Blue Financial Services Limited	Namibia	100%	100%
Credit U Financial Services (Proprietary) Ltd	Blue Financial Services Limited	RSA	100%	100%
Blue Financial Services Swaziland Ltd	Blue Financial Services Limited	Swaziland	100%	100%
Blue Financial Services (Mauritius) Ltd	Blue Financial Services Limited	Mauritius	100%	100%
Blue Underwriters (Proprietary) Ltd	Blue Financial Services Limited	RSA	-	100%
Financial Services-Indirect				
Blue Employee Benefits (Proprietary)Ltd	Blue Financial Services (Mauritius) Ltd	Botswana	100%	100%
Blue Financial Services (Zambia) Ltd	Blue Financial Services (Mauritius) Ltd	Zambia	100%	100%
Blue Ltd	Blue Financial Services (Mauritius) Ltd	Kenya	100%	100%
Blue Employee Benefits Ltd	Blue Financial Services (Mauritius) Ltd	Uganda	100%	100%
Blue Financial Services Ltd	Blue Financial Services (Mauritius) Ltd	Tanzania	100%	100%
Blue Financial Services Ltd	Blue Financial Services (Mauritius) Ltd	Rwanda	100%	100%
Blue Financial Services Ltd	Blue Financial Services (Mauritius) Ltd	Malawi	100%	100%
Blue Financial Services Cameroon SARL	Blue Financial Services (Mauritius) Ltd	Cameroon	100%	100%
Blue Intercontinental Microfinance Bank Ltd	Blue Financial Services (Mauritius) Ltd	Nigeria	65%	55%
C.A.D.E.C.I Cameroon	Blue Financial Services Cameroon SARL	Cameroon	-	97%
Blue Financial Services Egypt Ltd	Blue Financial Services (Mauritius) Ltd	Egypt	100%	100%
Blue Financial Services Ghana Ltd	Blue Financial Services (Mauritius) Ltd	Ghana	85%	85%
Ned fin Ltd	Blue Financial Services Zambia Ltd	Zambia	100%	100%
Mobile Products-Direct				
Mobile U (Proprietary) Ltd	Blue Financial Services Limited	RSA	100%	100%

ADDENDUM A - INVESTMENTS IN SUBSIDIARIES

Name of company	Held by	Country of incorporation	% holding Feb 2011	% holding Feb 2010
Insurance Products-Direct				
Blue Insurance Administrator Holdings (Proprietary) Ltd	Blue Financial Services Limited	RSA	100%	100%
Insurance Products-Indirect				
Blue Assurance Services Limited	Blue Financial Services Zambia Ltd	Zambia	100%	100%
Blue Insurance Brokers (Proprietary) Ltd	Blue Insurance Administrator Holdings (Proprietary) Ltd	RSA	100%	-
Blue Insurance Services (Proprietary) Limited	Blue Employee Benefits (Proprietary) Ltd Botswana	Botswana	100%	-
Blue Insurance Services Limited	Blue Financial Services Ltd Tanzania	Tanzania	67%	67%
Blue Insurance Services Limited	Blue Employee Benefits Ltd Uganda	Uganda	100%	-
Blue Insurance Services Limited	Blue Financial Services Ltd Malawi	Malawi	100%	-

ADDENDUM A - INVESTMENTS IN SUBSIDIARIES

Name of company	Held by	Country of incorporation	% holding Feb 2011	% holding Feb 2010
Dormant entities				
Africa Mobile Cellular (Proprietary)Ltd	Blue Financial Services (South Africa) (Proprietary) Ltd	RSA	100%	100%
Blue Financial Services S.A.R.L.	Blue Financial Services Limited	Mozambique	100%	100%
Blue Incremental Housing Finance (Proprietary) Ltd	Blue Financial Services Limited	RSA	100%	100%
Green start Home Loans (Proprietary) Ltd	Blue Financial Services Limited	RSA	100%	100%
Blue Employee Benefits (Proprietary) Ltd	Blue Financial Services Limited	RSA	100%	100%
Blue Financial Services S.A.	Blue Financial Services Limited	Cameroon	75%	75%
Credit U Holdings Ltd	Blue Financial Services Limited	RSA	100%	100%
African Contact Outsource Solutions (Proprietary) Ltd	Blue Financial Services Limited	RSA	100%	100%
Credit U Financial Enterprises (Proprietary) Ltd	Blue Financial Services Limited	RSA	100%	100%
Credit U Financial Services 11 (Proprietary) Ltd	Blue Financial Services Limited	RSA	100%	100%
Credit U Financial Services 4 (Proprietary) Ltd	Blue Financial Services Limited	RSA	100%	100%
Credit U Financial Services 3 (Proprietary) Ltd	Blue Financial Services Limited	RSA	100%	100%
Credit U Financial Services 5 (Proprietary) Ltd	Blue Financial Services Limited	RSA	100%	100%
Credit U Financial Services 7 (Proprietary) Ltd	Blue Financial Services Limited	RSA	100%	100%
Credit U Financial Services 8 (Proprietary) Ltd	Blue Financial Services Limited	RSA	100%	100%
Credit U Financial Services 9 (Proprietary) Ltd	Blue Financial Services Limited	RSA	100%	100%
Credit U Financial Services 10 (Proprietary) Ltd	Blue Financial Services Limited	RSA	100%	100%
V Broses Operations (Proprietary) Ltd	Blue Financial Services Limited	RSA	100%	100%
Fount Investments (Proprietary) Ltd	Blue Financial Services Limited	RSA	100%	100%
Blue Holdings Limited	Blue Financial Services Limited	Mauritius	100%	100%