

BLUE FINANCIAL SERVICES LIMITED

Incorporated in the Republic of South Africa

Registration Number: 1996/006595/06

JSE Code: BFS

ISIN: ZAE000083655

("Blue" or "the Company" and when reference is made to "the Group", includes the Company's subsidiaries)

DISPOSAL OF BLUE ASSURANCE SERVICES (ZAMBIA) LIMITED

1. INTRODUCTION

Shareholders are advised that Blue Financial Services (Zambia) Limited ("BFS Zambia") and Blue Employee Benefits (Botswana) Limited ("BFS Botswana"), wholly owned subsidiaries of Blue, have entered into a sale agreement with Regent Life Botswana Limited ("Regent Botswana"), to dispose of 100% in Blue Assurance Services (Zambia) Limited ("BAS Zambia"), for a purchase consideration of ZAR1.67 (the "Transaction").

2. BACKGROUND AND RATIONALE FOR THE DISPOSAL

As part of the restructure process announced in the SENS issued by the Company on 20 April 2015, the Group has decided to dispose of BAS Zambia which operates a long term insurance licence in Zambia. BAS Zambia is the only long term insurance licence holder in the Group and as such is not part of the Group's core business. The boards of the Company, BFS Zambia and BFS Botswana concur with the decision to dispose of BAS Zambia which will, in terms of the sale agreement referred to above, be sold to Regent Botswana.

Regent Botswana was incorporated in 1997 as a life insurance company in Botswana and is seen as a leader in the Botswana micro-insurance market.

One of the benefits that will flow from the disposal of BAS Zambia is that BFS Zambia, and indirectly, the Company's obligation to inject capital to meet the minimum capital requirements in terms of the Zambia Insurance Act No 27 of 1997 will be reduced by 50% as more fully described herein below.

3. DETAILS OF THE TRANSACTION

BFS Zambia and BFS Botswana will sell, and Regent Botswana will acquire 100% of the issued share capital of BAS Zambia for the transaction consideration of ZAR1.67, which will be settled in cash on the effective date of the Transaction.

On or about 1 May 2015, BFS Zambia will contribute 50% of the total amount required to restore the negative Net Asset Value ("NAV") of BAS Zambia as at the effective date, to ZAR 1.67, by subscribing for shares in the issued share capital of BAS Zambia prior to the sale of the shares to Regent Botswana. The shares subscribed for by BFS Zambia will be sold to Regent Botswana as part of the Transaction. It is anticipated that the NAV shortfall will be approximately ZAR833 thousand, to be contributed on an equal basis by BAS Zambia and Regent Botswana.

BFS Zambia will subscribe for 250 000 shares at a total subscription price of ZAR416 thousand, with the aim to capitalize the company with ZAR416 thousand as part of its 50% contribution. If it transpires that the NAV shortfall at the effective date is more than ZAR833 thousand the subscription price will be deemed to have been increased proportionately and BFS Zambia will settle its equal contribution to the NAV shortfall of BAS Zambia in cash. If it transpires that the NAV shortfall at the effective date is less than ZAR833 thousand the subscription price will be deemed to have been decreased proportionately and Regent Botswana will be discharged of its obligation to BFS Zambia to refund its portion of the NAV shortfall, by setting off such refund against the loan amount which BFS Zambia is required to pay BAS Zambia as explained in more detail below. In terms of the Transaction BFS Zambia's maximum exposure with regards to the NAV shortfall is ZAR666 thousand but, as stated above, it is not anticipated, based on the calculated NAV shortfall, to be more than ZAR416 thousand.

As part of the Transaction, BFS Zambia will also settle, in full, its obligations to repay the outstanding loan of ZAR2.6 million to BAS Zambia in cash in six equal monthly installments from 1 June 2015 to 1 November 2015.

The effective date of the Transaction is 1 May 2015.

4. CONDITIONS PRECEDENT

The only outstanding condition precedent to the Transaction at the date of this announcement is the approval of the Transaction by the Pensions and Insurance Authority of Zambia.

5. OUTSTANDING FINANCIAL RESULTS AND CATEGORISATION OF THE TRANSACTION

Shareholders are referred to the recent update announcement released on SENS on 31 March 2015, regarding the company's continued suspension and its financial results for the full year ended February 2013, the six months ended 31 August 2013, the full year ended February 2014, the six months ended 31 August 2014 and the 10 months ended 31 December 2014 which remain outstanding.

Shareholders are further referred to the SENS on 20 April 2015 regarding an operational update, a trading update and a cautionary announcement, which will provide further context to this SENS.

As a result of continued suspension, the company approached the Issuer Regulation Services department of the JSE Limited ("JSE") for a ruling regarding the application of the categorization principles to the Transaction, in terms of Section 9 of the JSE Listings Requirements.

The Transaction is less than a Category 2 transaction in terms of the JSE Listings Requirements. The following measurements were used for purposes of the ruling, in order to illustrate the size of BAS Zambia relative to the Group and were calculated based on financial information extracted from the management accounts as indicated:

Measurement	Percentage
	%
NAV one	1.4 ¹
NAV two	1.3 ²
Total assets	2.6 ³
Revenue	3.8 ⁴
Loan Repayment	0.4 ⁵

Notes:

1. The NAV one measurement was calculated using the NAV for BAS Zambia per the management accounts dated 31 December 2014, over the NAV for the Group per the last audited Group annual financial statements – 29 February 2012.

2. The NAV two measurement was calculated using the NAV for BAS Zambia per the latest management accounts dated 31 December 2014, over a worst case scenario market capitalization for the Group at 1 cent per share, amounting to approximately R82 million.
3. The total assets measurement was calculated using the total assets for BAS Zambia per the management accounts dated 31 December 2014, over the total assets for the Group per the management accounts dated 31 December 2014.
4. The revenue measurement was calculated using the revenue for BAS Zambia per the management accounts dated 31 December 2014, over the revenue for the Group per the management accounts dated 31 December 2014 annualized.
5. The loan repayment measurement was calculated by using the maximum loan repayment amount per the management accounts dated 31 December 2014, over the Group's total liabilities per the management accounts dated 31 December 2014.
6. The value of the negative net assets of BAS Zambia which are the subject of the Transaction as per the 31 December 2014 management accounts was ZAR1.05 million. The loss before tax of BAS Zambia attributable to the net assets that are the subject of the Transaction for the 12 months ended 31 December 2014 was ZAR1.37million.
7. The management accounts applied in the above measurements have not been reviewed nor audited by the Company's auditors.

Designated Advisor
Grindrod Bank Limited

Bryanston
4 May 2015